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17 September 2025

## Transition plan requirements consultation

### Introduction

Transition planning, where material to the investment strategy, plays a useful role in supporting risk management and long-term asset performance. However, the Association of Real Estate Funds<sup>1</sup> (AREF) feels that to be effective in achieving positive outcomes, new regulatory obligations must avoid adding unnecessary complexity or diverting resources from implementation and should have flexibility to take into account the distinctive and unique characteristics of different industries, sectors, and strategies. It is therefore critical that any future requirements remain proportionate, aligned with existing frameworks, and sensitive to the diverse structures and investment models within the real estate fund industry which includes, for direct and indirect exposures to real estate or related assets, operating companies, REITs/listed property companies, and asset-rich corporates.

The real estate fund industry welcomes the UK Government's commitment to reduce regulatory compliance costs by 25%. Delivering on this ambition is essential to supporting long-term investment in the built environment, particularly as investment managers already navigate growing and multiple climate-related disclosure requirements across multiple regimes and jurisdictions. This response outlines practical measures to reduce unnecessary regulatory burden. These include aligning with the FCA's Sustainability Disclosure Requirements (SDR) and international frameworks already in place which require disclosure plans, such as ISSB-TCFD and ESRS; adopting a "comply or explain" model to reflect sector-specific differences; providing transition reliefs for early adopters of the UK Sustainability Reporting Standards (UK SRS); and enabling the use of real estate-specific ESG reporting tools and metrics.

The Government can further support cost-effective implementation by promoting data interoperability, minimising duplication with existing disclosure rules, and ensuring that transition planning frameworks remain flexible, outcome-oriented, and internationally coherent. By embedding these principles, the UK can lower compliance costs, improve market clarity, and reinforce its leadership in sustainable finance, as well as attract capital towards transitional investment strategies.

If you would like to discuss any aspect of our response, please contact Jacqui Bungay ([jbungay@aref.org.uk](mailto:jbungay@aref.org.uk)), Head of Policy at AREF. Also, as our members invest in real estate and other real assets for various types of open-ended and closed-ended funds, we are always willing to assist the Government by sharing this wealth of knowledge and experience.

Yours sincerely



Paul Richards, CEO, The Association of Real Estate Funds

<sup>1</sup> The Association of Real Estate Funds (AREF) represents the UK real estate funds industry and has around 50 member funds with a collective net asset value of approximately £50 billion under management on behalf of their investors. The Association is committed to promoting transparency in performance measurement and fund reporting through the AREF Charter, the MSCI/AREF UK Quarterly Property Funds Index and the AREF Property Fund Vision Handbook.

## Section A: The benefits and use cases of transition plans

### Question 1

*To what extent do you agree with the assessment of the benefits and use cases of transition planning set out in Section A? Are there any additional benefits or use cases for transition plans? Do you have any further insights and evidence on the purpose, benefits and use cases of increased and improved transition planning—including economy-wide impacts*

AREF supports the Government's recognition of the growing role of transition planning in advancing decarbonisation, improving corporate strategy, and supporting financial stability. We agree that credible, forward-looking transition plans can deliver a range of benefits both at the entity level and across the wider economy. These include improved governance, enhanced capital allocation, and greater accountability for climate-related commitments. For institutional real estate investors, transition planning is an important tool for managing asset-level risks, prioritising capital expenditure, and aligning portfolios with long-term environmental goals.

Importantly, transition planning also enables more accurate identification, assessment, and pricing of transition risks—particularly those linked to changes in regulation, occupier expectations, and the risk of asset obsolescence. For real estate funds, this is critical to maintaining asset value and ensuring long-term performance, especially for buildings at risk of becoming stranded due to poor energy performance or climate exposure.

However, we would caution that the real estate investment sector does not lend itself to a one-size-fits-all approach to transition planning. Real estate is a physical, capital-intensive asset class characterised by varying investment horizons, sector-specific metrics, and often complex ownership and operational structures. These factors, combined with buy-hold-sell decisions that evolve over the course of any long-dated transition plan, mean that transition planning for real estate funds can require a tailored, asset-by-asset assessment, frequently embedded within broader sustainability/ESG strategies rather than set out in a standalone document.

Many real estate investment managers and investors already engage in transition planning as a matter of standard practice, particularly in response to investor expectations and regulatory requirements such as the FCA's TCFD-aligned disclosure regime and alignment in progress with ISSB (IFRS S1/S2). These existing disclosures already require asset managers to provide meaningful, strategy-level information on how climate risks and opportunities are addressed, including any climate transition plans material to the investment strategy, level of control, and hold period. In this way, transition-related disclosure is already being provided the extent currently required by statutory obligations.

The UK real estate industry has already demonstrated successful voluntary adoption of transition planning principles, such as The Better Buildings Partnership's Climate Commitment which has effectively acted as a precursor to formal transition planning, with members setting clear net zero pathways, embedding governance, and publishing regular progress updates.

Transition planning, when appropriately implemented, also plays a critical role in directing capital into refurbishment and retrofit strategies. In the built environment, credible, costed plans for improving energy performance over time - such as those aligned with Carbon Risk Real Estate Monitor (CRREM<sup>2</sup>) pathways, targets verified by the Science Based Targets initiative (SBTi) or Energy Performance Certificate (EPC<sup>3</sup>) uplift targets - constitute an essential transition use case. These commitments, often tied to investor mandates and fund business plans, can be just as impactful as immediate emissions reductions and should be formally recognised in policy frameworks.

In addition, robust transition plans are becoming a key mechanism for real estate funds to demonstrate alignment with climate goals, improve transparency, and maintain market credibility. This in turn facilitates access to capital,

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<sup>2</sup> CRREM (Carbon Risk Real Estate Monitor) provides science-based decarbonisation pathways for real estate assets, aligned with global climate targets. It helps property owners identify and manage "stranding risk" by benchmarking building emissions against sector-specific reduction trajectories.

<sup>3</sup> UK EPC uplift targets, including the Minimum Energy Efficiency Standards (MEES), which aim to improve building energy performance and reduce carbon emissions, with non-compliance affecting lettable and asset value.

especially from institutional investors with net-zero mandates. A coherent transition narrative strengthens the credibility of the UK's transition finance market and supports broader investor confidence in the sector's climate strategy.

We also encourage the Government to take account of the social dimension of decarbonisation. A Just Transition framework is essential to ensure that climate objectives are pursued alongside inclusive economic development. In the real estate context, this means considering the potential impacts of transition plans on tenants/occupiers and communities - including issues such as affordability, energy costs, and displacement risk. Transition strategies should aim to strengthen community resilience, foster adaptation at the local level, and support equitable outcomes alongside environmental goals

Delivering on these environmental and social objectives will require a framework that is flexible, sector-sensitive, and aligned with international standards - particularly the ISSB's IFRS S2 and ESRS E1 - while also leveraging the real estate sector's own established tools for climate disclosure and performance tracking. These include the [INREV ESG Standard Data Delivery Sheet \(SDDS\)](#)<sup>4</sup>, a ready-to-use reporting template that standardises ESG data exchange between managers and investors; the [Aligning Real Estate Sustainability Indicators \(ARESI\) White Paper](#), which delivers technical clarity and harmonisation of key performance indicators and calculation methods across EU frameworks, enabling comparability and consistency; and [ESG Metrics for Real Estate](#), which sets out agreed reporting principles and sector-specific metrics designed to ensure consistent, transparent, and decision-useful disclosure. Together, these frameworks already form a coherent, practical foundation for real estate transition planning and should be recognised within the UK's approach.

Proportionality is also essential. For example, start-up funds, newly raised vehicles, or portfolios in early-stage development may not yet have sufficiently data to support a detailed transition plan. In such cases, an obligation to produce or publish a transition plan would be counterproductive, as it could generate superficial adherence which is then not revisited once a sufficient asset strategy has been created. Safe harbour provisions for early-stage vehicles would recognise these operational realities and prevent premature or low-quality disclosures.

In sum, while we support the Government's assessment of the benefits of transition planning, we strongly recommend that any future regulatory expectations continue to respect the diversity of investment strategies and avoid introducing any mandatory requirements to publish or implement transition plans. A "comply or explain" approach would ensure that disclosures remain meaningful, contextualised, and relevant to end investors.

This is reinforced by the ARESI Product Labels proposal, which advocates a real estate-specific approach to transition planning, with a flexible taxonomy designed to reflect the different maturity levels and decarbonisation pathways across portfolios. Furthermore, the TPT April 2024 sector guidance for asset managers, available via the IFRS Knowledge Hub, explicitly recognises the role of industry frameworks such as the INREV ESG SDDS, the ARESI indicators, and ESG Metrics for Real Estate. These tools are more appropriate for conveying transition intent and progress in a real asset context than prescriptive templates.

We also encourage the Government to ensure that any future approach to transition plans is consistent with its broader policy objective to streamline and modernise the UK's legal framework and reduce the cost of regulation for business by 25%. Leveraging existing disclosure practices through a flexible and interoperable regime would better support this ambition than introducing a separate prescriptive requirement.

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<sup>4</sup> Which is designed to align with relevant regulatory and industry disclosure frameworks, including the EU SFDR, the European ESG Template (EET), TCFD recommendations, and the evolving UK SDR as applicable.

## Question 2

*For preparers of transition plans: Does your organisation already produce, or intend to produce, a transition plan and disclose it publicly?*

- a. *[If yes] What specific drivers have motivated your entity or pension scheme to engage in transition planning?*
- b. *[If yes] Based on your experience, do you have any reflections on the purpose, benefits and costs (e.g. additional FTE, setup costs, etc) of developing your own transition plan?*
- c. *[If yes] What specific challenges or obstacles (e.g., regulatory, organisational, market-related, guidance), if any, did or do you face in preparing your transition plan?*
- d. *[If yes] Did you make use of the TPT's materials (now managed by the ISSB), and if so, how? Were there any challenges in doing so? Are there any further pieces of guidance or support that you feel would be helpful?*
- e. *[If no] If no, what are the main barriers preventing your organisation from developing a transition plan? Please provide any evidence where available to support your answer.*

Many real estate investment managers and investors already prepare transition plans, often as an integrated part of their broader ESG strategies. These plans are typically aligned with recognised international and European frameworks, including the TCFD, ISSB's IFRS S2, the ESRS under the CSRD, and the real estate-specific standards such as INREV ESG SDDS and the ARESI White Paper. This alignment is also reflected in ESG Metrics for Real Estate, which sets out core reporting principles for consistent, transparent, and sector-specific ESG disclosure.

Importantly, the TPT sector-specific guidance for asset managers (April 2024) allows for this approach by accepting the use of third-party frameworks and recognising the challenges of applying generic transition plan structures to asset-based strategies.

Transition plans are shaped by investor expectations and fiduciary obligations rather than legal mandates, and disclosures are often tailored to the needs of professional investors and their respective jurisdictions. A “comply or explain” approach is far better suited to ensuring disclosures reflect fund-specific context and investor priorities and disclosure regimes that allow for data interoperability.

In the real estate sector, transition plans are necessarily adapted to reflect the long-duration nature of investments, the capital intensity of retrofitting, and the variability in asset condition, location, and use.

Asset use patterns - including occupancy intensity, operational hours, tenant/occupier energy behaviours, and mixed-use configurations - fundamentally determine both baseline emissions profiles and the feasibility of specific decarbonisation interventions, requiring transition strategies that can accommodate use changes over extended holding period.

These characteristics, along with differing holding structures and investment horizons demand flexibility in setting targets, timelines and measuring progress against interim milestones. For example, a fund may commit to a portfolio-level CRREM pathway or to specific EPC improvement plans, which are embedded in business plans and investor reporting rather than disclosed in a standalone public format. In some cases, a fund may only hold an asset for 2-4 years within a broader 10+ year decarbonisation trajectory.

The main drivers for transition planning among our members include demand for credible decarbonisation strategies, expectations for climate risk integration in capital allocation decisions, and the need to maintain asset value under evolving regulatory and market conditions. Regulatory developments such as the FCA's TCFD-aligned disclosure requirements have also played a role in institutionalising transition-related reporting.

The cost of developing and maintaining a transition plan varies depending on the nature of the fund and its underlying assets. Key challenges include data availability - particularly where landlord-tenant/occupier boundaries complicate access to operational performance data - the need for specialist expertise to model and track retrofit strategies, and capital to progress innovation, and the complexity of aligning disclosure obligations across overlapping regimes. Duplicative or fragmented reporting frameworks present a significant operational burden for managers operating across jurisdictions.

TPT's disclosure framework offers a clear and flexible structure for developing credible transition plans. Within the real estate sector, many managers are complementing this with industry-led tools such as INREV ESG SDDS and the ARESI White Paper, which provide practical guidance tailored to asset-level realities and institutional reporting needs. Continued flexibility and recognition of these sector-specific approaches will be essential to ensuring that transition planning remains effective, meaningful, and decision-useful across diverse fund strategies.

### Question 3

*For users of transition plans: How do you use transition plans? E.g. if you are an investor, do you use transition plans to inform your investment strategy (both in terms of how you identify opportunities where to invest, and how you identify, manage and assess risks to investment portfolios)*

Many real estate investment managers and investors members use transition planning as an essential tool for identifying and managing climate-related risks and opportunities across their portfolios. While such plans may not always take the form of a single public document, they are typically embedded within broader investment strategies, ESG frameworks, and asset-level business plans. Transition-related information is a core input into capital allocation decisions, investment underwriting, and asset management activities.

In practice, transition plans are used to assess the viability of retrofitting existing assets, track alignment with decarbonisation pathways such as CRREM, and identify misaligned assets. For example, where a manager plans to refurbish an asset to achieve a higher EPC rating or meet a defined energy intensity target, that plan - together with its associated timeline, cost assumptions, and carbon impact - will inform investment decision-making and reporting to investors, with a focus on tangible forward-looking outcomes, in addition to assessment of current performance.

Transition planning is also used to support fund-level risk assessments, including scenario analysis and climate-related stress testing, in line with TCFD recommendations. These exercises help determine exposure to transition risks, such as regulatory tightening or shifts in occupier demand, and are increasingly used to set fund-level carbon targets or net-zero pathways. Many real estate investment managers and investors also use such planning to engage with tenants/occupiers and value chain partners, encouraging more energy-efficient behaviour and data-sharing to support monitoring efforts and collective goals.

Importantly, the application of transition plans within the non-listed real estate sector reflects the sophisticated and bilateral nature of investor-manager relationships. Rather than relying on standardised, public-facing disclosures, investors typically receive detailed, contextualised information through periodic reporting, data rooms, or fund documentation tailored to their specific mandates. This ensures that transition planning is not treated as a compliance exercise but as an integrated and commercially relevant strategy for value preservation and enhancement - particularly in the context of investment into hard assets.

### Question 4

*Do you have any reflections on the additional costs and challenges of using transition plans? Please provide evidence where available to support your answer.*

While real estate managers recognise the strategic importance of transition planning, its development and implementation often present operational and financial challenges, particularly given the asset-specific and long-duration nature of real estate assets with varying investment structures and hold periods. These are especially acute in the built environment, where emissions data are often difficult to obtain due to landlord-tenant/occupier boundaries, legacy infrastructure, and limited data-sharing obligations. Real estate managers frequently lack control over operational performance, which complicates efforts to monitor progress against emissions targets or model decarbonisation pathways. In most cases, the majority of emissions is related to tenant/occupier activities of which the real estate fund will have limited control over.

Fundamental challenges of data collection could be alleviated through legislative solutions involving tenants and other occupiers. The legislation could be implemented on a two phased UK-wide basis<sup>5</sup>, aligned with

<sup>5</sup> [https://www.smf.co.uk/commentary\\_podcasts/we-need-mandatory-sharing-of-real-estate-energy-consumption-data-in-the-uk/](https://www.smf.co.uk/commentary_podcasts/we-need-mandatory-sharing-of-real-estate-energy-consumption-data-in-the-uk/)

government intending “to take a more pragmatic, proportionate, and realistic approach to reaching net zero”<sup>6</sup>.

In addition, we encourage targeted Government initiatives on data sharing frameworks. For instance, developing mechanisms for centralised open databases - similar to emerging models in parts of Europe such as digital building passports and energy performance registries - would directly address the landlord-tenant data boundaries and legacy infrastructure limitations that currently impede comprehensive emissions monitoring. This approach would leverage the accelerating trend toward digitalisation and smart building technology deployment, where IoT sensors, building management systems, and automated meter reading create unprecedented opportunities for real-time data capture. Government-regulatory data sharing protocols would enable fund managers to access tenant energy consumption data, operational performance metrics, and building system information that are currently fragmented across multiple parties, reducing the resource burden on smaller managers and eliminating the need for costly building audits and specialist consultant engagements to obtain basic emissions baseline.

In many cases, managers must commission building audits, engage specialist consultants and/or engineers, and develop asset-specific retrofit scenarios - such as those aligned with CRREM. These exercises require technical expertise and dedicated resources and are disproportionately costly for smaller managers or funds in the early stages of their lifecycle, including those without fully invested portfolios. For many, the resource burden falls on small internal ESG or asset management teams already navigating multiple disclosure frameworks. In addition, the lack of consistent building standards and energy labelling schemes across jurisdictions further adds complexity, especially when aggregating data at portfolio level. This fragmented landscape also presents a barrier to innovation, as the technologies needed to decarbonise the built environment - often referred to as “realtech” - frequently fall outside the traditional scope of private markets climate allocations. A lack of incentives, combined with rigid asset allocation frameworks and tax complexities (such as the distinction between rental and trading income from on-site renewables), has contributed to the underfunding and slow adoption of these critical solutions within the real estate sector.

These challenges are compounded by overlapping regulatory requirements. As outlined in ESG Metrics for Real Estate, managers face parallel ESG reporting obligations under SFDR, CSRD, ISSB, and the UK’s FCA TCFD-aligned rules. Introducing new statutory obligations without mutual recognition mechanisms risks creating unnecessary duplication and confusion - particularly for cross-border firms. That paper also highlighted the need for consistent, sector-appropriate metrics that reflect the long-duration nature of real estate investment and warned against prescriptive mandates that encourage box-ticking at the expense of meaningful disclosure.

In parallel, transition planning can give rise to significant capital allocation challenges for assets that are not aligned. Managers may be required to reallocate capital toward net-zero aligned assets and retrofit strategies, often at scale. Without sufficient flexibility, these capital shifts risk exposing funds to unintended consequences - such as asset obsolescence, depressed valuations, or misalignment with fund strategy. These risks are particularly pronounced where transition plans are imposed in a rigid manner or not properly integrated into broader risk and performance frameworks. Transition plans inevitably depend on external factors beyond managers’ control - including grid decarbonisation, regulatory changes, tenant/occupier data disclosure and other cooperation, and technology availability - requiring frameworks that accommodate disclosure of these dependencies and their associated risks.

The use of generic templates or rigid formats further undermines the effectiveness of transition planning in real estate, where decarbonisation strategies must reflect the location, age, use, and condition of assets, as well as the timing of lease events and refurbishment cycles. Sector-specific tools such as the INREV ESG SDDS, the ARESI White Paper, and CRREM are already widely used by managers to support credible, outcome-focused transition planning that meets investor expectations. Failure to meet such expectations can reduce access to transition-aligned capital and weaken a fund’s positioning in the sustainable finance market.

Despite this, many funds continue to face gaps in sector-specific guidance, particularly on whole life carbon assessment. As noted in ESG Metrics for Real Estate, there is a pressing need for technical clarity and practical tools to operationalise such methodologies across diverse portfolios. These gaps are especially challenging for smaller managers and for strategies operating across multiple jurisdictions.

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<sup>6</sup> <https://www.gov.uk/government/news/pm-recommits-uk-to-net-zero-by-2050-and-pledges-a-fairer-path-to-achieving-target-to-ease-the-financial-burden-on-british-families>

Furthermore, transition plans will increasingly be expected to demonstrate social as well as environmental outcomes. Embedding Just Transition principles into real estate decarbonisation strategies requires additional planning, stakeholder engagement, and clarity of purpose. Managers must consider potential impacts on affordability, tenant displacement, rising energy costs, and local employment. These social risks are rarely captured in standard templates but are material to both asset-level viability and long-term licence to operate. Policymakers should acknowledge these complexities and ensure that transition frameworks are designed to support inclusive and resilient outcomes, particularly in the built environment.

We therefore urge the Government to maintain a flexible, principles-based approach and to avoid mandatory formats, publication requirements, or implementation obligations. A well-structured “comply or explain” model would ensure proportionality, minimise cost, and preserve the commercial and strategic relevance of transition planning in this complex, long-term asset class. In line with the Government’s objective to reduce the cost of regulation by 25%, policymakers should avoid duplicating existing requirements for institutional managers - particularly those already disclosing under the FCA regime or reporting to professional investors through sector-specific frameworks.

### **Question 5**

#### ***Do you have any reflections on how best to align transition plan requirements with other relevant jurisdictions?***

For cross-border investment managers, alignment and interoperability with international frameworks is essential. We strongly support the UK Government’s objective of enhancing coherence between domestic requirements and global standards, particularly those developed by the ISSB, EFRAG, and the FCA.

UK-based real estate managers already report under the FCA’s TCFD-aligned rules, which require climate-related disclosures including strategy, risk management, and - where applicable - transition planning. These rules effectively operate as a public “comply or explain” regime, rendering further statutory disclosure requirements unnecessary. Any new policy intervention should therefore complement, not duplicate or override, this existing framework.

Many real estate investment managers and investors are also subject to overlapping regimes, including the EU’s SFDR and CSRD, the UK’s SDR, and the ISSB’s IFRS S1 and S2. These frameworks are increasingly converging around common climate-related disclosures, particularly in relation to transition risks and emissions targets. In addition, a number of institutional investors incorporate voluntary standards such as the UN-backed Principles for Responsible Investment (PRI), which further reinforce expectations around transparency, transition risk, and climate strategy. We therefore urge the UK Government to focus on mutual recognition and technical interoperability, allowing managers to rely on disclosures made under other recognised standards - particularly the ISSB climate standard (IFRS S2), which already references the UK’s Transition Plan Taskforce materials.

From the real estate perspective, alignment must also account for sector-specific frameworks, including the INREV ESG SDDS and the ARESI White Paper, which offer harmonised metrics tailored to the built environment. These tools are already used to fulfil reporting obligations under SFDR and are fully compatible with the principles underlying both ISSB and TPT. Introducing UK-specific templates or audit requirements that diverge from these established standards would create inefficiencies and undermine best practice.

ESG Metrics for Real Estate confirms that managers already rely on a suite of globally recognised tools - covering both governance-level disclosures and asset-level metrics - to inform credible transition planning. These provide a solid foundation on which UK policy should build. We therefore recommend that any future UK regime remains voluntary, principles-based, and explicitly aligned with existing international disclosure expectations. This would ensure consistency for global investors, reduce reporting burdens, and maintain the UK’s leadership role in shaping coherent and investable sustainability frameworks.

Alignment and mutual recognition would also support the Government’s ambition to modernise the regulatory landscape and reduce compliance costs for business by 25% - an objective that is especially important for sectors like real estate, where parallel disclosure regimes already exist.

## Section B: Implementation options

### Question 6

*What role would you like to see for the TPT's disclosure framework in any future obligations that the government might take forward? If you are a reporting entity, please explain whether you are applying the framework in full or in part, and why.*

We recognise the value of the TPT Disclosure Framework as a voluntary reference tool. It provides a coherent structure for entities seeking to disclose their climate-related strategies and actions in line with the transition to a net-zero economy. However, we do not believe the TPT Framework should be made mandatory for all financial market participants, particularly real estate investment managers. The real estate sector presents distinct transition challenges, including long asset lifecycles, localised regulatory environments, and a high dependency on retrofit feasibility and tenant/occupier coordination. These characteristics demand a flexible, sector-specific approach.

Real estate investment managers and investors already prepare transition-related disclosures aligned with the TCFD, the FCA's PS23/16, and international frameworks such as ISSB S2. INREV ESG SDDS and the ARESI White Paper, including the forthcoming ARESI Product Labels proposal, provide disclosure formats and performance indicators tailored to the built environment. These align closely with TPT and ISSB guidance and reflect material ESG metrics, including those relevant to climate strategy, decarbonisation pathways, and resilience planning. ESG Metrics for Real Estate further demonstrates the maturity of existing sectoral frameworks, mapping real estate metrics directly to ISSB S2 and the FCA's regulatory expectations.

We also support the continued use of the TPT Disclosure Framework as a foundation for any future obligations the Government may introduce. Its modular structure - spanning Foundations, Implementation Strategy, Engagement Strategy, and Metrics & Targets - is highly relevant to real estate. The Foundations element enables funds to articulate long-term investment strategies that align with net-zero goals and mitigate stranded asset risk. The Implementation Strategy provides a practical lens for disclosing retrofit programmes, energy upgrades, and tenant/occupier engagement. The Engagement Strategy is especially important in our sector, where decarbonisation depends on collaboration with tenants and other occupiers as well as local authorities and developers. For Metrics & Targets, industry tools such as CRREM are already widely used to assess physical and transition risks, and to measure progress in a consistent and quantifiable way.

We therefore urge the Government to retain the TPT Framework as a non-binding point of reference, avoiding duplication or conflict with existing regulation. Over-prescription would risk undermining investor-relevant reporting already in place, increase regulatory costs, and introduce rigidity that is counterproductive for a sector that requires transition planning at both asset and fund level.

The TPT Framework is most valuable when applied flexibly and proportionately - particularly given real estate's long investment horizons, operational constraints, innovation requirements, and asset-specific pathways to decarbonisation. Its emphasis on governance, strategy, risk management, metrics, and targets closely mirror current disclosure practices under the FCA's climate-related rules, which already require in-scope managers to report in line with the TCFD. The core content elements of TPT guidance can therefore be applied without introducing an additional layer of compliance.

Any future statutory obligations should acknowledge that TPT alignment is already occurring in practice through ISSB S2, UK SRS S2, and the sector-specific standards already adopted by many investment managers. As such, we would support referencing the TPT Framework in future guidance but not mandating its full application - especially where equivalent disclosures are already being made under interoperable standards.

### Question 7

*[Climate mitigation] To what extent do the requirements in the draft UK SRS S2 provide useful information regarding the contents of a transition plan and how an entity is preparing for the transition to net zero? If you believe the draft UK SRS S2 does not provide sufficient information, please explain what further information you would like to see.*

The draft UK SRS S2 provides a robust and flexible framework that supports meaningful, decision-useful disclosures on how an entity is preparing for the transition to net zero. It embeds the key components of transition planning - governance, strategy, targets, risk assessment and metrics - without mandating the

publication of a standalone transition plan. We support this approach, particularly in the context of real estate investment managers, whose strategies vary significantly depending on fund maturity, asset types, and jurisdictional context.

Our members already apply reporting principles and metrics that are well aligned with UK SRS S2. There is strong interoperability between UK SRS S2 and established sector-specific frameworks, including the INREV ESG SDDS and the ARESI White Paper. These incorporate asset-level emissions data, decarbonisation pathways, and climate risk management tools, and are specifically designed to support the disclosure needs of real estate investment vehicles. ESG Metrics for Real Estate further reinforces this alignment, demonstrating compatibility with both ISSB S2 and FCA requirements.

We welcome the SRS's decision to avoid prescribing a standalone transition plan. This approach enables proportional, material disclosures that reflect the realities of investment decision-making and risk management in the built environment. Requiring additional content would not improve the quality of disclosure but could instead create duplication, increase compliance burdens, and undermine the Government's goal to reduce regulatory costs.

UK SRS S2 offers a proportionate and technically appropriate foundation for climate mitigation-related disclosures in the context of transition planning. Its structure and content reflect the operational and strategic complexity of managing long-term, capital-intensive real estate assets, where decarbonisation trajectories vary significantly depending on location, asset age, tenancy profile, and local infrastructure. Critically, real estate upgrades occur in step-changes at lease events or major refurbishments rather than smooth annual reductions. The UK Net Zero Carbon Buildings Standard from the Better Buildings Partnership recognises this reality, and any transition planning requirements must similarly accommodate non-linear but credible decarbonisation pathways.

The inclusion of governance, strategy, risk, metrics, targets, and adaptation as core reporting pillars enables institutional managers to communicate their approach to climate mitigation in a way that is both decision-useful and contextually accurate. UK SRS S2 also aligns closely with ISSB S2 and with established best practices in real estate-specific reporting, such as the INREV ESG SDDS and the ARESI White Paper.

Importantly, the SRS does not mandate the existence of a standalone transition plan. This is a key strength, ensuring that disclosures remain proportionate and material, while allowing investment managers to demonstrate how climate-related risks and opportunities are managed within the parameters of each fund's strategy, vehicle structure, and investor expectations. This flexibility should be preserved in any future evolution of the UK reporting framework.

While UK SRS S2 provides a strong baseline for transition-related disclosures, there are areas that would benefit from further development. Additional clarity is needed on Scope 3 emissions - particularly tenant/occupier-related energy use and embodied carbon - which are material for real estate funds but difficult to quantify. Uncertainty around domestic regulatory developments - such as the future of Minimum Energy Efficiency Standard (MEES), EPC reform, and the potential introduction of NABERS-style performance-based standards - also limits the ability of investment managers to plan and report with confidence.

Moreover, although UK SRS S2 appropriately focuses on climate mitigation, we encourage greater recognition of social and community dimensions in future iterations. Embedding Just Transition considerations - such as tenant/occupier affordability, energy access, and climate resilience - would help ensure that transition planning and innovation in the built environment delivers inclusive, long-term outcomes.

#### Question 8

*[Climate adaptation and resilience] To what extent do the requirements in the draft UK SRS S2 provide useful information regarding the contents of a transition plan and how an entity is adapting and preparing for the transition to climate resilience? If you believe IFRS S2 does not provide sufficient information, please explain what further information you would like to see.*

The real estate fund industry welcomes the inclusion of adaptation and climate resilience within UK SRS S2 and supports its current principles-based framing. Managers routinely assess physical climate risks - such as flooding, overheating, water stress, and infrastructure vulnerability - and integrate these into asset valuations, retrofit planning, and scenario analysis. Adaptation strategies are necessarily asset-specific, influenced by location, tenant/occupier profile, building design, and planning constraints, making flexibility essential.

UK SRS S2 is particularly useful when paired with sector-specific tools and metrics such as the INREV ESG SDDS and the ARESI indicators, which provide harmonised, real estate-specific performance measures. In practice, many managers also use CRREM pathways, GRESB benchmarks, and EPC ratings to assess both physical and transition risks. Scenario analysis under 2°C and 4°C pathways is already common and informs short- and long-term capital planning. However, the standard remains primarily mitigation-focused; more explicit guidance on common adaptation interventions - such as flood defences, passive cooling, resilient infrastructure, energy transition and related technologies - would enhance comparability and transparency.

As with mitigation, the UK SRS S2 approach supports decision-useful, proportionate disclosures without mandating a uniform methodology for adaptation planning. This avoids the risk of generic or low-quality outputs and enables reporting that reflects the localised nature of physical risk. Guidance on incorporating Scope 3 data - particularly tenant/occupier energy use and embodied carbon - into resilience strategies would help managers plan with greater certainty. This should be supported by clarity on future MEES thresholds, the direction of EPC reform (given on-going inconsistencies across jurisdictions and the limited relevance of EPCs as a measure of actual operational performance), and the potential NABERS-style performance standards (which are increasingly recognised as a more accurate reflection of in-use building performance to inform target-setting.). Additional indicators - such as those proposed in ESG Metrics for Real Estate - on biodiversity, whole-life carbon, and social value could further strengthen adaptation reporting in line with evolving investor expectations.

The ability to select appropriate methodology is essential for meaningful assessment, but this flexibility must be paired with accountability through requirements to explain methodological decisions. The UK Prudential Regulation Authority's consultation paper CP10/25 and the European Banking Authority's January 2025 ESG risk management guidance both emphasise that institutions must be 'able to justify the selection and conceptual soundness of scenarios they rely on'. For the real estate fund industry, UK SRS S2 should ensure that justification of choices becomes a lever to drive internal conviction and action rather than defaulting to standardised approaches that may lack relevance to specific portfolios.

## **Section B1: Developing and disclosing a transition plan**

***Given the links between the above options and any requirements under UK SRS, we will account for your answers to questions 7 and 8 in considering your responses to the following questions.***

### **Question 9**

***What are the most important, decision-useful elements of a transition plan that the government could require development and/or disclosure of? Please explain why and provide supporting evidence.***

For real estate investment managers and investors, the most decision-useful elements of a transition plan are those that directly address climate governance, investment strategy, and material performance metrics at both portfolio and asset level. These include clear oversight structures, integration of climate risks and decarbonisation goals into investment decisions, and key metrics such as operational energy intensity, embodied carbon, EPC ratings, whole-life carbon, net-zero targets (where applicable), and the proportion of assets with defined retrofit pathways or 1.5°C-aligned transition plans.

These elements are already embedded in UK SRS S2, ISSB S2, and the FCA's TCFD-aligned framework, as well as in sector-specific tools such as the INREV ESG SDDS and the ARESI White Paper. Many managers also apply CRREM, GRESB, and physical risk tools from providers such as Swiss Re or ClimateWise to assess flooding, overheating, water stress, and other risks, and to identify potentially stranded assets. These frameworks enable materiality, comparability, and proportionality while allowing for sector-specific judgement. Prescriptive or fixed-format transition plans would risk undermining disclosure quality by requiring premature or superficial information.

The most meaningful transition-related information reflects material exposure to climate-related risks and opportunities and sets out governance, long-term strategy, emissions targets, and - where relevant - retrofit, energy upgrade, or sustainable construction plans. Disclosures must remain proportionate and account for sector constraints, such as reliance on tenant/occupier cooperation for Scope 3 data, or the limited availability of reliable embodied carbon and biodiversity data across cross-border portfolios. Uniform reporting requirements would overlook these realities and risk producing generic or legally risky disclosures. Social equity

and Just Transition considerations should also be incorporated, ensuring decarbonisation strategies align with community resilience, affordability, and inclusive development goals. The UK SRS S2 framework already provides an effective architecture for climate-related disclosure and should be preserved in preference to prescriptive transition plan content rules.

#### Question 10

*Please state whether or not you support Option 1, which would require entities to explain why they have not disclosed a transition plan or transition plan-related information. Please explain the advantages and disadvantages of this option.*

The real estate fund industry supports Option 1. A “comply or explain” model is the most appropriate approach for a sector with diverse strategies, vehicle types, and investor bases. This diversity is evident in house-mandate dynamics where investment managers’ house-level net zero strategies and fund-level mandates may pull in different directions, requiring flexibility in approach. In some cases, fund mandates may be more ambitious than house approaches, while in others, house commitments may exceed what specific fund agreements permit. This structural complexity makes standardised transition planning particularly inappropriate for the sector. Option 1 preserves flexibility for managers to report meaningfully where a transition plan is relevant, while allowing credible, contextualised explanations where a formal plan is not yet applicable - for example, in start-up funds without operational assets or in development vehicles still shaping their portfolios.

The practical reality is that many portfolios involve partial operational control, especially in multi-let or Full Repairing and Insuring (FRI) lease structures common in the UK market. Delivering against rigid targets is virtually impossible without tenant/occupier cooperation, with 60-85% of emissions typically outside landlord control. This structural constraint makes ‘comply or explain’ essential rather than optional.

UK-based managers are already subject to climate-related disclosure requirements under the FCA framework, aligned with the TCFD. These rules require disclosure of governance, strategy, and (where applicable) transition planning in relation to climate risks and opportunities. In practice, this already operates as a public “comply or explain” regime. Introducing additional statutory requirements would risk duplication, fragmentation, and legal ambiguity.

Investors with global portfolios increasingly assess transition readiness using interoperable frameworks such as ISSB S2, ESRS, and sector-specific tools including the INREV ESG SDDS. Option 1 would maintain alignment with these standards and avoid disrupting established reporting structures that already deliver meaningful, investor-focused information. The industry also draws on ESG Metrics for Real Estate and the ARESI White Paper - which harmonises KPIs across major EU frameworks - to ensure consistent, outcome-oriented reporting without prescriptive mandates. A “comply or explain” approach would enable real estate investment managers to apply disclosures in a proportionate, flexible, and internationally consistent way.

#### Question 11

*Please state whether or not you support Option 2, which would require entities to develop a transition plan and disclose this. Please further specify whether and how frequently you think a standalone transition plan should be disclosed, in addition to transition plan-related disclosure as part of annual reporting? When responding, please explain the advantages and disadvantages of this option.*

The real estate fund industry does not support Option 2. A mandatory obligation to develop and disclose a transition plan would impose a one-size-fits-all framework on a structurally diverse, capital-intensive sector. Real estate assets are long-term, often illiquid, while holding structures and hold periods vary, with financial metrics tailored to specific risk-return profiles, asset and operating characteristics, and jurisdictional contexts.

For many funds, transition planning is already embedded in investment strategy, governance, and due diligence processes, but not necessarily presented as a single, consolidated document. Imposing a uniform, stand-alone plan risks replacing decision-useful reporting with compliance-driven disclosures of limited relevance, potentially obscuring material risks and distorting market signals.

Requiring forward-looking climate commitments without robust safe-harbour protections also raises legal and liability concerns, particularly in a sector where decarbonisation depends on external factors such as planning processes, tenant/occupier behaviour, and infrastructure readiness. Frequent plan updates to reflect evolving market or regulatory conditions would add compliance burden without delivering proportionate benefit to investors.

If Option 2 were pursued, it should be implemented only on a “comply or explain” basis with explicit recognition of sector-specific alternatives. Managers should be able to substitute equivalent disclosures made under recognised frameworks such as ISSB S2, ESRS, or the FCA’s TCFD-aligned rules. This would maintain alignment with international standards, preserve proportionality, and avoid regulatory fragmentation.

### Question 12

*If entities are required to disclose transition plan-related information, what (if any) are the opportunities to simplify or rationalise existing climate-related reporting requirements, including emissions reporting, particularly where this may introduce duplication of reporting? These responses will support the government’s review of the non-financial reporting framework.*

If the Government introduces new requirements for transition plan-related disclosures, these must rationalise and consolidate existing obligations. Real estate investment managers and investors already operate within a complex landscape of overlapping frameworks, including the FCA’s TCFD-aligned rules, ISSB S2, ESRS, UK SRS, and sector-specific standards such as the INREV ESG SDDS and the ARESI White Paper. While these regimes often seek similar outcomes, they differ in format, scope, and technical detail, creating duplication and driving up compliance costs without proportional transparency gains.

There is a clear opportunity to simplify by promoting unified ESG metrics, consistent reporting principles, and mutual recognition—for example, treating disclosures under FCA rules or ISSB S2 as sufficient for any new obligation. UK SRS S2, which already aligns with real estate-specific reporting, should be recognised as an appropriate vehicle for transition-related information. A cross-framework mapping between UK SRS, SFDR, ISSB, and TCFD would help avoid duplication, improve comparability, and maintain investor confidence in UK-aligned reporting. Early adopters of UK SRS should benefit from phased transition reliefs, rewarding early compliance and encouraging broader market adoption.

Any future regime should avoid rigid, prescriptive templates that risk producing low-quality, generic disclosures, and instead adopt a “comply or explain” mechanism, allowing managers to justify omissions due to data gaps, asset immaturity, or materiality thresholds. Narrative context should be encouraged alongside quantitative indicators to keep disclosures decision useful.

While disclosure formats should remain flexible, there are opportunities to standardise underlying emissions calculation methodologies for real estate funds. Alignment with CRREM for real estate decarbonisation pathways and PCAF for financed emissions would promote consistency, while permitting estimated data would address timing gaps.

Further guidance on permissible estimation methodologies would support standardised disclosure quality. Given that real estate emissions reporting necessarily combines actual measurements, statistical extrapolation, sector benchmarking, and asset-specific proxies to achieve comprehensive portfolio coverage, regulatory clarity on acceptable estimation approaches - including grace periods for data maturity and standardised confidence intervals - would enhance comparability while acknowledging practical implementation constraint

For emissions reporting on real estate funds, incorporating whole-life carbon assessment into construction and refurbishment reporting would not only capture Scopes 1, 2, and 3 in a single dataset but also consolidate multiple reporting requirements into one coherent framework. Scope 3 reporting remains particularly challenging due to legal limits on data sharing and reliance on tenant/occupier cooperation; targeted regulatory measures could help address these barriers. Where the metrics are considered material, simplified guidance on embodied carbon, water, waste, and refrigerants—drawing on UKGBC and GHG Protocol - would further improve feasibility.

The EU Corporate Sustainability Due Diligence Directive (CSDDD), adopted in May 2024, offers lessons for UK Scope 3 emissions reporting through its phased implementation and place emphasis on proportionality provisions. Real estate funds face particular challenges obtaining verified emissions data from construction suppliers, facilities management contractors, and tenant/occupier operations. Rather than mandating comprehensive supply chain data that may be unavailable or unreliable, the UK should adopt an approach permitting entities to determine the materiality of emissions through appropriate methods, thereby enabling targeted action in key areas whilst data accessibility improves.

By embedding these simplification measures into the UK’s climate disclosure regime, the Government would support credible, cost-effective reporting while delivering on its 25 per cent regulatory burden reduction target. A coherent, interoperable, and sector-sensitive framework would maintain the UK’s leadership in sustainable finance and better enable the real estate fund industry to align with long-term climate goals.

## Pension Funds

### Question 13

*How do you think any new transition plan requirements should integrate with the existing requirements in UK law for some larger schemes to produce TCFD reports and to calculate the portfolio alignment metric?*

We are unable to respond to this question.

### Question 14

*To what extent does your pension scheme already produce transition plans? What are their intended purposes, what information do they draw on, and what challenges have you encountered in developing them?*

We are unable to respond to this question.

## Section B2: Mandating transition plan implementation

### Question 1

*To what extent do you support the government mandating transition plan implementation and why? When responding, please provide any views on the advantages and disadvantages of this approach.*

The real estate fund industry does not support a mandatory requirement for investment managers to implement transition plans. While the sector is committed to supporting the transition to a net-zero economy, mandating implementation would create significant unintended consequences for long-term, capital-intensive hard asset sectors.

Such a requirement could restrict capital flows to assets or companies that have not yet transitioned or are in the early stages of decarbonisation. This would undermine the purpose of transition finance by discouraging investment in carbon-intensive assets where intervention is most needed. Instead of accelerating decarbonisation, a rigid statutory obligation could create financing gaps for hard asset and related technology investing, increase the risk of asset stranding, and reduce the appetite to take on complex, transitional portfolios.

Real estate investment managers are already subject to regulatory and investor scrutiny on climate-related strategies, and report on actions taken and progress achieved through frameworks such as TCFD, ISSB S2, and UK SRS S2. Requiring statutory implementation would overlook operational realities and interdependencies in retrofitting assets, including planning approvals, tenant/occupier cooperation and infrastructure readiness. Without strong safe-harbour provisions, mandated implementation could also expose managers to enforcement or reputational risk when external barriers prevent delivery despite clear, evidence-based plans and documented actions.

Rigid requirements would be particularly inappropriate for strategies focused on acquiring, upgrading, and decarbonising transitional assets, which by definition involve holding assets not yet aligned with net-zero goals. Transition considerations are already integrated into investment processes through sector-specific methodologies such as in the ARESI White Paper and reported via the INREV ESG SDDS, enabling dynamic, investment-led decarbonisation pathways that reflect diverse asset lifecycles and regulatory contexts. A principles-based approach - allowing credible disclosure of strategies, interim targets, and progress without mandating execution, combined with incentives - would better support capital mobilisation and innovation across the real estate fund industry.

### Question 16

*In the absence of a legal requirement for companies to implement a plan, to what extent would market mechanisms be effective mechanisms to ensure that companies are delivering upon their plan?*

Market mechanisms are already proving effective in driving transition-related performance across the real estate fund industry. Sophisticated investors increasingly require managers to articulate ESG and decarbonisation strategies, set measurable targets, and report on progress. These expectations are embedded in due diligence processes, investment mandates, side letters, and ongoing fund-level disclosures. In many cases, third-party benchmarks and custom ESG assessments are used to monitor alignment with transition objectives.

This investor scrutiny is reinforced by regulatory frameworks such as the FCA's TCFD-aligned disclosure regime and the forthcoming UK Sustainability Reporting Standards, both of which require firms to disclose governance, strategy, risks, metrics, and targets - without mandating plan implementation. These tools enhance accountability while preserving flexibility and professional judgement, allowing managers to adapt their approach to the investment strategy, vehicle type, and asset characteristics.

In parallel, market-led initiatives such as the ESG Metrics for Real Estate, INREV ESG SDDS and the ARESI White Paper provide structured, real estate-specific frameworks for ESG disclosure and transition monitoring. These enable transparency, comparability, and progress tracking in a way that reflects the operational realities of managing long-duration, capital-intensive assets. For the industry, market-based mechanisms offer a proportionate and effective means of ensuring accountability for climate performance. Mandatory implementation would risk reducing flexibility, constraining innovation, and deterring investment in transitional or carbon-intensive assets - without necessarily delivering better climate outcomes.

## **Section B3: Aligning transition plans to net zero by 2050**

### **Question 17**

*What do you see as the potential benefits, costs and challenges of government mandating requirements for transition plans that align with Net Zero by 2050, including the setting of interim targets aligned with 1.5°C pathways? Where challenges are identified, what steps could government take to help mitigate these?*

The real estate fund industry supports the UK's net-zero ambition and recognises the economic implications of climate change and transition planning's critical role in achieving climate objectives. While the tools used by the real estate industry to set science-based targets are typically aligned to 1.5°C pathways, mandating strict 1.5°C compliance could inadvertently encourage superficial adherence rather than meaningful action. This may lead to disclosures requiring assumptions or exemptions to demonstrate alignment on paper - particularly for real estate, where delivery is often constrained by tenant/occupier control, local infrastructure, delayed or uneven technology adoption, and planning regimes. Such compliance-focused behaviour risks reducing transparency and creating targets that appear meaningful but lack substance, ultimately undermining genuine decarbonisation efforts and progress toward climate objectives.

Portfolios frequently contain legacy assets or development projects with limited short-term decarbonisation potential. Requiring strict alignment could deter investment in transitional assets, even where substantial improvements are achievable through long-term asset management. This would undermine the aims of transition finance and risk accelerating asset stranding. A flexible, voluntary approach instead enhances investor confidence, improves capital allocation, and supports ESG integration. Many funds already attract sustainability-focused capital by demonstrating credible forward planning that helps to preserve long-term value.

Transition planning offers opportunities for innovation and growth, with increasing investment in retrofitting, electrification and on-site green generation, and modern construction techniques, along with enabling technologies. These actions reduce emissions, improve energy performance, lower tenant/occupier costs, and strengthen community resilience, but are inherently capital-intensive, long-term, and dependent on external factors - challenges made more acute by funding gaps, as "realtech" solutions often attract less investment than more scalable or familiar climate technologies favoured by traditional private markets. Interim targets often rely on assumptions about grid decarbonisation, regulatory change, and tenant/occupier cooperation. Mandating rigid temperature alignment risks creating unrealistic targets, misallocated capital, and liability exposure.

Implementation also comes with material operational burdens. Access to tenant/occupier-level data for Scope 3 emissions remains inconsistent, methodologies for embodied carbon measurement are not uniform, and aggregating physical risk data across jurisdictions is complex. Retrofit expenditure requirements may not align with lease events or fund maturity, while uncertainty around MEES, EPC reform, and potential performance-based standards further complicates planning - especially for multi-asset, cross-border portfolios. Real estate encompasses varied asset classes with distinct decarbonisation pathways; tools such as CRREM, Nearly Zero Energy Building (NZEB), the INREV ESG SDDS, and the ARESI indicators already allow tailored, credible alignment with long-term trajectories. Imposing a single, linear statutory model would not improve outcomes and would fail to reflect this diversity.

Future policy should also embed Just Transition principles, addressing affordability, employment impacts, and community resilience to ensure public support and equitable delivery of climate goals. Transition planning should be treated as a strategic tool for inclusive, long-term value creation - not a narrow compliance exercise. A principle-based approach, allowing justified and transparent deviation from strict 1.5°C alignment, would preserve flexibility, support innovation, and direct capital to the assets most in need of transition, while maintaining integrity and decision-usefulness in disclosures.

### Question 18

*Which standards and methodologies are effective and reliable for developing and monitoring climate-aligned targets and transition plans, in particular those that are aligned with net zero or 1.5°C pathways? Where possible, the government would welcome evidence from entities that have used such methodologies, explaining how they have arrived at that conclusion.*

The real estate fund industry supports the use of internationally harmonised standards to guide transition planning. The ISSB's IFRS S2 and the UK SRS S2 provide a coherent, interoperable framework for disclosing climate-related governance, strategy, metrics, targets, and adaptation. These align well with the TPT's disclosure recommendations while allowing integration of sector-specific considerations.

In real estate, supplementary standards such as the INREV ESG SDDS and the ARESI White Paper enhance transparency through asset-level metrics tailored to the built environment, including whole-life carbon accounting and tools for assessing both physical and transition risks. The ESG Metrics for Real Estate paper broadens this by incorporating social value, biodiversity, and narrative context, further strengthening the decision-usefulness of disclosures.

Methodologies such as CRREM are increasingly used to benchmark decarbonisation pathways against asset-level emissions performance, while tools including GRESB, ClimateWise, and the UK Net Zero Carbon Buildings Standard provide additional asset-specific risk screening and performance benchmarks. These tools require careful interpretation, and underlying assumptions should be clearly disclosed. A regulatory framework that permits explanation of the chosen methodology - rather than prescribing a single pathway - will better reflect the diversity of investment strategies, asset types, and market contexts across the real estate fund industry.

### Question 19

*What are the unique challenges faced by hard-to-abate sectors in setting and achieving targets in transition plans aligned to net zero by 2050 – including interim targets? What methodologies or approaches would enable transition planning to support hard-to-abate sectors to achieve net zero by 2050?*

Real estate is a structurally hard-to-abate sector due to the high cost and complexity of retrofitting existing buildings, the fragmented nature of asset ownership, and dependencies on regulatory approvals, planning regimes, local infrastructure, tenant/occupier activities and tenant/occupier cooperation. These challenges are greater where portfolios include older, listed, or multi-tenanted/occupied buildings, or are located in areas lacking enabling infrastructure such as low-carbon heat networks, accessible public transport, or urban environments with limited biodiversity and natural shading, which can exacerbate overheating and reduce climate resilience.

Interim targets can be particularly difficult to set in a meaningful way - especially for value-add or opportunistic strategies, where ownership periods are short and the decarbonisation trajectory depends on future repositioning or redevelopment. The financial and technical feasibility of retrofitting also varies widely by jurisdiction, meaning that uniform expectations or timeframes would not produce consistent or realistic outcomes.

Government policy should therefore prioritise enablement over prescription. This includes supporting the development and flexible application of sector-specific methodologies such as CRREM, recognising harmonised disclosure metrics in the ARESI White Paper and the ESG Metrics for Real Estate paper, and allowing managers to adapt transition planning to their fund strategy, asset mix, and local market conditions. Guidance should distinguish between carbon-intensive assets with credible transition potential and those unlikely to decarbonise meaningfully. A proportionate, practical framework should also support skills development, improve access to building-level data, and better align planning and building regulations with national climate goals - improving transition readiness without imposing rigid mandates that risk deterring investment in the assets most in need of improvement.

### Question 20

*For entities operating in multiple jurisdictions, what are your views on target setting and transition planning in global operations and supply chains?*

Many real estate investment managers and investors operate across multiple jurisdictions, and transition planning must reflect this global context. Fragmented regulatory landscapes - such as the coexistence of the UK's developing sustainability reporting standards with established frameworks like the EU Taxonomy and ISSB - create a risk of duplicative reporting, inconsistent expectations, and investor confusion. To ensure coherence, the UK's requirements

should remain interoperable with international standards such as ISSB, ESRS, and the frameworks promoted by the TPT and FCA.

The implementation of the EU CSDDD will further complicate multi-jurisdictional transition planning for UK real estate funds with European operations or supply chains. Transition plans which reflect the regulatory and market realities of each jurisdiction while maintaining overall portfolio coherence would benefit from the ability to reference recognised and accepted international standards, provided interoperability is sufficiently maintained.

Target setting in real estate cannot be uniform, given differences in building codes, definitions of sustainability, regulatory maturity, and decarbonisation incentives across jurisdictions. These challenges are particularly acute in cross-border portfolios, where ESG data collection is complicated by variations in energy performance certification, biodiversity indicators, and tenant/occupier-level data availability. Scope 3 emissions remain especially difficult to track due to limited access to supply chain and occupancy data.

Transition plans must also address full lifecycle impacts - including construction, refurbishment, and operations - yet aligning supply chain standards internationally is complicated by uneven enforcement and varying assumptions about embodied carbon. A flexible, globally aligned disclosure framework enables more meaningful, material, and proportionate target setting. The UK regime should permit qualitative disclosures where precise metrics are not feasible and adopt a pragmatic approach to forward-looking information. Strong governance and board-level oversight are essential to maintaining credibility, particularly when coordinating strategies across jurisdictions. Where sector-specific tools such as the INREV ESG SDDS, the ARESI White Paper, and the ESG Metrics for Real Estate paper are applied, they offer a coherent and consistent basis for aligning reporting across markets without undermining comparability or increasing regulatory burden.

## Section B4: Climate adaptation and resilience alignment

### Question 21

*What is your view on the role of climate adaptation in transition plans? Is there a role for government to ensure that companies make sufficient progress to adapt, through the use of transition plan requirements?*

Climate adaptation is a critical consideration for the real estate fund industry, given the sector's direct exposure to physical climate risks. Flooding, overheating, subsidence, and water stress are increasingly material to asset-level performance and long-term value preservation. For long-term investors, adaptation is a strategic necessity. Measures such as upgrading insulation, strengthening flood defences, enhancing passive cooling, and implementing on-site renewable energy generation can protect value, reduce insurance and operational costs, and improve tenant/occupier satisfaction.

Many real estate investment managers already address adaptation through asset-specific risk assessments, resilience planning, and targeted capital expenditure strategies. These are shaped by the physical characteristics and location of each asset, as well as the availability of reliable, location-specific climate data. Scenario analysis using methodologies from GRESB, Munich RE, Swiss RE, or Carbone 4 can inform investment and risk management decisions. Effective adaptation planning also depends on collaboration with tenants and other occupiers as well as local authorities, and infrastructure providers - reinforcing the need for flexibility in approach.

Adaptation also intersects with broader social and economic resilience. A meaningful approach should consider local community needs and mitigate negative impacts of climate-related disruption, such as displacement, energy poverty, or job losses. Investment strategies that align with local infrastructure and resilience plans can contribute to a Just Transition - ensuring climate goals are pursued fairly and inclusively. Stakeholder engagement is therefore essential to designing and delivering effective, equitable adaptation strategies.

Prescribing detailed adaptation requirements within transition plans would risk undermining materiality, increasing legal exposure, and generating low-value disclosures. A disclosure-based, principles-led framework is preferable, encouraging transparency on material adaptation risks and responses without mandating specific formats or actions. Existing voluntary frameworks already provide mechanisms for adaptation-related governance, strategy, and risk management disclosures. Government should focus on enabling these approaches by improving access to high-quality climate data, harmonising adaptation guidance across sectors, requiring justification on the approaches taken, and investing in public infrastructure that complements private-sector strategies, including consideration of practical and accretive incentive schemes that can direct investor capital towards transition. Alignment between urban planning,

building codes, and local resilience frameworks will be essential to support effective climate adaptation in the built environment.

## Question 22

*How can companies be supported to undertake enhanced risk planning in line with a 2°C and 4°C global warming scenario? Are these the right scenarios? To what extent are these scenarios already being applied within company risk analysis and how helpful are they in supporting companies in their transition to climate resilience?*

Scenario analysis is already widely applied in the institutional real estate sector, and the 2°C and 4°C global warming pathways are generally appropriate benchmarks. Many investment managers incorporate these scenarios into climate risk and resilience assessments, often using sector-specific tools such as CRREM - aligned with a 1.5°C trajectory - or bespoke modelling developed with engineering and environmental consultants. These pathways help benchmark carbon intensity, assess transition and physical risks, and guide portfolio-level investment decisions. Uptake is growing, as reflected in UK Stewardship Code reporting by several large managers.

However, translating global or regional scenarios into meaningful asset-level insights remains complex, particularly for localised physical risks, insurance availability, and evolving regulatory contexts. Many material adaptation challenges - such as flooding or heat stress - require high-resolution, location-specific modelling, which is not consistently available. Real estate managers often rely on third-party tools that vary in scope, quality, and methodology, leading to inconsistencies in risk assessments and disclosures. In practice, the conceptual value of global scenarios may not always align neatly with the shorter investment horizons or capital deployment cycles typical of certain real estate strategies.

Frameworks such as UK SRS S2 and the ISSB standards support the disclosure of scenario analysis outcomes while preserving flexibility in scenario choice and qualitative interpretation. This flexibility should be maintained to ensure that scenario analysis remains a strategic tool for decision-making and capital allocation, rather than a compliance exercise driven by rigid templates. Government can enhance climate risk planning by improving access to high-quality, open-source, location-specific climate data - such as flood maps, temperature projections, and infrastructure vulnerability assessments. Clearer guidance on the appropriate balance between quantitative and qualitative scenario disclosures, alongside the promotion of consistent good practice in scenario methodology, would strengthen comparability while preserving proportionality.

In addition to improved data and guidance, government-backed financial incentives, underpinned by coherent and consistent disclosure frameworks, could play a vital role in supporting the commercial viability of climate adaptation and resilience planning. These could include targeted subsidies, tax credits, or blended finance mechanisms to de-risk investments in resilience technologies, building upgrades, and nature-based solutions. Such incentives would help bridge the gap between scenario planning and implementation, accelerating the real estate sector's ability to respond to identified risks and invest in long-term resilience, and attract capital into credible transition strategies.

Continued engagement with the real estate industry will be critical to ensuring that evolving requirements remain practical and aligned with investment decision-making.

The real estate fund industry supports the requirement to use multiple climate scenarios, including both lower and higher warming pathways, as this reflects both the imperative to transition and the real consequences of insufficient action. UK SRS S2 recognises that single-scenario analysis provides insufficient insight by requiring disclosure of whether analyses include diverse climate-related scenarios. For real estate funds, using both an orderly transition scenario (1.5-2°C) and a higher physical risk scenario (3-4°C) captures two critical realities: the costs and opportunities of necessary decarbonisation, and the severe physical impacts that will materialise if global action falls short. We support UK SRS S2's requirement for diverse scenarios whilst maintaining flexibility in specific scenario selection, provided entities justify their choices and explain how the selected range captures both transition necessities and physical climate realities. Any decision on appropriate scenarios would be further supported by a Government-led scenario analysis for the real estate.

## Section B5: Nature alignment

### Question 23

*To what extent do you think that nature should be considered in the government's transition plan policy? What do you see as the potential advantages and disadvantages? Do you have any views on the potential steps outlined in this section to facilitate organisations transitioning to become nature positive?*

Nature-related risks and opportunities are increasingly recognised as material to long-term real estate asset performance - particularly in relation to biodiversity loss, land use, water quality, and urban heat island effects. Their relevance varies by strategy - logistics, development, and suburban portfolios often have more direct ecosystem impacts than core urban office funds. Many managers are beginning to explore biodiversity baselines, nature-based solutions, and frameworks such as the TNFD to assess impacts and dependencies, although integration into financial and risk management systems is still at an early stage.

Nature-based interventions - such as green infrastructure, habitat restoration, and improved water management - can also strengthen climate adaptation, delivering additional benefits including improved tenant/occupier wellbeing, reduced energy use, and stronger community resilience. These measures can support a Just Transition by improving environmental quality and creating local employment opportunities.

However, nature risks currently lack consistent data, standardised metrics, and regulatory clarity. Prescriptive nature-alignment requirements within transition plans risk generating immaterial disclosures and diverting focus from decarbonisation. We therefore support voluntary inclusion of nature considerations, guided by materiality and sector-specific best practice.

Government should promote access to reliable, location-specific data, encourage voluntary uptake of frameworks such as TNFD, incentivise innovation in nature-based and technological solutions, and ensure any future expectations align with existing climate disclosure frameworks. Where material, nature-related reporting should enhance - not complicate - climate risk management.

## Section B6: Scope

### Question 24

*Do you have any views the factors the government should consider when determining the scope of any future transition plan requirements?*

The scope of any transition plan disclosure requirements must reflect the specific characteristics of real estate investment and avoid duplicating existing regulatory obligations. Climate-related information is already widely disclosed in the sector under the FCA's TCFD-aligned regime, in line with Policy Statement PS21/24. These rules require asset managers to report annually at both entity and product level and, in practice, function as a public "comply or explain" mechanism. Introducing a parallel transition plan requirement would risk regulatory duplication, increase compliance costs, and reduce clarity for investors.

Real estate managers are already embedding transition planning into their TCFD-aligned disclosures. These reports are increasingly structured around the four TCFD pillars: governance, strategy, risk management, and metrics and targets. Within this framework, managers typically outline how long-term investment strategies align with net-zero goals and seek to avoid misaligned assets; describe implementation strategies such as retrofit plans, energy efficiency upgrades, and tenant/occupier engagement; and highlight the importance of stakeholder collaboration with local authorities, occupiers, and infrastructure providers. Tools such as CRREM and climate vulnerability assessments are widely used to quantify transition and physical risks and track progress against science-based pathways.

Real estate investment structures are highly varied - ranging from fund-of-funds and project-specific vehicles to closed-ended entities that lack operational control over underlying assets, as well as investment into real estate operating companies or asset-rich corporates. As such, mandating transition plans at the entity level may be disproportionate and, in some instances, unworkable. Scope decisions must therefore be guided by materiality, regulatory equivalence, and the operational realities of the sector and ownership structure.

Many managers use tools such as the INREV ESG SDDS at the vehicle level and contribute to cross-industry initiatives to develop consistent, proportionate metrics. The ESG Metrics for Real Estate, submitted to the FCA and

IFRS Foundation, proposes real estate-specific metrics aligned with ISSB S2 and the FCA's Sustainability Disclosure Requirements (SDR), further reinforcing the sector's commitment to high-quality disclosure.

To preserve the UK's competitiveness and avoid market fragmentation, scope decisions should remain aligned with global frameworks such as ISSB S2 and must not introduce overlapping or inconsistent obligations. As the FCA's current TCFD-aligned disclosure regime transitions toward full adoption of ISSB standards, future regulatory evolution should build on existing principles, allowing flexibility for asset-specific planning horizons while recognising the maturity of current disclosure regimes. In addition, early adopters of the UK Sustainability Reporting Standards should benefit from targeted transition reliefs, allowing them to phase in any additional requirements over time. This would recognise the investment already made in aligning with UK SRS, prevent penalising frontrunners, and support the Government's objective to reduce regulatory costs.

#### Question 25

*We are interested in views about the impact on supply chains of large entities that may be in scope of transition plan requirements. Do you have views on how the government could ensure any future requirements have a proportionate impact on these smaller companies within the supply chain?*

We support the principle that large institutional real estate managers should take the lead in encouraging climate alignment across their supply chains. Hence, we advocate data collection legislative solutions (involving tenants and other occupiers) on a two phased UK-wide basis. WE recognise that any approach to supply chain integration in transition planning must remain proportionate and avoid overburdening small and medium-sized enterprises (SMEs).

In the real estate sector, supply chains typically include construction contractors, materials suppliers, property managers, and technical consultants - many of which are SMEs with limited resources to produce detailed climate data. These partners may hold valuable information on embodied carbon, building services, or operational performance, yet data availability remains inconsistent and difficult to standardise.

In addition, any future framework could support voluntary engagement with tenants and operators through green lease clauses, shared data platforms, and collaborative reporting tools – albeit voluntary engagement is not, of course, as effective as the data collection legislative solutions that we advocate.

Government policy should avoid a rigid cascading compliance model and instead promote phased implementation.

#### Question 26

*Do you have any views on how the government could redefine the scope to protect the competitiveness of the UK's public markets?*

While the real estate fund industry is largely driven by institutional capital, the scope decisions have broader relevance for the functioning of UK capital markets. Fragmentation of disclosure obligations across public and private markets - or divergence from international frameworks - could undermine investor confidence and reduce the attractiveness of the UK as a destination for global capital.

To mitigate these risks, any definition of scope for transition plan requirements should be interoperable with international standards, particularly ISSB S2, ESRS, and TCFD. Real estate investment managers operating across jurisdictions should be able to satisfy UK requirements through equivalent disclosures already produced under these frameworks, provided those disclosures are materially equivalent. This approach would support simplicity, legal certainty, and comparability across borders.

In the real estate fund industry - where investment vehicles are typically illiquid, investor bases are professional, and disclosures are tailored to investor needs - a "comply or explain" model remains the most appropriate.

Alongside efforts to ensure cross-jurisdictional alignment and interoperability, the UK government should also focus on enabling innovation to support its ambition of becoming a green economy leader. Transition plan regulation can be a foundation not only for transparency, but also for catalysing investment in the tools, technologies, and business models needed to deliver decarbonisation - particularly in complex sectors like real estate. Targeted support for innovation, alongside proportionate and consistent disclosure rules, would reinforce the UK's competitiveness and help attract capital into high-impact, forward-looking transition strategies.

## Section B7: Legal risk

### Question 27

*Do you have views on the legal implications for entities in relation to any of the implementation options and considerations as set out in sections B1-B4 in this consultation?*

The implementation options proposed in Sections B1–B4 - particularly those involving mandatory development, disclosure, or implementation of transition plans - raise some legal and operational concerns.

First, compelling firms to develop or implement transition plans may conflict with fiduciary and contractual duties to investors. Real estate funds are typically structured around defined investment strategies, time horizons, and risk-return profiles, set out in legally binding fund documentation. Mandating adherence to prescriptive transition plans could constrain a manager's ability to act in the best interest of investors, respond to market dynamics, or adapt to asset-specific constraints. It could also expose managers to legal challenge where performance against disclosed pathways is hindered by external factors.

Second, forward-looking statements within transition plans - such as decarbonisation targets or retrofit timelines - can create legal exposure if not appropriately contextualised. Without clear regulatory guidance or safe harbours, there is a risk that such statements - however well-evidenced and appropriately qualified - are later interpreted as binding commitments, even when delivery depends on uncertain or external factors. This could discourage meaningful disclosures and instead lead to risk-averse, generic reporting that weakens stakeholder insight.

In the real estate sector, these risks are particularly acute given the dependence on third-party actors (e.g. tenants/occupiers, planners, contractors, supply chain) and macro-level uncertainties (e.g. policy timelines, supply chain pressures, energy and transport infrastructure). A prescriptive or standardised disclosure regime would not account for these complexities and may undermine the quality and comparability of transition planning outputs.

To avoid these risks, the Government should adopt a principles-based approach that enables credible, evidence-based disclosure without mandating uniform content or format. Existing TCFD-aligned disclosures - already required under the FCA regime - should be recognised as sufficient to meet any future obligations, thereby reducing duplication and legal uncertainty.

### Question 28

*In the UK's wider legal framework what – if any - changes would be necessary to support entities disclosing transition plans and forward-looking information?*

To support effective and credible transition plan disclosures, the UK's legal framework should provide clarity and proportionate protection for preparers of forward-looking climate information. This is particularly important for sectors such as real estate, where delivery of transition outcomes often depends on third-party actors and evolving external conditions.

First, the Government should introduce safe harbour provisions or equivalent protections for climate-related forward-looking statements. These would ensure that evidence-based disclosures made under conditions of uncertainty do not give rise to liability if future outcomes diverge from projected pathways.

Second, regulatory clarity is needed on the interoperability of international frameworks. While UK SRS S2 will serve as the domestic benchmark for climate-related disclosure, many real estate investment managers operate across multiple jurisdictions and already report in accordance with ISSB S2, TCFD, or the EU's ESRS. The UK regime should recognise these frameworks as materially equivalent, where appropriate, to avoid duplicative reporting and support cross-border consistency.

Third, the Government should recognise the value of sector-specific approaches - including the INREV ESG SDDS, the ARESI White Paper, and ESG Metrics for Real Estate - which allow real estate investment managers and investors to tailor disclosures to the structure, materiality, and operational reality of real estate investment strategies. Avoiding rigid, generic templates will help ensure disclosures remain meaningful and legally manageable.

In addition, the legal framework should reflect the adaptive and forward-looking nature of transition planning. Firms should not be penalised for revising plans as new data, technologies, or policies emerge. Regulators should also align liability expectations with the intended audience of the disclosure. In the case of the real estate fund industry, this

consists primarily of sophisticated institutional investors, who are well positioned to interpret and contextualise forward-looking strategies.

Lastly, regulations and initiatives that may have a material impact on transition planning should provide maximum clarity and predictable implementation timelines. This includes the review of Minimum Energy Efficiency Standards (MEES), Energy Performance Certificate methodologies and thresholds, and broader building performance regulations. Additionally, the UK Government should establish a clear national transition plan for grid decarbonisation, including transparent timelines for significant infrastructure investments that may already be planned or committed, enabling real estate managers to align asset-level strategies with national energy system transformation.

## **Section C: Related policy and frameworks**

### **Question 29**

*What role could high integrity carbon credits play in transition plans? Would further guidance from government on the appropriate use of credits and how to identify or purchase high quality credits be helpful, if so, what could that look like?*

Carbon credits can, in limited circumstances, serve as a supplementary tool in transition planning, particularly where direct emissions reductions are not immediately feasible. This is especially relevant for residual Scope 3 emissions or hard-to-abate activities. However, carbon credits should not displace primary efforts to decarbonise at the asset level. In the real estate sector, credible transition strategies continue to focus on refurbishment, energy efficiency, tenant/occupiers engagement, and supply chain improvements.

Where used, high-integrity credits - those verified for permanence, additionality, and subject to third-party validation - can support climate ambition by offsetting residual emissions and signalling strategic alignment with net-zero goals. Some real estate investment managers and investors, particularly those aligned with initiatives such as the UN Net Zero Asset Owner Alliance, increasingly expect transparency around the use of offsets. Disclosure of carbon credit use in sustainability statements or annual reports can help communicate this aspect of transition planning, especially when integrated with frameworks such as CRREM, GRESB, or the UK Net Zero Carbon Buildings Standard.

To ensure consistency and comparability, it is important that any credit use is accompanied by clear, narrative-driven disclosures. This includes explaining how credits fit within a broader decarbonisation strategy and, where feasible, providing indicative metrics - such as the volume of CO<sub>2</sub> offset relative to capital expenditure or asset value. However, methodological uncertainty and inconsistent data availability continue to challenge the standardisation of such disclosures.

Regulatory clarity is also lacking. Proposed changes to MEES, EPC requirements, and wider net-zero legislation have created ambiguity around whether and how carbon credits might contribute to compliance obligations. Government guidance could be helpful in clarifying acceptable parameters for credit use—particularly in terms of quality, transparency, and alignment with net-zero frameworks - but such guidance must remain flexible. It should reflect the sectoral diversity of UK real estate and avoid prescriptive rules that risk distorting investment incentives or generating immaterial disclosures.

Overall, carbon credits may complement, but should not substitute, robust transition planning in real estate. The real estate fund industry supports voluntary, proportionate integration of high-quality credits, where material, and encourages alignment with evolving international best practice.

### **Question 30**

*Are there specific elements of transition plan requirements or broader policy and regulatory approaches from other jurisdictions that the government should consider?*

It is essential that UK transition planning requirements remain interoperable with key international frameworks. Real estate investment managers and investors frequently operate across jurisdictions and are already subject to overlapping regimes, including the FCA's TCFD-aligned rules, the EU's SFDR and ESRS, and emerging ISSB-aligned standards globally. A lack of coordination between these regimes creates inefficiencies, duplication, and legal uncertainty - particularly in relation to Scope 3 boundaries, greenhouse gas methodologies, and the classification of investment products.

The UK framework should explicitly align with ISSB S2 and the Transition Plan Taskforce (TPT) guidance, while remaining compatible with ESRS. Greater interoperability with the EU's SFDR and Taxonomy - including harmonisation of EPC requirements and clearer treatment of Do No Significant Harm (DNSH) criteria - would support consistent cross-border disclosures.

The real estate fund industry has contributed to pan-European initiatives such as the INREV ESG SDDS, the ARESI White Paper, and ESG Metrics for Real Estate to streamline reporting under SFDR, the EU Taxonomy, and EPBD. These tools provide sector-specific metrics and structures that enable tailored, meaningful disclosure, often used alongside CRREM and asset risk assessments to align transition plans with science-based targets and physical risk analysis. The ESG Metrics for Real Estate - developed with the FCA and IFRS Foundation - offers a proportional set of indicators that could strengthen alignment between the UK's SDR, UK SRS, and global best practice.

UK policy should also track international developments on the Just Transition. Jurisdictions such as the EU and Canada are embedding social equity, workforce reskilling, and community engagement into climate frameworks. Real estate managers are beginning to reflect these principles in transition planning, particularly through urban regeneration, tenant/occupiers collaboration, and local employment initiatives.

Further, flexibility should be preserved in areas such as GHG accounting, where jurisdictional reliefs - such as the use of national GWP values or alternative methodologies - could reduce compliance burdens without compromising transparency. Recognising these dynamics will help avoid fragmentation, enhance comparability, and support the UK's role as a leading hub for cross-border institutional capital.

In designing its broader policy approach, the UK should also consider the balance between regulatory obligations and market-based incentives. While the EU has largely favoured a rules-based, enforcement-led model, other jurisdictions such as the US have initially prioritised positive incentives, and countries like Singapore, Australia, and Canada have paired disclosure requirements with financial levers - such as tax credits, subsidies, and blended finance - to accelerate real-world transition outcomes. A UK framework that combines clear, proportionate expectations with targeted incentives would build on the UK's legacy of innovation in public-private finance and help realise its ambition to lead in the green economy. By aligning with global standards while also rewarding credible action, the UK can ensure that transition plans are not only disclosed but effectively implemented across sectors like real estate.

### **Question 31**

*How can transition planning contribute to achieving the UK's domestic net zero targets while ensuring it supports sustainable investment in EMDEs, where transition pathways may be more gradual or less clearly defined?*

Transition planning should accommodate the realities of investing in emerging markets and developing economies (EMDEs), where transition pathways may be less linear or clearly defined. These markets present significant opportunities to contribute to climate mitigation and resilience, but a prescriptive or overly uniform approach risks disincentivising much-needed long-term capital.

The UK framework should allow for differentiated trajectories, provided they are credible and time-bound. Investment in transitional assets should be encouraged rather than penalised, as this supports climate progress in geographies where infrastructure or policy readiness may lag.

### **Question 32**

*How could transition planning account for data limitations, particularly in EMDEs, where high-quality, comparable sustainability reporting may be less available?*

Transition planning in EMDEs must reflect persistent challenges in data availability and quality. In many jurisdictions, standardised emissions data is either unavailable or difficult to obtain due to infrastructure, legal, or market constraints. For real estate investment managers and investors, this is further complicated by common lease structures and limited access to tenant/occupier data.

A pragmatic approach is essential. Methodologies that rely on proxies, extrapolation, or narrative disclosures should be explicitly permitted where appropriate. Plans should be assessed not only on data availability, but also on the transparency of assumptions, the credibility of the decarbonisation pathway, and the robustness of engagement strategies with local partners.

### Question 33

*What guidance, support or capacity building would be most useful to support effective transition planning and why? For respondents that have developed and/or published a transition plan, what guidance, support or capacity building did you make use of through the process? Please explain what additional guidance would be helpful and why?*

Effective transition planning is best supported by guidance that is clear, proportionate, and tailored to sectoral realities. In the real estate fund industry, this includes clarification on Scope 3 treatment, aggregation of asset-level data to the portfolio level, and the use of design-stage energy performance metrics where operational data is unavailable.

In practice, real estate investment managers and investors benefit most from guidance that builds on established frameworks - such as the Transition Plan Taskforce, ISSB S2, and ESRS - rather than introducing standalone UK-specific obligations. A coherent and interoperable system reduces duplication, lowers costs, and enables consistent reporting across portfolios.

Sector-specific frameworks like the Better Buildings Partnership's Net Zero Carbon Pathway Framework provide practical guidance on whole-life carbon assessment, operational energy targets, and retrofit prioritisation that directly addresses real estate's unique challenges including split incentives, lease structures, and embodied carbon considerations. These established methodologies offer proven approaches to portfolio-level target setting and performance tracking that complement broader climate disclosure requirements

Further support could include illustrative case studies, worked examples, and clarification of proportional application for complex ownership structures. Real estate investment managers and investors also benefit from flexibility to align their internal reporting with investor expectations, using industry-led standards that already provide robust climate disclosures. Capacity building efforts should therefore focus on improving uptake and consistency of existing frameworks, rather than creating entirely new ones.