

DPS FRAMEWORK SCHEDULE 4: LETTER OF APPOINTMENT AND CONTRACT TERMS

Part 1: Letter of Appointment

To whom it may concern,

Letter of Appointment

This letter of Appointment dated Monday 15th March 2021, is issued in accordance with the provisions of the DPS Agreement (RM6018) between CCS and the Supplier.

Capitalised terms and expressions used in this letter have the same meanings as in the Contract Terms unless the context otherwise requires.

Order Number:	CR21020 - Net-zero transition plans for non-financial corporates: assessing motivations, challenges, and the role of TCFD disclosure
From:	Department for Business, Energy & Industrial Strategy (BEIS) of 1 Victoria Street, Westminster, London SW1E 5ND ("Customer")
To:	Eunomia Research and Consulting Ltd of 37 Queen Square, Bristol, BS1 4QS ("Supplier")

Effective Date:	Monday 15th March 2021
Expiry Date:	Monday 31st May 2021 With break clause special terms as follows: Wednesday 31st March 2021
Notice Period for cancellation	30 days.

Services required:	Set out in Section 2, Part B (Specification) of the DPS Agreement and refined by: the Customer's Project Specification attached at Annex A and the Supplier's Proposal attached at Annex B;
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Key Individuals:	<u>BEIS</u> [REDACTED] [REDACTED] [REDACTED] <u>Eunomia</u> [REDACTED] [REDACTED]
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Contract Charges (including any applicable discount(s), but excluding VAT):	<p>The Customer shall pay the Supplier the sum of £30,357.00 excluding VAT in alignment with Schedule 2 and Annex 1 of the CR21020 Contract Terms. For the avoidance of doubt, the Contract Charges shall be inclusive of all third-party costs.</p> <p>Payment Milestones</p> <div></div>
Insurance Requirements	Insurance (Clause 19 of the Contract Terms)
Liability Requirements	Suppliers limitation of Liability (Clause 18.2 of the Contract Terms);
Alternative and/or additional provisions (including Schedule 8(Additional clauses)):	<p>There will be 1 break clause in the contract as per the following dates:</p> <ul style="list-style-type: none"> Wednesday 31st March 2021 <p>If any of the break clauses are initiated, we would expect the contract to draw to a close on the dates outlined above (providing 30 days notices for termination has been served, as per the terms of the contract.</p>
Customer billing address for invoicing:	All invoices should be sent to should be sent to ap@uksbs.co.uk or Billingham (UKSBS, Queensway House, West Precinct, Billingham, TS23 2NF)
GDPR	Please see Contract Terms Schedule 7 (Processing, Personal Data and Data Subjects).

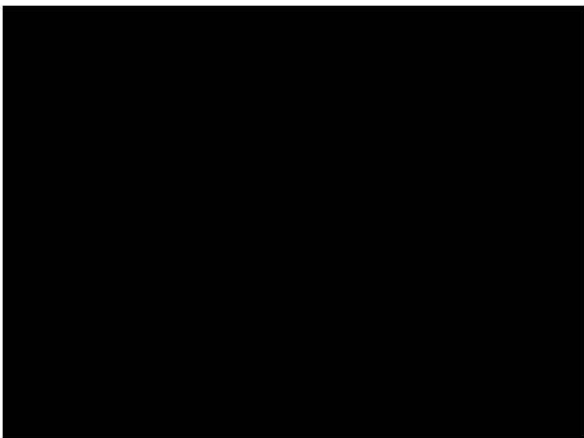
FORMATION OF CONTRACT

BY SIGNING AND RETURNING THIS LETTER OF APPOINTMENT (which may be done by electronic means) the Supplier agrees to enter a Contract with the Customer to provide the Services in accordance with the terms of this letter and the Contract Terms.

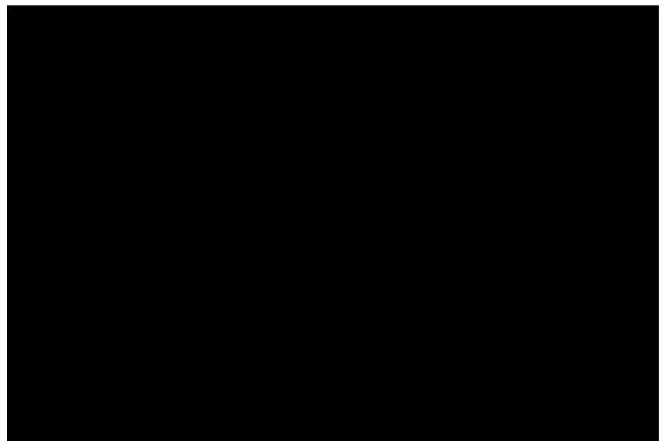
The Parties hereby acknowledge and agree that they have read this letter and the Contract Terms.

The Parties hereby acknowledge and agree that this Contract shall be formed when the Customer acknowledges (which may be done by electronic means) the receipt of the signed copy of this letter from the Supplier within two (2) Working Days from such receipt

For and on behalf of the Supplier:



For and on behalf of the Customer:



ANNEX A

Customer Project Specification

1. Background

Context:

The project will review transition plans developed by companies (excluding firms in the financial sector) to meet Paris aligned or Net Zero climate targets. It will investigate cases of best practice, as well as the motivations for companies to set these targets and the barriers they have faced.

The UK Government has set a world-leading target to reach Net Zero by 2050. The “Race to Zero” campaign for COP26 calls on countries, regions, cities and companies to set targets to hit net zero carbon emissions by 2050. More broadly, the government is also leading number of wider engagement programmes to encourage companies to set Net Zero targets in the lead up to COP26.

The disclosure of company strategies for transitioning their own business models to Net Zero can provide useful information for financial markets, investors, and other stakeholders. These transition plans may complement other disclosures by companies about their strategies for managing climate-related risks and opportunities (e.g. disclosures aligned with the recommendations of the Taskforce on Climate-Related Financial Disclosures).

Improving the quality and quantity of climate-related disclosures across the UK economy is already key priority for the government. In July 2019, the UK published the Green Finance Strategy¹, which set out the government’s expectation that listed companies and large asset owners would disclose in line with the Task-force for Climate Related Financial Disclosures (TCFD) recommendations by 2022. The government also established a joint TCFD taskforce whose membership includes key government departments and UK regulators. In November 2020, this joint taskforce published a roadmap for TCFD disclosure requirements to be placed on economic actors across the UK economy by 2025, with many of the requirements in place by 2023.

Both transition plans and climate-related disclosures can have the potential to drive changes in corporate behaviour, and facilitate the flow of capital to companies that are positioning to drive the low-carbon transition. This research therefore links to two key priorities of the COP26 Private Finance Agenda and Green Finance Strategy: 1) increasing the quality and quantity of TCFD aligned disclosures in the UK real economy, and 2) the extent of real economy alignment with the UK 2050 Net Zero Ambition.

Research Collaboration:

This project will be managed by the BEIS Green Finance team within the BEIS Clean Growth Directorate. The BEIS Clean Growth Directorate coordinates Government action to meet the UK’s emission reductions targets and accelerate the transition to cleaner economic growth. The Green Finance team is responsible for overseeing delivery of the Government’s Green Finance Strategy (2019) and coordinates green finance policy across Government alongside HM Treasury.

¹ UK Green Finance Strategy, 2019, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/820284/190716_BEIS_Green_Finance_Strategy_Accessible_Final.pdf]

BEIS will coordinate engagement with other Government teams as required, including both engagement with teams within BEIS with other Government Departments such as HM Treasury.

Research Drivers:

The project will primarily seek to establish an evidence base that reviews transition plans developed by companies (excluding those in the financial sector) to meet Paris aligned or Net Zero climate targets. It will investigate cases of best practice, as well as the motivations for companies to set these targets and the barriers they have faced in doing so. Understanding these issues will help to inform COP26 business engagement, given the focus on climate targets through the “Race to Zero” campaign for COP26. Understanding best practice for transition plans is also key to assessing whether climate targets are followed by action that drives change in the real economy.

Furthermore, this research project will evaluate the link between climate-related disclosures and the setting of Net Zero or Paris-aligned climate targets. Further evidence on this relationship will influence the action of UK policy makers to further advance TCFD-aligned disclosures in the UK.

Research Outputs:

The outputs of this research will enable a greater understanding of how companies have developed and disclosed their transition plans. Findings from the research will help to inform policymaking in mandating climate disclosures. It should also provide some understanding on the potential effect of disclosures on corporates behaviour towards setting and meeting their targets.

2. Aims and Objectives of the Project

Overview:

The first objective of this project is to analyse transition plans set by companies (excluding those in the financial sector) to meet Paris aligned or Net Zero climate targets; and then draw out common characteristics and examples of best practice from case studies. Developing this understanding is crucial for policymakers. As more and more firms set climate targets, supporting the disclosure of clear transition plans to meet these targets could become a policy priority for the UK government and regulators.

The second objective of this project is to understand the motivation for companies to set these targets, as well as barriers they may have faced. This will inform COP26 business engagement to encourage companies to set climate targets through the “Race to Zero” campaign. The research should identify the major drivers for setting Paris-aligned or Net Zero targets – e.g. drivers within the company, economic incentives, engagement by investors, engagement by other stakeholders or action by government

In addition, this research should explore potential links between climate-related disclosures and the setting of those targets. This will support the continued efforts of UK policymakers to advance TCFD-aligned disclosures in the UK. One motivation for companies to set Paris-aligned or Net Zero targets could be managing material long-term physical and transition climate risks.

Information about the motivations of companies to set transition plans could also help to design further engagement programmes encouraging a larger selection of firms to take action on climate change.

Research Questions and Structure:

The project should be split into two distinct parts.

In part 1, an analysis of non-financial corporate transition plans will be conducted through case studies that showcase best practice, establish the characteristics of the information that is disclosed and the format in which it is presented. The objective should not be assessing the credibility of targets set by the companies, but rather looking at how non-financial companies are disclosing the steps they will take to meet these targets.

Part 1 Research Questions (40%):

What are the characteristics of the transition plans that companies have published?

How are companies demonstrating that they will meet the Net Zero or Paris-Aligned targets that they have set?

In what format – and where - are companies disclosing these transition plans?

In part 2, interviews will be performed to identify the motivations and barriers faced by UK non-financial corporates in setting climate targets and publishing transition plans. This analysis is needed to map the causes for company engagement with this issue, and to understand how the UK government may need to support firms with further guidance in targets and transition plans setting. Both parts should aim to assess an heterogeneous sample, with firms of different sizes and in different sectors that represents the spectrum of non-financial corporates.

Part 2 Research Questions (60%):

What are the motivations for companies to set Paris aligned or net-zero targets, and to publish transition plans?

What role do internal pressure, investor pressure, stakeholder engagement and government action play in the decision to set these targets?

If companies have already provided climate-related disclosures, such as TCFD, what role has this played in the decision to set Paris aligned or net-zero targets?

If board-level climate engagement was a key factor in choosing to set these targets and publish transition plans, what led to climate risk becoming a board-level issue?

What are the barriers to setting these targets and publishing transition plans?

Have companies developed transition plans to meet climate targets? How are these plans being developed and how are they being disclosed?

3. Suggested Methodology

Research Methodology

Part 1: Review of transition plans

Provide a number of UK or international case studies (at least 15), covering different sectors of the economy. These case studies should showcase best practice for target setting and crucially, showcase clear transition plans to meet these targets. The companies selected should show among the highest level of ambition (for example, net-zero by 2050, and have clear transition plans to get there) and include some companies representing carbon-intensive sectors of the economy.

1. Provide a brief review of the existing methodologies used by companies to set Paris aligned or Net Zero targets to draw out common characteristics in a way that

is accessible for policy makers. This should not be an in-depth review of methodologies, but should provide context for any methodologies mentioned in case studies.

2. Provide an analysis of these case studies that includes how the companies in question report on and disclose transition plans. For example, through CDP questionnaires, integrated annual reports, or TCFD reports. In terms of transition plans, a focus of these case studies should be on how business strategies will change. For example, whether procurement policies, CAPEX plans or R&D are being shaped to meet climate targets, or whether, in the case of an energy firm, a percentage of energy production will be in renewables by a certain date.

We expect that the supplier completes the long list of companies, the production of a short list, a scope out matrix, methodology for phase 2 and interview topic guides, a case study template and at least 3 draft case studies above component of the research to be completed by Wednesday 31st March 2021. We also expect the successful bidder to plan and develop the methodology and the interview guide for Part 2 in advance of Wednesday 31st March 2021. A break clause will be added at this point. We expect the researcher to conduct this portion of the work before 31st March, and the remaining portion of the work in the following 2 months. In terms of funding, £25k is allocated to be spent by Wednesday 31st March 2021, with the remaining £24k following this, once funding approval has been finalised.

Part 2: Interviews

1. A set of interview questions should be developed to address the research questions that have been outlined. A summary of potential questions is outlined below. However, this list should not be considered prescriptive and the final questions will be agreed between the BEIS research team (including social researchers) and the contractor prior to use. This will be a project deliverable.
2. Where possible, questions should be structured to avoid pushing interview participants towards what might be viewed as the “right answer”. It is therefore important begin with open-ended questions to identify the most important factors for the company in question to develop Net-Zero aligned transition plans.
3. Interviewees should consist of key decision makers within companies, and/or sustainability and strategy teams who have expertise in the relevant areas. Interviews will be carried out by the contractor.
4. To carry out the interviews, a list of non-financial corporates that have set Paris aligned or Net Zero targets should be obtained. An example list is provided by the Science Based Targets Initiative, with close to 1000 companies setting or committing to science-based targets.
5. At least, 25 interviews are expected to be performed. Companies covering different sectors of the economy (including key carbon-intensive sectors where possible) should be prioritised, unless a justification for opting for a different methodology is provided by the contractor. These companies should have set net-zero targets and have begun to develop transition plans. Where possible,

these companies should also include those selected in Part 1. The proposed companies will be checked with BEIS, to ensure that firms are not being asked to take part in multiple interviews and research projects.

Suggested questions for use in interviews:

Motivation

- a. *What is the motivation for setting Paris aligned or net-zero targets, and publishing transition plans?*
- b. *What role do reputational risks play?*
- c. *What role do economic incentives / core business risk management play? For example, do these targets aim to reduce climate-related transition risks?*
- d. *Have investors engaged you with on setting these targets (collective engagement, individual engagement, stewardship or divestment)?*
- e. *Have banks engaged you with on climate risk and target setting?*
- f. *How does investor pressure compare in effectiveness versus pressure from other stakeholders such as customers and employees?*
- g. *If board-level climate engagement was a key factor in choosing to set these targets, what led to climate risk becoming a board-level issue?*
- h. *Which parts of your business were involved in the decision to set these targets?*

Challenges

- i. *What challenges have you faced when setting Paris aligned or net-zero targets?*
- j. *Did you have the internal expertise needed to set these targets?*
- k. *Is there adequate support and guidance for the setting of these targets, either through NGOs, external consultants? If not, please elaborate on the challenges to be addressed by further guidance.*
- l. *Are you concerned about a loss competitiveness from setting these targets?*
- m. *To what extent are you concerned that methodologies are continually evolving?*

Disclosure

- n. *What role have climate-related disclosures played in the setting of Paris aligned and net-zero targets?*
- o. *Have the internal processes involved in compiling climate-related disclosures, such as TCFD, played a role in the decision to set Paris aligned or net-zero targets?*
- p. *Has scenario analysis, if carried out, informed the setting of targets?*
- q. *Has the TCFD guidance to set climate targets played a role in the decision to set Paris aligned or net-zero targets?*
- r. *Have the climate-related risks identified by climate-related disclosures been a motivating factor for the setting of climate-related targets?*
- s. *How do transition plans intersect with existing disclosure requirements, such as NFRD, and potential future disclosures, such as the Taxonomy?*

Transition Plans

- t. *Have you developed a transition plan to meet Paris aligned or net-zero targets?*
- u. *What challenges have you faced (or expect to face) when setting a transition plan?*
- v. *Which elements of your business were (or will be) involved in the development of transition plans?*
- w. *Were these plans made prior to the setting of targets or after?*
- x. *What are the key elements needed for a credible transition plan?*
- y. *How have you (or will you) disclosed your transition plan? For example, in annual reports, sustainability reports, TCFD disclosure or CDP questionnaires?*

4. Deliverables

Research Outputs must Include:

Part 1: (for which funding has been approved) – BEIS can guarantee funding of up to £25k for this phase.

- 15 Completed Case Studies in a common format (e.g Word), drawing out best practice and common themes.
- A qualitative research report reviewing existing methodologies used by companies to set their targets. The report should also include an evaluation of the identified common and best practices for target setting and showcase of clear transition plans (including the format and methods for their publication).
- The final interview guide to be use for Part 2 of the research should be provided in advance of March 31st.

Part 2: (for which £24k funding has not yet been approved)

Interim report: A draft outline report covering initial research findings from both Part 1 and the conducted interviews will be produced at least 4 weeks before the final report to allow for review and comment.

Presentation of results: The successful bidder will provide an in-house presentation, including a short slide deck to outline key findings and facilitate the dissemination of results to BEIS colleagues.

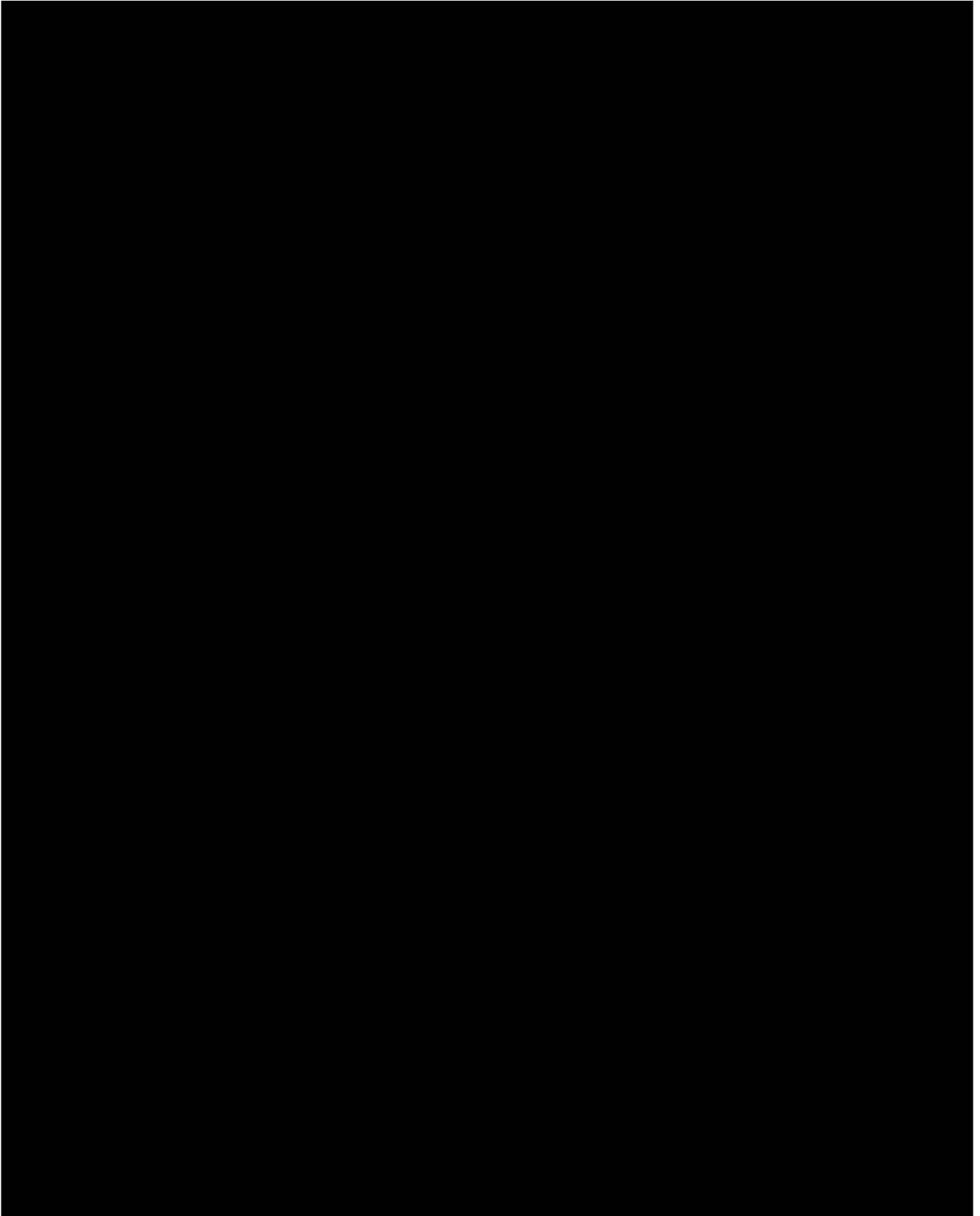
Final report: A written summary report covering the key findings and conclusions of the study. This should be split into Part 1 and Part 2, and be accompanied by any relevant technical annexes and interview details.

To note, it is important that interim findings from the research are made available as they emerge. We encourage bidders to outline how they will effectively communicate emerging results on an ongoing and iterative basis in both their proposed approach and suggested project timeline. At a minimum it is expected that the contractor will provide regular updates to the BEIS project team as the research develops to outline findings as they emerge, detail the progress of the project, and evaluate progress against key research milestones.

Ownership of Outputs:

BEIS will hold ownership of the final report and any underlying data that is used in the research.

ANNEX B
Supplier Proposal



Part 2: Contract Terms



Contract Terms v6.0