



**2022 CDP UK Disclosure Workshop &
Leadership Awards**

Tuesday 10th May 2022

CLIMATE TRANSITION PLAN BREAKOUT ROOM

HOUSEKEEPING RULES



- ▼ Respect others in the room
- ▼ We will dedicate portions of this presentation to Q&A
- ▼ During Q&As please raise your hand to ask a question

SPEAKERS



Scott Twigg
Campaign Project Officer
CDP



Sylvester Bamkole
Senior Climate Analyst
CDP

Agenda

- ▼ Why are climate transition plans vital?
- ▼ What does a credible climate transition plan look like?
- ▼ Examples of climate transition plan disclosure
- ▼ Cascading Transition Through the Value Chain
- ▼ Are Companies being transparent in their transition?
- ▼ Further Resources
- ▼ Q & A



Why are Climate Transition Plans vital?

Climate action takes hold post Glasgow



'Blah, blah, blah': Greta Thunberg lambasts leaders over ECB wants mandatory climate transition plans for banks

Exclusive: Activist says there are many fine words - does not lie - CO2 emissions are still rising



UN CLIMATE CHANGE CONFERENCE NOV 2021

COP26: EIB Group engages with clients to help them align to the goals of the Paris Agreement



COP26: UK firms forced to show how they will hit net zero

Global Disclosure Landscape



▼ **International Sustainability Standards Board (ISSB)** – Set to deliver a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies’ sustainability-related risks and opportunities to help them make informed decisions.



▼ **Task Force on Climate-Related Financial Disclosures (TCFD)** –TCFD has updated its guidance to reflect thought leadership on transition plans.



▼ **Corporate Sustainability Reporting Directive** – With the CSRD, the European Commission defines a common reporting framework for non-financial data. It requires around 49,000 companies across Europe to disclose information and the proposal provides a clear mandate to report on plans to ensure the compatibility of company business models and strategies with the transition towards a sustainable economy.



▼ **U.S. Securities and Exchange Commission (SEC)** - The U.S. SEC is an independent federal government regulatory agency responsible for protecting investors, maintaining fair and orderly functioning of the securities markets, and facilitating capital formation.

UK Transition Plan Taskforce

- ▼ **UK Net Zero-aligned Financial Centre** - The UK Government became the first to announce mandatory transition plans for listed companies and financial institutions by 2023.
- ▼ The UK Transition Plan Taskforce (TPT) was launched in April 2022 by HM Treasury to develop a gold standard for climate transition plans.
- ▼ The TPT's work will help to drive decarbonisation by ensuring that financial institutions and companies prepare rigorous plans to achieve net zero and support efforts to tackle greenwashing.
- ▼ Engagement within the regulatory landscape and evolving thought leadership will be reflected in the CDP questionnaire, to ensure that organizations are incentivised to disclose key information, relevant for transition plans





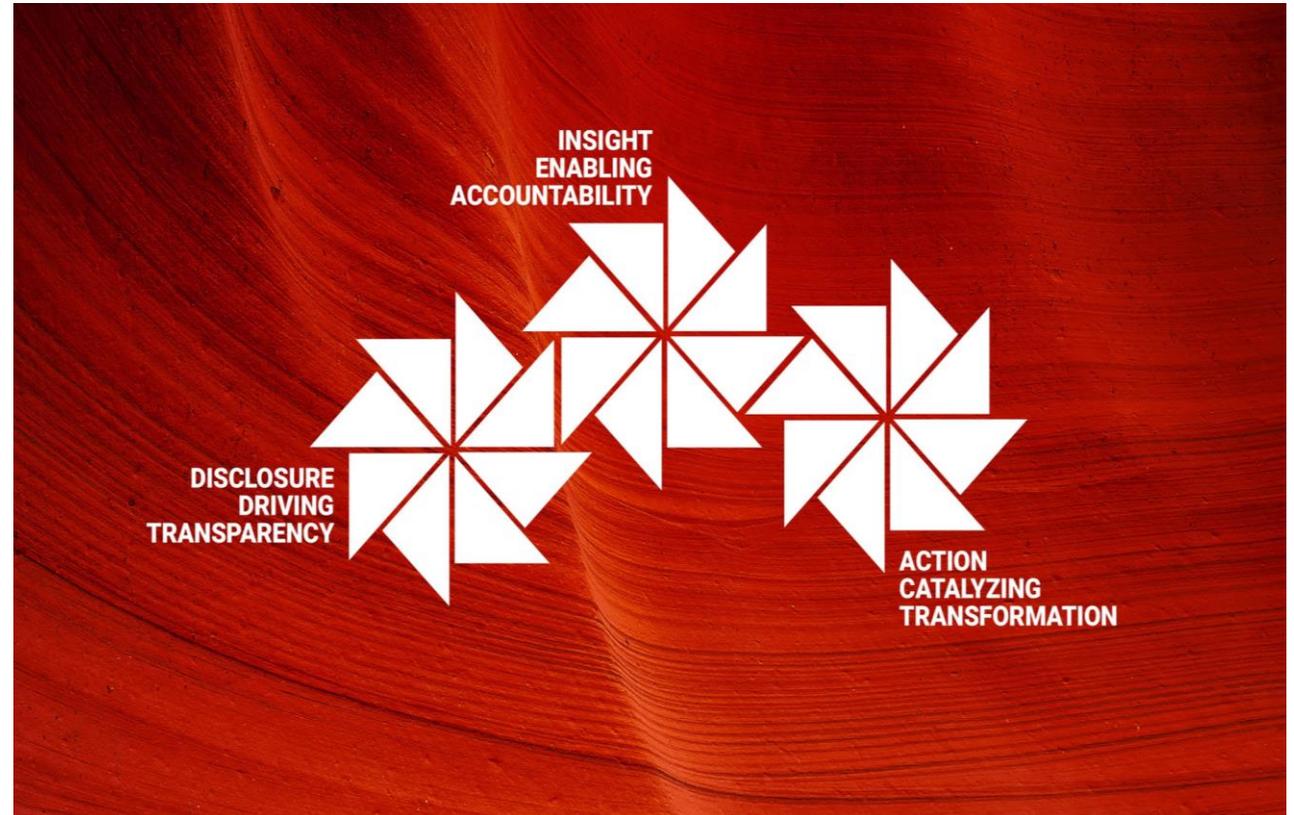
CDP hopes this taskforce will help **elevate credible climate transition plans** as a key consideration for corporations and to provide recommendations to the UK Government and its regulators in the future. With **mandatory climate transition plans coming in next year** for publicly listed companies, UK companies will **need to step up or risk sudden shocks.**

Nicolette Bartlett
Chief Impact Officer
CDP



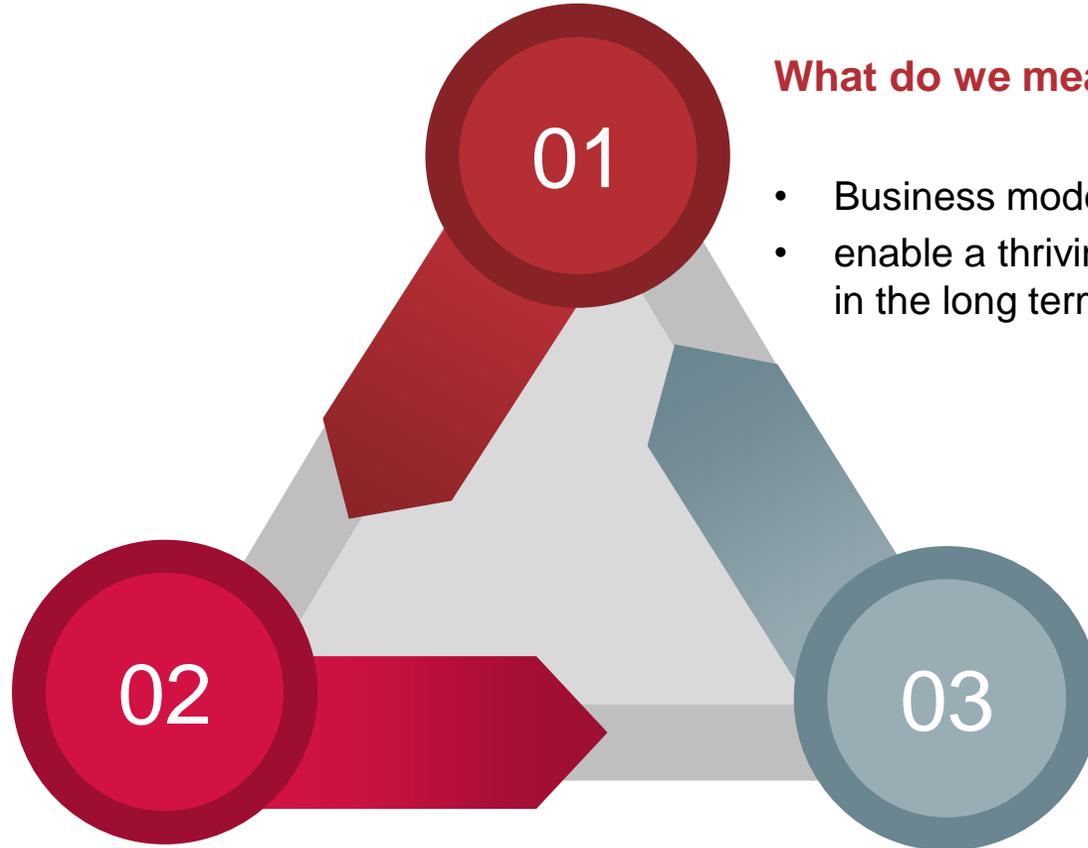
CDP's 2021 – 2025 Strategy

- ▼ Create significantly enhanced transparency on environmental issues, with a critically larger group of stakeholders, creating a comprehensive, holistic picture of companies', cities' and subnational governments' impact on the environment.
- ▼ Actors are held to account for what is needed to ensure a transition to a 1.5 degree nature positive world.
- ▼ To enable this, CDP will track progress against a benchmark of what is needed to ensure a transition to a 1.5°C, nature-positive world.
- ▼ CDP believes transition plans will be fundamental in catalysing actions needed for that 1.5 degree sustainable economy.



What does a credible climate transition plan look like?

The Transition Question



What is a corporate climate transition plan?

- Action plan demonstrating pivot to 1.5°C trajectory
- Developed on guiding principles and contains key elements

What do we mean by transition?

- Business model alignment
- enable a thriving economy that works for people and planet in the long term.

Why is climate transition plan disclosure important?

- Evolving regulatory landscape
- Increased stakeholder interest

CDP Transition Plan Elements Alignment to Existing Frameworks



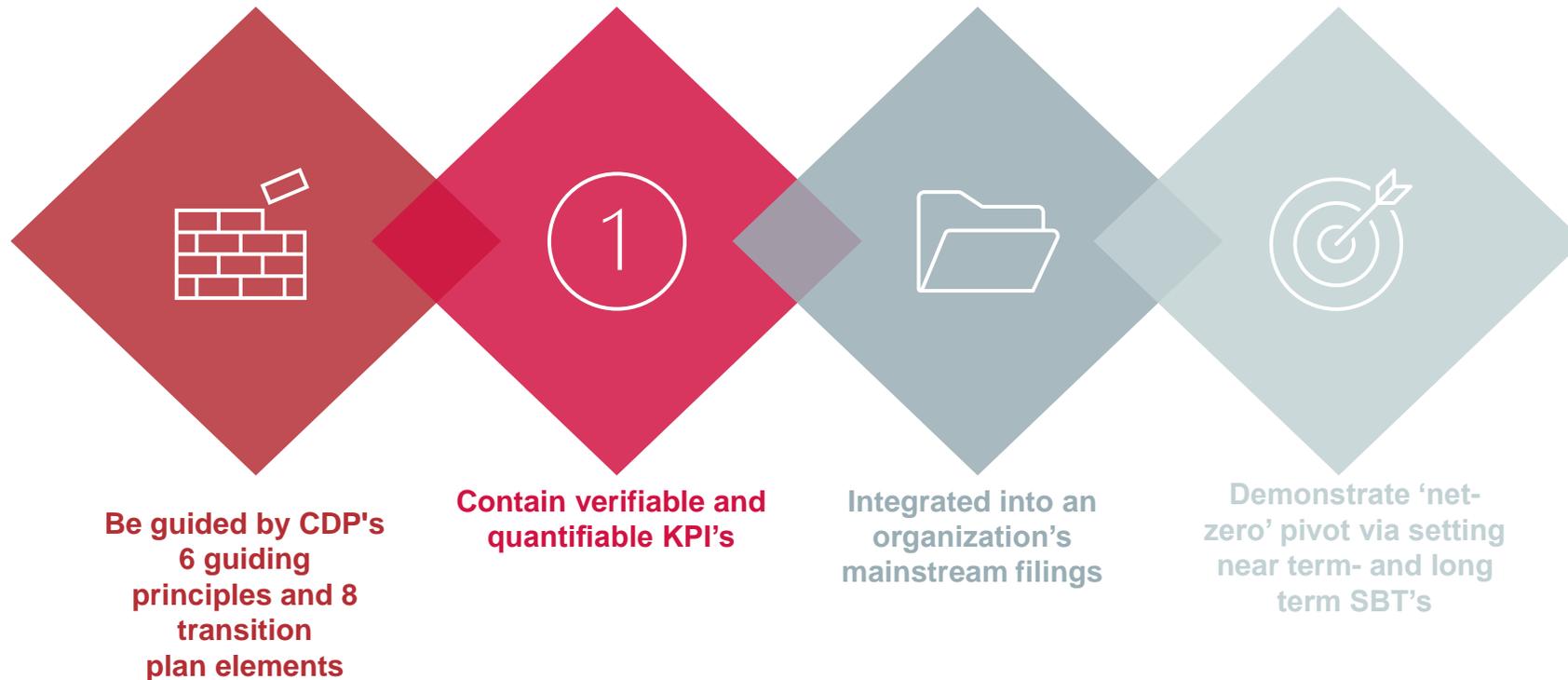
CDP Climate Transition Plan elements	ACT	CA100+	TCFD ¹⁴	GFANZ ¹⁵	IIGCC ¹⁶	ICAPs ¹⁷	TPI ¹⁸	ALCT	ACCR	CBI ¹⁹	ICMA	CSLN ²⁰
Governance	Full alignment	Full alignment	Partial alignment	Partial alignment	Partial alignment	Full alignment	Full alignment	Partial alignment	Full alignment	Full alignment	Partial alignment	Full alignment
Scenario Analysis	Full alignment	Full alignment	Full alignment	Partial alignment	Full alignment	Full alignment	Full alignment	Full alignment	No alignment	Partial alignment	Full alignment	Full alignment
Risks & Opportunities	Full alignment	Full alignment	Full alignment	Partial alignment	Partial alignment	Full alignment	Full alignment	Full alignment	Full alignment	Full alignment	Partial alignment	Full alignment
Strategy to achieve Net Zero	Full alignment	Full alignment	Full alignment	Full alignment	Full alignment	Full alignment	Partial alignment	Full alignment	Full alignment	Full alignment	Full alignment	Full alignment
Financial Planning	Full alignment	Full alignment	Full alignment	Full alignment	Full alignment	Full alignment	Full alignment	Full alignment	Partial alignment	Full alignment	Full alignment	Partial alignment
Targets	Full alignment	Full alignment	Full alignment	Partial alignment	Full alignment	Full alignment	Full alignment	Full alignment	Full alignment	Full alignment	Full alignment	Full alignment
Scope 1,2,3 accounting with verification	Full alignment	Partial alignment	Full alignment	Partial alignment	Partial alignment	Full alignment	Partial alignment	Full alignment	Full alignment	Full alignment	Full alignment	Partial alignment
Policy	Full alignment	Full alignment	No alignment	Full alignment	Full alignment	Full alignment	Full alignment	No alignment	Full alignment	No alignment	No alignment	Full alignment
Value chain engagement & Low carbon initiatives	Full alignment	Partial alignment	Partial alignment	Partial alignment	Full alignment	Full alignment	Partial alignment	Full alignment	Partial alignment	Partial alignment	No alignment	Full alignment

Full alignment
 Partial alignment
 No alignment

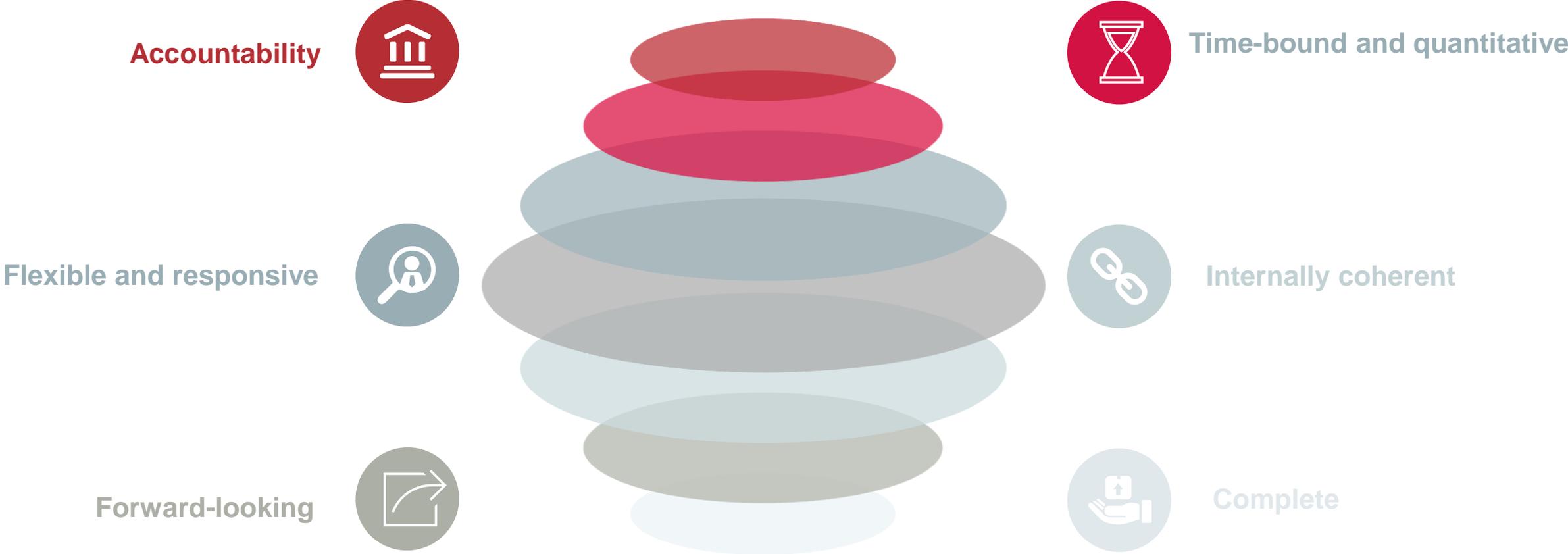
- ACT** - Assessing Low Carbon Transition initiative
- CA100+** - Climate Action 100+
- TCFD** - Task Force on Financial related Disclosures
- GFANZ** - Glasgow Financial Alliance for Net Zero
- IIGCC** - The Institutional Investors Group on Climate Change
- ICAPs** - Investor Climate Action Plan (Investor Agenda)
- TPI** - Transition Pathway Initiative
- ALCT** - Alliance for Corporate Transparency
- ACCR** - Australasian Centre for Corporate Responsibility
- CBI** - Climate Bonds Initiative
- ICMA** - International Capital Markets Association
- CSLN** - Climate Safe Lending Network

What is a Climate Transition Plan

A climate transition plan is a time-bound, action plan that clearly outlines how an organization will pivot its existing assets, operations, and entire business model towards a trajectory that aligns with the latest and most ambitious climate science recommendations. i.e., halving emissions by 2030 and reaching net-zero by 2050 at the latest, thereby limiting global warming to 1.5°C



Principles of a Climate Transition Plan



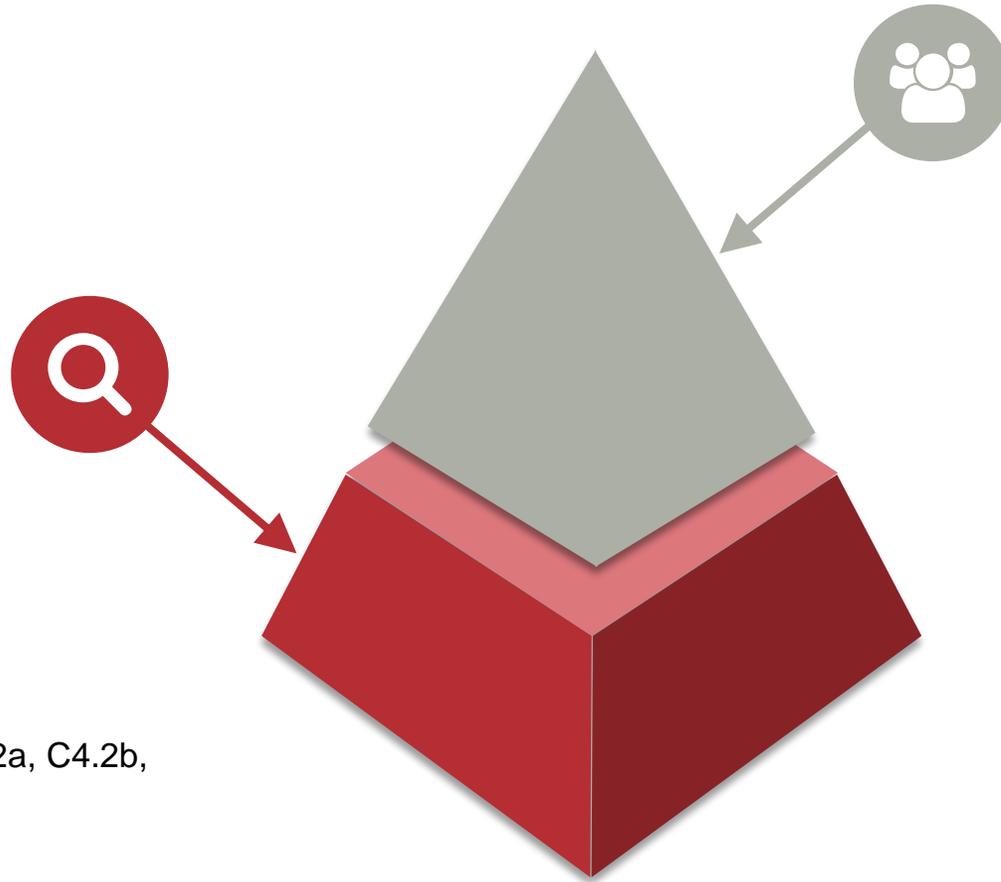
Climate Transition Plan Elements



CDP has identified the following key elements which constitute a credible transition plan



Disclosing Climate Transition Plans



Supporting indicators

GOVERNANCE

1.1, C1.1a, C1.1b, C1.1d, C1.2, C1.2a, C1.3, C1.3^a

RISKS & OPPORTUNITIES

C2.1, C2.2, C2.3, C2.3a, C2.4, C2.4a

STRATEGY & SCENARIO ANALYSIS

C3.3, C3.2, C3.2a, C3.2b, C3.4,

STRATEGY

C4.5, C4.5a C4.3b

SCOPE1,2,3 ACCOUNTING WITH VERIFICATION

C5.2, C6.1, C6.3, C6.5, C10.1a, C10.1b, C10.1c

FINANCIAL PLANNING

C-9.6a questions (sector-specific)

VALUE CHAIN ENGAGEMENT & LOW CARBON INITIATIVES

C12.1, C12.1a, C12.1b, C12.1d, C12.2, C12.2^a

POLICY ENGAGEMENT

C12.3, C12.3a, C12.3b, C12.3c

Direct Indicators

STRATEGY

C3.1, C3.5, C3.5a

TARGETS

C4.1, C4.1a, C4.1b, C4.2a, C4.2b, C4.2c

FINANCIAL PLANNING

C-EU9.5a, C-EU9.5b

Questions?

Examples of climate transition plan disclosure

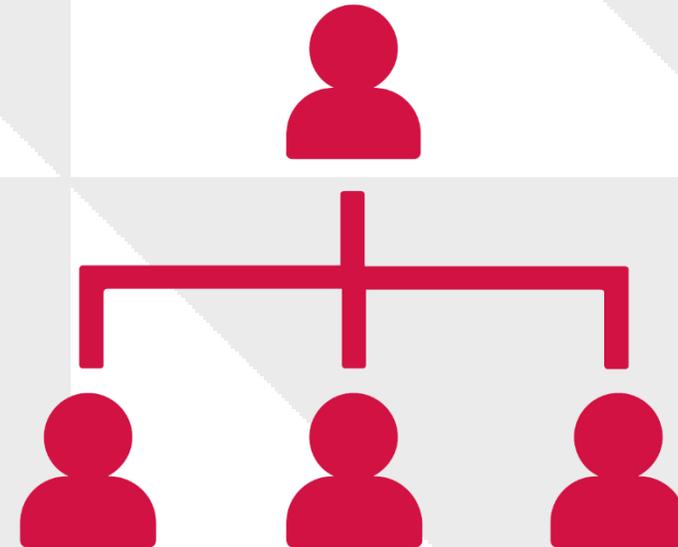
Governance

In 2021: Provide further details on the board's oversight of climate-related issues. - Frequency with which climate-related issues are a scheduled agenda item

Company A's Response to C1.1b

Scheduled – some meetings

The Board of Directors (BoD) lays down the company's strategy and makes decisions concerning major investments and divestments, the capital base, key policies, controls and audit matters, risk management and significant operational issues. Since climate change is fundamental to business strategy and all our investments, climate-related issues are directly or indirectly an agenda item at nearly all board meetings.



Scenario Analysis

In 2021: Provide details of your organization's use of climate-related scenario analysis. - Details



Company A's Response to C3.2a

RCP 2.6 ; RCP 4.5; RCP 8.5

In line with TCFD recommendations, this year we've built on our earlier qualitative scenario analysis work by considering the potential financial impact of climate change. We've used a core scenario for understanding physical risks of 2°C to 3°C [RCP 4.5], that we think is most likely based on various existing analyses of Nationally Determined Contributions. We also reviewed more extreme 'what if?' transition and physical scenarios (1.5°C [RCP 2.6], 4°C [RCP 8.5]). A <2°C scenario is our core transition scenario, aligning to TCFD requirements and our net zero target.

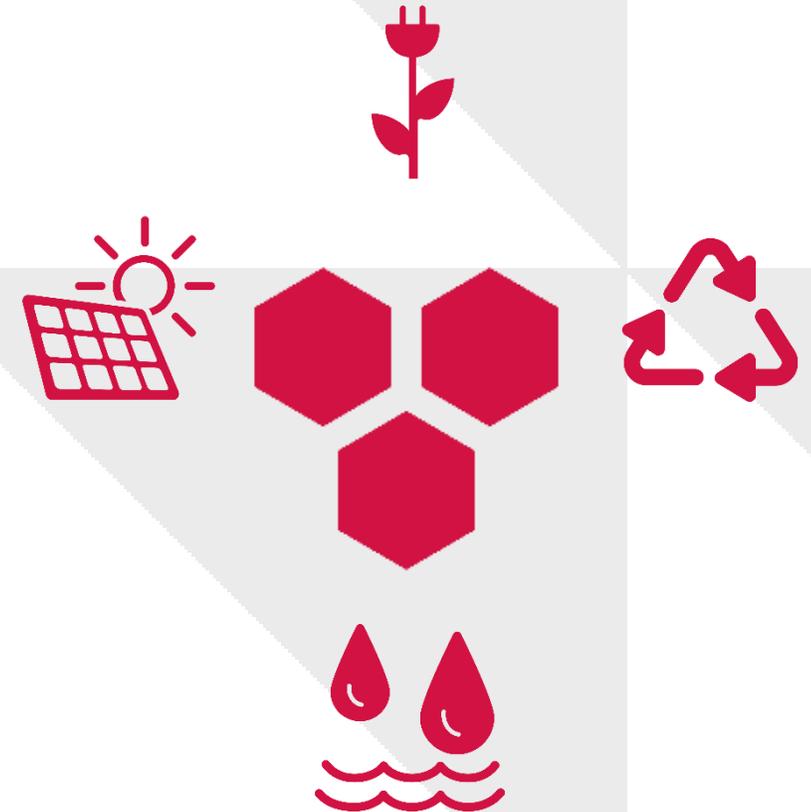
Carbon Reduction Initiatives

In 2021: Provide details of your products and/or services that you classify as low-carbon products (LCPs) or that enable a third party to avoid GHG emissions

Company A's Response to C4.5a

% revenue from LCPs in the reporting year = 25%

List of products supporting avoided emissions for 3rd parties 1.) Cordless outdoor products supporting the displacement of fossil fuel powered equipment; 2.) Brushless power tools providing greater energy efficiency 3.) Automatic doors with features that save energy for the building owner; 4.) Engineered Fasteners that support vehicle light-weighting and electric transportation; 5.) Large shears that breakdown metals and allows them to be recycled; 6.) Solar powered water pumps; 7.) Breakaway blades which increase the lifetime of recip blades by allowing the whole blade to be used.



Cascading Transition Through the Value Chain

Cascading value chain transition is key

- ▼ Growing recognition of the need for every company to develop a Climate Transition Plan behind Net Zero and science-based target commitments
- ▼ These commitments for most companies include indirect emission reductions in their supply chain
- ▼ Companies are facing resiliency risks in the supply chain which have material financial implications
- ▼ To meet targets, reduce climate risk and secure a 1.5 world - companies will need to stimulate and track the transition of their value/supply chain



Examples of Cascading Transition Disclosure

Supply Chain Engagement

In 2021: Provide details of your climate-related supplier engagement strategy. - Details of engagement

Company A's Response to C12.1a

Engagement & incentivization (changing supplier behaviour)

Our commitment to Corporate Governance, Ethical Business Conduct, Environmental Stewardship and Sustainability also extends to our Supply Chain. **It enables us to mitigate and manage the risks posed by supply chain to our business and operations.**

We **engage with suppliers through Capacity building workshops** on Sustainability perspective, **assessment through the Supply Chain Questionnaire** which requires their inputs on Sustainability. **We engage with 100% of key suppliers** on capacity building initiatives to build a green sustainable value chain. Audits are performed to discuss objectives, plan of action, areas of improvement, observed strength and best practices. **Suppliers are encouraged to implement corrective action plans** for areas of improvements.



Policy Engagement

In 2021: On what issues have you been engaging directly with policy makers?



Company A's Response to C12.3a

Support

- 1) Policy interventions supporting EVs, including calling on the UK Government to target 100% electric car and van sales by 2030; extend grants for electric vehicles and charging points through to at least 2023 and speed up the rollout of public charge-points across the country. The Government has since announced the end of the sale of new conventional petrol and diesel vehicles by 2030.
- 2) Legislation supporting the implementation of the Paris Agreement.

Are Companies Being Transparent in their Transition?

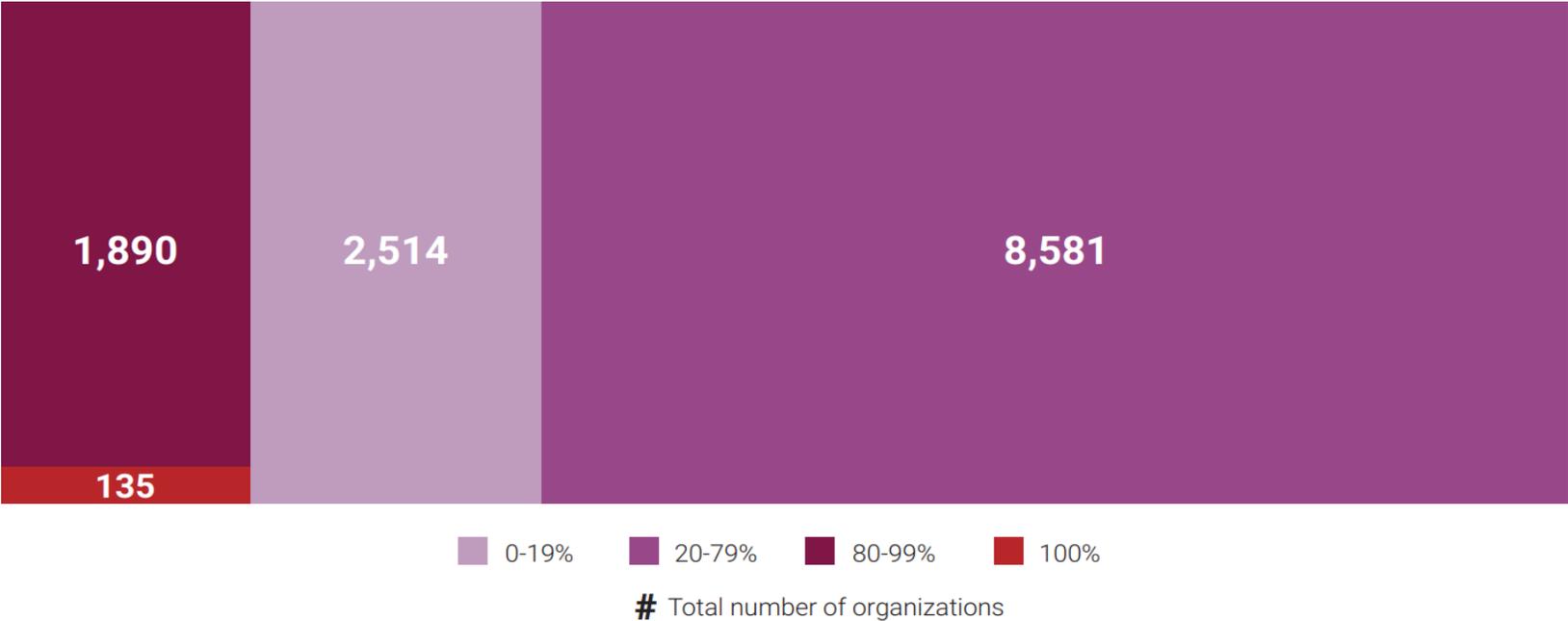
2021 Disclosure Rates to 24 Key Transition-Focused Metrics

Disclosure of Climate Transition Plans and Strategy



- ▼ Only 1/3 (4,002) of organizations reported developing a low-carbon transition plan
- ▼ Less than 1% (135) organizations disclosed to all identified (24) transition-related indicators
- ▼ Below shows a breakdown of the level of disclosure, demonstrating most organizations need to improve

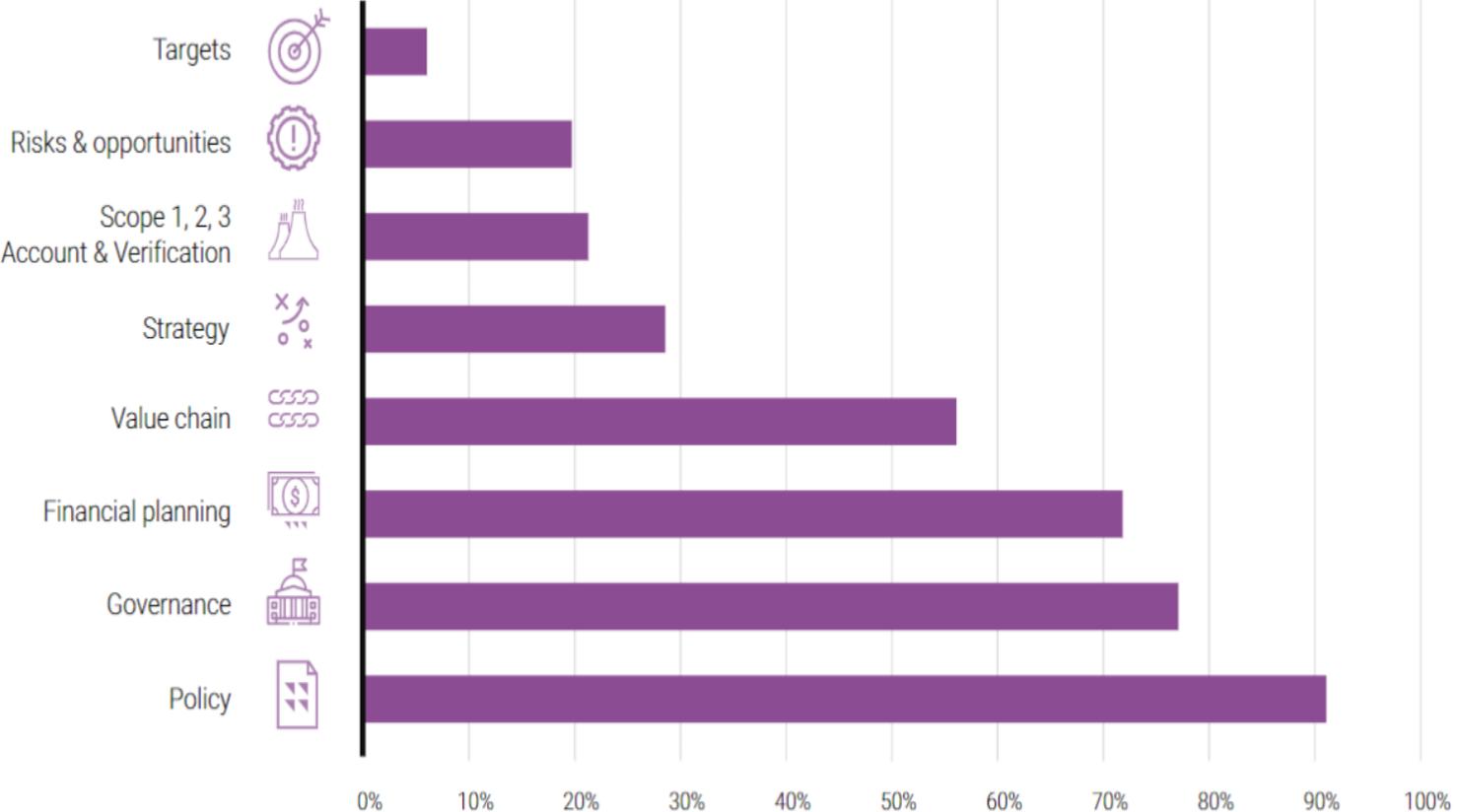
2021 disclosure to all 24 climate transition plan indicators – by disclosure threshold



Disclosure of Climate Transition Plans



2021 disclosure to the climate transition plan elements – by percentage threshold

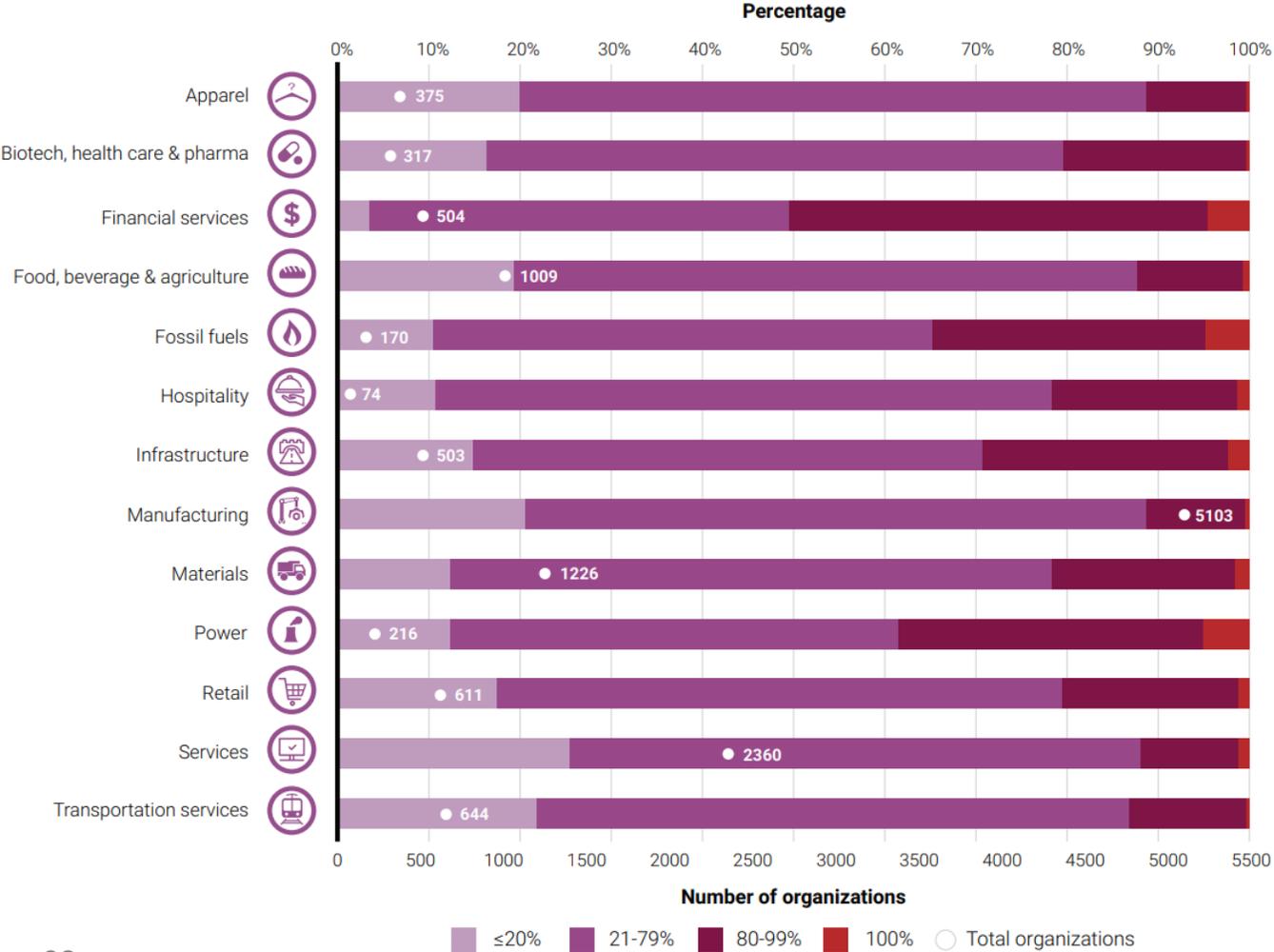


- ▼ Almost all organizations disclosed emission reduction targets however, less than 35% disclosed credible or verified targets.
- ▼ 70% of organizations disclosed sufficient details on their financial planning, governance and policy indicators.

Sectoral Breakdown Across Disclosure Threshold



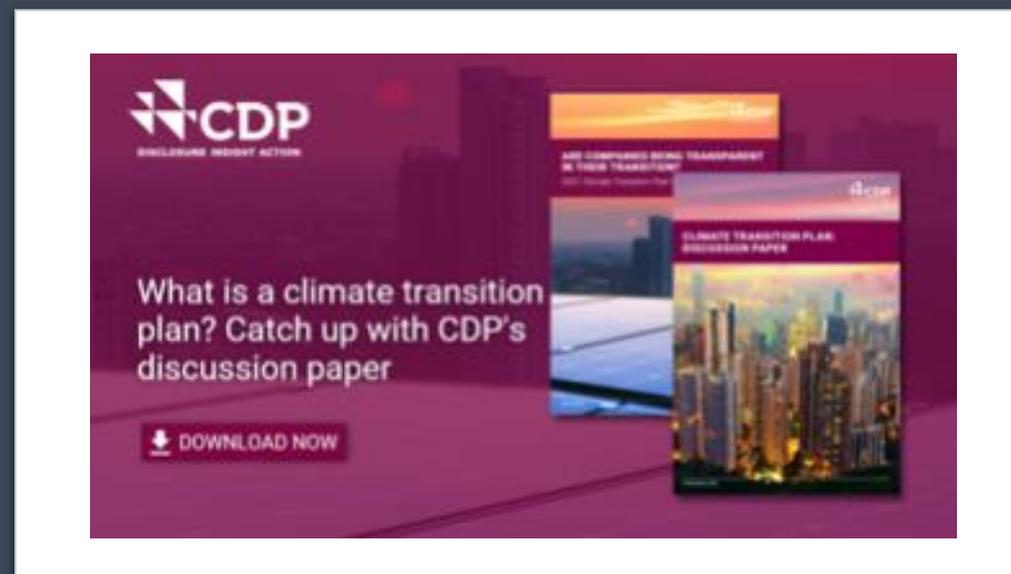
Percentage of disclosure by threshold to climate transition plan indicators by sector



- ▶ With only 1% of organizations disclosing to all key transition plan indicators it's important to note that even in leading sectors there is still an urgent need for improvement.
- ▶ Sectors such as Apparel, Biotech, Food, Beverage & Agriculture, Manufacturing and Services all performed relatively poorly.
- ▶ Financial Services and Power were some of the strongest performing sectors.
- ▶ Through improving your disclosure, implementing CDP guidance and applying best practices to your planning there is ample opportunity to elevate your transition readiness.

Further resources

- ▼ [CDP Climate Transition Plan Webpage](#)
- ▼ [Discussion paper](#)
- ▼ [Technical note - Climate Transition Plans](#)
- ▼ [Recording of *How to report on your climate transition plan* webinar](#)
- ▼ [CDP report *Are Companies Being Transparent in their Transition?*](#)



Thank you

To learn more about disclosure and environmental action through CDP visit: [Organizational guide – CDP](#)

For information on setting a science-based target, contact: commit@cdp.net

For information on CDP Supply Chain contact: supply.chain@cdp.net

For information on CDP Capital Markets contact: investor@cdp.net

Contact the Transition Plan Team

Scott Twigg, Campaign Project Officer – scott.twigg@cdp.net

Sylvester Bamkole, Senior Climate Analyst – Sylvester.bamkole@cdp.net