

## IIGCC response to Transition Plan Taskforce (TPT) Disclosure Framework and Implementation Guidance

### About us

The Institutional Investors Group on Climate Change (IIGCC) is the leading European membership body enabling the European and UK-based investment community in driving significant and real progress by 2030 towards a net zero and resilient future. IIGCC's 375+ members (over half of which are UK-based), representing £45 trillion assets under management, can catalyse real world change through their capital allocation decisions, stewardship and engagement with companies and the wider market, as well as through their policy advocacy.

For more information visit [www.iigcc.org](http://www.iigcc.org) and @iigccnews.

### IIGCC consultation response

#### **Definition**

*The TPT Framework includes a definition of a transition plan:*

A transition plan is integral to an entity's overall strategy, setting out its plan to contribute to and prepare for a rapid global transition towards a low GHG-emissions economy

*How would you describe this definition?*

- a) The definition is complete and provides a sound basis for transition planning.*
- b) Overall, the definition provides a sound basis for transition planning, but there are relevant omissions.*
- c) The definition does not provide a sound basis for transition planning.*
- d) Don't know*

*If b) or c):*

*Please explain why you gave that answer:*

To be comprehensive, IIGCC believes that the definition of a transition plan should be more closely linked to the need to uphold the goals of the Paris Agreement, in line with the best available scientific evidence. This approach is consistent with the sector-neutral framework IIGCC is developing. The definition should also look to uphold consistency with existing best practice and mandatory reporting requirements, including the TCFD guidance on transition plans, which have been incorporated into the UK climate disclosure regime. The TCFD definition emphasises that a transition plan should set out *targets and actions* to support the transition to a low-carbon economy, including GHG emission reductions.

Alongside climate change mitigation, the definition should expressly capture an entity’s plan for adapting to climate change and increasing climate resilience, in line with IIGCC’s emerging work on climate resilience investment frameworks.<sup>1</sup>

While we recognise that the TPT Disclosure Framework (‘the framework’) is sector-neutral, it will be important to recognise the need for a differentiated approach between transition plans for corporates operating in the real economy, and investors seeking to implement a net zero investment strategy. Investors are both users and preparers of transition plans, and it is important to ensure that they are able to aggregate the disclosures made by their holdings to inform their own plans. In line with the Net Zero Investment Framework<sup>2</sup> (NZIF), investors should focus on the achievement of two alignment objectives as they seek to align their portfolios with net zero and maximise their contribution to the decarbonisation of the real economy:

- Decarbonise investment portfolios in a way that is consistent with achieving global net zero greenhouse gas (GHG) emissions by 2050;
- Increase investment in the range of ‘climate solutions’ needed to meet that goal.

#### **Where & how to disclose: User Feedback**

*In both the TPT Framework and the Implementation Guidance, we recommend that entities:*

- a. Publish a standalone transition plan,*
- b. Update the standalone transition plan at least every three years or sooner where there have been substantive changes,*
- and c. Report progress against the plan and all other content in the plan that is deemed to be material to investors, consistent with corporate reporting norms, as part of annual TCFD- or ISSB-aligned disclosures in general purpose financial reporting.*

*If your entity is a user of transition plans, how helpful do you find these recommendations?*

*a. Publish a standalone transition plan*

- *Very helpful*
- ***Helpful***
- *Neither helpful nor unhelpful*
- *Unhelpful*
- *Not sure*

*Please explain your selection for a, including by providing relevant information on the drawbacks and benefits of using a standalone plan:*

There are benefits to publishing a standalone transition plan, including enhancing transparency and ensuring that all transition-related information is easily accessible in one place, making it simpler to navigate and potentially easier to compare with other entities’ plans. A standalone plan could also

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<sup>1</sup> Working Towards a Climate Resilience Investment Framework Discussion Paper, available [here](#).

<sup>2</sup> Net Zero Investment Framework, available [here](#).

help to bring together the three holistic elements of transition planning set out in the TPT's 'strategic and rounded approach', which IIGCC is highly supportive of.

Transition plan documents that are not published on a standalone basis may reduce the level of comparability across companies. However, coordination and alignment with other regulatory requirements to avoid companies publishing multiple versions of their plans are essential. Accordingly, we encourage the TPT to continue monitoring progress on existing and incoming transition plan provisions, including emerging US requirements from the SEC, as well as the ISSB and TCFD. In particular, IIGCC notes that the benefits of separating transition plan disclosures from the broader TCFD report are less clear, given that many UK-based and UK-listed companies are already disclosing under the TCFD regime. Noting this potential overlap in disclosures, we believe that companies should have an option to publish a transition plan which builds out and supplement existing TCFD reporting in a single consolidated document.

IIGCC encourages the TPT to consider the risks involved with publishing a transition plan outside of the annual report, including the potential for reduced connectivity with the financial statements. The inclusion of information in an annual report affords a degree of auditor assurance (e.g., in relation to inconsistencies and misstatements), plus connectivity and possibly more oversight as part of public reporting.

*b. Update the standalone transition plan at least every three years*

- *Very helpful*
- ***Helpful***
- *Neither helpful nor unhelpful*
- *Unhelpful*
- *Not sure*

*Please explain your selection for b, including by providing relevant information on the drawbacks and benefits of using a standalone plan that is periodically updated:*

We are broadly comfortable with the proposed timelines for updating transition plans, although we emphasise the importance of the caveat that these plans should be updated at an earlier point in time when there are significant changes. The implementation guidance should detail the circumstances that could be considered to merit such updates, for example as a result of updates to net zero roadmaps/scenarios such as the IEA's, M&A activity or change of management.

More broadly, we encourage the TPT to strike the right balance in managing the reporting and cost burdens created by annual progress updates on transition plans, while acknowledging the need for regular disclosure that recognises the urgency of the climate emergency and potential changes in the external environment.

*c. Report progress against the plan and all other material content, consistent with corporate reporting norms, as part of annual TCFD- or ISSB-aligned disclosures*

- ***Very helpful***
- *Helpful*
- *Neither helpful nor unhelpful*
- *Unhelpful*

- *Not sure*

*Please explain your selection for c, including by providing relevant information on the drawbacks and benefits of accessing transition plan related information in general purpose financial reporting:*

IIGCC agrees that progress against the plan, and all other related reporting that investors and other users of transition plans are likely to deem material, should be reported annually. This will help users of transition plans to assess whether companies are following through on their commitments, targets and actions. Noting that the proposed ISSB standards are anticipated to subsume existing TCFD-aligned disclosure rules in the UK, guidance should be provided to preparers as to how the disclosures set out in the TPT's framework should be made. This could include guidance on how to navigate differences between the two regimes' transition plan disclosure requirements, and how these relate to those proposed by TPT.

### **The Framework: Overall**

*In the TPT Disclosure Framework we set out recommendations for entities to report against five elements and 19 sub-elements of a transition plan. Do you agree with the overall framework? Please note that there will be a chance to provide feedback on the disclosure recommendations for individual sub-elements.*

*a) Yes, I agree with the overall framework.*

*b) Yes, I broadly agree with the overall framework, but I have comments or suggestions.*

*c) No, I do not agree with the overall framework.*

*If b) or c): Please explain why you gave that answer:*

IIGCC is broadly supportive of the overall framework, and the proposed sub-elements provide the basis for comprehensive transition plan disclosures. In particular, we strongly agree with the 'strategic and rounded' approach set out by TPT and the balance between decarbonisation, responding to climate-related risks and opportunities, and contributing to an economy wide transition. Such an approach will help to drive meaningful real-world impact and mitigates the risk of 'paper decarbonisation' that could arise if the focus of the framework was centred on decarbonisation alone.

However, we believe that there should be some consideration as to the relative materiality of the different components of the framework. Investors care particularly about metrics which pertain directly to their climate-related risks (both transition and physical) and opportunities.

Consistent with this, the alignment criteria used by the NZIF's Listed Equity and Corporate Fixed Income are:

- 1) Ambition;
- 2) (Emissions) Targets;
- 3) Emissions performance (alignment of reductions relative to targets);
- 4) (Emissions) Disclosure;
- 5) Decarbonisation strategy (to deliver targets);
- 6) Capital allocation alignment.

Additional criteria covering climate policy engagement, climate governance, just transition and climate risk and accounts should be incorporated where feasible and data availability increases. NZIF also asks investors to set portfolio targets for climate solutions which require supporting asset level disclosure. Lower-impact companies – defined as all those outside sectors assessed by the TPI plus banks and real-estate – are only assessed on criteria 2-4 (emissions targets, performance and disclosure).

The CA100+ Net Zero Company Benchmark<sup>3</sup> ('CA100+ Benchmark') matches NZIF Listed Equity and Corporate Fixed Income framework with 10 indicators.

This approach of both frameworks is summarised in IIGCC's (forthcoming) Corporate Transition Plan Guidance which condenses that into five key elements

- comprehensive, aligned emissions targets;
- a credible strategy for delivering these targets;
- demonstrable engagement commitments and activities to support achievement;
- The contribution to climate solutions;
- Supporting emissions and accounting disclosure.

While the breadth of the TPT framework is arguably positive, investors care most about a subset of the data particularly for smaller (lower impact) companies.

In general, the focus on climate adaptation and resilience could be strengthened. Currently preparers can reference actions to manage adaptation as part of their response to climate-related risk and opportunities and supporting the whole of economy transition, but it could be made clearer throughout each sub-element how adaptation could be considered by the preparer and what metrics they could disclose on adaptation measures.

We also note that the volume and breadth of resources mentioned in our response may necessitate some reflection in future on the structure of the framework once more 'bottom-up' work has been done at the sector and sub-sector level. To this end, while we are supportive of the overall framework, we recommend that no final decision should be taken on the detail of the sub-elements until there has been more in-depth user testing of the framework at the sectoral level.

### **The Framework: User Feedback**

*In the TPT Disclosure Framework we provide disclosure recommendations aimed to assist entities to disclose credible, useful, and consistent transition plans. If you regard yourself as a user of transition plans, please assess the extent to which you expect disclosures in line with our recommendations to be useful for informing your decisions:*

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<sup>3</sup> CA100+ Benchmark, available [here](#).

Disclosure element	Disclosure sub-element	Very useful	Useful	Not useful	Don't know
<b>Foundations</b>	1.1 Objectives and Priorities		X		
	1.2 Business model implications		X		
<b>Implementation Strategy</b>	2.1 Business Planning and Operations		X		
	2.2 Products and Services			X	
	2.3 Policies and Conditions	X			
	2.4 Financial Planning		X		
	2.5 Sensitivity Analysis		X		
<b>Engagement Strategy</b>	3.1 Engagement with Value Chain	X			
	3.2 Engagement with Industry	X			
	3.3 Engagement with Government, Public Sector and Civil Society	X			
<b>Metrics and targets</b>	4.1 Governance, Business and Operational Metrics and Targets	X			
	4.2 Financial Metrics and Targets	X			
	4.3 GHG emissions Metrics and Targets	X			
	4.4. Carbon Credits	X			
<b>Governance</b>	5.1 Board Oversight and Reporting	X			
	5.2 Roles, Responsibility and Accountability		X		
	5.3 Culture			X	
	5.4 Incentives and Remuneration		X		
	5.5 Skills, Competencies and Training			X	

*Please explain your selection to 1.1 Objectives and Priorities:*

IIGCC is broadly supportive of the holistic approach and breadth of coverage, which covers most of the criteria investors will find useful. We welcome the discrete recognition of the need to respond to both physical and transition-related risks.

To be comprehensive, and in line with the best available scientific evidence, we believe that the objective of entity transition plan disclosures should be more explicitly linked to the need to uphold the goals of the Paris Agreement. This would complement existing TCFD disclosure rules in the UK, which require firms that are headquartered or operating in a country that has made a net zero commitment to consider this commitment in developing and disclosing their own transition plans. This approach is also in keeping with the sector-neutral framework that IIGCC is developing, which sets out what constitutes a credible corporate transition plan consistent with the climate objectives of the Paris Agreement of limiting the global average temperature increase to 1.5°C. The phrasing “should have regard” when communicating the need to reduce emissions does not convey a sense of urgency.

IIGCC also notes that the disclosure element references interim and long-term targets. In the interest of clarity, and consistency with the wider range of developing frameworks, we recommend that the framework instead specifies short- and medium-term targets instead of interim targets. Short-term targets are needed to link to the actions of existing management.

IIGCC notes the TPT’s recognition of potential trade-offs that entities may face in setting climate ambition. The risks of not acting need to be more clearly spelled out.

*Please explain your selection to 1.2 Business Model Implications:*

We would note that providing forward-looking guidance on acquisitions and divestment may be problematic legally.

*Please explain your selection to 2.1 Business planning and operations:*

There is no clear expectation that the key implications of the transition plan for the entity’s business model should be quantified in the opening paragraph. IIGCC recommends that this element is made more prominent and aligned more closely with indicators 5 and 6 of NZIF’s Listed Equity and Corporate Fixed Income and the CA100+ Benchmark. These set out quantitative disclosure requirements for firms’ decarbonisation strategies and capital allocation, including current and planned low carbon production/revenues and targets to increase these revenues, and commitments to align future capital expenditure with the Paris Agreement. Quantified disclosures are important for assessing how deliverable each target is and enabling investors to assess the credibility of the target. Ultimately, certain target assessment methods may choose to not include targets or elements of targets for which there are no clear strategy to deliver.

In addition to the proposed disclosures, IIGCC recommends that this sub-element should include:

- Quantified actions to deliver on emissions targets;
- Alignment of operational emissions targets;
- Appropriate aligned additional or subsidiary targets;

- Capital allocation consistent with decarbonisation strategy and Paris-alignment;
- Confirmation that current underlying decarbonisation is consistent with targets and the Paris Agreement;
- Appropriate governance in place to deliver on transition plans.

*Please explain your selection to 2.2 Products and Services:*

Consistent with the requirements of investors implementing NZIF, this sub-element lacks a discrete focus on ‘climate solutions’. Investors are keen to allocate capital to these activities, but disclosure is critical to prevent greenwashing. Corporate entities should be required to report climate solutions revenue and capex clearly stating the definitions they are using (referencing appropriate taxonomies). Where relevant, companies should state production (Units) and set production targets which can be assessable by external parties.

While definitions of climate solutions continue to evolve, a useful baseline to consider here would be reference to and alignment with, definitions of revenues and capex set out in the forthcoming UK Green Taxonomy’s climate objectives. Noting the delayed implementation of the UK Taxonomy, IIGCC proposes that the standard should be incorporated as a basis for climate solutions KPIs later. In the interim, alignment of revenues and capex with the EU Taxonomy should be considered (noting that some activities included within EU Taxonomy, such as natural gas, are not consistent with broader definitions of climate solutions). In line with IIGCC’s sector-neutral framework, sub-elements for disclosure could include:

- Disclosure of a definition of ‘low carbon’ or ‘climate solutions’ that is Paris-aligned and used consistently throughout the entity’s transition plan reporting;
- Disclosure of Paris-aligned investment in low carbon production (for sectors where this can be defined readily) stated;
- Disclosure of growth in low-carbon production, consistent with the goals of the Paris Agreement.

IIGCC recognises that there is no obligation on companies to invest in climate solutions, and that not all companies are well positioned to diversify into low-carbon production. Running down fossil-fuel and carbon-intensive activities, and returning capital to shareholders, without investing in solutions, could also be considered a valid transition strategy. It is important to both users and preparers of transition plans that climate solutions are disclosed separately within a transition plan.

Additionally, this element of the framework should differentiate between disclosures and metrics to be reported by corporates operating in the real economy, and those to be reported by investors. Alongside decarbonisation of portfolios in line with net zero, a key alignment objective of the NZIF is to scale investment in the range of ‘climate solutions’ needed to meet that goal. In line with NZIF, investors seeking to align with net zero should set a <10-year goal for allocation to climate solutions, representing a percentage of revenues or capex from AUM (based on taxonomy mitigation criteria), increasing over time, in line with investment trajectories based on a net zero pathway.

*Please explain your selection to 2.3 Policies and Conditions:*

IIGCC is highly supportive of this disclosure sub-element. Policies on energy usage should be substantiated by disclosures on energy consumption. For example, pairing fuel and electricity



consumption data with Scope 1 and 2 emissions data respectively allows emissions intensity of energy consumed to be calculated, a metric that can be benchmarked against final energy demand in a 1.5°C scenario. Most companies disclose overall energy consumption already, but segmenting transport energy consumption could help benchmark the transition to low carbon for businesses with large fleets as could be purchasing plans for zero emissions vehicles. For those with a large real-estate footprint, buildings or energy efficiency data might help investors track progress in these challenges areas.

Deforestation and climate-related restrictions on suppliers are also important for driving system change. Policies are a particularly important disclosure request within the banking sector which will need detailed consideration within sector specific frameworks.

*Please explain your selection to 2.4 Financial Planning:*

There are a range of views amongst our members on this topic. Some investors consider that the financial disclosure companies provide should primarily be determined by the data that is most material to investors in informing their understanding of the company's broader strategy. Whilst additional financial disclosure can be useful, given that transition is embedded within that financial strategy, specifying additional disclosure may not be necessary.

In addition to the proposed disclosures, IIGCC also emphasises the need for companies to publish Paris-aligned accounts that incorporate material climate-related impacts and the transition to net zero into financial statements, as well as narrative reports. Paris-aligned accounts are essential in providing investors with the information they need to determine the credibility of transition plans and deploy capital in a way that is consistent with the Paris Agreement. To meet expectations for Paris-alignment, companies should make the five disclosures outlined in IIGCC's Investor Expectations paper on Paris-aligned accounts.<sup>4</sup> These are:

- Board Affirmation that a 2050 net zero pathway has been considered in drawing up the accounts;
- Adjustments to critical assumptions and estimates: an explanation for how critical accounting judgments are consistent with net zero carbon emissions in 2050. If directors choose not to use Paris-aligned assumptions, they must explain why in the Notes to the accounts;
- Sensitivity analysis: if the directors have chosen not to use Paris-aligned assumptions in their core accounts, they should provide sensitivity analysis in the Notes of how Paris-aligned assumptions would impact the reported financial statements;
- Dividend resilience: implications for dividend paying capacity of Paris-alignment (e.g. threshold assumptions that would trigger cuts to dividends). This is particularly important where companies have not used Paris-aligned assumptions in their core accounts;
- Consistency: affirmation by Board of consistency between narrative reporting on climate risks and the accounting assumptions, or an explanation for any divergence.

*Please explain your selection to 2.5 Sensitivity Analysis:*

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<sup>4</sup> Investor Expectations for Paris-aligned Accounts, available [here](#).

See our response on 2.4 for recommendations relating to reflecting material climate impacts in the financial statements. Investors rely on financial statements for guidance and therefore, the impact of climate scenarios on accounts, including stranding risk, should be incorporated in the framework, as this is key to assessing the transition risks and opportunities faced by the business. This is in line with existing TCFD disclosure requirements established by the FCA.

For the broader point about the key assumptions and interdependencies of the transition plan this does not really fall within the implementation strategy but more within foundations (see IIGCC's response to 1.2). The guidance lacks comments on how companies intend to address risks to implementation. It is common for businesses to set out how they intend to reduce/mitigate risks alongside the risks themselves.

*Please explain your selection to 3.1 Engagement with value chain:*

Overall, it is positive to see the prominence that has been given to the topic of engagement (the whole of Disclosure element 3). This is consistent with the approach of GFANZ and recent IIGCC work. It is particularly good to see TPT request the expected impact of engagement activities in the value chain. However the framework does not specify that companies should engage with their finance suppliers (banks, corporate brokers etc) to make net zero commitments and manage short-term investments consistent with net zero. This is specified in IIGCC's forthcoming Corporate Transition Plan Guidance and could be encouraged by specifying companies disclose whether their finance partners have made net zero commitments and the alignment of short-term assets.

The sub-element (3.1) could be more specific on the information companies should disclose in relation to their engagement activities across their value chain. In particular, companies should disclose the proportion of suppliers/purchase activity covered by net zero commitments. Companies should request that suppliers of emission intensive commodities such as steel and concrete have made net zero commitments and have externally assessed emissions pathways consistent with 1.5°C. IIGCC recommends TPT incorporates the IIGCC Corporate Transition Plan Guidance in the engagement section, outlining guidance on engagement with investors / investor collaborative initiatives; suppliers and value chain and links to Scope 3 target setting and activities; policymakers

We re-iterate that there needs to be a distinction and separate guidance on how investors should engage with holdings in their portfolios. IIGCC recommends that TPT consults the NZIF and the Net Zero Stewardship Toolkit,<sup>5</sup> the latter of which recommends that investors provide transparency on:

- How engagement is prioritised;
- Alignment criteria used to assess holdings (In line with the NZIF and Corporate Transition Plan Guidance);
- Engagement activity and escalation undertaken across the portfolio, distinguished between priority and non-priority holdings;
- Stewardship, engagement and voting policies;

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<sup>5</sup> Net Zero Stewardship Toolkit, available [here](#).

- Alignment of objectives between asset owners, asset managers and investment consultants (as relevant).

*Please explain your selection to 3.2: Engagement with industry:*

The overall approach for this sub-element aligns well with IIGCC's positions, as set out in CA100+ Benchmark indicator 7, our Corporate Transition Plan Guidance and the recently published Global Standard on Responsible Corporate Climate Lobbying.<sup>6</sup> These documents set expectations for companies to publicly commit to align both direct and indirect (i.e. via trade body membership) lobbying, consistency in coverage (all subsidiaries and geographies), and application. In addition, companies should establish annual monitoring and review processes, and report on the impact of lobbying on overall 1.5°C ambition (good, bad and no impact).

*Please explain your selection 3.3 Engagement with government, public sector and civil society:*

As above, IIGCC would support the inclusion of a sub-component relating to lobbying, both direct and indirect. Entities should articulate in their transition plans any dependencies on public policy and how they intend to engage with policymakers to make sure the policies they need are in place. Demonstrable engagement commitments should be set out which support the achievement of the stated targets, i.e. aligning direct and indirect lobbying; undertaking an annual monitoring review; committing to just transition principles; and reporting on a risks and mitigation strategy.

At the macro level, the framework may also be helpful to identify policy gaps and barriers which need to be addressed to support the transition of the economy. The framework should provide a basis to accelerate industry efforts to close these gaps in cooperation with TPT and the Government, rather than relying solely on individual corporate and investor engagement with policymakers, which is time consuming and arguably less impactful.

*Please explain your selection to 4.1 Governance, business and operational metrics and targets:*

Sub-element 4.1 asks companies to "disclose the governance, business and operational metrics and targets ... to assess progress towards its strategic ambition". As companies and investors already disclose information in relation to their strategic position, we do not believe this guidance is additive.

*Please explain your selection to 4.2. Financial metrics and targets:*

See IIGCC's comments above on green revenues/production/capex disclosure and targets.

See also our comments above regarding the value of a framework requesting disclosure that companies are already providing as part of their annual reporting. This being said, disclosure of capex plans as related to fossil fuel intensive or green revenues (indicator 6 of CA100+ Benchmark and NZIF listed equity and corporate fixed income) is very useful for informing investor decision-making.

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<sup>6</sup> Responsible Climate Lobbying: The Global Standard, available [here](#).

*Please explain your selection to 4.3 GHG emissions metrics and targets:*

Disclosure of gross absolute emissions is highly welcome. Additional disclosure of net emissions, and the source of the negative emissions adjustment adjacent to gross emissions, should also be specified.

Consistent with NZIF listed equity and corporate fixed income indicator 3 and v2.0 of the CA100+ Benchmark (to be published shortly), the sub-element should specify that companies disclose the annual change in emissions (emissions performance), the impact of any one-off event such as M&A, and neutralising measures on that change, and if the reduction is in-line with its targets.

The sub-element proposes disclosure of intensity by Scope. A preference for a physical denominator should be stated and, consistent with comments above, separate Scope 1 and Scope 2 intensities using energy and electricity consumption denominators should be disclosed. Scope 1 and 2 targets can be specified on this basis.

IIGCC welcomes requirements to state absolute targets across Scope 1, 2 and 3. An additional focus on absolute (as well as intensity) is consistent with NZIF and v2.0 of the CA100+ Benchmark.

TPT needs to specify in greater detail the parameters needed around methane targets, but this can be done at a sector level.

As noted in previous responses, the framework refers to interim targets, but in the interest of clarity and providing a direct link to the action of current management, we recommend that the framework specifies short- and medium-term targets. This is less ambiguous, will create more certainty and precision around the timescales for measuring progress (e.g. 3 years for short-term targets, and 5-10 years for medium term targets).

Consideration should also be given to the existing GHG metrics and target-related disclosures that companies in scope of existing TCFD and forthcoming Sustainability Disclosure Requirements (SDR) regimes are required to make, in the interest of consistency and to avoid excessive or duplicative reporting burdens.

IIGCC and its members strongly endorses TPT's approach to specifying Scope 3 disclosure overall. We would additionally request that a principle is established that where there are components of categories relating to emissions that can be benchmarked (assessed externally to test alignment against climate scenarios), companies should provide that disclosure. This would refer to purchasing commitments (Cat 1) covering steel or cement for example or Cat 11 breakdown for automakers/suppliers as specified in IIGCC's Corporate Transition Plan Guidance. Some of this will be captured in sector specific metrics, but it would still be helpful to establish this approach in principle as part of the sector-neutral framework.

*Please explain your selection to 4.4 Carbon Credits:*

IIGCC is generally supportive of the proposed specifications on carbon credits, and we note that investors are particularly keen to understand the details of companies' strategies around this topic. However, sub-element 4.4 does not establish the clear principle that, consistent with the science and as enshrined by SBTi's mitigation hierarchy, companies should focus on emissions reduction primarily with carbon credits only used where no further reduction is feasible. Establishing this principle is critical.

Additionally there is no clear specification that, where relevant, the contribution of carbon credits to emissions targets is clearly stated. This is a requirement of v2.0 of the CA100+ Benchmark, amongst other frameworks.

In a similar fashion, investors are particularly keen to understand the details of any Technology based solutions (TBS) to emissions targets (these include DACCS and BECCS for example). Like NBS, reliance on these technologies for emissions reductions should be minimised, as uncertainty about the ability of the technologies to provide cost effective solutions at scale is high. IIGCC therefore suggests that TPT specifies that companies should disclose the contributions of these technologies to targets, strategies and deployment timelines.

*Please explain your selection to 5.1. Board oversight and reporting:*

IIGCC is broadly supportive of the sub-element, which is broadly aligned with CA100+ Benchmark indicator 8.

*Please explain your selection to 5.2 Roles, responsibility and accountability:*

The sub-element should specify that emissions disclosure should be independently and externally assessed.

*Please explain your selection to 5.3 Culture:*

Linked to IIGCC's comments on board oversight and reporting, the board or investment committee should also agree principles and publish beliefs in relation to Paris alignment.

*Please explain your selection to 5.4 Incentives and Remuneration:*

IIGCC would support the inclusion of transparent and quantitative climate performance KPIs in remuneration schemes which are linked to the transition strategy. Executive remuneration should also be linked to delivering targets and transition.

*Please explain your selection to 5.5 Skills, Competencies and Training:*

The Board or investment committee should regularly update mandates and performance (including learning and development) objectives for relevant personnel to ensure assets are managed to reflect the net zero investment strategy, reviewing implementation of these mandates and performance over time.

### The Framework: Suggestions

#### The Framework: Additional comments Are there any other comments that you would like to provide on the TPT Disclosure Framework? (Optional)

No IIGCC response.

### The Guidance: Interpreting the Sub-Elements

*In the Implementation Guidance we provide additional interpretative guidance for each sub-element, aimed to help preparers assess and implement the guidance. The interpretative guidance sits beneath an overview of 'TCFD additionality' for each sub-element. Do you agree with the content of the interpretative guidance for each sub-element? Please consider the granularity of the information requested when you consider the overall content.*

### The Guidance: The four stages

*In the Implementation Guidance we provide additional guidance for preparers, outlining four key stages to preparing a transition plan. At each stage, the guidance outlines process steps for the entity to disclose against the TPT Framework. Do you agree with the content of the Implementation Guidance for each stage?*

Stages	Yes, I agree with the content of the guidance	I broadly agree with the content of the guidance but would like to provide comments	No, I disagree with the content of the guidance	Don't know
Stage 1: Baseline current position		X		
Stage 2: Setting Ambition		X		
Stage 3: Developing an Action Plan	X			
Stage 4: Ensuring Accountability for Delivery		X		

*Please explain your selection to Stage 1: Baseline current position:*

IIGCC welcomes the differentiation between real economy entities and financial institutions within the guidance on decarbonisation levers. However, greater emphasis should be placed on ensuring these levers are aligned with the Paris Agreement. In addition to the relevant guidance set out under the decarbonisation levers section, we would recommend including the CA100+ Benchmark for real economy entities, and NZIF for financial institutions (specifically investors).

*Please explain your selection to Stage 2: Setting Ambition:* As emphasised throughout our response, ambition should be consistent with the 2050 goal of achieving net zero globally. Companies developing and disclosing transition plans should seek to ensure they are Paris-aligned, covering all material emissions scopes, gases, and operations.

*Please explain your selection to Stage 3: Developing an Action Plan:* IIGCC is broadly supportive of the guidance proposed for Stage 3.

*Please explain your selection to Stage 4: Ensuring Accountability for Delivery:* With regards to monitoring and reporting on outcomes, the guidance could be more explicitly linked to existing and incoming regulatory disclosure requirements that entities will need to adhere to (e.g. TCFD, ISSB, SDR).

#### **The Guidance: Additional comments**

*Are there any other comments that you would like to provide on the TPT Implementation Guidance?*

No IIGCC response.

#### **Overall Feedback**

*Is there any additional information that you would like to communicate to the TPT about these consultation documents? (Optional)*

IIGCC welcomes the work that the TPT has undertaken, at pace, to lay the foundations for robust, high quality and decision-useful transition plan disclosures that build on existing best practice and standards. Overall, the sector-neutral framework as constructed currently is clear in its aims at a high level, and comprehensive in its coverage of material topics and disclosure indicators used by IIGCC members to assess the credibility of corporate transition plans.

We have set out below some additional, high-level comments that are intended to frame the more granular responses provided in the body of the submission:

**The TPT need to ensure the framework is consistent with the wider range of established and emerging transition plan disclosure frameworks (including NZIF).** IIGCC notes that numerous frameworks for transition plan disclosures have been, or are currently being, developed, and it will be critical to ensure as much alignment between these frameworks as possible to reduce complexity

and mitigate the risk of a fragmented reporting landscape. We acknowledge and appreciate the TPT's intention to build on these existing transition plan methodologies, guidance, and frameworks as much as possible. This is particularly important for existing or incoming disclosures that are/will be required by regulation (e.g. the FCA's TCFD regime for asset managers and listed companies; UK SDR), and the Technical Annex is helpful in this regard. It will be important to update the Annex on a regular basis, and we also recommend that the mapping work is more clearly integrated into the wider implementation guidance. This could help reporting entities navigate the range of regulatory and voluntary transition plan initiatives and achieve synergies where possible. Additionally, it would be helpful if the TPT mapped the framework against a broader range of frameworks that are well-established, or soon to be published (e.g. TPI; IIGCC's Corporate Transition Plan Guidance).

**Greater clarity on the audience for the framework.** It is unclear whether the audience for the framework is preparers, users, or both. From IIGCC's perspective, the framework guidance in its current form is preparer focused, and needs additional focus and content in the user guidance section.

**Need to focus on components material to investors assessment of transition risks.** IIGCC understands that investors are not the only users of transition plans that TPT has to consider. Nevertheless, IIGCC sees institutional investor members are key users of transition plans. They need transparent, credible, and comparable transition plan disclosures from their investee companies to assess their transition risk and monitor progress towards their own targets. If the principal role of transition plans is to channel capital in line with net zero, then investors' needs should be prioritised over other users of the framework. In IIGCC's view, this prioritisation process should take account of the following:

- A focus on elements and sub-elements that generate meaningful information about transition risk in investors' portfolios. NZIF focusses on commitment, targets emissions disclosure, a quantified decarbonisation strategy and capital alignment (NZIF listed equity and corporate fixed income alignment criteria);
- Specific references to the TPI as an assessor of targets (alongside SBTi) and transition plans;
- A focus on emissions disclosure and targets that can be linked with climate scenario analysis and modelling. The framework should explicitly state that companies will be evaluated on metrics which can be linked to climate scenarios by investors.

Additionally, we believe that the disclosures should differentiate between companies operating in carbon-intensive industries,<sup>7</sup> and those that are not (e.g. high- and low-impact companies). It would, in IIGCC's view, be practical for smaller and/or lower-impact companies operating outside emission intensive sectors to report on the 'core' components of a transition plan (e.g. comprehensive, aligned emissions targets and a credible strategy to deliver those targets), with additional disclosures made only where this is appetite/capacity. Restricting the number of metrics will make it easier for third party data providers to collect the data and provide assessments. IIGCC's Net Zero Engagement

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<sup>7</sup> See NZIF Appendix B for a list of high impact sectors.



Initiative (NZEI), which aims to provide a forum for investors to scale and accelerate engagement beyond CA100+, intends to request companies disclose against these elements.

**Differentiation between corporate and investor transition plans.** IIGCC recognises the potential value in TPT aligning the frameworks used to assess real-economy companies and investors. However, in our view it is critical to ensure a differentiated approach between the plans to be developed and disclosed by investors in relation to portfolio alignment, and those to be made by corporates in order to support investors' assessments of current and forward-looking alignment of their holdings. For entities such as investors, who are both users and preparers of transition plans, it is vital that transition plan disclosures are aggregable, with holdings' disclosures used to inform their own transition plans. NZIF, which is used by over 120 investors globally (c\$20 trillion in AUM), provides a basis by which a broad range of investors, asset owners as well as managers, can decarbonise their portfolios to net zero as well as increase investment in the range of climate solutions needed to meet that goal. It sets out several components for an effective net zero investment strategy, how alignment can be measured and recommends key actions and methodologies that can be deployed to implement such a strategy. See the table below:

**Table 1: Steps and actions to increase the alignment of assets**

	Scope of assets to include <sup>6</sup>	Portfolio coverage target	Criteria to assess level of alignment	Methodologies/ data sets to assess alignment criteria
Listed equity and corporate fixed income	All material sectors defined as those in NACE code categories A-H and J-L. High impact sectors (which require additional criteria to be achieved) are set out in the Net Zero Investment Framework	<b>Target:</b> A 5-year portfolio coverage target for increasing the percentage of AUM in material sectors <sup>7</sup> classified as achieving i) net zero, ii) aligned or iii) aligning.	<ol style="list-style-type: none"> <li><b>1. Ambition:</b> A long term 2050 goal consistent with achieving global net zero</li> <li><b>2. Targets:</b> Short- and medium-term emissions reduction target (scope 1, 2 and material scope 3)</li> <li><b>3. Emissions performance:</b> Current emissions intensity performance (scope 1, 2 and material scope 3) relative to targets</li> <li><b>4. Disclosure:</b> Disclosure of scope 1, 2 and material scope 3 emissions</li> <li><b>5. Decarbonisation Strategy:</b> A quantified plan setting out the measures that will be deployed to deliver GHG targets, proportions of revenues that are green and where relevant increases in green revenues</li> <li><b>6. Capital Allocation Alignment:</b> A clear demonstration that the capital expenditures of the company are consistent with achieve net zero emissions by 2050</li> </ol> <p>The Framework provides ten criteria in total that can be used to assess corporate alignment and should be included in a corporate transition plan. Criteria 7-10 relate to policy engagement and lobbying, climate governance, just transition, and climate risk disclosures and financial accounts.</p>	CA100+ Benchmark Transition Pathways Initiative Science Based Targets Initiative
Real Estate	All real estate assets	<b>Target:</b> 5-year target portfolio coverage target to increase the percentage of AUM in net zero, aligned or aligning assets	<ol style="list-style-type: none"> <li><b>1.</b> Current carbon emissions and energy intensity in line with net zero pathways</li> <li><b>2.</b> Future projected carbon emissions and energy intensity in line with net zero pathways, including an assessment of: <ul style="list-style-type: none"> <li>the energy mix and demand in different buildings and locations</li> <li>potential for, and plans relating to, retrofit and other investments to address emissions and energy use</li> </ul> </li> </ol>	Carbon Risk Real Estate Monitor
Sovereign Bonds		Increase average climate performance/ AUM (to the maximum extent possible), exceeding the average benchmark score.	<ol style="list-style-type: none"> <li><b>1.</b> Past and future expected territorial production emissions performance per capita, or per GDP, against a net zero pathway</li> <li><b>2.</b> Past and future expected performance in key sectors/ indicators (energy use, renewables, exposure of the economy to fossil fuels).</li> <li><b>3.</b> Other relevant national and international policy positions and strength in relation to achieving net zero (e.g. low carbon transport; fossil fuel subsidy phase out; carbon pricing; decarbonisation of state owned enterprises)</li> </ol>	Germanwatch Climate Change Performance Index

Source: Net Zero Investment Framework: Supplementary Target Setting Guidance<sup>8</sup>

IIGCC suggests that the TPT considers the actions and methodologies set out in NZIF and incorporates them into the framework, to address the need for adequate differentiation between corporate transition plans, and net zero investment strategies. We are currently developing a sector-neutral framework which defines the key components of a credible transition plan, consistent with

<sup>8</sup> NZIF Supplementary Target Setting Guidance, available [here](#).

the requirements of investors implementing the NZIF, which we would be happy to discuss in more detail with the TPT.

**Greater consideration of geographic and regional pathways.** While IIGCC welcomes the holistic nature of the framework, greater recognition of geographic considerations and nuances could help to mitigate ‘one size fits all’ risk. This would also help to ensure the framework guidance and template can set a high bar for global ambition by serving as a template for other jurisdictions. The current framework is focused on transition plan requirements for UK companies, but UK pension funds invest in other markets, both developed and emerging. IIGCC therefore recommends incorporating these geographical nuances, noting this is an area that needs more work, especially in sectors and asset classes associate more closely with emerging markets, such as commodities. There is also scope to differentiate between ‘baseline’ disclosures for emerging markets and ‘advanced’ expectations for developed markets.

**Support with capacity building.** In general, IIGCC would welcome efforts from the TPT to provide ongoing support for companies with regards to implementation of the various elements of the framework, to help them understand what is required and encourage take-up. Supporting capacity building and skills uplift at both the investor and company level, including at C-suite level, will be crucial to making the framework operable.

***Disclaimer:** This response was developed in collaboration with a number of IIGCC members but does not necessarily represent the views of the entire membership, either individually or collectively.*

***Disclaimer:** All written materials, communications and initiatives undertaken by IIGCC are designed solely to support investors in understanding risks and opportunities associated with climate change and take action to address them. Our work is conducted in accordance with all the relevant laws, including data protection, competition laws and acting in concert rules. IIGCC’s services to members do not include financial, legal or investment advice.*