

Introduction

The UK Sustainable Investment and Finance Association (UKSIF) is the membership organisation for those in financial services committed to the growth of sustainable and responsible finance in the UK.

We seek to actively promote a more sustainable and inclusive financial system that works for the benefit of the environment and wider society. UKSIF represents a diverse range of financial services firms committed to these aims, and our 290+ members, representing over £10trn in assets under management (AUM) include investment managers, pension funds, banks, ESG data and research providers, financial advisers, NGOs, among others.

UKSIF and our members have played a prominent role in helping embed sustainability in the UK's policymaking and regulatory framework over recent years. For example, UKSIF is a representative of the UK's Green Technical Advisory Group (GTAG) advising on the delivery of the UK's 'green taxonomy', and we are working to ensure the taxonomy can set the highest standard possible for green investment for the rest of the world to follow.

UKSIF and our members look forward to contributing towards the creation of 'gold standard' climate transition plans across the UK's economy. In light of the recent political uncertainty we have seen, it is absolutely vital that the UK remains firmly committed to progressing work on this initiative at pace, which would help demonstrate the UK's continued leadership on sustainable finance and intention to deliver on its pressing net-zero mission. UKSIF, members of the Taskforce, and financial institutions broadly will need to ensure that the incoming government is aware of the huge significance of this initiative, and does not seek to delay its progress over the coming months.

We are pleased to be involved with the work of the Transition Plan Taskforce, specifically to assist private-sector transition plan users and preparers. We welcome the opportunity to respond to this Call for Evidence to help identify some of the key elements and principles that we believe should inform all companies' climate transition plans. Climate transition plans will play a vital part in helping ensure delivery of companies' stated ambitions to reach net-zero, and assist investors and wider stakeholders, to scrutinise companies' progress on this journey.

UKSIF's recent thought leadership [report](#) published in May this year-*Delivering a net-zero financial centre: Recommendations from UKSIF's 'net-zero inquiry'*- outlines a number of recommendations for the elements that should be comprised within companies' climate transition plans.¹ We recommend that transition plans provide a holistic picture of how a company will decarbonise as the world transitions to a low-carbon future, beyond a focus on net-zero and climate targets alone, as vital as these are. We look forward to continued engagement with policymakers and the Taskforce to contribute towards its work, and demonstrate that the UK's regulatory framework can lead the way in bringing about a more sustainable future. We outline our responses below to many of the questions set out in the Call for Evidence.

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

While we are broadly supportive of the proposed definition set out in the Call for Evidence, we are very keen to ensure that the definition from the onset will not be too narrow and can also evolve over time. This is particularly important as our collective understanding of a 'gold-standard' transition plan improves, we hope, in the coming years, the operating environment for companies changes, and the science relating to the impacts posed by climate change evolve.

¹In May this year, UKSIF published our ['Delivering a net-zero financial centre Recommendations from UKSIF's 'net-zero inquiry'](#), outlining a roadmap for how the UK can become the 'world's first net-zero financial centre.'

The current definition is an effective starting point we believe. However, it could make reference to wider, material sustainability factors, such as biodiversity and nature and the importance of considering a 'Just Transition', specifically within the reference to 'actionable steps' a company is taking to meet their greenhouse gas emissions targets, given the need for example for companies to actively tackle deforestation in supply chains in order to meet near-term and long-term emissions targets.

There could also be more of a stress on the outcomes and impacts that transition plans are seeking to achieve, i.e. the delivery of real-economy emission reductions, rather than a focus on the transition journey and processes alone. We would argue that the objective should be more clearly outlined in the definition, specifically stating that this is limiting global temperature increase below 1.5°C. We would also request that the TPT broaden its focus in regards to mitigating "climate risk" and revising this to mitigating "climate change", which would help prevent the definition from being overly narrow.²

We agree that the definition should encompass high-level net-zero and climate targets, including interim targets, though we would reiterate it must present a holistic view, beyond a focus on targets alone, of how a company intends to decarbonise its activities as the world transitions. This should include implementation and engagement strategies, as outlined in the latest GFANZ publications on both real-economy and financial institution transitions plans. We provide further details in our response of how wider sustainability factors and impacts could be incorporated into transition plans (see Q.19).

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

We expect that many of our members, which include UK-based investment managers and asset owners, would be among the key 'users' of climate transition plans.

Companies themselves, and data and ratings providers will also be key users, along with wider stakeholders. This includes civil society, employees of companies, and customers that will also be key, albeit perhaps secondary, users of transition plans to assess a company's progress in reaching their stated ambitions in regards to climate change goals. For these wider groups, transition plans could help build greater public confidence in companies' efforts and willingness to transition.

The demand for greater transparency will become increasingly widespread in the years ahead, as all actors seek clarity around how companies plan to transition their business models to one that aligns with a net-zero world. With net-zero targeting setting having gathered pace in the run up to, and during, COP26 last year, many stakeholders now wish to see how companies intend to ensure effective delivery of the targets set out.

For investors specifically, transition plans should provide a far clearer picture of the steps and strategies that investee companies are implementing to reduce their emissions over time, and adapt their operations as the economy transitions to a net-zero future. We hope the publication of mandatory transition plans will provide more consistent and reliable data for investors to inform decision-making and capital allocation decisions, and help price risks in investments more accurately.

This will be very important in light of many companies' continued reluctance to develop and publish low-carbon transition plans. In a recent report published by CDP, it highlighted that only one-third of companies that have disclosed through CDP last year have climate transition plans in place. It found that only 1% (135) of companies reported against the 24 key indicators associated with a credible climate transition plan.³ For companies themselves, a transition plan will help them clarify and support the development of their business strategy and operations as they transition to net-zero, and it should be a comprehensive strategy that all of a company's divisions and employees can follow.

²Transition plans need to encourage all companies to consider strategies which actively capitalise and take advantage of climate opportunities, not only mitigating climate risks.

³CDP, ['Are companies being transparent in their transition?' 2021 Climate Transition Plan disclosure](#), March 2022.

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

Our response earlier to Q.2 highlights some of the ‘use cases’ for transition plans, though we would reiterate the following ‘use cases’: helping inform and support investors’ capital allocation and investment decisions; supporting investors’ stewardship and engagement activities; influencing data modelling to support ESG data and ratings providers in their data analyses; helping shape company boards’ strategies (by encouraging climate change and transition plans to be priorities for boards to consider); among others.

The upcoming transition plans framework can also help demonstrate UK leadership on sustainable finance, and a continued intention to deliver on the commitment made at COP26 last year that the UK would become the ‘world’s first net-zero financial centre’. There are considerable economic and leadership opportunities we see for the UK, given we will be among the first to seek to introduce transition plans on a mandatory basis and there will be significant scope for the TPT’s work to shape jurisdictions’ initiatives on transition plans in future. Overall, we see a diverse range of ‘use cases’ for transition plans.

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

We believe that consideration should be given by the TPT to consulting closely with investors, and wider stakeholders, over which sectors should be prioritised in regards to the development of tailored transition plan templates.

The sectors that should be prioritised by the Taskforce could be high-carbon intensive sectors in the real economy where the bulk of direct emissions lie, and other sectors where investors and stakeholders will face particular challenges in scrutinising the quality of transition plans due to a lack of knowledge and understanding of a sector’s decarbonisation pathway. One example is the chemicals sector and other hard-to-abate sectors such as steel, cement and aviation, while for financial services sub-sectors this could include banking.⁴

There is a case for this prioritisation which would help remedy the lack of sector-specific expertise that some investors’ sustainability teams and portfolio managers may face. There will be issues in having the firm expectation that these groups should be ‘experts’ on certain sectors’ transition plans given their day-to-day roles and expertise. In regards to stewardship, Climate Action 100+ has been effectively designed by bringing together ‘lead experts’ to spearhead engagement efforts with specific companies, helping address knowledge and capacity gaps.

This sectoral knowledge will be necessary for investors to sufficiently challenge the quality of these plans in sectors that may be in their portfolios. We will need to attuned to the danger of some transition plans being approved by investors due to a lack of sector-specific expertise, and prioritisation of detailed, consistent templates for certain priority sectors could minimise these risks.

In relation to tailored transition plans for the finance sector, these will be very dependent on implementation of real-economy plans and should therefore be put in place after those for real economy corporates. Finally, the TPT should seek to co-operate closely with relevant sectoral trade associations to determine what the ‘gold standard’ plan should look like for their sector.

⁴ShareAction has recently produced a climate standard for chemical producers, which has been welcomed by groups such as the SBTi (Science Based Targets Initiative) and Climate Bonds Initiative, and this could be useful to inform the preparation of a detailed transition plan template for the chemicals sector. This sector has ostensibly received relatively less scrutiny on its transition plans in recent years.

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

As highlighted previously in our response, we believe that the TPT's work should encompass issues beyond simply a company's contribution to decarbonisation given the pressing need to address wider sustainability factors, beyond climate alone, in order for companies to rapidly transition.

It is positive to see the Climate Change Committee, in its latest '[Progress Report](#)' to Parliament, caution of the risks of transition plans focusing "purely on emissions reduction rather than the wider contribution of the business to the transition through innovation and influence" and the importance of considering a fair transition for workers. It recommends that transition plans communicate businesses' "full Net-Zero Strategy", extending beyond direct emissions reductions to encompass wider contributions to the UK's 2050 net-zero objective.

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

There will potentially be tensions in terms of the economic challenges that companies may face in their decarbonisation journey. This journey will, for most sectors, necessitate a significant re-configuration of their supply-chains and a shift in technologies, requiring capital spending that will involve long-term investment cycles and large 'sunk' costs. Examples of high-emitting companies that are making progress towards decarbonisation are those associated with solving these challenges, often with direct government support.

Separately, a source of tension between the two goals could arise from companies and investors looking to achieve 'artificial decarbonisation' at the company level by simply selling off or divesting from high-carbon intensive assets. We believe the debate has not focused sufficiently on reducing real-world emissions in the economy, and centred too often on reducing emission at the investment portfolio level. Divestment entirely from high-carbon contributors will not drive change in the economy and tough stewardship of individual companies will be more effective in promoting economy-wide alignment to a more sustainable pathway.

Finally, we would argue that the robustness of companies' transition plans will be very dependent on government's efforts to create detailed sectoral transition plans across the whole economy, in particular for those sectors where investors see less clarity provided in the UK. This includes heat and buildings, food and agriculture, and harder to abate sectors such as steel and cement. While the UK's 'Net-Zero Strategy' represented a positive step forward for the finance sector and investors, clear policy gaps remain in various sectors that could put at risk a company's transition plan.

In our recent net-zero report, we recommend government adopt a disciplined sectoral approach that convenes dialogues between government, investors, and corporates over the following areas to promote much greater certainty: a long-term financing framework to lower the cost of capital; a cross-party based policy framework to tackle the risks of future changes to regulation; facilitating a strong pipeline of projects including through effective project preparation; binding decarbonisation pathways, among other areas (such as sustainable usage of resources like water). Ultimately, these dialogues should lead to the publication of 'clean investment roadmaps' from government, specifically for a series of select, priority sectors.

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

In terms of existing frameworks that would be valuable for the TPT to draw on, the IIGCC's net-zero investment framework is a good potential starting point for investors' transition plans.

The framework has had strong up-take among our membership, and it highlights a number of high-level and forward-looking criteria constituting a net-zero transition plan. These include: a long term 2050 goal consistent with achieving net-zero, short and medium-term milestones (including for material scope 3 emissions), a decarbonisation strategy, disclosure of scope 1, 2, and material scope 3 emissions, capital allocation plans, climate policy engagement, climate governance arrangements, the 'Just Transition,' among other criteria.

The guidance produced by the Glasgow Financial Alliance for Net-Zero (GFANZ), CDP, Task Force on Climate-Related Financial Disclosures (TCFD), CA100+, Climate Bonds Initiative, Climate Safe Lending Network, and the work of the Investor Agenda ICAP framework should also be closely considered as the Taskforce's work proceeds. In particular, the Taskforce should seek to align its work, where possible, with that of GFANZ, though a priority should be to build a world-leading framework in the UK rather than alignment given the more global remit of GFANZ.

It will be important for the Taskforce to draw on existing domestic and wider global frameworks, such as GFANZ's recent guidance, to make progress at pace in delivering a 'gold standard- transition plan, particularly in light of the tight implementation window envisaged in the UK. There will be a number of elements from existing frameworks that could be mapped onto the 'gold-standard' transition plan templates.

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

We would like to see companies provide as much transparency as possible to a wide group of stakeholders, including investors but also members of civil society who may be looking to scrutinise a company's transition plan.

Integrating transition plan disclosures into existing mainstream reporting and filings such as annual financial disclosures, like annual reports and accounts, or existing sustainability reports could be most helpful to address the possible lack of clarity on the part of those groups scrutinising transition plans. Integration into existing reporting would promote greater accountability among company boards and management. Certainty over the location of transition plans will provide clarity, helping ensure they are easier to find for stakeholders.

Some flexibility could be required to allow companies to incorporate transition plans into either an annual financial report or an annual sustainability report. The TPT could consider combining disclosure requirements for transition plans with other disclosures recommended by the TCFD.⁵ In particular, combining transition plans with assessment of physical climate risks would encourage firms to set out how they plan to increase resilience and adapt to climate impacts, which would encourage greater investment in adaptation solutions.

In the longer term, consideration could be given to sharing guidance outlining those companies that have produced 'best in class' in transition plans, to assist companies (particularly smaller companies) learn from one another and improve their quality of their plans in time. A handful of 'best in class' plans could be shared in the form of guidance by regulators, similarly to the Financial Reporting Council's 'Effective Stewardship Reporting' guidance for investors published last year.

⁵This would help bring together all elements of a firm's response to climate change into a single regime, with advantages for streamlining in terms of reporting, governance and strategy synergies, rather than requiring parallel reporting which would add to burdens for preparers and users of this information.

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

Transition plans should aim to be as consistent as is possible, while still enabling companies to explicitly highlight in their plans those issues and areas that are unique to their activities and business strategies, as well as the barriers and opportunities in their journey towards achieving net-zero.

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

We believe the TPT should have the ambition to standardise data and metrics in this area, and where possible consider basing metrics on the GHG Protocol, while other potential metrics that could be included are the following: emissions targets, net-zero ambition dates, green revenues targets, green capex requirements, green financing, and green invested capital (the net working capital plus property, plant and equipment on balance sheets that goes towards producing green technology or mitigating emissions). Disclosures on emissions targets and supporting KPIs should aim to be consistent.

Some flexibility may be needed for certain companies unable to provide precise details in regards to metrics and KPIs, though they should be expected to explain the rationale for this and a 'comply or explain' approach could be considered to ensure compliance. Overall, as limited as possible set of metrics should be identified and linked to specific use cases for transition plans to minimise the reporting burden and confusion.⁶

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

We expect there will be considerable challenges for SMEs in preparing their climate transition plans, and the TPT alongside policymakers will need to be particularly attuned to the issues faced by this group.

A phased-approach will need to be adopted we expect, with SMEs brought into scope in time following larger companies. This will be important to help larger companies and financial institutions in gathering the necessary disclosures to prepare their own transition plans, for example in relation to disclosing emissions produced in supply chains. We anticipate that many SMEs will be required to create a transition plan in order for their larger client companies to prepare their own plans, and a priority for the TPT should be to produce tailored guidance to assist this group.

Broadly speaking, SMEs as a group need a far stronger focus with incentives necessary for this group to prioritise decarbonisation, such as business rates relief linked to investments in climate solutions.

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

We would argue that while in the short-term there will likely be costs involved for many companies in preparing their climate transition plans, these will be outweighed by considerable long-term benefits for companies, specifically by providing investors and financial institutions with a far greater picture of their plans to move towards a low-carbon future, incentivising capital to flow towards their businesses.

⁶This could help avoid the scenario of a multitude of different data sets being compiled and collated that may have limited impact on companies' decision-making.

Improved disclosures from companies will help investors more accurately price assets and inform their investment decisions, with capital likely to be channelled towards those companies that are producing robust and transparent transition plans.

More broadly, the implementation of mandatory plans will be invaluable in signalling the UK's continued commitment to a 'whole economy' approach to the transition, delivering considerable benefits for businesses, households, consumers, and other groups in the process. There are considerable advantages with the UK going first with mandatory adoption, with opportunities for the UK to be at the centre of providing the goods and services that the world will need as the transition accelerates in the coming years.

15. Do you agree with the principles proposed in the Call for Evidence? Why or why not?

We largely agree with the principles set out in the Call for Evidence, which are a good starting point.

16. Are there any principles that you would add to the list outlined in the Call for Evidence? Why?

While we largely agree with the proposed principles, there could be greater emphasis within the first principle '*Align with an economy-wide net-zero transition*' on the need for a plan to be compatible with a 1.5 °C pathway as opposed to 'ideally' being consistent with this objective, as currently outlined.

The second proposed principle, '*Focus on concrete actions which emphasise the near-term and are backed up by clear governance mechanisms*', should more explicitly emphasise the real-world impact and outcomes a transition plan seeks to achieve rather than just processes. This includes the positive and negative impacts that transition plans could have on the environment and nature, particularly should their value be ignored by those producing their transition plans. Consideration of real-world impacts is vital, and this should encompass companies' strategies to address their impact on biodiversity and nature risks, the 'Just Transition,' their approach to 'winding down' the most high emitting assets in a responsible manner (beyond simply a focus on selling off), among other areas we highlight in our response as needing to be addressed in a 'gold-standard' transition plan.

The third principle, '*Enable periodic reporting and verification in a transparent manner*' could include a reference to external verification which could be phased in over the coming years for companies. Finally, consideration could be given within the principles to the global nature of many companies that will be subject to transition plan requirements, given that many of the UK's largest businesses have operations across the world and will be seeking to achieve decarbonisation across their operations in multiple economies. The 'global journey' faced by many UK companies could be incorporated more clearly within an additional or existing principle.

17. Which of the principles outlined in the Call for Evidence would you regard as 'must-haves' or as 'desirable'?

We would argue that all of the principles outlined should be 'must-haves' for inclusion within a credible transition plan.

19. Do you agree with the elements proposed in the Call for Evidence? Why or why not?

While the elements and sub-elements proposed in the Call for Evidence represent a very helpful starting point, these will need to consider real-world impacts on the environment and wider society too and encompass broader sustainability factors beyond just climate change.

A narrow definition on climate and greenhouse gas emissions will neglect key, material sustainability issues, such as biodiversity and ecosystem services and the 'Just Transition' for example. We are pleased to see 'alignment with just transition principles' referred to in the Call for Evidence, as we strongly believe that companies and the wider economy will not be able to rapidly transition without a 'just transition' taking place.' This principle should remain in place, and should be strengthened further to

highlight the opportunities in addressing the 'Just Transition'. One seeming missing area currently is in regards to a company's approach to biodiversity and ecosystem services, and this must be incorporated by the TPT.

We outline below our perspectives on those issues that we believe the Taskforce should consider in its work, which we recommended in our net-zero report published in May:

- **Companies' policies on carbon offsets with appropriate restrictions in place on their use, particularly within short-term targets:** we have concerns on the possibility of over-reliance on offsets in companies' transition plans, which should only be utilised as a 'last resort' for residual emissions in hard-to-abate sectors, such as steel and cement.
- **Details on the governance structures to deliver the transition plan:** accountability at the board level is critical to ensure delivery of plans. Investors need to see how companies' governance structures ensure proper implementation of transition plans; for example how sustainability committees contribute to board-level decisions. Details of boards' climate capabilities to manage the transition will be necessary as well.
- **How executive remuneration is linked to net-zero targets:** a link to remuneration would ensure clear executive responsibility for delivering on plans, and be a valuable indication of which companies are taking the transition seriously
- **Capital allocation plans to finance the transition:** for example, the percentage of capital expenditure that will be invested in new green technologies. This is important given the need for a transition plan to outline clearly how the transition will be funded.
- **The strategy to maximise opportunities afforded by the transition**
- **Consideration of real world impacts:** there must be a focus beyond simply mitigating climate risks, which will be insufficient alone, and encompassing impact (including companies outlining how they intend to address the impact their activities are having on the environment and society). There should be consideration of real-world impacts of 'transitional' assets that a company may own, including the approach to divestment or winding-down of high-emitting assets.⁷
- **How financial statements reflect transition plan commitments:** for example, how depreciating assets in future will be treated and reflected in annual reporting and financial statements, alongside details of commitments to align capital spending with GHG reductions targets. We need to be sure that assumptions in financial statements (e.g. around depreciation of assets) do not conflict with the objectives outlined in the transition plan.
- **The approach to policy advocacy and lobbying:** we need to guard against the scenario of companies' membership of trade associations and organisations that are actively lobbying policymakers to dilute 'green' policies. A plan should demonstrate that an organization's public policy engagement aligns with its climate ambitions and strategy, providing details of membership of trade bodies and engagement with domestic and global policymakers. For investors' transition plans specifically, a plan must highlight and actively promote the role of stewardship and engagement as a key lever.
- **How companies intend to manage biodiversity risks and opportunities and the 'Just Transition':** including their approach to disclosing against TNFD and address the 'Just Transition, such as providing details of the strategies, retraining programmes, and policies in place for the workforce.

In terms of the high-level climate targets that should be included, we believe these should be verified, science-based targets with both near-term targets to reduce emissions by 2030 and a long-term 2050 target at the very latest. Targets should cover scope 1, 2 and where possible scope 3 emissions with reporting on this final category introduced on a mandatory basis in the coming years.

⁷We do not want to simply see emissions passed onto other companies' balance sheets, and ultimately we would prefer to see the shutting down of the most high-polluting activities such as coal.

20. Are there any elements that you would add to the list proposed in the Call for Evidence? Why?

As a priority, we would like to see a new element incorporated, covering how a company intends to manage biodiversity risks and opportunities, including their approach to disclosing against the Taskforce on Nature-related Financial Disclosures (TNFD). This is because we know that the world will not transition without far greater strides being made towards the creation of a nature-positive economy, and we would urge the Taskforce to place biodiversity and nature at the core of its work and not treat these as non-priority issues to consider at the outset.

Finally, consideration could be given to the inclusion of scenario analysis and companies' risk management strategies to manage climate-related risks and opportunities, although this is arguably already included with the scope of existing TCFD reporting. In time, additional areas could be included within the scope of transition plans, though policymakers should aim to agree a core set of initial issues in the first instance.

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

Financial services institutions would benefit from tailored guidance on assessing investee companies' transition plans. It would also be useful to consider ways to minimise the reporting burden on companies with significant global operations, with an internationally recognised template a possible solution and ideally this will be the UK's version.

23. Please share any other feedback or comments you may have on the work of the TPT and the Sector-Neutral framework.

Once a gold-standard transition plan has been established, assessing the quality and completeness of these plans for each sector will be vital.

Independent assessment will be necessary to ensure transition plans are of sufficient quality and adequately responding to changes in the global economy, particularly with transition plans still being very nascent. This assessment should ideally be led by a credible independent body such as the Science Based Targets initiative (SBTi), while an expert industry forum, based on the model of Climate Action 100+, could also have a role to play to help undertake this evaluation.⁸ As with the approach adopted by Climate Action 100+, 'lead investors' could be responsible for evaluating certain sectors' transition plans. This could remedy the lack of sector-specific expertise among some investors' and institutions' ESG teams in challenging the quality of these plans in sectors that are in their portfolios, with the danger of some plans being "signed off" as a result. In time, innovative technological solutions could be considered to help with verification of transition plans, such as natural language processing to process disclosures.

While being valuable, the initial round of company transition plans will likely fall short of stakeholders' expectations, making the role of investors in scrutinising these plans very important. This makes the case stronger we believe for a 'Say on Climate' advisory vote for shareholders to vote on the adequacy of a company's preparedness for the transition to net-zero. This would help embed the link between responsibility and accountability, and we would like to see a 'Say on Climate' advisory vote implemented by policymakers in the coming years once we have seen greater standardisation and consistency of transition plans.

We would like to see the TPT recommend to government and regulators that large unlisted (i.e. private) companies are included as part of the scope of the upcoming requirements. Transition plans should not only apply to asset owners, asset managers and listed companies as currently planned by government, and there is a strong case for this extension with mandatory TCFD-aligned disclosures being rolled out for

⁸Collectively, we may need to combat the misconception from some stakeholders that the Taskforce will be studying companies' transition plans to determine their quality. For investors specifically, they will need to understand the quality of plans published by each company.

unlisted companies.⁹ Finally, we would urge the incoming government not to delay the primary legislation required to introduce transition plan requirements for companies and financial institutions, particularly with the UK having committed at COP26 for reporting from 2023 onwards.

⁹Unlisted companies form a growing part of investors' investment portfolios and policymakers must ensure regulation is sufficiently targeted for this group; in particular, ensuring effective corporate disclosures. This means there should be the objective from government that unlisted corporates, particularly large, begin to disclose to the same extent as comparable publicly listed companies on sustainability issues, which would reduce regulatory arbitrage.