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Practical Guidance on building Climate Transition Plans

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1. Executive Summary

As entities adapt to the constantly changing regulatory environment and increasing investor expectations, developing a well-structured climate transition plan has become essential for long-term resilience and competitiveness. Entities must articulate how they will align with net-zero commitments, manage climate-related risks, and adapt business models to a low-carbon future. This report, jointly developed by **D.A. Carlin and Company** and **Tata Consultancy Services (TCS)**, offers timely guidance to transition planning, drawing on real-world examples, emerging best practices, and insights from the resources developed by the Transition Plan Taskforce (TPT).

Key Takeaways and Elements

The report seeks to be an accessible resource for financial actors to both understand the main pillars of transition plan guidance and also how to implement them to drive better decision-making.

- **Clear Transition Planning Process:** Provides a structured approach to creating transition plans that integrate governance, strategy, and risk management.
- **Regulatory & Market Alignment:** Guidance helping advancing practices on disclosing information about transition plans applying IFRS S2, EU's CSRD and emerging climate policies worldwide.
- **Practical Implementation Insights:** Case studies and sector-specific strategies to help entities develop actionable transition roadmaps.
- **Financial Planning for Transition:** Approaches to integrating transition planning with capital allocation, investment decisions, and risk management frameworks.
- **Stakeholder Engagement & Governance:** Strategies to align business operations with investor expectations and ensure board-level accountability for climate commitments.

Why This Report?

With climate regulations tightening and stakeholder scrutiny increasing, entities must articulate credible transition strategies. This report on transition planning complements guidance for disclosure of transition plans (transition plans are the outcome of the transition planning process), for example the IFRS guidance document 'Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2'. It distils the latest frameworks and regulatory developments into **practical, actionable guidance** to help entities create robust climate transition plans that support long-term business success.

Who Should Use This Report?

This report is designed for:

- **Corporate sustainability and finance teams** integrating transition planning into risk management and business strategy.
- **Financial institutions and investors** assessing corporate readiness for the net-zero transition.
- **Regulators and policymakers** shaping climate and transition disclosure expectations.
- I**ndustry leaders and consultants** advising entities on best practices in transition planning.

How to Use This Report

Entities can leverage this report to:

- **Benchmark their transition plans** against global best practices.
- **Enhance disclosure quality** in line with ISSB Standards, CSRD, and TCFD recommendations.
- **Strengthen investor engagement** by aligning strategy with financial and climate resilience.
- **Identify key gaps and develop actionable roadmaps** for climate transition.

By taking a methodical approach to transition planning, entities can maneuver through regulatory complexity, promote sustainable business change, and establish themselves as pioneers in the world's shift to a low-carbon economy.

2. Introduction

As the world moves toward a low-carbon economy, entities face increasing pressure to develop credible climate transition plans that align with global net-zero and sustainability commitments. A well-structured transition plan provides a clear roadmap for reducing greenhouse gas (GHG) emissions while ensuring long-term resilience and competitiveness. Beyond emissions reductions, these plans support broader sustainability objectives, such as climate adaptation, resource efficiency, and social equity, reinforcing an entity's role in the global transition.

To be effective, climate transition plans must align with evolving global expectations and regulatory frameworks. Regulatory agencies are initiating mandatory disclosure requirements, while initiatives like national net-zero strategies, the Glasgow Climate Pact, and the Paris Agreement are establishing extensive climate goals. Key standards and frameworks, including the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and the International Sustainability Standards Board (ISSB) Standards emphasize transparency in climate-related risks, governance, strategy, and metrics. Additionally, entities must take into account jurisdiction-specific laws like the European Union's Corporate Sustainability Reporting Directive (CSRD), the Canadian Sustainability Disclosure Standards, etc. Strategic alignment with these expectations increases credibility and guarantees compliance in a constantly shifting regulatory environment.

A structured approach to climate transition planning is outlined in the Transition Plan Taskforce (TPT) framework, which provides best practices for developing transparent and actionable plans. The TPT emphasizes five key elements: (1) **foundations,** including governance and strategic ambition, (2) **implementation strategy,** covering decarbonization levers and business model adjustments, (3) **engagement strategy** with value chains, addressing supplier and customer collaboration, (4) **metrics and targets,** establishing clear performance indicators and (5) **governance,** setting robust governance structures to oversee the transition plan. These factors enable stakeholders to assess an entity's readiness for a net-zero transition and make informed decisions.

This paper provides practical guidance on developing a reliable climate transition plan that meets regulatory expectations and industry best practices. It outlines key steps, challenges, and solutions to ensure entities create robust, actionable, and transparent transition strategies. Whether preparing for compliance, investor scrutiny, or long-term sustainability, this guide will help entities navigate the complexities of climate transition planning effectively.

3. Overview of the TPT Framework

The Transition Plan Taskforce (TPT) was created at COP26 by the UK Government to help accelerate the transition to Net Zero and the TPT Disclosure Framework was published in October 2023. It marks a crucial advancement in standardization of how entities develop their transition plans to a low-carbon, sustainable economy. Developed in response to the growing demand for transparency and accountability in climate-related financial reporting, the framework provides a structured approach for entities to articulate their strategies for aligning with global climate goals, such as those outlined in the Paris Agreement. It builds on existing sustainability reporting standards and frameworks, including the International Sustainability Standards Board (ISSB) Standards and the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, while offering more granular guidance tailored to transition planning.

At the heart of the TPT Disclosure Framework are three guiding principles that underpin its design and application: **Ambition, Action, and Accountability.** These principles ensure that transition plans are not only aspirational but also practical and measurable. 'Ambition' calls for entities to set clear, science-based goals that align with achieving net-zero emissions and limiting global temperature rise to 1.5°C. 'Action' emphasizes the need for detailed, actionable strategies that outline how these goals will be achieved, including specific initiatives, investments, and timelines. Finally, 'Accountability' requires entities to establish robust governance structures, transparent reporting mechanisms, and measurable targets to track progress and ensure responsibility for delivering on commitments.

The TPT Disclosure Framework is organized around five core elements, each designed to ensure that transition plans are comprehensive, credible, and actionable. These elements are Foundations, Implementation Strategy, Engagement Strategy, Metrics & Targets, and Governance.

- **Foundations:** This element requires entities to establish a clear basis for their transition plans, including their alignment with global climate goals, the scope of the plan, and the material risks and opportunities identified. It emphasizes the importance of grounding the plan in robust climate science and ensuring consistency with national and international climate policies.
- **Implementation Strategy:** This element focuses on the specific actions an entity will take to achieve its transition goals. This includes detailing the operational changes, investments, and innovations required, as well as the timelines and milestones for implementation. It also encourages entities to address potential barriers and dependencies, such as policy, technological, or market constraints.
- **Engagement Strategy:** This component emphasizes the necessity of entities interacting with important stakeholders, such as workers, suppliers, clients, investors, and policymakers, since it understands that successful transitions need collaboration. It calls for transparent communication about how stakeholder input has shaped the transition plan and how ongoing engagement will support its execution.
- **Metrics & Targets:** To ensure accountability, this element focuses on the use of clear, measurable metrics and targets. The financial and non-financial aspects of transition are addressed by measures, such as greenhouse gas emissions reductions, energy efficiency improvements, and capital allocation. Entities are also encouraged to disclose how these metrics align with broader industry or sectoral benchmarks
- **Governance:** The final element emphasizes the necessity of strong administrative frameworks for managing the transition plan. This involves establishing roles and responsibilities at the board and executive levels, incorporating transition planning into risk management procedures, and making sure that progress is routinely monitored and reported.

The TPT Disclosure Framework is meant to be flexible, allowing entities to tailor their transition plans to their specific circumstances while maintaining a consistent level of rigor and comparability. By providing a clear roadmap for transition planning, the framework aims to enhance investor confidence, support informed decision-making, and accelerate the global transition to a net-zero economy. As such, it serves as a critical tool for entities seeking to demonstrate their commitment to sustainability and resilience in the face of climate change.

4. Implementation Guidance for developing a practical Climate Transition Plan

4.1 Foundations

The TPT's Foundations element is the starting point of an entity's climate transition plan, as it sets the foundation for achieving net-zero commitments. It defines the entity's overall approach to net-zero, including its objectives, priorities, and timelines for achievement. A robust foundation ensures alignment with global climate goals, a clear understanding of the entity's role in the transition, and a commitment to just and sustainable practices.

Sub-Elements of the TPT Framework

These sub-elements aid in identifying the effects of Strategic ambition on its business model, value chain, main assumptions, and external dependencies.

Strategic Ambition

An entity defines the Strategic Ambition of its transition plan. This comprises 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.

Business model and value chain

An entity considers the current and anticipated implications of the entity's Strategic Ambition on its business model and value chain.

Key assumptions and external factors

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

Key considerations and questions for entities

Strategic Ambition

Objectives and priorities

The objectives and priorities relate to reducing Scope 1, 2 and 3 GHG emissions, strengthening the resilience to climate change while addressing risks and opportunities in the transition to a low-emission, climate-resilient economy. Additionally, it leverages current levers and resources to promote and expedite the shift towards a climate-resilient, low-GHG economy.

A few examples of objectives and priorities could be shifting to low-GHG emissions products and services, backing initiatives and supporting policies that are essential to the shift toward a climate-resilient, low-GHG economy, supporting and encouraging entities in hard-to-abate sectors in their transition, phasing out GHG intensive product processes and regenerating and restoring ecosystems.

Key Questions:

1. **What are the key objectives and priorities that may be established in order to reduce the Scope 1, 2 and 3 emissions and managing climate risks and opportunities for your entity?**
2. **What are the transition levers and capabilities which your entity has, that may be used to facilitate the shift to a low-emission economy?**

Case Study

Objectives and Priorities

While creating the Climate Transition Plan, Qantas defined its ambition in form of targets, decarbonization pillars and objectives. This definition of ambition focused on allowing the entity to identify the enabling internal and external transition levers.

(source: https://www.qantas.com/content/dam/qantas/pdfs/about-us/environment/qantas-group- climate-action-plan.pdf)

Target - to reduce carbon emissions by 25 per cent by 2030 (from 2019 levels), Reach net zero emissions by 2050.

Ambition - Operational and fleet efficiency (Reduce our environmental footprint by increasing our operational and fuel efficiency by an average of 1.5 per cent p.a. to 2030; Zero single-use plastics by 2027; Zero waste to landfill by 2030; – Work with industry on step change technology), SAF - (Invest in SAF to enable: – 10 per cent SAF in fuel mix by 2030 – ~60 per cent by 2050), Carbon Offsets- Invest in high quality carbon removal and avoidance projects across our network

Strategic priorities - Fleet modernization, Invest an initial $50m in SAF domestic production, Continued growth in fly carbon neutral uptake.

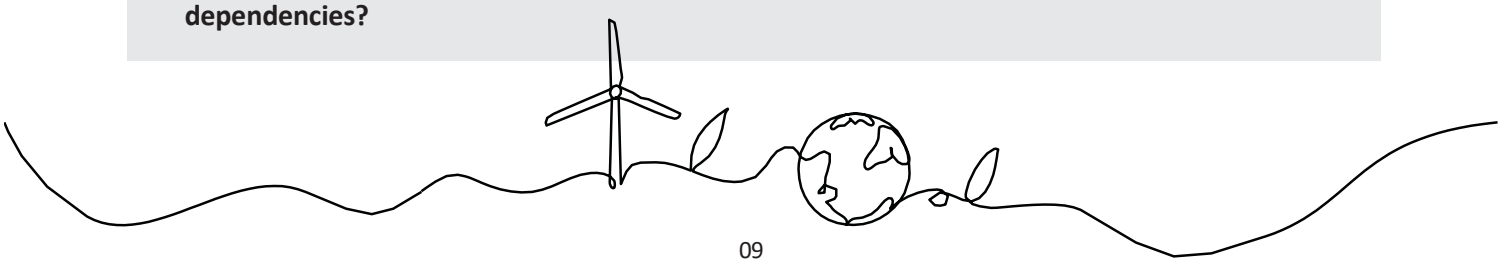
Levers - Internal - Capital allocation, climate risk policies, supply chain/procurement. External- Customer engagement, catalytic partnerships, industry and government advocacy.

Impact and Dependencies

As part of setting the ambition, entities need to conduct impact and dependency assessment of the transition plan on the stakeholders, society, economy, natural environment. An example of such a negative impact would be the closure of high-emitting production facilities on workforce. Similarly, the dependency of launching a low energy intensive product on consumer demand. Entities might be required to disclose how these impacts and dependencies have been evaluated, (e.g. using stakeholder engagement, scenario analysis etc.), how they are quantified to discover risks and opportunities and also the assessment's scope (for instance, what business operations have been taken into account).These identified impact and dependencies could lead to risk and opportunities, for example change in strategic direction can impact workforce, which can be opportunity for certain set of workers and risk for others.

Key Questions:

1. **What is the scope and methodology used by your entity to assess the impact and dependencies of the transition plan on the stakeholders, society, the economy, and the natural environment?**
2. **What are the resulting risks and opportunities which arise due to identified impact and dependencies?**



Alignment with external requirements

The entities considers if and by what extent they are aligned to external requirements such as national or international commitments made by governments (e.g. Nationally Determined Contributions which are part of the Paris Agreement), as required by law, sectoral pathways, roadmaps, or other climate scenarios (TPI Sectoral Decarbonisation Pathways) or voluntary commitments (made as member of net-zero initiatives).

Key Questions:

1. **Are there any national or international commitments, law and regulations, sectoral pathways, voluntary commitments that you need to align with to define your strategic ambition?**
2. **Are there components of national strategy, entity wide strategy, or industry developments that should inform your strategy?**

Trade-offs and synergies

An entity may identify trade-offs, synergies or co-benefits between different objectives and priorities such as it is possible that expanding to low-or zero-emission technologies may lead to a temporary rise in the GHG emissions. For example, emissions produced during the manufacturing of technology, 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). Social interventions that improve access to vital skills and information while promoting an inclusive and just shift, such as re-skilling and upskilling programs.

The entities consider and might be required to disclose information about how they manage and leverage the trade-offs and synergies, for example if scaling up renewable energy projects results in higher vulnerability to the physical effects of climate change, then designing renewable energy infrastructure with resilience in mind, including elevated structures to protect against flooding may be considered.

Key Questions:

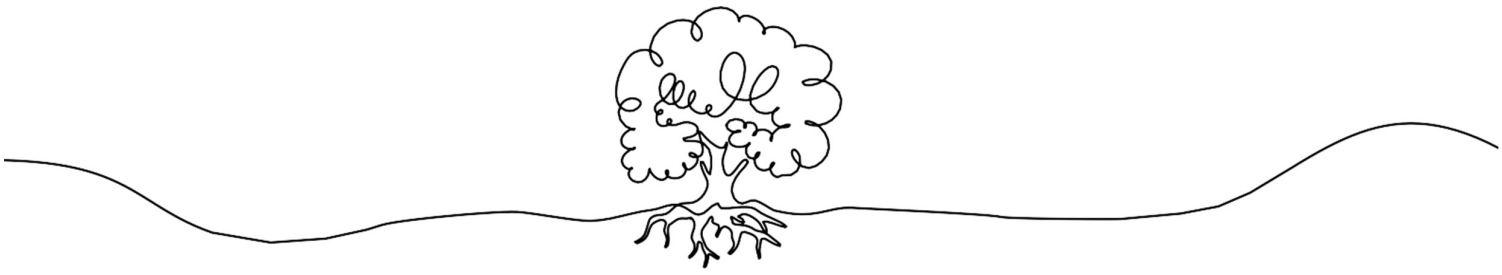
1. **What can be the possible trade-offs and synergies that your objectives and priorities bring in? Additionally, how do you intend to capitalize on and manage the trade-offs and synergies?**

Time period-based targets and milestones

The entities need to define their short-, medium- and long-term targets and the milestones they intend to achieve. They also need to define their basis of defining short, mid and long term. The definition usually depends on the sector, current financial or business planning cycles, and participation in projects that use specific definitions.

Key Questions:

1. **What are the short, medium and long-term targets which have been identified? What is the basis of determining the time periods?**



Business Model and Value chain

Changes in business model and value chain

The entity should identify, at high level, the strategic implications of the ambition for its business model and the value chain as well as the predicted length of time it may take. Changes in business models can be in the form of energy consumption sources, investment strategies, mode of operations, technological changes leading to energy efficiency, adapting to changing market with innovated products and services etc. In the downstream value chain, the changes could be in market, product portfolio. And that in the upstream value chain the change could be new supply chains, materials etc.

Key Questions:

1. **What will be the key changes in your current and anticipated business model and value chain due to the Strategic Ambition, across timeframes?**

LEVI STRAUSS & CO.

Case Study

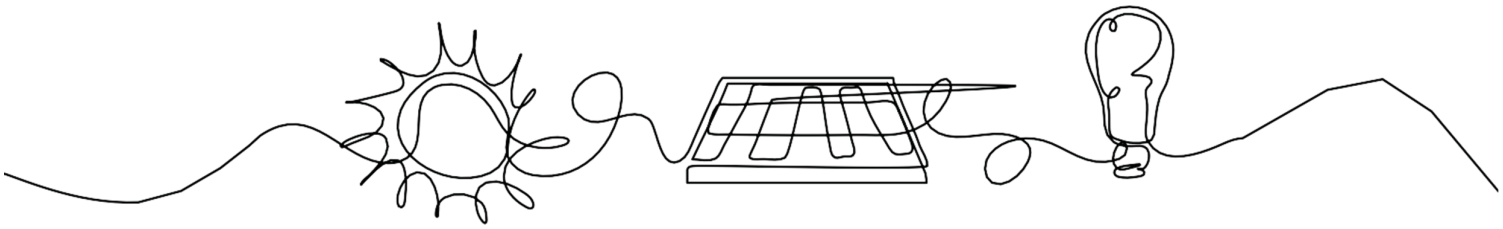
Business Model and Value Chain

To achieve the ambition set by Levi Strauss & Co., the entity identified solutions to incorporate into its business model after in-depth analysis. These kinds of solutions have impacts on decisions up and down the value chain. Decarbonization of suppliers, enhanced industry partnerships, and low-carbon future designs are a few examples of the path forward.

(source: https://www.levistrauss.com/wp-content/uploads/2024/10/Climate-Transition-Plan.pdf)

We have partnered with leading external consultants and functional experts across our company to contribute to rigorous emissions and financial modelling, and the selection of interventions that are turnkey ready, proven, and scalable solutions to our biggest hotspots. Our methodology to develop these interventions has included deep dive assessments of our baseline inventory and a hotspot analysis We conducted performance mapping of 600+ suppliers to understand decarbonization programs already in place, their impact towards carbon reduction and the overlap of our supply base with that of other changes in business model.

Focus on 'Accelerate what works'- Support 100% of suppliers to set decarbonization roadmaps & report emissions annually to LS&Co. 'Incentivize renewables'-Increase Tiers 1-3 process efficiency, 'Future proof our design'-Source at least 5% of total cotton from recycled feedstock. and 'Own our part'-Close critical primary data gaps and strengthen activity data accounting.



Assumptions and external factors

Key assumptions and external factors, time frame and impact on financial statements

Entities might be required to disclose the nature of the key assumptions it has made, its implications and the external factors on which the Strategic ambition of the transition plan are based on. This involves disclosures on macroeconomic trends, microeconomic trends, policy and regulatory impact, technological advancements, market shift, grid decarbonization, carbon data, physical and transition risk data, data availability and accuracy, level of warming over time frame and physical impacts of the changing climate.

Based on the impact and likelihood of the assumptions and impact and dependency of external factors, the feasibility and resilience of the plan needs to be reassessed. The time frames during which key assumptions and external factors are anticipated to occur should be disclosed by entities. For example, if a plan relies on specific regulatory changes, the entity should assess when these changes are anticipated.

Depending on the disclosure requirements they are subject to, entities might be required to disclose whether and how the key assumptions and external factors that govern their transition plan are reflected in their financial statements. This involves demonstrating the impact of these assumptions on the financial figures, such as revenue projections, or asset valuation. If a transition plan assumes certain policy measures will increase the costs, the financial statements should reflect those projected costs.

Case Study

Assumptions and Uncertainties

While setting the Foundations of its climate transition plan, Legal & General has clearly elaborated the key risks and uncertainties they foresee. In addition, they have included the details of how these risks will be managed or mitigated, recognizing some of these risks are outside their direct control.

(source: https://group.legalandgeneral.com/media/5lcnqfpm/climate-transition-plan.pdf)

Evolving science and carbon reduction practices: Our understanding of the risks from climate change and the actions that are needed to mitigate them is based on science. The scientific evidence of climate change is clear, but there remains some uncertainty on the speed and scale of change, especially around irreversible tipping points such as the melting of the permafrost. The actions that the world is taking will to some extent inform the actions that can take and will change the actions required in the long-term

Skills for the future: As we change how we invest, the products and services we offer, and how we operate, we need to ensure that we have the right skills for the future. Successful transformation means embedding climate considerations into everything.

Data: The lack of reliable, accurate, verifiable, consistent and comparable emissions data (and other important data) makes it challenging to accurately disclose or estimate metrics used to assess climate-related risks and opportunities.

Guidance and Best Practices

Preparation- Pre-Foundation stage

A pre-foundation stage before setting the foundation of a climate transition plan is crucial because it facilitates a comprehensive grasp of the present circumstances, applicable potential climate risks and opportunities, and ensures the plan is well-informed, realistic, and adaptable, ultimately leading to a more effective and credible transition strategy.

Governance related changes

Engaging the board, getting board-level buy-in, defining governance role in addressing climate change.

Creating cross-entity ownership and a shared understanding of the climate-related risks and opportunities

Identifying and mapping key stakeholders

Process related changes

Conducting Climate-related risks and opportunities analysis to support the transition plan.

Assessing and measuring the entity's emissions footprint

Revisiting scenario analysis, to help identify strategic options available to address climate related risks and opportunities

External guidance

Referring to relevant sectoral guidance which can help identify opportunities for the sector to contribute to economy-wide decarbonisation.

Referring to local and national policies for incentives for moving to renewable and cleaner sources of energy

Considerations for setting Strategic Ambition

While defining objectives and priorities, they can be informed by 'bottom-up' or by 'top-down' considerations. 'Bottom-up' consideration where entities own operating context, or 'top-down' consideration where national-international commitments, law or regulation become the context. A hybrid approach can also be considered.

To develop and execute objectives and priorities, data and skills are essential. Relevant data should be available for assessing the impact, opportunity and creating achievable targets. Internal teams should have to have the necessary skills and knowledge to implement transition finance strategies.

Transition lever identification can generally be done by engaging with key stakeholders identified across the value chain, reviewing sectoral guidance, revisiting scenario analysis etc. These levers can set a wide range of potential actions, such as financial planning and capital allocation, people, culture and capacity building, engagement at sector and policy maker level.

Just Transition and Nature Positivity

Principles of just transition and nature positivity should be integrated into the objectives and priorities. They ensure that the shift to a low-carbon economy is equitable, minimizes negative impacts on vulnerable communities, and actively incorporates the benefits of natural ecosystems. Just Transition can be ensured by undertaking activities such as engaging with portfolio entities to identify and mitigate potential social risks associated with the transition and prioritizing opportunities that support job creation and promote social inclusion.

For Nature Positivity, investing in projects that restore and protect natural ecosystems and developing policies and guidelines that promote sustainable land use and resource management is helpful, is one of the ways in which Nature positivity aspect can be included while setting the objectives and priorities.

Case Study

Just Transition

Mercedes- Benz states that their climate transition is not only concerned with products, technologies and business models. The transition also affects the entire workforce and the corporate culture: As a result, the entity is seeking to deliver a “just transition” together with the employee representatives in a future oriented, socially acceptable and fair manner.

(source: https://group.mercedes-benz.com/documents/investors/reports/annual-report/mercedes-benz/mercedes-benz-climate-transition-action-plan-2025.pdf)

The decarbonization of the Mercedes-Benz Group’s business model leads to profound transformations; not only in terms of technology and products, but also in terms of people working at the Mercedes-Benz Group worldwide or along its complex value chains. The Group is therefore advancing the just transition as an integral part of its sustainable business strategy. The four pillars of the approach are its own employees, the workforce in the value chain, political and lobbying activities, and the impact of corporate activities on local communities. This is in line with the Group’s support of the Paris Climate Agreement and its objectives.

Sustainable People Plan: With electrification, digitalization and the increasing use of powerful AI systems, the working world of employees at the Group is also changing. Work processes and structures are changing just as fundamentally as tasks and collaboration within the Group. The Group is meeting the challenges and requirements of personnel transformation with a corresponding sustainable personnel strategy – the Sustainable People Plan.

Protect and promote human and employee rights in the value chain: Respect for human rights is of central importance to the Group and therefore constitutes one of the six sustainability focus areas. The Group is committed to protecting and promoting human and employee rights along the entire value chain. This also applies to all employees along the complex supply chains.

Political influence and the representation of interests: The focus of the Group’s climate policy is on reducing and avoiding CO_2 emissions. The Group thus supports the efforts of policymakers to protect the climate and is making its contribution to reduce CO_2 emissions as part of its sustainable business strategy. At the same time, the Group is convinced that the climate protection targets can only be achieved through collective action and dialogue based on partnership between politics, business, and civil society.

Protect local communities and indigenous peoples: The Group strives to combine economic success with responsible action towards the environment, people and society. For the Group, respect for human rights is a central component of responsible corporate governance and an elementary focus area of its sustainable business strategy. The protection of local communities and indigenous peoples is of great importance to the Group.

The commitment is to protect and promote human rights along the entire value chain. This also addresses the rights of members of local communities and indigenous peoples who may be affected by business activities at supply chain locations and by local impacts of corporate activities.

Internal Alignment

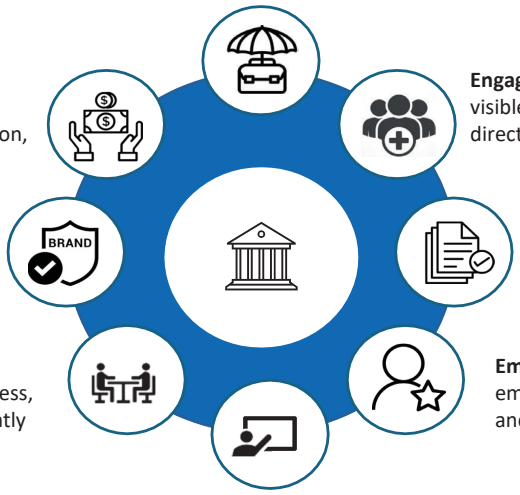
The Foundations element of a transition plan is essential since it establishes the strategic course for the whole plan. To ensure the success of a transition plan, internal alignment is paramount, requiring a comprehensive approach that secures buy-in across all entity levels and effectively links climate commitments to the entity's mission statement and values. Here are some key considerations for achieving this internal alignment.

Champion a just transition -Demonstrate a commitment to ensuring a just and equitable transition that benefits all stakeholders

Highlight shared benefits - How the transition plan supports the entity's broader goals, like improving reputation, attracting investors etc.

Engage leadership - Secure strong and visible support from the board of directors and C-suite executives.

Align with entity values - Connect climate commitments to the entity's mission statement and core values.



Establish clear roles and responsibilities - Define accountability at each level, ensuring individuals and departments understand their contributions.

Communicate transparently - Communicate the plan's goals, progress, and challenges openly and consistently across the.

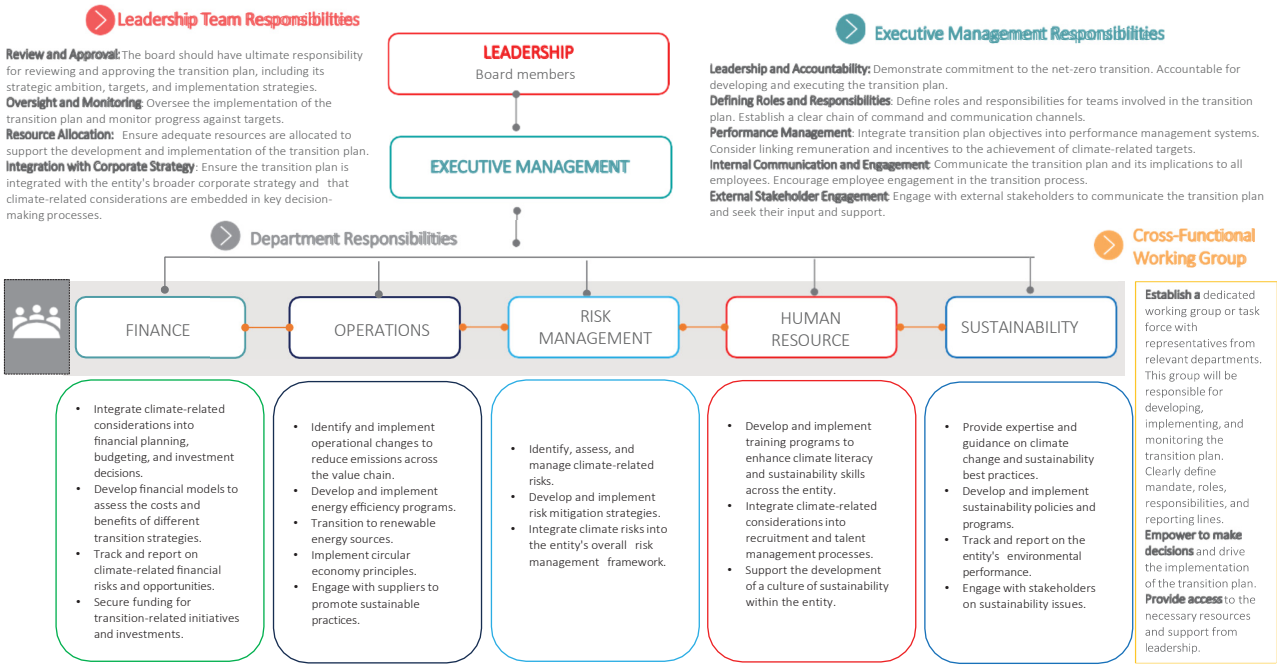
Empower employees - Encourage employees to participate in developing and implementing the transition plan.

Provide training and resources - Equip employees with the necessary skills, knowledge, and resources

By meticulously addressing these aspects of internal alignment, entities can effectively lay the foundation for a successful transition plan.

Accountability structure

While establishing an entity's objective to reach net zero as part of the transition planning, setting up accountability structures is essential.



Illustrative accounting structure

4.2 Implementation Strategy

An effective Implementation Strategy is the difference between a paper plan and tangible decarbonization. As a result, it is critical to ensure that an entity's actions are both credible and achievable. Changes to financial planning, policies and conditions, products and services, and business operations are part of its sub-elements. Together, these elements ensure the transition plan is actionable and capable of driving long-term resilience and business sustainability.

Sub-elements of the TPT framework

An entity considers the steps it is taking throughout its business operations, its range of goods and services, and its policies and conditions in order to realize its Strategic Ambition, as well as the effects of these actions on its financial situation, performance, and cash flows.

Business Operations: An entity considers details about the short, medium- and long-term activities it is undertaking or aiming to undertake in its business operations to achieve the Strategic Ambition of its transition plan.

Products and Services: In order to meet the Strategic Ambition of its transition plan, an entity may consider details about its short, medium, and long-term strategies for modifying its portfolio of products and services.

Policies and Conditions: An entity considers information on any policies and conditions that it employs or intends to employ in order to accomplish the Strategic Ambition of its transition plan.

Financial Planning: To the extent that the financial consequences of its transition plan can be identified separately, an entity may provide, depending on the disclosure requirements it is subject to, the information about the effects of its transition plan on its financial position, financial performance, and cash flows over the short, medium, and long term, including specifics about how it is funding or intends to fund its operations in order to meet the Strategic Ambition of its transition plan.

Key considerations and questions for entities

Business Operations

Current and Anticipated actions

An entity might be required to disclose the changes in its business operations like actions it would take to implement low GHG emission technology, increase energy efficiency of its equipment etc. It may also include adjustments to its workforce, prioritizing virtual meetings instead of business travels and even information about more sustainable supply chain and procurement processes.

Key Questions:

1. **What steps are being taken or intend to be taken towards modifying your entity's production processes, equipment and your workforce to support the transition across different timelines?**
2. **How is the supply chain being adapted and procurement strategies revised to align with climate transition goals?**

Changes to Facilities and Physical Assets

As part of the transition, entities may decide to move their operations to a more energy-efficient office space, retire or phase out GHG emissions intensive equipment, invest in electric vehicles for their operations or may even build climate adaptation focused infrastructure for their production facilities. Entities should consider changes to such physical infrastructure to manage climate related risks.

Key Questions:

1. **What current and anticipated changes are planned for any relocation of the entity's offices and operations?**
2. **What measures are being taken by your entity to responsibly retire or phase out GHG-intensive assets or manage long-lived assets impacted by the transition to a low-GHG, climate-resilient economy?**

Contributions to Strategic Ambition

When possible, the entity may consider data on the anticipated principal contributions of its implementation measures in meeting its Strategic Ambition. For short-term actions, more detailed information may be available as compared to the medium or long term.

Key Questions:

1. **How does your entity's actions contribute to achieving its Strategic Ambition?**

Case Study

Net Zero Roadmap

Nestle has disclosed the key actions that they will undertake to achieve the strategic ambition. The actions would be lowering the environmental impact of ingredients, improving how they measure and manage the emissions, evolving packaging and phasing out refrigerants.

(source: https://www.nestle.com/sites/default/files/2023-12/nestle-net-zero-roadmap-en.pdf)

We will power our manufacturing renewably

We will increase the proportion of renewable electricity that we use through power purchase agreements, green tariffs, renewable energy certificates to achieve 100% sourced renewable electricity by 2025.

We will improve efficiency to lower emissions

Further emissions reductions will be delivered by increasing the efficiency of our operations. Many energy efficiency projects are already planned for sites across the globe, ranging from LED lighting systems to optimizing energy consumption during non-production times and recovering heat energy

We will phase out refrigerants with a high global warming potential

We will continue to phase out refrigerants with high global warming potential (GWP), such as hydrofluorocarbons, in our industrial refrigeration systems. We will replace these with new, natural refrigerants with zero or low GWP, such as ammonia, CO2 and hydrocarbons.

Products and Services

Entities might be required to disclose information on current and planned changes to their products and services related to adopting low-GHG emissions products, increasing plant-based products, adopt new green or transition-finance related instruments or even phase out high carbon emitting equipment like blast furnaces or internal combustion engines.

Key Questions:

1. **What are current and future changes to your products or services towards your transition and how does it help your entity in reaching your strategic ambition?**

Case Study

Products and Services

Lloyds Banking Group support their clients' transition plans by financing and enabling growth in transition technology. This involves gaining knowledge to be effective in assessing potential technologies and being able to support clients in these specific areas as well.

(source: https://www.lloydsbankinggroup.com/assets/pdfs/investors/financial-performance/lloyds-banking-group-plc/2023/q4/2023-lbg-sustainability-report.pdf)

Financing transition technologies

By financing and enabling growth in transition technology utilisation across the UK, we will help support our clients' transition plans, which in turn will be key to contributing to our sector carbon reduction targets and a real economy transition.

During 2023, we mobilised a programme of work (net zero origination) to advance finance for upscaling the most commercially viable solutions. We identified and assessed 85 technologies spanning every sector of the UK economy and prioritised these in line with UK CCC scenarios, UK Government Net Zero & Green Finance Strategy as well as market projections and supporting data analytics.

Case Study

Business Model and Value Chain

As part of its transition plan, Danone has updated its business model to introduce low carbon intensive products. This includes products which are completely plant based, as well as regenerative agriculture practices, a shift to lower-carbon materials, and end-of-life waste treatment.

(source: https://www.danone.com/content/dam/corp/global/danonecom/about-us-impact/policies-and-commitments/en/danone-climate-transition-plan-2023.pdf)

We are committed to reducing the carbon intensity of our products through a range of programs, notably targeting packaging, energy usage and sourcing of raw materials that have been described in the previous chapters. However, to reach our 1.5°C ambition, and also prepare the further reductions beyond 2030, we are looking at solutions **beyond the traditional levers of decarbonization** and exploring not only low carbon ingredients both dairy and plant-based and low carbon processes but also different evolutions of our business models to generate value from lower carbon products. Designing and selling low carbon products requires collaboration between our business category and research and innovation (R&I) teams, but also with the full eco-system of academics, suppliers and start ups.

Policies and Conditions

Entities might be required to briefly disclose those policies and conditions that help them in achieving their strategic ambition. These policies could relate to its energy use, supplier engagement, human rights, phase out of GHG intensive assets, building resilient infrastructure, land use and land management changes, workers' compensation etc. and these vary by industry sector the entity operates in, its business model, the geography of its operations, the market it serves and its business objectives.

Key Questions:

1. **What are the key policies or conditions that your entity uses or plans to use in order to achieve the Strategic Ambition of its transition plan?**

Case Study

Sustainable Finance Framework

CIMB Group - Malaysia's financial services provider- Sustainable Finance Framework (July 2025) As part of CIMB's Sustainable Finance Framework, the Group has introduced policies to achieve its strategic ambition of fully phasing out coal from its portfolio by 2040, in line with its Net-Zero 2050 target. The framework prohibits asset-level and general corporate financing for new thermal coal mines and coal-fired power plants, as well as expansions, acquisitions, retrofits or modifications, and coal infrastructure predominantly serving thermal coal. These restrictions apply across all markets where CIMB operates.

(source: https://www.cimb.com/content/dam/cimb/group/documents/sustainbility /our-publication/sustainable-finance-framework-v2.2.pdf)

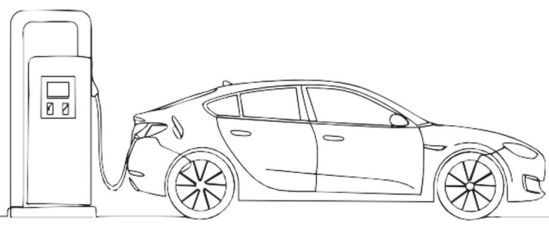
Sustainability Sensitive Sector Position Statements

CIMB's Sustainable Finance Framework (July 2025), also sets progressive client-level thresholds, tightening over time (e.g., from 1 January 2025, new clients must derive no more than 25% of revenue from thermal coal; from 1 January 2030, existing clients must be at 50% or below, with plans to lower further). In addition, CIMB has set 2030 portfolio targets for its Thermal Coal Mining sector and works with coal-reliant clients, such as electric utilities, to diversify energy sources and reduce reliance on coal.

Financial Planning

Under financial planning the entity considers the expected funding for capital expenditure for activities planned under 'Business operations' and 'Products and services' and for the research and development of such activities as well.

Additionally, the transition plan may also affect the entity's financial position, financial performance, and cash flows in short, medium, and long term. Changes in asset valuations and asset lifespans due to the transition or market fluctuations, significant acquisitions or divestitures, investments in new business sectors, and investments in research and development for climate solutions may all have an impact on the financial situation. Financially, there could be higher income from low GHG emission goods and services, expected consumer demand for low GHG products, anticipated effects on operating costs from disposing of business units, effects on profit margins, and other factors. The entity should reveal any potential cash flow impacts from its capital expenditures.



Key Questions:

1. **How do you plan to resource the current and planned activities in your transition plan?**
2. **What are key effects of implementation of the transition plans on your entity's financial position, financial performance and cashflows in short-, medium-, and long-term?**
3. **How is the implementation of your transition plan integrated with your entity's wider financial planning and financial decision-making processes?**

Case Study

Financial Planning

Daikin is a leading manufacturer of air conditioning, heating, and refrigeration systems. As part of their commitment to decarbonize, they have conducted financial analyses of the choices required to reach net zero. They are considering the costs and benefits of different technologies and assessing how they would be integrated.

(source: https://www.daikin.eu/content/dam/internet-denv/About/Daikin%20Integrated%20Report%202024.pdf)

Daikin's global R&D

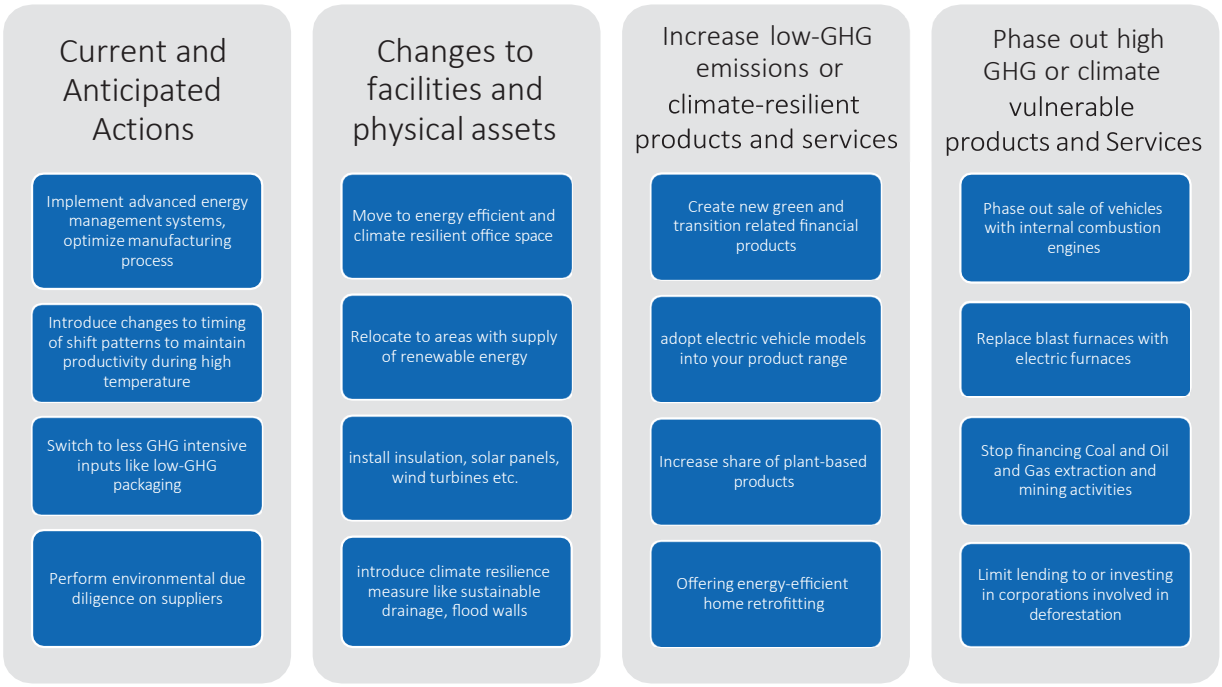
Daikin outlines the set of actions it plans to take to reduce its GHG emissions, including important details regarding assumed technology improvements and R&D (in line with sensitivity analysis). This level of detail allows financial institutions to judge the reasonableness of Daikin's plan by having access to its assumptions, action plan, and financial planning. Daikin provides information that facilitates financial institution assessment, including reliance on improvements in existing technologies (e.g., increased inverter ratios for residential AC), potential role of future technologies (e.g., alternative technologies for vapor compression); and underlying financial planning ($17 million USD dedicated to R&D FY 2021–23).

Guidance and Best Practices

- **Indicative Implementation initiatives:**
  Here are a few steps entities can take to change their products, services, and business activities in order to transition to a low carbon existence.
- **Disclosures under Financial Planning**

  There is no need for entities to share details regarding the financial consequences of broader climate-related risks and opportunities. The emphasis is on the direct and indirect impact on financial performance and cash flows resulting from the implementation of the transition plan itself. The focus should be on the financial performance of a financial entity, rather than its investment or lending portfolio.

  It is distinct from the disclosures under sub-element 'Financial metrics and targets.' Under financial planning, the focus is on demonstrating how the entity has integrated the transition planning into its financial planning and the financial effects of the transition on the entity. Depending on the disclosure requirements they are subject to, entities might be required to disclose the financial metrics and targets it uses to assess the progress of its transition plan across various time frames under the heading "Financial metrics and targets".



- **Integrate the transition plan into your financial plan**

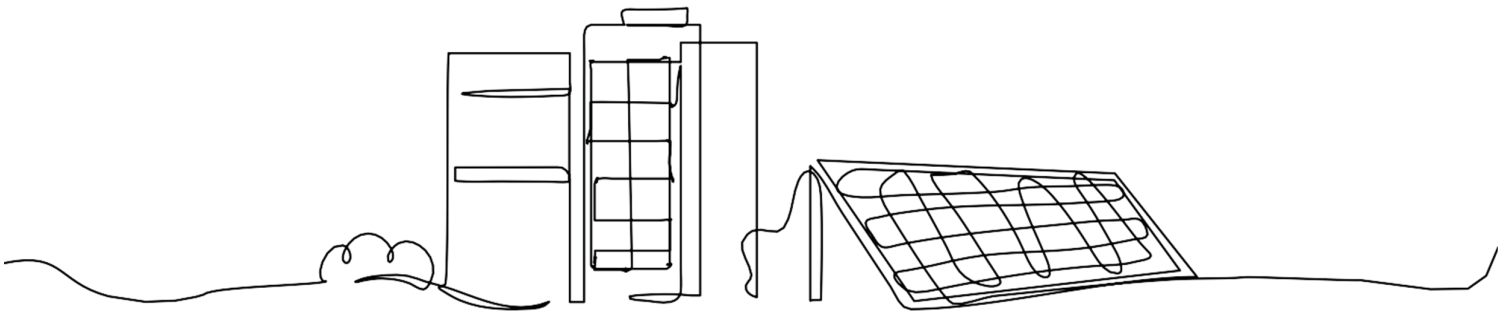
  As described earlier in this section, financial planning covers two aspects:
  - The financial resources needed to implement the transition plan; and
  - The financial implications of transition plan on financial position, financial performance, and cash flows over short-, medium-, and long-term.

  It is vital that the financial function of the entity is involved in creating transition plans to ensure robust financial planning. As the planning process matures, transition planning should be brought into regular financial planning and budgeting process within existing governance structure to support the implementation of the transition plan. This would also ensure that climate-related risks and opportunities become regular items that are reported in board meetings.

- **Assess the Resilience of the Implementation Strategy**

  Building a transition plan is inherently an iterative and adaptive process. There are many uncertainties under which implementation plans are built and executed, which leads to assumptions that entities need to make. These assumptions could be related to future emissions pathways, market changes, evolving scientific knowledge, data availability etc.

  It is recommended to assess the resilience of the implementation strategy based on the key assumptions made while creating the strategy. The impacts and dependencies on key stakeholders, society, economy and natural environment should be revisited considering the changing assumptions. There could be more risks and opportunities identified in the process that may require refinement of the implementation strategy.



4.3 Engagement Strategy

TPT's engagement strategy outlines how an entity should involve stakeholders, such as entity, investors, and policymakers, to develop as well as implement climate transition plans effectively. The engagement strategy is critical because it shows how proactively the entity will manage relationships and ensure alignment with its transition goals across all stakeholders. It demonstrates commitment, builds trust, and highlights accountability in achieving net-zero targets.

Sub-elements of the TPT framework

An entity considers explaining how it engages with its **value chain, and industry peers as well as public sector, government, communities, and civil society** to attain its Strategic Ambition, which is a key steppingstone of the transition plan.

- **Engagement with the Value Chain:** Depending on the disclosure requirements they are subject to, entity might be required to disclose how it engages with other entities in its value chain or the engagement activities it is planning to have with them to realize the Strategic Ambition.
- **Industry Engagement:** An entity may share information about all ongoing collaborative activities with industry peers that it is undertaking or intends to start to achieve the Strategic Ambition.
- **Public and Civil Engagement:** An entity may publicly reveal information about all direct as well as indirect engagement activities it is undertaking with the government, public sector entities, regulators, communities, and civil society or is planning to undertake to achieve the Strategic Ambition.

TPT has emphasized a structured approach to engagement strategy that enables transparency, accountability, and alignment in engagement plans.

Key considerations and questions for entities

Engagement with Value Chain

While engagement within the value chain is important, an entity considers how to prioritize engagement efforts based on factors, such as Scope 3 GHG emissions, that influence critical processes and are relevance to key external factors. Engagement activities may include data requests, encouraging suppliers to reduce emissions, and promoting sustainable consumption. A financial entity should focus on engaging with loan clients and investee entities, monitoring their transition plans while employing stewardship activities. Also, escalation processes should be established for phasing out non-compliant suppliers or considering divestment when engagement is ineffective. Lastly, an entity must transparently disclose the expected contributions of its engagements towards achieving the Strategic Ambition.

The stakeholders of an entity cover varied entities that either significantly influence or are affected by the entity's business processes and environmental performance.

- **Direct Suppliers:** Raw material providers, component manufacturers, and those directly involved in the production process.
- **Distributors and Retailers:** Entities responsible for the movement and sale of products to the end-user.
- **Logistics Providers:** Entities involved in transportation, warehousing, and delivery of goods.
- **Customers:** End-users of the entity's products or services, who play a crucial role in driving demand and influencing product design.
- **Waste Management Entities:** Entities responsible for the collection, treatment, and disposal of waste generated throughout the value chain.
- **Technology Providers:** Entities that supply the technologies and solutions necessary for environmental improvements, such as renewable energy suppliers, energy efficiency consultants, and waste reduction technology providers.

An entity may be required to engage with value chain partners to achieve decarbonization goals in the following way:

- **Benchmark performance:** Benchmark the emissions of its products against peers to know whether it is leading or lagging in the industry and based on that plan for future actions.
- **Establish clear communication channels:** An entity should clearly communicate and share information with its value chain partners on a regular basis. This would include setting clear expectations, sharing data and performance metrics, and providing regular updates on progress.
- **Develop joint action plans:** An entity should explore opportunities to collaborate with key partners for developing and implementing joint decarbonization plans, such as setting shared targets, investing in joint sustainability initiatives, and identifying and implementing best practices.
- **Provide support and incentives:** Offer incentives to suppliers and distributors to adopt sustainable practices, such as preferential procurement terms, access to financing, and technical assistance.

Key Questions:

1. **Who are the key stakeholders within your value chain and how do you interact with them to fulfil your Strategic Ambition?**
2. **What are your current and planned engagement activities to effectively contribute to your Strategic Ambition?**
3. **What escalation processes or criteria are established to address situations where engagement activities fail to achieve the desired outcomes?**

Case Study

Engagement with Value Chain

Smurfit Westrock is a producer of paper and packaging. It has a highly integrated business model- with the entity managing 120,000ha forest, running its recycling operations and manufacturing its paper and board for packaging solutions. Given the dependency of their business model on paper and sourcing of recovered paper and wood, there are ample opportunities for them to engage with their value chain to transition to sustainable operations.

(source: https://www.smurfitwestrock.com/-/m/files/publications---global/sr-2024-downloads/smurfit_westrock_sustainability_report_2024.pdf?rev=8fa6453fc2294a2a894c5bedcc52de80)

Value chain engagement

Smurfit Westrock is working towards a net-zero future, addressing demand side reductions and supply chain efficiencies, and working with their suppliers to reduce scope 3 emissions. Collaboration across the value chain is one of the ways by which they aim to achieve their objectives. They have suppliers' engagement, such as:

- Sustainable and Responsible Sourcing
- Engaging Suppliers on decarbonization strategy
- Supply chain data collection

As part of Smurfit Westrock's Sustainable and Responsible sourcing program, the company considers their supplier's energy reduction program and participation in energy certification standards. They engage in collecting climate data from the suppliers and through third parties. Also, as a part of this program, Smurfit Westrock has been engaging with its suppliers to assess them against its standards.

As a result of the Supplier Management program, trading partners are approved and are required to confirm their understanding of the Supplier Principles of Conduct on a regular basis.

Engagement with Industry

An entity should share its position held and role played in the industry bodies, such as Climate Action 100+, GFANZ, RE100, etc., and prioritize relevant memberships in case of memberships in large no. of trade entities. Engagement efforts may focus on bodies tackling transition challenges, active in climate matters, influential in policy making, or where the entity has high influence. Engagement activities can include industry initiatives, collaborations, and union engagement, with commitments to standards or policies. An entity should develop internal policies and conditions to monitor activities of the industry associations that may involve tracking interactions, reviewing policy positions and press releases, and setting up exit criteria. Principal contributions should also be quantified where possible.

An entity can engage with the industry in the following ways:

- **Benchmarking and knowledge sharing:** Imparting knowledge about best practices with peer entities can help identify scope for improvement, set ambitious targets, and learn from successful implementation stories.
- **Joint research and development:** Collaborating on R&D projects can accelerate the development and deployment of new technologies and solutions.
- **Industry-wide initiatives:** Participating in industry-wide initiatives, such as setting science-based targets or developing sector-specific roadmaps, can drive collective action and accelerate the transition.
- **Building industry coalitions:** Creating alliances with other entities in the industry can augment the collective voice and enable shaping of policy decisions.

Industry associations and alliances can enable transition planning in the following ways:

- **Offering a stage for collaboration:** They can build a common platform where entities can join forces to develop joint initiatives based on shared information.
- **Developing industry standards and guidelines:** They can contribute to the development of industry guidance and endorse best practices followed by entities for environmental performance across the industry.
- **Advocating for supportive policies:** They can endorse policies backing the transition to a low-carbon economy, such as carbon pricing mechanisms, renewable energy targets, and research and development funding.
- **Mobilizing collective action:** They can mobilize collective action among industry members to overcome the common challenges and speed up the transition.

Key Questions:

1. **How does your entity engage with the industry?**
2. **What specific information do you disclose regarding your memberships in trade organizations or industry bodies to align with the Strategic Ambition?**
3. **How do you prioritize engagement activities with industry counterparts to contribute towards achieving the transition plan?**
4. **What measures have you implemented or intend to implement to monitor activities of membership bodies and minimize potential conflicts with your Strategic Ambition?**

Engagement with Civil Society, Communities, Public Sector, and Government

Entities can foster collaboration with communities and civil society by involving them in decision-making processes. This can be done through focus groups or forums where community members and civil society organizations (CSOs) can share concerns and ideas. Engaging communities early in the process ensures their perspectives are heard, fostering trust and creating more inclusive strategies that address local needs and social impacts.

Additionally, entities can partner with CSOs on sustainability initiatives and share resources as well as expertise to boost effectiveness of the projects. Some of these transition initiatives focus on creating inclusive policies that also cater to the needs of the deprived section of society. Through such collaborations, entities can ensure the transition is sustainable and equitable.

Some of the ways in which an entity can engage with policymakers to advocate supportive regulations include:

- **Building coalitions:** Imparting knowledge about best practices with peer entities can help identify scope for improvement, set ambitious targets, and learn from successful implementation stories.
- **Public awareness campaigns:** Conducting public awareness campaigns to educate the public about the importance of climate action and the benefits of supportive policies.
- **Participating in public consultations:** Participating in public consultations and providing input on proposed regulations.
- **Sharing best practices:** Sharing best practices and success stories with policymakers to demonstrate the feasibility and benefits

Key Questions:

1. **How do you secure support of the policymakers for the implementation of suitable regulations?**
2. **What do you do to foster collaboration with communities and civil society to ensure inclusive transitions?**

Case Study

Engagement with Government, Policy, and Community

As a life and health insurance provider and asset owner, Prudential can have a meaningful impact on local communities but is also an active stakeholder in policy. Effective planning involves partnerships and support of policies and initiatives that create an enabling environment for decarbonization.

(source: https://www.prudentialplc.com/~/media/Files/P/Prudential-V13/esg-report/climate-transition-plan-2023.pdf)

Blended Finance: Partnerships with governments, such as Vietnam's Just Energy Transition Partnership (JETP), demonstrate its commitment to mobilizing finance for inclusive transitions.

Policy Engagement: Ongoing dialogue with regulators, trade associations, and policymakers to influence sustainable finance frameworks and climate-related regulations.

Community Impact: By developing local capital markets and aligning investments with societal needs, it supports economic growth and social well-being in its operational regions.

Guidance and Best Practices

The role that can be played by the suppliers and distributors in meeting transition targets.

Suppliers

- **Reduce impact:** Implement energy-efficient processes and adopt renewable energy.
- **Provide sustainable materials:** Source certified sustainable or renewable resources.
- **Collaborate on design:** Use design-for-environment (DfE) processes and life cycle assessments (LCAs).
- **Encourage transparency:** Set and disclose emissions reduction targets using frameworks like SBTi.

Distributors

- **Optimize logistics:** Use efficient routes and eco-friendly vehicles.
- **Promote sustainable consumption:** Educate consumers and incentivize eco-friendly choices.
- **Manage end-of-life:** Implement recycling programs and support circular economy models.
- **Support target setting:** Set emissions targets and report progress using SBTi guidelines

The following table is a brief overview of how an entity may consider disclosing across value chain, industry and government & civil societies.

	Prioritization of Engagement Activities	Current & Planned Engagement Activities	Escalation Processes & Monitoring	Expected Contributions to Strategic Ambition
Value Chain	▪ Explain how you identify which suppliers/ customers to engage with first to maximize alignment with your transition plan (e.g., highest carbon footprint, largest influence on supply chain). ▪ Reference any key assumptions or external factors that shape those priorities.	▪ Detail supplier codes of conduct, customer education initiatives, or stewardship activities you already use or plan to use. ▪ For financial institutions: highlight engagement with investee entities or loan clients.	▪ Describe your escalation protocols if a supplier or value-chain partner does not meet agreed climate targets (e.g., warnings, contract revisions, termination).	▪ Show how each engagement activity (supplier programs, customer outreach) is expected to cut emissions or accelerate resilience in your overall transition plan
Industry	▪ Outline how you choose which trade bodies or alliances to prioritize (e.g., those that shape industry standards or can accelerate sector-wide decarbonization). ▪ Reference assumptions/external factors that guide these decisions.	▪ Give a summary of existing and potential collaborations (e.g., sector-wide working groups, sharing R&D efforts). ▪ Disclose memberships in relevant trade entities and any specific commitments arising from them.	▪ Explain how you monitor or influence the activities of trade associations, industry bodies, or peer alliances to ensure alignment with your transition goals. ▪ Outline steps to manage any conflicts of interest - e.g., if an industry group lobbies against climate policies.	▪ Articulate how collaborative initiatives (joint standard-setting, industry alliances) advance your decarbonization or climate resilience goals.
Govt & Civil Society	▪ Describe how you decide which policymakers, regulators, NGOs, or communities to engage with first (e.g., jurisdictions with significant operations, upcoming regulations). ▪ Reference assumptions /external factors influencing these choices.	▪ Summarize direct and indirect lobbying, policy engagement, or community partnerships you have in place or intend to establish. ▪ Include any notable public consultations or advocacy campaigns you support.	▪ Clarify how you handle situations where direct engagement with a regulator or NGO is not progressing (e.g., seeking alternative policy channels). ▪ Indicate any criteria that would trigger further escalation or a shift in strategy.	▪ Highlight how shaping public policies, gaining community support, or influencing legislation underpins your long-term transition success.

Create "Transition Hubs" for Coordinated Stakeholder Engagement

Form cross-functional teams— "transition hubs"—that unite representatives from sustainability, finance, operations, procurement, legal, HR, sales and from various business lines. The stakeholder engagements center around these hubs, ensuring a coherent and action-oriented approach to implementing the TPT framework's engagement pillar.

How this strengthens Stakeholder Engagement:

- **Single Point of Contact:** Stakeholders know exactly where to direct inquiries or feedback, reducing confusion and duplication of effort.
- **Cross-Functional Alignment:** Bringing multiple departments together ensures consistent messaging, more efficient resource allocation, and a holistic view of stakeholder concerns.
- **Clear Accountability:** Each hub member has defined responsibilities for engagement activities, fostering transparency and timely follow-through.
- **Feedback Integration:** Insights gathered through engagement are quickly relayed to decision-makers, helping the entity adapt strategies in real time while still respecting overarching governance structures.

Tiered Supplier Programs with Sustainability Scorecards

Develop a multi-level incentive system for suppliers, paired with clear sustainability scorecards. Top performers receive preferential treatment (e.g., longer-term contracts, public recognition), while those at lower tiers gain access to training, resources, and transitional support.

How This Fosters Engagement & Action:

- **Structured Guidance:** The scorecards set transparent benchmarks (e.g., emissions intensity, resource efficiency) that clarify expectations for suppliers at all levels.
- **Progressive Pathway:** Lower-tier suppliers see a clear route for improvement, with incentives driving them to adopt better practices.
- **Baseline for Disclosures:** By collecting consistent data through scorecards, entities can compile supplier-level information that feeds into broader TPT disclosures, highlighting progress and areas needing improvement.

Scenario Planning Workshops and Capacity Building

Host collaborative workshops where industry peers, NGOs, and regulators test multiple climate and transition scenarios. Beyond exploring different risk and opportunity pathways, these sessions also focus on training participants in the technical aspects of disclosure requirements that the entity will implement.

How This Enhances Adoption & Clarity:

- **Hands-On Learning:** Practical exercises demystify the applicable disclosure standards or framework, enabling stakeholders to understand how disclosure requirements translate into operational changes.
- **Shared Knowledge:** Participants learn from one another's strategies, improving overall readiness and fostering cross-industry alignment on adoption of transition plan best practice.
- **Proactive Risk Management:** Scenario testing clarifies vulnerabilities and highlights opportunities for resilience, which can then be integrated into governance and disclosure reporting.

Establish Clear Communication Channels & Feedback Loops

Implement an ongoing, multi-channel communication system (e.g., digital platforms, regular stakeholder calls, rapid escalation protocols) to gather input from suppliers, customers, employees, and community members. Provide periodic "Transition Pulse" updates to show how feedback is being integrated.

How This Nurtures Continuous Improvement:

- **Real-Time Insights:** Stakeholders can quickly flag issues or opportunities, enabling the entity to adapt its strategy in near real-time.
- **Transparent Escalation:** A clear protocol for escalating critical concerns ensures timely decision-making and demonstrates strong governance practices.
- **Inclusive Feedback:** Regular updates validate stakeholder contributions, showing how their input shapes the transition journey and fosters buy-in for adoption of transition plan best practice.

4.4 Metrics and Targets

Metrics and targets are the essential data points for evaluating an entity's success in executing its transition plan. They provide measurable and comparable information to assess the effectiveness of the actions taken towards achieving climate objectives. Hence, depending on the disclosure requirements to which the entity is subject to, it may disclose specific metrics and targets to demonstrate its progress towards its strategic ambition, explaining how these measurements manage and monitor the transition plan's broader impacts on stakeholders, society, and the environment. Metrics and targets cut across the other pillars of the TPT framework by providing quantitative data.

Sub-elements of the TPT framework

An entity specifies the metrics and targets that it uses for driving its transition initiatives and monitoring its progress towards the goal, preferably at least on an annual basis.

- **Governance, business and operational metrics and targets:** An entity states the data related to governance, business, engagement, and operational metrics and targets that it uses or intends to use to drive as well as monitor progress towards its Strategic Ambition.
- **Financial metrics and targets:** An entity specifies clearly any financial metrics and targets related data, relevant to its business, strategy, and sector, that it uses or intends to use to drive as well as monitor progress towards its Strategic Ambition.
- **GHG metrics and targets:** An entity states any GHG emissions and removals metrics and targets related data that it uses or intends to use to drive as well as monitor progress towards its Strategic Ambition.
- **Carbon credit:** An entity considers how it embeds or intends to integrate carbon credits into its overall transition plan to achieve the Strategic Ambition.

Key considerations and questions for entities

Governance metrics and targets

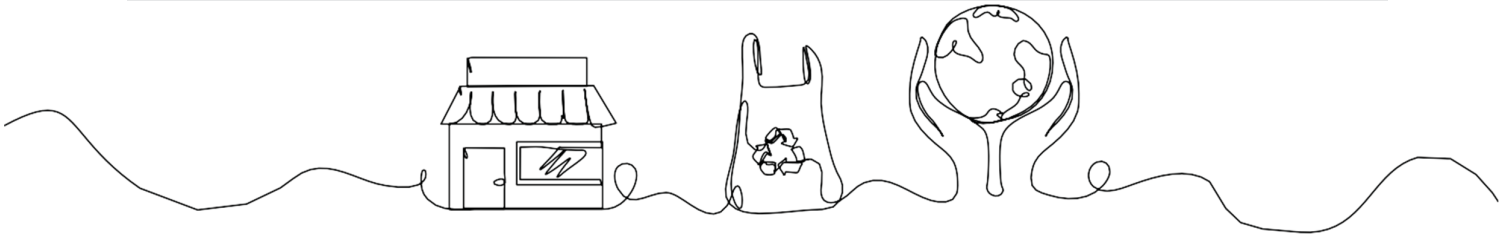
To monitor the effectiveness of the climate transition strategy, entities must establish several key governance metrics. These may include the proportion of board members with expertise in climate-related issues, the frequency of climate-related discussions in board meetings, and the percentage of executive compensation linked to achieving climate-related targets. These metrics must align with the overall governance framework to ensure that the climate considerations are embedded into the decision-making processes spread across different levels of the entity. This alignment can be further supported by regular reviews and updates to the governance policies, ensuring accountability and transparency in the climate strategy.

Engagement metrics and targets

To evaluate the performance of the ongoing engagement strategies, an entity must track the number of engagement activities conducted, stakeholder participation rates, and qualitative feedback on the

Key Questions:

1. **What governance metrics have been established to monitor the effectiveness of the climate transition strategy?**
2. **How do these metrics align with the overall governance framework?**



Case Study

Governance metrics and targets

As part of the remuneration policy, the compensation committee has designed the Sustainability Progress Index to link the performance measure of Executive Directors in delivering the sustainability commitments, including climate-focused targets.

(source: https://www.unilever.com/files/8b5df5f6-cb90-40fd-9691-38d06905d81d/unilever-climate-transition-action-plan-updated-2024.pdf)

Linking executive remuneration to climate performance

In March 2024, the organization proposed significant amendments to its Directors' Remuneration Policy aimed at linking executive remuneration to climate performance. If approved by shareholders at the 2024 Annual General Meeting (AGM)*, the new policy will introduce a Sustainability Progress Index (SPI) with a 15% weighting in the Performance Share Plan (PSP) awards starting in 2024. This SPI will encompass climate-focused targets, ensuring that members of the Unilever Leadership Executive and senior managers (approximately 500 employees) are incentivized to drive sustainability alongside shareholder value.

**Update- Proposal has subsequently been approved.*

impact of these engagements. Additionally, an entity can also track outcomes, such as evidence of GHG emissions reductions by suppliers and document social dialogue in clients' transition plans, which will be a demonstration of the tangible results of the engagement efforts.

Operational metrics and targets

Entities must set operational targets aimed at enhancing their sustainability practices. These may include a target to reduce energy consumption per unit produced and a commitment to ensure that

Key Questions:

1. **What metrics are being used to assess the effectiveness of the engagement strategies in the climate transition efforts?**

Case Study

Engagement metrics and targets

Nestle understands that a substantial portion of its emissions come from the dairy supply chain. Hence it collaborated with the farmers to transition into regenerative agricultural practices. Three areas of regenerative agriculture were identified, and targets were set against them. Monitoring the progress was done to measure success and impact.

(source: https://www.nestle.com/sustainability/nature-environment/regenerative-agriculture)

Collaborated with farmers to promote to Regenerative Agriculture

A key focus area for the entity is its dairy supply chain, which accounts for a substantial portion of its emissions. Hence, the company collaborated with farmers to transition to regenerative agricultural practices, emphasizing diverse cropping systems, soil health, and water quality. By the end of 2023, 15.2% of raw materials were sourced from farmers adopting these practices, with a goal of reaching 20% by 2025. This engagement not only targets emissions reduction but also aims to enhance livelihoods across the value chain, showcasing a commitment to sustainable food production.

new facilities are located outside flood-prone areas. To track progress against these targets, entities must employ a robust monitoring system that collects data on energy usage, facility locations, and water withdrawal from high-stress areas. Regular reporting on these metrics will allow assessment of the performance and incorporation of necessary modifications to the operations to meet the climate goals.

Key Questions:

1. **What operational targets have been set to ensure that the business operations contribute effectively to the climate goals?**

Case Study

Operational metrics and targets

As part of the commitment to the transition to renewable energy, Restaurants Brands International (RBI) has set targets for its corporate-owned or leased buildings and for franchised restaurants. These targets will help the RBI reduce the emissions from its operations.

(source: https://s26.q4cdn.com/317237604/files/doc_downloads/2025/05/2024-Restaurant-Brands-For-Good-Report.pdf)

Climate Action

As one of the largest quick-service restaurant entities globally, we have an opportunity and an obligation to address climate change head on, and our ambition is to become a part of the solution.

2030 Goals:

- Procure 100% of our electricity from renewable sources for our corporate-owned and directly controlled facilities globally.
- Procure 50% of electricity globally by franchise restaurants from renewable energy sources
- Develop and implement Green Building Standards for new builds and remodels at corporate and franchise restaurants globally.

2050 Goals:

- Achieve net-zero emissions

Financial metrics and targets

It is a good practice for entities to establish financial metrics and targets aimed at driving progress in its climate transition strategy. These metrics may include targets related to climate value at risk from physical climate changes, capital expenditures directed towards no- or low-GHG projects, and revenue generated from no- or low-GHG products and services. Additionally, an entity can track the proportion of no- or low-GHG financial assets relative to total financial assets, as well as the percentage of fuel consumed from no- or low-GHG sources. These metrics help in aligning with overall strategic ambition by ensuring that financial decisions support sustainable practices and contribute to the entity's commitment to achieving net-zero emissions by 2050.

Key Questions:

1. **What specific financial metrics and targets has the entity established to drive progress towards its climate transition goals?**
2. **How do these metrics align with the overall strategic ambition?**

Case Study

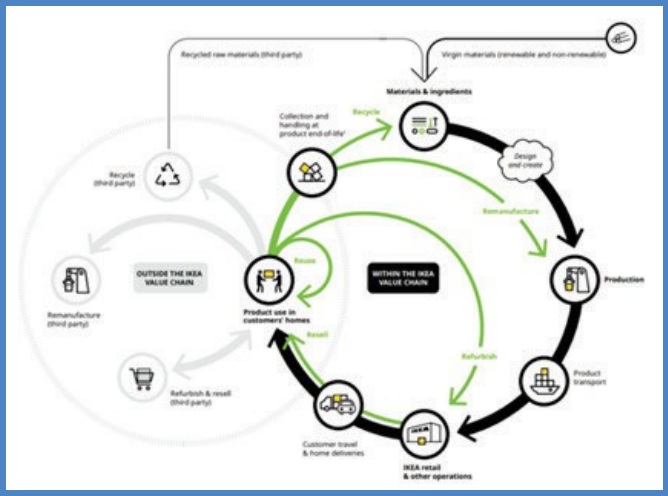
Financial metrics and targets: IKEA

As part of climate strategy, IKEA has created a financial metric of generating 100% of its revenue from circular business, by 2030. This metric helps IKEA to create a holistic strategy to attain it and also to track the current proportion of revenue from circular business.

(source: https://www.ikea.com/global/en/images/IKEA_SUSTAINABILITY_Report_FY_23_20240125_1b190c008f.pdf)

Revenue from circular business

The entity aims to become a fully circular business (100% revenue) by 2030, focusing on designing all products with circular capabilities. The company is committed to using only renewable or recycled materials and developing solutions that extend the life of products. This approach involves a comprehensive value chain strategy, collaborating with franchisees, suppliers, NGOs, and governments to minimize environmental impact. By transforming how they source materials and design products, it seeks to eliminate waste and promote the reuse and recycling of materials, ensuring a sustainable future for both the company and its customers.



GHG metrics and targets

To effectively monitor and report on greenhouse gas (GHG) emissions as part of a climate transition plan, entities must establish clear metrics and targets. Entities should begin by conducting a comprehensive baseline assessment of their current GHG emissions, which would ideally include Scope 1, Scope 2, and Scope 3 emissions.

For Scope 1, entities must measure direct emissions from their owned or controlled sources, such as fuel combustion in entity vehicles and facilities. For Scope 2, calculate indirect emissions from the generation of purchased electricity, steam, heating, and cooling consumed by the operations. For Scope 3, evaluate indirect emissions emanating out of the upstream value chain (suppliers) as well as the downstream value chain (product use).

Further, depending on the disclosure requirements they are subject to, entities may disclose the extent of reliance on estimated data, detailing the assumptions made regarding emission factors and activity data utilized in calculations. They must clearly outline how Scope 1 and Scope 2 emissions are disaggregated between consolidated entities (e.g. parent entity and its subsidiaries) and excluded entities (e.g. associates, joint ventures, and unconsolidated subsidiaries).

Additionally, it is important to identify the categories included in Scope 3 emissions measurement and provide justifications for any excluded categories while outlining the steps being taken to enhance monitoring of these categories in future reports.

Entities must leverage the standardized methodologies recommended by the Greenhouse Gas (GHG) Protocol for the calculation and accounting of GHG emissions. This includes following their Corporate Standard for emissions accounting, which outlines clear procedures for defining entity boundaries, selecting appropriate calculation methods, and ensuring transparency in reporting practices.

Key Questions:

1. **What is the current baseline of our GHG emissions (incl. Scope 1, Scope 2, and Scope 3 emissions) and what categories of Scope 3 emissions are included in the measurement?**
2. **To what degree do the reported GHG emissions depend on estimated data, and what specific assumptions were utilized in making these estimates?**
3. **How does the entity disaggregate its Scope 1 and Scope 2 emissions between consolidated and excluded entities?**

Case Study

GHG metrics and targets

H&M Group has ambitious short-term targets to reduce GHG emissions. They have clearly stated targets for Scope 1 plus 2 and Scope 3. H&M Group has set an absolute emission reduction target against the baseline year. The targets have been defined at group level.

(source: https://hmgroup.com/wp-content/uploads/2024/03/Climate-Transition-Plan.pdf)

Emissions reduction targets and commitments

H&M Group has two groupwide greenhouse gas (GHG) emissions targets verified by Science Based Target Initiative. — Near-term targets to reduce absolute scope 1 and 2 emissions and absolute scope 3 emissions by 56% by 2030, against a 2019 baseline. — Long-term targets to achieve net-zero by 2040 by reducing absolute scope 1, 2 emissions and absolute scope 3 emissions by at least 90% and balance out any remaining emissions with permanent carbon removals.

Own operations- Target and Commitment: It aims to reduce absolute Scope 1 and 2 emissions by 56% by 2030, using a 2019 baseline, and achieve net-zero emissions by 2040. Additionally, it plans to reduce electricity intensity by 25% by 2030 against a 2016 baseline, focusing on energy efficiency improvements such as the installation of LED lighting and optimized ventilation systems.

Requirements common across different types of metrics and targets

Methodology

Entities can utilize globally recognized methodologies for calculating the metrics, such as those outlined by the EU Taxonomy and frameworks from the Glasgow Financial Alliance for Net Zero (GFANZ). Definitions across metrics must be standardized for clarity; for instance, "no- or low-GHG" should be defined based on specific emissions thresholds. Entities can leverage taxonomies to accurately categorize investments and expenditures. To ensure transparency and consistency in reporting, entities should engage in third-party audits and validation processes, regularly updating stakeholders on methodology changes, and publishing detailed reports that provide contextual information about how metrics have been derived.

Key Questions:

1. **What methodologies, definitions, and taxonomies are used to calculate and categorize the metrics?**
2. **How to ensure transparency in the reporting process regarding metrics and targets, including interim milestones and contextual information that support the climate transition efforts?**

Baseline assessment

The baselining for each identified metric must be established through a comprehensive assessment of historical data, allowing the entity to quantify its current standing in relation to its climate ambitions. For example, if the base period is defined as the year 2023, with a baseline revenue from no- or low-GHG products valued at $10 million, interim milestones could be set to achieve $12 million in revenue within two years (by 2025) and $15 million within five years (by 2028). This structured approach ensures that progress is measured against a clear and defined starting point, facilitating effective tracking and accountability in the entity's transition journey.

Key Questions:

1. **What is the baseline performance for each identified metric?**
2. **What is the base period based on which the progress for each metric has to be measured?**

Target-setting

To develop credible transition targets, entities must take a comprehensive approach that integrates science-based methodologies, sector-specific insights, and strategic planning. Entities should craft targets that are aligned with 1.5°C warming trajectories, systematically assessed for technological and economic feasibility, and designed across short, medium, and long-term horizons.

These targets must be specific, measurable, and quantifiable, encompassing Scope 1, 2, and 3 emissions, with clear interim milestones (preferably every five years). Besides, entities must clearly delineate the specific parts of the entity or activities that the target will address. This could include particular business units, product lines, or operational processes. Also, they must disclose any targets they have set and those mandated by law or regulation.

Key Questions:

1. **Which targets are set by the organisation, and which are mandated by law or regulation?**
2. **What interim milestones have been set to track progress towards the long-term targets?**
3. **How do the targets align with the latest climate science and the goals of the Paris Agreement?**

Carbon credits

TPT recommends that for developing a climate transition plan, it is vital for entities to prioritize direct emissions reductions over the use of carbon credits. However, carbon credits play a crucial role in offsetting emissions that entities are unable to eliminate through direct reduction. So, the use of credits should be seen as the last resort in a transition plan.

Entities should adhere to rigorous standards and verification processes to ensure that they use carbon credits of the highest quality. So, TPT recommends that all credits purchased must be sourced from projects that have been certified by recognized third-party entities that assess the projects

abiding by the Core Carbon Principles (CCPs) established by the Integrity Council for the Voluntary Carbon Market (ICVCM). Additionally, the entities should conduct due diligence on each project, evaluating its additionality, permanence, and social and environmental co-benefits.

Further, entities must categorize the utilized carbon credits as either carbon reduction or carbon removal, also specifying if they are nature-based (e.g., reforestation) or technological (e.g., direct air capture). They are required to measure the potential effects on stakeholders and the environment by conducting comprehensive evaluations throughout the value chain. Finally, they can outline the specific measures they intend to pursue to mitigate the risks, including human rights impact assessments, ensuring that all actions align with sustainability goals and stakeholder interests.

Key Questions:

1. **How does the entity justify its use of carbon credits in relation to its direct emissions reduction efforts, considering the proportion of total emissions reductions achieved through carbon credits compared to direct abatement?**
2. **What is the number of carbon credits sold, purchased and retired?**
3. **What type of carbon credits (carbon reduction or carbon removal initiatives) are utilized, and how do you ensure acquisition of carbon credits of the highest quality?**

TD Bank
America's Most Convenient Bank®

Case Study
Carbon credits

TD Bank states that "We do not use carbon credits or renewable energy credits to achieve our interim target" where TD in 2021 announced its interim target to achieve an absolute reduction in its location-based Scope 1 and 2 GHG emissions of 25% by 2025 relative to a 2019 baseline.

(source: https://www.td.com/corporate-responsibility/offsets-map/index.html)

Carbon Credits Strategy

TD Bank states "Our priority is to first reduce GHG emissions to the greatest extent possible. Over time, we expect to voluntarily address residual emissions through investments in high quality Carbon Dioxide Removal (CDR) technologies. This approach follows Science Based Targets Initiative's (SBTi) principles of mitigation hierarchy as well as other net-zero frameworks, which recommend that organizations establish milestones for the use of CDR credits and shift towards permanent carbon removal solutions over time."

TD Bank also states "As a means of supporting the development of carbon reduction projects and carbon markets, TD continues to voluntarily purchase carbon credits to compensate for market-based Scope 1 and 2 operational emissions and Scope 3 Business Travel emissions, a practice we started in 2010. These credits are not used to meet our Scope 1 and 2 reduction targets".

Guidance and Best Practices

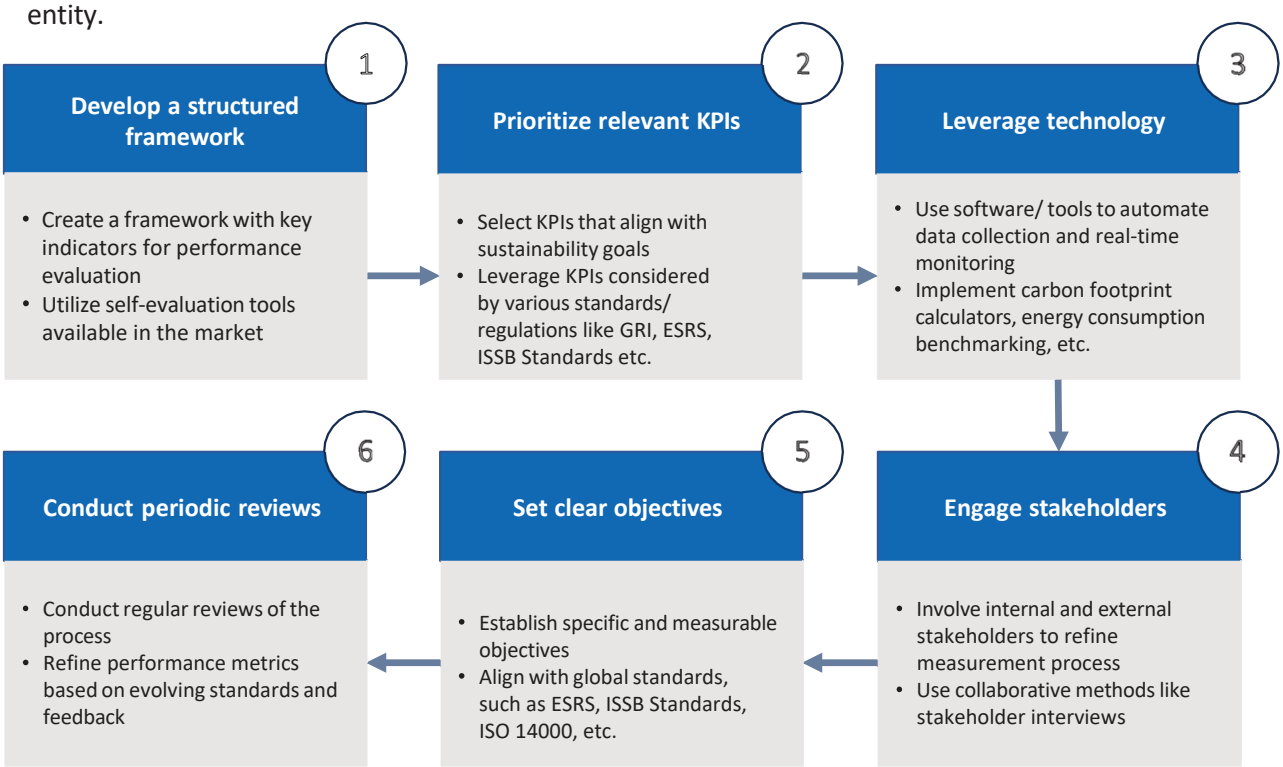
Identification of Metrics

The table below depicts the avenues of identifying key metrics under various categories and what an entity must analyze to determine the relevant metrics.

Data collection

Governance related	Engagement related	Business & Operational	Financial	GHG	Carbon Credits
Roles & responsibilities at board & executive levels	Measurement of value chain decarbonization	Input resources consumed for the production/ servicing process	Capital & operating expenditure for decarbonization	Comprehensive GHG emissions inventory	Amount of carbon credits sold/ purchased/ retired
Governance mechanisms for plan implementation	Mechanism for assessing stakeholder feedback	Output generated in the form of products & services	Revenue from low-carbon products and services	Category 15 emissions (esp. for financial institutions)	Quality and validity of the sold/ purchased/ retired carbon credits
Process for regular review & updates of implementation plan	Tracking of engagement strategy's policy alignment	Composition of upstream & downstream value chain	Internal carbon pricing/ shadow pricing	Levers implemented as part of emission reduction strategy	Performance of the carbon credit portfolio
Integration of the climate goals into existing governance structures	Implementation rates of low-carbon initiatives				

The figure below depicts the process for embedding data collection into operational workflow of the entity.



4.5 Governance

Governance within a climate transition plan is crucial for its success. It ensures proper oversight, accountability, and effective decision-making throughout the transition process. Strong governance structures, including board-level oversight and clearly defined roles and responsibilities within the entity, provide the framework for setting ambitious climate targets, allocating resources effectively, managing risks and opportunities, and tracking progress towards goals. This robust framework enhances the credibility of the transition plan, builds trust with stakeholders, and ultimately increases the likelihood of achieving the desired climate outcomes.

Sub-elements of the TPT framework

An entity should provide details of how in order to meet the Strategic Ambition of its transition plan, it is integrating its transition plan into its governance and entity framework.

- **Board oversight and reporting:** An entity considers how it is integrating its transition plan into its governance body(s) (which may consist of a board, committee, or comparable body tasked with governance) or individual(s) overseeing the transition plan.
- **Roles, responsibility and accountability:** An entity considers providing details on management's involvement in the governance processes, checks, and measures used to monitor, manage, and direct the transition plan, as well as how it is integrated within the entity's broader checks, analysis, and accountability mechanisms.
- **Culture:** An entity considers providing details about how its culture is in line with, or will be in line with, the Strategic Ambition of its transition plan.
- **Incentives and remuneration:** An entity may be required to disclose information about how it aligns or plans to align its incentive and remuneration structures with the Strategic Ambition of its transition plan.
- **Skills, competencies and training:** An entity may be required to 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.

Key considerations and questions for entities

Board Oversight and reporting

The TPT framework emphasizes the board's crucial role in guiding the entity's climate transition. Effective oversight requires a deep understanding of climate-related risks and opportunities, aligning the transition plan with the entity's overall strategic ambition (as outlined in the TPT framework), and ensuring it contributes to long-term value creation. This involves rigorous review of the plan, assessing its alignment with the industry best practices, and ensuring adequate resource allocation.

Some of the steps that boards take to ensure management is accountable for oversight of transition plan and meeting climate related targets are:

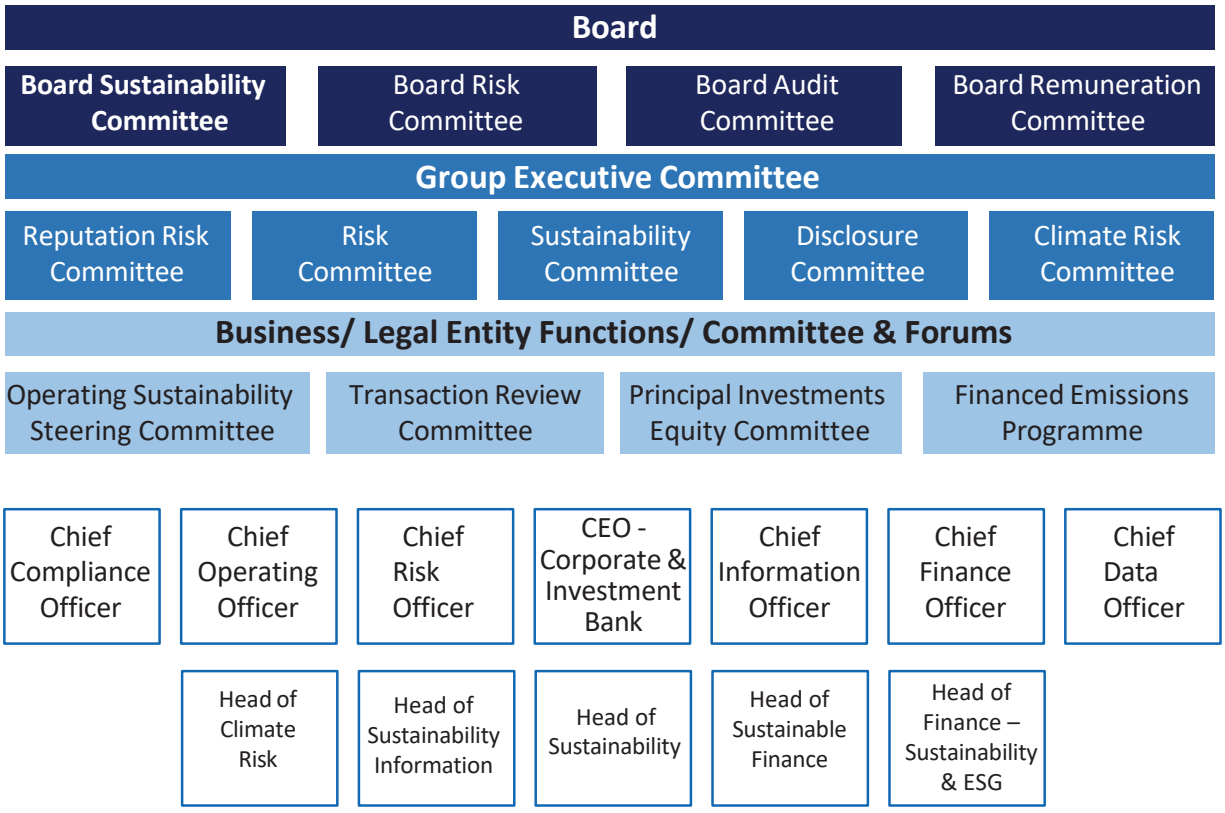
- **Clear, measurable, achievable, relevant, and time-bound (SMART) targets:** Setting ambitious but achievable targets aligned with the Paris Agreement and the TPT framework. Please see more details in the metrics and targets section.
- **Integration in corporate strategy:** Transition plan to be included into and wider decision-making. strategy, major transaction decision making and risk management process.
- **Process and responsibility definition:** Setting process, plan for review and approval of plan, how and when the board needs to be informed.

- **Regular performance reviews:** Conducting regular, in-depth reviews of management's performance against established climate targets, utilizing key performance indicators (KPIs) and tracking progress against milestones.
- **Linking executive compensation to climate performance:** Incorporating climate-related metrics into executive compensation packages to incentivize management to prioritize climate action.
- **Robust internal controls:** Implementing strong internal controls to monitor progress, identify potential deviations from the plan, and ensure compliance with relevant regulations and reporting requirements.

Key Questions:

1. **How does your entity's board ensure that management is accountable for meeting climate-related targets and achieving the entity's climate goals?**

Governance Structure



Management Roles and Responsibilities

Senior management have crucial roles and responsibilities in driving the entity's climate transition. Some of them are as:

- **Developing and implementing the climate transition plan:** Developing a comprehensive and robust climate transition plan aligned with the TPT framework and the entity's strategic ambition.
- **Communicating the climate transition strategy:** Conveying a clear understanding of the entity's climate transition plan and advancements to all stakeholders, such as employees, investors, and public.
- **Resource allocation:** Assigning adequate resources, such as financial, human, and technological ones, to back the execution of climate initiatives.
- **Overseeing day-to-day operations:** Ensuring the effective implementation of climate-related initiatives across all departments and functions.
- **Building internal capacity:** Gaining the required abilities and knowledge inside the entity through training programs and by fostering a culture of continuous learning.

Management plays an important role when it comes to ensuring effective cross-functional collaboration and resource allocation to support climate initiatives. They can:

- **Establishing clear lines of communication:** Creating clear communication channels and fostering open dialogue between different departments.
- **Creating cross-functional teams:** Setting up cross-functional teams with members from different departments to collaborate on certain climate-related initiatives.
- **Integrating climate considerations into all business decisions:** Making sure that climate concerns are taken into account in every aspect of business operations, such as product creation, purchasing, and investment decisions.
- **Recognizing and rewarding cross-functional collaboration:** Recognizing and rewarding employees and teams for successful collaboration on climate-related initiatives.

Key Questions:

1. **What are the key roles and responsibilities of senior management in driving the entity's climate transition?**
2. **How can management ensure effective cross-functional collaboration and resource allocation to support climate initiatives?**

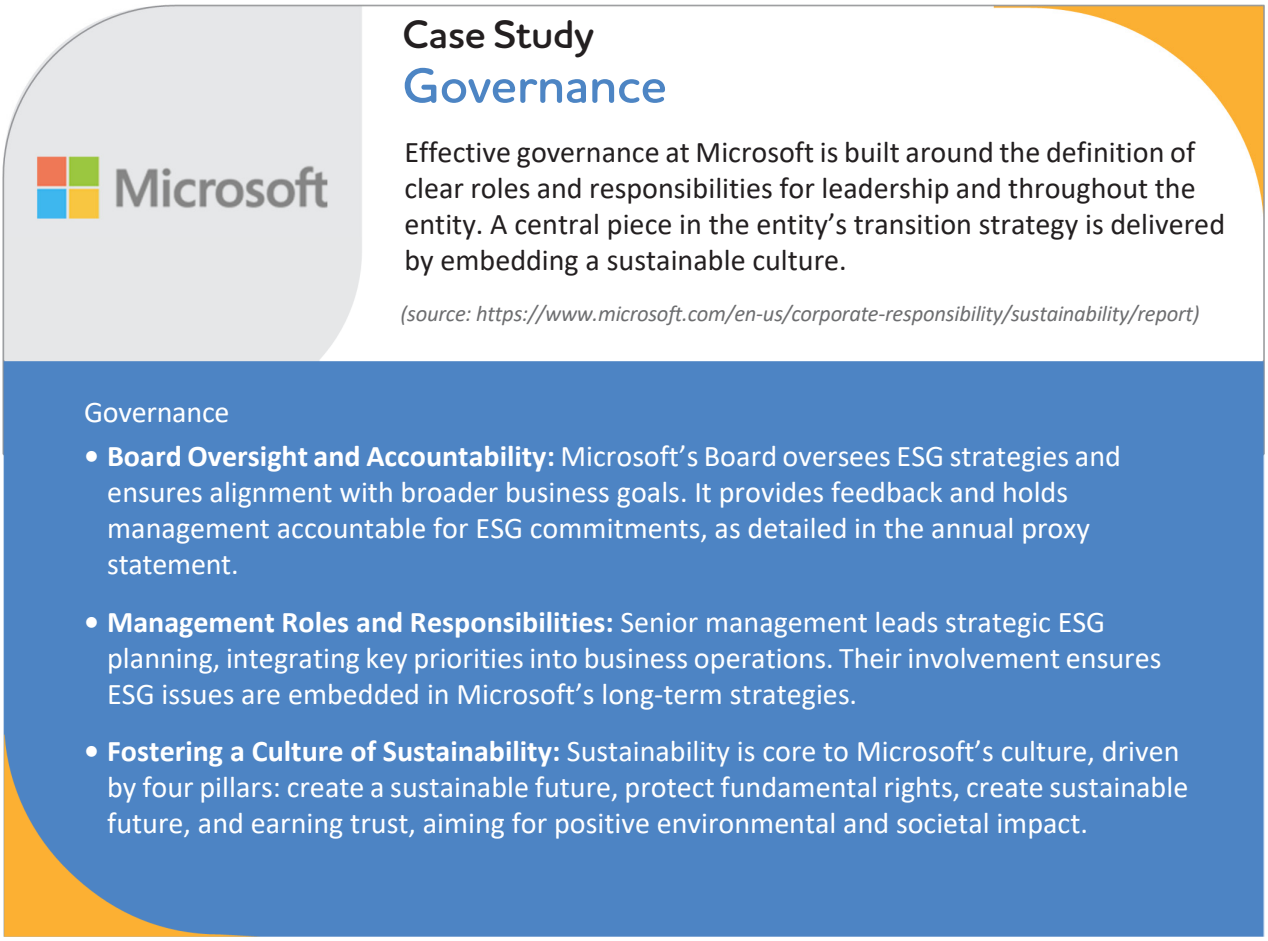
Fostering a Culture of Sustainability

Entities must or intend to match their culture with the Strategic Ambition of its transition plan. This can be done in the form of updating the entity values and purpose statements, HR policies, procedures, employee value proposition. Some additional steps which can be adopted are:

- **Strong leadership:** Demonstrating strong leadership commitment to sustainability at all levels of the entity.
- **Clear communication:** Clearly communicating the entity's climate goals and the importance of employee contributions to all employees.
- **Employee engagement:** Giving employees the chance to engage in sustainability initiatives, such as volunteering, green teams, and sustainability workshops.
- **Recognition and rewards:** Appreciating and acknowledging employees' efforts towards sustainability.
- **Training and development:** Offering employees with training and development chances to improve their knowledge of climate change and sustainability issues.

Key Questions:

1. **How does your entity establish a culture of sustainability that infuses every layer of the business?**



Incentives and Remuneration

To promote sustainable behavior, the TPT recommends tying executive remuneration to the attainment of climate-related goals. This could include incorporating climate-related metrics into performance bonuses or long-term incentive plans. This would include:

- **Establishing clear and measurable climate-related performance targets:** Setting clear and ambitious climate-related targets for executives and linking their compensation to the achievement of these targets.
- **Incorporating climate-related metrics into executive compensation packages:** Including metrics such as emissions reductions, renewable energy usage, and water conservation in executive performance evaluations and bonus calculations.
- **Long-term incentive plans:** Linking long-term incentive schemes, like stock options and performance shares, to the accomplishment of long-term climate goals.
- **Determining the component:** The proportion of total executive compensation that is tied to the transition plan-related metric and the percentage weighting of that metric in the incentive plan, maybe same or different across individuals, teams or roles.

Additionally, there are several different ways to incentivize employees to contribute to the entity's climate transition efforts.

- **Recognition and rewards:** Acknowledging and rewarding employee contributions to sustainability initiatives.
- **Employee engagement programs:** Allowing employees the chance to engage in initiatives that promote sustainability, such as volunteering or participating in green teams.
- **Skill development:** Offering training and development opportunities related to sustainability and climate change.

Key Questions:

1. **How can executive compensation be aligned with the achievement of long-term climate goals?**
2. **What other benefits can be used to encourage employees to contribute to the entity's climate transition efforts, does the entity take a consistent or differentiated approach across individuals, teams and roles?**

Building Internal Capacity

In order to accomplish the Strategic Ambition of its transition plan, an entity must evaluate, manage, and develop the necessary skills, capabilities, and knowledge throughout the entity. A certain set of skills and knowledge are necessary for board members, executives, and employees. This may include the following, but the skill and knowledge set depends on the entity's sector, size, and climate-related goals:

- **Basic Climate Science:** Knowledge of climate change impacts on business, infrastructure, and ecosystems.
- **Climate Risk:** Understanding physical and transition risks, and how they impact operations and strategy.
- **Regulatory Knowledge:** Familiarity with climate regulations and disclosure standards.
- **Strategic Integration:** Skills to incorporate climate considerations into business plans and identify opportunities for sustainability.

Once the assessment of the required set of skills and knowledge is done, then the next step would be to map the existing skills and knowledge against the needs. For filling in the gap, entities need to ensure that employees have the necessary training and growth opportunities to build the skills necessary for a successful climate transition in form of:

- **Internal training programs:** Offering in-house training sessions, workshops, and online courses on climate-related topics.
- **External training:** Providing opportunities for employees to attend external conferences, seminars, and workshops.
- **Mentorship and coaching:** Pairing employees with experienced colleagues or external mentors to provide guidance and support.
- **Developing internal expertise:** Identifying and developing internal expertise in areas such as climate science, sustainability reporting, and climate risk management.

Key Questions:

1. **What skills and knowledge are necessary for board members, executives, and employees for designing, developing, delivering, and governing the transition plan, how is the skill gap assessment done?**
2. **How can the entity ensure employees receive the training and development they need to improve their abilities for a successful climate transition?**

Guidance and Best Practices

Executive "Green Mandates"

Assigning explicit environmental targets to senior leaders ensures that climate goals feature in the entity's daily operations. Executives have the authority and responsibility to advance these goals when they show up in job descriptions and performance evaluations. Creating the right incentives keeps the entity focused on transition milestones and integrates sustainability into its overall strategy.

Culture of Collaboration & Transparency

Encouraging departments to work together—through regular "town halls," cross-functional task forces, or open data-sharing—fosters a climate-conscious culture. Employees who understand how their roles connect to sustainability objectives are more motivated to flag problems, share solutions, and celebrate successes. This collective mindset helps the entity adapt faster and more effectively.

Upskill & Build Specialized Competencies

Investing in climate-related training ensures that everyone—from board members to frontline staff—can keep pace with evolving regulations, market shifts, and technological advances. Whether through workshops, certifications, or mentorship, continuous learning equips the workforce with the expertise to navigate complexities and seize emerging opportunities.

5. Embedding Transition plan into sustainability reporting standards and frameworks

Given the increasing urgency of climate change, the disclosure of information about climate transition plans is now required by multiple sustainability standards, frameworks, and jurisdictional requirements worldwide. The ESRS E1 and IFRS S2 Climate-related Disclosures, explicitly require entities to outline their decarbonization strategies, GHG reduction targets, and financial planning for the transition. Additionally, voluntary frameworks like TCFD, SBTi Net-Zero Standard, GRI, and the Transition Plan Taskforce (TPT) further reinforce the need for robust transition planning. These requirements ensure transparency, accountability, and comparability in corporate climate action, enabling investors, regulators, and stakeholders to assess how well entities are preparing for net-zero commitments and climate-related financial risks. With both mandatory and voluntary frameworks converging on climate transition disclosures, entities must develop credible, science-based plans to align with global 1.5°C targets, regulatory expectations, and investor demands.

The key standards that include climate transition plan requirements are:

Standard/Framework	Mandate	Specific Standard	Key Requirement
Corporate Sustainability Reporting Directive (CSRD)	Entities need to clearly state their decarbonization plans in line with the Paris Agreement and climate neutrality by 2050	European Sustainability Reporting Standards (ESRS E1 – Climate Change).	Disclosure Requirement E1 -1 explicitly mandates entities to disclose GHG reduction targets, decarbonization strategies, and funding plans for their transition
IFRS Sustainability Disclosure Standards	Requires entities to provide information about their transition planning because the information relates to disclosure about the entity's climate-related risks and opportunities	IFRS S2 (Climate-related Disclosures)	Paragraph 14 - Requires disclosures of information about any climate-related transition plan the entity has, including information about key assumptions used in developing its transition plan, and dependencies on which the entity's transition plan relies
Task Force on Climate - related Financial Disclosures (TCFD)	Introduced climate transition plans as a key component of corporate climate risk management and financial planning.	TCFD Recommendations	The Strategy Pillar of TCFD requires entities to expressly declare their plans to decarbonize their business models and manage transition risks.
Climate Disclosure Standards Board (CDSB) Framework	Encourages climate transition planning as part of sustainability reporting.	CDSB Climate Change Reporting Framework	Entities must disclose their climate strategy, transition risks, and emissions reduction pathways
Global Reporting Initiative (GRI)	Requires disclosure of reduction initiatives	GRI Standards	GRI 305-5: The organization can describe reduction initiatives and their targets when reporting how it manages this topic.
Science-Based Targets initiative (SBTi) – Net-Zero Standard	Actions towards meeting SBTs	SBTi Net-Zero Standard	Companies should disclose their climate transition plans (including their financial plans) to outline how they will deliver on their strategy to reach their targets.

6. Conclusion

This paper has provided a comprehensive, practical guide for entities that intend to develop sound and effective climate transition plans in line with the Transition Plan Taskforce (TPT) framework. It would enable the entities to get ready to provide information about their climate transition, applying standards and frameworks such as IFRS S2, the CSRD etc. It ensures compliance while reinforcing their commitment to net-zero goals, sustainability, and resilience against climate-related risks. Climate transition plans are not just regulatory obligations but strategic imperatives that help entities achieve long-term success in a low-carbon economy.

Overall, the report aims to provide guidance on applying the key elements of a robust transition plan, following TPT's five-pillar framework:

- **Foundations** – Establishing clear governance, strategic ambition, and accountability for transition planning.
- **Implementation Strategy** – Identifying decarbonization levers and adapting business models to align with net-zero targets.
- **Engagement Strategy** – Collaborating with suppliers, customers, and stakeholders across the value chains to drive systemic change.
- **Metrics and Targets** – Defining measurable, science-based goals to track progress and ensure accountability.
- **Governance** – Setting robust governance structures to oversee the transition plan.

The report has also emphasized the importance of stakeholder engagement, ensuring that transition plans reflect investor expectations, regulatory requirements, and societal demands. The alignment of transition plans with reporting frameworks such as CSRD, IFRS S2, and GRI ensures transparency and comparability, strengthening investor confidence. Additionally, the guide has provided actionable steps that entities can take to develop, implement, and refine their climate transition strategies.

Call to Action

The growing impacts of climate change, the push for energy transition across the globe, and the rapidly evolving regulatory landscape call for immediate actions. Entities that proactively develop transition plans will be better positioned to mitigate risks, seize opportunities, and maintain their competitive edge. A well-designed transition plan is not a static document but a dynamic process that evolves with emerging data, stakeholder feedback, and regulatory changes. Therefore, entity must remain agile and adaptive, continuously evolving their strategies to keep pace with the emerging trends and regulatory changes.

Now is the time to act decisively. Entities that embrace climate transition planning today will go beyond regulatory compliance to enhance resilience and unlock long-term value. By integrating transition planning into core business strategy, entities can extend their support to the global effort to achieve net-zero emissions and build a more sustainable future.

How can we support?

D.A. Carlin and Company is a mission-driven consultancy that works globally to help corporates, governments, and financial institutions navigate a rapidly evolving world. The entity is committed to embedding sustainability into core operations by aligning strategic priorities with robust environmental and risk management practices. Through a hands-on approach, D.A. Carlin and Company supports clients in addressing the multifaceted challenges of today's transition, whether by strengthening policy frameworks or enhancing entity resilience. Its expertise extends to integrating comprehensive disclosure frameworks—including TCFD, TNFD, ISSB, and TPT—into decision-making processes, transforming complex environmental, economic, and financial data into clear, actionable insights.

Tata Consultancy Services (or TCS) is a Business and IT consulting entity that has been partnering with many of the world's largest entity in their transformation journeys for over 55 years. Our consulting-led, cognitive-powered portfolio of business, technology, and engineering services and solutions is delivered through our unique Location Independent Agile™ (LIA) delivery model, recognized as a benchmark of excellence in software development.

TCS combines its strong sense of purpose with digital expertise and innovation to drive not only its own sustainability journey, but also that of its customers, business partners and stakeholders. With a dedicated focus on sustainability and climate resilience, TCS provides advisory on sustainability reporting, climate change management and sustainability strategies, in addition to offering advanced technological solutions for ESG data management, and regulatory and voluntary reporting using standards like IFRS S1/S2, TCFD, GRI and CSRD.

Our combined offerings:

Transition Planning and Target-Setting

- Current State Assessment
- Science-based target setting
- Stakeholder engagement
- Transition strategy development
- Climate Transition Plan
- Monitoring and reporting system design

Comprehensive Climate Risk Analysis and Disclosure

- Risk Assessment and Data Collection
- Reporting and Communication
- Framework Development and Capacity Building
- Scenario Analysis
- Vulnerability Assessment

Sustainable Finance Roadmap

- Strategic Advisory Blueprint
- Stakeholder Engagement and Consultation
- Policy and Regulatory Review
- Capacity Building and Training
- Development of Implementation Plan

Nature-Positive Finance

- Biodiversity Risk Screening
- Nature-Positive Investment Guidelines
- Biodiversity Reporting and Disclosure Support

About Tata Consultancy Services Ltd (TCS)

Tata Consultancy Services (TCS) (BSE: 532540, NSE: TCS) is a digital transformation and technology partner of choice for industry-leading organizations worldwide. Since its inception in 1968, TCS has upheld the highest standards of innovation, engineering excellence and customer service.

Rooted in the heritage of the Tata Group, TCS is focused on creating long term value for its clients, its investors, its employees, and the community at large. With a highly skilled workforce of over 607,979 consultants in 55 countries and 180 service delivery centers across the world, the company has been recognized as a top employer in six continents. With the ability to rapidly apply and scale new technologies, the company has built long term partnerships with its clients – helping them emerge as perpetually adaptive enterprises. Many of these relationships have endured into decades and navigated every technology cycle, from mainframes in the 1970s to Artificial Intelligence today.

TCS sponsors 14 of the world's most prestigious marathons and endurance events, including the TCS New York City Marathon, TCS London Marathon and TCS Sydney Marathon with a focus on promoting health, sustainability, and community empowerment.

TCS generated consolidated revenues of over US $30 billion in the fiscal year ended March 31, 2025. For more information, visit **www.tcs.com**