

How to implement transition plans

Addressing climate change requires urgent action from asset owners, advisers and managers. This write-up of our all-member event explores the challenges and solutions: from advancing climate-transition plans to integrating climate considerations into investments and fostering collaboration to accelerate global decarbonisation

By Constance Johnson



Achieving meaningful progress on climate action demands more than intent – it requires coordinated efforts across the financial sector. This event showcased practical ways, using frameworks and collaborative solutions, to speed up the move to a net-zero economy.



Richard Giles, Senior Director & Community Lead at *Pensions for Purpose*, invited *Institutional Investors Group on Climate Change (IIGCC)*, *Nest*, *Phoenix Group*, *Rethinking Capital* and *Tikehau Capital* to discuss how, in practice, an asset owner implements a transition plan.

Urgent climate action in finance

The need for financial institutions to address climate change as a material risk was emphasised. Richard highlighted personal experiences from his travels that illustrated the immediate impacts of climate change, stressing asset owners and managers must act now.

The panel acknowledged that the financial sector has a crucial role in facilitating the transition to clean energy. The urgency is compounded by the significant financing gap identified by the UN, which requires an 18-fold increase in funding for clean energy solutions.

Transition Plan Taskforce guidance



Katherina Lindmeier, Head of Sustainability Strategy at *NEST*, discussed her involvement with the *Transition Plan Taskforce*, which aims to create a gold standard for asset owners' transitions plans. The guidance emphasises three main channels:

- Decarbonising the entity.
 - Responding to the entity's climate-related risks and opportunities.
 - Contributing to an economy-wide transition.
- The framework includes principles for ambition, action and accountability, along with specific disclosure elements asset owners should consider in their climate transition plans.



Passive investment strategies



Elena Vydrine, Senior Investment Specialist, Public Markets at IIGCC, highlighted the trend of integrating climate considerations into passive investment strategies, which have captured a significant share of market flows. Elena noted asset owners are looking to integrate climate factors into their portfolios through index-based strategies. The discussion included examples of how some pension funds are transitioning their investments towards climate-aware benchmarks, emphasising the importance of real-world emissions reductions.

Challenges with accounting rules



Andrew Watson, Co-Founder of *Rethinking Capital*, raised concerns about existing accounting rules that treat emissions reduction commitments as externalities, which can hinder investment in climate solutions. Andrew explained how current practices penalise companies for investing in sustainability initiatives by classifying these investments as costs rather than assets. This misalignment creates disincentives for companies to pursue net-zero commitments and invest in sustainable practices.

Private markets' climate solutions



Lindee Wong, Director of Climate and Biodiversity at *Tikehau Capital*, discussed how private market managers can set net-zero targets and develop transition plans to drive real-world decarbonisation. Lindee emphasised the importance of focusing on companies that are already profitable and scaling up existing climate solutions rather than relying solely on venture capital for long-term innovations. The conversation highlighted the need for robust monitoring and reporting mechanisms to track progress towards these targets.

IIGCC disclaimer – The examples shared are for illustrative purposes only and do not constitute advice or endorsement. They represent a non-exhaustive selection of international market practices related to asset owners incorporating climate considerations and net zero goals into their investment portfolios.

Questions and answers



Q How do asset owners achieve net zero while managing concerns about metrics, when data gaps in private markets and high carbon footprints in emerging markets (EMs) discourage investment?



A **Katerina Lindmeier:** The reporting frameworks can sometimes put pressure into short-term carbon reductions. Emerging markets are particularly challenging, as they contribute significantly to a portfolio's carbon footprint. There is a shift from purely decarbonisation to a broader focus on climate solutions, regional decarbonisation and just transitions, but robust metrics remain elusive.



Will Wollerton Senior Sustainability Manager, *Phoenix Group*: *Phoenix Group*, are advancing sustainable asset origination for private markets, including a joint venture with *Schroders* to boost policyholder allocations. The COP27 green bonds announcement and developments in EMs provide promising avenues for more investment, with multilateral banks increasing options in these regions.



Q Could index providers make mainstream indexes sustainable, relegating current market cap indexes to niche products for those indifferent to sustainability?



A **Elena Vydrine:** For small pension schemes in index funds lacking resources for sustainable investments, it is challenging. Indexes traditionally reflect the market and adapting them to sustainability is complex. Mainstream indexes still include unsustainable stocks, like tobacco. As the real economy transitions, indexes may evolve towards net zero but, for now, the transparency and integration of ESG in small schemes remain fragmented.



[Click here to watch the event video and synopsis.](#)

● **Constance Johnson is an Intern at Pensions for Purpose**

AUDIENCE FEEDBACK – breakout rooms



Room 1 moderator
Bill Manahan,
Director of Institutional
Solutions, *Downing*

What should asset owners do to accelerate the transition to clean energy?

Three immediate steps were identified to tackle this issue: capital allocation, corporate and policy engagement, and collaboration with academic institutions.

Rising energy demands in EMs were also discussed, as it is important to consider these regions in the energy transition journey, balancing their growth with global sustainability goals.

Positive change was raised, there are increasing climate solutions/transition products in the market. Investment consultants are more proactively giving advice to achieve outcomes.



Room 2 moderator
Pippa Rudling, Director
of Global Institutional,
*Jupiter Asset
Management*

What do advisers need to do to accelerate the transition to clean energy?

This group thought the green transition cannot be sped up until underlying issues are addressed:

● Tackling accounting issues, due to investors not seeing the value of

their net zero-linked investments.

● Modern portfolio theory was presented as flawed as climate risk is insufficiently integrated.

● Scenario analysis was raised as not decision-useful.

Using collective action for change: while large asset owners often dominate stewardship efforts, there is potential for smaller schemes to create change by collaborating with organisations like *ShareAction*.

The group also discussed how asset owners are key in monitoring their managers' activities to hold investee companies to account.



Room 3 moderator
Simon Coomber,
Partner
LCP

What do managers need to do to accelerate the transition to clean energy?

Adjustments to accounting standards could compel managers to incorporate climate information into their valuations, streamlining investment in sustainable solutions. The change would assist managers by providing more accessible data for informed capital allocation, speeding up the adoption of climate-aligned strategies.

Clear direction from asset owners is vital, as managers seek guidance to gain the licence to invest.

Sharing education and information was thought crucial among asset

owners, managers and consultants, to promote understanding of investment opportunities, and accessibility for those wishing to invest in solutions.



Room 4 moderator
Simon Males, Executive
Director & Head of UK
Institutional Business,
Tikehau Capital

How do we bring asset owners, advisers and managers together and align every party involved?

Asset owners: the discussion focused on crafting realistic, yet firm, climate commitments depending on what asset managers can do and the underlying companies can achieve. There needs to be a push to reduce emissions and align investments with climate solutions, emphasising advocacy to influence industrial policy and support UK productive finance.

Advisers: the need for real-world impact in setting climate targets was highlighted. Although DWP mandate setting targets, it is not legally binding, potentially leading to greenhushing or diluted commitments. EM collaboration is critical in achieving global impact. **Managers** should link exposures to real-world decarbonisation, using forward-looking metrics and SBTi indicators to encourage action. Halving the WACI target by 2030 is central to progress.

Our Community Partners



Knowledge Partners



We are grateful for the support of our Partners & Community members. Learn more about the Community and collaborating with us – [contact Richard Giles](#).

Help for asset owners

Pensions for Purpose offers bespoke pension committee training and facilitated workshops to help funds clarify their priorities, goals and how to achieve them. Our [Knowledge Centre](#) contains hundreds of articles on many topics, with over 300 articles alone on Paris Alignment.

