

TPT Transition Plan
Taskforce

Asset Owners Sector Guidance

April 2024



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ABOUT THE TPT

The United Kingdom (UK) has set itself ambitious and legally binding targets to cut greenhouse gas (GHG) emissions to net zero by 2050, with binding interim targets. The UK has also pledged at UN climate negotiations to cut emissions by at least 68% by 2030.¹

In October 2021, the UK government published the Greening Finance Roadmap, signalling that it intends to strengthen new and existing sustainability reporting requirements for companies, including publication of climate transition plans.

At COP26, the UK Chancellor further committed to work towards the UK becoming the world's first Net Zero-aligned Financial Centre and ensuring that financial flows shift towards supporting a net zero economy. The Chancellor also set out that the UK will move towards making publication of transition plans mandatory.

The Transition Plan Taskforce (TPT) was launched by HM Treasury in March 2022 with a mandate to bring together leaders from industry, academia, and regulators to develop good practice for transition plan disclosures for finance and the real economy. In addition, the TPT has been tasked to engage with non-UK governments and regulatory

networks to support conversations on how to build common baselines and principles for transition planning. This has included the Financial Stability Board, the International Organization of Securities Commissions (IOSCO) and the Network for Greening the Financial System (NGFS), as well as the G7, G20, UNFCCC and the Coalition of Finance Ministers for Climate Action. The TPT's Disclosure Framework complements, and builds on, the ISSB's final IFRS S1² and S2³ and draws on GFANZ's framework and guidance for credible, comprehensive, and comparable net zero transition planning.

In the 2023 Green Finance Strategy, the UK government committed to consult on introducing requirements for the UK's largest companies to disclose their transition plans if they have them.⁴ In addition, the Financial Conduct Authority (FCA) has signalled its intention to consult on strengthening requirements for transition plan disclosures in line with the TPT Disclosure Framework, alongside its consultation on implementing UK-endorsed ISSB Standards.⁵

In January 2024 the TPT's mandate was extended to 31 July 2024, with the possibility of a further 3-month extension in order to contribute to the work of the new Transition Finance Market Review.

At COP26, the UK Chancellor further committed to work towards the UK becoming the world's first Net Zero-aligned Financial Centre and ensuring that financial flows shift towards supporting a net zero economy

1) See **UK Climate Change Act 2008** and **the UK's Nationally Determined Contribution**, as updated September 2022.

2) International Financial Reporting Standards (IFRS), **IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information**, 2023.

3) International Financial Reporting Standards (IFRS), **IFRS S2 Climate-related Disclosures**, 2023.

4) UK Government, **Mobilising green investment: 2023 green finance strategy**, 2023.

5) Financial Conduct Authority (FCA), **Primary Market Bulletin 45**, 2023.

1. INTRODUCTION

The TPT's Sector Guidance

In October 2023, the TPT published the final **Disclosure Framework** and a **suite of Implementation Guidance**. Preparers of transition plans should first read these products.

The TPT's Terms of Reference also gave the TPT a mandate to produce sectoral guidance for both financial sector and real economy companies. To deliver this the TPT has published two types of sector guidance to complement the TPT Disclosure Framework: the TPT Sector Summary and the TPT Sector Deep Dives.

The TPT Sector Summary was published online in October 2023 and was open for comment until 24 November 2023. This Guidance provides a high-level overview of decarbonisation levers and metrics & targets for an extensive number of financial and real economy sectors, leveraging existing third-party guidance. An updated version of the TPT Sector Summary was published in April 2024.

The TPT Sector Deep Dive Guidance provides sector-specific guidance for preparers to interpret the Disclosure Framework for a small number of sectors. In its **Status Update** in July 2023, the TPT confirmed these sectors as:

- **Asset Managers;**
- **Asset Owners;**
- **Banks;**
- **Food & Beverage;**
- **Electric Utilities & Power Generators;**
- **Metals & Mining; and**
- **Oil & Gas.**

These sectors were chosen given each sector's GHG emissions, its need for (or its provision of) transition finance in the UK context, and the quality of existing guidance available in the market. In making its selection the TPT sought to identify sectors for which additional guidance would be beneficial in kick-starting transition plan disclosures, while also identifying opportunities to leverage existing sectoral guidance and consolidate it into the context of the Disclosure Framework.

In November 2023, the TPT published the Sector Deep Dive Guidance for consultation. The consultation ran until 29 December 2023. This document is the final version of this Guidance.

The materials produced by the TPT reflect a synthesis of best practice at the time of publication. They do not constitute financial, legal, or other professional advice and should not be relied upon as such. Nothing in the Asset Owners Guidance is intended to override, substitute, or alter existing legal or regulatory requirements, including, without limitation, duties of the entity's directors and senior managers, and the entity's constitutional documents. Nothing in Asset Owners Guidance should be understood to require the disclosure of commercially sensitive information.

How this Guidance fits within the suite of TPT Guidance

In October 2023, the TPT published its final **Disclosure Framework**, as part of a wider suite of Implementation Guidance, including:

- guidance to help preparers **explore the Disclosure Recommendations**, including case studies;
- guidance on **the transition planning cycle**, including case studies;
- technical mapping to the final **Climate-Related Disclosures standard (IFRS S2) issued by the International Sustainability Standards Board (ISSB)** and the **TCFD's Recommendation and Guidance**;
- a comparison of the TPT Disclosure Framework to the **European Sustainability Reporting Standards (ESRS)**; and
- **Legal considerations for preparers of transition plans using the TPT Disclosure Framework.**

On 9 April 2024, the TPT published the suite of final Sector Deep Dive alongside:

- **Opportunities and challenges relating to the use of private sector transition plans in emerging markets and developing economies**; and
- the final **Transition Planning Cycle Guidance** document which includes new content on adaptation.

The TPT Working Groups on Adaptation, Just Transition and Nature, and the TPT Advisory Group on SMEs, also published advisory papers on 9 April 2024. These papers are independent of the core suite of TPT documents:

- **Building Climate-ready Transition Plans: Including adaptation and resilience for comprehensive Transition Planning approaches**, an advisory paper from the TPT Adaptation Working Group;
- **The Future of Nature in Transition Planning**, an advisory paper from the TPT Nature Working Group;
- **Putting people at the heart of transition plans: key steps and metrics for issuers, an advisory paper from the Just Transition Working Group**; and
- **Considerations on SMEs and transition plans**, an advisory paper from the SME Advisory Group.

The Disclosure Framework contains the foundational Disclosure Recommendations which apply to all sectors, as shown in Figure 1. It is designed to complement, and build on, the ISSB's final Standards IFRS S1⁶ and S2,⁷ as well as drawing on GFANZ's framework and guidance for credible, comprehensive, and comparable net zero transition planning and uses the same core components and structure. This means that the TPT Framework and GFANZ are both part of an aligned, consistent effort to support the development of private sector transition plans.

Preparers should first read the Disclosure Framework to understand the TPT's key concepts.

6) International Financial Reporting Standards (IFRS), **IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information**, 2023.

7) International Financial Reporting Standards (IFRS), **IFRS S2 Climate-related Disclosures**, 2023.

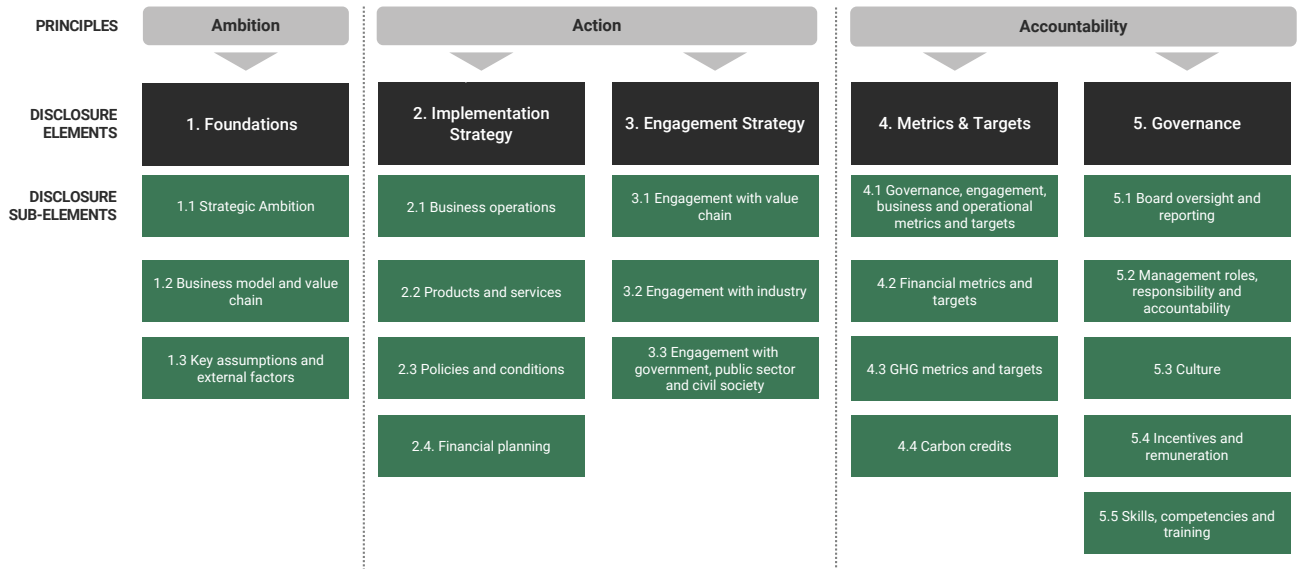


Figure 1: The TPT Disclosure Framework

This Asset Owners Guidance adds further depth and detail for preparers of transition plans that are operating in the Asset Owner sector.

Part One of this Guidance (Introduction) introduces the sector context and how the Guidance is to be used alongside the Disclosure Framework and wider TPT Guidance. Part Two (Interpreting the Disclosure Framework for the Asset Owners sector) provides suggestions of disclosures and further guidance and resources for entities to consider.

The hierarchy of TPT guidance within the overall transition plan disclosures landscape is set out in Figure 2. In jurisdictions where ISSB Standards are to be adopted, preparers will likely begin by consulting IFRS S1 and S2 for wider climate and sustainability disclosures. IFRS S2 contains disclosure requirements relevant to transition planning. The TPT Disclosure Framework then complements, and builds on, ISSB. The TPT’s suite of Implementation Guidance, as well as transition plan guidance materials published by GFANZ, may further help preparers develop their plans. The Asset Owners Guidance then interprets the Disclosure Framework for the Asset Owners sector.



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The Transition Plan Disclosures Landscape: how preparers can use the outputs of ISSB, GFANZ, and TPT

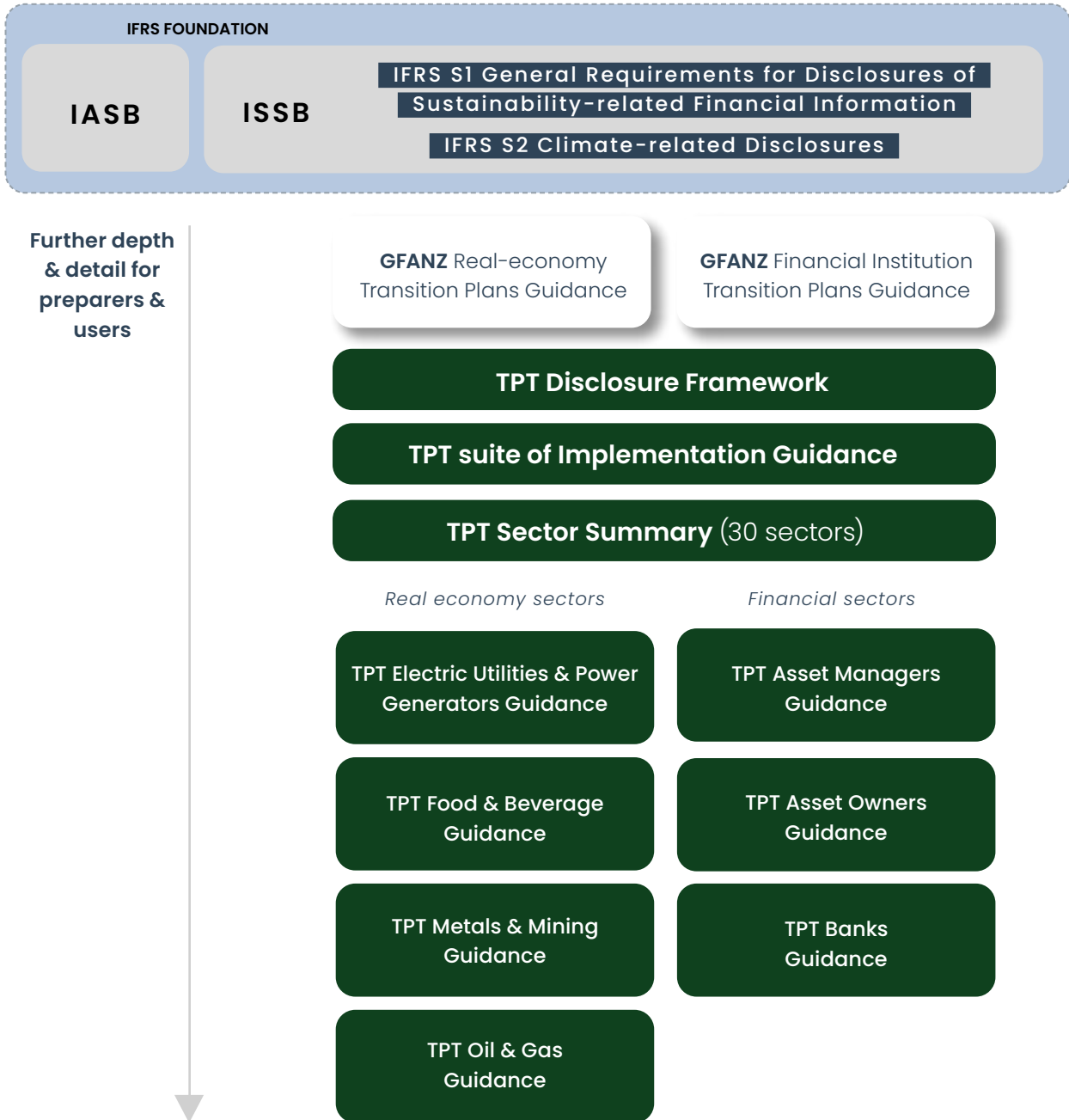


Figure 2: The Transition Plan Disclosures Landscape

Using the Asset Owners Guidance to Interpret the Disclosure Framework

The TPT Disclosure Framework (see Figure 1) breaks down five Elements into 19 Sub-Elements, each of which is supported by Disclosure Recommendations. Where Recommendations are introduced using “**shall**”, this indicates that the TPT views these as relevant disclosures for all good practice transition plans, subject to a materiality assessment. Some Sub-Elements also contain examples of additional disclosures that an entity may consider, but which may not be relevant to all entities. These are introduced using “**may**” or “**e.g.**” and are not intended to be comprehensive. This means an entity may consider disclosing other information under these Sub-Elements.

Part Two of this Guidance supports preparers and users to interpret the Disclosure Framework by setting out suggestions of disclosures that entities “**should consider disclosing**”. None of the suggestions in this Guidance replace the Disclosure Recommendations in the Disclosure Framework; they are complementary and intended to help preparers interpret the Disclosure Framework. As in the Disclosure Framework, suggested disclosures are not intended to be comprehensive, and an entity may consider disclosing other information under these Sub-Elements where deemed material to the decisions of primary users of the entity’s general purpose financial reports. These suggestions of disclosures are accompanied by further considerations and references to external guidance that preparers may find useful, titled “**When disclosing, an entity may additionally consider:**”.

The TPT Disclosure Framework and Sector Guidance, including this Asset Owners Guidance, use the ISSB’s definition of a climate-related transition plan, and apply the same approach to materiality and the wider set of concepts, definitions, and corporate reporting norms that are set out in the ISSB’s General Requirements standard (IFRS S1)⁸ (see Appendix I: Reporting of transition plans in the TPT **Disclosure Framework**). In addition to including transition plan disclosures as part of its general purpose financial reports, the TPT regards it as good practice for an entity periodically to publish its transition plan in a single standalone document that sits alongside its general purpose financial reports.

Photo Yves Alarie, Unsplash.com

⁸) International Financial Reporting Standards (IFRS), **IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information**, 2023

Sector Context

To achieve the objectives of the Paris Agreement, there is an urgent need to scale up flows of both public and private finance into a global transition towards a low-GHG emissions, climate-resilient economy. According to modelling by Bloomberg New Energy Finance, an estimated US\$ 194 trillion of global investment will be needed between now and 2050 to deliver net-zero and meet the goals of the Paris Agreement. This means that for every dollar invested in fossil energy supply, nearly five must be invested into low-carbon supply.⁹ In parallel, flows of finance into adaptation and climate resilience must grow rapidly from a much lower base: the UN Environment Programme estimates that there is an adaptation finance gap between current flows and financing needs of up to US\$ 366 billion per year, an 18 times increase on current flows.¹⁰

Private finance has a crucial role to play in addressing these gaps. The Energy Transitions Commission has concluded that in high- and middle-income countries, private finance can deliver most of the required investment provided strong real economy policies are in place, creating the conditions for private capital to support the transition by reducing avoidable risks and create clear incentives.¹¹

Within this context, Asset Owners have a crucial role in mobilising finance for the transition due to the scale of the assets they control – In 2022, the world's 100 largest Asset Owners were collectively responsible for US\$ 25.7 trillion Assets under management (AUM).¹² Through their direct investment decisions, selection of external Asset Managers, the mandates they provide to Asset Managers and their stewardship activities, Asset Owners can have a substantive role in the transition to a low-GHG, climate-resilient economy.

The primary responsibility of Asset Owners is to secure the financial futures (including but not limited to retirement benefits, insurance pay-outs etc.) of their beneficiaries in line with their fiduciary duty (where applicable), contractual obligations and duties imposed by financial regulators.

In exercising their duties, Asset Owners need to identify, assess, and manage a range of climate-related risks which present a significant and complex threat to their firms, their portfolios, and their ability to create value for their beneficiaries over the long term. This includes the physical risks arising from the changing climate, which have become starker over recent years,

9) BloombergNEF, **New Energy Outlook**, 2022.

10) UN Environment Programme (UNEP), **Adaptation Gap Report 2023: Underfinanced. Underprepared. Inadequate investment and planning on climate adaptation leaves world exposed** 2023.

11) Energy Transitions, **Financing the Transition: How to make the money flow for a net-zero economy**, 2023.

12) Thinking Ahead Institute, **The Asset Owner 100**, 2022.

as well as transition risks such as those which arise from potential future regulation of carbon-intensive companies and uncertainties around the timing and ambition of future climate policies.

In addition, Asset Owners are also vulnerable to systemic risks such as the impact of the changing climate on financial stability.¹³ For example, extreme weather events can cause shocks in commodity prices, or an adjustment of climate risk pricing may trigger sudden market corrections. These disruptions can erode asset values, revenues and profits and thus interfere with an Asset Owners' expected financial performance.

These effects are particularly acute for Asset Owners since they often invest over a multi-year time horizon, which exposes them to the long-term transition and physical risks, including risk associated with the speed and ambition of adaptation actions and policies to address vulnerabilities and build resilience to climate change impacts. Some recent studies suggest that market participants may drastically underestimate climate-related risk, and many climate models significantly underestimate the economic impact of climate change¹⁴, leading to implications for the decision-making of Asset Owners in discharging their fiduciary and other duties to clients and beneficiaries.¹⁵

The transition will also present opportunities for Asset Owners and the companies and assets in which they invest. For example, Asset Owners may be able to strengthen the performance of

their portfolios by proactively investing in firms well positioned to benefit from this transition, including those which provide mitigation or adaptation solutions. Focusing on real-economy decarbonisation and climate solutions, in a manner consistent with their fiduciary and other legal duties to clients and beneficiaries as well as their risk appetite, may create opportunities for Asset Owners and their clients and beneficiaries to benefit from value creation while mitigating climate-related risks and adapting to climate change.

As a result of the above factors, Asset Owners should develop transition plans that preserve and create value for their beneficiaries by reducing their portfolio emissions, managing exposure to climate-related risks and opportunities, and contributing to the economy-wide transition. This will include reducing their emissions (the majority of which are financed emissions),¹⁶ engaging with Asset Managers to align their investment strategies with overarching climate objectives as well as aligning and collaborating on efforts with a broader range of stakeholders (e.g. value chain companies, local communities, industry groups, and policymakers), and engaging with portfolio companies on their climate objectives and transition plans.

The development and disclosure of robust, credible, and sector-appropriate transition plans will allow Asset Owners to communicate to their stakeholders how they are preparing for and responding to the transition.

Photo Anders Jilden, Unsplash.com

¹³ Financial Stability Board (FSB), **The Implications of Climate Change for Financial Stability**, 2020.

¹⁴ Institute and Faculty of Actuaries and the University of Exeter, **The Emperor's New Climate Scenarios: Limitations and assumptions of commonly used climate-change scenarios in financial services**, 2023.

¹⁵ European Central Bank (ECB), **Working Paper Series: The Low-Carbon Transition, Climate Commitments and Firm Credit Risk**, 2021.

¹⁶ CDP, **The Time to Green Finance**, 2020.

Scope of the TPT Asset Owners Guidance

The Asset Owners Guidance applies to a diverse group of entities that include public- and private-sector pension plans, re-/insurance companies,¹⁷ sovereign wealth funds, endowments, foundations, and family offices and other entities that invest assets on their own behalf or on behalf of their beneficiaries (customers or members).

Activities addressed in this Asset Owners Guidance

Asset Owners should address their full range of operations and activities in their transition plans, including their investment and non-investment activities.

This document is intended to provide guidance for discrete areas in which the Asset Owner sector is unique, such as the Asset Owner's investment activities. An Asset Owner's non-investment activities (i.e. operational activities) are not unique to the sector (e.g. electricity, heating, business travel) and are therefore not addressed in this guidance.

When disclosing information about its **non-investment activities**, an entity should do so in accordance with the TPT **Disclosure Framework**, utilising the accompanying **Explore the Disclosure Recommendations** guidance.

When disclosing information about its **investment activities**, an entity should do so in accordance with the TPT **Disclosure Framework**, utilising the accompanying **Explore the Disclosure Recommendations** guidance and supplemental Asset Owners Guidance.

Asset classes addressed in this Asset Owners Guidance

An Asset Owner should incorporate all relevant asset classes within its transition plan, with distinctions made between asset classes where relevant. It is recognised that there may be data or methodology limitations for some asset classes. Where this is the case, Asset Owners should be transparent in identifying these limitations and outline any steps that they are taking, or plan to take, to address them.

¹⁷ Except with regard to the liability (underwriting) side of insurance activities.

Applying this TPT Sector Guidance to cross-sector entities

Entities should apply the TPT's Sector Guidance as appropriate to their specific business model. In instances in which an entity has multiple operations, this may result in an entity using more than one piece of sector guidance to support the interpretation of the TPT Disclosure Framework.

For example, the TPT recognises that Asset Owners may have in-house Asset Management functions. In such instances, an entity is recommended to use both the Asset Management and Asset Owner Guidance. Input was obtained from Asset Managers during the development of the Asset Owners Guidance and vice versa, to enable alignment between the documents, where appropriate.

Dependencies between Asset Owner and Asset Manager transition plans

Generally, Asset Owners produce mandates for their portfolio in order to achieve outcomes for their beneficiaries, while Asset Managers help achieve these outcomes through their expertise, investment products and stewardship of these portfolios. As such, in these cases, there are significant dependencies along an Asset Owner's and Asset Manager's value chain that are important to acknowledge and factor into transition plans.

Asset Owners, especially those that have a substantial portion of their assets managed externally, are reliant on their Asset Managers to implement and facilitate elements of their investment-related transition plan. Therefore, incorporating climate-related considerations into an Asset Owner's contractual governance and accountability mechanisms with its Asset Managers (including Asset Manager selection, appointment and monitoring, and legal investment management agreements) are important ways in which Asset Owners can embed and accelerate the transition to a low-GHG and climate-resilient economy. As part of their long-term relationship, Asset Owners and Asset Managers also have the opportunity to collaborate on a range of topics to help embed and accelerate the transition. This includes, but is not limited to, topics such as: fiduciary duty (vis-à-vis the end-client or beneficiary), investment mandates and strategies, stewardship and voting, fund products, index providers, data and methodologies, and their providers, reporting, and policy and regulation.

Asset Owners have stakeholder considerations which may differ from those of Asset Managers, based on the Asset Owner type, its beneficiary base and desired outcomes, jurisdiction, regulatory policies and requirements, and fiduciary duty.¹⁸

Photo Gildardo, Unsplash.com

¹⁸ Department for Work and Pensions (DWP) and HM Treasury, **Pension trustee skills, capability and culture: a call for evidence**, 2023.

Sub-Elements of the Disclosure Framework addressed in this Guidance

The Disclosure Framework sets out 19 Sub-Elements supported by a series of Disclosure Recommendations. While entities are expected to disclose against all Sub-Elements, only 11 were selected for sector-specific interpretation in this Guidance. Sub-Elements were selected considering the scope for additional sector specificity to build on the Disclosure Framework, and the breadth and depth of existing sector-specific guidance.

For Sub-Elements where additional sector-specific guidance is provided, this may only apply to some Disclosure Recommendations of the Disclosure Framework. Suggestions for disclosures and additional considerations are not intended to be comprehensive. An entity should disclose other information under these Sub-Elements where deemed appropriate.

The Disclosure Recommendations in the Disclosure Framework for the remaining eight Sub-Elements were deemed not to require further sector-specific detail or interpretation. No additional sector-specific guidance has been provided for these Sub-Elements.

The Sub-Elements selected for interpretation in this Guidance are set out in Figure 3 below.

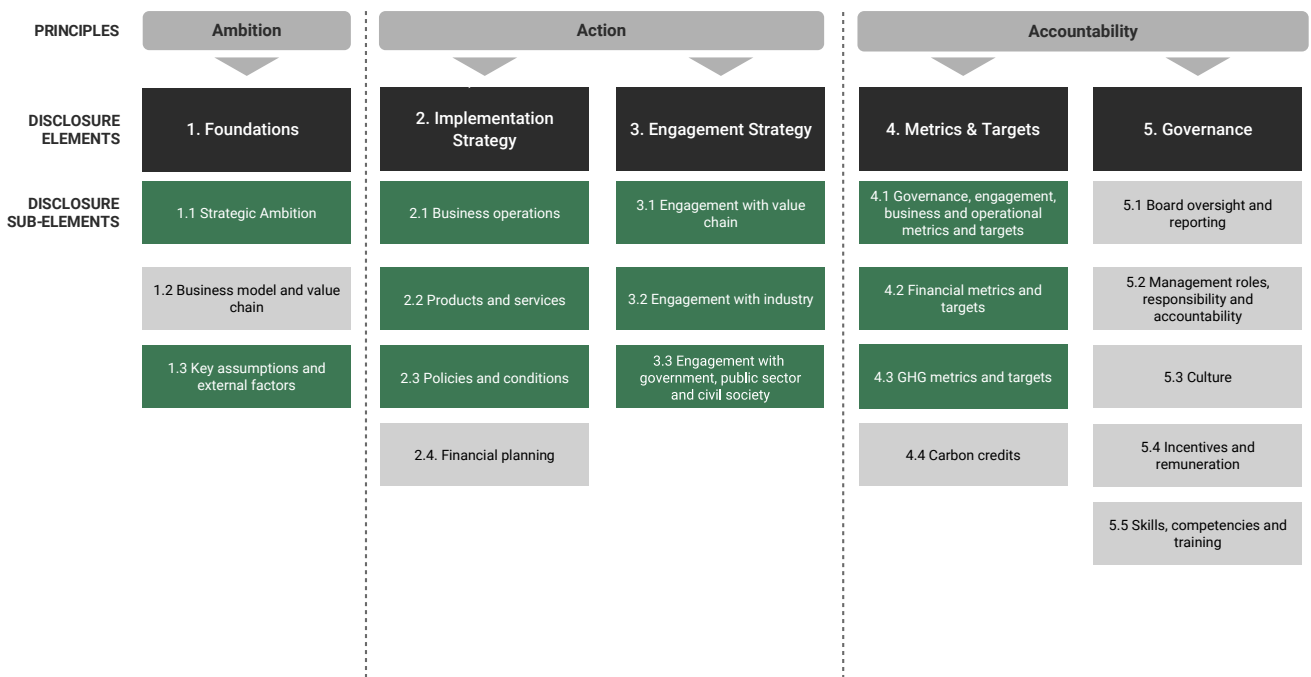
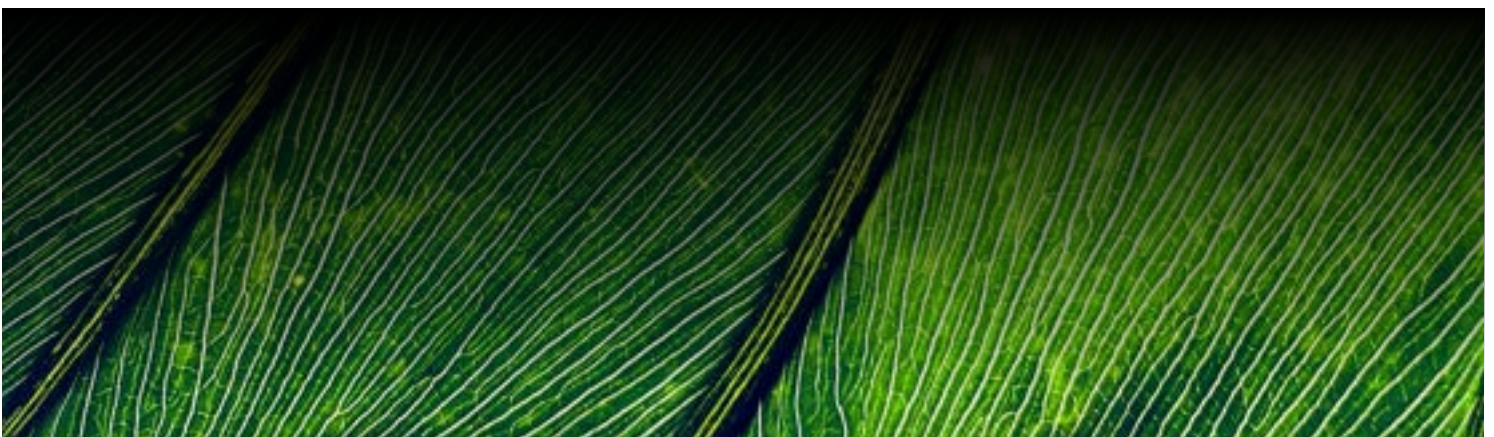


Figure 3: Sub-Elements selected for interpretation in this Guidance



A strategic and rounded approach to Asset Owners' transition plans

The TPT Disclosure Framework recommends that entities, including Asset Owners, take a strategic and rounded approach to transition planning, considering three inter-related channels:

- 1. Decarbonising the entity:** An Asset Owner's transition plan should outline its ambitions and actions, in the short-, medium- and long-term, to reduce its Scope 1, 2 and 3 (including financed) GHG emissions.
- 2. Responding to the entity's climate-related risks and opportunities:** An Asset Owner's transition plan should set out its ambitions and actions to enhance its resilience to a changing climate and respond to climate-related risks (e.g. a decline in the value of underlying investments) and opportunities (e.g. investment in climate solutions) that arise from the transition to a low-GHG emissions, climate-resilient economy.
- 3. Contributing to an economy-wide transition:** An Asset Owner's transition plan should set out its ambitions and actions to use the levers and capabilities it has available to embed and accelerate the transition to a low-GHG emissions and climate-resilient economy. For example, this may include investing in high-emitting sectors with the intention of decarbonising these via stewardship or investing in climate solutions infrastructure.

Considering all three inter-related channels in designing their transition plan can help Asset Owners protect and enhance long-term value and avoid the unintended consequences of an approach which exclusively focuses on achieving GHG emissions or adaptation targets within an entity's own operations and portfolio.

Taking a strategic and rounded approach helps Asset Owners consider a wide range of decarbonisation levers available to them and, where possible, avoid a strategy of 'paper decarbonisation', which is characterised by actions that decarbonise an entity's portfolio in ways that may not necessarily contribute to the actual decarbonisation of the economy.



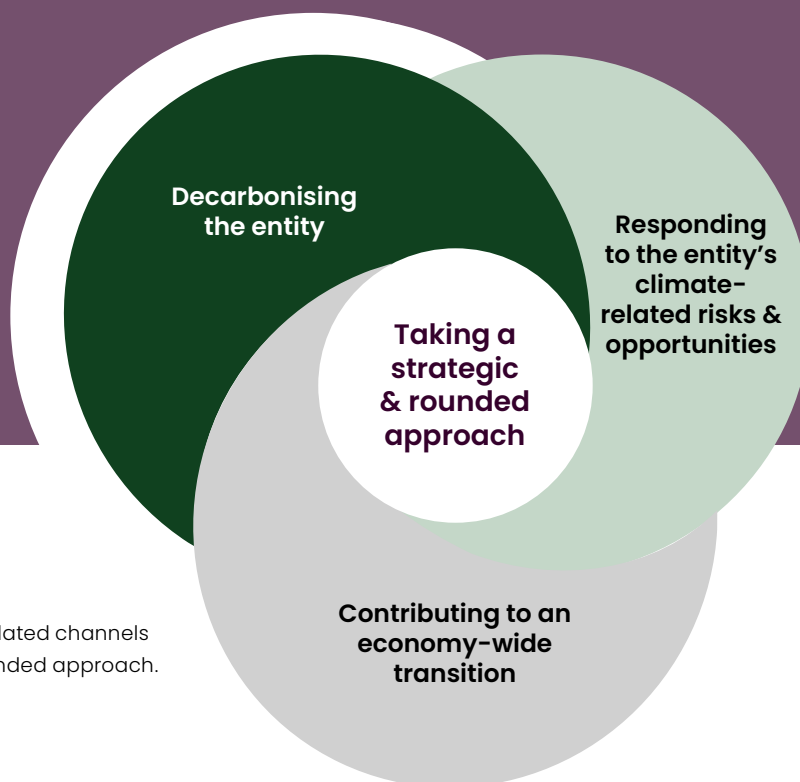


Figure 4: Three inter-related channels for a strategic and rounded approach.

Impacts and dependencies of the transition plan on stakeholders, society, the economy and the natural environment

The Disclosure Framework sets out how disclosures relating to climate-resilience, nature and society are part of a transition plans. Sub-Element 1.1 **Strategic Ambition** of the TPT Disclosure Framework states:

An entity shall disclose the **Strategic Ambition** of its transition plan. This shall comprise the entity's objectives and priorities for responding and contributing to the transition towards a low-GHG emissions, climate resilient economy, and set out whether and how the entity is pursuing these objectives and priorities in a manner that captures opportunities, avoids adverse impacts for stakeholders and society, and safeguards the natural environment.

The TPT Disclosure Framework recommends that an entity shall disclose whether and how it has identified, assessed and taken into account the impacts and dependencies of the transition plan on its stakeholders (e.g. its workforce, value chain counterparts, customers), society (e.g. local communities), the economy, and the natural environment, throughout its value chain, that may give rise to sustainability-related risks and opportunities (**see DF 1.1.b**).

This section outlines how these impacts and dependencies may occur in the Asset Owners sector. This can inform specific disclosures under **1.1 Strategic Ambition**.

Impacts and dependencies: the natural environment

Although Asset Owners may not have full visibility into the operations associated with their investments, investing activities arising from an Asset Owner's transition plan may impact and depend upon the natural environment and many of the ecosystem services it provides. For example, an Asset Owner's transition plan may lead to increased investment in the Food & Beverage sector, which is currently the primary driver of nature and biodiversity loss. While this may support its climate objectives, without proper stewardship, due diligence, and engagement with the value chain, such an increase may create adverse impacts for the natural environment by increasing pressure for land-use change (including deforestation), use of natural resources (such as freshwater), and pollution from fertilisers. At the same time, an Asset Owner's transition plan may also depend on the natural environment, particularly given that, in the case of the UK, nearly half of the company value traded on the London Stock Exchange is highly or moderately dependent on nature.¹⁹

These impacts and dependencies of an Asset Owner's transition plan may give rise to both nature-related risks and opportunities. For example, impacts which damage natural carbon sinks may undermine the Asset Owner's ability to achieve its Strategic Ambition. Similarly, adverse environmental impacts could also have financial implications on the performance of investee companies and assets, arising from physical (e.g. degradation of ecosystem services) and transition risks (e.g. civil society opposition, litigation, new regulation, and removal of subsidies). The World Economic Forum's *2023 Global Risk Report* identified biodiversity loss and ecosystem collapse as one of the fastest deteriorating global risks over the coming decade, with all six environmental risks featuring in the top ten risks.²⁰

At the same time, Asset Owners may find that they can mitigate these risks and create opportunities for the entity and its beneficiaries. For example, engagement with its investment ecosystem (e.g. Asset Managers, Investment Consultants, Proxy Advisors, ESG rating providers, and other service providers) may strengthen the entity's ability to identify, assess and take into account nature-related risk and opportunities. Similarly, this may include actions such as stewardship and engagement with investee companies and assets on their nature-related impacts and dependencies, engagement with Asset Managers on their nature-related due diligence processes and investment criteria, and investing in businesses that positively contribute to the natural environment.

The TPT recommends that Asset Owners disclose whether and how they identify, assess and take into account the impacts and dependencies of their transition plan, and pursue their objectives and priorities in a manner that captures opportunities and avoids adverse impacts for stakeholders and society

¹⁹ PricewaterhouseCoopers (PwC), *Managing nature risks: From understanding to action*, 2023.

²⁰ World Economic Forum (WEF), *The Global Risks Report 2023*, 2023.

The TPT therefore recommends that Asset Owners disclose whether and how they identify, assess, and take into account the nature-related impacts and dependencies of their transition plan, and pursue their objectives and priorities in a manner that safeguards the natural environment. See Figure 5 for an illustrative example of impacts and dependencies of an Asset Owner's transition plan on the natural environment.

In doing so, Asset Owners may find it helpful to refer to:

- Capitals Coalition's *Aligning Accounting Approaches for Nature: Recommendations for a Standard on Corporate Biodiversity Measurement and Valuation*;²¹
- The Exploring Natural Capital Opportunities, Risks and Exposure's *ENCORE tool*;²¹
- Partnership for Biodiversity Accounting Financials' (PBAF) *PBAF Standard v2023 – Dependencies*;²³
- Science-based Targets Network's (SBTN), *Target-setting Tools and Guidance* (see Materiality Screening Tool under Step 1: Assess);²⁴
- Taskforce on Nature-related Financial Disclosures' (TNFD) *Guidance on the identification and assessment of nature-related issues: The LEAP approach*²⁵ and *Additional guidance for financial institutions*;²⁶ and
- Finance for Biodiversity's *Nature Target Setting Framework for Asset Managers and Asset Owners*.²⁷

21) Capitals Coalition, **Aligning Accounting Approaches for Nature: Recommendations for a Standard on Corporate Biodiversity Measurement and Valuation**, 2022.

22) Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE), **ENCORE Tool**, website as of 2024.

23) Partnership for Biodiversity Accounting Financials (PBAF), **PBAF Standard v2023 – Dependencies**, 2023.

24) Science based Targets Network (SBTN), **Target-setting Tools and Guidance**, 2023.

25) Taskforce on Nature Related Financial Disclosures (TNFD), **Guidance on the identification and assessment of nature-related issues: The LEAP approach**, 2023.

26) Task Force on Climate-related Financial Disclosures (TCFD), **Additional guidance for financial institutions**, 2023.

27) Finance for Biodiversity, **Nature Target Setting Framework for Asset Managers and Asset Owners**, 2023.



Impacts and dependencies: stakeholders, society, and the economy

The investing activities arising from an Asset Owner's transition plan may impact and depend on its stakeholders (e.g. workforce, value chain counterparts, beneficiaries, clients), society (e.g. local communities to both offices and investments), and the economy (e.g. availability of skills).

For example, changes to its asset allocation and investment selections may positively or negatively impact employment or the access and affordability of key goods and services for vulnerable or marginalised groups (e.g. energy). Similarly, the success of an Asset Owner's transition plan may largely depend on broader societal and political support for key government policies which support the transition.

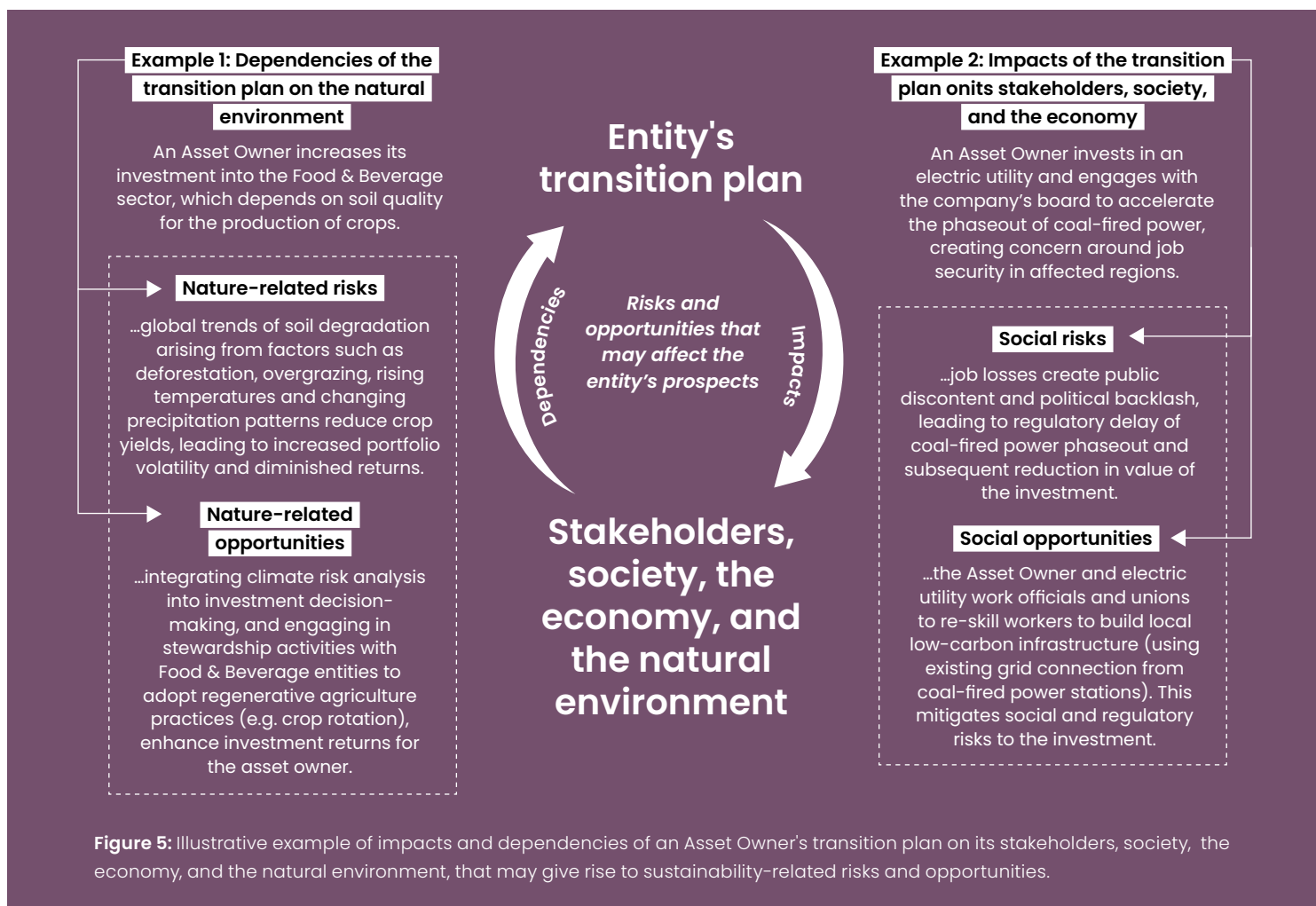
These impacts and dependencies of an Asset Owner's transition plan may give rise to social risks and opportunities. Engagement with its investment ecosystem (e.g. Asset Managers, Investment Consultants, Proxy Advisors, ESG rating providers), and other service providers may strengthen the entity's ability to identify, assess and take into account social risk and opportunities. Asset Owners may also find that they can mitigate political risks by engaging with companies, beneficiaries, sponsoring employers, communities, trade unions, civil society and governments to advocate for an enabling environment and ambitious roadmap for a just transition. This may enable them to mitigate long-term system risks and support their ability to act in their beneficiaries' interest, which in many cases includes securing their members' futures through pensions, insurance and retirement products.

The TPT therefore recommends that Asset Owners disclose whether and how they identify, assess and take into account the impacts and dependencies of their transition plan, and pursue their objectives and priorities in a manner that captures opportunities and avoids adverse impacts for stakeholders and society. See Figure 5 for an illustrative example of impacts and dependencies of an Asset Owner's transition plan on stakeholders, society and the economy.



In doing so, Asset Owners may find it helpful to refer to:

- Curran et al.'s *Making transition plans just: how to embed the just transition into financial sector net zero transition plans*;²⁸
- Impact Investing Institute's *Just Transition Criteria – a practical tool for fund managers*²⁹ and *Fostering Impact: An investor guide for engaging communities in place-based impact investing*;³⁰
- International Labour Organisation and LSE Grantham Research Institute's *Just Transition Finance Tool for banking and investing activities*;³¹
- Robins, Muller & Szwarc's *From the grand to the granular: translating just transition ambitions into investor action*;³²
- Robins, Brunsting & Wood's *Investing in a just transition: Why investors need to integrate a social dimension into their climate strategies and how they could take action*;³³
- Robins, Brunsting & Wood's *Climate Change and the just transition: A guide for investor action*;³⁴ and
- World Benchmarking Alliance's *Just Transition Assessment tool*.³⁵



28) Curran et al, *Making transition plans just: how to embed the just transition into financial sector net zero plans*, 2022.

29) Impact Investing Institute, *Just Transition Criteria – a practical tool for fund managers*, 2023.

30) Impact Investing Institute, *Fostering Impact: An investor guide for engaging communities in place-based impact investing*, 2023.

31) International Labour Organisation (ILO) and the LSE Grantham Research Institute for Climate Change and the Environment, *Just Transition Finance Tool for banking and investing activities*, 2022.

32) Robins, Muller & Szwarc, *From the grand to the granular: translating just transition ambitions into investor action*, 2021.

33) Robins, Brunsting & Wood, *Investing in a just transition: Why investors need to integrate a social dimension into their climate strategies and how they could take action*, 2018.

34) Robins, Brunsting & Wood, *Climate Change and the just transition: A guide for investor action*, 2018.

35) World Benchmarking Alliance, *Just Transition assessment tool*, 2021.

2. INTERPRETING THE TPT DISCLOSURE FRAMEWORK FOR THE ASSET OWNER SECTOR

Preparers should first read the Disclosure Framework which provides Disclosure Recommendations for each Sub-Element.

The Asset Owners Guidance uses the ISSB's definition of a climate-related transition plan and applies the same approach to materiality and the wider set of concepts, definitions, and corporate reporting norms that are set out in the ISSB's General Requirements standard (IFRS S1).³⁶

Sector-specific guidance is not provided for all Sub-Elements of the Disclosure Framework. Where additional sector-specific guidance is not provided, the following statement is included **"No additional sector-specific guidance is provided for this Sub-Element"**.

For Sub-Elements for which additional sector-specific guidance is provided, additional guidance may only be provided for some of the Sub-Element's Disclosure Recommendations. Cross-references to Disclosure Recommendations included in the Disclosure Framework are provided in the format **"(see DF 1.1.a)"**.

The additional sector-specific guidance is not intended to be comprehensive. An entity should disclose other information and consider other resources where deemed appropriate.

1. Foundations

Sub-Element

1.1 Strategic Ambition

An entity shall disclose the **Strategic Ambition** of its transition plan. This shall comprise the entity's objectives and priorities for responding and contributing to the transition towards a low-GHG emissions, climate-resilient economy, and set out whether and how the entity is pursuing these objectives and priorities in a manner that captures opportunities, avoids adverse impacts for stakeholders and society, and safeguards the natural environment.

When interpreting the TPT Disclosure Framework for the Asset Owner sector, an entity should consider disclosing:

- its objectives and priorities for reducing the financed emissions associated with its investment activities **(see DF 1.1.a.i)**;
- its objectives and priorities for managing climate-related risks and capturing climate-related opportunities through its investment activities **(see DF 1.1.a.ii)**;
- its objectives and priorities for using the levers and capabilities it has available to embed and accelerate the transition to a low-GHG emissions, climate-resilient economy, particularly by supporting the transition of the real economy **(see DF 1.1.a.iii)**;
- whether its objectives and priorities apply only to a proportion of its assets under management (AUM) or particular asset classes, and if so, the reasons for any exclusions and the extent to which it is taking or plans to take any steps to increase the scope of coverage **(see DF 1.1.a)**;
- how it utilises the following strategies within the **Strategic Ambition** of its transition plan, considering any potential trade-offs, synergies or co-benefits identified between its objectives and priorities **(see DF 1.1.d)**:
 - o its investment strategy;
 - o its external manager selection strategy;
 - o its engagement strategy; and
 - o its operational strategy.

³⁶) International Financial Reporting Standards (IFRS), **IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information**, 2023

When disclosing, an entity may additionally consider:

In disclosing the objectives and priorities for responding and contributing to the transition towards a low-GHG, climate-resilient economy, an entity may describe any underlying theory of change, outcome rationale or intentionality statement it used to define its objectives and priorities. In doing so, it may consider guidance including the United Nations Development Group's *Guidance on Theory of Change*³⁷ and IIGCC's *Discussion Paper: Incorporating Derivatives and Hedge Funds into the Net Zero Investment Framework*.³⁸

An entity's objectives and priorities will depend on its business model and are likely to change through time, reflecting that transition planning is a dynamic, adaptive, and iterative process. In defining its Strategic Ambition, an entity may set objectives and priorities in relation to the following strategies:

- investment strategy: how it embeds climate into its investment strategies (e.g. strategic asset allocation, portfolio design, and security selection) and processes (see sub-elements 2.1 and 2.2 below);
- external manager selection strategy: how it embeds climate into its selection of asset managers, including contractual terms (e.g. climate and stewardship reporting, climate-related performance fees)³⁹ (see sub-element 2.1 below);
- engagement strategy:
 - investee companies: how it engages with its investee companies on climate related matters (see sub-element 3.1 below);
 - Asset Managers: how it engages with its internal and/or external Asset Managers on climate related matters (see sub-element 3.1 below);
 - beneficiaries: how it engages with its beneficiaries on climate-related matters (see sub-element 3.1 below);
 - industry: how it engages and collaborates with industry counterparts and other relevant initiatives or entities on climate-related matters (see sub-element 3.2 below);
 - other stakeholders: how it engages with other actors including government, regulators, public sector organisations, communities, and civil society on climate-related matters (see sub-element 3.3 below); and
- operational strategy: how it seeks to decarbonise and build climate resilience within its corporate operations.⁴⁰

An entity's underlying business model will inform and influence the Strategic Ambition of its transition plan. In defining its objectives and priorities, an entity may consider how these are informed and influenced by:

- its size (AUM and/or number of employees);
- its organisational structure, including the use of internal and/or external Asset Managers;
- its risk appetite;
- the asset classes in which it invests;
- the extent to which it has control over its investments;
- its investment mandate agreements;
- the objectives and priorities of its beneficiaries; and
- its strategic asset allocation within its investment portfolio.

³⁷ United Nations Sustainable Development Group, *UNDAF Companion Guidance on Theory of Change*, 2017.

³⁸ The Institutional Investors Group on Climate Change (IIGCC), *Discussion Paper: Incorporating Derivatives and Hedge Funds into the Net Zero Investment Framework*, 2022.

³⁹ Principles for Responsible Investment (PRI), *PRI Reporting Framework 2019: Indirect – Manager Selection, Appointment and Monitoring*, 2019.

⁴⁰ This document is intended to provide guidance for discrete areas in which the Asset Owners sector is unique, such as the Asset Owner's investment activities. An Asset Owner's non-investment activities (i.e. operational activities) are not unique to the sector (e.g. electricity, heating, business travel) and are therefore not addressed in this Asset Owners Guidance. When disclosing information about its non-investment activities, an entity should do so in accordance with the TPT Disclosure Framework, utilising the accompanying Explore the Disclosure Framework guidance.

In defining its objectives and priorities, an entity may consider relevant guidance including:

- GFANZ's *Financial Institution Net-zero Transition Plans*;^{41,42,43}
- the Investor Agenda's *Investor Climate Action Plans: Expectations Ladder*;⁴⁴
- IIGCC's *Net Zero Investment Framework*,⁴⁵ *Net Zero Voting Guidance*,⁴⁶ *Working Towards a Climate Resilience Investment Framework*,⁴⁷ *Net Zero Stewardship Toolkit*,⁴⁸ and *A Critical Element: Net Zero Bondholder Stewardship Guidance*;⁴⁹
- SBTi's *Financial Institutions Net Zero Standard* (under consultation);⁵⁰ and
- Net Zero Asset Owner Alliance's *Target Setting Protocol*,⁵¹ and *A Tool for Developing Credible Transition Plans*.⁵²

In addition, when defining its objectives and priorities for enhancing its resilience to the changing climate, an entity may consider the IIGCC's *Investor expectations of companies on physical risks and opportunities*,⁵³ *Working towards a climate resilience investment framework*,⁵⁴ and WWF's *Climate Adaptation Guidance for Asset Owners: Risk Mitigation and Opportunity Realization*.⁵⁵

In defining its objectives and priorities, an entity may consider the four key financing strategies outlined by GFANZ:^{56,57,58}

- climate solutions: financing or enabling entities and activities that develop and scale climate solutions (an entity may also consider the IIGCC's *Investing in climate solutions*);⁵⁹
- aligned: financing or enabling entities that are already aligned to a 1.5°C pathway;
- aligning: financing or enabling entities committed to transitioning in line with 1.5°C-aligned pathways; and
- managed phase-out: financing or enabling the accelerated managed phase-out (e.g. via early retirement) of high-emitting physical assets.

41) Glasgow Financial Alliance for Net Zero (GFANZ), *Financial Institution Net-Zero Transition Plans – Fundamentals, Recommendations, and Guidance*, 2022.

42) Glasgow Financial Alliance for Net Zero (GFANZ), *Financial Institution Net-Zero Transition Plans – Supplemental Information*, 2022.

42) Glasgow Financial Alliance for Net Zero (GFANZ), *Scaling Transition Finance and Real-economy Decarbonization – Supplement to the 2022 Net-zero Transition Plans report*, 2023.

44) The Investor Agenda, *Investor Climate Action Plans (ICAPS): Expectations Ladder*, 2023.

45) Institutional Investors Group on Climate Change (IIGCC), *Net Zero Investment Framework: Implementation Guide*, 2021.

46) Institutional Investors Group on Climate Change (IIGCC), *Net Zero Voting Guidance*, 2024.

47) Institutional Investors Group on Climate Change (IIGCC), *Working towards a climate resilience investment framework: A Discussion paper by IIGCC*, 2022.

48) Institutional Investors Group on Climate Change (IIGCC), *Net Zero Stewardship Toolkit*, 2022.

49) Institutional Investors Group on Climate Change (IIGCC), *A Critical Element: Net Zero Bondholder Stewardship Guidance – Engaging with Corporate Debt Issuers*, 2023.

50) Science Based Targets Initiative (SBTi), *The SBTi Financial Institutions Net-Zero Standard: Conceptual Framework and Initial Criteria: Consultation Draft*, 2023.

51) The UN-Convened Net Zero Asset Owner Alliance (NZAOA), *Target Setting Protocol, Third Edition*, 2023.

52) The UN-Convened Net Zero Asset Owner Alliance (NZAOA), *A Tool for Developing Credible Transition Plans – Public Edition for asset owner pilot-testing*, 2023.

53) Institutional Investors Group on Climate Change (IIGCC), *Building Resilience to a Changing Climate: Investor Expectations of Companies on Physical Climate Risks and Opportunities*, 2021.

54) Institutional Investors Group on Climate Change (IIGCC), *Working towards a climate resilience investment framework: A Discussion paper by IIGCC*, 2022.

55) World Wide Fund for Nature (WWF), *Climate Adaptation Guidance for Asset Owners: Risk Mitigation and Opportunity Realization*, 2020.

56) Glasgow Financial Alliance for Net Zero (GFANZ), *Financial Institution Net-Zero Transition Plans – Fundamentals, Recommendations, and Guidance*, 2022.

57) Glasgow Financial Alliance for Net Zero (GFANZ), *Financial Institution Net-Zero Transition Plans – Supplemental Information*, 2022.

58) Glasgow Financial Alliance for Net Zero (GFANZ), *Scaling Transition Finance and Real-economy Decarbonization – Supplement to the 2022 Net-zero Transition Plans report*, 2023.

59) The Institutional Investors Group on Climate Change (IIGCC), *Investing in climate solutions: listed equity and corporate fixed income*, 2023.

In defining its objectives and priorities, an entity may consider guidance for specific asset classes. It is noted that guidance is not yet available for all asset classes, however there is an increasing body of asset-class specific resources including:

- the Better Buildings Partnership’s guidance for real estate;⁶⁰
- the International Capital Market Association’s guidance for bonds;⁶¹
- the IIGCC’s guidance for derivatives and hedge funds,⁶² private equity,⁶³ infrastructure assets,⁶⁴ and corporate bonds;⁶⁵
- the Initiative Climate International and Sustainable Markets Initiative’s Private Equity Task Force’s guidance for private equity (buyout, growth and venture capital), infrastructure, real estate, private credit, and secondaries;⁶⁶
- the Partnership for Carbon Accounting Financials’ guidance for listed equities and corporate bonds, business loans and unlisted equities, commercial real estate, and sovereign debt,⁶⁷ and additional guidance specific to real estate;⁶⁸
- the Principles for Responsible Investment’s guidance for sovereign debt;⁶⁹
- the SBTi’s guidance for the financial sector, and additional guidance specific to private equity;⁷⁰
- the Venture Climate Alliance’s guidance for venture capital;⁷¹
- the World Bank’s guidance for sovereign debt.⁷²

An entity may consider disclosing the extent to which it has taken into account and aligned with any voluntary commitments including, but not limited to, the Net-Zero Asset Owner Alliance and the Paris-Aligned Asset Owner initiative. In addition, an entity may consider disclosing the extent to which it has taken into account any voluntary commitments taken by its Asset Managers (e.g. as part of the Net Zero Asset Managers Initiative) and investment consultants (e.g. as part of the Net Zero Investment Consultants Initiative).

When disclosing whether and how it has identified, assessed and taken into account the impacts and dependencies of the transition plan on its stakeholders (e.g. its workforce, value chain counterparts, beneficiaries), society (e.g. local communities), the economy, and the natural environment, throughout its value chain, that may give rise to sustainability-related risks and opportunities, an entity may find it helpful to refer to the *Impacts and dependencies of the transition plan on stakeholders, society, the economy and the natural environment* section within this guidance (see page 17).

When disclosing any potential trade-offs, synergies or co-benefits identified between objectives and priorities, an entity may include:

- reducing financed emissions and portfolio’s climate vulnerability by divestment and capital reallocation, versus reducing real-world emissions and building climate resilience through engagement with investee companies and assets;
- investing in transition assets as means to drive long-term real economy emissions reductions, leading to short-term increase in financed emissions;
- reducing portfolio emissions by engaging with entities to prevent deforestation, with co-benefits arising from the protection of nature; and
- providing finance for climate solutions including the expansion of renewable energy that delivers co-benefits such as expanding skills for workers and improving community access to affordable clean energy.

60) Better Buildings Partnership, **A Guide to Climate Resilience Strategies for Commercial Real Estate**, 2022.

61) International Capital Market Association (ICMA), **Transition Finance in the Debt Capital Market**, 2024.

62) Institutional Investors Group on Climate Change (IIGCC), **Derivatives and Hedge Funds Guidance**, 2024.

63) Institutional Investors Groups on Climate Change (IIGCC), **Net Zero Investment Framework Component for the Private Equity Industry**, 2023.

64) Institutional Investors Groups on Climate Change (IIGCC), **Guidance for infrastructure assets: Complement to the Net Zero Investment Framework**, 2023.

65) Institutional Investors Group on Climate Change (IIGCC), **Net Zero Bondholder Stewardship Guidance**, 2023.

66) Initiative Climate International (ICI) and the Sustainable Markets Initiative’s Private Equity Taskforce, **Private Markets Decarbonisation Roadmap**, 2023.

67) Partnership for Carbon Accounting Financials (PCAF), **Financed Emissions**, 2022.

68) Partnership for Carbon Accounting Financials (PCAF), **Carbon Risk Real Estate Monitor (CRREM)**, GRESB, **Accounting and Reporting of GHG Emissions from Real Estate Operations**, 2023.

69) Principles for Responsible Investment (PRI), **ESG Engagement for Sovereign Debt Investors**, 2020.

70) Science Based Targets initiative (SBTi), **Private Equity Sector Science Based Target Setting Guidance Version 1.0**, 2021.

71) Venture Climate Alliance, **Net Zero Aligned Venture Methodology**, 2023.

72) World Bank, **A World Bank Guide for Sovereign Debt Managers**, 2020.

Sub-Element

1.2 Business model and value chain

An entity shall disclose a description of the current and anticipated implications of the entity's **Strategic Ambition** on its business model and value chain.

No additional sector-specific guidance is provided for this Sub-Element.

Sub-Element

1.3 Key assumptions and external factors

An entity shall disclose key assumptions that it has made and external factors on which it depends in order to achieve the **Strategic Ambition** of its transition plan.

When interpreting the TPT Disclosure Framework for the Asset Owner sector, an entity should consider disclosing:

- whether and how its fiduciary and other legal duties play a role in setting the **Strategic Ambition** of its transition plan (**see DF 1.3.a**); and
- the assumptions and external factors on which any managed phase out plans depend (e.g. policy changes or real economy conditions) (**see DF 1.3.a**).

When disclosing, an entity may additionally consider:

When considering whether and how its fiduciary and other legal duties supports the Strategic Ambition of its transition plan, an entity may refer to any relevant regulatory guidance on fiduciary duty (including the Law Commission's papers on fiduciary duty)^{73, 74} and other guidance and publications (e.g. the PRI's *Fiduciary Duty in the 21st Century*,⁷⁵ *A Legal Framework for Impact: Sustainability impact in investor decision-making*,⁷⁶ and the Financial Markets Law Committee's *Pension Fund Trustees and Fiduciary Duties: Decision-making in the context of Sustainability and the subject of Climate Change*).⁷⁷

73) Law Commission, **LC350: Fiduciary Duties of Investment Intermediaries Report**, 2014.

74) Law Commission, **LC374: Pension Funds and Social Investments**, 2014.

75) Principles for Responsible Investment (PRI), **Fiduciary Duty in the 21st Century**, 2019.

76) Principles for Responsible Investment (PRI), **A Legal Framework for Impact: Sustainability impact in investor decision-making**, 2021.

77) Financial Markets Law Committee, **Pension Fund Trustees and Fiduciary Duties: Decision – making in the context of Sustainability and the subject of Climate Change**, 2024 .

2 Implementation Strategy

Sub-Element

2.1 Business operations

An entity shall disclose information about the short-, medium-, and long-term actions it is taking or plans to take in its business operations in order to achieve the **Strategic Ambition** of its transition plan.

Within this guidance, an Asset Owner's investment processes are addressed in **2.1 Business operations**. It is noted that policies and conditions often underpin an entity's investment process and there is likely to be overlap between disclosures under **2.1 Business operations** and **2.3 Policies and conditions**. The TPT recommends that an entity allocates the disclosure of information between these Sub-Elements as it deems appropriate.

When interpreting the TPT Disclosure Framework for the Asset Owner sector, an entity should consider disclosing:

- information about any short-, medium-, and long-term actions it is taking or plans to take in its investment process to achieve the **Strategic Ambition** of its transition plan, whether in relation to all or part of its investment activities (**see DF 2.1.a, 2.1.b**);
- whether actions apply only to a proportion of its investment activities and if so, the reasons why and the extent to which it is taking or plans to take any steps to increase the scope of coverage (**see DF 2.1.a, 2.1.b**); and
- whether and how it considers the transition plans of its investee companies and/or its Asset Managers as part of its investment process, including its approach to evaluating the quality and credibility of those plans (e.g. any underlying methodologies and/or assumptions used) (**see DF 2.1.a, 2.1.b**).

When disclosing, an entity may additionally consider:

When disclosing information about any short-, medium- and long-term actions that it is taking or plans to take in its investment process this may include:

- integrating climate-related criteria into the selection, appointment, and monitoring of its Asset Managers, including incorporating climate-related investment objectives activities, and restrictions in mandates and contractual agreements;
- assessing exposure and vulnerability of investee companies and assets to climate-related physical and transition risks;
- integrating climate-related physical and transition risks and opportunities into the valuation of investments (e.g. the pricing of climate-related risks) and decision-making;
- increasing capital allocation in climate solutions, nature-based solutions and other forms of adaptation and transition finance;
- obtaining relevant and adequate data sources (including from investee companies and assets) and supporting data infrastructure; and
- providing investment teams with the necessary resources to implement the transition plan within the investment process, including due diligence, research, deal structuring and portfolio management.

When disclosing information about any actions it is taking or plans to take to integrate the Strategic Ambition of its transition plan into its investment process, an entity may consider providing information at the level of the asset class, sector, and/or geography.

When disclosing whether and how it embeds the objectives and priorities of its transition plan in its decision-making tools and processes, an entity may consider GFANZ's guidance on its Implementation Strategy component: Activities and Decision-Making.^{78,79}

When disclosing whether and how it considers the transition plans of its Asset Managers and investee companies, in addition to considering the TPT Disclosure Framework and suite of Implementation Guidance, an entity may consider:

- GFANZ's *Expectations for Real-economy Transition Plans*⁸⁰ and *Financial Institution Net-Zero Transition Plans – Fundamentals, Recommendations and Guidance*,⁸¹
- IIGCC's *Investor Expectations of Corporate Transition Plans: From A to Zero*,⁸²
- CDP's *Financial Services Transition Plans and Net Zero Commitments*⁸³ and *Reporting on Climate Transition Plans*,⁸⁴
- Planet Tracker's *Net Zero Transition Plan Disclosure Guidance Template*,⁸⁵ and
- Transition Pathway Initiative's (TPI) *Methodology report: Management Quality and Carbon Performance*.⁸⁶

2.2 Products and services

An entity shall disclose information about short-, medium-, and long-term actions it is taking or plans to take to change its portfolio of products and services in order to achieve the **Strategic Ambition** of its transition plan.

When interpreting the TPT Disclosure Framework for the Asset Owner sector, an entity should consider disclosing:

- whether and how it is responding to beneficiaries' climate-related preferences to create or change its products and services in order to achieve the **Strategic Ambition** of its transition plan (**see DF 2.2.a**);
- whether it offers, or plans to offer any climate or sustainability-linked financial products (**see DF 2.2.a**), including a description of any underlying taxonomy, tools, methodologies, or definitions used to classify these products as climate or sustainability-linked (**see DF 2.2.b**); and
- whether and to what extent it has considered carbon lock-in (e.g. for long-dated infrastructure and equipment) in the actions it is taking or plans to take to change its portfolio of products and services (**see DF 2.2.a**).

78) Glasgow Financial Alliance for Net Zero (GFANZ), **Financial Institution Net-zero Transition Plans: Fundamentals, Recommendations and Guidance**, 2022.

79) Glasgow Financial Alliance for Net Zero (GFANZ), **Scaling Transition Finance and Real-economy Decarbonization – Supplement to the 2022 Net-zero Transition Plans report**, 2023.

80) Glasgow Financial Alliance for Net Zero (GFANZ), **Expectations for Real-Economy Transition Plans**, 2022.

81) Glasgow Financial Alliance for Net Zero (GFANZ), **Financial Institution Net-Zero Transition Plans – Fundamentals, Recommendations and Guidance**, 2022.

82) Institutional Investors Group on Climate Change (IIGCC), **Investor Expectations of Corporate Transition Plans: From A to Zero**, 2023.

83) CDP, **CDP Technical Note: Financial Services Transition Plans and Net Zero Commitments**, 2023.

84) CDP, **CDP Technical Note: Reporting on Climate Transition Plans**, 2023.

85) Planet Tracker, **Net Zero Transition Plan Disclosure Guidance Template**, as of 2023.

86) Transition Pathway Initiative (TPI), **TPI's methodology report: Management Quality and Carbon Performance – Version 4.0**, 2021.

When disclosing, an entity may additionally consider:

When disclosing information about any short-, medium-, and long-term actions it is taking or plans to take to change its portfolio of products and services in order to achieve the Strategic Ambition of its transition plan, this may include:

- managing climate-related risks (e.g. reducing exposure to climate-vulnerable assets) and capturing climate-related opportunities (e.g. funds that invest in green technologies) in its investments;
- integrating climate-related risks and opportunities into its criteria for investable universes and exclusions lists;
- changing funding levels, Asset-Liability-Management (ALM), employer covenants and liabilities;
- selecting external managers to align with the development of climate focused investment products;
- communicating any changes to its beneficiaries (e.g. incorporating climate-related investment and stewardship updates into beneficiary communications and/or annual reports);
- assessing the extent to which any changes may impact its stakeholders and society (e.g. the accessibility and affordability of its products);
- allocating capital to climate solutions (including nature-based solutions) and other forms of adaptation and transition finance;
- allocating capital to low-carbon activities in emerging markets and developing economies;
- allocating capital to safeguard the natural environment;
- decreasing the allocation of capital to high-emitting assets that do not have a credible transition plan (e.g. through divestment or exposure reduction); and
- allocating capital to support the managed phase-out of high-emitting assets.

When disclosing whether and to what extent an entity has considered carbon lock-in, an entity may consider the Organisation for Economic Co-operation and Development's (OECD) *Mechanisms to Prevent Carbon Lock-In in Transition Finance*.⁸⁷

Where an entity has used taxonomies, tools, methodologies or definitions to classify investment products and services, it may consider disclosing its use of:

- regulatory classifications or labelling regimes (e.g. the EU Sustainable Finance Disclosure Regulation (SFDR),⁸⁸ the FCA's Sustainability Disclosure Requirements (SDR) and investment labels);⁸⁹
- legislative taxonomies (e.g. the EU Taxonomy,⁹⁰ the (forthcoming) UK Green Taxonomy);
- market-based taxonomies (e.g. the Climate Bonds Initiative Taxonomy);⁹¹ and
- proprietary classifications or taxonomies, with details provided of underlying methodologies.

When describing the expected principal contributions of its actions to change its portfolio of products and services to achieve its Strategic Ambition, an entity may consider referring to the four key financing strategies outlined by GFANZ.^{92,93,94}

87) Organisation for Economic Co-operation and Development (OECD), *Mechanisms to Prevent Carbon Lock-in in Transition Finance*, 2023.

88) European Commission, *Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector*, 2019.

89) Financial Conduct Authority (FCA), *PS23/16: Sustainability Disclosure Requirements (SDR) and investment labels*, 2023.

90) European Commission, *Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088*, 2020.

91) Climate Bonds Initiative (CBI), *Climate Bonds Taxonomy*, 2021.

92) Glasgow Financial Alliance for Net Zero (GFANZ), *Financial Institution Net-Zero Transition Plans – Fundamentals, Recommendations, and Guidance*, 2022.

93) Glasgow Financial Alliance for Net Zero (GFANZ), *Financial Institution Net-Zero Transition Plans – Supplemental Information*, 2022.

94) Glasgow Financial Alliance for Net Zero (GFANZ), *Scaling Transition Finance and Real-economy Decarbonization – Supplement to the 2022 Net-zero Transition Plans report*, 2023.

2.3 Policies and conditions

An entity shall disclose information about any policies and conditions that it uses or plans to use in order to achieve the **Strategic Ambition** of its transition plan.

When interpreting the TPT Disclosure Framework for the Asset Owner sector, an entity should consider disclosing:

- information about any policies that it uses, or plans to use, to manage the entity's investment activities relating to sectors and activities that are emissions-intensive (e.g. burning of thermal coal, oil and gas, and deforestation) or climate-vulnerable (e.g. infrastructure operations in coastal and flood-prone areas, farming practices in regions susceptible to drought), including any relevant exclusion policies and/or any managed phaseout plans (**see DF 2.3.a**); and
- which asset classes, activities and share of AUM its policies and conditions apply to, the rationale for any exclusions and any steps it is taking or plans to take to increase those policies' scope of coverage (**see DF 2.3.a**).

When disclosing, an entity may additionally consider:

When describing any policies or conditions that it uses or plans to use, an entity may include policies and conditions in relation to:

- climate-related considerations in investment activities: location-based exclusion policies (e.g. exclusion of assets in sites on wetlands), threshold-based exclusions (e.g. setting quantitative limits for sectors subject to elevated transition risk), stewardship policies and conditions, and proxy voting;
- phase-out of GHG intensive assets: assets in emissions-intensive sectors and activities (e.g. oil and gas, utilities, thermal coal mining, coal-fired electricity generation, agriculture) as defined by IIGCC⁹⁵ and TPI;⁹⁶
- safeguarding the natural environment: exclusion policies utilising location- and/or activity-based criteria, such as: Key Biodiversity Areas, Areas of Zero Extinction, Ramsar Convention (on Wetlands of International Importance), UNESCO Natural World Heritage Sites, and the Bonn Convention; and
- building resilience to the changing climate: policies and conditions to address sectors, activities and/or assets that may be particularly vulnerable to the changing climate and/or that are at risk of maladaptation⁹⁷ (e.g. policies to screen investments for climate vulnerability).

When disclosing which asset classes, activities, and share of AUM its policies and conditions apply to, and the rationale for any exclusions, an entity may consider describing whether they apply firmwide (e.g. an exclusionary policy which applies to all funds) or to only part of the entity's activities (e.g. a responsible investment policy applying to only certain funds).

If an Asset Owner designates its Asset Manager(s) to vote on its behalf or uses proxy advisor(s), it may consider providing details on the Asset Manager's or proxy advisor's voting policies and how they align with the Asset Owner's transition plan. The NZAOA's guidance on proxy voting provides guidelines for Asset Owners to construct their own expectations of their Asset Managers' proxy voting approaches.⁹⁸

95) Institutional Investors Groups on Climate Change (IIGCC), **Net Zero Investment Framework Implementation Guide**, 2021.

96) Transition Pathway Initiative (TPI), **Preparedness for transition tool**, as of 2023.

97) See, for example, Schipper, **Maladaptation: When Adaptation to Climate Change Goes Very Wrong**, 2020.

98) The UN-Convened Net Zero Asset Owner Alliance (NZAOA), **Elevating Climate Diligence on Proxy Voting Approaches: A Foundation for Asset Owner Engagement of Asset Managers**, 2021.

An entity may consider guidance on policies for high-emitting activities and assets, including for thermal coal, oil and gas and deforestation policies, from GFANZ's *Financial Institution Net Zero Plans*,^{99,100,101} the IIGCC's *Net Zero Investment Framework Implementation Guide*,¹⁰² and the SBTi's *Fossil Fuel Finance Position Paper (under consultation)*.¹⁰³

An entity may consider GFANZ's *Financial Institution Net-zero Transition Plans*¹⁰⁴ guidance on policies and conditions which recommends that policies should include:

- a clear objective connected to net zero;
- a definition of the sectors and activities to which the policy applies;
- conditions and standards for ongoing business engagement;
- details of any thresholds on restrictions or exclusions that apply; and
- estimated timelines.

Sub-Element

2.4 Financial planning

An entity shall, to the extent the financial effects of its transition plan are separately identifiable, disclose information about the effects of its transition plan¹⁰⁵ on its financial position, financial performance and cash flows¹⁰⁶ over the short-, medium-, and long-term, including information about how it is resourcing or plans to resource its activities in order to achieve the **Strategic Ambition** of its transition plan.¹⁰⁷

No additional sector-specific guidance is provided for this Sub-Element

99) Glasgow Financial Alliance for Net Zero (GFANZ), **Financial Institution Net-Zero Transition Plans – Fundamentals, Recommendations, and Guidance**, 2022.

100) Glasgow Financial Alliance for Net Zero (GFANZ), **Financial Institution Net-Zero Transition Plans – Supplemental Information**, 2022.

101) Glasgow Financial Alliance for Net Zero (GFANZ), **Scaling Transition Finance and Real-economy Decarbonization – Supplement to the 2022 Net-zero Transition Plans report**, 2023.

102) Institutional Investors Groups on Climate Change (IIGCC), **Net Zero Investment Framework Implementation Guide**, 2021.

103) Science Based Targets Initiative (SBTi), **The SBTi Fossil Fuel Finance Position Paper, Consultation Draft**, 2023.

104) Glasgow Financial Alliance for Net Zero (GFANZ), **Financial Institution Net-zero Transition Plans – Fundamentals, Recommendations, and Guidance**, 2022.

105) Please note that 2.4.c is not intended to cover information about the financial effects of wider climate-related risks and opportunities. Instead the focus lies on the direct and indirect effects from implementing the transition plan itself.

106) For entities in the financial sector, this should cover the financial performance of the entity itself and not its investment or lending portfolio.

107) This Sub-Element should be regarded as distinct from the Disclosure Recommendations under Sub-Element **4.2 Financial metrics and targets**. Under **2.4 Financial planning**, the focus should lie on demonstrating that the entity has integrated the transition plan into its financial planning and disclosing expected financial effects. Under Sub-Element **4.2 Financial metrics and targets**, on the other hand, the entity should disclose the financial metrics and targets that it is using to assess progress and delivery of the plan over time.

3 Engagement Strategy

Sub-Element

3.1 Engagement with value chain

An entity shall disclose information about any engagement activities with other entities in its value chain that it is undertaking or plans to undertake in order to achieve the **Strategic Ambition** of its transition plan.

When interpreting the TPT Disclosure Framework for the Asset Owner sector, an entity should consider disclosing:

- Information about any engagement activities that it is undertaking, or plans to undertake, in order to achieve the **Strategic Ambition** of its transition plan (**see DF 3.1.b**), including with its:
 - Asset Managers (internal and external);
 - investee companies;
 - beneficiaries;
 - sovereign issuers; and
 - financial service providers, including: index providers, investment consultants, stock exchanges, credit rating agencies, proxy advisors, and data providers.

When disclosing, an entity may additionally consider:

In describing its engagement activities, an entity may provide an overview of the different types of engagement that it undertakes, including a description of what it deems to be the minimum requirement for classifying an activity as an engagement activity. This may include:

- meeting board members, senior executives, or management;
- writing emails or letters to a company to raise concerns;
- raising key issues through an entity's advisers;
- using proxy voting to influence corporate decisions and policies in line with stewardship goals; and
- taking part in collaborative engagements or initiatives.

In addition, an entity may consider examples of engagement methods provided within the FRC's *UK Stewardship Code*,¹⁰⁸ International Corporate Governance Network's (ICGN) *Global Stewardship Principles*,¹⁰⁹ PRI's *An Introduction to Responsible Investment: Stewardship*,¹¹⁰ ShareAction's *Responsible Investment Standards and Expectations*,¹¹¹ IIGCC's *Net Zero Stewardship Toolkit*,¹¹² *Net Zero Voting Guidance*,¹¹³ and *A Critical Element: Net Zero Bondholder Stewardship Guidance*,¹¹⁴ and the NZAOA's *Elevating Asset Manager Net-Zero Engagement Strategies*.¹¹⁵

108) Financial Reporting Council (FRC), **The UK Stewardship Code**, 2020.

109) International Corporate Governance Network (ICGN), **ICGN Global Stewardship Principles**, 2020.

110) United Nations Principles for Responsible Investment (PRI), **An introduction to responsible investment stewardship**, 2021.

111) ShareAction, **Responsible Investment Standards & Expectations (RISE) – Guidance Paper #2**, 2023.

112) Institutional Investors Group on Climate Change (IIGCC), **Net Zero Stewardship Toolkit**, 2022.

113) Institutional Investors Group on Climate Change (IIGCC), **Net Zero Voting Guidance**, 2024.

114) Institutional Investors Group on Climate Change (IIGCC), **A Critical Element: Net Zero Bondholder Stewardship Guidance – Engaging with Corporate Debt Issuers**, 2023.

115) The UN-Convened Net Zero Asset Owner Alliance (NZAOA), **Elevating Asset Manager Net Zero Engagement Strategies: A foundation for asset owner expectations of asset managers**, 2023.

In describing any escalation processes or criteria in place to manage instances where engagement activities do not lead to the desired change, an entity may disclose any exit conditions it has defined. An entity may find it helpful to refer to the IIGCC's *Net Zero Stewardship Toolkit*,¹¹⁶ *Stewardship Questionnaire*,¹¹⁷ *Net Zero Voting Guidance*,¹¹⁸ and *A Critical Element: Net Zero Bondholder Stewardship Guidance*.¹¹⁹

In describing any current and planned engagement activities with its Asset Managers (external and internal), an entity may include:

- the method by which it engages with its current Asset Managers, including the frequency of such engagement;
- the method by and extent to which it engages with prospective Asset Managers on climate-related matters, including during the selection process and negotiation of climate-related contractual agreements;
- how it engages with prospective Asset Managers on climate-related matters during their selection and appointment, including in respect to transition planning;
- how it uses engagement to monitor the Asset Manager's performance against climate-related criteria in contractual agreements;
- how it engages with current and prospective Asset Managers to monitor and evaluate their stewardship and engagement activities with investee companies;
- how it uses engagement with Asset Managers to safeguard the natural environment, for example engagement with Asset Managers about biodiversity policies and biodiversity net gain considerations (including property developers and managing agents); and
- how it informs Asset Managers of its transition plan's impacts and dependencies on stakeholders, society, the economy, and the natural environment that may give rise to sustainability-related risk and opportunities.

In describing any current and planned engagement activities with its beneficiaries (customers or members), an entity may consider the PRI's *Understanding and Aligning with Beneficiaries' Sustainability Preferences*.¹²⁰ An entity's description may include:

- the method by which it engages with (and seeks feedback from) its beneficiaries, including the frequency of such engagement;
- how it raises awareness and educates its beneficiaries on climate-related risks and opportunities;
- how it educates its beneficiaries on climate-related changes to its portfolio, including increasing awareness of any new or existing climate-related product offerings; and
- how it informs its beneficiaries of the impacts and dependencies of its transition plan on stakeholders, society, the economy, and the natural environment that may give rise to sustainability-related risks and opportunities.

In describing any current and planned engagement activities with its investee companies, an entity may include:

- the method by which it engages with its investee companies, including the frequency of such engagement;
- how it prioritises sectors, activities and investee companies for engagement activities;
- how its engagement activities differ by asset class, considering varying levels of influence or control;
- how it monitors the outcome of its engagement activities; and
- its escalation processes where engagement activities do not lead to the desired changes.

116) Institutional Investors Group of Climate Change (IIGCC), *Net Zero Stewardship Toolkit*, 2022.

117) Institutional Investors Group of Climate Change (IIGCC), *Stewardship Questionnaire*, 2023.

118) Institutional Investors Group on Climate Change (IIGCC), *Net Zero Voting Guidance*, 2024

119) Institutional Investors Group on Climate Change (IIGCC), *A Critical Element: Net Zero Bondholder Stewardship Guidance – Engaging with Corporate Debt Issuers*, 2023.

120) United Nations Principles for Responsible Investment (PRI), *Understanding and Aligning with Beneficiaries' Sustainability Preferences*, 2021.

In describing any current and planned engagement activities with sovereign issuers (in its capacity as investee entity), an entity may include a description of any engagement activities with country issuers on sovereign debt including, but not limited to, public statements, collaborative letters, and transition-related instruments (e.g. debt for nature swaps,¹²¹ blue,¹²² and green¹²³ bonds).

In describing current and planned engagement activities with financial sector services providers (including data and index providers), an entity may consider the IIGCC's *Improving Net Zero Data Provision: Six asks of data vendors*¹²⁴ and *Enhancing The Quality Of Net Zero Benchmarks*.¹²⁵

Sub-Element

3.2 Engagement with industry

An entity shall disclose information about any engagement and collaborative activities with industry counterparts (and other relevant initiatives or entities) that it is undertaking or plans to undertake in order to achieve the **Strategic Ambition** of its transition plan.

When interpreting the TPT Disclosure Framework for the Asset Owner sector, an entity should consider disclosing:

No additional sector-specific disclosures are provided for this Sub-Element.

When disclosing, an entity may additionally consider:

An entity may consider describing any engagement activities as part of climate-related industry initiatives, such as Climate Action 100+ (CA100+), Institutional Investor Group on Climate Change (IIGCC), Net Zero Asset Owner Alliance (NZAOA), Net Zero Insurance Alliance (NZIA), and the Net Zero Engagement Initiative (NZEI), if applicable.

An entity may consider describing any engagement activities as part of industry initiatives that support the safeguarding of nature, such as: Nature Action 100 (NA100), Finance for Biodiversity, Nature Finance, and Business for Nature, if applicable.

¹²¹ World Economic Forum (WEF), *Climate finance: What are debt-for-nature swaps and how can they help countries* 2023.

¹²² World Bank, *Sovereign Blue Bond Issuance*, 2018.

¹²³ World Bank, *The World Bank (IBRD) Impact Report – Sustainable Development Bonds and Green Bonds*, 2022.

¹²⁴ Institutional Investors Groups on Climate Change (IIGCC), *Improving Net Zero Data Provision: Six asks of data vendors*, 2023.

¹²⁵ Institutional Investors Groups on Climate Change (IIGCC), *Enhancing the Quality of Net Zero Benchmarks*, 2023.

3.3 Engagement with government, public sector and civil society

An entity shall disclose information about any direct and indirect engagement activities with the government, regulators, public sector organisations, communities, and civil society that it is undertaking or plans to undertake in order to achieve the **Strategic Ambition** of its transition plan.

Within this guidance, an Asset Owner's engagement with governments in their capacity as an investor is covered in **3.1 Engagement with value chain**.

When interpreting the TPT Disclosure Framework for the Asset Owner sector, an entity should consider disclosing:

- information on how it leverages engagement with policy makers and regulators (e.g. macro-stewardship) to embed and accelerate the transition towards a low-GHG emissions climate-resilient economy (**see DF 3.3.b**).

When disclosing, an entity may additionally consider:

When disclosing information about any direct and indirect policy, regulatory or wider stakeholder engagement activities that it is taking, or plans to undertake, this may include in relation to:

- national climate mitigation and adaptation targets and strategies, including sectoral pathways towards net zero emissions, and sectoral adaptation priorities;¹²⁶
- policies which attract investment of private capital into climate and nature solutions;
- policies to mobilise low-GHG, climate-resilient capital flows into emerging markets and developing economies;
- aligning regulation and taxonomies with GHG reduction commitments and delivery, including improvement of relevant corporate disclosure;¹²⁷
- subsidies, incentives, and policies (both demand-side and supply-side) to accelerate the economy-wide transition;
- achieving international consistency, alignment and standardisation in transition planning requirements and expectations; and
- protecting vulnerable communities who could be adversely impacted by transition activities.

When disclosing any information about policy engagement or lobbying, an entity may consider the Net Zero Asset Owner Alliance's *Policy Engagement Guidelines*.¹²⁸

An entity may consider The Global Standard on Responsible Climate Lobbying which provides a framework to ensure companies' lobbying and political engagement activities are in line with the goal of restricting global temperature rise to 1.5°C above pre-industrial levels.¹²⁹

¹²⁶ Science Based Targets initiative (SBTi), **Pathways to Net Zero: SBTi Technical Summary Version 1.0**, 2021.

¹²⁷ Advisory Group on Finance for the UK's Climate Change Committee, **The Road to Net-Zero Finance**, 2020.

¹²⁸ The UN-Convened Net Zero Asset Owner Alliance (NZAOA) **Policy Engagement Guidelines**, 2023.

¹²⁹ Climate Lobbying, **Responsible Climate Lobbying: The Global Standard**, 2022.

4 Metrics & Targets

Within this guidance, metrics and targets have been divided as follows between the Metrics & Targets Sub-Elements:

- **4.1 Governance, business and operational metrics and targets** – including portfolio coverage and alignment, and engagement;
- **4.2 Financial metrics and targets** – including investment in climate solutions and other transition finance; and
- **4.3 GHG metrics and targets** – including financed emissions.

Sub-Element

4.1 Governance, business and operational metrics and targets

An entity shall disclose information about the governance, engagement, business and operational metrics and targets that it uses in order to drive and monitor progress towards the **Strategic Ambition** of its transition plan, and report against these metrics and targets on at least an annual basis.

When interpreting the TPT Disclosure Framework for the Asset Owner sector, an entity should consider disclosing:

- any governance, engagement, business and operational metrics and targets that it uses to drive and monitor progress towards the **Strategic Ambition** of its transition plan, including how the metrics and targets reflect the Strategic Ambition of its transition plan, and how they relate to the actions outlined under **2. Implementation Strategy** and **3. Engagement Strategy**. This may include metrics and targets related to its (**see DF 4.1.a, 4.1.b**):
 - external manager selection strategy (**see DF 2.1**);
 - investment strategy (**see DF 2.2**);
 - engagement strategy (**see DF 3.1, 3.2 and 3.3**); and
- which of its governance, engagement business and operational metrics and targets it is required to meet by law or regulation (e.g. for climate, governance, and stewardship) (**see DF 4.1.a**);
- the proportion of its AUM to which each of its governance, engagement, business and operational metrics and targets apply, including the rationale for any exclusions and the extent to which it is taking or plans to take steps to increase the scope of coverage (**see DF 4.1.c.iii**); and
- information about the limitations of any underlying taxonomy, tools, methodologies or definitions on which metrics and targets rely (**see DF 4.1.c.x**);
- any targets which it has set to increase the proportion of financed emissions that are covered by engagement activities (**see DF 4.1.c**), and detail of any underlying methodology used to prioritise engagement activities (**see DF 4.1.e**).

When disclosing, an entity may additionally consider:

When disclosing information about its engagement metrics and targets, an entity may consider metrics and targets in relation to:

- proxy voting activities and their outcomes, including the outcomes of shareholder resolutions;
- relevant information about board seat changes, policy changes and other engagement outcomes associated with climate-related matters, and the extent to which these are deemed to be attributable to the entity's engagement efforts;
- public policy engagements that support the Strategic Ambition of its transition plan, including as a proportion of all public policy engagements; and
- trade association memberships and associated engagement and lobbying activities that support the Strategic Ambition of its transition plan.

When disclosing information about its business metrics and targets, an entity may consider metrics and targets in relation to:

- the number and proportion of investee companies and assets that have set or plan to set GHG emissions reduction targets, including the alignment of these targets to the Strategic Ambition of its own transition plan;
- the number and proportion of investee companies that have developed or plan to develop credible transition plans, including the alignment of these plans to the Strategic Ambition of its own transition plan; and
- the number and proportion of investee companies' transition plans that include relevant information about the impacts and dependencies of their transition plan on stakeholders, society, the economy and the natural environment.

When disclosing information about any engagement and business metrics and targets, an entity may consider the following guidance GFANZ's *Financial Institution Net-zero Transition Plans: Supplemental Information*,¹³⁰ IIGCC's *Net Zero Investment Framework*,¹³¹ IIGCC's *Net Zero Stewardship Toolkit*,¹³² IIGCC's *Net Zero Bondholder Stewardship Guidance*,¹³³ the Climate Financial Risk Forum's (CFRF) *Climate Disclosures Dashboard 2.0* (in particular the recommended shift away from activity level-data towards outcomes-based reporting),¹³⁴ and the Pension Regulator's (TPR) *Governance and Reporting of Climate-Related Risks and Opportunities*.¹³⁵

When disclosing information about any metrics and targets that it uses to monitor and drive progress of portfolio and/or sector coverage and alignment methodologies, an entity may consider: the Portfolio Alignment Team (PAT)'s *Measuring Portfolio Alignment*,^{136,137} CDP and WWF's *Temperature Rating Methodology*,¹³⁸ SBTi's *Financial sector science-based targets guidance*,¹³⁹ and TPI's *Preparedness for transition tool*.¹⁴⁰

When disclosing any metrics and targets that it uses to drive and monitor progress towards enhancing its resilience and responding to the climate-related physical and transition risks and opportunities that arise from the transition, an entity may consider the Global Resilience Index Initiative's (GRII) *Aligning Finance with Adaptation and Resilience – Targets and Metrics for Financial Institutions*,¹⁴¹ CFRF's *Climate Disclosures Dashboard 2.0*,¹⁴² and GFANZ's *Financial Institution Net-zero Transition Plans: Supplemental Information*.¹⁴³

¹³⁰ Glasgow Financial Alliance for Net Zero (GFANZ), **Financial Institution Net-zero Transition Plans: Supplemental Information**, 2022.

¹³¹ Institutional Investors Groups on Climate Change (IIGCC), **Net Zero Investment Framework Implementation Guide**, 2021.

¹³² Institutional Investors Group of Climate Change (IIGCC), **Net Zero Stewardship Toolkit**, 2022.

¹³³ Institutional Investors Group on Climate Change (IIGCC), **A Critical Element: Net Zero Bondholder Stewardship Guidance – Engaging with Corporate Debt Issuers**, 2023.

¹³⁴ Climate Financial Risk Forum (CFRF), **Climate Disclosures Dashboard 2.0**, 2023.

¹³⁵ The Pensions Regulator (TPR), **Governance and reporting of climate-related risks and opportunities**, 2021.

¹³⁶ Portfolio Alignment Team (PAT), **Measuring Portfolio Alignment**, 2020.

¹³⁷ Portfolio Alignment Team (PAT), **Measuring Portfolio Alignment, Technical Considerations**, 2021.

¹³⁸ CDP and World Wildlife Fund (WWF), **Temperature Rating Methodology v1.0**, 2020.

¹³⁹ Science Based Targets initiative (SBTi), **Financial sector science-based targets guidance, v1.1**, 2022.

¹⁴⁰ Transition Pathway Initiative (TPI), **Preparedness for transition tool**, 2023.

¹⁴¹ Global Resilience Index Initiative (GRII), **Aligning Finance with Adaptation and Resilience Goals – Targets and Metrics for Financial Institutions: Technical Note**, 2023.

¹⁴² Climate Financial Risk Forum (CFRF), **Climate Disclosures Dashboard 2.0**, 2023.

¹⁴³ Glasgow Financial Alliance for Net Zero (GFANZ), **Financial Institution Net-zero Transition Plans: Supplemental Information**, 2022.

4.2 Financial metrics and targets

An entity shall disclose information about any financial metrics and targets, relevant to its business, sector and strategy, that it uses in order to drive and monitor progress towards the **Strategic Ambition** of its transition plan, and report against these metrics and targets on at least an annual basis.

When interpreting the TPT Disclosure Framework for the Asset Owner sector, an entity should consider disclosing:

- which of its financial targets it is required to meet by law or regulation (e.g. for climate, governance and stewardship) (**see DF 4.2.a**);
- information about the extent to which each of its financial metrics and targets reflect the **Strategic Ambition** of its transition plan, including how they support an economy-wide transition (**see DF 4.2.b**);
- to which of its AUM each of its financial metrics and targets apply, including the rationale for any exclusions, and the extent to which it is taking or plans to take steps to increase the scope of coverage (**see DF 4.2.c.iii**);
- information about the limitations of any underlying taxonomy, tools, methodologies or definitions on which metrics and targets rely (**see DF 4.2.c.x**);
- any financial metrics (forward-looking and backward-looking) that it uses to monitor and drive the alignment of its investment activities to the **Strategic Ambition** of its transition plan (**see DF 4.2.e**); and
- any financial metrics (forward-looking and backward-looking) that it uses to monitor and drive the alignment of its investee companies and assets to the **Strategic Ambition** of its transition plan (**see DF 4.2.e**).

When disclosing, an entity may additionally consider:

When disclosing any financial metrics and targets that it uses to drive and monitor the alignment of its investment activities to the Strategic Ambition of its transition plan, an entity may consider the four financing strategies outlined by GFANZ.^{144,145,146}

When disclosing any financial metrics and targets that it uses to drive and monitor the alignment of its investment activities to the Strategic Ambition of its transition plan, an entity may also consider disclosing the share of AUM in emissions-intensive and/or climate-vulnerable sectors and activities, including detail of how it has classified these sectors and activities.

When disclosing any financial metrics and targets that it uses to drive and monitor progress towards enhancing its resilience and responding to climate-related physical and transition risks and opportunities that arise from the transition, an entity may consider the Global Resilience Index Initiative's (GRII) *Aligning Finance with Adaptation and Resilience – Targets and Metrics for Financial Institutions*,¹⁴⁷ CFRF's *Climate Disclosures Dashboard 2.0*,¹⁴⁸ and GFANZ's *Financial Institution Net-zero Transition Plans: Supplemental Information*.¹⁴⁹ As part of this, an entity may consider guidance from CFRF on the use of scenario analysis¹⁵⁰ and the reporting of future financial impacts of climate-related physical risks under multiple climate scenarios.¹⁵¹

144) Glasgow Financial Alliance for Net Zero (GFANZ), **Financial Institution Net-Zero Transition Plans – Fundamentals, Recommendations, and Guidance**, 2022.

145) Glasgow Financial Alliance for Net Zero (GFANZ), **Financial Institution Net-Zero Transition Plans – Supplemental Information**, 2022.

146) Glasgow Financial Alliance for Net Zero (GFANZ), **Scaling Transition Finance and Real-economy Decarbonization – Supplement to the 2022 Net-zero Transition Plans report**, 2023.

147) Global Resilience Index Initiative (GRII), **Aligning Finance with Adaptation and Resilience Goals – Targets and Metrics for Financial Institutions: Technical Note**, 2023.

148) Climate Financial Risk Forum (CFRF), **Climate Disclosures Dashboard 2.0**, 2023.

149) Glasgow Financial Alliance for Net Zero (GFANZ), **Financial Institution Net-zero Transition Plans: Supplemental Information**, 2022.

150) Climate Financial Risk Forum (CFRF), **Scenario Analysis: Guide for Asset Managers**, 2023.

151) Climate Financial Risk Forum (CFRF), **Climate Disclosures Dashboard 2.0**, 2023, p20–27.

4.3 GHG metrics and targets

An entity shall disclose information about the GHG emissions and removals metrics and targets that it uses in order to drive and monitor progress towards the **Strategic Ambition** of its transition plan, and report against these metrics and targets on at least an annual basis.

When interpreting the TPT Disclosure Framework for the Asset Owner sector, an entity should consider disclosing:

- any absolute gross GHG financed emissions targets that it has set (**see DF 4.3.b**) and associated metrics (**see DF 4.3.k, 4.3.l**), including at the:
 - sector level;
 - fund level;
 - asset class level ;
 - portfolio level; and
 - investee company level.
- any gross GHG financed emissions intensity targets that it has set (**see DF 4.3.f**) and associated metrics (**see DF 4.3.k, 4.3.l**), including at the:
 - sector level;
 - fund level;
 - asset class level ;
 - portfolio level; and
 - investee company level.
- to which of its AUM each of its GHG metrics and targets apply, including the rationale for any exclusions, and the extent to which it is taking or plans to take steps to increase the scope of coverage (**see DF 4.3.i.iii**); and
- information about any GHG metrics used to assess progress, including its use of proxied data versus reported data (**see DF 4.3.k.iii**).

When disclosing, an entity may additionally consider:

In defining its GHG metrics and targets, an entity may consider methodologies including the SBTi's *Financial Sector Science Based Targets Guidance*,¹⁵² TPI's *Methodology Report: Management Quality and Carbon Performance*,¹⁵³ PCAF's *The Global GHG Accounting and Reporting Standard for the Financial Industry*,¹⁵⁴ and the GHG Protocol's *Corporate Accounting and Reporting Standard*.¹⁵⁵ An entity may consider the guidance for specific asset classes included within **1.1 Strategic Ambition**, and other relevant resources (e.g. the *Proposals – ESG Metrics for Real Estate paper*).¹⁵⁶

When calculating its financed emissions, an entity may consider the TCFD's *Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures* for suggested formulae, including weighted average carbon intensity, total carbon emissions, and carbon intensity.¹⁵⁷ Further guidance, including recommended incorporation of Scope 3 financed emissions may be found in PCAF's *The Global GHG Accounting and Reporting Standard*^{158,159} and IIGCC's *Discussion Paper: Investor Approaches to Scope 3*.¹⁶⁰

An entity may consider using an assessment framework to evaluate the credibility of historic and projected GHG emissions data provided by investee companies. Further guidance is available from sources including GFANZ's *Measuring Portfolio Alignment*.¹⁶¹

Where an entity decides to report the avoided emissions arising from its investee companies, these should be reported separately from its Scope 1, 2 and 3 financed emissions and from its use of carbon credits.¹⁶² Further guidance on definitions and methodologies for calculating avoided emissions is available from sources including World Business Council for Sustainable Development's (WBCSD) *Guidance on Avoided Emissions*.¹⁶³

Sub-Element

4.4 Carbon credits

An entity shall disclose information about how it uses or plans to use carbon credits to achieve the **Strategic Ambition** of its transition plan, and report on the use of carbon credits on at least an annual basis

No additional sector-specific guidance is provided for this Sub-Element.

¹⁵² Science Based Targets Initiative (SBTi), **Financial Sector Science Based Targets Guidance**, 2023.

¹⁵³ Transition Pathway Initiative (TPI), **TPI's Methodology Report: Management Quality and Carbon Performance – Version 5.0**, 2023.

¹⁵⁴ Partnership for Accounting Financials (PCAF), **The Global GHG Accounting and Reporting Standard for the Financial Industry**, 2020.

¹⁵⁵ The Greenhouse Gas Protocol (GHG Protocol), **Corporate Accounting and Reporting Standard (Revised)**, 2004.

¹⁵⁶ Association of Real Estate Funds (AREF), British Property Federation (BPF), Commercial Real Estate Finance Council Europe (CREFC Europe), European Association for Investors in Non-Listed Real Estate (INREV), Investment Property Forum (IPF), Pensions for Purpose (PfP) and The Good Economy (TGE), **ESG Metrics for Real Estate Submission**, 2024.

¹⁵⁷ Task Force on Climate-related Financial Disclosures (TCFD), **Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures**, 2021.

¹⁵⁸ Partnership for Carbon Accounting Financials (PCAF), **The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition**, 2022.

¹⁵⁹ Partnership for Carbon Accounting (PCAF), **The Global GHG Accounting and Reporting Standard for the Financial Industry**, 2022.

¹⁶⁰ Institutional Investors Groups on Climate Change (IIGCC), **Discussion Paper: Investor approaches to scope 3: its importance, challenges and implications for decarbonising portfolios**, 2024.

¹⁶¹ Glasgow Financial Alliance for Net Zero (GFANZ), **Measuring Portfolio Alignment**, 2022.

¹⁶² Climate Financial Risk Forum (CFRF), **Climate Disclosures Dashboard 2.0**, 2023.

¹⁶³ World Business Council for Sustainable Development (WBCSD), **Guidance on Avoided Emissions**, 2023.

5 Governance

Sub-Element

5.1 Board oversight and reporting

An entity shall disclose information about the governance body(s) (which can include a board, committee, or equivalent body charged with governance) or individual(s) responsible for oversight of the transition plan.

No additional sector-specific guidance is provided for this Sub-Element.

Sub-Element

5.2 Roles, responsibility and accountability

An entity shall disclose information about management's role in the governance processes, controls, and procedures used to monitor, manage, and oversee the transition plan, as well as how it is embedded within the entity's wider control, review, and accountability mechanisms.

No additional sector-specific guidance is provided for this Sub-Element.

Sub-Element

5.3 Culture

An entity shall disclose information about how it aligns or plans to align its culture with the **Strategic Ambition** of its transition plan.

No additional sector-specific guidance is provided for this Sub-Element.

Sub-Element

5.4 Incentives and remuneration

An entity shall disclose information about how it aligns or plans to align its incentive and remuneration structures with the **Strategic Ambition** of its transition plan.

No additional sector-specific guidance is provided for this Sub-Element.

Sub-Element

5.5 Skills, competencies and training

An entity shall disclose information about actions it is taking or plans to take to assess, maintain, and build the appropriate skills, competencies, and knowledge across the organisation in order to achieve the **Strategic Ambition** of its transition plan.

No additional sector-specific guidance is provided for this Sub-Element.

Glossary

Term	Definition
beneficiary	For the purposes of this document, a beneficiary encompasses a range of individuals including pension savers, insurance policy holders and other individuals entitled to plan benefits from sovereign wealth funds, foundations and other asset owner types.
climate resilience	<p>At the entity-level: the capacity of an entity to adjust to climate-related changes, developments, or uncertainties. Climate resilience involves the capacity to manage climate-related risks and benefit from climate-related opportunities, including the ability to respond and adapt to climate-related transition risks and climate-related physical risks. An entity's climate resilience includes both its strategic resilience and its operational resilience to climate-related changes, developments, and uncertainties.¹⁶⁴</p> <p>At the systems-level: the capacity of interconnected social, economic, and ecological systems to cope with a hazardous event, trend, or disturbance, responding or reorganising in ways that maintain their essential function, identity, and structure. Resilience is a positive attribute when it maintains capacity for adaptation, learning, and/or transformation.¹⁶⁵</p>
entity	An organisation that voluntarily chooses, or is required by law, to prepare a general purpose financial report.
fiduciary duty	<p>When someone "has undertaken to act for or on behalf of another in a particular matter in circumstances which give rise to a relationship of trust and confidence. Common fiduciary duties are to act honestly, not to make any unauthorised profits from one's position as a fiduciary and not to place oneself in a situation where one's own interests may conflict with those of the person to whom the duty is owed."¹⁶⁶</p> <p>Users may also consider other guidance and publications on fiduciary duty from other sources including UN PRI,¹⁶⁷ the Law Commission¹⁶⁸ and the Financial Markets Law Committee's Paper on pension fund trustees and fiduciary duties.¹⁶⁹</p>
financed emissions	Absolute GHG emissions that banks and investors finance through their loans and investments. Facilitated emissions and financed emissions differ from each other in that facilitated emissions are off-balance sheet (e.g., insurance underwriting, capital markets underwriting, brokerage, mandated asset management), whereas financed emissions are derived from on-balance sheet exposure (representing direct financing). ¹⁷⁰

¹⁶⁴) International Financial Reporting Standards (IFRS), **IFRS S2 Climate-related Disclosures**, 2023.

¹⁶⁵) Intergovernmental Panel on Climate Change (IPCC), **Climate Change 2022: Impacts, Adaptation Vulnerability. Annex II: Glossary**, 2023.

¹⁶⁶) Bristol & West Building Society v Mothew [1998] Ch 1, 18.

¹⁶⁷) Principles for Responsible Investment (PRI), **Fiduciary Duty in the 21st Century**, 2019.

¹⁶⁸) Law Commission, **Fiduciary Duties of Investment Intermediaries**, 2014.

¹⁶⁹) Financial Markets Law Committee, Paper: Pension Fund Trustees and Fiduciary Duties – Decision – making in the context of Sustainability and the subject of Climate Change, 2024.

¹⁷⁰) The Partnership for Carbon Accounting Financials (PCAF), **The Global GHG Accounting and Reporting Standard Part A: Financed Emissions**, 2022.

general purpose financial reports	<p>Reports that provide financial information about a reporting entity that is useful to primary users in making decisions relating to providing resources to the entity. Those decisions involve decisions about:</p> <p>(a) buying, selling, or holding equity and debt instruments;</p> <p>(b) providing or selling loans and other forms of credit; or</p> <p>(c) exercising rights to vote on, or otherwise influence, the entity’s management’s actions that affect the use of the entity’s economic resources. General purpose financial reports include—but are not restricted to—an entity’s general purpose financial statements and sustainability-related financial disclosures.¹⁷¹</p>
greenhouse gases (GHGs)	<p>The six gases listed in the Kyoto Protocol: carbon dioxide (CO₂); methane (CH₄); nitrous oxide (N₂O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); and sulphur hexafluoride (SF₆).¹⁷²</p>
investee company	<p>A company that has been given money in order to make a profit on behalf of an asset manager or asset owner. For ease of use, this guidance uses “investee company” only. However, it is noted that different terms may be applicable in its place (e.g. “investee holding” and “portfolio holding”), depending on the type of investment.</p>
investment mandate agreement	<p>A contract between an Asset Owner and an Asset Manager outlining the terms and conditions of their relationship. This may include the responsibilities of the Asset Manager, for example managing the Asset Owner’s portfolio, selecting and monitoring investments and decisions on buying, holding, and selling securities.</p>
just transition	<p>The just transition involves anticipating, assessing, and addressing the social risks and opportunities of the transition to a low-GHG emissions and climate-resilient development, as well as ensuring meaningful dialogue and participation for impacted groups (including workers, communities, supply chains, and consumers) in transition planning.</p>
macro-stewardship	<p>Stewardship to help preserve the integrity of the whole financial system, keeping it in healthy service of society and the planet.¹⁷³</p>
material information	<p>In the context of sustainability-related financial disclosures, information is material if omitting, misstating, or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports, which include financial statements and sustainability-related financial disclosures and which provide information about a specific reporting entity.¹⁷⁴</p>
natural environment	<p>(a) Plants, wild animals and other living organisms;</p> <p>(b) their habitats; and</p> <p>(c) land (except buildings or other structures), air, and water, and the natural systems, cycles, and processes through which they interact.</p>

171) International Financial Reporting Standards (IFRS), **S1 General Requirements for Disclosure of Sustainability-related Financial Information, 2023.**

172) The Greenhouse Gas Protocol (GHG Protocol), **Corporate Accounting and Reporting Standard (Revised), 2004**

173) Aviva Investors, Macro-stewardship an introduction, as of 2023

174) International Financial Reporting Standards (IFRS), **S1 General Requirements for Disclosure of Sustainability-related Financial Information, 2023.**

portfolio alignment	The approach by which, in order to achieve their own targets, a financial institution sets engagement targets to have a portion of their investees set targets. ¹⁷⁵
portfolio coverage	The approach by which, in order to achieve their own targets, a financial institution sets engagement targets to have a portion of their investees set targets. ¹⁷⁶
stewardship	The use of investor rights and influence to protect and enhance overall long-term value for clients and beneficiaries, including the common economic, social and environmental assets on which their interests depend. It is a key component of responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society as defined by the UK Stewardship Code 2020. ¹⁷⁷
value chain	<p>The full range of interactions, resources, and relationships related to a reporting entity's business model and the external environment in which it operates.</p> <p>A value chain encompasses the interactions, resources, and relationships an entity uses and depends on to create its products or services from conception to delivery, consumption, and end-of-life, including interactions, resources, and relationships in the entity's operations, such as human resources; those along its supply, marketing, and distribution channels, such as materials and service sourcing, and product and service sale and delivery; and the financing, geographical, geopolitical, and regulatory environments in which the entity operates.¹⁷⁸</p>

¹⁷⁵ Portfolio Alignment Team (PAT), **Measuring Portfolio Alignment: Technical Considerations**, 2020.

¹⁷⁶ Science-Based Targets Initiative (SBTi), **Financial Sector Science Based Targets Guidance**, 2023.

¹⁷⁷ Financial Reporting Council (FRC), **UK Stewardship Code**, 2020.

¹⁷⁸ International Financial Reporting Standards (IFRS), **IFRS S2 Climate-related Disclosures**, 2022.



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