Charting the Course: Navigating the Climate Transition Plan Landscape

FEBRUARY 2025

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Contents

ACKNOWLEDGMENTS

The following working paper was developed by BSR, a sustainable business network and consultancy focused on creating a world in which all people can thrive on a healthy planet. The perspectives expressed solely reflect the views of BSR and the authors and have been informed by desktop research, insights, and discussions fostered during BSR-facilitated learning labs, as well as interviews with a wide range of stakeholders within the ecosystem of climate-related disclosures and regulatory reporting. BSR acknowledges Bloomberg Philanthropies for its generous support in the development of this document.

This document was authored by Ameer Azim, Julie Dugard, Verena Nüchter and Lizzie Russler. Additionally, the authors thank participants in BSR's webinars, external partners, Lyrica McTiernan, and colleagues at BSR for their support in the creation of this guidance, including Giulio Berutti, Deb Gallagher and Beatriz Osorio Marugán. Any errors that remain are those of the authors. Please direct comments or questions to Contact BSR.

This guidance contains research, findings, and recommendations for climate transition planning. The content may be revised as the context and topic, company action on climate transition, and stakeholder expectations evolve and advance.

Suggested Citation

Azim et al., "Charting the Course: Navigating the Climate Transition Planning Landscape," BSR, 2025.

List of Abbreviations

CapEx	Capital Expenditure
CDP	Carbon Disclosure Project
CSDDD	Corporate Sustainability Due Diligence Directive
CSRD	Corporate Sustainability Reporting Directive
CTP	Climate Transition Plan
EFRAG	European Financial Reporting Advisory Group
ESRS	European Sustainability Reporting Standard
FCA	Financial Conduct Authority
GFANZ	Glasgow Financial Alliance for Net Zero
GHG	Greenhouse Gas
HLEG	High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities
IFRS	International Financial Reporting Standards
ISSB	International Sustainability Standard Board
OpEx	Operating Expenses
R&D	Research & Development
SBTi	Science-Based Targets Initiative
SEC	Securities and Exchange Commission
SDGs	Sustainable Development Goals
TCFD	Taskforce for Climate-Related Financial Disclosure
TNFD	Taskforce on Nature-Related Financial Disclosures
TONZ	Transform to Net Zero
TPT	Transition Plan Taskforce
UN	United Nations

Introduction

In a recent study conducted by CDP in 2024, companies disclosing climate transition plans in CDP reporting doubled; however, less than 1% of the companies reporting address all the key climate transition plan disclosure elements.

Companies are showing greater ambition in setting climate targets, yet a significant gap exists between targets and demonstrated progress against corporate climate goals. Regulation is turning to Climate Transition Plans (CTP) as the medium to disclose progress. A CTP outlines the actions a company intends to take in the short-, medium-, and long-term to achieve its climate targets, and is a tool for companies to demonstrate and communicate a clear, cohesive, and forward-looking climate strategy. Although CTPs are relatively new in their external disclosure form, they are rapidly becoming an essential—and sometimes legally mandated—component of companies' climate action.

Following calls for credible and transparent transition planning for the corporate sector,[1] regulatory bodies across the globe, such as the European Commission, the Financial Conduct Authority (FCA), and the Securities and Exchange Commission (SEC), are introducing more stringent climate disclosure requirements, which include climate transition planning.

Additionally, organizations, including the CDP, the Task Force for Climate-Related Financial Disclosure (TCFD), the Glasgow Financial Alliance for Net Zero (GFANZ),[2] and the UK Transition Plan Task Force (TPT), have developed frameworks and guidance on key elements that should be included when developing CTPs. While there is mounting pressure on the private sector to publish CTPs, the ecosystem of frameworks, sectoral guidance, and regulatory requirements continues to be complex, and businesses need more clarity so they can craft robust CTPs that meet stakeholder expectations.

The objective of this working paper is to support real-economy companies in better understanding the climate transition landscape, improving awareness around existing regulations and frameworks, and stimulating timely discussion of the challenges business faces in complying with these regulations. With increased clarity, companies will be better equipped to navigate the complex and rapidly evolving landscape and develop credible and robust CTPs.

1 In March 2022, UN Secretary-General António Guterres established the High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities (HLEG) to develop stronger and clearer emissions pledges by businesses, investors, cities, and regions. At COP27, HLEG released its final report with 10 recommendations for nonstate entities, which include creating a transition plan.
2 Throughout this report, the reference to GFANZ concerns its framework dedicated to real-economy companies.

Three Questions About CTP

1 Is there a unique definition of CTP?

The climate community has not yet reached complete consensus on the meaning of CTP, however, most definitions include the following attributes:

- Aligns with transition to a low-carbon economy
- Forward looking in nature
- Communicates actionable strategies that demonstrate progress
- Incorporates accountability mechanisms

BSR defines CTP as "a set of actions and accountability mechanisms that ensure business strategies and operations deliver greenhouse gas (GHG) emissions reductions and a just net-zero transition."

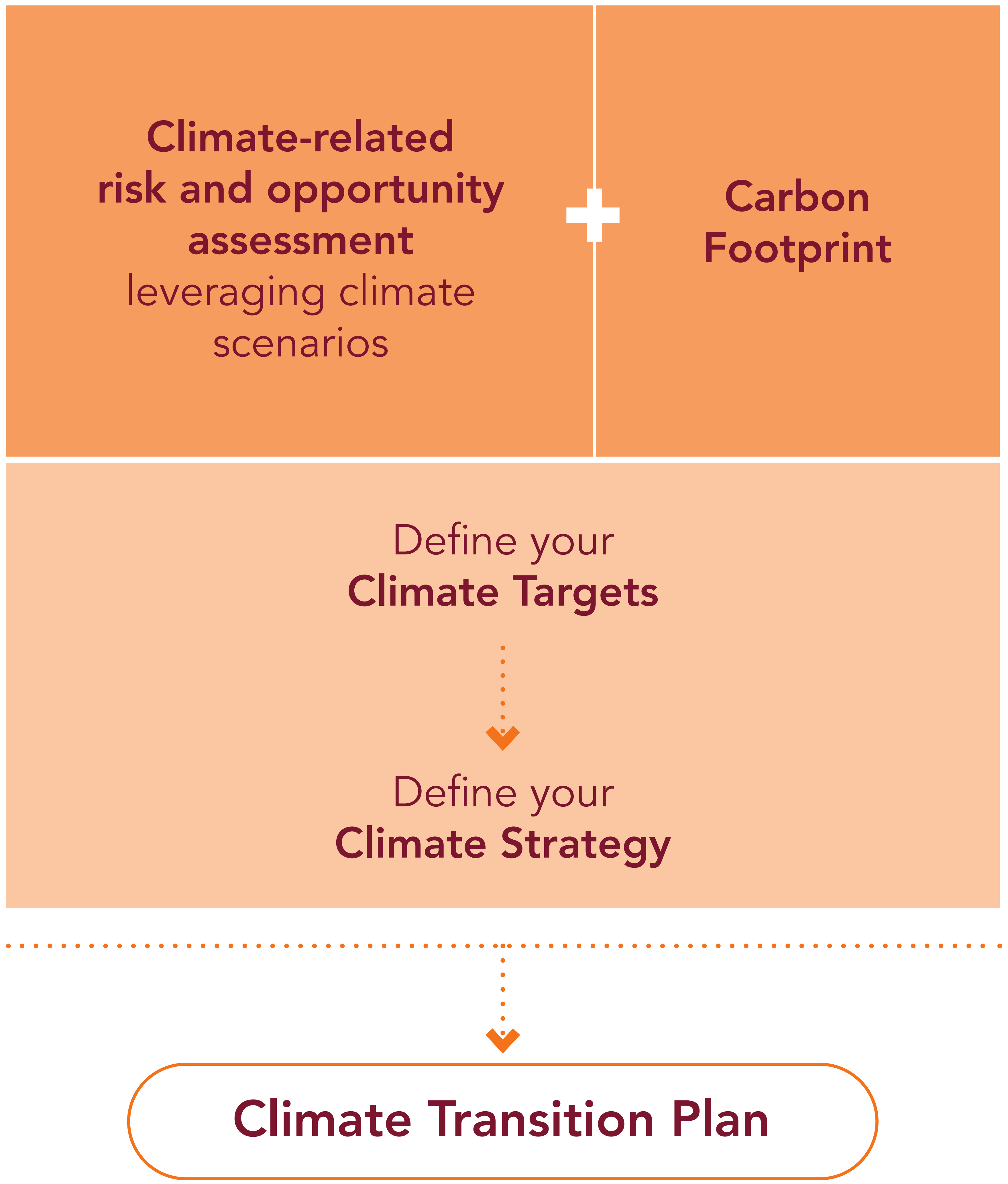
2 How do you get started on developing a CTP?

A CTP should be built on a series of prerequisite steps:

- A strong climate risk and opportunity assessment, relying on a climate scenario exercise and the calculation of a carbon footprint (scopes 1, 2, and 3), will provide an excellent starting point to understand where the biggest efforts are needed.
- Setting climate targets is instrumental for companies to then define their decarbonization trajectory. These targets need to be science-based and aligned with a net-zero trajectory for a CTP to be credible.
- A climate strategy that incorporates a governance structure, identifies the main decarbonization levers businesses need to work on, and sets the direction to reach long-term goals.

Once these three key steps have been taken, businesses will be in a good position to develop their CTP to deliver on their climate targets.

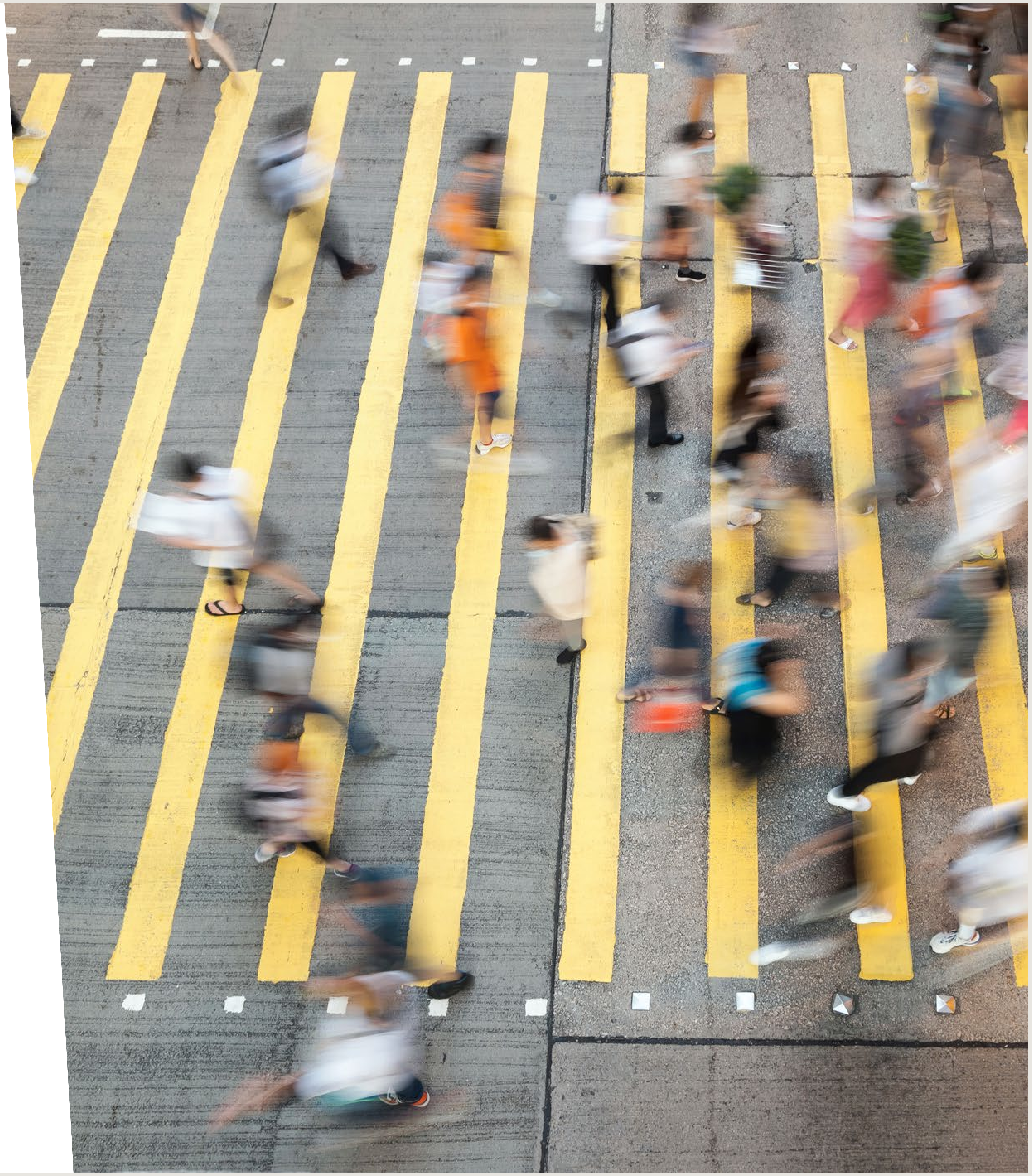
BUILDING BLOCKS



3 Does a CTP need to be a stand-alone document, or can it be integrated into other publications or disclosures?

The TPT Disclosure Framework identifies the development of a stand-alone transition plan as best practice, and recommends updating the plan whenever there are significant changes, or at least every three years.

Before moving to best practices, BSR recommends that businesses take a pragmatic approach to avoid the reporting burden of managing too many stand-alone disclosures. The focus should be on having credible content that is relevant across disclosure regimes. Many companies have already disclosed some CTP elements and sub-elements in their existing Sustainability or TCFD climate reports. They could leverage tools such as the Transition Plan Content Index to cross-reference the location of pre-existing disclosures relating to different CTP elements.



From Soft Law Frameworks To Hard Law Requirements

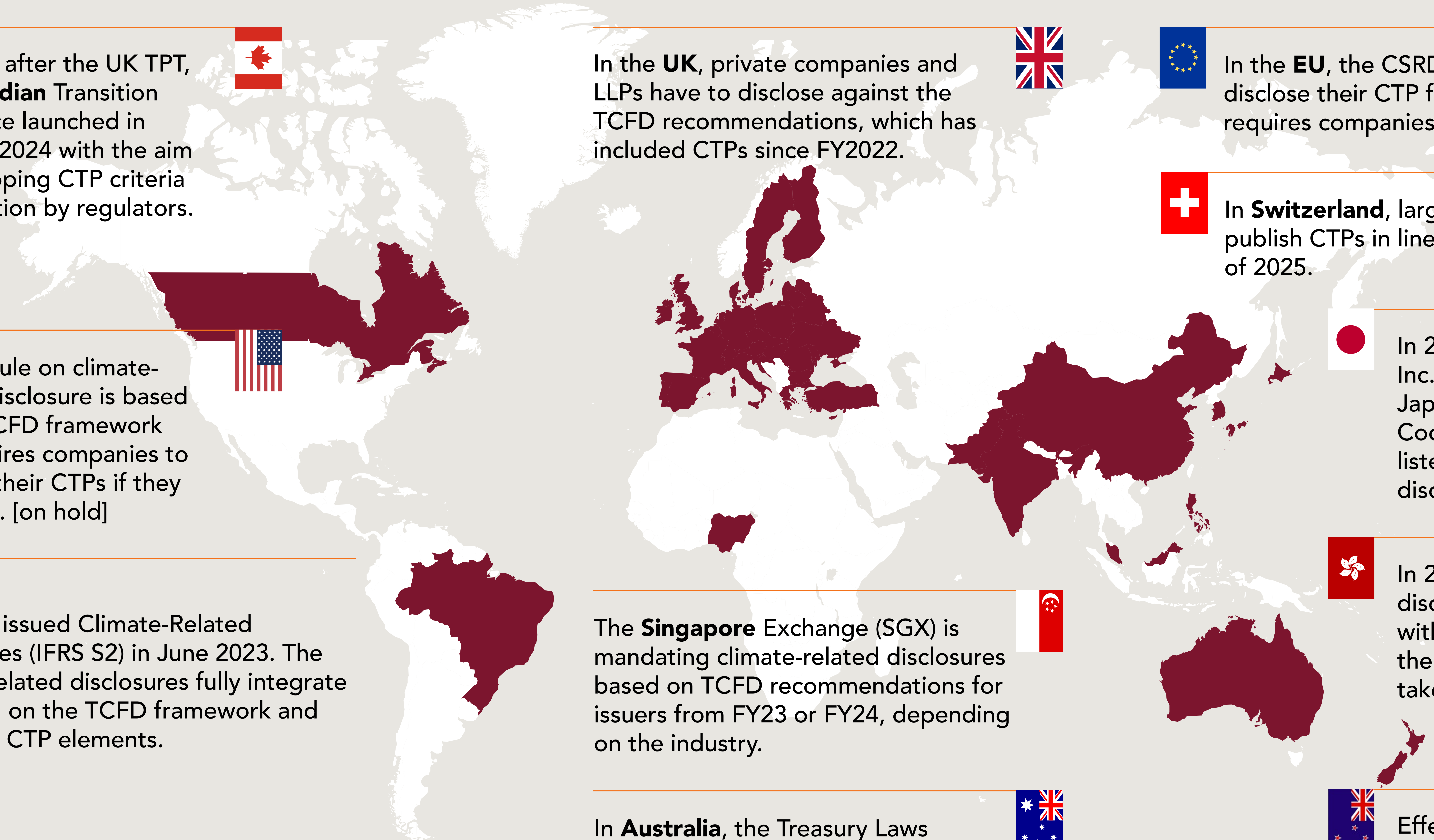
TCFD-consistent disclosures and regulations that embed provisions related to CTP are gaining traction around the world. Jurisdictions representing over half the global economy by GDP are taking steps toward ISSB Standards.

CTPs are largely embedded into climate-related disclosure regulations. These regulations, such as the Corporate Sustainability Reporting Directive (CSRD), require companies to report if they have a plan and what the different elements of that plan are. These regulations often follow the "comply or explain" principle, meaning that companies are not required to have a CTP in place but are required to explain their status and circumstances and potentially when they will be ready to disclose.

One notable exception to the "comply or explain" approach among regulations is the Corporate Sustainability Due Diligence Directive (CSDDD), which mandates CTP. While the CSDDD is well known for its requirement for businesses to conduct due diligence to assess and manage their negative human rights and environmental impacts, it also establishes CTPs as a strategy tool. According to the CSDDD, companies must *"adopt and put into effect a climate mitigation transition plan that aims to ensure, through best efforts, that their business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5°C in line with the Paris Agreement."* This includes time-bound targets for 2030 and five-year steps up to 2050, including absolute targets for scopes 1, 2, and 3 (covering full value chain, unlike CSDDD's other due diligence requirements).

The CSDDD makes clear that reaching Paris Agreement goals requires companies to transform their business models. The CSDDD and CSRD are complementary, and the CSRD report will be the reporting vehicle for the CTP obligation covered by the CSDDD.

Figure 1: CTPs are being mandated across the globe[3]



Modeled after the UK TPT, the **Canadian** Transition Task Force launched in October 2024 with the aim of developing CTP criteria for adoption by regulators.

In the **UK**, private companies and LLPs have to disclose against the TCFD recommendations, which has included CTPs since FY2022.

In the **EU**, the CSRD requires issuers in scope to disclose their CTP from FY24, and the CSDDD will requires companies to adopt CTP from FY27.

US SEC rule on climate-related disclosure is based on the TCFD framework and requires companies to disclose their CTPs if they have one. [on hold]

In **Switzerland**, large companies will be required to publish CTPs in line with Swiss climate targets as of 2025.

In 2021, the **Tokyo** Stock Exchange Inc. implemented revisions to the Japanese Corporate Governance Code which requires Prime Market-listed companies to report TCFD disclosures.

IFRS S2
The ISSB issued Climate-Related Disclosures (IFRS S2) in June 2023. The climate-related disclosures fully integrate and build on the TCFD framework and integrate CTP elements.

The **Singapore** Exchange (SGX) is mandating climate-related disclosures based on TCFD recommendations for issuers from FY23 or FY24, depending on the industry.

In 2025, new climate-related disclosure requirements (aligned with IFRS S2) for issuers under the **Hong Kong** Stock Exchange take effect.

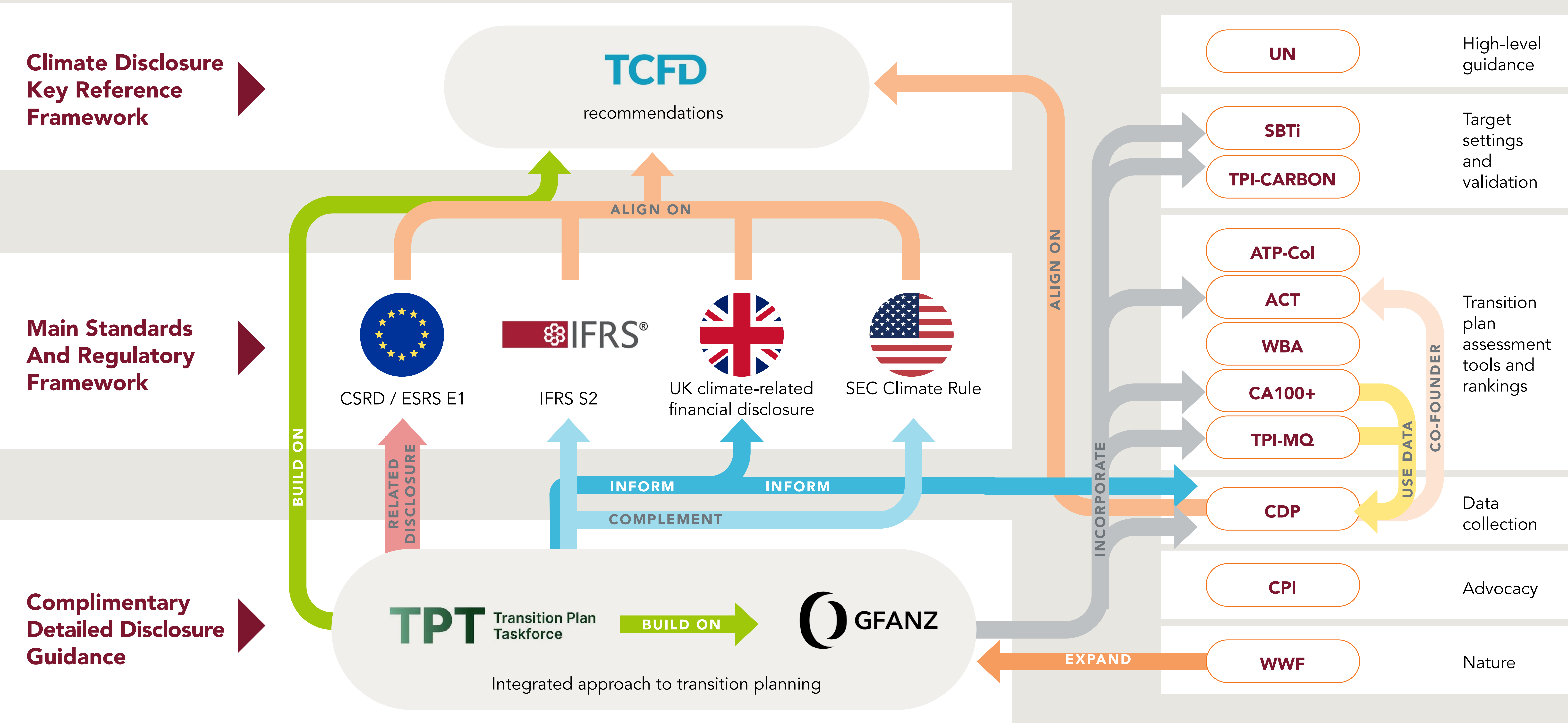
In **Australia**, the Treasury Laws Amendment bill, including new mandatory climate-related reporting requirements aligned with TCFD / ISSB, will be effective from 2025.

Effective from FY2023, the Aotearoa **New Zealand** Climate Standards requires large listed companies to disclose the transition plan aspects of their strategy.

Countries in dark red have taken steps to adopt or otherwise use ISSB Standards

3 As of October 2024.

Figure 2: CTP landscape overview highlighting the connections between the different organizations and frameworks[4,5]



4 Beginning in June 2024, the IFRS Foundation assumed responsibility for the disclosure-specific materials developed by the Transition Plan Taskforce and took over the monitoring of the progress on companies' climate-related disclosures from the TCFD.
5 As of October 2024.

Figure 2 shows how the various voluntary and regulatory frameworks engage,[6] interact, and build on each other. It covers different levels of granularity about CTPs (from the most general guidance at the top to the most specific toward the bottom):

- The TCFD framework offers high-level guidance about principal content, the main characteristics, and how a transition plan relates to the TCFD framework. In recent years, TCFD recommendations have become the de facto framework for corporate disclosure on climate.
- CSRD-ESRS, IFRS S1 and S2, UK climate-related financial disclosure, and the US SEC climate rule[7] are the main standard and regulatory frameworks requiring CTP. They are all fully aligned with TCFD recommendations asking businesses to make a commitment to reduce their GHG emissions and to disclose their plans on how to transition to a low-carbon economy. The specifics of their requirements may differ slightly (see the following section).
- TPT and GFANZ are the primary comprehensive frameworks when talking about CTP and target both financial and real-economy sectors. They are both part of an aligned, consistent effort to support the development of private-sector transition plans.
  - The TPT is a UK initiative launched in April 2022 to develop the gold standard for private-sector climate transition plans, and it will Inform future UK regulation.
  - GFANZ is the world's largest coalition of financial institutions committed to transitioning the global economy to net-zero greenhouse gas emissions. In 2022, GFANZ released the Expectations for Real-economy Transition Plans report for use by investors to assess transition plans and to support companies as they work to transition their operations toward a net-zero global economy.

Business needs to stay informed on CTP-related developments as global and regional standards and legislation take shape and come into effect. In doing so, sustainability teams should keep their organization's legal team as a trusted partner. Additionally, as standards bodies draft and refine frameworks, they will offer consultation periods in which companies can participate. Companies should pursue these opportunities to provide feedback and actively contribute to shaping how standards and regulations are implemented by business.

While tracking regulatory developments and to ensure compliance, companies can strategically prioritize reporting against disclosure recommendations that will become mandatory in the jurisdictions in which the companies operate.

6 The arrows do not indicate a flow of information but rather a connection between different frameworks or regulations. Some frameworks build on, inform, complement, or align with others. More information about the connection between frameworks can be found on their websites.
7 At the time of publication, the Enhancement and Standardization of Climate-Related Disclosure for Investors (SEC Climate Rule) is pending review, after the SEC voluntarily stayed the rules on April 4, 2024.

Focus On Key CTP Elements

Despite some inconsistencies between the different frameworks and requirements presented above, there are also a number of commonalities that could constitute a solid base of key CTP elements.

Figure 3: CTP elements covered by regulatory and voluntary frameworks[8,9,10]

		CSRD/ ESRS E1*	CSDDD- Art. 22	SEC Climate Rule	ISSB IFRS S2	TPT	GFANZ
Foundation	Ambition and Objectives	Covered	Covered	Covered	Covered	Covered	Covered
	Business Model Alignment	Covered	Covered	Covered Partially	Covered	Covered	Covered Partially
	Key Assumptions and External Factors	Covered	Not Covered	Not Covered	Covered	Covered	Covered
Implementation Strategy	Business Operations	Covered	Covered	Covered	Covered	Covered	Covered
	Products, Services, R&D	Covered	Covered	Covered	Covered	Covered	Covered
	Policies	Covered Partially	Not Covered	Covered	Covered	Covered	Covered
	Financial Planning	Covered	Covered	Covered	Covered	Covered	Covered
Engagement Strategy	Value Chain Engagement	Covered Partially	Not Covered	Not Covered	Not Covered	Covered	Covered
	Stakeholder Engagement	Covered Partially	Not Covered	Not Covered	Not Covered	Covered Partially	Not Covered
	Industry and Peers	Covered Partially	Not Covered	Not Covered	Not Covered	Covered	Covered
	Policy Engagement (Government and Public Sector)	Covered Partially	Not Covered	Not Covered	Not Covered	Covered	Covered
Metrics and Targets	Financial	Covered Partially	Not Covered	Covered	Not Covered	Covered	Covered
	Business and Operations	Covered Partially	Not Covered	Not Covered	Not Covered	Covered	Covered
	Climate Metrics and Progress	Covered	Covered	Covered	Covered	Covered	Covered
	Carbon Credits	Covered Partially	Not Covered	Covered	Covered	Covered	Covered
Governance	Board Oversight	Covered	Covered	Covered	Covered	Covered	Covered
	Accountability/Roles and Responsibilities	Covered	Covered	Covered	Covered	Covered	Covered
	Culture	Covered Partially	Not Covered	Not Covered	Not Covered	Covered	Covered
	Incentives and Remuneration	Covered Partially	Not Covered	Not Covered	Not Covered	Covered	Covered
	Skills and Trainings	Covered Partially	Not Covered	Not Covered	Covered	Covered	Covered

Note: Not exhaustive of all elements of the listed frameworks and guidance

Covered · Covered Partially · Not Covered

8 This figure does not constitute and cannot be relied upon as legal advice of any sort and cannot be considered an exhaustive review of legal or regulatory compliance. The conclusions presented in this document represent BSR's best professional judgment, based upon the information available and conditions existing as of the date of the review. In performing its assignment, BSR relies upon publicly available information.

9 Under CSRD-ESRS, sub-elements covered corresponds to ESRS E1-1 Paragraph 16, elements partially covered are spread across ESRS E1 and ESRS 2.

10 Common elements across frameworks are highlighted in white.

Among the regulatory disclosure requirements, CSRD is the most extensive framework.

ISSB's IFRS S2 standard and SEC Climate Rule require less disclosure around engagement strategies, metrics and governance.

While Article 22 of the CSDDD covers fewer sub-elements compared to the other frameworks, it is noteworthy again that CSDDD requires that these sub-elements be adopted and put into effect.

The voluntary disclosure frameworks GFANZ and TPT are aligned and comprehensive. These should be the go-to frameworks for companies developing CTPs. They offer businesses examples and case studies, providing tangible examples of how companies are using these guidance to develop CTP's. The TPT offers two types of sectoral guidance to complement its Disclosure Framework: the TPT Sector Summary and the TPT Sector Deep Dives.[11] Leveraging TPT and GFANZ frameworks in the short term will allow businesses to better anticipate upcoming legal requirements.

The are some overarching elements that are common across all these regulatory and voluntary disclosure frameworks. The following core elements constitute the minimum requirements for a CTP:

1 Ambition and Objectives:

A company's climate ambition and objectives are the foundation of CTP. The transition plan should describe a pathway to achieve these targets. To be credible and robust, the targets need to be science-based and the level of ambition must match the end goal outlined in the Paris Agreement, i.e., aligned with a 1.5°C trajectory with no, or limited, overshoot.[12]

2 Key Assumptions and External Factors:[13]

The feasibility of a transition plan relies on factors within the company's internal control as well as factors outside the company´s control or dependencies that will drive progress toward a low-carbon transition. Businesses rely on these geographical dependencies to implement the decarbonization levers and mitigation actions required to meet their emissions reduction targets. These dependencies are often interconnected and multidimensional.[14]

- Some relevant external dependencies can be classified as non-physical, such as policy strategies, regulatory framework, market, public acceptance; or physical, such as technology resource and labor availability, infrastructure and logistics.[15]
- Some internal assumptions may concern business performance considerations, such as market share, sales growth, and geographical footprint.

To demonstrate their CTP feasibility, businesses should ensure that these dependencies are

11 https://transitiontaskforce.net/sector-guidance/.
12 SBTi is considered an authoritative source for target-setting.
13 While not covered specifically under SEC and CSDDD, assumptions are considered a key CTP element.
14 https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4897758.
15 Appendix 4—External dependencies of transition plans, and addressing dependencies, https://assets.worldbenchmarkingalliance.org/app/uploads/2024/09/ATP-Col-guidance-and-framework-document.pdf

identified, analyzed, and prioritized (by defining and qualifying their impact) and addressed by mitigation measures (e.g., by advocating for specific regulations) when available.

3 Business Model:

Risks to people and planet are often embedded in business models. Measures that do not align with a company's core business model will likely end up having limited effectiveness. Business model transformation is then a critical lever. A company's business model describes how an organization creates, delivers, and captures value. It answers fundamental questions such as, "Who is the customer? What does the customer value? How do we make money in this business?." To ensure a strong and credible CTP, businesses must look at elements such as their key resources and activities, value proposition, cost structure, and revenue streams.

4 Business Operations - Products, Services, Research and Development:

These two sub-elements cover the key decarbonization levers for companies to deploy: transforming their products, services, and internal processes to align them with 1.5°C pathways. Working on these sub-elements requires critical contributions beyond just climate and sustainability teams and calls for a high-level of cooperation within companies. This could also include streamlined communication flows and internal alignment between business units and functional departments, such as sustainability, human rights, legal, finance, risk management, corporate controller, operations, and procurement. Sponsorship from the top executives provides governance support and oversight. These sponsors are especially instrumental as operations, products and services, and R&D are key parts of the company's core business model.

5 Financial Planning:

This sub-element requires a business to declare the amount of investment and financing linked to the implementation of the transition plan. This is one of the most challenging CTP sub-elements for businesses: only 5% of the organizations reporting through the CDP questionnaire in 2023 disclosed sufficient financial planning details.[16] The difficulty arises from misalignment of the short-term nature of conventional financial planning and the long-term need for investments and related payoffs for climate transitions. In addition, it is often challenging to collect relevant and reliable data (e.g., tracking low-carbon R&D, CapEx, and OpEx). To tackle this challenge, sustainability departments need to work hand in hand with their finance and strategy departments to ensure clear and shared definitions—when not framed by regulations such as the EU Taxonomy—as well as to implement effective reporting processes and tools to collect this financial data.

16 The entire 2023 disclosure group concerns more than 23,200 organizations.

6 Climate Metrics and Progress:

As stated in the Ambition and Objectives section above, GHG emission targets are key in the development of CTP. These targets need to be both ambitious and grounded in science to be credible, and businesses have to be transparent and report their progress against the targets to their stakeholders.

7 Board Oversight & Accountability (Governance):

To implement the plan and hold companies accountable for progress toward their climate targets and objectives, robust governance structures are essential. The delivery of the plan will flow from the governance and leadership tone.[17]

Companies will undoubtedly have gaps to fill when starting on their CTP reporting journeys. However, many companies will not be starting from scratch and will build on pre-existing disclosure of CTP elements and sub-elements found in their Sustainability or TCFD climate reports.

17 https://assets.bbhub.io/company/sites/63/2022/09/Expectations-for-Real-economy-Transition-Plans-September-2022.pdf.

Connecting People, Nature And Climate Through CTPs

While, as clearly stated in its name, CTPs are mainly dedicated to cover climate topics, it is important to consider how these climate decisions can trigger positive and/or negative impact on people and nature.

It is widely recognized that anthropogenic climate change poses major threats to living conditions for people on Earth. Workers and communities are vulnerable to ongoing climate change impacts and also can be vulnerable to activities that companies undertake to transition to a net-zero economy and future. The concept of just transition can be defined as both an outcome, which refers to an inclusive green future that maximizes economic and social opportunities for workers and communities throughout the energy transition, and a process, through which there is engagement and partnership with those who are most impacted by the transition, such as workers and communities in which businesses operate.[18]

Similar to social effects, the measures taken as part of a CTP can have both beneficial and detrimental impacts on biodiversity. This is often due to the fact that climate mitigation strategies can introduce new environmental factors that can significantly influence ecosystems and species. For example, the deployment of a new source of renewable energy or the implementation of a large-scale energy storage system can permanently impact land use in a particular area.

Applying a Holistic Approach to Climate Transition Plans

*aligned with SBTN Hubs

18 https://www.bsr.org/reports/BSR-Just-Transition-Planning-Toolkit.pdf.

Table 1: How CTP frameworks and regulations connect with climate adaptation, nature and people

Climate Adaptation	
CSRD - ESRS	Within ESRS E1, the paragraph dedicated to CTP is named "Transition plan for climate change mitigation" clearly pushing adaptation out of its scope. Nevertheless, climate adaptation is covered in other ESRS E1 places and other E topical standards, in particular in ESRS E3 (water and marine resources) and E4 (biodiversity and ecosystems), where climate mitigation and adaptation are inextricably linked. Such material impacts and risks should be disclosed in accordance with ESRS E3 and E4 and cross-referenced where needed in E1-1.
CSDDD	There is no reference to climate adaptation under the CSDDD CTP requirements.
SEC	The SEC Climate rule (still pending at the time of the report) requires information about activities to mitigate or adapt to material climate-related risks, targets and goals.[19]
ISSB IFRS S2	IFRS S2 requires three hey disclosures connected to adaptation: • current and anticipated adaptation efforts • expenses associated with climate adaptation • the effect of the entity's current and planned investments in climate adaptation and opportunities for climate resilience
TPT	There is no clear reference within the TPT framework, but some insights are available in Building Climate-ready Transition Plans: A Primer for Preparers (advisory paper).[20]
GFANZ	Not covered within the framework and considered for future work.

19 https://www.sec.gov/newsroom/press-releases/2024-31.
20 The advisory paper series produced independently by the TPT Steering Group and Delivery Group is not part of the core suite of Transition Plan Taskforce documents.

Table 1: How CTP frameworks and regulations connect with climate adaptation, nature and people *(Continued)*

Nature	
CSRD - ESRS	When defining their decarbonization levers and actions to achieve their GHG emission reduction targets, businesses shall consider the risks and impacts to biodiversity and ecosystems that result from such actions, as per ESRS 1, paragraphs 52 & 53. Such material impacts and risks should be disclosed in accordance with ESRS E4 and cross referenced where needed in E1-1.[21]
CSDDD	The CSDDD introduces the obligation for companies to conduct appropriate environmental due diligence with respect to their operations, operations of their subsidiaries, and operations of their business partners in companies' chains of activities and well as for companies to adopt a CTP. Nevertheless, the CSDDD doesn't draw clear connections between nature and climate.
SEC	Out of Scope
ISSB IFRS S2	In the coming years, the ISSB will look at how it might build from relevant pre-existing initiatives such as TNFD.
TPT	There is no clear reference within the TPT framework, but some insights are available in The Future for Nature in Transition Planning (advisory paper).
GFANZ	GFANZ requires business to disclose the company's objective to ensure a nature-positive economy and how these principles are embedded throughout each component of the transition plan, if applicable. Nature topics are also addressed within 2 specific sub-elements: • Nature-based impact • Nature-based metrics The TNFD and GFANZ joint discussion paper on nature transition plans, additionally foresees the future integration of transition plans. This should enable the consideration of synergies and trade-offs whereby nature and social objectives are managed holistically, and climate is integrated into nature.

21 EFRAG IG Implementation Guidance [draft] Transition Plan for Climate Change Mitigation.

Table 1: How CTP frameworks and regulations connect with climate adaptation, nature and people *(Continued)*

People (Just Transition)	
CSRD - ESRS	The ESRS S1.1 Policies related to own workforce AR 10 directly refers to just transition: "*… policies and commitments of the undertaking to prevent or mitigate the risks and negative impacts on people in its own workforce of reducing carbon emissions and transitioning to greener and climate-neutral operations as well as to provide opportunities for the workforce such as job creation and upskilling, including explicit commitments to a just transition*". Meanwhile, ESRS E1 states that "*Impacts on people that may arise from the transition to a climate-neutral economy are covered under S1- Own workforce, S2 -Workers in the value chain, S3 - Affected communities, ESRS S4 Consumers and end-users.*" Businesses can leverage these requirements to integrate social considerations into their transition plan reporting.
CSDDD	By requiring companies to conduct human rights due diligence on their negative impacts, CSDDD brings the just transition in scope—with potential litigation risks for non-compliance.
SEC	Out of Scope
ISSB IFRS S2	Informed by market feedback, the ISSB decided not to embark on projects related to risks and opportunities associated with human rights—beyond risks and opportunities relating to a company's own workforce and workers in its value chain—or integration in reporting at this time. However, the ISSB agreed to closely monitor developments in these important areas and may consider including them in a future agenda consultation.
TPT	There is no clear reference within the TPT framework but some insights are available in Putting People at the Heart of Transition Plans: key steps and metrics for issuers (advisory paper)
GFANZ	GFANZ's CTP guidance requires companies to disclose the company's objective to ensure a just transition and how these principles are embedded throughout each component of the transition plan, if applicable.

The different frameworks and regulations analyzed distinguish themselves not only in their combination of sub-elements, but also in how they address the interconnections of climate mitigation to climate adaptation, nature, and people. As shown in the table above, most frameworks refer to these related areas to some extent. While integration into the core frameworks is still lacking and many of them are considering this topic for future work to be developed, the desire for convergence toward a stand-alone integrated transition plan with balanced considerations, synergies, and trade-offs across climate, nature, and people is emerging. Additionally, while some climate transition frameworks presented above ask companies to assess the impacts of climate action on people, none ask companies to address them.[22]

Climate, nature, and people are deeply interconnected. CTPs must incorporate a focus on nature and people to ensure that mitigation and adaptation measures are respectful of nature and promote an equitable transition to a low-carbon future. Where the CTP guidance extends or references issues beyond climate, it is primarily through the lens of negative impacts stemming from the plan, using a "no loss" risk framing. Nevertheless, companies should take a holistic approach when setting their plans in the first place, leading to the identification of opportunities, synergies, and innovative solutions that contribute to the delivery of an economy-wide transition (e.g., CTPs utilizing nature-based solutions, encompassing socially inclusive actions that involve and benefit marginalized stakeholders, etc.).

22 Giulio Berruti and Paloma Muñoz Quick, "CSDDD: A De Facto Climate Due Diligence Law That Safeguards People," BSR (blog), Sept. 23, 2024.

Conclusion

In addition to an increasing number of regulations demanding the disclosure of climate transition plans, there is a plethora of voluntary guidance, tools, and frameworks emerging on how to align with the regulatory disclosure requirements and what a good CTP disclosure should look like. The volume of guidance published during the last year is yet another powerful signal that CTPs are now expected to be the next foundational step on the road to fulfilling corporate climate commitments and the goals of the Paris Agreement. To help businesses navigate the prolific landscape of CTP guidance, Table 2 in the Appendix provides an overview of existing relevant reports, tools, and frameworks.

While in the immediate future, climate transition planning might be prompted by compliance and the changing regulatory environment, BSR believes that CTPs are a strategic planning tool that businesses should leverage to deliver progress toward a low-carbon transition. CTPs are now the centerpiece of corporate climate action and disclosure. Therefore, BSR urges businesses to shift their attention to the long term and deliver on the end goal outlined in the Paris Agreement.

Appendix

The resources listed below and provided by BSR reflect the best available guidance at the time of publication. BSR maintains a policy of not acting as a representative of its membership, nor does it endorse specific policies or standards.

Table 2: List of resources

CTP Framework	
Organization	Description
GFANZ	• GFANZ has guidance for Real Economy Transition Plans and for Financial Institutions. • GFANZ unites seven financial sector-specific net-zero alliances, representing more than 500 members.
TPT	• TPT developed a best practice Disclosure Framework and Interpretation Guidance. • The TPT disclosure framework has been supported by over 100 organizations across finance, business, civil society, government, and academia, and over 500 organizations have engaged in testing the framework. • Further, TPT published advisory papers from TPT working groups on adaptation, just transition, nature, and SMEs.

Umbrella Guidance	
Organization	Description
Autorité des Marchés Financiers (AMF)	• The French climate and sustainable finance commission released "Reporting on climate transition plan in ESRS format—a user guide for undertaking," which outlines reporting obligations and emphasizes various considerations for preparation.
Ceres	• The Blueprint for Implementing a Leading Climate Transition Action Plan includes a maturity model and over 45 case studies.

Environmental Defense Fund (EDF)	• EDF offers the Net Zero Action Accelerator, a customizable climate action hub with tools and trainings to advance companies' net-zero journeys.
EFRAG	• EFRAG released the non-authoritative draft implementation guidance Transition Plan for Climate Change Mitigation developed for use by companies subject to ESRS.
Exponential Roadmap	• The Exponential Roadmap Initiative has published a transition plan template (word document) and CTP regulation guidance in the form of a CTP elements mapping.
Transform to Net Zero (TONZ)	• The Transformation Guide on Climate Transition Action Plans from 2022 details several CTP case studies and offers key takeaways, a checklist, and further resources for CTP development.
United Nations (UN)	• The UN secretary-general established The High Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities, which published the report "Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions" at COP27 in Sharm-el Sheikh.
We Mean Business Coalition (WMBC)	• We Mean Business published a Landscape Assessment and Consolidated Guidance. • We Mean Business, together with CDP, Ceres, and EDF, published in 2022 a consolidated guidance on CTPs, including editable checklists for CTP creation and tracking progress.—Early-stage pdf checklists and templates.

Transition Plan Assessment Tools and Rankings

Organization	Description
Accelerate Climate Transition- Initiative (ACT- Initiative)	• The Assessing low-Carbon Transition Initiative evaluates the transition readiness of organizations. It takes a holistic approach to assessing how ready a company is to transition to a low-carbon economy: the level of ambition of the climate strategy is analyzed against the low-carbon benchmark relevant for the company, as well as the actions that the company effectively takes in response to this strategy.—they offer training sessions and tool licenses.
Climate Action 100+	• CA100+ assesses corporate transition plans through its Net Zero Benchmarking Indicators. • 170 focus companies have been selected for engagement and 700 global investors representing more than $68 trillion in assets under management across 33 markets.

Reclaim Finance	• Reclaim Finance released the assessment guidance Corporate Climate Transition Plans: What to look for, including red flag indicators and minimum assessment criteria.
Assessing Transition Plan Collective (ATP-Col)	• Assessing the credibility of a company's transition plan: framework and guidance presents a credibility assessment process for transition plans and provides a basis for streamlining and harmonizing these efforts worldwide.—Useful guidance for BSR when conducting CTP gap assessments.
World Benchmarking Alliance (WBA)	• World Benchmarking Alliance compares companies' performance to the Sustainable Development Goals (SDGs), including a just transition benchmark. • By 2023, WBA assessed 450 companies' contributions to a just transition.

Target Setting/Validation

Organization	Description
SBTi	• SBTi supports companies by validating their science-based emissions reduction targets and net-zero targets, which are the foundation of transition plans. • SBTi offers sector-specific guidance for target-setting.

Data Collection

Organization	Description
CDP	• CDP updated its scoring methodology to include climate transition planning. CDP's 2024 questionnaire requires more detailed disclosure on CTPs than in previous years as part of business strategy. • CDP's Technical Note on Climate Transition Plans provides guidance on transition planning with regards to their climate ranking system. • In 2022, CDP published a report focused on companies and credible transition plans.
Center for Climate and Energy Solutions (C2ES)	• C2ES developed a Transition Plan Index, together with BSR, Ceres, EDF, and WMBC, to enhance transparency and comparability of transition plans. With this tool companies can indicate where the different elements of a transition plan can be found and provide context on elements that are not included.

Nature

Organization	Description
TNFD/GFANZ	• GFANZ issued the Nature in Net-zero Transition Plans workstream consultation paper as voluntary, nonbinding and supplemental guidance for financial institutions that are developing their own net-zero transition plans.
Taskforce on Nature-related Financial Disclosures (TNFD)	• TNFD released for consultation and feedback the Discussion Paper on Nature Transition Plans, which provides draft guidance for nature transition plans.
World Wide Fund for Nature (WWF)	• WWF assembled criteria and published guidance for credible Climate & Nature Transition Plans.

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