

PRI CONTRIBUTION

TRANSITION PLAN TASKFORCE (TPT) ASSET OWNER AND ASSET MANAGER GUIDANCE CONSULTATION

December 2023

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To inform this briefing, the following investor group has been consulted: PRI Regional Policy Reference Group for the UK. This consultation is not an endorsement or acknowledgement of the views expressed in this briefing.

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United Nations
Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the Transition Plan Taskforce's call for feedback on sector-specific guidance for asset owners and asset managers.

ABOUT THIS CONSULTATION

In October 2023, the TPT published their [Disclosure Framework](#) for climate transition plans. This consultation is for the sector-specific guidance for preparers and users of climate transition plans to help interpret the TPT Disclosure Framework in more detail for their sector. This statement is in response to the [Asset Owners](#) and [Asset Managers](#) Sector Deep Dives.

Climate transition plans are essential to enable UK companies to pivot towards a 1.5°C-aligned world and remain profitable in a net-zero economy. They will improve the quality of climate reporting and internal capacity of asset owners and asset managers to implement net-zero commitments. The TPT have developed an essential component to the UK sustainable finance framework; however, there are still key elements missing that will assist with the implementation of transition plans such as the adoption of a sustainable finance taxonomy.

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KEY RECOMMENDATIONS

The PRI welcomes the sector-specific guidance for asset owners and asset managers. The guidance is comprehensive, and we support the recommendation that Asset Owners and Asset Managers “take a strategic and rounded approach to transition planning” that recognises their role in contributing to positive sustainability outcomes in the real economy.

To strengthen the guidance, the PRI recommends:

- strengthening the connection between the strategic ambition of transition plans with achieving real economy outcomes by changing the language to make it more explicit that **entities should consider how their actions and the metrics and targets contribute to limiting global warming to 1.5°C; and**
- including language that clarifies that as part of their fiduciary duties, investors **are likely to have a legal duty to pursue sustainability outcomes** when this would help achieve financial risk/return objectives.

DETAILED FEEDBACK

REAL ECONOMY OUTCOMES

We support the emphasis made on the link between disclosure and implementation of transition plans with the potential to contribute to changes in the real economy. The guidance recommends that asset owners and asset managers transition plans set out how they will use the levers and capabilities available to them to “accelerate the transition to a low-GHG emissions and climate-resilient economy.” This includes references to the key financing strategies of GFANZ to align with a 1.5°C pathway in relation to the objectives and the metrics and targets to monitor investment activities in achieving the strategic ambition of the transition plan.

To strengthen the connection between the strategic ambition set out in transition plans and real economy outcomes, we recommend clarifying that **entities should consider how their actions (as defined in their implementation and engagement strategies) and the metrics and targets set in the transition plans contribute to limiting global warming to 1.5°C**. It may also be useful to reference tools and guidance that highlights how a combination of short-term climate targets and strategies can assist in delivering and reporting on progress against net-zero ambition, such as [the Net-Zero Asset Owner Alliance’s Target Setting Protocol](#).

INTERPRETING FIDUCIARY DUTY

As part of their fiduciary duties, investors are required to consider all financially material issues (including ESG factors) and are likely to be required to consider investing for sustainability outcomes where it is relevant for achieving financial objectives.¹ Under existing UK law, sustainability impacts can be highly relevant factors in the proper legal exercise of a power of investment.²

Guidance should promote the appropriate consideration of ESG or sustainability issues by investors.

We recommend including language that clarifies that as part of their fiduciary duties, investors are required to consider sustainability issues, and this is likely to include **a legal duty to pursue sustainability outcomes** when this would help achieve financial risk/return objectives.

The proposed guidance acknowledges the relevance of systemic risks when investors consider their fiduciary duties. To ensure that investors have clarity in understanding and interpreting their fiduciary duties, **we recommend that the sector guidance build on and reference up to date work on fiduciary duty**. This should include the PRI, UNEP FI and the Generation Foundation commissioned report, [A Legal Framework for Impact](#) authored by Freshfields Bruckhaus Deringer, the subsequent policy report: [A Legal Framework for Impact UK: Integrating sustainability goals across the investment industry](#), and the upcoming work derived from the Financial Markets and Law Committee (FMLC) working group on how policymakers can continue to clarify fiduciary duties.

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of the Transition Plan Taskforce further to develop guidance for transition plans in the UK.

Please send any questions or comments to policy@unpri.org.

More information on www.unpri.org

¹ Freshfields Bruckhaus Deringer, PRI, United Nations Environment Programme Finance Initiative, Generation Foundation (2021), [A Legal Framework for Impact: Sustainability impact in investor decision-making](#)

² PRI (2022) [A Legal Framework for Impact UK: Integrating sustainability goals across the investment industry](#).