

Transition Plan Taskforce Call for Evidence: A Sector-Neutral Framework for private sector transition plans - IIGCC response

About us

The Institutional Investors Group on Climate Change (IIGCC) is the leading European membership body enabling the European investment community in driving significant and real progress by 2030 towards a net zero and resilient future. IIGCC's 350+ members (over half of which are UK-based), representing €51 trillion AUM, are in a position to 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 and [@iigccnews](https://twitter.com/iigccnews)

Executive summary

IIGCC is grateful for the opportunity to respond to the Transition Plan Taskforce's Call for Evidence. To effectively channel capital in line with net zero, investors urgently need clarity on the actions their investees are taking to adapt to a low carbon economy. While the number of net zero commitments continues to grow, there is now an increasing need for more detailed disclosures on how these long-term commitments will be met and implemented in practice. We therefore welcome the Taskforce's ambition to develop a comprehensive sector-neutral framework for transition plans, which should help to improve the comparability, quality and robustness of transition plan disclosures.

Through our work to establish the Paris Aligned Investment Initiative's [Net Zero Investment Framework](#) and the Climate Action 100+ [Net Zero Company Benchmark](#), IIGCC has developed a deep understanding of the information investors need to assess the credibility of investees' transition plans. We are broadly supportive of the approach set out in the Call for Evidence, but would encourage the Taskforce to take into account the following recommendations to ensure the framework allows investors to hold companies to account on their net zero pledges:

- Ensuring the framework addresses the three core components of a credible, sector-neutral transition plan (credible and comprehensive targets; robust strategy for implementing and achieving targets; external engagement to create an enabling environment to accelerate progress)
- Introduction of specific indicators and disclosures for actions relating to climate adaptation and resilience, in line with the Taskforce's Terms of Reference
- Combining proposed disclosures with existing disclosures under the UK TCFD regime (and the forthcoming SDR regime) to streamline reporting requirements, reduce cost and administrative burdens, and increase accessibility for investors
- Avoid encouraging 'paper decarbonisation' through the sale/divestment of carbon-intensive assets by setting expectations that companies and investors should achieve emissions reductions through transitioning their business models and strategies and through stewardship/engagement

- Clear linkage between the Taskforce’s proposed transition plan ‘principles’ and the proposed transition plan elements and sub-elements, in recognition of the fact that near-term actions and milestones need to be embedded in a credible long-term framework.

We welcome your consideration of our concerns, and we can follow up as needed to provide any further information or feedback required. We stand ready to support the Taskforce to ensure the framework meets its ambition to establish a ‘gold standard’ for transition plans.

Detailed Response

1a. Introduction to TPT: Rationale and definition

1. Do you agree with the proposed definition of a transition plan? If not, why, and what alternative definition would you suggest?

IIGCC broadly agrees with the TPT’s proposed definition of a transition plan and welcomes the focus on the ‘how’ (e.g. delivery of emissions targets) as well as the targets themselves.

We believe the definition could be further enhanced by building on and leveraging the approach developed by the Climate Action 100+ Net Zero Company Benchmark (CA100+ Benchmark).¹ The CA100+ Benchmark was developed to provide investors with robust and comparable information on how companies are aligning their business strategies and operations with the goals of the Paris Agreement and a net zero emissions future. It sets out three core components of a credible, sector-neutral transition plan:

- **Targets:** long-, medium- and short-term greenhouse gas (GHG) reduction targets on a clearly defined scope of emissions, aligned with the goal of limiting global warming to 1.5°C with low or no overshoot
- **Strategy for implementing transition plans and achieving targets:** including robust governance and oversight, a decarbonisation strategy to meet long- and medium-term targets, and a commitment to increasing ‘green revenues’ from low carbon products and services, supported by Paris-aligned capex allocation
- **External engagement:** engagement to support the creation of an enabling environment to accelerate progress towards a net zero future. This includes:
 - Paris-aligned lobbying and policy advocacy
 - Supply chain engagement
 - Consideration of the need for a ‘just transition,’ assessing the impacts of transitioning to a lower-carbon business model on workers and communities
 - Corporate disclosure in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).²

¹ CA100+ Benchmark, available [here](#).

² TCFD Guidance on Metrics, Targets, and Transition Plans, available [here](#).

The high-level definition proposed by TPT is consistent with the two ‘internal’ elements of a transition plan outlined above, but doesn’t capture either the commitment to increase ‘green revenues’ or the ‘external’ elements (e.g. lobbying and policy advocacy, the just transition, and robust disclosures). IIGCC therefore recommends the definition is expanded to encompass these components.

More broadly, IIGCC notes that the proposed definition does not account for actionable steps that organisations are taking in relation to climate adaptation. The TPT’s Terms of Reference states that the recommendations for a Transition Plan Disclosure Framework will include specific actions for both climate change mitigation and adaptation, but the Call for Evidence does not explicitly address the latter topic. Even in the context of a 1.5°C scenario, physical climate risks will still materialise, and it is therefore important to promote both the mitigation and adaptation components of investor and corporate climate change strategies. IIGCC has worked with our members to develop a set of expectations of companies in relation to physical climate risk, opportunities, and resilience, which provides numerous examples of the type of physical risk-related disclosures and metrics that users of reporting would benefit from.³ We recommend that the TPT considers these disclosures and metrics in the context of its sector-neutral framework. Additionally, we would welcome the development of a wider range of high-level guidance and recommendations in relation to adaptation, to enable companies and investors to implement these components as part of their wider transition plan disclosures in a way that is appropriate for their organisations.

2. From your perspective, who are the key users of transition plans?

IIGCC represents institutional investors, who need transparent, credible, and comparable transition plan disclosures from their investee companies to assess their potential to align their business model and strategy with net zero. From our perspective, they are the key users of transition plans. If the principal role of transition plans is to channel capital in line with net zero (see our response to Q3 for more detail), then investors’ needs should be prioritised over other financial market participants.

Increasingly, a wider range of stakeholders (including policymakers, the wider financial sector, civil society, consumers, and employees) are also seeking to understand how companies are aligning with a low carbon world and the impact of their activities on the climate. IIGCC believes that these users would also benefit from an increase in the quality and availability of transition plan disclosures consistent with the components outlined in our response to Q1.

3. From your perspective, what are the key use cases for transition plans?

The key use cases of transition plans are to inform investment decision-making and support the reorientation of capital towards net zero. For investors to have confidence that they can

³ IIGCC’s Building Resilience to a Changing Climate: Investor Expectations of Companies on Physical Risks and Opportunities, available [here](#).

align their portfolios with this goal, they need to be able to assess the credibility of the net zero commitments made by their investees: both the claims of alignment of emissions targets to a 1.5°C scenario and plans to deliver those targets.

In line with the Paris Aligned Investment Initiative’s Net Zero Investment Framework⁴ (‘the NZIF’), investors need to set emissions reduction targets consistent with net zero by 2050 or sooner at portfolio and asset-class level. The main driver for achieving these targets is the increasing alignment of assets within the portfolio with net zero pathways, assessed against consistent, repeatable, and quantitative criteria and methodologies (e.g. CA100+ Benchmark indicators).⁵ To assess investees against these criteria and methodologies, investors need robust, comparable data on transition plans which can be aggregated up to portfolio and asset class level.

1b. Introduction to TPT: Mandate and structure of the TPT

4. How should the TPT select which sectors to develop tailored transition plan templates for? Following that logic, what financial sub-sectors and real economy sectors should the TPT prioritise? In what order should these be addressed?

The TPT’s primary consideration should be prioritising transition plans for the sectors whose transition is expected to deliver the greatest impact on real-world emissions reductions by 2030 on an absolute emissions basis. For example, the International Energy Agency’s (IEA) Net Zero by 2050 Scenario includes datasets which break down emissions by sector, which could provide a useful basis for prioritisation.⁶ Additionally, the SBTi has estimated sectoral carbon budgets to establish ‘guardrails’ for sector roadmaps.⁷

However, other factors will also need to be considered. It will be important to ensure that the approach to prioritising transition plan templates considers the specifics of the UK economy and which sectors contribute most to total GHG emissions (e.g. energy, manufacturing, transport, agriculture). The sequencing of these templates will also be a key consideration, and we stress the importance of this to the TPT. To support the flow of information across the investment chain, sector templates for the real economy should be developed before those for the financial sector, given the latter’s reliance on the trajectories of the companies it invests in/lends to. It is worth noting that the sector-neutral framework will, almost by definition, cover most of the actions and disclosures the financial sector will need to consider in the context of transition plans (as these will largely be informed by its investments in the real economy). The priority must therefore be to develop real economy sectoral transition plan templates, in line with our comments above, so that financial market participants can leverage to inform their own transition plans.

⁴ Paris Aligned Investment Initiative’s Net Zero Investment Framework, available [here](#).

⁵ The NZIF uses the CA100+ indicators to determine where an asset sits on the alignment maturity scale (ranging from not aligned through to committed to aligning, aligning towards a net zero pathway, aligned to a net zero pathway and achieving net zero). See page 17 of the NZIF for more information.

⁶ IEA Net Zero by 2050 datasets, available [here](#).

⁷ SBTi Technical Summary, Pathways to Net Zero, available [here](#) (p.10).

With regards to financial sub-sectors, IIGCC recommends that the TPT should prioritise transition plan templates for the banking sector for the following reasons:

- **The banking sector has a significant role to play in limiting warming to 1.5°C.** The IPCC estimates that the investment required to achieve the low-carbon transition ranges from USD 1.6 trillion to USD 3.8 trillion annually between 2016 and 2050 for supply-side energy system investments alone. Mobilising this volume of capital will require a significant volume of innovation in the provision of financial services
- **The banking sector is likely to be exposed to climate related financial risk that could be passed on to shareholders.** Some banks continue to finance fossil fuel activities that are potentially misaligned with the Paris Goals. In six years since the Paris Agreement, fossil fuel financing from the world's 60 largest banks has reached \$4.6tn according to the Rainforest Action Network⁸
- **Banks represent a considerable proportion of investment portfolios.** To help investors align their own portfolios with the Paris Goals, banks also will need to produce science-based climate transition plans. The sector has taken the initiative to develop its own guidelines for setting financed emissions targets, for example through the Net Zero Banking Alliance (NZBA), representing over 40% of global banking assets. However, government guidance and standards will be a critical complement to this work and provide investors with the clarity they need to assess the transition progress of their banking holdings.

IIGCC is developing a framework for aligning the banking sector with the goals of the Paris Agreement, due to be published in late 2022. We would be happy to discuss our work with the TPT in more detail if of interest.

5. Given the mandate set out in the TPT's Terms of Reference, to what extent, and how, should the TPT consider issues beyond a firm's contribution to economywide decarbonisation? Why?

In all but a very few cases, a company cannot transition to net zero in isolation. Firm-level transition plans require supporting actions from policy makers, actors across the value chain (customers and suppliers), impacted communities, technology, and peers. While there may be limited scope for companies to influence these stakeholders, the extent to which they are trying to influence them is a useful indicator of how committed a firm is to delivering not only its targets, but in line with its obligations to uphold corporate social responsibility and deliver net zero more generally. Some investors may consider these actions to be less important than companies' own targets and strategy (see Q6 and Q21), but increasingly our members are seeing these broader considerations as useful for a more comprehensive approach to assessing transition plans.

⁸ Rainforest Action Network Fossil Fuel Finance Report 2022, available [here](#).

6. Which of these issues are ‘must-haves’ that need to be addressed in all transition plans, and which are ‘desirable’, which add depth or breadth but are not central to a transition plan?

All companies need to provide baseline disclosures on their transition plan approaches – whether they wish to take action to align with net zero or not. These baseline disclosures should include emissions reporting, energy reporting, the presence of emissions targets and the contribution (if any) to climate solutions.

Our members, who seek to integrate acute climate-related issues into their decision-making and investment processes, consider comprehensive, aligned emissions targets as the primary attribute of a transition plan. These need to be backed up by a credible strategy to implement the plan (which encompasses multiple elements) and external engagement consistent with targets and strategy (see Q5) and the broader shift to net zero.

7. Do you envisage any tensions between entity-level decarbonisation and economy-wide decarbonisation goals? If so, can you provide examples and any suggestions as to how the UK TPT may address these in its guidance?

The key source of tension between the two stated goals stems from the risk that companies and investors seek to achieve a ‘paper decarbonisation’ at entity-level through the sale/divestment of carbon-intensive assets.

As set out in the NZIF, the primary objective of decarbonisation should be the achievement of emissions reductions in the real economy. However, there is a risk that companies and investors seek to achieve their decarbonisation goals through offloading carbon-intensive assets. While this approach may reduce the direct risks that companies and investor face from the low carbon transition, it will have no impact on the systemic risks posed by climate change, which require rapid and ambitious real-world emissions reductions on an economy-wide basis. As outlined in IIGCC’s Net Zero Stewardship Toolkit,⁹ stewardship should be the main tool investors used to achieve maximum emissions reduction impact across their holdings. Divestment should only be used as a last resort (in the case it can be used at all) where escalation has been exhausted or change is otherwise seen as infeasible.

The TPT should factor in the tensions we have outlined when developing its guidance, by setting clear expectations that companies and investors should achieve emissions reductions through transitioning their business models and strategies and engaging with existing holdings to reduce their emissions where possible. Where the sale of assets or divestment has contributed to a reduction in entity-level emissions, firms must be transparent about this in their disclosures (see our response to Q21 and the need to disclose underlying emissions) and provide rationale for the decision. Firms should also seek public

⁹ IIGCC Net Zero Stewardship Toolkit, available [here](#).

commitments from any purchasers of fossil fuel assets that they will adhere to the same climate targets as the company itself.

1c. Introduction to TPT: International collaboration

8. What other financial or non-financial, mandatory, or voluntary frameworks and processes are you aware of that the TPT should consider as it proceeds?

In line with previous responses, IIGCC recommends that the TPT should consider the criteria developed by the CA100+ Benchmark in the context of corporate transition plans. The Benchmark, which builds on TCFD recommendations, was developed to provide investors with robust and comparable information on how companies (on a cross-sector basis) are aligning their business strategies and operations with the goals of the Paris Agreement and a net zero emissions future. Additionally, the NZIF proposes key components of a net zero strategy for investors. The strategy focuses on the achievement of two alignment objectives, namely the decarbonisation of portfolios consistent with net zero by 2050, and scaling investment in the range of climate solutions needed to meet that goal.

It is critical to ensure that the frameworks to be developed by the TPT are consistent with these frameworks (including in relation to the asset classes covered by the NZIF). Besides from overall alignment of pathways and investment in solutions, this should include disclosure of annual “underlying” emissions performance. See our response to Q21 for more information.

2a. The sector-neutral framework: **Objectives**

9. **Where would you prefer for companies to disclose information on their transition plans? Please explain your reasoning, including on how the suggested location relates to the intended audience.**

The primary audience of transition plan disclosures is investors. To inform investment decision-making and support the reorientation of capital towards net zero, it will be important to ensure these disclosures are as visible and accessible as possible.

We propose that the TPT should give serious consideration to combining any proposed disclosure requirements for transition plans with the other disclosures recommended by the TCFD (noting that many UK-based companies are or will be reporting against the recommendations on a mandatory basis).¹⁰ This would bring together all elements of a firm's response to climate change into a single regime, with clear advantages for streamlining in terms of reporting, governance and strategy synergies, rather than requiring parallel reporting which will add to burdens for preparers and users of this information. In particular, combining transition plans with assessment of physical climate risks would encourage firms to set out how they plan to increase resilience and adapt to climate impacts, which will encourage greater investment in adaptation solutions (in line with our response to Q1).

Following the publication of proposals for economy-wide Sustainability Disclosure Requirements (SDR),¹¹ transition plan disclosures could be incorporated into SDR reporting, in line with UK Government commitments announced during COP26.¹² We note that the government intends to integrate the ISSB's climate standards into the SDR framework, which will likely include requirements to disclose information on transition plans. At present, IIGCC believes that the transition plan disclosures proposed by ISSB do not include all the elements necessary to credibly assess reporting entities' alignment progress. We would therefore encourage the TPT to ensure that any standards for transition plan disclosures are required in addition to ISSB-related transition disclosures that UK-based companies may be subject to.

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.¹³ These are:

¹⁰ HM Treasury's roadmap towards mandatory climate-related disclosures, available [here](#).

¹¹ As outlined in HM Treasury's 'A new chapter for financial services', available [here](#).

¹² See [here](#) for more information.

¹³ IIGCC Investor Expectations for Paris-aligned accounts, available [here](#).

- 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.

10. How prescriptive should the Sector-Neutral Framework be, recognising the need to balance flexibility in how firms disclose transition plans with more prescriptive templates that seek to facilitate comparability of firms' transition plans?

IIGCC believes that the CA100+ Benchmark and associated indicators strikes the appropriate balance between prescription and flexibility. We recommend that a similar approach in terms of breadth and depth of disclosure requirements is taken for the templates to be developed by the TPT.

11. Should the TPT seek to standardise the data and metrics used to communicate ambition and measure progress in transition plans? If so, what are the standards for data and metrics that you would recommend including in the Sector-Neutral Framework and in supplementary sectoral guidance?

Standardised data, metrics, and methodologies will be critical for ensuring transition plan disclosures are consistent, comparable, and verifiable. Investors will need to be able to aggregate data at the portfolio level, which will be an incredibly challenging task without a selection of a finite number of credible metrics, aligned to clear, decision-relevant use cases and which are supported by consistent, robust, and widespread data across multiple asset classes and companies. For example, the metrics developed by the CA100+ Benchmark and the NZIF were designed with input from a large number of investors to be useable for a wide range of institutional investors.

In general, the key emission metrics are well understood (e.g. GHG protocol), but there remain substantial gaps in both the coverage and quality of Scope 3 disclosure (particularly by category). Recent academic studies have highlighted that Scope 2 market data is not fit for purpose, and yet a mechanism for reflecting companies' willingness to fund green electricity procurement is needed. Energy consumption metrics (split between stationary, mobile and electricity) will be needed to increase transparency in this area.

It will therefore be vital for the TPT to ensure the data and metrics prescribed in the standards are science-based, but potentially go further by introducing new metrics where necessary (e.g. in relation to Scope 2 and energy consumption). It will be worth emphasising to preparers in the guidance that emissions commitments will be assessed externally for alignment and drawing attention to methodologies such as the TPI's Carbon Performance approach and SBTi, which apply the Sectoral Decarbonisation Approach (SDA) but also have sector neutral components.

As noted in our response to Q1, investors would also benefit from greater levels of disclosure around physical risks and opportunities specifically, to support assessments of the actions investees are taking in relation to climate adaptation.

12. Question for small and medium-sized enterprises: what specific challenges do you foresee for SMEs seeking to prepare or use transition plans? How can the guidance and framework prepared by the TPT address these concerns?

Transition plan requirements should be proportionate to company size and emission intensity. As set out in the NZIF, IIGCC members consider that transition plans covering core aspects such as emissions disclosure, underlying performance during the year and targets should be apply to all listed companies, to enable them to assess transition risk in their portfolios. Guidance for unlisted companies and SMEs (which will also be contingent on how the TPT is defining SMEs) is potentially beyond the remit of our members. However, we would highlight that the risks and opportunities created by the transition are likely to filter down value chains and have a profound impact across large areas of the economy. All companies are therefore likely to need to consider these risks and opportunities. Additionally, private companies which are held by listed entities (e.g. private equity assets) should publish emissions targets.

13. Question for preparers only: If your firm does not already disclose information of the type outlined in this Call for Evidence, what are the reasons for that? For example, are there concerns about legal or possible market risks arising from disclosure? How could the work proposed by the TPT address these concerns?

While IIGCC is not a preparer in its own right, many of our members will be preparers of transition plan disclosures. We therefore recommend that the TPT considers the target-setting progress report of the Paris Aligned Investment Initiative and the Net Zero Asset Managers Initiative's progress report, which provide examples of well-established transition plan disclosures for investors.¹⁴

¹⁴ Paris Aligned Asset Owners initial target disclosures (June 2022 update), available [here](#). Net Zero Asset Managers Initiative progress report, available [here](#).

14. Transition plans provide an opportunity to ensure the benefits of the climate transition are widely felt by UK households and consumers. How can the guidance developed by the TPT balance the need to minimise costs whilst encouraging companies to develop strategies to maximise benefits for all?

This question is wide-ranging, and IIGCC does not have a direct remit to consider the implications for UK consumers. However, we would note that we believe that the incremental costs of establishing a market-leading framework for transition would be dwarfed by the benefits that could accrue from a framework that successfully captures, and increases transparency over, transition risk. Aside from stimulating companies to act (thereby reducing domestic transition risk), it could have a significant benefit in attracting international capital seeking to invest in net zero aligned assets (consistent with UK ambitions to become a world-leading hub for green finance).

2b. The sector-neutral framework: Principles

15. Do you agree with the proposed principles? Why or why not?

IIGCC is supportive of the proposed principles, which align well with the overall framework for cross-sector transition plans established by the CA100+ Benchmark. We note that the Call for Evidence makes a distinction between guiding principles and specific elements, but we would argue that a ‘prescription vs. principles’ approach is something of a false dichotomy in this context. When TPT develops its guidance, it would be helpful to clearly link the principles to the proposed transition plan elements and sub-elements, recognising that near-term actions and milestones need to be embedded in a credible long-term framework. This will provide investors with clarity on how the two components interrelate (e.g. how sub-elements align with relevant principles), with the former providing useful overarching framing, and the latter ensuring that plans are consistent and comparable. Our response to section 2.c of the consultation elaborates on this in further detail.

With regards to principle 3, we would also highlight the importance of ensuring periodic reporting is consistent, comparable and decision-useful. This will enhance the verifiability of disclosures and inform investment decision-making.

16. Are there any principles that you would add to the list above? Why?

In line with our response to Q1, IIGCC recommends an additional principle that covers the need for ‘external’ engagement to create an enabling environment to accelerate the transition to net zero. This includes:

- Paris-aligned lobbying and policy advocacy
- Supply chain engagement
- Consideration of the need for a ‘just transition,’ assessing the impacts of transitioning to a lower-carbon business model on workers and communities
- Corporate disclosure in line with the recommendations of the TCFD.

17. Which of these principles would you regard as ‘must-haves’ or as ‘desirable’?

IIGCC sees all the principles listed in the Call for Evidence as ‘must-haves.’

18. Principle 1 notes that a transition plan should cover the whole organisation. There may be challenges for internationally active firms in meeting Principle 1, given that different jurisdictions will have different economy-wide transition pathways.

How can the TPT design its standard and guidance in a way that accommodates credible transition plans consistent with the broader strategy of a firm, but reflects differences between approaches taken in different jurisdictions?

IIGCC suggests that the TPT could adopt a ‘hierarchy approach’ to the construction of transition plan frameworks which could support interoperability with wider jurisdictional pathways while accounting for the specificities of the UK economy. This approach could be promoted internationally as other jurisdictions build out their own pathways. It would also support investors with global investment horizons in meaningfully comparing their holdings transition progress across multiple jurisdictions:

- **Supporting interoperable core principles** – advocate for baseline principles for developing and accessing cross-sector transition plans (e.g. the key principles we have outlined in our response - emissions reduction targets aligned with 1.5°C temperature goal with low or no overshoot; strategy for implementing transition plans (e.g. capex allocations, ‘green revenues) and external engagement (lobbying and policy advocacy, supply chain engagement, just transition)
- **Promote consistent disclosure indicators** – use the same disclosure indicators for reporting progress in each sector (e.g. in line with the CA100+ Benchmark)
- **Promote consistent data generation** – use the same underlying data for reporting on progress (e.g. GHG protocol).

Such an approach would allow for tailoring of sectors, emissions reduction trajectories, etc, while supporting consistent disclosures across jurisdictions.

2c. The sector-neutral framework: **Elements**

19. Do you agree with the proposed elements? Why or why not?

The proposed elements provide a very comprehensive view of decarbonisation (see Q20 for exceptions), which we welcome in general. However, given the breadth of the framework (11 elements, c.37 sub-elements), there are of course trade-offs. IIGCC would note that this broad coverage could dilute the focus on the most important features of a transition plan from both an investor *and* climate perspective, namely:

- The company has set emissions targets that align with a 1.5°C budget and decarbonisation trajectory
- The company has a credible strategy to implement these targets; and

- The company is engaging externally (e.g. accounting for a just transition, engagement across the value chain and with policymakers) to help deliver its transition strategy and 1.5°C more broadly.

Condensing the framework into these simple elements/themes could make it simpler for companies (particularly smaller ones) to report this information, and minimise the data to be collected/aggregated, as well as facilitate external assessments of alignment credibility by organisations like SBTi and TPI. On this last point, IIGCC would note that there is insufficient focus on sub-elements that can be externally assessed. The experience of our members is that elements that can be independently verified provide the most value and assurance for investors.

For example, capital expenditure is currently subordinated to part of a sub-element, when in our view it is a key component for assessing the credibility of a transition strategy, and one where we find – particularly in high emitting sectors – a marked divergence between what companies say they intend to do and where they are allocating their capital currently. It needs to be separately assessed.

Additionally, we would note that the level and quality of disclosure is a separate parameter to “alignment” when assessing plans. Companies can and should be encouraged to provide disclosure on their plan, even it is not aligned with a 1.5°C world.

20. Are there any elements that you would add to the list below? Why?

Rather than simply list the elements/sub-elements, the framework should consider providing, in a suitably neutral tone, some qualitative guidance for preparers on how these elements and sub-elements could be evaluated externally (by investors and data suppliers/verifiers), as set out in the principles. Investors will look for comprehensive emissions targets covering Scope 1, 2 and material Scope 3 emissions across all activities undertaken by investees.

IIGCC has set out our specific recommendations to enhance the elements and sub-elements below:

- Capex (as noted above) should be split, on a current and forward-looking basis, between fossil-fuel related activities and green/aligned activities (where appropriate), with capacity increases disclosed
- Forward- looking guidance on the expected cost of offset strategies should be developed
- Separate Scope 1 and Scope 2 emissions targets and energy consumption disclosure should be specified
- Companies should disclose the contribution of RECs to Scope 2 reductions/targets or emission reductions from PPAs (current Scope 2 market-based reporting that incorporates RECs is not credible)
- Disclosure of the expected contribution of technology-based neutralisation (CCUS, DACCS, BECCS etc) to targets should be required
- There is a need for disclosure of the underlying reduction in emissions during the year where underlying strips out the impact of any M&A activities, and the use of nature-based (offsets) or technology-based mitigation (a credible strategy needs to show progress consistent with the target trajectory/a 1.5°C pathway)

- Components of the strategy to deliver targets need to be quantified (see CA100+ indicator 5.1b)
- Inclusion of disclosures setting out investment in/development of climate solutions. This is vital for investors to understand at both asset class and portfolio level, in line with the NZIF alignment objectives. This will require disclosure of, and assessment against, capex, capacity, production, and revenues metrics.

21. Which of these elements would you regard as ‘must-haves’ or as ‘desirable’ for credible transition plans? In which instances should an entity assess materiality to determine whether an element is considered must-have and/or what level of disclosure detail is required?

Investors views of the relative priority of transition plan elements will change over time. However, the consistent feedback we have received from members is that aligned targets are the most crucial element, supported by a credible transition plan strategy and external engagement, as noted in our previous responses. The first two elements are consistent with the principles established in paragraph 2.9. Companies should also be assessed (separately) on disclosure of and contribution to climate solutions, as diversification may not be appropriate for all entities, but assigning priority status to these items is more difficult.

22. Are there elements where you see substantial barriers to implementation? If so, which ones and why? Are you able to suggest alternatives which are both credible and practical?

Many of the elements identified in the Call for Evidence are insufficiently defined or contain multiple sub-elements which will make them difficult to interpret for users. Additionally, this could create challenges around collecting meaningful data and drawing clear conclusions/making informed investment decisions based on the disclosures. While we acknowledge the framework is still in a relatively early stage of development, substantial work will be needed to streamline the elements component of the sector-neutral framework.

***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.*