THE
INVESTMENT
ASSOCIATION

Response to consultation

Transition Plan Taskforce (TPT) Asset Managers Guidance Consultation Feedback Form

DECEMBER 2023

2 – Background Information

2.1 Which of the following best describes your organisation?

Other (please specify): Trade association.

2.4: Do you classify yourself as a preparer or user of transition plans in the Asset Manager sector?

Other (please specify): The Investment Association represents preparers and users of transition plans.

3 – Application of TPT Disclosure Framework Concepts

Note to IA members: questions in section 3 only request detailed responses where the options "Disagree" or "Strongly disagree" are selected.

3.1: Do you think that the TPT Asset Managers Guidance is useful in supporting effective disclosure in line with the TPT Disclosure Framework?

Agree

3.3: The section *A Strategic and Rounded Approach to Asset Managers' Transition Plans* section explains this Disclosure Framework concept for the Asset Management sector. Please state whether you agree if this adequately explains the concept for the sector.

Agree

3.5: The section *Impacts and dependencies on the natural environment* section explains this TPT Disclosure Framework concept for the Asset Management sector. Please state whether you agree if this is adequately explains the concept for the sector.

Agree

The Investment Association

Camomile Court, 23 Camomile Street, London, EC3A 7LL
www.theia.org

[Team or your Email Address]

@InvAssoc @The Investment Association

3.7: The section *Impacts and dependencies: stakeholders, society, and the economy* section explains this TPT Disclosure Framework concept for the Asset Management sector. Please state whether you agree if this is adequately explains the concept for the sector.

Agree

3.9: The TPT Disclosure Framework requires an entity to disclose how it is responding and contributing to the transition towards a low-GHG emissions, climate resilient economy. Do you think that climate resilience is sufficiently and appropriately addressed within the Asset Managers Guidance?

Agree

4 – Overarching Sector-Specific Questions Question

Note to IA members: questions in section 4 are optional. We have only responded where we disagree or have constructive feedback on the Asset Managers Guidance.

4.1: Is there sufficient alignment between the Asset Managers Guidance and the Asset Owners Guidance, including appropriate recognition of the dependencies between Asset Manager and Asset Owner transition plans? Please refer to specific sub-elements in your answer, where relevant.

We acknowledge the work that has been undertaken to align the asset managers and asset owners guidance, including close work between members of both working groups. Generally, we consider there to be strong alignment between the two documents.

We note in answer to question 4.3 that the TPT may need to consider a more detailed approach with regard to the sensitive and complex topic of fiduciary duty.

4.2: Are the following strategies referred to within the Guidance sufficient in capturing the levers available to an Asset Manager in responding and contributing to the transition towards a low-GHG, climate resilient economy? In addition, does the Guidance sufficiently cover considerations for each of the levers? Please refer to specific sub-elements in your answer, where relevant.

- **Investment strategy;**
- **Product strategy;**
- **Engagement strategy.**

No answer

4.3: Does the Guidance appropriately take into account the Fiduciary Duty of Asset Managers to their clients (whether institutional or retail) and their other regulatory obligations and duties? Please refer to specific sub-elements in your answer, where relevant.

We note that references to fiduciary duty in the guidance fall within the introductory section on dependencies between asset manager and asset owner transition plans, whereas the asset owner guidance includes further information within the sub-elements. This is a reasonable reflection of the balance between the legal fiduciary responsibility which often applies to asset owners and the de facto fiduciary responsibility that UK-based asset managers therefore observe towards their clients.

Nonetheless, in the 2023 Green Finance Strategy the UK Government acknowledged that some uncertainty existed around the exercise of fiduciary duty in relation to sustainability issues. As a result, it might be helpful for the asset manager guidance to make clear why a different approach has been taken, with inclusion of a note on fiduciary duty for asset owners within sub-element 1.3. The Glossary might also make clear that the 2014 Law Commission report which is referenced sought to address uncertainties and misunderstandings on the part of trustees and their advisers.

We also observe that the interpretation of fiduciary duty which informs this guidance is particular to UK law. While this is an appropriate approach for the UK Transition Plan Taskforce, it illustrates a potential limitation if seeking to promote the sector 'deep dives' for international use.

4.4: Please comment on the applicability of the Asset Managers Guidance to Public Markets asset classes (e.g. equities, fixed income, infrastructure, real estate, etc.). If relevant, please provide suggestions of how to incorporate further information for Public Markets asset classes. Please refer to specific sub-elements in your answer, where relevant.

No answer

4.5: Please comment on the applicability of the Asset Managers Guidance to Private Markets asset classes (e.g. private equity, private credit, real estate, etc.). If relevant, please provide suggestions of how to incorporate further information for Private Markets asset classes. Please refer to specific sub-elements in your answer, where relevant.

As a member of the asset managers guidance working group, we are aware that previous drafts effectively excluded some private markets asset classes from the scope of the guidance. In the absence of separate detailed guidance for private equity, and acknowledging the common approach that would often be taken for assets in public and private markets, IA members consider it appropriate that the guidance should be deemed to apply across the widest range of asset classes.

The transition to net zero (and other nature-positive transitions) will be an issue for the whole economy and it is important therefore not to perpetuate a sense that it is an issue only for public markets. We note that the UK Government is currently undertaking work to level expectations for private and public companies regarding climate-related disclosure.

4.6: In developing their transition plans, Asset Managers will have to grapple with various uncertainties regarding how the transition will unfold. Do you think this is sufficiently and appropriately addressed within the Asset Managers Guidance? Please refer to specific sub-elements in your answer, where relevant.

In its introductory section, the asset managers guidance acknowledges the existence of data limitations and states that asset managers should be transparent in identifying these limitations and the steps that are taken to address them.

The language adopted in sub-elements 4.2 and 4.3 (typically referring to limitations of methodologies) might be strengthened to more clearly reflect the viewpoint in the introduction that methodological limitations could relate to data. We note that the CFRF guidance on scenario planning which is referenced expands on this point and the TPT may consider drawing in some elements of this guidance, including where it discusses the need to use more qualitative, narrative-based analysis.

5 – Sub-Element Feedback

The Disclosure Framework sets out 19 Sub-Elements supported by a series of Disclosure Recommendations. Whilst entities are expected to disclose against all Sub-Elements, only ten were deemed to require additional sector-specific interpretation in the TPT Asset Managers Guidance.

5.1: Do you agree with the selection of sub-elements for inclusion in the TPT Asset Managers Guidance?

Agree

5.4: The following sub-elements were included within the TPT Asset Managers Guidance. Please select the sub-element(s) for which you would like to provide feedback.

If you would like to provide feedback for specific sub-element(s), please provide detail of any information that you think should be included in the TPT Asset Managers Guidance for this sub-element. In particular, we are interested to receive feedback about whether the guidance:

- **Is missing any useful content (including references to third-party guidance);**
- **Includes any guidance which is incorrect;**
- **Is compatible with existing disclosure requirements (regulatory and/or voluntary).**

- 1.1 Strategic Ambition - Very useful
- 2.1 Business operations - Very useful
- 2.2 Products and services - Very useful
- 2.3 Policies and conditions - Very useful
- 3.1 Engagement with value chain - Very useful
- 3.2 Engagement with industry - Somewhat useful

Sub-element 3.3 states that asset managers should consider disclosing information on how they use engagement with policymakers and regulators to accelerate climate-related transition across the economy. We consider it would be appropriate for this sub-element to also mention how other organisations (such as trade associations) engage with policymakers on behalf of the entity.

We acknowledge that the TPT may consider that this is covered by the sector-neutral Disclosure Framework. Considering the decision to include extra guidance on economy-wide policy engagement in sub-element 3.3, it might also be beneficial to set out that trade associations for financial institutions could engage in similar economy-wide advocacy work. This may differ from other sectors, where the focus of these organisations may be purely on transition within the sector.

- 3.3 Engagement with government, public sector, and civil society - Very useful
- 4.1 Governance, engagement, business and operational metrics and targets - Very useful
- 4.2 Financial metrics and targets - Very useful
- 4.3 GHG metrics and targets - Very useful

5.5 [OPTIONAL]: The following sub-elements were not included within the TPT Asset Managers Guidance. Please select any sub-element(s) for which you disagree with their exclusion from the guidance: • 1.3 Key assumptions and external factors • 2.4 Financial planning • 4.4 Carbon credits • 5.1 Board oversight and reporting • 5.2 Roles, responsibility and accountability • 5.3 Culture • 5.4 Incentives and remuneration • 5.5 Skills, competencies and training

Please explain why you selected this sub-element and provide detail of any information that you think should be included in the TPT Asset Managers Guidance for this sub-element.

No answer

6 – General comments

6.1 [OPTIONAL]: Do you have any additional feedback on the TPT Asset Managers Guidance?

We recognise the skill and hard work that has been applied to produce this guidance in the time available. However, we would like to note that the time-limited nature of the TPT and the decision to approach this task towards the end of this remit has reduced the opportunity for discussion and consideration of elements of the guidance. Some elements of the guidance also differ from the final draft guidance which was shared for discussion with the working group. The decision to consult on the guidance over the Christmas holiday season may also limit feedback.

In this context, we believe the TPT can consider the Asset Managers Guidance as a conscientious example of best practice for firm-level transition plans (as per the TPT terms of reference) but we suggest caution should be taken by policymakers when considering how this and other sector guidance should be used by regulators and inform the implementation of the UK's Sustainability Disclosure Requirements.

A number of TPT participants have stated publicly that the task of producing transition plans should be an iterative one, where it is important to pursue high standards but also to "get started". It will be important to allow market participants to develop future best practice without giving a sense of strict constraint on how the guidance should be applied. This 'deep dive' might be considered a starting point and a framework with which investment managers can reasonably experiment in the aim of producing better, more decision-useful disclosures.

We would encourage the TPT to communicate this feedback to UK Government and regulatory stakeholders ahead of publication of the final guidance.

6.2 [OPTIONAL]: The Banks Guidance is one of seven in the suite of TPT Deep Dive Sector Guidance. Do you have any feedback on the suite as a whole?

Note to IA members: the reference to 'Banks Guidance' appears to be an error.

We do not have detailed feedback on the suite as a whole. However, we note that the decision to produce guidance on only seven sectors (while justifiable given the resource and time constraints on TPT) does mean that a large number of sectors will not benefit from 'deep dive' sector guidance. We would encourage the TPT secretariat (and UK Government) to consider how it might share the expertise it has developed with sectors wishing to produce equivalent guidance after the remit of TPT expires in February 2024.

We also note that the current suite of TPT Deep Dive Sector Guidance is likely to become outdated over time. Given the rapid development of standards and guidance in some sectors, this may happen quite soon. As such, we believe it would be appropriate for responsibility for the TPT guidance to be handed to a more permanent organisation to revise and reissue guidance when appropriate. The IFRS Foundation may be a suitable international organisation to take this role. In the UK, and for financial sector guidance, the Climate Financial Risk Forum (CFRF) might fulfil the role.