

RESPONSES TO CONSULTATION QUESTIONS

Proposed approach for the transition planning guidance

Question 1: Do you support transition plan preparers being the target audience for using the guidance?

ACSI agrees that the guidance should target transition plan preparers. Effective guidance could contribute to improvements in the comprehensiveness of transition planning processes and disclosures.

ACSI and our members are not seeking guidance as transition plan users.

Question 2: Do you have feedback on the proposed design principles that underpin the draft guidance?

Internationally aligned

ACSI supports Treasury's endorsement of the IFRS TPT Disclosure Framework. Wider use of the IFRS TPT Disclosure Framework could improve the quality and comparability of transition plan disclosures by Australian entities.

In an Australian context, the IFRS TPT Disclosure Framework is relevant as it aligns with the ISSB S2 standard which underpins mandatory climate-related financial disclosure requirements.

Supports domestic decarbonisation and adaptation

It is appropriate that one of the guidance's objectives is to support an orderly, economy-wide transition to net zero in Australia. As recognised in the consultation paper, public policy settings are a key driver of decarbonisation by individual entities. The guidance is therefore a key opportunity for the Government to clearly articulate its climate-related targets and policy frameworks to inform private sector responses.

ACSI notes that sectors or entities may face limits in reducing emissions where policy signals are underdeveloped or inconsistent. Therefore, the guidance should be complemented by robust and coordinated policy frameworks that are competitive and provide incentives to decarbonise.

While the focus on the Australian policy context in the proposed guidance is appropriate, we note that many Australian companies are exporters or have international operations. Therefore, the guidance could clarify that, where relevant, entities should consider relevant policy settings across jurisdictions.

Balances ambition and flexibility

We agree with the principle that the guidance should encourage high ambition responses to climate change while providing entities with flexibility to respond to evolving circumstances. However, it would be helpful to refine the principle so that ambition and flexibility are not framed as opposing forces.

In ACSI's view, transition plans are an opportunity to develop and disclose a long-term business strategy, informed by currently available information and analysis. Transition plans will necessarily evolve over time. We explain further in response to Question 9 that engaging with uncertainty is a

legitimate part of transition planning and should not necessarily constrain ambition.

Climate first but not only

We agree with the principle that transition plans should primarily focus on entities' responses to the risks and opportunities of climate change. However, the principle could be strengthened by focusing on the environmental and social considerations that contribute to the delivery of a successful climate transition plan.

Where environmental and social risks, opportunities or objectives do not directly relate to the transition plan, they may be more effectively addressed by entities outside of their climate transition plan. Nonetheless, given potential connections between climate and nature risks and responses, some entities may identify a case for integrated transition planning.

We also suggest that the guidance includes references to the potential relevance of modern slavery risks.

We provide more detail on this position in our response to Question 9.

Question 3: Are there other principles or considerations the guidance should prioritise and why?

The guidance is an opportunity to encourage transition plan preparers to constructively engage with uncertainty in transition plan preparation and disclosures. Engaging with risks, uncertainties and dependencies is an essential part of effective transition planning and entities should feel confident disclosing these considerations.

We provide more detail on this position in our response to Question 9, including that the guidance could highlight the perspectives of transition plan users, ASIC and legal experts.

Question 5: Do you intend to use the International Financial Reporting Standards Foundation's Transition Plan Taskforce (IFRS TPT) disclosure framework to either develop your organisation's transition planning or for investment and lending decisions? What other alternative frameworks do you intend to use?

The IFRS TPT Disclosure Framework provides transition plan preparers with useful guidance on structuring disclosures. However, alignment with the IFRS Disclosure Framework is not one of ACSI's specific objectives when engaging with portfolio companies on their transition plans.

ACSI's approach to engagement with companies on climate-related issues is set out in our [Governance Guidelines](#). ACSI's key considerations on corporate climate risk management relate to:

- Transparent disclosure
- Alignment of corporate strategy with the goals of the Paris Agreement
- Scenario analysis
- Paris-aligned emissions reduction targets
- Physical risk management
- Policy and advocacy activity
- Planning for equitable transitions.

Question 7: Do you see a need for further sector-specific guidance? If so, what additional advice would you consider beneficial and where do you see a role for government?

We note that the proposed guidance is sector neutral and sector-specific guidance is referenced

in Appendix A.

While supportive of this approach, there is an opportunity to specifically acknowledge in the guidance that entities in certain sectors may face unique considerations in the transition planning process.

For example, superannuation funds' exposure to climate risks and opportunities is primarily via their investment portfolios. Therefore, elements of these entities' transition plans (if they have one) may be limited to exerting influence rather than direct control.

Specific feedback on the Draft Transition Planning Guidance

Question 9: When providing feedback on the draft guidance, please consider:

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

Expand and refine the content on the policy context

Section 1.1 of the proposed guidance (*Climate change mitigation and adaptation strategic ambitions*) provides a useful overview of policy and regulatory settings that could be considered by an organisation when developing a transition plan. This messaging is important, as policy signals are a key consideration for businesses preparing a transition plan.

Given that several important Government climate policy frameworks have been recently announced,¹ the guidance provides a unique opportunity for the Government to articulate a more comprehensive overview of its climate policy priorities, key policy mechanisms and how new frameworks may be relevant considerations in organisations' transition planning processes.

We encourage Treasury to consider ways to set out this information in a comprehensible format, tailored to a private sector audience.

Emphasise the commercial rationale for transition planning

Section 1 of the proposed guidance (*Foundations*) highlights that transition planning is an opportunity to respond to climate risks and opportunities. This discussion could be strengthened by further emphasising that transition planning is a commercially important process which focuses on preparing for long-term profitability and clearly communicating the approach to stakeholders.

In ACSI's experience, an effective transition plan integrates with core business strategy, as opposed to being a compliance or marketing driven exercise. To encourage entities to take a strategic approach to transition planning, the guidance could therefore provide more detail on potential commercial drivers for developing a comprehensive transition plan. These points could be included in 'The transition planning process' or in section 1 (*Foundations*).

For instance, the guidance could note that transition planning can support responses to several

¹ Including the 2035 emission target, the Net Zero Plan, the National Climate Risk Assessment and the National Adaptation Plan.

climate-related business developments such as:

- Current and expected future policy measures which seek to limit emissions.
- Emerging market risks, such as rising input costs or diminishing demand for outputs.
- Key opportunities, including those related to improving energy efficiency or expansion into new markets.
- Reputational factors, including where they may impact the entity's ability to attract staff or successfully market to consumers.
- The probability and potential impact of climate-related physical damage.
- The long-term financial benefits of investing in adaptation measures.

Further acknowledge that transition plan requires engaging with uncertainty

We support points in the proposed guidance which refer to the inherent uncertainty in transition planning, including in section 1.4 (*Key assumptions and external factors*). This section could be enhanced to provide further clarity to entities who may have reservations about disclosing risks, uncertainties and dependencies in their transition plan.

For many organisations, it may not be possible to determine a precise set of actions that will result in achievement of their long-term climate-related targets, such as reaching net zero emissions. The transition plan may therefore be contingent on dependencies such as market or technological developments. In this context, there is an opportunity for the transition planning guidance to consolidate insights from across the market to clarify that engaging with uncertainty is often justified, and to offer strategies for effectively communicating that uncertainty.

From an investor perspective, it is broadly recognised that entity-level decarbonisation is often contingent on external factors, and it is accepted that transition plans will reflect uncertainty and risk. However, investors do expect clear disclosure of key assumptions to enable an assessment of credibility. To highlight this perspective, the guidance could draw on perspectives outlined in the ACSI/AICD joint resource on the role of boards in transition planning.² For example, the guide includes that *"stakeholders and regulators do not expect companies to predict the future. However, they do expect forward-looking disclosures to be informed, reasoned and proportionate to the organisation's capacity and operating context."*

There is also an opportunity to provide entities with greater confidence by highlighting that the corporations law in Australia supports entities engaging with risk and uncertainty in their transition plan. The Australian Securities and Investments Commission's (ASIC) guidance on sustainability reporting³ acknowledges that *"disclosing forward-looking climate information over the medium and long term may be more uncertain than disclosing forward-looking information over the short term"*. ASIC clarifies that *"the question of whether a representation about a future matter has been based on reasonable grounds is to be determined at the point in time that the representation is made."*

Further, a legal opinion⁴ on the potential liability of company directors under new climate reporting standards noted that *"the legal requirement to have a "reasonable basis" for the making of forward-looking statements is capable of being sensitive to the inherent uncertainties in the scope, distribution, impacts and timing of the impacts of climate change. Directors must make a genuine assessment as to the appropriateness of the forward-looking disclosure at the time it is made, but*

² ACSI & AICD 2025, [Governing for net zero: The board's role in organisational transition planning](#).

³ ASIC 2025, [Regulatory Guide 280: Sustainability reporting](#).

⁴ Hartford-Davis, SH & Dyon, K (2022), [Advice regarding potential liability of directors under the ISSB draft standards for forward looking statements](#).

they will not face liability merely because their assessment later turns out to be incorrect".

Highlighting the perspectives of transition plan users, ASIC and legal experts in the guidance could provide transition plan preparers with greater confidence to disclose transition plans which constructively engage with risks, uncertainties and dependencies.

Refocus the sections on broader environmental and social considerations

Sections 1.2 (*Other strategic ambitions, including 'just transition' and nature*) and 2.5 (*Implications for other objectives*) of the proposed guidance provides background on integrating organisations' environmental and social objectives beyond climate change. However, as currently drafted, there is a risk that framing these considerations as 'non-climate' objectives could suggest that they are peripheral to the transition plan.

The guidance should instead specifically focus on how broader environmental and social considerations⁵ may relate to the development and delivery of a transition plan. In our view, this approach would support positioning transition planning as the focused, commercially significant process that it should be.

Given the potentially close connections between climate and nature risks and responses, some entities may identify a case for an integrated climate and nature transition plan. While market practices are evolving on this approach, the guidance could highlight integrated climate-nature transition planning as an option worthy of consideration.

Recognise connections with modern slavery risks

The proposed guidance provides background on several social considerations that are relevant to the delivery of a transition plan, including the objective of upholding a just transition.

ACSI suggests expanding these sections to reference modern slavery risks that are potentially associated with transition planning. We specifically highlight this issue as developments associated with the climate transition, such as shifts in energy sources, infrastructure construction and development of supply chains, could inadvertently exacerbate modern slavery risks. These issues have been prominently raised in the context of global supply chains for solar panels and certain critical minerals, although potential issues are broader.

If not effectively managed, exposure to modern slavery risks could undermine the successful delivery of an entity's transition plan. For example, links to modern slavery could be associated with supply chain disruptions, legal risks and reputational damage.

To integrate this concept, the guidance could:

- Include reference to labour rights, decent work, and modern slavery risk mitigation as part of discussion on 'just transition' in section 1.2. This could encourage organisations to assess how their transition ambitions may impact vulnerable workers, including those in informal or outsourced labour arrangements.
- Include responses to modern slavery risks in the 'social' component of section 2.5, such as by suggesting that modern slavery risk assessments are undertaken and that procurement

⁵ We note that organisations may have other environment or social risks, opportunities and objectives that are not directly relevant to the transition plan. In which case, while they should be consistent with, and integrated into corporate strategy, disclosure may be best located outside the transition plan.

practices are aligned with human rights due diligence frameworks.

- Integrate engagement with suppliers on labour rights and modern slavery risks as part of value chain engagement discussed in section 3.1.