



**TPT** Transition Plan  
Taskforce

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# Explore the Disclosure Recommendations

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# Acknowledgements

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# Introduction

The TPT Disclosure Framework provides a structure that enables an entity to communicate how its climate targets and transition plan align with its strategy. The TPT's Framework should support external users and preparers alike.

This guidance steps through the TPT Disclosure Framework and provides guidance on why each Element and Sub-Element is important to users. This is accompanied by additional disclosure considerations that preparers may want to take into account when preparing their disclosures. Examples of how entities are currently disclosing related information in transition plans or other climate-related disclosures can be found on the **TPT Website**. Readers should note that transition planning is an emerging space in which current practice is rapidly evolving.



# 1. Foundations

Element 1 provides the foundation for the entity's transition plan.

An entity shall disclose the **Strategic Ambition** of its plan: its overarching aims for its transition plan. This comprises its objectives and priorities for responding and contributing to the transition towards a low GHG-emissions, climate-resilient economy. It also sets out whether and how the entity is pursuing these objectives and priorities in a manner that captures opportunities, avoids adverse impacts for stakeholders and society, and safeguards the natural environment.

To ground the transition plan, this element also includes recommendations to describe, at a high level, the current and anticipated implications of its **Strategic Ambition** on its business model and value chain, as well as the key assumptions that the entity uses and external factors on which it depends.

The rest of the transition plan builds on **1. Foundations** and describes how the entity plans to achieve its **Strategic Ambition**.

Specific considerations for disclosures in line with **1.1-1.3** are set out below.



## 1. Foundations

### Sub-Element

#### 1.1 Strategic Ambition

An entity shall disclose the **Strategic Ambition** of its transition plan. This shall comprise the entity's objectives and priorities for responding and contributing to the transition towards a low-GHG emissions, climate-resilient economy, and set out whether and how the entity is pursuing these objectives and priorities in a manner that captures opportunities, avoids adverse impacts for stakeholders and society, and safeguards the natural environment.

### Disclosure Recommendations

As part of this, an entity shall disclose:

- a. its objectives and priorities:
  - i. for reducing its Scope 1, 2 and 3 GHG emissions in either its operations or value chain
  - ii. for enhancing its resilience to the changing climate and responding to the risks and opportunities that arise from the transition to a low-GHG emissions, climate-resilient economy
  - iii. for using the levers and capabilities it has available to embed and accelerate a transition to a low-GHG emissions climate-resilient economy
- b. whether and how it has identified, assessed and taken into account the impacts and dependencies of the transition plan on its stakeholders (e.g. its workforce, value chain counterparts, customers), society (e.g. local communities), the economy, and the natural environment, throughout its value chain, that may give rise to sustainability-related risks and opportunities
- c. the extent to which it has taken into account and aligned with any external requirements, commitments, science-based targets, transition pathways, roadmaps, or scenarios, which may include:
  - i. national or international commitments made by governments
  - ii. any targets it is required to meet by law or regulation
  - iii. sectoral pathways, roadmaps, or other climate scenarios
  - iv. voluntary commitments (e.g., existing public commitments, organisational and industry standards, contractual relationships, codes of practices etc.)
- d. any potential trade-offs, synergies or co-benefits identified between the objectives and priorities in 1.1a
- e. any short-, medium- and long-term targets and milestones it has set to measure progress, including how short-, medium-, and long-term are defined in the context of transition planning.<sup>1</sup>

### Why is this included?

The **Strategic Ambition** provides the basis for all the other elements of the entity's transition plan and is likely also to be a core part of the entity's wider corporate strategy.

Users of a transition plan will want to understand where the entity sees its main transition levers, and the relative emphasis that the entity places on the three inter-related channels of a strategic and rounded approach to transition planning:

- decarbonising the entity;
- responding to climate-related risks and opportunities; and
- contributing to an economy-wide transition.

<sup>1</sup>) The TPT recommends that the short-term is defined as no longer than three years. This would align with the recommended publication cycle of standalone transition plans. If the entity defines short-term as exceeding three years, it would be good practice to provide an explanation for why this is the case.

## Why is this included?

The impacts and dependencies of a transition plan on stakeholders, society, the economy and the natural environment, throughout the entity's value chain, may give rise to sustainability-related risks and opportunities. Users will value information about whether and how an entity has identified, assessed and taken these into account. For example, given the role of nature loss in driving climate change and the importance of nature for greenhouse gas (GHG) sequestration and supporting climate resilience,<sup>2</sup> users will find it important to understand whether and how an entity's climate transition plan safeguards nature.

The disclosures under this Sub-Element will also enable users to assess:

- Whether and how the entity has identified, assessed and taken into account the impacts and dependencies arising from the transition plan on its stakeholders, society, the economy, and the natural environment, and how these may give rise to sustainability-related risks and opportunities that might affect its prospects.
- Whether the entity has taken into account and aligned with credible external benchmarks or other reference points, such as science-based targets.

Where an entity discloses that its **Strategic Ambition** is informed by, or aligned with, a credible external benchmark, users will be better able to gauge the level of the entity's ambition, compare across entities, and understand the expected trajectory of the entity towards its long-term targets. This will support users in monitoring and assessing the entity's progress in the short- and medium-term, improving accountability.

Altogether, these disclosures will enable comparison against peers and support users in assessing the entity's **Strategic Ambition**.

## Disclosure considerations

**In order to disclose effectively in accordance with 1.1, an entity may wish to consider the following:**

(Non-exhaustive) examples of objectives and priorities (1.1.a) may include:

- short-, medium- and long-term GHG emissions reduction targets across Scopes 1, 2 and 3;
- developing and scaling climate solutions (e.g. via research and development activities);
- adapting business operations to a low-GHG economy;
- phasing out GHG intensive product processes;
- shifting to low-GHG emissions products and services;
- introducing new procurement processes to decarbonise supply chains;
- advocating for policy change in support of the transition to a low-GHG emissions, climate-resilient economy;
- supporting and encouraging entities in hard-to-abate sectors in their transition;
- investing in activities required for the transition towards a low-GHG, climate-resilient economy;
- avoiding, reducing or mitigating current or future negative impacts on nature;
- regenerating and restoring ecosystems.

<sup>2</sup> Intergovernmental Panel on Climate Change (IPCC), Climate Change 2022: **Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change**, 2022.

Depending on the size, sector and location of the entity, targets and timeframes for achieving objectives and priorities will vary. Entities will also differ in the transition levers they identify, and the emphasis of an entity's ambition may focus on a subset of the three channels. For example, a company providing solutions to companies in hard-to-abate sectors that help them manage their energy usage may itself have relatively low Scope 1 and 2 GHG emissions, but significant opportunities to help embed and accelerate a whole-of-economy transition by adapting and expanding these solutions.

The impacts and dependencies of a transition plan on stakeholders, society, the economy and the natural environment, throughout the entity's value chain, may give rise to sustainability-related risks and opportunities (1.1.b). For example, such impacts and dependencies may include:

- dependencies on the entity's workforce (e.g. on workers ability to successfully implement envisioned changes in the entity's operations);
- dependencies on particular ecosystem services (e.g. on water availability, regulation of water quality, regulation of hazards, such as floods);
- adverse or positive impacts on workers (e.g. from new opportunities or lay-offs resulting from a change in the entity's strategic direction);
- adverse or positive impacts on the ability of nature to provide social or economic functions (e.g. resulting from land or ocean use change);
- adverse or positive impacts on customers (e.g. from changes in product prices or specifications);
- adverse or positive impacts on communities in which the firm operates (e.g. from changes to local employment, or benefit sharing agreements).

Disclosing whether and how the entity has identified, assessed and taken into account such impacts and dependencies will help users assess the comprehensiveness of the plan and whether it adequately addresses potential implications for long-term value. For example, an entity may want to disclose information about:

- any impacts and dependencies it has identified;
- how these impacts and dependencies have been assessed including the scope and methodology of the assessment (e.g. what business operations have been considered);
- the resulting risks and opportunities to the entity and how these have been identified;
- where in the value chain the resulting risks and opportunities are concentrated;
- how these impacts and dependencies have been taken into account in the entity's **Strategic Ambition**, including how they may have resulted in specific changes to objectives and priorities.

In assessing and disclosing the nature-related impacts and dependencies of its transition plan, an entity may find it helpful to refer to the recommendations of the Taskforce for Nature-related Financial Disclosures (TNFD).



An entity's transition plan may be informed by both **bottom-up** considerations drawn from the entity's own situation and operating context, as well as **top-down** considerations based on the changes needed to limit the worst effects of rising global temperatures. In defining its objectives and priorities, an entity may therefore reference:

- external requirements (e.g. targets it is required to meet by law or regulation);
- commitments (e.g. voluntary commitments made as members of net-zero initiatives);
- science-based targets (e.g. Science Based Targets initiative (SBTi) Criteria and Recommendations for Near-Term Targets);
- transition pathways/roadmaps (e.g. TPI Sectoral Decarbonisation Pathways, SBTi Sector Decarbonisation Pathways);
- scenarios (e.g. IEA Net Zero by 2050 Scenario; NGFS Climate Scenarios).

Where an entity references such benchmarks in its transition plan, it should disclose which ones it has taken into account and the extent to which it has aligned its Strategic Ambition with these **(1.1.c)**.

An entity may find that there are trade-offs, synergies or co-benefits between different objectives and priorities **(1.1.d)**. Examples of potential trade-offs that an entity may consider disclosing include:

- scaling up low- or no- GHG emission technologies may result in a short-term increase in GHG emissions (e.g. emissions resulting from the production and or delivery of the technology);
- pursuing rapid short-term emissions reductions may not be additional to the economy-wide transition (e.g. where firms focus on installing roof top solar panels to reduce Scope 2 emissions in areas where the regional or national decarbonisation implies a rapid decarbonisation of the wider electricity grid);
- scaling up renewable energy projects may result in higher vulnerability to the physical effects of climate change (e.g. where these projects are located on flood plains or low-lying areas).

Examples of potential synergies and co-benefits **(1.1.d)** may include:

- nature-based solutions that strengthen resilience and create additional co-benefits by storing carbon in biomass (e.g. increasing tree cover, installing green roofs, protecting and/or restoring wetlands and marshes)
- social measures which increase the availability of key skills and knowledge while ensuring an inclusive and equitable transition (e.g. re-skilling and upskilling measures)
- the provision of products and services which tackle entity-level emissions whilst also reducing the cost faced by consumers (e.g. scaling up low-cost renewable power generation).

Where such trade-offs, synergies, or co-benefits arise, entities should disclose these, and may consider explaining how any trade-offs have been managed, or synergies and co-benefits leveraged.

Entities' definitions of short-, medium-, and long-term time horizons **(1.1.e)** are likely to differ. This may depend, for example, on their sector, existing financial or business planning cycles as well as engagement with initiatives that apply particular definitions. Entities should be transparent about how they have defined these time horizons and may consider providing information about why these have been defined in a particular way.

## 1.2 Business model and value chain

An entity shall disclose a description of the current and anticipated implications of the entity's **Strategic Ambition** on its business model and value chain.

### Disclosure Recommendations

As part of this, an entity shall disclose:

- a. at a high level the current and anticipated strategic changes to its business model and value chain, as elaborated in **2. Implementation Strategy** and **3. Engagement Strategy**
- b. the timeframe over which changes are expected to occur.

### Why is this included?

This Sub-Element provides users with a description of the strategic implications of the entity's **Strategic Ambition** on its business model and value chain. A clear articulation of expected business model and value chain implications is important to demonstrate to users how the **Strategic Ambition** of the transition plan is embedded in wider corporate strategy. This Sub-Element is intended to provide a high-level summary of key changes to the entity's strategic direction, which are then elaborated under **2. Implementation Strategy** and **3. Engagement Strategy**.

### Disclosure considerations

**In order to disclose effectively in accordance with 1.2 an entity may wish to consider the following:**

Examples of business model changes (**1.2.a**) that an entity may disclose include:

#### Downstream changes:

- changes in the entity's portfolio of products and services offered (e.g. moving from oil and gas production to renewable electricity generation and retail, shifting from a "fast" fashion product portfolio to a slow fashion product portfolio);
- entering or exiting specific markets.

#### Changes within the business model:

- reductions or removals in the entity's office space (e.g. a service business selling its offices and becoming fully 'remote');
- changes in the channels or methods of customer interaction (e.g. a retailer closing physical stores and becoming online-only);
- changes in 'own' site electricity and fuel usage (e.g. moving to renewable sources of electricity and powering machinery using low- or no- GHG emissions fuels);
- changes in investment strategies (e.g. moving to an investment strategy with a greater focus on transitioning assets or climate solutions);
- changes in production or distribution technology (e.g. phasing out diesel-fuelled vehicles and replacing them with electric vehicles).

## Disclosure considerations

**Upstream changes**

- entering new supply chains due to significant changes in product design, required inputs or procurement policies;
- changes in the geographical reach of the entity's value chain.

To communicate the timeframe over which the changes are expected to occur (**1.2.b**), an entity can refer back to the timeframes defined under **1.1 Objectives and Priorities** and categorise expected changes into those expected over the short-, medium- and long-term.

## Sub-Element

**1.3 Key assumptions and external factors**

An entity shall disclose key assumptions that it has made and external factors on which it depends in order to achieve the **Strategic Ambition** of its transition plan.

## Disclosure Recommendations

As part of this, an entity shall disclose:

- a. the nature of the key assumptions that it uses and external factors on which it depends, and their implications for the achievement of the **Strategic Ambition** of its transition plan; these may relate to matters such as
  - i. policy and regulatory change
  - ii. the decarbonisation trajectory of the global economy, relevant geographies, and/or sectors
  - iii. macroeconomic trends (e.g. labour availability, cost of borrowing etc.)
  - iv. microeconomic and financial factors (e.g. availability of finance, relative prices)
  - v. technological developments
  - vi. access to counterparty data and reliability of data
  - vii. shifts in client and consumer demand
  - viii. the levels of warming over the short-, medium-, and long-term
  - ix. the physical impacts of the changing climate, and the regional and spatial implications of these
  - x. the effectiveness of adaptation efforts and possible limits to adaptation, and the regional and spatial implications of these
- b. the timeframes over which any key assumptions and external factors under 1.3.a. are expected to occur
- c. whether and how the key assumptions under 1.3.a. are reflected in the entity's financial statements.

## Why is this included?

Transition plan disclosures are inherently forward-looking and planning takes place in a context of imperfect information. This means entities will likely need to make significant assumptions about a variety of factors as part of their planning process. In addition, entities may depend on external factors outside of their control in order to achieve their Strategic Ambition. Furthermore, since transition planning is necessarily a dynamic, iterative and adaptive process, the assumptions and dependent external factors underpinning the plan are likely to be updated and revised over time.

**Why is this included?**

It is critical that users can clearly identify key assumptions and dependencies and understand the impact on the plan if these assumptions do not hold or if external factors do not materialise. This will enable users to make a judgment on whether firms are basing their plans on reasonable assumptions and ultimately inform a user's overall opinion on the ambition, robustness, and feasibility of achieving the plan.

**Disclosure considerations**
**In order to disclose effectively in accordance with 1.3, an entity may wish to consider the following:**

The relevant key assumptions and external factors are likely to vary significantly across entities, depending on their size, sector and geographic location.

Examples of key assumptions and external factors that an entity may disclose include:

- policy and regulatory action (e.g. existing or future subsidies for R&D activities, incentives for demand-side behaviours, government action on climate adaptation);
- decarbonisation (e.g. the speed of grid decarbonisation, the availability of key low-carbon inputs at scale);
- macroeconomic trends (e.g. labour availability, cost of borrowing, inflation, interest rates);
- microeconomic and financial factors (e.g. availability of finance, relative prices, cost of capital, margins on key activities, expected capex needs to acquire, maintain and upgrade fixed assets);
- technological developments (e.g. speed of technological innovation, costs of key technologies);
- access to counterparty data and reliability of data (e.g. information about asset location, exposure to physical and transition risks, emissions data);
- shifts in client and consumer demand (e.g. projected demand for new and existing products and services);
- the levels of warming over the short, medium and long term;
- the physical impacts of the changing climate, and the regional and spatial implications of these (e.g. expected changes in precipitation patterns, water availability, temperatures, and extreme weather events, expected impacts of these changes on assets and/or supply chains);
- the effectiveness of adaptation efforts and possible limits to adaptation (e.g. resilience of assets and/or supply chains to changes in precipitation patterns, droughts, floods, heatwaves and other extreme weather events).

## 2. Implementation Strategy

Element 2 provides the Implementation Strategy for the entity's transition plan.

An entity shall disclose the actions it is taking within its business operations, its portfolio of products and services, and policies and conditions to achieve its **Strategic Ambition**, as well as the resulting implications on its financial position, financial performance and cash flows. This includes information on any actions it is taking or planning to take to manage the impacts and dependencies of the transition plan on its stakeholders, society, the economy and the natural environment (as identified under **1.1 Strategic Ambition.**)

This information will help users understand the credibility and feasibility of the entity's implementation roadmap, and the potential implications it may have for the entity's balance sheet, income statement and cashflow statement, and associated resourcing needs.

Specific considerations for disclosures in line with **2.1-2.4** are set out below.



## 2. Implementation Strategy

### Sub-Element

#### 2.1 Business operations

An entity shall disclose information about the short-, medium-, and long-term actions it is taking or plans to take in its business operations in order to achieve the **Strategic Ambition** of its transition plan.

### Disclosure Recommendations

As part of this, an entity shall disclose:

- a. information about any current and anticipated actions, including timelines, relating to matters such as:
  - i. its production processes or equipment
  - ii. workforce adjustments
  - iii. supply chain and procurement
- b. information about any current and anticipated changes relating to the entity's facilities and other physical assets, such as:
  - i. the location of offices and operations
  - ii. the responsible retirement or phase-out of GHG-intensive assets
  - iii. the management of assets that are exposed to risks arising from the changing climate
  - iv. the management of long-lived assets that may be impacted as a result of the transition to a low-GHG emissions, climate-resilient economy
- c. the expected principal contributions of its actions towards achieving its **Strategic Ambition**.

### Why is this included?

Changes to an entity's business operations are likely to be prominent in the entity's **Implementation Strategy**. To understand the credibility and feasibility of the entity's transition plan, users will want to understand the actions the entity is taking, or plans to take, in its business operations, as well as the expected principal contributions of these towards achieving the entity's **Strategic Ambition**.

This Sub-Element will help users understand the entity's implementation roadmap, and the potential implications it may have for the entity's financial position, financial performance and cash flows, and associated resourcing needs (2.4).

### Disclosure considerations

**In order to disclose effectively in accordance with 2.1 an entity may wish to consider the following:**

Key actions relating to an entity's business operations may relate to (2.1.a-b):

- production processes or equipment (e.g. actions to embed more low- or no- GHG emission technology into production processes, improve energy efficiency, achieve key biodiversity objectives);
- workforce adjustments (e.g. actions to require fewer in-person meetings and business travel, actions to re-skill and upskill workers);
- supply chain and procurement (e.g. actions to source from suppliers with stronger climate commitments, procure alternative goods or raw materials with a lower GHG footprint, relocate or diversify the supply chain);

## Disclosure considerations

- locations of offices and operations (e.g. moving into more energy-efficient office spaces, re-locating operations with more secure supply of renewable energy);
- responsible retirement or phase out of GHG-intensive assets (e.g. early phase-out of coal mines, fossil-fuel power stations, or vehicles with internal combustion engines);
- management of assets exposed to risks arising from a changing climate (e.g. actions to strengthen the resilience of office spaces to extreme heat, steps to strengthen the resilience of production facilities to flood or drought risks);
- management of long-lived assets that may be impacted as a result of the transition to a low GHG emission, climate-resilient economy (e.g. actions to manage high carbon energy infrastructure or fossil fuel powered production equipment).

Users will value information on the expected principal contributions of the entity's implementation actions towards achieving its **Strategic Ambition**, where possible quantified and presented either as point estimates or ranges (**2.1.c**). For example, this might be the expected contribution to emissions reduction in its own operations or its value chain from each action or change. Where this is not possible, the entity may explain the principal contribution in qualitative terms.

An entity may reasonably provide more detailed and granular information about the actions it plans to take in the short-term, relative to those it plans to take in the medium-, or long-term, reflecting the greater uncertainty attached to planned actions further into the future.

In addition, the entity may consider disclosing further information to help users contextualise the information provided. This may include:

- information on the entity's physical assets that are most material to its business model including further details that can help users assess whether the entity's plans to manage or phase out GHG- or GHG-energy-intensive assets are comprehensive and credible. Such details may include exact geolocation, ownership share, production type, capacity, technology, age, and the remaining operational lifetime.

## 2.2 Products and services

An entity shall disclose information about short-, medium-, and long-term actions it is taking or plans to take to change its portfolio of products and services in order to achieve the **Strategic Ambition** of its transition plan.

As part of this, an entity shall disclose:

- a. information about any current and anticipated actions, including timelines, to change the portfolio of products and services that it provides or facilitates (e.g. via franchising, financing, or underwriting activities)
- b. any underlying taxonomy, tools, methodologies, or definitions used to classify products and services under this Sub-Element
- c. the expected principal contributions of its actions towards achieving its **Strategic Ambition**.

Actions to change the portfolio of products and services that the entity provides or facilitates may be an important part of an entity's implementation strategy. Such changes may significantly affect the entity's prospects, so users will want to understand the actions the entity is taking, or plans to take, to change its portfolio of products and services, and the expected principal contributions of these towards achieving the entity's **Strategic Ambition**.

Accompanying information about how the entity classifies its products and services will allow users to assess the credibility, rigour and independence of the classification approach and its suitability for the circumstances in which it has been applied.

**In order to disclose effectively in accordance with 2.2 Products and Services, an entity may wish to consider the following:**

Examples of key current and planned changes that an entity may disclose (**2.2.a**) include:

- increasing the share of low- GHG emissions products and services in its portfolio (e.g. increasing the share of products produced using clean technology or low-GHG inputs, increasing the penetration of plant-based products, creating new green or transition-related financial products, increasing the share of investment activities in low-GHG assets)
- plans to phase out high-GHG products and services (e.g. phasing out blast furnaces and replacing with electric furnaces, phasing out the sale of vehicles with traditional internal combustion engines)

Providing details about any taxonomies, tools, methodologies or definitions it has used to classify or define products and services will help provide context for its disclosures (**2.2.b**). These may include regulatory taxonomies, such as the (forthcoming) UK Green Taxonomy, the EU Taxonomy, or other regulatory, third-party or proprietary taxonomies or tools.

Users will value information on the expected principal contributions of the entity's implementation actions towards achieving its Strategic Ambition, where possible quantified and presented either as point estimates or ranges (**2.2.c**). For example, this might be the expected contribution to emissions reductions in its own operations or its value chain from each action or change. Where this is not possible, the entity may explain the principal contribution in qualitative terms.



### 2.3 Policies and conditions

An entity shall disclose information about any policies and conditions that it uses or plans to use in order to achieve the **Strategic Ambition** of its transition plan.

As part of this, an entity shall disclose:

- a. a brief description of any policy or condition that it uses or plans to use in order to achieve the **Strategic Ambition** of its transition plan; these may relate, as appropriate, to matters such as:
  - i. energy usage
  - ii. phase-out of GHG-intensive assets
  - iii. climate-related considerations in procurement/for suppliers
  - iv. climate-related considerations (e.g. thresholds, targets or restrictions) in lending or investment activities
  - v. adapting and building resilience to the changing climate
  - vi. supplier engagement
  - vii. portfolio engagement
  - viii. land use and land management changes (e.g. deforestation)
  - ix. safeguards to address potential adverse impacts on the natural environment
  - x. human rights
  - xi. labour standards
  - xii. advancing social equity or addressing potential adverse social impacts (e.g. on communities)
- b. the expected principal contributions of the policy or condition towards achieving its **Strategic Ambition**.

An entity will typically maintain a large number of policies and conditions that guide decision-making across the organisation. These may relate to any of a wide range of matters, such as internal operations, energy use, value chain and procurement decisions, and engagement.

Users will value information about any policies or conditions that the entity uses, or plans to use, to guide decision making, actions and operations in support of the implementation of its transition plan and the achievement of its **Strategic Ambition**. Users will need sufficient context on the nature and scope of application of relevant policies and conditions to inform their understanding and support their assessment of the role of these policies and conditions in achieving the **Strategic Ambition** of the transition plan.

#### **In order to disclose effectively in accordance with 2.3 an entity may wish to consider the following:**

The entity may briefly describe the policies and conditions that are expected to make a key contribution to achieving the **Strategic Ambition** of its transition plan. These will differ according to the entity's sector, business model, **Strategic Ambition** and its overall implementation and engagement strategies. Paragraph **2.3.a** provides a non-exhaustive list of matters that may be addressed.

To provide appropriate context for the policies and conditions described, the entity may consider disclosing the objective of the policy, the nature and scope of activities to which it relates (e.g. application across specific business lines), the timeframe over which it applies, how it is overseen, and any metrics and targets that the entity uses to assess its contribution to achieving the **Strategic Ambition** of its transition plan.

Users will value information on the expected principal contributions of the entity's implementation actions towards achieving its **Strategic Ambition**, where possible quantified and presented either as point estimates or ranges (**2.3.b**). For example, this might be the expected contribution to emissions reduction in its own operations or its value chain from each action or change. Where this is not possible, the entity may explain the principal contribution in qualitative terms.

## 2.4 Financial planning

An entity shall, to the extent the financial effects of its transition plan are separately identifiable, disclose information about the effects of its transition plan<sup>3</sup> on its financial position, financial performance and cash flows<sup>4</sup> over the short-, medium-, and long-term, including information about how it is resourcing or plans to resource its activities in order to achieve the **Strategic Ambition** of its transition plan.<sup>5</sup>

As part of this, an entity:

- a. shall disclose information about how the entity is resourcing, and plans to resource, the current and planned activities set out in its transition plan
- b. shall disclose qualitative and quantitative information about how it expects implementation of its transition plan to affect its financial position over the short-, medium-, and long-term, taking into consideration matters such as:
  - i. its investment and disposal plans (e.g. plans for capital expenditure, major acquisitions and divestments, joint ventures, business transformations, innovation, new business areas, investments into research and development for climate solutions, and asset retirements), including plans to which the entity is not contractually committed
  - ii. planned sources of funding to implement its plan
- c. shall disclose qualitative and quantitative information about how it expects implementation of its transition plan to affect its financial performance and cash flows over the short-, medium-, and long-term (e.g. increased revenue from products and services aligned with a low-GHG emissions, climate-resilient economy, and expenses associated with climate adaptation or mitigation)<sup>6</sup>
- d. shall, in disclosing information about 2.4 b–c
  - i. use all reasonable and supportable information that is available to the entity at the reporting date without undue cost and effort
  - ii. use an approach that is commensurate with the skills, capabilities, and resources that are available to the entity for preparing those disclosures
- e. may, in disclosing quantitative information under 2.4 b–c
  - i. disclose a single amount or a range
  - ii. prioritise quantitative information for current financial effects and those of short-term actions that may be more certain
- f. need not provide quantitative information about some or all of 2.4 b–c
  - i. if it determines that:
    1. those effects are not separately identifiable or
    2. the level of measurement uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful
  - ii. if it does not have the skills, capabilities, or resources to provide that quantitative information.

3) Please note that **2.4.c** is not intended to cover information about the financial effects of wider climate-related risks and opportunities. Instead the focus lies on the direct and indirect effects from implementing the transition plan itself.

4) For entities in the financial sector, this should cover the financial performance of the entity itself and not its investment or lending portfolio.

5) This Sub-Element should be regarded as distinct from the Disclosure Recommendations under Sub-Element **4.2 Financial metrics and targets**. Under **2.4 Financial planning**, the focus should lie on demonstrating that the entity has integrated the transition plan into its financial planning and disclosing expected financial effects. Under Sub-Element **4.2 Financial metrics and targets**, on the other hand, the entity should disclose the financial metrics and targets that it is using to assess progress and delivery of the plan over time.

6) This may include quantitative information about the combined financial effects of the transition plan with other aspects of wider corporate strategy unless the entity determines that quantitative information about the combined financial effects would not be useful.

## Disclosure Recommendations

- g. shall, if in accordance with 2.4.f it need not provide quantitative information about some or all of 2.4 b–c
- i. explain why it has not provided quantitative information
  - ii. explain how the implementation of its transition plan is covered within its wider financial planning and financial decision-making processes
  - iii. provide qualitative information about how considerations related to the implementation of the transition plan are integrated into the entity's investment and disposal plans (e.g. plans for capital expenditure, major acquisitions and divestments, joint ventures, business transformations, innovation, new business areas, investment into research and development for climate solutions, and asset retirements), including plans to which the entity is not contractually committed.

## Why is this included?

When using an entity's transition plan for the purposes of making capital allocation decisions, a user is likely to consider information about the effects of the transition plan on the entity's financial position (changes to assets and liabilities), financial performance (changes to revenues and costs), and cash flows (changes to working capital) to be critical.

## Disclosure considerations

**In order to disclose effectively in accordance with 2.4 an entity may wish to consider the following:**

Information about how the entity is resourcing the activities set out in its transition plan (**2.4.a**) may include:

- the expected funding needs for capital expenditure that arise from activities as outlined in **2.1 Business operations** and **2.2 Products and services**; both in absolute terms and, where possible, relative to total capital expenditure over the same time horizon;
- the expected funding needs for research & development activities that arise from activities outlined in **2.1 Business operations** and **2.2 Products and services**.

Examples of how the transition plan may affect an entity's financial position over the short, medium, and long term may include (**2.4.b**):

- expected changes to asset valuations and asset lives as a result of delivering on the transition plan (e.g. shortening asset lives and asset values due to impairments of pollutant assets where they become stranded assets or there is less of a market for them in a low GHG emissions economy;);
- expected positive changes to asset valuations e.g. increasing value of plant or equipment that makes products needed for the transition);
- gearing impacts on the balance sheet in respect of funding.

Financial performance (Income statement) effects (**2.4.c**) may include:

- expected impacts on revenues (e.g. increased revenue from products and services aligned with a low-GHG emissions, climate-resilient economy, anticipated consumer demand for new low-GHG products and services);

- expected impacts on operating costs (e.g. initial sunk costs due to embedding new low- or no-GHG emission technology, losses on disposal of business units, commodity risk management costs due to increases in percentage of renewable electricity generation and increased costs passed on by suppliers);
- long-term savings from investments in renewable energy assets;
- impairments due to adverse impacts triggered by the climate transition (e.g. due to the trade-offs referenced in **1.1.d** or where assets are (expected to become) stranded);
- expected impacts on profit margins (e.g. reflecting assumptions regarding the degree to which changes in costs can be passed through to consumers).

Financial position (Balance sheet) effects (**2.4.c**) may include:

- expected changes to asset valuations and asset lives as a result of delivering on the transition plan (e.g. shortening asset lives and asset values due to impairments of pollutant assets where they become stranded assets or there is less of a market for them in a low GHG emissions economy);
- expected positive changes to asset valuations (e.g. increasing value of plant or equipment that makes products needed for the transition);
- planned financing arrangements to support business continuity as the entity develops low-GHG products and services, and material impacts on financing arrangements.

Cashflow effects (**2.4.c**) may include:

- The impacts of many of the above will need to be factored into cash flow projections when calculating forward looking revenue, capital expenditure, for example, as well as the growth rate of the business and terminal value. If appropriate, the entity may refer to the impact on financial position and performance in context of the entity's operating segments, under IFRS8, to enable consistency between the transition plan and the entity's general purpose financial reporting.

Please note that **2.4.c** is **not** intended to cover information about the financial effects of wider climate-related risks and opportunities. Instead, the focus is direct and indirect effects on financial performance and cash flows from implementing the transition plan itself.

In assessing whether it has used all reasonable and supportable information that is available to the entity at the reporting date without undue cost and effort (**2.4.f.i**), an entity may find it helpful to refer to IFRS S1 B8-10.

In assessing whether it has used an approach commensurate with the skills, capabilities and resources that are available to the entity (**2.4.f.ii**), an entity may find it helpful to refer to IFRS S2 B6-7.

In disclosing information about how it will resource its transition plan, an entity may consider disclosing ranges or percentage of totals (**2.4.e**), particularly where expected resourcing needs are less certain and/or far into the future.

## 3. Engagement Strategy

Element 3 provides the **Engagement Strategy** of the entity's transition plan.

An entity shall disclose how it is engaging with its value chain, industry peers, government, public sector, communities, and civil society in order to achieve the **Strategic Ambition** in its transition plan. This includes information on any engagement activities it is undertaking or planning to undertake to manage the impacts and dependencies of the transition plan on its stakeholders, society, the economy and the natural environment (as identified under **1.1 Strategic Ambition**).

This information will help users understand how the entity is leveraging its resources and relationships, and strategically pursuing opportunities to engage, influence and collaborate with others to achieve its **Strategic Ambition**.

Specific considerations in these areas for each of 3.1-3.3 are set out below.



### 3. Engagement Strategy

#### Sub-Element

#### 3.1 Engagement with value chain

An entity shall disclose information about any engagement activities with other entities in its value chain that it is undertaking or plans to undertake in order to achieve the **Strategic Ambition** of its transition plan.

#### Disclosure Recommendations

As part of this, an entity shall disclose:

- a. an explanation of how the entity prioritises engagement activities in order to maximise their contribution towards achieving the **Strategic Ambition** of the entity's transition plan; this may reference key assumptions and external factors disclosed under **1.3 Key assumptions and external factors**
- b. a description of current and planned engagement activities; for financial services entities this may include engagement and, where relevant, other stewardship activities, with investee companies, loan clients and relevant financial market intermediaries
- c. a description of escalation processes or criteria in place to manage instances where engagement activities do not lead to the desired changes
- d. the expected principal contributions of its activities towards achieving its **Strategic Ambition**.

#### Why is this included?

An entity will often depend on actions by other actors in its value chain to achieve its **Strategic Ambition**. Users will therefore value information about how an entity is engaging with its value chain, including with suppliers, customers and portfolio clients, in order to encourage the required actions.

To inform their understanding and support their assessment of an entity's value chain engagement efforts, users will want to understand the importance of engagement in achieving its **Strategic Ambition** and will need sufficient information about how the entity prioritises engagement, what engagement activities the entity is undertaking, and how the entity will respond if these activities do not lead to the desired outcomes. This will help users assess the credibility and effectiveness of the entity's engagement strategy.

#### Disclosure considerations

**In order to disclose effectively in accordance with 3.1 an entity may wish to consider the following:**

Depending on the broader context of their transition plan, entities may decide to prioritise engagement efforts in different ways (**3.1.a**). For example, entities may disclose the extent to which they prioritise engagement with:

- those that account for the largest proportion of the entity's Scope 3 GHG emissions;
- those over which an entity has the greatest degree of leverage to influence actions;
- those that are relevant to the most business-critical processes;
- those that have control, responsibility or influence over key external factors on which achievement of the Strategic Ambition of the transition plan depends (as disclosed under **1.3 Key assumptions and external factors** (e.g. suppliers who are developing key technologies required for the entity's transition));
- small suppliers or customers which require a greater degree of support.

Examples of current and planned engagement activities (**3.1.b**) that an entity may disclose include:

- requests for data and information from individuals and organisations along the value chain;
- encouragement of suppliers to reduce their respective emissions or develop and implement credible transition plans;
- working with suppliers to address deforestation, land conversion or human rights issues relevant to the transition plan;
- engagement with customers to encourage more sustainable consumption choices.

For entities in the in the financial sector, this may further include:

- activities to engage with loan clients and investee companies on developing and strengthening their respective transition plans;
- monitoring and supporting loan clients' and investee companies' progress on their respective transition plans;
- direct stewardship activities (with reference to relevant Stewardship Codes; e.g. the **UK Stewardship Code 2020**) towards embedding and accelerating an orderly transition to a low-GHG emissions and climate-resilient economy.

In describing escalation processes, an entity may set out criteria it applies to manage instances where engagement activities do not lead to the desired changes (**3.1.c**). These may include, for example, commitments to phase out a particular supplier that no longer meets relevant policies and conditions (see also **2.3 Policies and Conditions**).

For entities in the financial sector, this may further include:

- an explanation of the criteria used by the entity to decide how to exercise voting rights or file shareholder resolutions;
- an explanation of the criteria used by the entity to decide whether to divest from a particular investee company where engagement efforts are not leading to the desired changes.

Users will value disclosure of the expected principal contributions of the entity's engagement activities towards achieving its **Strategic Ambition**, where possible, presented with some quantification (either as point estimates or ranges) (**3.1.d**). Where this is not possible, the entity may explain the principal contribution in qualitative terms.

### 3.2 Engagement with industry

An entity shall disclose information about any engagement and collaborative activities with industry counterparts (and other relevant initiatives or entities) that it is undertaking or plans to undertake in order to achieve the **Strategic Ambition** of its transition plan.

As part of this, an entity shall disclose

- a. information about memberships in trade organisations or industry bodies
- b. an explanation of how the entity prioritises engagement and collaborative activities in order to maximise their contribution towards achieving the **Strategic Ambition** of the entity's transition plan; this may reference key assumptions and external factors disclosed under **1.3 Key assumptions and external factors**
- c. a description of current and planned engagement and collaborative activities with membership bodies, industry associations, industry counterparts (and other relevant initiatives or entities; e.g. peers and labour unions) including any commitments by the entity arising from these activities<sup>7</sup>
- d. the expected principal contributions of its activities towards achieving its **Strategic Ambition**
- e. the steps it takes to monitor the activities of membership bodies or industry bodies in which it participates and minimise any actions that may conflict with its own **Strategic Ambition**.

An entity will often find that engagement and collaborative activities with industry counterparts (including membership bodies, industry associations, peers and labour unions) can support its efforts to achieve its **Strategic Ambition**, for example by sharing industry expertise or addressing common challenges. Users will therefore value information about how an entity is engaging with industry counterparts, as well any industry thought-leadership roles it plays.

To inform their understanding and support their assessment of an entity's value chain engagement efforts, users will need information about how the entity prioritises engagement and what engagement activities it is undertaking. In addition, they will find it useful to understand whether the advocacy positions of any organisations that it is a member of are aligned with the entity's **Strategic Ambition**. They will therefore value disclosures about memberships in trade organisations and industry bodies, influential positions the entity holds, and information about how the entity is monitoring the bodies in which it participates.

This will help users assess the credibility of the entity's engagement strategy and make a judgement about whether an entity's industry engagement is consistent with its overall **Strategic Ambition**.

**In order to disclose effectively in accordance with 3.2 an entity may wish to consider the following:**

In disclosing information about memberships in trade organisations or industry bodies (**3.2.a**), an entity may consider providing information to help users contextualise the nature of that relationship. For example, an entity may consider including information about:

- governance positions it holds within that trade organisation or industry body;
- chair roles or other influential positions it holds in working groups to formulate or influence policy or positions in areas critical to achieving the Strategic Ambition of its transition plan;

<sup>7</sup>) **Note:** The TPT notes the similarity between this recommendation and the Disclosure Recommendations on indirect policy engagement under **3.3 Engagement with government, public sector and civil society**. Under **3.2 Engagement with industry** the primary focus lies on outlining significant engagement activities undertaken to influence membership bodies, industry associations, industry counterparts, and other relevant entities. Under **3.3 Engagement with government, public sector and civil society**, the focus lies on outlining significant engagement activities undertaken in collaboration with, or via, trade associations to influence the decision-making and policy positions of government and the public sector.



Where an entity is involved in a large number of bodies, it may be appropriate to focus its disclosures on the most relevant memberships. Where this is the case, users will value transparency about which memberships are regarded as most relevant, and why.

Depending on the broader context of their transition plan, entities may decide to prioritise engagement efforts in different ways (3.2.b). For example, entities may disclose the extent to which they prioritise engagement with:

- industry bodies or collaborative initiatives (e.g. GFANZ) that they deem best placed to tackle common transition challenges;
- trade organisations or industry bodies that are most active in climate-related matters;
- trade organisations or industry bodies that are particularly influential in climate policy and related activities;
- trade organisations or industry bodies where the entity has the highest degree of influence over the bodies' activities and decision making;
- trade unions that can facilitate meaningful dialogue with workers and ensure workforce participation in the transition planning process.

Current and planned engagement and collaboration activities (3.2.c) that an entity may disclose may include:

- participation in voluntary industry initiatives (e.g. GFANZ, Race to Zero alliance, Mining 2030, Climate Action 100+, the Deforestation-Free Finance Advisory Group, REI00, SBTN Corporate Engagement Program, UNEP FI Principles for Responsible Banking);
- collaboration with industry peers (e.g. to benchmark workplace benefits and incentives across high- and low- carbon roles);
- engagement with labour unions (e.g. on developing inclusive upskilling programs for its workforce).

Commitments that arise from these activities (3.2.c) that an entity may disclose could include, for example, commitments to follow industry standards or approaches, or introduce certain policies or conditions.

In describing steps taken to monitor (3.2.e) the activities of membership bodies or industry bodies in which it participates, an entity may include information about:

- company-wide policies to track and monitor interactions with outside stakeholders;
- mechanisms for the regular review of key policy positions taken by associations of which it is a member;
- mechanisms for the regular review of press releases on advocacy positions taken by industry associations, trade organisations or industry initiatives of which it is a member;
- internal policies and conditions that specify the terms of engagement with any industry association, trade organisation or industry initiative whose advocacy efforts are mis-aligned with the **Strategic ambition** of the transition plan. This may include criteria for determining when the entity will leave any membership body or industry body.
- Users will value disclosure of the expected principal contributions of the entity's engagement activities towards achieving its **Strategic Ambition**, where possible, presented with some quantification (either as point estimates or ranges) (3.2.d). Where this is not possible, the entity may explain the principal contribution in qualitative terms.

### 3.3 Engagement with government, public sector and civil society

An entity shall disclose information about any direct and indirect engagement activities with the government, regulators, public sector organisations, communities, and civil society that it is undertaking or plans to undertake in order to achieve the **Strategic Ambition** of its transition plan.

#### Disclosure Recommendations

As part of this, an entity shall disclose:

- a. an explanation of how the entity prioritises engagement activities in order to maximise their contribution towards achieving the **Strategic Ambition** of the entity's transition plan; this may reference key assumptions and external factors disclosed under **1.3 Key assumptions and external factors**
- b. a description of current and planned engagement activities
- c. the expected principal contributions of its activities towards achieving its **Strategic Ambition**.

#### Why is this included?

In many instances, engagement activities with government, regulators, public sector organisations, communities, and civil societies will play an important role in an entity's transition plan. For example, entities may engage with governments to promote key regulatory or policy changes on which achievement of their **Strategic Ambition** depends. Where this is the case, users will value information about how effectively the entity is using its influence.

To inform their understanding and support their assessment of an entity's value chain engagement efforts, users will need information about how the entity prioritises engagement and what engagement activities it is undertaking.

This will help users assess the credibility of the entity's engagement strategy and make a judgement about whether an entity's engagement is consistent with its overall **Strategic Ambition**. This also helps users to understand an entity's advocacy position relative to its peers and the ways in which government or non-corporate policy is impacting the entity and vice versa.

#### Disclosure considerations

**In order to disclose effectively in accordance with 3.3 an entity may wish to consider the following:**

Depending on the broader context of their transition plan, entities may decide to prioritise engagement efforts in different ways (**3.3.a**). For example, entities may disclose the extent to which they prioritise engagement with:

- stakeholders who are best placed to act on key external factors on which the plan depends (with reference to the factors disclosed under **1.3 Key assumptions and external factors**) (e.g. government actors responsible for transition planning);
- stakeholders on which the transition plan is likely to have a significant impact (e.g. communities in which they are planning to open or close production facilities).

In designing its engagement strategy, an entity will also face a strategic choice of whether to engage with counterparts directly or indirectly (e.g. via industry associations). In explaining how it prioritises engagement activities, it may also want to disclose the rationale behind the chosen engagement strategy.

Current and planned activities (**3.3.b**) that an entity may disclose may include:

- direct and indirect engagement with governments and policymakers on required national or regional policy changes (e.g. support schemes for technological developments, removing key regulatory hurdles, the development of national sectoral decarbonisation pathways, the development of national or regional adaptation plans);
- engagements with national and regional governments on including just transition principles in policy, planning, and spending commitments in line with the International Labour Organisation's (ILO) just transition guidelines (ILO 2015) or other relevant good practice guidance;
- engagement with communities, civil society organisations, and multi-stakeholder initiatives to assess the potential social impacts of its transition plan;
- engagement with communities, civil society organisations, and multi-stakeholder initiatives to ensure opportunity for meaningful social dialogue and stakeholder participation.

**In disclosing information about these engagements, entities may include:**

- information on the climate-related advocacy positions of current and planned direct policy engagement activities;
- information on the climate-related advocacy positions of industry associations that the entity is a member of.

Users will value disclosure of the expected principal contributions of the entity's engagement activities towards achieving its **Strategic Ambition**, where possible, presented with some quantification (either as point estimates or ranges) (**3.3.c**). Where this is not possible, the entity may explain the principal contribution in qualitative terms.

## 4. Metrics & Targets

Element 4 provides the **Metrics and Targets** of the entity's transition plan.

An entity shall disclose the metrics and targets that it is using to drive and monitor progress towards its **Strategic Ambition**. This includes information on any metrics and targets used to manage and monitor impacts and dependencies of the transition plan on its stakeholders, society, the economy and the natural environment (as identified under **1.1 Strategic Ambition**). There is no requirement to disclose a metric where it is not used to drive and monitor progress against an entity's **Strategic Ambition**.

Understanding the targets an entity has set and the metrics it is using to measure and progress against these targets is integral to the user's understanding of a transition plan.

Disclosures under this Element enable users to make a judgement about whether the entity is setting meaningful and sufficiently ambitious targets that align with its **Strategic Ambition**, track progress on an entity's transition journey over time, and assess performance against, and alignment with, any external benchmarks that the entity has taken into account (see **1.1.c**).

Specific considerations in these areas for each of **4.1-4.4** are set out below. These are accompanied by examples of how entities are currently disclosing related information in transition plans or other their wider climate-related disclosures.



## 4. Metrics & Targets

### Sub-Element

#### 4.1 Governance, business and operational metrics and targets

An entity shall disclose information about the governance, engagement, business and operational metrics and targets that it uses in order to drive and monitor progress towards the **Strategic Ambition** of its transition plan, and report against these metrics and targets on at least an annual basis.

### Disclosure Recommendations

As part of this, an entity shall:

- a. disclose any targets it has set, and any targets it is required to meet by law or regulation
- b. disclose information about how the targets disclosed under 4.1.a reflect the **Strategic Ambition** of its transition plan, and how they relate to the actions outlined under **2. Implementation Strategy** and **3. Engagement Strategy**
- c. for each target disclosed under 4.1.a, disclose:
  - i. the metric used to set the target
  - ii. the objective of the target
  - iii. the part of the entity or its activities to which this target applies
  - iv. the period over which the target applies
  - v. the base period and value from which progress is measured
  - vi. any milestones or interim targets
  - vii. if the target is quantitative, whether it is an absolute or an intensity target
  - viii. how the latest international agreement on climate change, including any jurisdictional commitments that arise from that agreement, has informed the target
  - ix. whether and how the target aligns with any pathways disclosed under 1.1.c including, where possible, the expected trajectory of how this target will be achieved
  - x. any underlying taxonomy, tools, methodologies, or definitions on which this metric relies
- d. disclose information about its approach to setting and reviewing each target disclosed under 4.1.a, and how it monitors progress against each target, including:
  - i. whether the target and the methodology for setting the target have been validated by a third party
  - ii. the entity's processes for reviewing the target
  - iii. the metrics used to monitor progress towards meeting the target
- e. report against metrics used to assess progress towards the targets disclosed under 4.1.a at least on an annual basis; this shall include:
  - i. information about its performance against each target
  - ii. an analysis of trends or changes in the entity's performance
  - iii. whether and to what extent (if known) measurements rely on estimated data, and
  - iv. any revisions to the target and explanation for those revisions.

## Why is this included?

An entity is likely to use a broad suite of governance, engagement, business and operational metrics and targets to drive and monitor progress towards the **Strategic Ambition** of its transition plan. For example, it may set operational targets to monitor whether actions outlined under **2.1 Business operations** are leading to the desired outcomes.

To understand whether an entity is monitoring the outcomes of its implementation and engagement strategy, a user will need information about any targets the entity has set and the metrics used to assess progress towards these. To enable interpretation and comparison across entities, users will value supplementary details about metrics and targets, including relevant contextual information, any interim milestones or interim targets that the entity expects to meet and details about any underlying taxonomies, tools, methodologies or definitions.

## Disclosure considerations

**In order to disclose effectively in accordance with 4.1 an entity may wish to consider the following:**

In disclosing information on targets related to **governance (4.1.a)**, an entity may consider including any targets in areas such as remuneration (e.g. proportion of individuals with remuneration linked to progress against the **Strategic Ambition**) (see **5.4 Incentives and remuneration**), skills, competencies and training (e.g. percentage of at-risk workers being offered retraining or redeployment) (see **5.5. Skills, competencies and training**)

In disclosing information on targets related to **engagement (4.1.a)**, an entity may consider including any targets related to the nature of engagement activities (e.g. number of engagements with suppliers on their transition plans, number of engagements with clients on the just transition) as well as the outcome of the engagement activities (e.g. evidence of GHG emissions reductions by suppliers, evidence of social dialogue in clients' transition plans). These may relate to engagements with the value chain (see **3.1 Engagement with value chain**), industry counterparts (see **3.2 Engagement with industry**), and/or government, public sector, communities, and civil society (see **3.3 Engagement with government, public sector, communities, and civil society**).

In disclosing information on any targets related to **business and operations (4.1.a)**, an entity may include:

- targets related to business and operations (e.g. energy efficiency (e.g. energy consumption/ unit produced), the number of factories located in flood zones or percent of water withdrawn in areas with high water stress, the number of sustainable jobs created); and
- targets related to products and services (e.g. proportion of total or number of products and/or services that are no- or low-GHG or support the transition towards a low-GHG economy, proportion of total or number of products and services vulnerable to transition and physical risks).

Providing further details about each target will help ensure that users have the context required to interpret the target. In particular, users will value information about:

- contextual information required to understand what is being measured and the objective of the target (**4.1.c.i-v; 4.1.c.vii, 4.1.c.x**);
- information about any interim milestones or targets that the entity expects to meet (**4.1.c.vi**);
- how the target was informed by or aligns with any external benchmarks, including the latest international agreement on climate change (**4.1.viii-ix**);
- the expected trajectory of how this target will be achieved (**4.1.c.ix**) (e.g. information about whether an entity expects a linear reduction or increase towards particular targets, an s-curve trajectory or whether it foresees key "bumps" or sudden changes, for example due to the planned phase out of particular assets).

Where the entity includes nature-related metrics and targets, an entity may find it helpful to align these to the recommendations of the **Taskforce for Nature-related Financial Disclosures (TNFD)**. The entity may also refer to guidance for measuring impacts and dependencies on nature and natural capital, such as Capital Coalition's **Align** and **Transparent** projects. The entity may also want to consider including just transition-related metrics and targets.

#### 4.2 Financial metrics and targets

An entity shall disclose information about any financial metrics and targets, relevant to its business, sector, and strategy, that it uses in order to drive and monitor progress towards the **Strategic Ambition** of its transition plan, and report against these metrics and targets on at least an annual basis.

As part of this, an entity:

- a. shall disclose any targets it has set, and any targets it is required to meet by law or regulation; for financial services, this may include targets related to its investment and lending activities
- b. shall disclose information about how the targets disclosed under 4.2.a reflect the **Strategic Ambition** of its transition plan, and how they relate to the actions outlined under **2. Implementation Strategy** and **3. Engagement Strategy**
- c. shall for each target disclosed under 4.2.a, disclose:
  - i. the metric used to set the target
  - ii. the objective of the target
  - iii. the part of the entity or its activities to which this target applies
  - iv. the period over which the target applies
  - v. the base period and value from which progress is measured
  - vi. any milestones or interim targets
  - vii. if the target is quantitative, whether it is an absolute or an intensity target
  - viii. how the latest international agreement on climate change, including any jurisdictional commitments that arise from that agreement, has informed the target
  - ix. whether and how the target aligns with any other pathways disclosed under 1.1.c including, where possible, the expected trajectory of how this target will be achieved
  - x. any underlying taxonomy, tools, methodologies, or definitions on which this metric relies
- d. shall disclose information about its approach to setting and reviewing each target disclosed under 4.2.a, and how it monitors progress against each target, including:
  - i. whether the target and the methodology for setting the target has been validated by a third party
  - ii. the entity's processes for reviewing the target
  - iii. the metrics used to monitor progress towards meeting the target
- e. shall report against metrics used to assess progress towards the targets disclosed under 4.2.a at least on an annual basis; this shall include:
  - i. information about its performance against each target
  - ii. an analysis of trends or changes in the entity's performance
  - iii. whether and to what extent (if known) measurements rely on estimated data
  - iv. any revisions to the target and explanation for those revisions
- f. shall disclose an explanation of whether and how the entity is applying a carbon price in decision-making (for example, investment decisions), and the price for each metric tonne of greenhouse gas emissions that the entity uses to assess the cost of its emissions
- g. may disclose a single amount or a range in providing quantitative information under 4.2.a–f.

## Why is this included?

An entity may use financial metrics and targets to drive and monitor progress towards the **Strategic Ambition** of its transition plan. For example, it may have set targets relating to revenues, capital expenditures, investments in research & development etc. This is particularly likely to be relevant for entities in the financial services sector.

To understand whether an entity is appropriately monitoring the outcomes of its implementation and engagement strategy, a user will need information about any targets the entity has set, and the metrics used to assess progress towards these. To enable interpretation and comparison across entities, users will value supplementary details about metrics and targets, including relevant contextual information, any interim milestones or interim targets that the entity expects to meet and details about any underlying taxonomies, tools, methodologies or definitions.

## Disclosure considerations

**In order to disclose effectively in accordance with 4.2 an entity may wish to consider the following:**

Examples of possible financial targets (**4.2.a**) may include:

- climate value at risk from physical changes in climate and transition to a low-GHG emission economy;
- no- or low-GHG capital expenditure;
- no- or low-GHG R&D investments;
- revenue from no- or low-GHG products and services;
- proportion of no- or low-GHG financial assets or investments related to total financial assets;
- proportion of no- or low-GHG long-term capital assets related to total long-term capital assets;
- percentage of fuel consumed from no- or low-GHG fuels as a proportion of total fuel;
- procurement from no- or low-GHG suppliers.

Providing further details about each target will help ensure that users have the context required to interpret the target. In particular, users will value information about:

- contextual information required to understand what is being measured and the objective of the target (**4.2.c.i-v; 4.1.c.vii, 4.1.c.x**); and
- information about any interim milestones or targets that the entity expects to meet (**4.1.c.vi**);
- how the target was informed by or aligns with any external benchmarks, including the latest international agreement on climate change (**4.1.viii-ix**);
- the expected trajectory of how this target will be achieved (**4.1.c.ix**) (e.g. information about whether an entity expects a linear reduction or increase towards particular targets, an s-curve trajectory or whether it foresees “key bumps” (e.g. sudden changes in financial metrics), for example due to the planned phase out of particular assets).



### 4.3 GHG metrics and targets

An entity shall disclose information about the GHG emissions and removals metrics and targets that it uses in order to drive and monitor progress towards the **Strategic Ambition** of its transition plan, and report against these metrics and targets on at least an annual basis.

As part of this, an entity:

- a. shall disclose information about any targets for reducing absolute gross GHG emissions for Scopes 1 and 2 that it has set
- b. shall disclose information about any targets for reducing absolute gross GHG emissions for Scope 3 that it has set
- c. shall disclose information about any additional GHG emissions targets that it has set (e.g. methane reduction targets)
- d. shall disclose information about how the targets disclosed under 4.3.a–c reflect the **Strategic Ambition** of its transition plan, and how they relate to the actions outlined under **2. Implementation Strategy** and **3. Engagement Strategy**
- e. may disclose information about any gross GHG emissions intensity targets expressed as metric tonnes of CO<sub>2</sub> equivalent per unit of physical or economic output for Scopes 1 and 2
- f. may disclose gross GHG emissions intensity targets expressed as metric tonnes of CO<sub>2</sub> equivalent per unit of physical or economic output for Scope 3
- g. may disclose any targets for increasing GHG removals from activities such as land use, land use change, bioenergy, and carbon removal technologies
- h. shall disclose the categories of Scope 3 GHG emissions included within the target disclosed under 4.3.b and, where it has excluded categories of Scope 3 GHG emissions from its targets, disclose the reason for omitting them, and any steps it is taking to improve monitoring and reporting systems.
- i. shall, for each target disclosed under 4.3.a–c, disclose:
  - i. the metric used to set the target
  - ii. the objective of the target
  - iii. the part of the entity or its activities to which this target applies
  - iv. the period over which the target applies
  - v. the base period and value from which progress is measured
  - vi. any milestones or interim targets
  - vii. if the target is quantitative, whether it is an absolute or an intensity target
  - viii. how the latest international agreement on climate change, including any jurisdictional commitments that arise from that agreement, has informed the target
  - ix. whether and how the target aligns with any pathways disclosed under 1.1.c including, where possible, the expected trajectory of how this target will be achieved
- j. shall disclose information about its approach to setting and reviewing each target disclosed under 4.3.a–c, and how it monitors progress against each target, including:
  - i. whether the target and the methodology for setting the target have been validated by a third party
  - ii. the entity's processes for reviewing the target
  - iii. the metrics used to monitor progress towards meeting the target

- k. shall report against metrics used to assess progress towards the targets disclosed under 4.3.a-c at least on an annual basis; this shall include:
  - i. information about its performance against each target
  - ii. an analysis of trends or changes in the entity's performance
  - iii. whether and to what extent (if known) measurements rely on estimated data
  - iv. any revisions to the target and explanation for those revisions
- l. shall in disclosing information on GHG emissions under 4.3.k
  - i. disclose its absolute gross GHG emissions generated during the reporting period, expressed as metric tonnes of CO<sub>2</sub> equivalent, classified as Scope 1, 2 and 3 GHG emissions
  - ii. measure its GHG emissions in accordance with the Greenhouse Gas Protocol: A corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or an exchange on which the entity is listed to use a different method for measuring its GHG emissions
  - iii. disclose the approach it uses to measure its GHG emissions under 4.3.l.i, including:
    - 1. the measurement approach, inputs, and assumptions the entity uses to measure its GHG emissions
    - 2. the reason why the entity has chosen the measurement approach, inputs, and assumptions it uses to measure its GHG emissions
    - 3. any changes the entity made to the measurement approach, inputs, and assumptions during the reporting period and the reasons for those changes
  - iv. for Scope 1 and Scope 2 GHG emissions disclosed under 4.3.l.i, disaggregate emissions between
    - 1. the consolidated accounting group (e.g. parent and its consolidated subsidiaries)
    - 2. other entities excluded from the consolidated accounting group (e.g. associates, joint ventures and unconsolidated subsidiaries)
  - v. for Scope 2 GHG emissions disclosed under 4.3.l.i, disclose its location-based Scope 2 GHG emissions and provide information about any contractual instruments that is necessary to inform users' understanding of the entity's Scope 2 GHG emissions
  - vi. for Scope 3 GHG emissions disclosed under 4.3.l.i, disclose:
    - 1. the categories included within the entity's measure of Scope 3 GHG emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) and, where it has excluded categories of Scope 3 GHG emissions, disclose the reason for omitting them, and any steps it is taking to improve monitoring and reporting systems to enable reporting
    - 2. additional information about the entity's Category 15 GHG emissions or those associated with its investments (financed emissions) if the entity's activities include asset management, commercial banking, or insurance
- m. may, where relevant, further disclose information about GHG removals from activities such as land use, land use change, bioenergy, and carbon removal technologies
  - i. be separately identifiable from information about GHG emissions disclosed under 4.3.l.i and information about carbon credits disclosed under 4.4
  - ii. include information about which third-party scheme(s) has or will verify or certify the removals
  - iii. include information about which standard the removals have been or will be certified against
  - iv. disclose the extent to which the entity identifies and manages the impacts and dependencies of removals on its stakeholders, society, the economy, and the natural environment throughout its value chain, that may give rise to sustainability-related risks and opportunities (for example, this may include an assessment and mitigation of social risks of removals usage (e.g. through human rights impact assessments)).

## Why is this included?

Metrics and targets on GHG are likely to be a crucial cornerstone of an entity's transition plan, given the role of GHG emissions in contributing to the changing climate. For users, information on GHG emissions is therefore fundamentally important to their understanding of an entity's transition plan.

To understand whether an entity is appropriately monitoring the outcomes of its implementation and engagement strategy, a user will need information about any GHG targets the entity has set as well as their GHG emissions. The value of these disclosures will be strengthened if entities disclose information on GHG emissions in a consistent and comparable manner, leveraging authoritative guidance provided by the Greenhouse Gas Protocol, unless otherwise required by a jurisdictional authority or an exchange on which the entity is listed.

## Disclosure considerations

**In order to disclose effectively in accordance with 4.3 an entity may consider the following:**

For further guidance on reporting information about GHG emissions targets (**4.3.a-c, 4.3.e-i**), an entity may find it helpful to refer to the Application Guidance provided in IFRS S2 **Climate-related disclosures** (see B68-9).

For further guidance on reporting information about GHG emissions (**4.3.l**), an entity may find it helpful to refer to the Application Guidance provided in the IFRS S2 **Climate-related disclosure standard** (see B19 - 63).

The guidance on accounting for CO2 removals (**4.3.g & 4.3.m**) is still evolving. Where an entity reports metrics and targets related to GHG removals, the TPT recommends that the entity follow the [draft] guidance for **Greenhouse Gas Protocol Land Sector and Removals Guidance** and the recommendations of the SBTi's **Forest, Land and Agriculture Guidance**. For the avoidance of doubt, metrics on CO2 removals and storage shall be clearly separated from targets on GHG emissions and carbon credits. The entity shall further disclose whether any removals have been certified or verified by a third party and, if so, by whom and against which standard.

#### 4.4 Carbon credits

An entity shall disclose information about how it uses or plans to use carbon credits to achieve the **Strategic Ambition** of its transition plan, and report on the use of carbon credits on at least an annual basis.

#### Disclosure Recommendations

As part of this, an entity shall:

- a. disclose an explanation of why the entity is employing carbon credits and the extent to which, and how, the entity relies on the use of carbon credits to achieve the **Strategic Ambition** of its transition plan
- b. disclose the number of credits sold, purchased and retired
- c. disclose which third-party scheme(s) has or will verify or certify the carbon credits
- d. disclose information about which standard or methodology the carbon credits have been or will be certified against
- e. disclose the type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal
- f. disclose whether and how the entity identifies and manages the impacts and dependencies of carbon credits on its stakeholders, society, the economy, and the natural environment throughout its value chain, that may give rise to sustainability-related risks and opportunities (for example, this may include an assessment and mitigation of social risks of carbon credits usage (e.g. through human rights impact assessments))
- g. disclose any other factors necessary for users of general purpose financial reports to understand the credibility and integrity of the carbon credit the entity is using or plans to use<sup>8</sup>
- h. report on the use of carbon credits at least on an annual basis.

#### Why is this included?

As entity may decide to use carbon credits as part or in support of the **Strategic Ambition** of its transition plan. Good practice transition plans should consider Scope 1, 2, and 3 emissions and should prioritise decarbonisation through direct abatement over purchasing carbon credits.

Users will therefore value information about an entity's use of carbon credits to understand the relative emphasis on direct abatement versus the use of credits, the integrity of the underlying credits and the expected contributions of these credits to the achievement of the entity's **Strategic Ambition**. This information will further strengthen the ability of users to compare transition plans across individual entities, particularly within a sector.

8) This may include:

- Proof that the principles of Free, Prior and Informed Consent (FPIC) and Do No Harm were respected with local communities where the project is situated, and, where appropriate, proof that projects respect, and ideally enhance, the rights of Indigenous Peoples and Local Communities (IPLCs)
- Information about the expected permanence of the carbon credit, including any measures in place to address the risk of reversal as well as measures in place to compensate reversals.

**In order to disclose effectively in accordance with 4.4, an entity may wish to consider the following:**

In explaining why an entity is employing carbon credits and how this supports the **Strategic Ambition** of its transition plan (**4.4.a**), it may consider following the guidance provided by the Science-based Targets initiative (SBTi) and the Voluntary Carbon Markets Integrity Initiative (VCMI) Code of Practice, Annexes, and Supplementary Guidance. Entities should note that the VCMI recommends that companies avoid making compensation claims (see VCMI Supplementary Guidance for guidance on how to communicate claims).

The TPT recommends that, in disclosing information about which third-party scheme(s) has verified the credits and the standard and methodology that the credits have been verified against (**4.4.c-d**), an entity discloses whether these meet the Core Carbon Principles (CCPs) set out by the Integrity Council for the Voluntary Carbon Market (ICVCM).

Whether and how impacts and dependencies of carbon credits on stakeholders, society, the economy and the natural environment are identified and managed is a key quality criterion for carbon credits. In disclosing information about their use of carbon credits (**4.4.e.i**), an entity may therefore find it helpful to include:

- information about social and environmental co-benefits arising from the carbon projects that underlie the carbon credits;
- information about any due diligence processes it has conducted on carbon projects;
- information about whether it has chosen credits verified against a standard which takes into account social or environmental integrity.

Users will value information on other factors necessary for users of general purpose financial reports to understand the credibility and integrity of the carbon credit the entity is using or plans to use (**4.4.f**). For example, an entity may consider disclosing:

- information about whether and how the project contributes to the sustainable development of the host country. For example, by supporting national or international adaptation by setting aside a share of proceeds to support adaptation or investing into beyond-baseline environmental and social impacts associated with the project;
- proof that the principle of Free, Prior and Informed Consent (FPIC) and Do No Harm were respected with local communities where the project is situated; and, where appropriate, proof that projects respect, and ideally enhance, the rights of Indigenous peoples and local communities (IPLCs);
- information about the expected permanence of the carbon credit, including any measures in place to address the risk of reversal as well as measures in place to compensate reversals.

For the avoidance of doubt, disclosures under **4.4.a-g** are intended to cover both the sale and purchase of carbon credits. In line with the guidance provided by the GHG Protocol, entities who are selling or plan to sell carbon credits to achieve the **Strategic Ambition** should ensure that there is no double counting between the sold credits and the GHG inventories reported under **4.3 GHG Metrics and Targets**.

The TPT further recognises that there is an emerging body of practice around the use of biodiversity credits. Given the nascence of the existing guidance and rapid evolution in this field, the TPT has opted **not** to provide recommendations or guidance regarding the use of biodiversity credits in transition plans.

## 5. Governance

Element 5 provides the **Governance** of the entity's transition plan.

An entity shall disclose how it is embedding its transition plan within its governance structures and organisational arrangements in order to achieve the **Strategic Ambition** of its transition plan.

Appropriate governance structures will be key for enabling the successful delivery of a transition plan. As for any other aspect of corporate strategy, users will find it decision-useful to understand how far the transition plan is 'owned' by the board (or other relevant governing body(s) or individual(s)), and how responsibilities for monitoring, managing, and overseeing the transition plan are allocated across senior management. Since transition planning is necessarily a dynamic, adaptive, and iterative process, users will be interested in how well governance arrangements provide for flexibility, reassessment, and revision of the transition plan.

In addition, users will value information about how fully the Strategic Ambition of the transition plan is embedded across the organisation. This will include information on steps the entity is taking to embed the transition plan in its culture and incentive and remuneration arrangements, as well as steps to assess, maintain, and build the appropriate skills, competencies, and knowledge across the organisation.

Specific considerations in these areas for each of **5.1-5.5** are set out below. These are accompanied by examples of how entities are currently disclosing related information in transition plans or other their wider climate-related disclosures.

Where the development and delivery of the transition plan is integrated with the governance and organisational arrangements that support the management climate-related risks and opportunities more broadly, users will find it helpful if disclosures in accordance with **5.1-5.5** are provided as part of those wider disclosures.



## 5. Governance

### Sub-Element

#### 5.1 Board oversight and reporting

An entity shall disclose information about the governance body(s) (which can include a board, committee, or equivalent body charged with governance) or individual(s) responsible for oversight of the transition plan.

### Disclosure Recommendations

As part of this, an entity shall identify that body(s) or individual(s) and disclose:

- a. its arrangements for review and approval of the transition plan and its **Strategic Ambition**, including oversight of any changes, updates, and reporting
- b. how responsibilities for the transition plan are reflected in the terms of reference, mandates, role descriptions, and other related policies applicable to that body(s) or individual(s)
- c. how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee the transition plan
- d. how and how often the body(s) or individual(s) is informed about the transition plan
- e. how the body(s) or individual(s) takes into account the transition plan when overseeing the entity's strategy, its decisions on major transactions and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with the transition plan
- f. how the body(s) or individual(s) oversees the setting of targets in the transition plan, and monitors progress towards these targets and the wider strategic ambition of the transition plan.

### Why is this included?

A transition plan is about the strategic direction of the entity, requiring leadership and oversight from the highest level of governance. To develop confidence in the plan, users of transition plans will value information about the role of the Board, committee(s) or equivalent body plays in overseeing the transition plan.

### Disclosure considerations

**In order to disclose effectively in accordance with 5.1 an entity may wish to consider the following:**

In providing information about arrangements for review and approval of the transition plan (5.1.a), and how responsibilities for the transition plan are reflected in terms of reference, etc. (5.1.b), an entity may wish to disclose whether a specific member of the relevant governance body(s), or sub-committee, has been appointed to be accountable for the transition plan, and the steps that the relevant body(s) is taking, or expects to take to ensure that it has the appropriate skills and competencies to oversee the transition plan (5.1.c).

In demonstrating the effectiveness of governance processes in respect of the development of the transition plan, oversight of the setting of targets, and the monitoring of progress towards these targets the wider strategic ambition of the plan (5.1.f), an entity may wish to include information about the nature, process, and frequency of information flow to the relevant governance body(s), or sub-committee (5.1.d), including the nature and frequency of discussions, and the methods for review, approval and monitoring.

Disclosures about how relevant governance body(s) take into account the transition plan when overseeing strategy (5.1.e) will help the entity communicate the extent to which the transition plan is integrated in corporate strategy and wider decision-making. An entity may provide information on the extent to which the transition plan is considered by the relevant governance body(s) when making other decisions and overseeing other activities - e.g. when reviewing and guiding business strategy, and risk management processes, when taking decisions on major transactions and plans of action, when setting budgets, or defining performance objectives.

## 5.2 Roles, responsibility and accountability

An entity shall disclose information about management's role in the governance processes, controls, and procedures used to monitor, manage, and oversee the transition plan, as well as how it is embedded within the entity's wider control, review, and accountability mechanisms.

### Disclosure Recommendations

As part of this, an entity shall disclose:

- a. the identity of the management body(s) or individual(s) responsible for executive oversight and delivery of the transition plan
- b. the role of the body(s) or individual(s) in 5.2.a. in defining the **Strategic Ambition** of the transition plan, the setting of targets, and the monitoring of progress
- c. how oversight is exercised over that body(s) or individual(s)
- d. whether the body(s) or individual(s) in 5.2.a. uses controls and procedures to support the oversight of the transition plan and ensure the reliability of information disclosed; if so, an entity shall disclose how these controls and procedures are integrated with other internal functions and information about which aspects of the transition plan are subject to external assurance or verification, including the nature of the assurance or verification
- e. whether the transition plan is subject to shareholder approval, including through a shareholder vote.

### Why is this included?

Disclosure of the roles, responsibility and accountability of management are important in demonstrating that an entity has the required structures in place to enable the delivery of the plan and build confidence that the plan is appropriately resourced. Users of transition plans will therefore value information about management's role in the governance processes, controls and procedures used to monitor, manage and oversee the transition plan.

### Disclosure considerations

**In order to disclose effectively in accordance with 5.2 an entity may wish to consider the following:**

In disclosing information about the identity of the management body(s) or individual(s) responsible for executive oversight and delivery of the transition plan (**5.2.a**), an entity may find it helpful to include:

- whether members of the senior management team have been appointed accountable for the transition plan or parts of the transition plan.

In disclosing information about the roles of body(s) or individual(s) in defining the Strategic Ambition of the transition plan (**5.2.b**), an entity may find it helpful to include:

- information about how the responsibilities for the design, development, and delivery of the transition plan or its Elements are integrated into the role descriptions and responsibilities of senior management and other relevant staff, and included in their annual objectives;
- a description of how relevant individuals across teams and functions, who have accountability for the execution of the transition plan, are being brought together to promote cross-company ownership of the transition plan;
- information about who is responsible for the sign-off of targets and when and how these are reviewed;
- information about how often the body(s) or individual(s) receive updates on progress against defined targets;



## Disclosure considerations

- information about relevant escalation processes that are in place to enable any challenges or concerns in relation to the entity's transition plan to be communicated to and considered by the relevant governance body(s) or individual(s).

In disclosing information about the controls and procedures to support the oversight of the transition plan and ensure the reliability of information disclosed (**5.2.d**), an entity may find it helpful to include:

- information on internal controls that are in place to scrutinise the transition plan, and progress against the plan, by relevant internal assurance functions such as internal audit;
- whether (aspects of) the entity's transition plan disclosures are subject to external assurance or verification and, if so, whether the nature of the assurance or verification, and the subject matter that is assured or verified, are clear.

In providing information about whether a transition plan is subject to shareholder approval (**5.2e**), it may be useful to disclose whether decisions are subject to a vote and, if so, whether the vote is binding or advisory.

### 5.3 Culture

An entity shall disclose information about how it aligns or plans to align its culture with the **Strategic Ambition** of its transition plan.

#### Disclosure Recommendations

As part of this, an entity may disclose information about any relevant steps taken in respect of:

- a. company values and purpose statements
- b. communications, systems, processes
- c. HR policies and procedures (including escalation processes, compensation, and benefits); see **5.4 Incentives and remuneration** for disclosure recommendations on incentives and remuneration
- d. the employee value proposition
- e. leadership and manager training programmes
- f. workforce engagement strategies.

#### Why is this included?

An entity's culture and the people strategy can support the entity in achieving its **Strategic Ambition** by enabling and rewarding the required behaviours and new ways of working, and by inspiring and meaningfully engaging the workforce and prospective employees in order to retain and attract the required talent and skills. Users will therefore value information about how the entity aligns or plans to align its culture with its **Strategic Ambition**.

#### Disclosure considerations

**In order to disclose effectively in accordance with 5.3 an entity may wish to consider the following:**

In disclosing information about any steps taken in respect of company values and purpose statements (**5.3.a**) it may find it useful to clearly articulate the link between the transition plan and the entity's stated purpose, as well as evidence of how it is embedding this purpose throughout the organisation.

In disclosing information about leadership and senior management programmes (**5.3.e**), the entity may find it useful to disclose information about any programmes that it has planned or put in place to promote a transition-aligned culture, behaviours, and ways of working (e.g. Board-level, senior management and non-senior engagement or training programmes).

In disclosing information about any relevant steps taken in respect of the employee value proposition (**5.3.d**) the entity may find it helpful to reference the values set out in employee handbooks and contracts, and how these are aligned to and support the implementation of the transition plan.

In disclosing information about workforce engagement strategies (**5.3.f**), an entity may find it helpful to describe how it is listening to and engaging its workforce on the transition plan.

Information disclosed under this sub-element may reasonably include references to other aspects of **5. Governance**, including by drawing links to information about incentives (**5.4 Incentives and Remuneration**) and **5.5. Skills, competencies and training**.

#### 5.4 Incentives and remuneration

An entity shall disclose information about how it aligns or plans to align its incentive and remuneration structures with the **Strategic Ambition** of its transition plan.

##### Disclosure Recommendations

As part of this, an entity shall disclose:

- a. a description of whether and how its executive incentive and remuneration structures are aligned with the **Strategic Ambition** of its transition plan; this may include information about:
  - i. the metric(s) used
  - ii. whether the metric(s) is within the short-term and/or long-term incentive plan(s)
  - iii. the typical percentage weighting of the transition plan-related metric(s) within the incentive plan for the executive population
  - iv. the percentage of total executive remuneration that is linked to transition plan-related metric(s)
- b. a description of whether and how incentive and remuneration structures for employees across the organisation are aligned with the **Strategic Ambition** of its transition plan, including whether it has applied a consistent approach with that in 5.4.a or whether it has taken a differentiated approach for specific teams or roles.

##### Why is this included?

Aligning incentives and remuneration structures to the **Strategic Ambition** of the transition plan can be an important tool for driving action by setting the tone from the top, providing a 'north star' for incentive plan participants, and as a governance tool to signal management's support of the plan to employees and external stakeholders. It is therefore important for users to receive information that can help them understand whether the transition plan has been linked with incentives and remuneration structures, both at the executive level and across the organisation.

##### Disclosure considerations

**In order to disclose effectively in accordance with 5.4 an entity may wish to consider the following:**

In disclosing information about the typical percentage weighting of the transition plan-related metric(s) within the incentive plan (**5.4.a.iii**) and the percentage of total executive remuneration that is linked to transition plan-related metrics (**5.4.a.iv**), an entity may find that the approach differs for individuals across the executive population (for example, the metric weighing in the incentive plan). In such cases, the entity may disclose averages or ranges in its summary of practice.

In describing whether and how remuneration and incentive structures for employees across the organisations are aligned with the **Strategic Ambition** (**5.4.b**), an entity may wish to consider including:

- information about whether these relate to the entire workforce, or only to particular roles or teams;
- the metric(s) used;
- the proportion or number of employees whose performance-related pay is aligned with the metric(s);
- the incentive vehicle in which the metric(s) exist (e.g. annual bonus and/or long-term incentive plan); and
- the typical weighting of the metric(s) in the plan(s).

### 5.5 Skills, competencies and training

An entity shall disclose information about actions it is taking or plans to take to assess, maintain, and build the appropriate skills, competencies, and knowledge across the organisation in order to achieve the **Strategic Ambition** of its transition plan.

#### Disclosure Recommendations

As part of this, an entity shall disclose:

- a. information about how the entity assesses whether it has the appropriate skills, competencies, and knowledge across the organisation to effectively design, develop, deliver, and govern the transition plan in accordance with its **Strategic Ambition**
- b. where it has identified a skills gap, information about actions it is taking or plans to take to acquire or develop the required skills
- c. information about actions it is taking or plans to take to provide the Board and executive management with access to the appropriate skills, competencies and knowledge required to effectively oversee the transition plan.

#### Why is this included?

In many cases, an entity may find that delivering its transition plan requires new skills, competencies and knowledge. It will also be important to ensure that its Board and senior management with responsibility for the transition plan have, or have access to, the skills, competencies and knowledge required to provide effective oversight of the transition plan. In order to judge the feasibility of the entity's transition plan and the commitment to delivery, users will therefore value information about any steps it is taking or plans to take to assess, maintain and build the appropriate skills, competencies and knowledge across the organisations.

#### Disclosure considerations

##### **In order to disclose effectively in accordance with 5.5 an entity may wish to consider the following:**

In disclosing information about how it assesses whether it has the appropriate skills, competencies and knowledge (**5.5.a**), the entity may find it useful to include:

- how it has assessed the skills and knowledge required for the successful implementation of its transition plan;
- how it has mapped its existing skills and knowledge against the needs identified; and
- information about any key skills and knowledge gaps it has identified.

In disclosing information about actions that an entity is taking or plans to take to acquire or develop required skills, it may include (**5.5b**):

- recruitment efforts;
- internal training programs and other efforts to up-skill or re-skill its workforce.

In disclosing information about actions that an entity is taking or plans to take to provide the governance body(s) and individual(s) in **5.1 Board oversight** and executive management with access to skills, competencies and knowledge (**5.5c**) may include:

- board effectiveness assessments;
- internally or externally provided training/engagement sessions;
- regular briefings on transition plan-related issues.



**CONTACT US**

[secretariat@transitiontaskforce.net](mailto:secretariat@transitiontaskforce.net)

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[transitiontaskforce.net](http://transitiontaskforce.net)