



Australian Government
The Treasury



Climate-related Transition Planning Guidance

Consultation paper

August 2025

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Consultation process

Request for feedback and comments

The Government seeks views on Treasury's proposed draft Climate-related Transition Planning Guidance. These views will inform the development of the guidance and sustainable finance policy in Australia. Under the Sustainable Finance Roadmap, the Government has committed to finalising guidance on transition plans by the end of 2025.

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Mail	Green Bonds and Transition Guidance Unit Climate and Energy Division The Treasury Langton Crescent PARKES ACT 2600
Enquiries	Enquiries can be directed to the above email address.

You can submit responses to this consultation until 24 September 2025. Interested parties are invited to comment on this consultation. Information on making a submission is available in Treasury's [Submission guidelines](#).

While submissions may be lodged electronically or by post, electronic lodgement is preferred. For accessibility reasons, please submit responses sent via email in a Word or RTF format. An additional PDF version may also be submitted.

Publication of submissions

All information (including name and address details) contained in submissions will be made available to the public on the Treasury website unless you indicate you would like all or part of your submission to remain in confidence. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain in confidence should provide this information marked as such in a separate attachment.

Legal requirements, such as those imposed by the *Freedom of Information Act 1982*, may affect the confidentiality of your submission.

Consultation approach and questions

Treasury has led the development of this draft climate-related transition planning guidance in close consultation with financial regulators, standard-setting bodies and relevant government agencies. The final guidance will need to incorporate a broad range of stakeholder perspectives to ensure it is fit for purpose. This consultation on the overarching approach and draft guidance is an opportunity for stakeholders to help shape the final direction and design of the guidance.

Responding to this consultation

In providing feedback, stakeholders are first encouraged to consider Treasury's proposed approach to the guidance outlined in Part A along with the illustrative draft guidance in Part B at a high level. Where stakeholders are supportive of the approach taken in the draft guidance, we would welcome any feedback on how well those parts of the draft guidance would help organisations undertake transition planning. We also welcome views on alternative approaches that could be taken. Consultation questions are provided on specific elements of the draft guidance to help guide stakeholders' submissions. General submissions and feedback are also welcome.

Next steps

Treasury will consider stakeholder submissions and other sustainable finance and policy developments in preparing the final guidance over 2025. Treasury intends to release the final guidance by the end of 2025, consistent with the Roadmap.

Consultation questions

Proposed approach for the transition planning guidance

- 1) Do you support transition plan preparers being the target audience for using the guidance?
- 2) Do you have feedback on the proposed design principles that underpin the draft guidance?
 - a) Internationally aligned
 - b) Supports domestic decarbonisation and adaptation
 - c) Balances ambition and flexibility
 - d) Climate first but not only
- 3) Are there other principles or considerations the guidance should prioritise and why?
- 4) If you are an end user of transition plan disclosures, are there additional considerations you would like to see included?
- 5) Do you intend to use the International Financial Reporting Standards Foundation's Transition Plan Taskforce (IFRS TPT) disclosure framework to either develop your organisation's transition planning or for investment and lending decisions? What other alternative frameworks do you intend to use?
- 6) Are there areas where you think the guidance should be more prescriptive and/or are there areas where you think it should be more flexible and why?
- 7) Do you see a need for further sector-specific guidance? If so, what additional advice would you consider beneficial and where do you see a role for government?
- 8) Please provide any additional feedback from a transition plan preparer, user or broader stakeholder perspective on the direction and design of the guidance.

Specific feedback on the Draft Transition Planning Guidance

- 9) When providing feedback on the draft guidance, please consider:
 - a) Are there areas that could be improved to make the guidance more useful?
 - b) Is the level of proposed detail sufficient? If not, what additional advice or detail would you like to see provided in the guidance and in which sections and why?
 - c) Would further use of case studies or examples be of assistance in the guidance? If so, feedback is welcomed on potential case studies or examples.
 - d) Are you aware of other relevant material that should be included in Appendix A and why?

Part A: Proposed approach for transition planning guidance

Introduction

Global financial markets are changing, with organisations increasingly identifying and planning for climate-related risks and opportunities, and improving reporting transparency. Organisations are increasingly choosing to set their own net-zero emissions targets; 82 percent of the ASX200 by market capitalisation are committed to transitioning to net zero.¹ Climate transition planning and transition plans are becoming an integral part of strategic planning for organisations in response to the systemic long-term risks and opportunities associated with climate change.

Transition *planning* is the ongoing strategic process for identifying and responding to climate-related risks and opportunities, including setting climate ambitions and targets, and developing implementation approaches with supporting governance and reporting arrangements. Transition *plans* are an output of the transition planning process in a strategic document which outlines an organisation's targets, actions and resources for a transition towards a lower-carbon economy. Credible and robust transition plans can support a wide range of potential users who may rely on them to guide investment and lending decisions, and understand economy-wide transition levers and pathways.

There is a growing body of international materials to support the preparation and assessment of transition plans. Transition planning maturity and transition plans still vary across organisations as they face complex climate risks and opportunities, and aim to meet differing market expectations. For the users and readers of published transition plans, this variability makes it difficult to interpret and compare transition plans and assess their robustness, credibility and impact over the long term.

To assist Australian businesses, the Australian Government is developing voluntary guidance to support best practice transition planning. Funding was provided through the 2024-25 Budget and the commitment was made to release this guidance by the end of 2025 through the 2024 [Sustainable Finance Roadmap](#).

The objective of this guidance is to support organisations to address climate risks and opportunities, and to enhance overall financial market resilience. In practice this means supporting organisations to plan for climate risks and seize opportunities while meeting expectations of transition plans from investors, lenders and other stakeholders. Accessible, clear, and robust transition plans can help investors and lenders understand the long-term business strategy of organisations, price risk and make capital allocation decisions.

The guidance is intended to provide an introductory overview of transition planning best practices and endorse a recommended transition plan disclosure framework for organisations operating in Australia. The proposed approach aims to complement and consolidate existing materials while incorporating expectations from transition plan users and considerations from the domestic context.

This consultation provides an opportunity for stakeholders to shape the direction and design of the final guidance. Part A consults on the proposed role and direction for the guidance, while Part B provides illustrative draft guidance for consultation based on the proposed approach.

¹ According to the Australian Council for Superannuation Investors' [research](#)

This paper was informed by views from industry and government stakeholders alongside desktop research of existing and emerging approaches. Stakeholder feedback on this consultation will help ensure the final guidance meets the overarching objective of being useful for organisations to understand climate-related risks and opportunities, while being fit for purpose for both transition plan preparers and users.

Linkages with Australia’s sustainable finance reforms

The Government is implementing policy and regulatory initiatives under the June 2024 Sustainable Finance Roadmap (see Table 1) to build the market structures and frameworks to help organisations, investors and the broader community prepare for and leverage the benefits of the net zero transformation. This Roadmap was informed by stakeholder feedback on the Australian Government’s 2023 [Sustainable Finance Strategy](#).

Table 1 Sustainable Finance Roadmap priorities

Pillar 1: Improve transparency on climate and sustainability	Pillar 2: Financial system capabilities	Pillar 3: Australian Government leadership and engagement
<ul style="list-style-type: none">• Priority 1: Implementing Climate-related financial disclosures• Priority 2: Developing the Australian Sustainable Finance Taxonomy• Priority 3: Supporting credible net zero transition planning• Priority 4: Developing sustainable investment product labels	<ul style="list-style-type: none">• Priority 5: Enhancing market supervision and enforcement• Priority 6: Identifying and responding to systemic financial risks• Priority 7: Addressing data and analytical challenges• Priority 8: Ensuring fit for purpose regulatory frameworks	<ul style="list-style-type: none">• Priority 9: Issuing Australian sovereign green bonds• Priority 10: Stepping up Australia's international engagement

Transition planning guidance (Priority 3) will provide advice on transition planning considerations that complement other sustainable finance initiatives and broader Government climate and adaptation objectives. For the Roadmap, the guidance will build upon climate-related financial disclosures (Priority 1) and the Australian Sustainable Finance Taxonomy (Priority 2). The guidance will also consider potential linkages to the sustainable investment product labels (Priority 4) and work to address data and analytical challenges (Priority 7).

Australia’s regulatory context

Internationally, guidance for transition plans has been released on both a voluntary and mandatory basis. The European Union’s Corporate Sustainability Reporting Directive sets transition plan requirements for large organisations, aligned with the Paris Agreement aim to limit global warming to 1.5°C. Similarly, the UK Government has committed to requiring UK-regulated financial institutions and FTSE 100 listed companies to develop and implement Paris aligned transition plans.

In Australia, climate-related financial disclosure requirements are being phased in for large organisations, businesses and financial institutions for financial years commencing on or after 1 January 2025. Climate-related financial disclosures require these entities to report material information about climate-related risks and opportunities as part of their annual financial reporting. Several Australian Government organisations have a role in climate disclosures:

- Treasury drafted the [Treasury Laws Amendment \(Financial Market Infrastructure and Other Measures\) Bill 2024](#), which passed parliament on 9 September 2024. Key documents related to the policy design process for climate-related financial disclosures regime are on the Treasury [website](#).
- The Australian Accounting Standards Board (AASB) is the body responsible for developing, issuing and maintaining Sustainability Reporting Standards for disclosure of climate-related financial information. The approved AASB S2 *Climate-related Disclosures* details the disclosure requirements for entities captured under the climate-related financial disclosures regime and is available on the AASB [website](#).
- The Auditing and Assurance Standards Board (AUASB) has developed audit and assurance standards for climate-related financial disclosures. The AUASB formally adopted standards ASSA 5000 and ASSA 5010 in January 2025 to apply to mandatory climate-related financial reporting. Final versions of the standards are published on the AUASB [website](#).
- The Australian Securities and Investment Commission (ASIC) administers the sustainability reporting requirements and will monitor compliance. ASIC has released [Regulatory Guide 280 – Sustainability Reporting](#) and [guidance](#) on how to avoid greenwashing when offering or promoting sustainability-related products.

While the preparation and publication of transition plans are not mandated under the climate-related financial disclosure regime, it is a requirement to disclose information about any transition plans the reporting entity has prepared (see callout box below). Separately, some organisations may also face information requests or requirements from their own stakeholders, such as lenders and investors, regarding transition plans. Entities should therefore independently assess the costs and benefits of publishing their transition plans based on their own circumstances.

Treasury's transition planning guidance is intended to help organisations with best practice transition planning. This guidance is not intending to provide advice on what information needs to be disclosed to meet the mandatory requirements of the climate-related financial disclosures regime. However, given some of the readers of this guidance may also be mandatory reporters, the draft guidance includes some prompts to refer readers to AASB S2 as relevant.

Following this guidance will also not guarantee a transition plan meets a reporting entity's other regulatory obligations, such as regulatory requirements related to continuous disclosure, forward-looking statements for financial products and services, and consumer-facing marketing claims. The Australian Competition and Consumer Commission (ACCC) has remit over consumer facing claims. For guidance on making environmental claims to consumers, refer to the ACCC's [Environmental Claims Guide](#).

Transition plan disclosure requirements under AASB S2

AASB S2 requires reporting entities to disclose information that enables users of general-purpose financial reports to understand the effects of climate-related risks and opportunities on its strategy and decision-making. This includes disclosing information about any climate-related transition plan the entity has, including information about key assumptions used in developing the transition plan, and dependencies on which the entity's transition plan relies.

The standard defines a climate-related transition plan as an aspect of an entity's overall strategy that lays out the entity's targets, actions or resources for its transition towards a lower-emissions economy, including actions such as reducing its greenhouse gas emissions.

Proposed design principles for the guidance

Treasury has identified four key principles, informed by initial stakeholder engagement and desktop research.

- Principle 1: Internationally aligned
- Principle 2: Supports domestic decarbonisation and adaptation
- Principle 3: Balances ambition and flexibility
- Principle 4: Climate first but not only

Principle 1: Internationally aligned

The guidance will encourage organisations to use a comprehensive and internationally aligned approach when preparing and disclosing transition plans. Establishing a consistent, internationally aligned, and robust disclosure framework for transition plans provides preparers with a reliable way of presenting information to meet the needs of a range of potential users. This will support global consistency and comparability of transition plans and make it easier to access both foreign and domestic capital markets by reducing barriers to understanding.

As such, this consultation proposes endorsing the use of, and the draft guidance is structured to align with, the latest International Financial Reporting Standards Foundation's Transition Planning Taskforce [Disclosure Framework](#) (IFRS TPT Disclosure Framework). The IFRS TPT Disclosure Framework is considered the leading internationally recognised framework for transition plans, is referenced by other guidance materials, and is increasingly used by organisations disclosing and publishing their transition plans.

The IFRS TPT disclosure framework was also designed to be compatible with and build on the IFRS S2 *Climate-related Disclosures*, to which AASB S2 is closely aligned. The IFRS Foundation has also released [guidance](#) on disclosing information about climate-related transition plans in accordance with IFRS S2 that includes mapping disclosure requirements to the TPT Disclosure Framework.

The draft guidance has also been informed by other frameworks and guidance materials outlined in Appendix A.

Development of the IFRS TPT Disclosure Framework

The Transition Plan Taskforce (TPT) was commissioned by the UK Government to create a good practice disclosure framework for transition plans. The TPT materials, released in October 2023, offers a comprehensive set of recommended reporting criteria and is designed to be consistent with and build on IFRS S2.

The IFRS Foundation announced it would assume responsibility for the TPT materials in June 2024 and signalled their intention to consolidate disclosure frameworks and standards for transition plans. The IFRS Foundation has an ongoing role in developing and updating the IFRS S2 alongside any related materials which will increase longevity of the TPT materials, following the disbandment of the TPT on 31 October 2024.

Principle 2: Supports domestic decarbonisation and adaptation

The guidance should help organisations understand how they can leverage Australian policies, contribute to achieving net zero emissions by 2050, and strengthen Australia's climate resilience through their transition plans. Consideration of local policies and regulations is a common expectation of transition plans, and currently referenced in the IFRS TPT Disclosure Framework.

The final guidance is intended to help organisations to appropriately consider, plan and implement their climate strategies in the Australia-specific context. This includes raising key domestic policies that organisations may consider when developing their transition plans and providing guidance on how these considerations might be embedded in organisational strategy.

Notwithstanding this, the guidance is not intended to be a complete reference on Australian climate policy. References to domestic policy within the draft guidance in Part B and final guidance for publication later this year are not intended to be exhaustive, and instead are designed to illustrate how organisations might consider the Australian context at the time of drafting. Transition plan preparers should conduct their own research on the latest policy settings and industry specific information as relevant to their own organisation, to ensure their transition plans reflect the latest information.

Principle 3: Balances ambition and flexibility

The final guidance will be a voluntary resource for organisations and intends to encourage high ambition in transition plans while still being flexible and consistent with existing and emerging practices. This proposed approach recognises organisations are at different stages of development and sophistication with transition planning partially driven by availability of sectoral decarbonisation pathways. This may consequently impact their approach to developing transition plans. The guidance is intended to achieve this principle by helping to establish a clear and common understanding of good practices for transition planning, while noting practices will evolve and build over time.

The approach in the draft guidance is intended to be sector-neutral but provide advice on how to leverage existing international and domestic resources for sector-specific considerations. The draft guidance also encourages organisations to consider broader environmental and social objectives to ensure the guidance is relevant to, and can be utilised by, any organisation regardless of industry sector.

Principle 4: Climate first but not only

The draft guidance is primarily focused on climate transition plans, but also recognises that organisations might be seeking to pursue other sustainability objectives, such as social and environmental objectives. Integrating these considerations early can help organisations take a more holistic approach to their climate transition planning.

This also paves the way for organisations to undertake additional targeted planning to achieve social and environmental ambitions. For instance, financial markets are increasingly focused on responding to nature-related financial risks and opportunities through emerging reporting frameworks such as the [Taskforce for Nature-related Financial Disclosures](#).



Part B: Draft Transition Planning Guidance

The information contained in Part B is the illustrative draft guidance for consultation. The final guidance is expected to include three sections:

- **Introduction** provides context on the role and benefits of transition plans and planning, the Government's role in providing this guidance and how the guidance links with other sustainable finance initiatives and climate-related disclosure requirements in Australia. *This section will be included in the final guidance, building upon the context outlined in Part A.*
- **Transition planning process** provides a brief overview of the transition planning cycle and outlines international materials for suggested processes to develop transition plans. This guidance is not intended to provide extensive advice on the cycle. *This section is included for consultation below.*
- **Preparing transition plans** provides Australia-specific considerations for organisations intending to develop transition plans. This section follows the structure of and is intended to be compatible with the IFRS TPT Disclosure Framework. *This section is included for consultation below.*

The transition planning process

Transition planning is a continuous cycle that should be embedded within overarching organisational planning, rather than a 'one and done' process. This guidance recognises that organisations may be approaching this task from different starting points and encourages them to take a maturity pathway approach to transition planning. There are steps organisations can take today to start identifying their current baseline, initial actions and targets, and then improve the level of detail and ambition over time.

There are a number of reasons for organisations to start the transition planning process such as managing exposure to climate-related risks, or capitalising on emerging opportunities. Organisations may also need to rethink or iterate existing transition plans and should identify triggers for restarting the process, such as scheduled review points or responding to changing circumstances.

To complement its advice on transition plan disclosures, the TPT also published a [transition planning cycle framework](#) for practical steps organisations can consider when developing, implementing and reviewing their transition plan. The transition planning cycle involves four steps: (re-)assess, set strategic ambition, plan actions, and implement the plan. This framework includes detailed steps on what organisations should do, and refers to other materials which can help inform organisations on how to undertake these steps.



Figure 1 sourced from TPT Transition Planning cycle representation of the transition planning process

1. (Re-)assess: the first step is for organisations to engage their Board or designated committee to assess or reassess their current position, including any existing climate reporting and analysis of climate-related risks and opportunities. This informs the objectives, areas of focus and baseline reporting for the transition plan.

2. Set your ambition: organisations set their strategic ambition for their climate goals and contribution towards the transition to lower greenhouse gas emissions and a climate-resilient economy.

3. Plan your actions: plan the actions necessary to deliver those ambitions, including governance arrangements, and targets and metrics used to track progress.

4. Implement your plan: establish arrangements to continue or start implementation, disclose the

transition plan, monitor and report on progress, learn and reflect before re-assessing their position and starting the cycle again.

Whilst not mandated in Australia, organisations should also consider periodically publishing their transition plan in the interest of transparency and credibility.

Throughout the cycle, organisations will make decisions that will inform sections of their transition plan. There are mentions of how each transition plan component is supported by the transition planning cycle across this guidance.

Section 1 of Appendix A includes materials that provide useful advice on transition planning. For example, the New Zealand Government's External Reporting Board has developed several transition planning [resources](#) including overviews and targeted advice for executives, directors and staff. The New South Wales Government has also developed a [Net Zero Business Guide](#) that provides an expansive list of actionable steps.

Preparing transition plans

This guidance recommends organisations align their transition plans with the structure of the IFRS TPT Disclosure Framework materials to assist in establishing a consistent and internationally aligned approach to preparing and disclosing transition plans. Alternatively, organisations may include an appendix that explains how the sections of their transition plans correspond to the IFRS materials.

This guidance is structured to align with the broad components of transition plans recommended within the IFRS TPT disclosure materials.

The IFRS TPT Disclosure Framework has three guiding principles: **Ambition** (Foundations), **Action** (Implementation and Engagement Strategy), and **Accountability** (Metrics and targets, and Governance).

- **Foundations**, provides an overview of the organisation's strategic ambitions for responding to climate-related risks and opportunities, and mitigation and adaptation objectives. This section grounds the other sections of the transition plan, that provide detail on how the ambitions will be realised.
- **Implementation strategy**, provides detail on the actions being taken within the organisation's operations, products and services, and policies to achieve its strategic ambition. This includes impacts of these actions on the financial position, financial performance and cash flows for the organisation.
- **Engagement strategy**, provides detail on how the organisation is engaging within its value chain and industry peers, as well as more broadly with government, communities and civil society in achieving its strategic ambitions.
- **Metrics & targets**, provides detail on the metrics and targets it is using to drive and monitor progress towards the strategic ambitions.
- **Governance**, provides detail on how the transition plan is embedded within its governance structures and organisational arrangements.

Reporting entities captured by sustainability reporting requirements under the *Corporations Act 2001 (Cth)* (Corporations Act) will need to separately consider reporting obligations including disclosure of information about climate-related transition plans under AASB S2, and any assurance requirements issued by the Auditing and Assurance Standards Board.

This guidance includes non-exhaustive references to relevant sections of AASB S2, however, it is not intended to provide guidance on how to meet reporting obligations required under AASB S2 and the *Corporations Act*. Captured reporting entities should refer to the ASIC website for further information regarding mandatory disclosure requirements.

1. Foundations

The foundations section of transition plans is where organisations should set out their strategic ambition for responding and contributing to the transition towards a lower emissions and climate resilient economy.

Strategic ambitions can cover both climate change mitigation and adaptation. Mitigation refers to efforts to curb climate change, primarily through reducing greenhouse gas emissions. Adaptation refers to preparing for and improving resilience to the effects of climate change that are already being experienced, or will be in the future, such as increased temperatures and flood risk. Organisations with more mature transition plans may have complementary goals, including supporting a just transition, nature and circular economy.

This guidance covers setting mitigation and adaptation ambitions, as well as complementary goals. This guidance also includes high-level information about the benefits of disclosing information on the implications for the organisation's business model and value chain, and key assumptions and dependencies.

The strategic ambition is informed by the first two steps of the transition planning cycle where organisations assess the business model and value chain, risks and opportunities, current position and other priorities. Identifying key assumptions, dependencies and external factors is crucial to providing readers a transparent view of the strategic ambition in the plan.

The **IFRS TPT Disclosure Framework** suggests three sections should be disclosed in the Foundations: (1) strategic ambition, (2) business model and value chain, and (3) key assumptions and external factors.

1.1. Climate change mitigation and adaptation strategic ambitions

A clear strategic ambition for climate mitigation and adaptation helps show stakeholders how an organisation is prepared for the risks and opportunities arising from the transition to a lower emissions economy and the physical effects of a changing climate. Transition plans and other climate-related reporting has focused on mitigation efforts to date, however, there is a growing need for organisations to consider adaptation alongside mitigation.

Adaptation is an important part of transition planning to ensure entities are prepared for the effects of climate change on their organisations. Extreme weather events and physical risks can still impact businesses, the economy and the financial system, even if long-term global average surface temperatures are limited to 1.5°C above pre-industrial levels.

Considering both mitigation and adaptation supports a holistic response to climate change that considers potential synergies and trade-offs between the two. For example, modifying existing infrastructure to improve thermal performance, contributes to greater resilience to current and future temperature warming while also contributing to lower emissions through improved energy efficiency and reduced scope 2 emissions.

Mitigation and adaptation ambitions are different to decarbonisation levers and adaptation actions. While the mitigation and adaptation ambitions provide the broad direction, decarbonisation levers and adaptation actions are the specific pathways taken to get there (actions, technologies and/or process changes). Decarbonisation levers and adaptation actions are discussed in more detail in Section 2: Implementation Strategy.

Scenario analysis

Scenario analysis is a method to explore potential risks and opportunities under different climate scenarios. It is an important foundational step to take to inform the strategic ambitions and actions set out in transition plans.

Scenario analysis can be used to understand an organisation's exposure to transition and physical risk given the uncertainty about future outcomes. Transition risks arise from efforts to transition to a lower-carbon economy, such as policy, legal, technological, market and reputational risks. Physical risks include both acute risks arising from weather-related events, and chronic risks resulting from longer-term shifts in climatic patterns. In assessing risks, organisations may use scenarios with different levels of global greenhouse gas emissions.

When undertaking scenario analysis, organisations should consider what data are available, the assumptions taken, time horizon assessed, and the scope of covered operations. Clearly articulating the methods and assumptions used can increase the credibility of the scenario analysis by increasing transparency.

Reporting entities captured by sustainability reporting requirements under the *Corporations Act* and applying AASB S2 are required to consider specific climate scenarios under mandatory climate-related financial disclosures.

Mitigation

Mitigation ambitions are high-level time-bound goals for an organisation to reduce greenhouse gas emissions. They set the direction and desired outcome for mitigation efforts outlined throughout the transition plan. They may comprise interim and long-term targets which cover a range of operations and processes. For example, an organisation may set a strategic ambition of a 50% emissions reduction below 2005 emissions levels by 2032 and net-zero emissions by 2050.

Transition plan readers are often interested in whether mitigation ambitions are sufficiently ambitious, comprehensive, achievable and aligned to relevant international, domestic and sector commitments. Section 1 of Appendix A contains a range of assessment frameworks, and standards and expectations materials which provide detail on what is considered to make a transition plan credible. This includes materials available from Climateworks Centre, and jointly from the Australian Institute of Company Directors and Australian Council for Superannuation Investors, which have been developed in consultation with Australian stakeholders.

Organisations could consider aligning their mitigation ambitions with those of the Australian Government, expressed through strategies, policies and international commitments.

Considering international agreements

The Australian Government is a party to the Paris Agreement and must submit national emissions reduction commitments known as Nationally Determined Contributions (NDC). The Australian Government submitted its first NDC to the United Nations Framework Convention on Climate Change (UNFCCC) in 2015 with an updated version in 2022. Parties to the Paris Agreement must submit updated NDCs every 5 years with the latest NDC reported on the UNFCCC [registry](#), with Australia's next update due in 2025.

Where relevant, organisations could consider aligning their mitigation ambitions with Australia's NDC targets and identify opportunities to leverage Government support to achieve their ambitions.

Reporting entities captured by sustainability reporting requirements under the *Corporations Act* and applying AASB S2 should consider any obligation they have to disclose whether the entity has used a climate scenario that is aligned to the latest international agreement on climate change and how the

latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the entity's target.

Australia's 2022 NDC

The 2022 NDC included three key commitments:

1. A point target of aiming to reduce emissions in 2030 to 43 per cent below the emissions in 2005, and
2. An emissions budget covering the period 2021-2030 with an indicative cumulative 4,381 million tonnes of carbon dioxide equivalent aligning with the 43 per cent reduction target, and
3. A goal of net zero emissions by the year 2050.

Considering domestic policies

The Australian Government's Net Zero Plan will guide the transition to the legislated target of net zero by 2050. Alongside the plan, the Australian Government will set an ambitious and achievable 2035 emissions reduction target. Six sectoral emissions reduction plans will support the Net Zero Plan and capture the full breadth of the economy.

The Net Zero Plan and sectoral plans will also outline how the government's current suite of emissions reduction policies support that transition. These existing mechanisms may create obligations for organisations to decarbonise operations and they should also be included when explaining the mitigation ambition in transition plans. Below are a few examples of Government policies which organisations may already have obligations under:

- The **Safeguard Mechanism** is the main policy mechanism for industrial emissions reduction featuring a declining cap (or 'baseline') on emissions for covered facilities. One of the legislated outcomes for the Safeguard Mechanism is reducing onsite emissions, and the rules require additional information to be published when a higher proportion of Australian Carbon Credit Units (ACCUs) are used to meet a baseline.
- The **New Vehicle Efficiency Standard** brings Australia into line with other comparable countries by introducing emissions standards across a supplier's fleet of vehicles,
- The **Renewable Energy Target** creates a market incentive to invest in the generation and use of renewable energy through requiring retailers to purchase certificates that provide financial assistance to those investing in large-scale and small-scale renewable energy generation. While this legislation sunsets in 2030, additional policies, such as the Capacity Investment Scheme, are driving the achievement of 82% renewable energy in Australia's grids by 2030.

Reporting entities captured by the sustainability reporting requirements under the *Corporations Act* and applying AASB S2 should consider any obligations to disclose any climate-related targets they are required to meet under domestic law or regulation and how they plan to achieve these targets.

Subnational government decarbonisation plans and policies

In addition to the federal level of Government in Australia there are 8 state and territory governments and over 500 local governments. All state and territory governments have set net zero targets by 2050, or sooner. Some local councils may also have their own decarbonisation goals. Organisations may find opportunities to leverage state and territory and local government policies and goals to support their mitigation ambition.

Adaptation

Adaptation ambitions are long-term goals and priorities for improving climate resilience, the capacity of an organisation to adjust to and manage the current and expected future impacts and uncertainties of climate change. This can include both the organisation's strategic resilience and its operational resilience, such as embedding climate adaptation into existing enterprise risk management practices or improving supply chain resilience.

Adaptation can take many forms and includes adjustments in ecological, social and economic systems that are unique to each organisation and region. The bespoke nature of adaptation makes it difficult to set standardised objectives in the same way as mitigation, however, tend to be focused around managing the physical climate risk exposure and vulnerability of an organisation's operations and balance sheet, and seizing adaptation-related opportunities for the organisation.

On 22 July 2025, the Network for Greening the Financial System (NGFS) released an input paper for the G20 Sustainable Finance Working Group (SFWG) on [integrating adaptation and resilience into transition plans](#). The paper is primarily focused on financial institutions but is also informative for non-financial institutions. The paper outlines how adaptation can be integrated into the foundations, implementation strategy, engagement strategy and metrics and targets for transition plans. It is designed to support institutions at varying levels of readiness and capacity.

There are also domestic materials that can help organisations identify climate risks. When identifying physical risk exposure, organisations are encouraged to consider the first pass National Climate Risk Assessment (NCRA), including the [assessment](#) and [methodology](#), as well as the second pass report once released.

The first pass assessment identified 56 nationally significant climate risks with differing probabilities of occurring and impacts. The second pass assessment is expected to be released in 2025 with more detail on 11 high priority risks alongside supporting materials including socio-economic, natural, built and hazard data files at the highest resolution available. The methodology outlines the approach to identifying, assessing and prioritising climate-related risks including detail on the assumptions and dependencies under each scenario.

These materials provide a valuable starting point to identify risks relevant to an organisation and inform adaptation ambitions.

1.2. Other strategic ambitions, including 'just transition' and nature

Climate-related transition plans are the focus of this guidance, but climate ambitions often intersect with other sustainability goals. There is a broad spectrum of non-climate sustainability objectives organisations may consider when developing climate-related transition plans. These can include biodiversity and ecosystems, water and marine resources, resource use and circular economy, social and community, and business conduct.

This guidance provides an overview of ‘just transition’ and nature as these are often mentioned in climate-related transition planning materials and supported by international work programs including the Taskforce on Inequality and Social-related Financial Disclosures (TISFD), Taskforce for Nature-related Financial Disclosures (TNFD), and ISSB research priorities of [human capital](#), and [biodiversity, ecosystems and ecosystem services](#).

This guidance includes more information in Section 2.5 on how non-climate sustainability objectives can inform the implementation strategy. Section 2.5 also includes more detail on circular economy practices, as the Australian Government looks to realise the transition to a circular economy.

Organisations should consider how these other goals can intersect with their mitigation and adaptation ambitions. Over time organisations may consider developing transition plans covering other social and environmental goals.

Just transition

A ‘just transition’ is a social goal broadly defined as ensuring the climate transition is fair, inclusive and protects workers, communities and vulnerable groups from being left behind. This involves upholding fairness and equity both intergenerationally and across different social groups.

The Australian Government has established the [Net Zero Economy Authority](#) to support workers, communities and businesses and ensure no one is left behind as Australia transitions to net zero emissions. This extends to engaging with Traditional Owners and other First Nations peoples, the custodians of lands and waters required for many renewable energy and carbon sequestration projects.

Australia is a member of the G20 SFWG, which in a [2024 Sustainable Finance Report](#), recommended a set of high-level principles on “credible, robust, and just” transition plans. One recommendation was that organisations should show how transition plans consider and engage affected stakeholders, safeguard against harm, and reduce negative impacts while enhancing social benefits.

The international TISFD was launched in September 2024 and is developing recommendations and guidance for reporting on impacts, dependencies, risks and opportunities related to people. The Taskforce has released [scoping materials](#) and is aiming to release a “beta version” of the disclosure framework in late 2025.

A just transition can help organisations build long-term resilience, attract talent and investment, and maintain their social license to operate by ensuring climate progress also supports workers and communities. Section 1 of Appendix A includes several resources from Climate Action 100+, SBTi, ATP-Col, GFANZ and ISO that include information on just transitions. Section 2 of Appendix A also includes materials that focus on just transition from ACSI and the IGCC.

Examples of just transition goals

- *Supporting and upskilling a resilient workforce through the transition to net zero*
- *Collaborating with local governments, employees, and communities to co-design transition plans*
- *Engaging with First Nations peoples’ to protect cultural heritage and values while delivering community benefits*



Nature

Nature-related commitments are environmental goals that cover a range of objectives such as reducing biodiversity loss, restoring degraded ecosystems, pollution reduction, sustainable resource use, water conservation, and more. Climate and nature are interlinked; the broad scale, fast pace and intensity of climate impacts are altering the natural environment that plays a crucial role in the global carbon cycle. Protecting and increasing the resilience of nature can reduce the effects of climate change and enhance climate change mitigation.

Natural carbon sinks and nature-based solutions, including conservation, restoration, and improved land, atmosphere, ocean and freshwater management can support mitigation ambitions by reducing emissions and sequestering carbon. Organisations should consider the nature-related impacts of their transition plan activities, as well as nature-based solutions for climate. This can help identify co-benefits between climate action and nature outcomes, improve efficiency in planning and reporting, and avoid unintended harm from climate-related transition planning.

There is also a growing momentum globally for nature-related reporting frameworks designed to support organisations to measure and disclose nature-related risks and dependencies. In 2023, the TNFD delivered final disclosure framework recommendations.

The Australian Government recognises the importance of responding to nature-related risks and opportunities and is progressing nature-related reporting initiatives. In 2023, the Department of Climate Change, Energy, Environment and Water (DCCEEW) commissioned a TNFD pilot testing project which produced a case study report and several deep-dive guides for various value chains.

The 2024-25 Budget provided \$4.1 million over two years for DCCEEW to develop further tools and guidance to support voluntary nature-related financial reporting. Section 2 of Appendix A includes a list of materials relevant to nature from GFANZ, TPT, and WWF as well as the DCCEEW and TNFD initiatives mentioned above. As nature-related reporting frameworks are still emerging, organisations should stay informed of updates and may consider voluntarily making nature-related disclosures.

1.3. Business model and value chain

Disclosing information about the effect of an organisation's transition plan on their business model and value chain establishes a clear and comprehensive snapshot of the strategic ambition. This information helps an organisation contextualise their operations, identifies where material climate and sustainability impacts and dependencies occur, and highlights key areas of influence and risk across the value chain. These changes can be outlined at a high level, supported by more detail on the actions the organisation is taking within the implementation strategy and engagement strategy.

Reporting entities captured by the sustainability reporting requirements under the *Corporations Act* and applying AASB S2 should consider any obligations to report on value chain related climate risks and opportunities, including emissions.

1.4. Key assumptions and external factors

Long-term planning for the transition can be challenging and comes with inherent uncertainty, making the use of scenario analysis an important step in strategic planning. Organisations seeking to decarbonise and improve climate resilience are operating in a dynamic environment with evolving technological, regulatory, political and economic circumstances. In this context, organisations will need to make reasonable assumptions about the future as part of their transition planning.

Examples of such assumptions and external factors can include new policies, decarbonisation trajectories, macroeconomic trends, technological developments, expected physical impacts of changing climate and expected levels of warming. Organisations are encouraged to use scenario analysis to ensure the strategy is robust against different reasonable assumptions, and regularly assess and update their assumptions as needed, to help manage the transition plan and its implementation over time.

Reporting entities captured by sustainability reporting requirements under the *Corporations Act* and applying AASB S2 should consider their obligations to include information about key assumptions used in developing the transition plan, and dependencies on which the transition plan relies.

2. Implementation strategy

The implementation strategy outlines the concrete steps for how an organisation will achieve the goals within their transition plan and how these changes will be resourced. It serves as the operational backbone of the broader plan, translating high-level strategic ambitions – such as net-zero emissions or enhancing climate resilience – into specific decarbonisation levers or adaptation actions. An effective implementation strategy ensures the strategic ambition of the plan is not only aspirational but also achievable.

This guidance covers three core components of the implementation strategy:

- decarbonisation levers to achieve mitigation ambitions,
- adaptation actions to achieve adaptation ambitions, and
- financial planning to resource these activities.

Organisations should also consider implications of the implementation strategy for other social and environmental goals.

Organisations should develop the implementation strategy while planning actions during Step 3 of the transition planning cycle. The implementation strategy should clearly articulate the planned steps and expected outcomes, a realistic timeframe for implementation, and underlying assumptions and dependencies.

Organisations should carefully consider how vulnerable their strategy is to a change in external factors, such as reliance on uncertain technology, or changes in cost factors and policies. This provides additional nuance and caveats relating to the decarbonisation levers or adaptation actions to account for future unknowns.

The planned steps should also be measurable and linked to the data and metrics used in the transition plan as discussed in Section 4. This enables readers to engage with the transition plan and assess the likelihood of the organisation achieving their strategic ambition.

The materials listed in Section 1 of Appendix A include further advice on developing an implementation strategy that organisations may wish to consider for more information. This guidance does not follow the structure of the IFRS TPT Disclosure Framework headings. Each section instead focuses on key considerations for implementing elements of the IFRS TPT Disclosure Framework.

The **IFRS TPT Disclosure Framework** suggests four sections should be disclosed in the Implementation Strategy: (1) business operations, (2) products and services, (3) policies and conditions, and (4) financial planning.

2.1. Decarbonisation

Decarbonisation progress will look different for different organisations and is unlikely to be linear. Organisations should think about the steps they can take over time to achieve their mitigation ambitions. These steps are commonly referred to as decarbonisation levers.

Decarbonisation levers can cut across multiple aspects of an organisation's business model, for example changes to:

- Business operations by shifting from fossil fuel feedstocks to electrification;
- Product and service offerings to increase the share of less emission intensive products and services, or phasing out more emissions intensive offerings;
- Internal policies and conditions to improve efficiency of processes to reduce energy usage or consider climate in procurement procedures; and
- Financial planning to invest in research and development which can reduce the emissions intensity of products and services over the longer term.

Taking available actions in the short to medium term should be prioritised to avoid delays which may create higher physical and transition risks in the long term. Avoiding or deferring consideration of the emissions impact of broader decision-making may also risk locked-in emissions. For example, decisions to acquire new emissions-intensive assets or enter long-term contracts for high emissions goods and services.

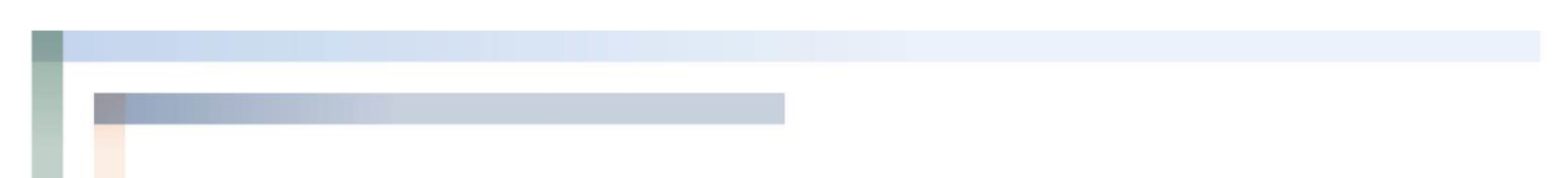
Decarbonisation levers across different sectors and regions

Decarbonisation levers vary across different sectors and regions due to differences in emissions sources, technological availability and existing infrastructure. When identifying decarbonisation levers, organisations are encouraged to consider which are appropriate for their specific sector.

Section 1 of Appendix A includes several sector-specific materials which provide insights into potential decarbonisation levers for a range of sectors such as consumer goods, built environment and financial institutions. The Australian Sustainable Finance Taxonomy discussed in Section 2.4 also includes mitigation criteria for six sectors that include many transition and decarbonisation activities. Organisations should also consider Australian Government policies to identify potential decarbonisation levers, particularly where policies help to unlock new technologies through research and development, establish critical enabling infrastructure and/or introduce regulatory obligations that support decarbonisation.

The Australian Government's Net Zero Plan will be supported by six sectoral emissions reduction plans. The six plans will cover: electricity and energy; industry; built environment; agriculture and land; transport and infrastructure; and resources. The plans will summarise the state of emissions in each sector and identify long-term opportunities for abatement. Organisations should consider all current policies when developing their implementation strategy.

The Climate Change Authority's 2024 Sector Pathway Review provides an independent perspective on short to medium term and longer-term options for each sector. The review provides an estimate of sectoral emissions trajectories and outlines methods and technologies that can be employed across each sector. The review also points out barriers to overcome to progress Australia's climate mitigation efforts, including workforce shortages, information and data gaps, and slow and complicated development approval processes.



Beyond the national level, there may also be opportunities for organisations to identify potential decarbonisation levers based on state and territory, and local government plans and roadmaps. The decarbonisation plans of these government bodies often include a suite of supporting policies that are intended to unlock new opportunities. There may also be opportunities for organisations to benefit directly from these policies through grants and other funding opportunities.

Organisations should identify in their transition plans where decarbonisation levers are driven by or align with government policies, as well any underlying assumptions or dependencies.

2.2. Adaptation and resilience

Identifying specific adaptation actions will be highly dependent on the unique blend of geographic and sectoral climate risks for each organisation. Organisations should identify the forward path for how they will improve resilience to both existing and future climate risks. Similarly to decarbonisation levers, adaptation actions can cut across multiple aspects of an organisation's business model, including operations, products and services, policies and conditions and financial planning.

Organisations should consider embedding adaptation into existing risk management processes, and identify where risks exceed tolerance levels under different climate scenarios and consider adaptation actions to manage these risks. Adaptation action options can include²:

- Structural and physical adaptation: involving tangible changes to infrastructure or the environment, such as elevating critical infrastructure above flood levels or investing in green buildings that rely on plants to regulate temperatures,
- Institutional adaptation: which refers to changes in policies, governance and organisational frameworks, for example updating risk management strategies and revising internal policies to integrate climate risks, and
- Social adaptation: encompassing shifts in behaviour, awareness and community practices, like promoting employee training on climate awareness or encouraging flexible work habits to changing conditions.

When developing adaptation actions, organisations should take care to avoid maladaptation, which occurs when actions have unintended negative consequences like increasing vulnerability for surrounding stakeholders. For example, building a flood wall might protect an organisation asset but increase flood risks for the local community. An effective engagement strategy (see Section 3) can help organisations understand and mitigate these risks, ensuring a robust approach and preventing unintended harm.

Australian adaptation policies

Organisations should consider government adaptation policies when identifying adaptation risks and opportunities, available adaptation technologies and infrastructure, as well as how they can complement broader system-wide adaptation actions.

Australian federal, state and territory, and local governments are taking significant steps in advancing adaptation. Each level of government has distinct but related roles and responsibilities in building

² More information available in the IPCC Climate Change 2014 [report](#)

national climate resilience. Information on the roles and responsibilities as well as specific materials from each level of government is outlined on the DCCEE Climate Adaptation in Australia [webpage](#).

The Australian Government is producing a National Adaptation Plan (NAP) which may help inform organisation adaptation actions. The NAP will provide guidance on how Australia should adapt to climate risks, scale up adaptation efforts and build national climate resilience. It will draw on the identification of Australia's highest priority national climate risks delivered by the NCRA.

Organisations are encouraged to consider the NAP, as well as any relevant state, territory or local government policies, to identify synergies with the overarching approach governments are taking to address climate risks in Australia.

2.3. Financial planning

The financial planning component of transition plans shows how organisations understand and manage the financial implications of the plan. A transition plan will have short- and long-term financial impacts, which can cut across changes to the balance sheet, income statement and cash flows. Setting expectations around cash flows can help explain the expected costs of achieving the transition plan but can also identify potential inflows from a successful transition plan.

Financial planning creates a critical link between climate-related risks and financial reporting, and helps readers understand the feasibility of transition plans. Organisations should consider how they include this information in transition plans to explain how strategic ambitions have been resourced and the expected benefits and/or costs from commitments. A list of examples is provided in Table 2 below.

Reporting entities captured by sustainability reporting requirements under the *Corporations Act* and applying AASB S2 should consider their obligations to disclose information about the impact of climate-related risks and opportunities on their financial position, performance and cash flows.

Table 2: Mitigation and adaptation examples of financial impacts

Financial impact category	Mitigation example	Adaptation example
Increased capital expenditure	Investing in new onsite renewable energy infrastructure	Investing in new manufactured water sources or storage solutions to improve water security
Changes in operating or maintenance costs	Energy efficiency upgrades reducing electricity consumption	Reduced associated insurance costs due to reduced exposure or vulnerability to physical climate risks
Increased research and development expenditure	Researching new carbon capture and storage technologies	Developing new drought-resistant crop varieties
Changes in the life and valuation of assets	Phasing out fossil fuel assets before the end of their effective life	Increase in commercial land value portfolio due to a reduction in flood risk exposure or vulnerability
Changes in revenue	New revenue streams from selling low-emissions products	Increased profits from drought-resistant crop

Organisations should consider opportunities to address uncertainties and external factors in outlining financial planning activities. This may include the use of materiality thresholds, interval and point estimates, and where quantitative information is impractical, considering qualitative information that could be provided instead. Organisations should also consider how they will be able to produce more robust estimates of values over the long-term.

2.4. Considering taxonomy use and alignment

A sustainable finance taxonomy is a framework to classify economic activities that contribute positively to sustainability objectives, for example climate change mitigation and adaptation. Taxonomies establish a common definition of what activities are considered sustainable to encourage credible and comparable information, providing confidence and certainty to investors and organisations. Finance providers increasingly rely on taxonomies to classify and manage activities aligned with sustainability goals.

Taxonomies can be used for transition planning at the activity level and overarching entity level.

- **Activity level**, organisations can use taxonomies for in-scope activities to guide investment in decarbonisation levers to demonstrate commitment to sustainability goals, and for screening eligible investments for green-labelled debt.
- **Entity level**, organisations can use taxonomies to understand the proportion of activities and investments aligned with sustainability goals. This can inform the financial planning section of transition plans and involves identifying the percentage of revenues generated by, or expenses attributed to taxonomy-aligned activities in metrics and targets.

Globally many taxonomies are being or have been developed, including in Australia where the Australian Sustainable Finance Institute (ASFI), with support of an Australian Government grant, released the initial [Australian Sustainable Finance Taxonomy](#) (Australian Taxonomy) in June 2025. The Australian Taxonomy is a voluntary tool that organisations may use to inform their transition plans.

Using the Australian Taxonomy as part of transition planning

The initial Australian Taxonomy comprises technical screening criteria for activities in six priority sectors against the objective of climate change mitigation. These sectors are: Agriculture and land; Minerals, mining and metals; Manufacturing and industry; Electricity generation and supply; Construction and buildings; and Transport. The taxonomy's criteria were developed with advice and input from technical experts and through public consultations.

The Australian Taxonomy's technical screening criteria have been based on credible, science-aligned scenarios that are consistent with the Paris Agreement goal to limit global temperature increases to 1.5°C. In-scope activities have 'green' or 'transition' criteria which must be met to be considered taxonomy-aligned. Green and transition classifications differentiate between activities that are aligned with a 1.5°C pathway, and activities and measures that can facilitate movement toward alignment, respectively. The taxonomy is a non-exhaustive list of priority activities that contribute to climate change mitigation. The absence of an activity should not be interpreted as an assessment of its sustainability. The taxonomy is intended to be a living document, and further activities could be included in future iterations of the taxonomy.

The transition criteria also include decarbonisation measures. These are measures that improve the emissions performance of an activity, but do not make the whole activity 'green'. Organisations that decarbonise existing activities consistent with the relevant decarbonisation measures in the taxonomy can report the specific measure undertaken as taxonomy-aligned expenditures. Organisations are encouraged to consider the green and transition criteria activities, including the decarbonisation measures, to identify decarbonisation levers to implement as part of their transition plans.

The Australian Taxonomy also includes Do No Significant Harm (DNSH) and Minimum Social Safeguards (MSS) criteria which cover other environmental and social objectives respectively. The DNSH framework is designed to ensure an activity that makes a substantial contribution to climate

change mitigation, i.e. by meeting the technical screening criteria, does not cause significant harm to the taxonomy's other environmental objectives. The MSS framework is designed to ensure that entities seeking to claim taxonomy alignment adhere to defined set of standards and social norms. These frameworks are particularly relevant for organisations pursuing a just transition and other environmental or social objectives as part of their transition plan.

Considering these frameworks in application of the taxonomy can strengthen the achievement of these broader objectives discussed in Section 2.5 below. The taxonomy includes guidance on how to apply DNSH criteria and assess performance criteria against the MSS framework.

2.5. Implications for other objectives

Investing in decarbonisation levers and adaptation actions help to minimise and manage climate related risks but they can also result in co-benefits that can include a range of broader environmental, social, and economic benefits. These co-benefits are additional positive outcomes that result as a side effect from the implementation strategy. However, organisations may also wish to consider broader environmental and social ambitions as discussed in the 'Foundations' section.

Social

The decarbonisation levers and adaptation actions of an organisation can affect a range of stakeholders including workers, local communities and First Nations peoples. The impacts can include but are not limited to strengthening local economies, improved public health from reduced airborne pollutants, and enhancing community resilience to climate-related risks and opportunities. Organisations may consider how climate-related transition plans can strengthen and reinforce other strategic plans targeting social outcomes.

One way of supporting social outcomes for workers is developing workforce transition plans, which outline strategies and steps to manage changes in staffing, training programs for staff and restructuring. These plans are useful ways to ensure a smooth transition while maintaining productivity and supporting affected employees through training and redeployment.

The Net Zero Economy Authority (NZEa) administers the [Energy Industry Jobs Plan](#), a national workforce transition plan designed to support workers impacted by the closure of coal-fired and gas-fired power stations and the transition to new industries. It achieves this by providing workers with reskilling opportunities, and access to career and financial advice so they can make informed decisions about their future. The NZEa is also supporting Department of Employment and Workplace Relations to develop Regional Workforce Transition Plans.

Reconciliation Action Plans (RAPs) are strategic frameworks designed to promote and enhance relationships, respect, and opportunities between Indigenous and non-Indigenous Australians. RAPs help organisations embed the principles of reconciliation into operations by promoting cultural awareness, fostering respectful relationships, and creating opportunities for Indigenous Australians. Reconciliation Australia provides detailed [advice](#) on how organisations can develop and seek endorsement of RAPs to be displayed on their website.

The Australian Government is also a participant of the [National Agreement on Closing the Gap](#) and through DCCEEW released the [First Nations Clean Energy Strategy](#). The National Agreement outlines priority reforms and socio-economic targets for First Nations Peoples, while the strategy sets out a 5-year national framework aiming to support First Nations peoples' participation in and benefit from the clean energy transition. These resources are useful for organisations to understand the social, environmental, cultural and economic dimensions of climate change and the impact on First Nations peoples.

Nature

When developing a transition plan, organisations may consider how their implementation strategy could positively or negatively impact nature and where there are dependencies on nature. This recognises the link between climate and nature and helps identify effective climate change solutions that can also support nature outcomes. For example, investing in nature-based solutions for adaptation and mitigation can provide multiple benefits including protecting biodiversity and threatened species, making communities more resilient to climate change, contributing to food security while reducing emissions.

Conversely, organisations' actions can also negatively impact nature and the environment, particularly in relation to land-use changes for new infrastructure or impacts on water supplies. Nature impacts will vary depending on the location and sector of an organisation's transition plan activities. Organisations should consider these trade-offs as part of their transition plans.

In Section 2 of Appendix A, there is a summary of materials from the TNFD, DCCEEW, GFANZ and the WWF. The TNFD sector-level guidance provides an overview on beginning to report nature-related dependencies, impacts, risks and opportunities and provides disclosure metric recommendations. The GFANZ advice suggests several ways forward to incorporate nature in transition plans, including: (1) reduce nature emissions as per 1.5°C aligned pathways, (2) protect and increase greenhouse gas sinks, and (3) embed climate-nature considerations into approach and planning.

These materials may be a useful tool for organisations seeking to integrate nature considerations into their transition planning and implementation strategy. As organisations develop transition planning capabilities it may be beneficial to recognise the unique and distinctive role of nature risks outside the context of climate change. While nature-related reporting frameworks are still evolving, organisations should consider voluntarily making nature-related disclosures.

Circular economy

Organisations may also wish to consider embedding circular economy principles in their transition planning. A circular economy promotes sustainable and efficient use of resources to support environmental, economic and social outcomes. It shifts away from the current linear 'take, make, dispose' consumption approach to one that maintains a circular flow of materials by recovering, retaining or adding to their value.

Circular economy practices can be beneficial decarbonisation levers that can lower energy demand and associated emissions by retaining existing goods and materials for longer. This in turn reduces the need for new extraction and processing activities, as well as transport and use of materials across their whole lifecycle. Circular economy practices can have other benefits beyond decarbonisation by improving resource efficiency and reducing wastage across the economy.

Circular economy practices can also play a key role in reducing climate risks by enhancing resilience and adaptive capacity. For example, using recycled water in agriculture not only conserves fresh water but also reduces the vulnerability of crops to drought conditions, enhancing food security in arid regions. Conversely, using climate-resilient materials reduces waste by extending product lifespans. In this way organisations may pursue complementary circular economy and climate adaptation goals.

In December 2024, the Government released Australia's [National Circular Economy Framework](#). It sets the pace and direction for Australia to double the circularity of the economy by 2035 – and galvanise efforts to drive the net zero, nature positive and economic growth agendas. The sectoral priorities provide a breakdown of circular economy practices across four sectors; industry, built environment, food and agriculture, and resources. This includes information on priorities and enablers which can be used by organisations to develop decarbonisation levers and adaptation actions.

Section 2 of Appendix A outlines several circular economy materials including the World Business Council for Sustainable Development's Circular Transition Indicators materials and the Australian Circular Economy Standards. Organisations interested in circular economy should consider these when developing decarbonisation levers and adaptation actions, and appropriate indicators.

3. Engagement strategy

An engagement strategy is used to keep stakeholders involved, informed and supported throughout the organisation's transition. It focuses on identifying who needs to be engaged, how information will be exchanged and training or resources to help stakeholders adjust. The success of the global transition towards net-zero and climate resilience benefits from the collaborative efforts of industry, government, and communities.

An effective engagement strategy brings others on the journey to achieve the strategic ambition, ensuring stakeholder groups are not adversely affected or left out of opportunities. On the other hand, a poorly executed engagement strategy increases the risks of maladaptation, can reduce the transition plan's credibility, and undermine the effectiveness of the transition plan implementation.

This guidance covers engagement considerations for value chains, industry, and government, public sector and civil society. Organisations should develop the engagement strategy while planning actions during Step 3 of the transition planning cycle. The engagement strategy should clearly identify current and planned stakeholder engagement activities, including information to understand how this contributes to achieving the strategic ambition.

The **IFRS TPT Disclosure Framework** suggests three sections should be disclosed in the Engagement Strategy: engagement with (1) value chains, (2) industry, and (3) government, public sector and civil society.

3.1. Engagement with value chain

A value chain refers to the full range of both upstream and downstream activities that an organisation engages in such as purchasing goods, transportation, product use and disposal. An organisation's value chain is a potential source of exposure to climate-related risks and opportunities. For example, an organisation running a supermarket may be exposed if crops produced by their suppliers face lower yields or higher input prices due to climate change.

Engagement with the value chain helps build an organisation's understanding of exposure to climate-related risks and opportunities across their value chain and how partners align to their strategic ambition. Engagement can also enhance data accuracy, innovation, and stakeholder trust, making the plan more effective.

Once risks across the value chain are understood, organisations should consider how it sets expectations and provides feedback to value chain partners, as well as how it will support these partners and encourage accountability. Organisations should, where possible, engage with their value chains on relevant strategic ambitions, including mitigation, climate resilience and adaptation, and other social or environmental objectives. The engagement strategy can then capture how the organisation intends to work with value chain partners to address risks and capitalise on opportunities.

Engagement with the value chain can also help organisations identify where scope 3 emissions are concentrated and collaborate on solutions to reduce value chain emissions. However, organisations should take a targeted and considered approach to engaging with value chain partners on scope 3 emissions, being cognisant of the potential reporting burden and establishing an appropriate approach to improve scope 3 data quality over time. As a starting point, organisations can use scope 3 emissions estimation modelling methods and tools to help identify material emissions sources, which can inform priority areas for value chain engagement and collaboration.

The Greenhouse Gas Protocol [Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard](#) provides advice on mapping value chains, including setting boundaries, and disclosing and justifying exclusions. Reporting entities captured by sustainability reporting requirements under the *Corporations Act* and applying AASB S2 should consider their obligations to disclose information about scope 3 emissions.

Engagement with consumers

Consumers are increasingly concerned about the environment and these concerns are reflected in the products or services selected. Organisations are responding to consumer demand for environmentally sustainable products and services, including through transition planning. This is leading to a shift in how products and services are produced, marketed and delivered to consumers.

Organisations should be careful to comply with Australian Consumer Law (ACL) obligations where they engage with consumers about their transition planning. This includes ensuring claims are true, clear and based on reasonable grounds so that consumers can understand communications and trust is built. The ACCC is responsible for enforcing compliance with the ACL and developed the [Environmental Claims Guide](#) to help organisations understand their responsibilities under the ACL when making consumer-facing claims. Principle 8 of the guide specifically addresses making claims about an organisation's environmental sustainability transition.

3.2. Engagement with industry

Industry collaboration allows organisations to share lessons learned, stay up to date on best practices, support peers who are engaging in their own climate transitions, and in this way can support climate solutions at a greater speed and scale. Involvement in industry groups aligned with an organisation's strategic ambitions also sends a positive signal to stakeholders, as it shows active engagement towards enabling an economy-wide transition and a climate-resilient future.

Organisations may collaborate with a wide variety of industry groups, such as industry associations, not-for-profit organisation, charities and government bodies. Working collaboratively can help achieve improved sustainability objectives and transition planning quicker and more efficiently. However, before collaborating, organisations should be aware of obligations to comply with Australia's competition law.

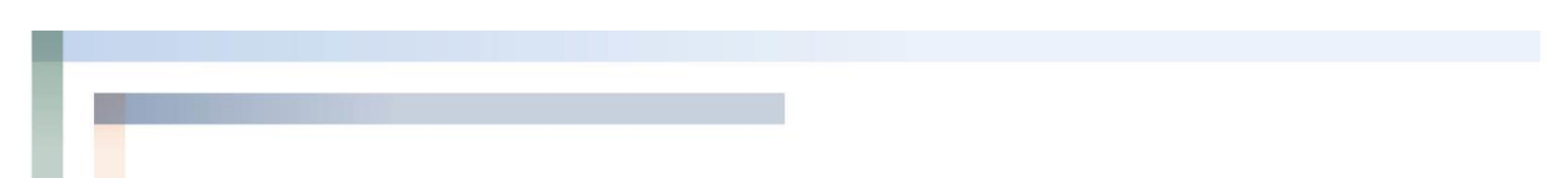
The ACCC's Sustainability Collaborations and Australian Competition Law [guide](#) helps organisations understand how they can collaborate on environmental and social sustainability initiatives without breaching competition laws. The guide also explains that where organisations want to collaborate in a way which does raise competition law risks, certain exemptions may be available, such as authorisation.

3.3. Engagement with government, public sector and civil society

Broader engagement with government and civil society is important as it can help contribute to and reinforce an organisation's strategic ambition and may help to inform policy. Disclosing information about this engagement can help demonstrate credibility to stakeholders and build social licence and buy-in for the transition plan.

Engagement with government

The IFRS TPT Disclosure Framework recommends that organisations disclose information on how they are engaging with government, regulators and public sector organisations. This is particularly relevant



where there are key policy or regulatory changes on which the transition plan depends to succeed. For instance, Australian policies at the federal, and state and territory levels of government are often subject to public consultation processes, where organisations can provide feedback and advocate for policy settings that may be a dependency identified in their transition plan. Disclosing transparently the organisation's engagement in policy development processes, such as linking to publicly available submissions, can help demonstrate how an organisation's engagement is consistent with its overall strategic ambition.

In their engagement with government and the public sector, organisations should be mindful of any requirements or expectations around the transparency and integrity of these engagements. The Attorney General's Department has on their [website](#) information for lobbying activities which include a range of guidance and code of conduct materials.

Engaging with local communities

Engagement with local communities is key to maintaining a strong social license to operate. The social license to operate is the ongoing acceptance and approval of an organisation's activities by local communities and stakeholders, which helps ensure long-term success, reduces operational risks and fosters positive community relationships.

Early and effective conversations with local communities fosters a shared understanding of local needs, challenges and opportunities relevant to the transition planning process. Community insights gathered through engagement help to build an understanding of the capacity the community has to manage the impacts of the transition plan and the community's tolerance for possible trade-offs. However, it is critical to build trust with community by breaking down complex technical information into community friendly language, providing sufficient notice and time to meaningfully engage and updating the communities on the outcomes of engagement and feedback processes.

The Australian Government has several initiatives in the energy space which organisations may consider when engaging with local communities. DCCEE released the [National Guidelines for Community Engagement and Benefits for Electricity Transmission](#) projects, which include community engagement principles across 4 sections. The NZEA's [Energy Industry Jobs Plan](#) also provides a framework for unions and employers to work together and agree on the supports workers need to transition to new opportunities.

Engaging with First Nations peoples

Australia is home to one of the oldest living cultures on earth, for over 65,000 years First Nations peoples have cared for Country. Engagement with First Nations peoples recognises Indigenous knowledge and leadership that can help shape transition plans. First Nations peoples and communities make important contributions to climate change responses, such as First Nations carbon sequestration projects across Australia that are reducing emissions, creating meaningful jobs on Country and empowering communities.

First Nations communities are crucial partners in the net zero transition. Working in genuine partnership with Traditional Owners and First Nations communities will help avoid the worst impacts of climate change and ensure communities can shape and share in the economic benefits of the transition. First Nations communities face disproportionate impacts from climate change, such as impacts on culture, connection to Country and environment-based livelihoods. Considered engagement with First Nations peoples can help to reduce the risk of exacerbating these impacts.

Before engaging with Indigenous communities, organisations should have genuine intentions, clear reasons for the engagement, and take a culturally respectful approach. Building a mutually beneficial

approach takes time and can place resourcing and financial pressure on the community and individuals. Organisations should consider available materials on best practices and principles for engagement with First Nations, whilst also considering the local context and needs. For instance, the Australian Taxonomy's MSS criteria aim to ensure an organisation engaging in taxonomy-aligned activities adheres to key social protections and standards including in relation to First Nations peoples' cultural rights and heritage (see Table 3). In addition, the First Nations Clean Energy Network has developed a toolkit including several best practice network [guides](#) for engagement with First Nations peoples for clean energy projects.

Table 3: Australian Sustainable Finance Taxonomy First Nations rights and cultural heritage MSS criteria

First Nations rights	First Nations cultural heritage
<p>The entity recognises the rights of First Nations in line with the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and implements policies and processes to respect and support those rights.</p> <p>The entity implements processes to assess, record and report on potential and actual impacts on First Nations through its operations.</p> <p>The entity agrees on appropriate First Nations engagement practices in collaboration or co-design with First Nations in line with the UNDRIP principle of Free, Prior and Informed Consent.</p>	<p>The entity implements processes to investigate, record and manage cultural heritage within its operations in collaboration or co-design with First Nations.</p>

4. Metrics and targets

In transition plans, metrics are measurable indicators used to track progress, while targets are the specific goals sets for those metrics to achieve strategic ambitions. This section focuses on defining how progress will be measured and what specific goals plan to be achieved through the transition plan.

Metrics and targets are a core component of ensuring the robustness of transition plans, translating the plans detailed in the implementation and engagement strategies into deliverables that can be measured and tracked. When identifying relevant metrics and setting targets, organisations should take care to ensure they are meaningful and sufficiently ambitious.

This guidance covers broad considerations for identifying metrics and setting targets for mitigation, adaptation and financial planning. The metrics and targets should be developed to relate to the implementation and engagement strategy during Step 3 of the transition planning cycle. Reporting against these metrics and targets is crucial for monitoring progress in Step 4 of the cycle.

This guidance also outlines how organisations can track and report progress. This ensures stakeholders have an up-to-date understanding of progress towards the target and is crucial for monitoring progress in Stage 4 of the cycle.

The **IFRS TPT Disclosure Framework** suggests four sections should be disclosed in Data and Metrics: (1) governance, business and operational metrics and targets, (2) financial metrics and targets, (3) greenhouse gas (GHG) metrics and targets, and (4) carbon credits.

4.1. Setting and expressing targets

When organisations set and express targets, they should ensure targets are clear, measurable and reflect their strategic ambition. These targets should be based on reliable data with transparent underlying assumptions.

Developing targets using accepted emissions accounting methodologies and science-based targets can help demonstrate credibility and support assurance processes. Organisations should also consider metrics commonly used in their sector to make comparisons easier, Section 2 provides more information on sector-specific materials.

When done well, targets maintain accountability and communicate progress towards delivering on the ambition of the transition plan. Conversely, ambiguous targets may not be considered credible by stakeholders, reducing buy-in and potentially misleading users. The ACCC and ASIC are responsible for regulating misleading and deceptive conduct – with the ACCC focused on general consumer protection and ASIC overseeing financial services and products. For more information refer to the ACCC's [Environmental Claims Guide](#) and ASIC's [information sheet](#) on how to avoid greenwashing.

Types of targets

Organisations may choose to establish a range of metrics and targets to drive and monitor progress towards the strategic ambition of their transition plans. There are many ways to categorise metrics and targets, for example the IFRS TPT Disclosure Framework separates them into three categories: (1) governance, engagement, business and operational, (2) financial, and (3) GHG. This guide provides advice on considerations for setting decarbonisation, financial, and adaptation and resilience targets that inform subsections of the Metrics and Targets section of the IFRS TPT Disclosure Framework.

The IFRS TPT Disclosure Framework suggests 10 elements to clearly express targets that can be applied across decarbonisation, financial and adaptation and resilience targets. These elements include clearly articulating how they contribute to objectives, the time horizon and methodology to develop the metrics and targets. It also recommends including information about the underlying assumptions, dependencies and extent of third-party verification.

Reporting entities captured by sustainability reporting requirements under the *Corporations Act* and applying AASB S2 should consider their specific obligations for metrics and targets disclosures, including the target scope, timing and supporting assumptions, and extent of third-party verification and planned use of carbon credits.

Decarbonisation metrics and targets track progress towards mitigation ambitions and decarbonisation levers through a combination of GHG and operational metrics. Stakeholders use these to understand how an organisation is progressing towards their mitigation ambitions. Organisations are encouraged to consider aligning their metrics and targets to initiatives like the Paris Agreement, NDCs or sectoral pathways.

- GHG metrics and targets are measurable indicators and specific goals set by organisations to reduce and track greenhouse gas emissions across different time horizons. For example, an organisation may set a target to collectively reduce scope 1, 2 and 3 emissions by 50% compared to 2005 levels by the year 2032.
- Operational decarbonisation metrics and targets track specific decarbonisation levers which are expected to deliver emissions reduction outcomes. For example, an organisation may set an operational target of using 80% recycled materials by the year 2040, achieving this operational target may also result in an emissions reduction of 10 tonnes which could contribute to a greenhouse gas reduction target.

When quantifying the emissions impact of decarbonisation targets, absolute (e.g. tonnes of emissions), relative (e.g. percentage reduction in emissions) and intensity (e.g. tonnes of emissions per unit of output) metrics can be used. All targets should clearly identify the base year and value from which the percentage reduction is set.

Decarbonisation targets should also clearly identify whether they apply to scope 1, 2 and/or 3 emissions as well as the extent of coverage across the business model and value chain. Where possible, organisations should aim to set clear targets across all emissions scopes and business operations to prevent the risk of carbon leakage. Carbon leakage refers to the production of emissions intensive goods and commodities shifting from countries with more ambitious emissions reduction policies to those with weaker or no emissions reduction policies.

Adaptation and resilience metrics and targets track progress towards adaptation ambitions and actions primarily through engagement, business and operational metrics. Stakeholders use these to evaluate how an organisation prepares for and manages climate-related risks to support climate resilience.

Adaptation metrics and targets are still an emerging concept with the recently released NGFS G20 SFWG input paper providing a maturity model for these metrics and targets. This model outlines how capability can be improved over time, from understanding exposure to climate risks and opportunities, to quantifying resources deployed to adaptation, to ultimately quantifying effectiveness of adaptation actions.

Adaptation targets can involve units that represent exposure of assets and revenue streams to climate risks and opportunities. For example, an organisation may aim for the percentage of assets exposed to 1 in 100-year climate hazards in 2030 to 10%. Targets can also include internal capability metrics such

as number of employees trained in climate resilience measures and number of internal frameworks or policies developed to address climate change.

Financial metrics and targets drive and track the alignment of financial decisions, such as capital allocation, investments and expenditures, with achieving the organisation's strategic ambition. Stakeholders can use these to assess whether mitigation and adaptation ambitions are backed by financial commitments. These targets and metrics relate to the 'Financial Planning' section of an organisation's implementation strategy for its transition plan (see Section 2.3).

Financial targets primarily focus on inputs committed towards mitigation and adaptation ambitions rather than the outcomes of this investment. For example, an organisation may aim to allocate 30% of capital expenditures to low-carbon technologies from 2030 onwards to support their 2040 target. As organisations become more sophisticated in their financial modelling, other metrics for financial risk exposure or anticipated new revenues may also be reported.

Financial targets which link to sustainable finance taxonomies should explain how taxonomies have been used to determine what proportion of expenditures meet the taxonomy definition (see Section 2.4).

4.2. Use of carbon credits and renewable energy certificates

Carbon credits are tradeable financial products issued by a carbon crediting programme and represent an emissions reduction or removal of one tonne of greenhouse gases. Carbon credits are uniquely serialised, issued, tracked and cancelled by means of an electronic registry. Renewable energy certificates are tradable certificates which represent a unit of renewable energy generated or displaced by renewable energy power stations.

Australia has several existing and emerging government-backed schemes to certify carbon credits as well as renewable electricity certificates. The Clean Energy Regulator administers these schemes and several publicly available [online systems](#) which house information about these credits and certificates.

Carbon credits

Organisations can choose to use carbon credits to offset greenhouse gas emissions by purchasing and cancelling, also referred to as 'retiring', them in the relevant registry. Where possible, organisations should prioritise direct emission reductions in their value chain before using carbon credits to offset any residual emissions.

Many frameworks in Section 1 of Appendix A such as the ISO Net Zero guidelines, Climate Action 100+, IFRS TPT materials and SBTi standard require prioritising direct emissions reductions before using high-quality carbon offsets. If using carbon credits, organisations should rely on high-quality credits verified through rigorous processes to ensure reductions are additional, permanent and not double-counted.

The Australian Government's ACCU scheme incentivises carbon abatement activities through projects ranging from reforestation to improving energy efficiency. Each ACCU represents one tonne of carbon dioxide equivalent that would otherwise have been released into the atmosphere. ACCU crediting is subject to strict eligibility criteria based on the Offset Integrity Standard to ensure abatement is additional, measurable and evidence based.

ACCUs are currently managed through the [Australian National Registry of Emissions Units](#), and the ACCU project and contract [register](#) provides additional information on each project and the methodology they are registered under. Organisations choosing to use ACCUs should consider how they can link to this public information.

Where organisations have elected to use credits, they should provide additional context on their planned use:

- The extent to which credits will be used,
- Why direct reductions are not possible,
- The intended timeframe for using the credits
- The types of carbon credits that will be purchased, and
- Information on how the company assesses the credibility of offsets and intends to prevent double counting of emissions reductions.

Reporting entities captured by sustainability reporting requirements under the *Corporations Act* and applying AASB S2 should also consider their specific obligations to disclose information on the planned use of carbon credits.

Renewable energy certificates

Organisations may buy and/or retire, also referred to as ‘surrender’ or ‘cancel’, renewable energy certificates to substantiate they are using or claiming use of renewable energy for the purposes of emissions accounting. Electricity emissions make up almost all scope 2 emissions in Australia, and there are generally two ways these emissions can be accounted for:

- A **location-based** method which uses an average emissions intensity for grids where the electricity consumption occurs, and
- A **market-based** method which involves subtracting eligible renewable energy purchases from the total quantity of purchased electricity before applying a residual mix emissions factor to the remaining electricity sourced from the grid.

The Renewable Electricity Guarantee of Origin (REGO) Scheme, commencing in the second half of 2025, will provide a voluntary, enduring certification mechanism for renewable energy claims in Australia. The REGO certificate mechanism utilises the design strengths of the Large-scale Renewable Energy Target (LRET) scheme, but with a wider scope of eligible renewable energy such as energy storage systems.

The Greenhouse Gas Protocol’s [Scope 2 Guidance](#) provides further detail on the different approaches. The Clean Energy Regulator’s [Voluntary market-based scope 2 emissions guideline](#) provides advice on how these methods are applied in the National Greenhouse and Energy Reporting Scheme.

When using renewable energy certificates, it is important to ensure the claim to use of the electricity is exclusive. Where organisations are claiming use of onsite renewable electricity, they should surrender certificates and not sell them on to prevent double counting of renewable electricity use. The Clean Energy Regulator is responsible for maintaining the [Renewable Energy Certificate \(REC\) Registry](#).

Reporting entities captured by sustainability reporting requirements under the *Corporations Act* and applying AASB S2 should consider the specific obligations for disclosing scope 2 emissions using the location-based method and additional information regarding contractual instruments.



4.3. Tracking and reporting progress

Outlining metrics and targets in a transition plan provides a method to track and compare progress from organisations delivering against climate ambitions. Organisations should communicate progress transparently by disclosing current performance metrics, progress over time, and any changes to targets, assumptions or sensitivities of estimates. Organisations should also develop clearly documented internal processes on how metrics and targets are prepared to ensure a consistent approach over time and document methodology changes.

Organisations should also consider setting potential triggers for when they will reassess and update their transition plans. This could include setting internal triggers such as meeting, under or overperforming against targets, or in response to a change in external triggers such as dependencies or assumptions.

Reporting entities captured by sustainability reporting requirements under the *Corporations Act* and applying AASB S2 should consider their metrics and targets reporting obligations as required by the standard, including the supporting and connected information requirements to be disclosed. Taking opportunities to link the transition plan metrics and targets to those required to be disclosed under the sustainability reporting obligations could assist reporting entities to reduce duplicative reporting and provide consistency and transparency for internal and external audiences.

5. Governance

The Governance section in a transition plan outlines the leadership structure, decision-making processes and accountability mechanisms required to guide and control implementation of the plan. Effective governance ensures accountability and coordination, helping the transition plan stay on track and its integration with broader organisational goals and processes.

This guidance outlines key considerations for the governance section of transition plans; however, organisations will need to consider what is most suitable for their specific structure and operating environment. The governance arrangements are an important enabler of the transition plan's success and will develop over the course of all stages in the transition planning cycle.

The **IFRS TPT Disclosure Framework** outlines five sections which organisations should disclose in the Governance section: (1) board oversight and reporting, (2) roles responsibility and accountability, (3) culture, (4) incentives and remuneration, and (5) skills, competencies and training.

5.1. Board oversight and reporting, and roles, responsibility and accountability

Transition plans form a critical component of an organisation's overarching strategy. Strong governance arrangements can ensure the transition plan is successfully implemented, and strategic ambitions achieved. Disclosing the oversight and reporting roles can demonstrate to stakeholders that the organisation has the structures in place to ensure clear accountability for the delivery of the transition plan.

Organisations should consider how best to structure the governance approach at both the board and management levels to provide clear oversight and implementation accountabilities. The board or a designated committee should provide strategic direction, approve the transition plan and regularly review progress to ensure alignment to the long-term strategic ambition. While at the management level, there should be clearly defined roles, responsibilities and accountabilities to oversee implementation of the transition plan.

As part of this section, organisations should also consider and disclose what controls and procedures are required to support the oversight of the transition plan, and ensure the reliability of information disclosed and that it remains well-maintained. This includes any internal assurance functions and whether the transition plan is subject to external assurance or verification. The IFRS TPT Disclosure Framework also recommends organisations should aim to update their transition plans at least every three years to ensure they remain relevant.

When establishing their governance arrangements, organisations should consider any existing obligations for bodies or individuals under the *Corporations Act*. This includes various director's duties alongside requirements for declarations from certain individuals within the organisation.

5.2. Culture

A successful transition plan also depends on fostering an enabling culture. This can help embed the transition plan within the organisation's broader strategy, procedures and policies.

Clearly identifying strategies to maintain and evolve organisational culture during a period of change helps internal and external stakeholders understand the impact of the transition. Cultural changes should aim to preserve core values and practices while fostering adaptability and openness to new ideas. Organisations should include information in their transition plan on any relevant initiatives to engage employees, promote clear communication, and support leadership in modelling desired behaviours and values, ensuring a smooth and cohesive transition that aligns with the organisation's strategic ambitions.

5.3. Incentives and remuneration

Aligning incentives and remuneration for executives and staff can strengthen accountability while motivating leaders and staff to prioritise the strategic ambition of the transition plan. These can include adjustments to salary structures, bonuses, and other financial rewards to align with new goals and performance metrics aligned to the transition plan. This can also include non-monetary incentives, such as professional development opportunities and recognition programs, to ensure employees feel valued and engaged throughout the transition. Organisations should disclose information in their transition plan on how they align, or plan to align, the incentives and remuneration structures with the strategic ambition of the transition plan.

5.4. Skills, competencies and training

Skills, competencies and training are necessary to ensure the organisation and employees have the capability to support transition plan implementation. The use of skill stocktakes, targeted training programs, workshops and continuous learning opportunities can help bridge skill gaps and enhance capability. Providing ongoing support and resources to ensure employees, board members and executives can effectively adapt to new roles and responsibilities, and help support a cultural shift towards growth and development. Organisations should include information in their transition plans on any efforts they are undertaking to upskill through training to support delivery of the transition plan.

Appendix A: List of relevant materials

The following resources have been identified throughout the development of this guidance through a combination of desktop research and stakeholder feedback as potentially useful resources to support organisation's transition planning. The tables in this Appendix contain lists of relevant materials which organisations may wish to consider when they want to learn more about each topic. The inclusion of these materials should not be considered a formal endorsement by the Australian Government.

The list of materials provided in this appendix include: 1. climate-related transition planning materials; 2. environmental and social materials; and 3. materials relevant to the climate-related financial disclosures reporting regime.

1. Climate-related transition planning materials

There are many ways to categorise the publicly available materials focused on climate-related transition planning internationally. For the purpose of this guidance, they are categorised into:

- 1) **Disclosure frameworks**, recommend a set of detailed information that should be disclosed in transition plans to provide sufficient transparency for stakeholders to assess an organisation's goals. This guidance recommends organisations use the IFRS TPT Disclosure Framework, but organisations may consider alternative disclosure framework approaches where they are better suited to their specific circumstances. Please note these disclosure frameworks are distinct from the climate-related financial disclosures framework in the *Corporations Act*.
- 2) **Assessment methodologies**, provide frameworks for assessing the credibility of a transition plan through a predefined list of criteria and methodologies for assessing transition plans partly or wholly. Organisations may consider these materials to gain insight into how transition plans may be evaluated as credible.
- 3) **Standards and expectations**, set a minimum standard or expectation for content included in transition plans as well as identifying key focus areas. Similarly to assessment methodologies, organisations may consider these materials to understand minimum expectations for transition plans from different stakeholder groups.
- 4) **Sector-specific guides**, provide detailed advice on decarbonisation pathways and options specific to different sectors. Organisations may consider these materials to identify decarbonisation pathways for their sector
- 5) **Transition planning guides**, offer practical advice on how to plan and adjust internal processes to support transition planning. Organisations may consider these materials to identify real-world examples and processes which they can follow when transition planning.

Organisation	Resource	Descriptions	Link
Disclosure frameworks			
IFRS	TPT Disclosure Framework	This material provides a comprehensive, good practice disclosure framework to help private sector organisations develop and disclose credible climate transition plans aligned with net zero goals.	https://www.ifrs.org/content/dam/ifrs/knowledge-hub/resources/tpt/disclosure-framework-oct-2023.pdf
GFANZ	Financial Institution Net-Zero Transition Plans Fundamentals, Recommendations, and Guidance	This material provides a framework for transition plans for financial institutions, identifying four financing strategies that could facilitate real-economy transitions.	https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf
Assessment methodologies			
Climate Action 100+	Net Zero Company Benchmark Framework	This material is an investor-led assessment tool that evaluates the world's largest corporate greenhouse gas emitters on their progress toward net-zero emissions, focusing on transparency, accountability, and alignment with global climate goals	https://www.climateaction100.org/wp-content/uploads/2023/10/CA100-Benchmark-2.0-Disclosure-Framework-Methodology-Confidential-October-2023.pdf
Climate Bonds Initiative	Guidance to assess transition plans	This material provides an introductory guide to assist stakeholders to understand the basic markets of a credible transition plan and complement the Climate Bonds Standards and Certification Scheme.	https://www.climatebonds.net/files/reports/guidance_to_assess_transition_plans.pdf
Science Based Targets initiative	Corporate Net-Zero Standard	These materials provide guidance on how organisations can set science-based net-zero targets which are eligible to be validated by the Science Based Targets initiative.	https://sciencebasedtargets.org/resources/files/Net-Zero-Standard-Criteria.pdf https://files.sciencebasedtargets.org/production/files/Net-Zero-Standard.pdf
United Nations Environment Programme	A Tool for Developing Credible Transition Plans	This material sets out practical steps for both developing and evaluating transition plans, while also providing guidance for mapping Alliance members' activities against five robust transition plan frameworks.	https://www.unepfi.org/industries/investment/developing-credible-transition-plans-implementation-tool-for-asset-owners/
Assessing Transition Plans Collective	Assessing the credibility of an organisation's transition plan: framework and guidance	This material aims to pave the way for future standards by providing harmonised guidance to assess the credibility of organisations' transition plans.	https://www.worldbenchmarkingalliance.org/research/assessing-the-credibility-of-a-companys-transition-plan-framework-and-guidance/

Organisation	Resource	Descriptions	Link
Standards and expectations			
Investor Group on Climate Change	Corporate Climate Transition Plans A guide to investor expectations	This material consolidates existing guidance specific to company transition plans with a focus on investor views and expectations.	https://igcc.org.au/wp-content/uploads/2022/03/IGCC-corporate-transition-plan-investor-expectations.pdf
GFANZ	Expectations for Real-economy Transition Plans	This material serves as a practical guide for organisations in the real economy when building transition plans and disclosing progress against them.	https://assets.bbhub.io/company/sites/63/2022/09/Expectations-for-Real-economy-Transition-Plans-September-2022.pdf
International Organization for Standardization (ISO)	Net Zero Guidelines	This material sets a global basis for harmonising, understanding and planning for net zero for actors at the state, regional, city and organisational level.	https://www.iso.org/netzero
Climateworks Centre	The Climateworks Centre guide to credibility for corporate climate transition plans	This material provides credibility principles and a list of credibility criteria which can be used as a best-practice checklist to assess credibility in transition plans.	https://www.climateworkscentre.org/resource/guide-to-credibility-for-corporate-climate-transition-plans/
Network for Greening the Financial System	Integrating adaptation and resilience into transition plans	This material offers a practical and flexible framework to embed adaptation across the five pillars of transition planning. It also proposes guidance for developing adaptation targets and metrics tailored to varying contexts and levels of readiness.	https://www.ngfs.net/en/publications-and-statistics/publications/ngfs-input-paper-integrating-adaptation-and-resilience-transition-plans
Sector specific materials			
IFRS	TPT Sector Summary and Sector Specific Guidance	These materials provide a list of suggested decarbonisation levers, and metrics and targets for over 30 real economy and financial sectors.	https://www.ifrs.org/sustainability/knowledge-hub/transition-plan-taskforce-resources/
Science Based Targets initiative	Sector Resources Summary	These materials provide guidance on how to set SBTi-aligned targets for a range of sectors (and subsectors) including built environment, forest, land and agriculture, industry and energy	https://sciencebasedtargets.org/sector-resources-summary
GFANZ	Sectoral Pathways for Financial Institutions	The materials provide a suggested benchmark for the pace and timing of emissions reductions for financial institutions. It also provides guidance on what actions and considerations can drive transition in the financial sector	https://assets.bbhub.io/company/sites/63/2022/06/GFANZ_Guidance-on-Use-of-Sectoral-

Organisation	Resource	Descriptions	Link
			Pathways-for-Financial-Institutions_June2022.pdf
Transition planning guides			
TPT	TPT Transition Planning Cycle	This material suggests a process for developing and maintaining transition plans across a series of steps.	https://itpn.global/wp-content/uploads/2024/12/TransitionPlanningCycle.pdf
NZ External Reporting Board	Transition Planning Overview Transition Planning Guidance for Staff Transition Planning Guide for Directors Transition Planning Guide for Executives	These materials provide tailored climate transition planning support for staff, executives, and directors, outlining their respective roles in developing credible, long-term strategies under climate uncertainty. Collectively, they offer practical guidance on planning processes, leadership responsibilities, and assessing climate maturity to drive effective organisational transition.	https://www.xrb.govt.nz/standards/climate-related-disclosures/resources/
ISO	ISO/DIS 32212: Sustainable finance – Net zero transition planning for financial institutions	This material is a draft international standard for net zero transition planning for financial institutions.	https://www.iso.org/standard/89312.html
NSW Government	Net Zero Business Guide	This material is part of the NSW Government's Net Zero Planning Grant, it provides guidance to help businesses strategically plan for and implement actions to achieve net zero emissions.	https://www.energy.nsw.gov.au/business-and-industry/guides/net-zero-business-guide
Australian Institute of Company Directors	Governing the net zero transition: The board's role in organisational transition planning	This material is designed to help directors oversee the development and implementation of credible transition plans.	https://www.aicd.com.au/risk-management/framework/climate/governing-for-net-zero.html
Climate Leaders Coalition	Credible Transition to Net Zero	This material provides insights and perspective for CEOs to consider for their path to net zero, while recognising that each organisation's transition will look different.	https://www.climateleaders.org.au/wp-content/uploads/2025/02/CredibleTransitiontoNetZero_PUBLISHED.pdf

2. Environmental and social materials

Beyond the climate-related transition planning materials listed above, there are also a broad range of materials to help organisations incorporate environmental and social priorities. These materials include broader disclosure frameworks and targeted materials for considering these priorities. Organisations should consider these materials and how they can be incorporated into their climate-related transition plans.

Organisation	Resource	Description	Link
Environmental, nature and circular economy materials			
TNFD	Disclosure Recommendations and Sector-Specific publications	These materials outline a nature-related reporting framework to support organisations to measure and disclose nature-related risks and dependencies, this is supplemented by additional sector-specific guidance.	https://tnfd.global/tnfd-publications/?_sft_framework-categories=additional-guidance-by-sector
GFAZ	Nature in Net Zero Transition Plans Consultation Paper	This material provides the basis for consultation on the use of nature-related climate change mitigation actions in net-zero implementation and specifically in net-zero transition plans. It specifically aims to support financial institutions as they voluntarily integrate nature considerations in their net-zero strategy and plans.	https://www.gfanzero.com/our-work/financial-institution-net-zero-transition-plans/
World Wildlife Foundation	Nature in Transition Plans	This material integrates nature into climate action strategies, ensuring that the transition to a low-carbon economy also protects and restores biodiversity.	https://www.wwf.org.uk/sites/default/files/2023-02/WWF_Nature_In_Transition_Plans_Feb23.pdf
DCCEEW	TNFD Pilot Testing Case Study Report and Value Chain Deep-Dive guides	These materials provide a case study on the results of the TNFD pilot and accompanying guidance provides information for 5 value chains.	https://www.dcceew.gov.au/environment/environmental-markets/investing-in-nature
World Business Council for Sustainable Development	Circular Transition Indicators	These indicators offer a universal and quantitative framework for evaluating how circular an organisation is, while providing insight into its impact on sustainability in a consistent and reliable way.	https://www.wbcsd.org/resources/circular-transition-indicators-v4/
Standards Australia	EV-022: Circular Economy standards	These materials include three standards to help organisations implement and assess circular economy practices across the value chain: AS ISO 59004:2024, AS ISO 59010:2024, and AS ISO 59020:2024.	https://www.standards.org.au/standards-catalogue/sa-snz/standards-by-committee?committee=EV-022

Organisation	Resource	Description	Link
Social and just transition materials			
Investor Group on Climate Change	Investor Expectations for Corporate Just Transition Planning report	This material draws from global practices and existing resources to support stewardship teams in understanding, assessing, and engaging with Just Transition plans of their investee companies.	https://igcc.org.au/wp-content/uploads/2024/10/Investor-Expectations-for-the-Just-Transition.pdf
DCCEEW	National Guidelines for Community Engagement and Benefits for Electricity Transmission	These guidelines set out community engagement principles for transmission developers and provide a nationally consistent approach to engage with communities about new transmission projects.	https://www.dcceew.gov.au/energy/renewable/community-engagement/transmission
Australian Council of Superannuation Investors	Policy Recommendations for a Just Transition to a Clean Energy Economy research paper	This material focuses on the challenges presented by the transition and the way organisations at the forefront of the Australian energy transition are carrying out asset transitions in relation to their workforce, communities and value chain.	https://acsi.org.au/wp-content/uploads/2022/12/Just-Transitions-Research-Paper.Dec22.pdf

3. Climate-related financial disclosure materials

This guidance should not be used as advice for how organisations can meet their mandatory climate-related financial disclosure obligations. Organisations should consider the latest available information on the [ASIC](#), [AASB](#) and [AUASB](#) websites. A list of relevant materials is included below.

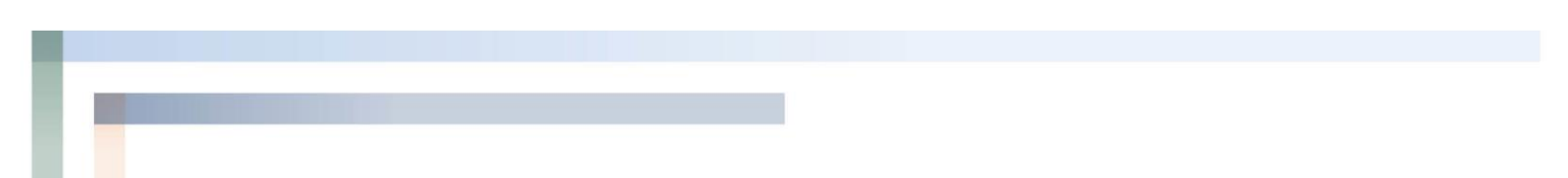
Organisation	Resource	Description	Link
Australian Government	Corporations Act 2001	The Act sets out laws governing corporations and other business entities in Australia, setting out rules for their formation, operation, governance, financial reporting and dissolution.	https://www.legislation.gov.au/C2004A00818/latest/versions
AASB	AASB S2 <i>Climate-related disclosures</i>	This Standard, when applicable, requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term.	https://standards.aasb.gov.au/aasb-s2-sep-2024
AUASB	ASSA 5000 and ASSA 5010	These Standards apply to assurance engagements on sustainability information.	https://standards.auasb.gov.au/node/1918
ASIC	Regulatory Guide 280: Sustainability reporting	This guide is for entities required to prepare a sustainability report under Chapter 2M of the <i>Corporations Act</i> . It explains how ASIC will exercise specific powers under legislation, how ASIC interprets the law and the principles underlying ASIC's approach	https://www.asic.gov.au/regulatory-resources/find-a-document/regulatory-guides/rg-280-sustainability-reporting/
ASIC	Information Sheet: 271 – How to avoid greenwashing when offering or promoting sustainability-related products	This information sheet provides information about how to avoid misrepresenting the extent to which a financial product or investment strategy is environmentally friendly, sustainable or ethical for responsible entities of managed funds, corporate directors, corporate collective investment vehicles and trustees of registrable superannuation entities	https://www.asic.gov.au/regulatory-resources/financial-services/how-to-avoid-greenwashing-when-offering-or-promoting-sustainability-related-products/
IFRS	Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2 Guidance document	The guidance helps entities provide high-quality information on their climate transition plans, including mitigation and adaptation efforts, when applying IFRS S2.	https://www.ifrs.org/content/dam/ifrs/supporting-implementation/ifrs-s2/transition-plan-disclosure-s2.pdf

Glossary

Below is a list of key terms used throughout this guidance and their definitions. *Marked terms are definitions currently used under [AASB S2](#), as issued on 20 September 2024. These definitions have been used here to support consistency between transition plan disclosures and broader sustainability reporting. Readers of this guidance are encouraged to also consider AASB S2 for the latest definitions.

Term	Definition
Adaptation action	Actions and adjustments that support the organisation's response to the effects of current or expected climate change to manage risks and harness potential opportunities.
Business model*	An entity's system of transforming inputs through its activities into outputs and outcomes that aims to fulfil the entity's strategic purposes and create value for the entity and hence generate cash flows over the short, medium and long term.
Carbon credit*	An emissions unit that is issued by a carbon crediting programme and represents an emission reduction or removal of greenhouse gases. Carbon credits are uniquely serialised, issued, tracked and cancelled by means of an electronic registry.
Climate resilience*	The capacity of an entity to adjust to climate-related changes, developments or uncertainties. Climate resilience involves the capacity to manage climate-related risks and benefit from climate-related opportunities, including the ability to respond and adapt to climate-related transition risks and climate-related physical risks. An entity's climate resilience includes both its strategic resilience and its operational resilience to climate-related changes, developments and uncertainties.
Climate-related physical risks*	<p>Risks resulting from climate change that can be event-driven (acute physical risk) or from longer-term shifts in climatic patterns (chronic physical risk). Acute physical risks arise from weather-related events such as storms, floods, drought or heatwaves, which are increasing in severity and frequency. Chronic physical risks arise from longer-term shifts in climatic patterns including changes in precipitation and temperature which could lead to sea level rise, reduced water availability, biodiversity loss and changes in soil productivity.</p> <p>These risks could carry financial implications for an entity, such as costs resulting from direct damage to assets or indirect effects of supply-chain disruption. The entity's financial performance could also be affected by changes in water availability, sourcing and quality; and extreme temperature changes affecting the entity's premises, operations, supply chains, transportation needs and employee health and safety.</p>
Climate-related risks and opportunities*	<p>Climate-related risks refers to the potential negative effects of climate change on an entity. These risks are categorised as climate-related physical risks and climate-related transition risks.</p> <p>Climate-related opportunities refers to the potential positive effects arising from climate change for an entity. Efforts to mitigate and adapt to climate change can produce climate-related opportunities for an entity.</p>
Climate-related transition plan*	An aspect of an entity's overall strategy that lays out the entity's targets, actions or resources for its transition towards a lower-carbon economy, including actions such as reducing its greenhouse gas emissions.
Climate-related transition risks*	Risks that arise from efforts to transition to a lower-carbon economy. Transition risks include policy, legal, technological, market and reputational risks. These risks could carry financial implications for an entity, such as increased operating costs or asset impairment due to new or amended climate-related regulations. The entity's financial performance could also be affected by shifting consumer demands and the development and deployment of new technology.

CO ₂ equivalent*	The universal unit of measurement to indicate the global warming potential of each greenhouse gas, expressed in terms of the global warming potential of one unit of carbon dioxide. This unit is used to evaluate releasing or avoiding releasing different greenhouse gases against a common basis.
Decarbonisation levers	Decarbonisation levers are aggregated categories of mitigation actions, such as improving energy efficiency, electrification, fuel switching, use of renewable energy, product change and supply chain decarbonisation, that can be selected from to fit with the organisation's specific circumstances.
Financed emissions*	The portion of gross greenhouse gas emissions of an investee or counterparty attributed to the loans and investments made by an entity to the investee or counterparty. These emissions are part of Scope 3 Category 15 (investments) as defined in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).
Greenhouse gases*	The seven greenhouse gases listed in the Kyoto Protocol—carbon dioxide (CO ₂); methane (CH ₄); nitrous oxide (N ₂ O); hydrofluorocarbons (HFCs); nitrogen trifluoride (NF ₃); perfluorocarbons (PFCs) and sulphur hexafluoride (SF ₆).
Indirect greenhouse gas emissions*	Emissions that are a consequence of the activities of an entity but occur at sources owned or controlled by another entity.
Internal carbon price*	<p>Price used by an entity to assess the financial implications of changes to investment, production and consumption patterns, and of potential technological progress and future emissions-abatement costs. An entity can use internal carbon prices for a range of business applications. Two types of internal carbon prices that an entity commonly uses are:</p> <p>(a) a shadow price, which is a theoretical cost or notional amount that the entity does not charge but that can be used to understand the economic implications or trade-offs for such things as risk impacts, new investments, the net present value of projects, and the cost and benefit of various initiatives; and</p> <p>(b) an internal tax or fee, which is a carbon price charged to a business activity, product line, or other business unit based on its greenhouse gas emissions. These internal taxes or fees are similar to intracompany transfer pricing.</p>
Reporting entities	A reporting entity is one which has obligations to prepare an annual sustainability report under Chapter 2M of the <i>Corporations Act 2001 (Cth)</i> , in accordance with the disclosures required by <i>AASB S2 Climate-related Disclosures</i> .
Scope 1 greenhouse gas emissions*	Direct greenhouse gas emissions that occur from sources that are owned or controlled by an entity.
Scope 2 greenhouse gas emissions*	<p>Indirect greenhouse gas emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by an entity.</p> <p>Purchased and acquired electricity is electricity that is purchased or otherwise brought into an entity's boundary. Scope 2 greenhouse gas emissions physically occur at the facility where electricity is generated.</p>
Scope 3 greenhouse gas emissions*	Indirect greenhouse gas emissions which are not included in Scope 2 greenhouse gas emissions that occur in the value chain of an entity, including both upstream and downstream emissions. Scope 3 greenhouse gas emissions include the Scope 3 categories in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).
Scope 3 categories*	<p>Scope 3 greenhouse gas emissions are categorised into these 15 categories—as described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011):</p> <ol style="list-style-type: none"> 1) purchased goods and services; 2) capital goods; 3) fuel- and energy-related activities not included in Scope 1 greenhouse gas emissions or Scope 2 greenhouse gas emissions;

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- 4) upstream transportation and distribution;
 - 5) waste generated in operations;
 - 6) business travel;
 - 7) employee commuting;
 - 8) upstream leased assets;
 - 9) downstream transportation and distribution;
 - 10) processing of sold products;
 - 11) use of sold products;
 - 12) end-of-life treatment of sold products;
 - 13) downstream leased assets;
 - 14) franchises; and
 - 15) investments.

Value chain*

The full range of interactions, resources and relationships related to a reporting entity's business model and the external environment in which it operates.

A value chain encompasses the interactions, resources and relationships an entity uses and depends on to create its products or services from conception to delivery, consumption and end-of-life, including interactions, resources and relationships in the entity's operations, such as human resources; those along its supply, marketing and distribution channels, such as materials and service sourcing, and product and service sale and delivery; and the financing, geographical, geopolitical and regulatory environments in which the entity operates.