

The Transition Plan Taskforce Disclosure (TPT)

Consultation response TPT

Our response

We welcome the opportunity to provide feedback on the Transition Plan Taskforce Disclosure Framework and Implementation Guidance.

Our comments are intended to ensure that the framework and guidance can be effectively implemented by UK companies while being investable for a range of institutional investors, therefore allowing for sufficient capital flows to support the UK's decarbonisation objectives.

Our comments are as follows:

1. Carbon intensive sectors

While we understand the arguments in favour of sector-neutral framework, we believe sector-specific guidance for transition plans will initially be most useful in carbon intensive sectors, globally. We believe resources should focus on sectors and industries where GHG emissions are material, and to do so in collaboration with overseas stakeholders (i.e. UK entities with multi-jurisdictional supply chain and/or non-UK, multinational corporates).

In other words, for global investors at this stage of the transition to a low-carbon economy it is more important that we have access to comparable science-based transition plans in material sectors, than roll-out across the UK economy.

We suggest TPT:

- a) Prioritise tailored disclosures for carbon intensive sectors and industries.
- b) Continue to align with overseas stakeholder groups and regulators (in particular, the ISSB and TCFD).

2. Real economy and investors

As an extension of our first comment, disclosure will differ between companies operating in the real economy and investors, which should be reflected in the framework.

We suggest TPT:

- a) Set out a differentiated approach between companies and investors. For investors, we suggest

alignment with the IIGCC Net Zero Investment Framework.

3. Sector interconnectedness and UK carbon budget

It is important for us to understand the interconnections between the transition plans of the UK companies in which we invest, and the UK economy's roadmap to Net Zero.

We suggest TPT:

- a) Define 'material interdependencies' in the guidance.
- b) Demonstrate clear alignment with the UK's Net-Zero by 2050 target and the UK's carbon budget.
- c) Require preparers to set out the assumptions used in the transition plan, with respect to energy source, land use, and new technologies.
- d) Clarify what constitutes a milestone and how actions should be measured against milestones.

4. Carbon credit disclosure

TPT has set out specific guidance around the disclosure of the intended use of carbon credits. However, it is important to emphasise that businesses' effort to achieve Net-Zero should come from the direct reduction of carbon emission, rather than relying on buying off-sets or carbon credits.

We suggest TPT:

- a) Clarify the intended use of carbon credits as a supplementary strategy to achieve Net-Zero, while businesses' plan should be focused on direct reduction of carbon emission.

5. Physical risk considerations and financial planning

As well as climate mitigation risk assessments, we believe companies should more clearly consider and assess physical risks. This will allow companies to better understand the full cost of climate change and justify costs associated with transition.

We suggest TPT:

- a) Incorporate more detailed physical risk assessment requirements as part of transition plans.
- b) Include in the guidance how lenders' appetite might change over-time and take into consideration any restriction in financing options or increase in financing costs.

6. Sensitivity Analysis

Given the forward-looking nature of transition plans, the use of estimates and uncertainties are an essential part of preparing transition plan disclosures. Existing ESG data providers have established their own estimation methodologies and modelling approaches.

It is important to make sure there is sound understanding of assumptions, limitations, dependencies and estimates used by those data providers. For investors, this forms a foundation for consistent reporting against the targets.

We suggest TPT:

- a) Set out views on best-practice and industry standard methodologies when it comes to using estimates to work around data gaps.

7. Publication

Given the overlap in disclosures, we believe that companies should publish a transition plan which builds out and supplements existing TCFD reporting into a single consolidated document.

We suggest TPT:

- a) Ensure incorporating transition plans into existing TCFD reporting is a priority of guidance.

8. Bandwidth and interoperability

Given the volume of regulatory and non-regulatory sustainability-related consultations and disclosures underway, we would welcome opportunities to contribute to TPT's proposals on an ongoing basis.

We suggest TPT:

- a) Provide ongoing opportunities for wider industry input throughout the development stage.
- b) Set out how TPT is consistent with and additive to voluntary disclosure frameworks, in particular, interoperability with TPT, SFDR, SDR, ClimateAction 100+ benchmark, TPI and SBTi.

About us

Founded in 2000, Cardano is a privately-owned, purpose-built pensions advisory and investment specialist with a leading-edge sustainability offering. We are widely recognised as a market leader in the provision of specialised services to private-sector and collective pension schemes in the United Kingdom and the Netherlands. Our 500 professionals strive to deliver better and more secure financial outcomes.

- **Advisory:** A pensions covenant, investment, sustainability, corporate finance and risk advisory business serving approximately 400 scheme and corporate clients. Our scheme clients have aggregated assets of over £370bn (€430bn)
- **Investment Management:** A purpose-built asset and fiduciary management provider, with a leading-edge sustainability offering, serving pension schemes, insurance companies, banks and distribution partners with £50bn (€60bn) of assets under management
- **Defined Contribution (DC) Pension Provision:** We manage over £15bn (€17.5bn) in DC assets across the UK and the Netherlands. In the UK, we operate NOW: Pensions, an award-winning UK workplace pension provider, serving 2 million members and tens of thousands of employers from a wide range of industry sectors

Our world deserves better financial solutions – that are more resilient and sustainable. At Cardano, we bring a distinct approach to advisory and investment management that challenges the status quo. By bringing together cognitively diverse teams with a mix of perspectives and skill sets, we reduce blind spots and open up new possibilities, delivering tailored solutions for our clients.

In January 2022, Cardano acquired ACTIAM, a sustainable investor, with 30 years' sustainability-related experience, and a dedicated team of sustainability professionals with expertise in sustainability issues, environmental, social and governance (ESG) data and research, and stewardship. ACTIAM was one of the first asset managers in the world to invest sustainably, considering concepts such as planetary boundaries and social foundations, which we have incorporated into a combined sustainability policy.

Cardano invests in different ways – directly as an asset and fiduciary manager and indirectly via third-party managers. Our combined sustainability policy – which informs this consultation response – applies across our group.

For any questions, please get in touch with:

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