Position Paper on the UK
Transition Planning Consultation

15 September 2025

Introduction

INREV 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.

Transition planning, where material to the investment strategy, plays a useful role in supporting risk management and long-term asset performance, however we feel it should not be made mandatory for all investment managers to be required to disclose and implement a transition plan. 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 consider 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, including direct and indirect exposures to real estate or related assets, operating companies, REITs/listed property companies, and asset-rich corporates.

Practical measures to reduce unnecessary regulatory burdens include aligning with the FCA's Sustainability Disclosure Requirements (SDR) and international frameworks already in place that 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 continued 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.

Benefits and use cases of transition plans

Transition plans provide value in managing decarbonisation risks, guiding capital allocation, and enhancing transparency. For real estate investors, they help identify regulatory risks, anticipate occupier demands, and mitigate asset obsolescence. They are increasingly embedded in ESG frameworks and used to attract institutional capital with net-zero mandates.

However, real estate requires a tailored approach. The asset class is long-term, capital-intensive, and reliant on lease cycles and tenant behaviour. Many managers already disclose transition-related information through FCA TCFD-aligned rules, ISSB S2, and sector tools such as INREV's ESG SDDS, the ARESI indicators, and CRREM. These should be recognised in UK policy.

Proportionality is also essential. Newly launched or early-stage funds should not face premature requirements. Safe harbour provisions would avoid low-quality disclosures. The preferred approach is “comply or explain,” ensuring flexibility and preventing prescriptive mandates that could misrepresent the realities of real estate investment.

Implementation options

Developing and disclosing transition plans

Decision-useful elements include governance, integration into strategy, asset-level metrics, retrofit pathways, and whole-life carbon assessments. These are already covered by UK SRS S2, ISSB S2, and sector standards. INREV supports Option 1 (“comply or explain”) but rejects Option 2 (mandatory disclosure of standalone plans), which would duplicate existing FCA obligations and create liability risks.

Mandating implementation

We oppose mandatory implementation. Forcing delivery could discourage investment in carbon-intensive assets that require transition finance, accelerate asset stranding, and expose managers to liability for factors outside their control (e.g. tenant co-operation, infrastructure readiness). Market mechanisms, investor mandates, and voluntary standards already drive accountability more effectively.

Net zero alignment

INREV supports the UK’s 2050 net-zero goal but warns against rigid statutory alignment with 1.5°C pathways. Such requirements may lead to unrealistic assumptions, legal risks, and superficial compliance. Instead, transition planning should remain flexible, principle-based, and allow deviations with explanation. Tools such as CRREM and the ARESI framework already provide credible pathways.

Climate adaptation and resilience

Adaptation is essential for real estate given exposure to flooding, overheating, and water stress. UK SRS S2 provides a useful principles-based framework. Prescriptive adaptation requirements, however, would risk immaterial disclosures. Government support should focus on improving access to climate data, aligning planning regulations, and incentivising investment in resilience technologies.

Nature alignment

Nature-related issues such as biodiversity and water management are material for certain strategies (e.g. logistics, development). Nature-positive measures can also enhance climate adaptation and community resilience. Data and metrics are nevertheless still underdeveloped, making mandatory reporting premature. We support voluntary, materiality-based inclusion of nature considerations, guided by frameworks like TNFD.

Scope

Scope decisions must avoid duplicating FCA’s TCFD-aligned disclosures and should remain proportionate. Real estate’s diverse structures (from fund-of-funds to operating companies) make rigid obligations impractical. Any future scope should be interoperable with ISSB, ESRS, and sector frameworks, while offering transition reliefs for early UK SRS adopters.

Legal risk

Mandatory development or implementation of plans could conflict with fiduciary duties and expose managers to liability from forward-looking statements. We call for safe harbour protections, regulatory clarity, and recognition of sector-specific frameworks. The legal environment should support adaptive, evidence-based disclosures without penalising revisions or reliance on third-party factors.

Related policy and frameworks

Carbon credits may have a supplementary role for residual emissions but should not replace direct decarbonisation. Any use must be transparent, high-quality, and integrated into broader transition strategies.

International interoperability is essential. UK rules should align with ISSB S2, TPT guidance, and ESRS, while maintaining compatibility with EU SFDR and Taxonomy. Recognition of sector tools (ESG SDDS, ARESI, CRREM, ESG Metrics for Real Estate) is vital to avoid duplication.

Other jurisdictions are embedding Just Transition principles, balancing climate goals with social equity. The UK should follow this trend while also prioritising incentives and enabling frameworks, rather than rigid obligations, to support capital mobilisation into transitional assets and technologies.