Climateworks CENTRE

Level 8, 750 Collins Street,
Docklands VIC 3008
Wurundjeri Country

P: +61 3 9902 0741

info@climateworkscentre.org

climateworkscentre.org

Auditing & Assurance Standards Board
14/530 Collins St, Melbourne VIC 3000

15 November 2024

Climateworks Centre submission on Proposed Australian Standard on Sustainability Assurance ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001

Climateworks Centre welcomes the opportunity to respond to the Exposure Draft of the Proposed Australian Standard on Sustainability Assurance. Climateworks bridges the gap between research and climate action, operating as an independent not-for-profit within Monash University. Climateworks develops specialist knowledge to accelerate emissions reduction, in line with the global 1.5 degree Celsius temperature goal, across Australia, Southeast Asia and the Pacific.

Climateworks is part of the international effort to establish core principles of 'credible' climate transition plans.

This effort is especially urgent given the window to keep global warming within 1.5 degrees is still open, but narrowing.

Submission summary

Climateworks has several significant public interest matters to raise on the proposals in this exposure draft, including the following recommendations:

- **Develop detailed guidance for assessing the credibility of transition plans.**
We recommend the AUASB develops guidance on assessing the credibility of transition plans to complement those that the Australian Treasury is currently developing. This guidance should encompass a set of certainty and accuracy expectations required for limited and reasonable assurance.
- **Start capability building for sustainability audit and assurance now.**
Building expertise in assessing corporate climate transition plans is essential as mandatory climate disclosures approach, ensuring credibility and reducing potential greenwashing risks. AUASB could help set standards for the skills and systems required for auditing and provide expert advice on capability building strategies and approaches.
- **Call for and support the development of an enabling government data strategy.**
Climateworks recognises that in some areas there are issues about data availability. We recommend that AUASB calls for the development of the Trusted Data Plan, and explain to the government where auditors are finding data issues. In this way the AUASB can guide government support to enable a better data environment for auditors. We also suggest that AUASB works on linking audit standards to available, trusted data sources and advocating for greater clarity and consistency in data use.

Context

The importance of credibility

Auditing and reviewing mandatory and voluntary disclosure of climate-related financial risk is an important element in assessing corporate behaviour and financing the transition to a clean economy. From 2025, certain classes of entities in Australia will be obliged to monitor and manage climate-related financial risks and opportunities.

Given climate risk is a financial risk, it is critical that auditors and assurers can assess a company's proposed approach to address these risks and provide constructive feedback. These risks can manifest at the individual company and the macro-financial level, as referenced by the Australian Sustainable Finance Strategy.

While transition plan disclosures are not yet mandatory in most cases, many large corporate entities have already been disclosing financial risk and producing sustainability reports. ISSB and the Australian legislation require companies with a transition plan to disclose it, along with any key assumptions and dependencies underpinning the plan. Climateworks sees particular value in the AUASB addressing standards and training for auditors around credible transition plans alongside the better understood elements of financial disclosure,

Recognising the need for further guidance on transition planning, Treasury will provide guidance on best practice transition plan disclosures in late 2025 (Treasury 2024).

Various global initiatives have sought to develop more detailed guidance about how to present these to support clarity, consistency and comparability for end users.

Transition plan disclosure frameworks such as that of the Transition Plan Taskforce (which are being adopted by the ISSB) set out what a transition plan should contain and how it should be structured. However, these do not address whether it is **'credible', i.e. whether the actions it sets out will result in the emissions reduction required to align with the Paris Agreement**. Ensuring a plan is credible is critical to accelerating progress towards net zero and reducing potential greenwashing risk. We note that corporate climate progress is not yet on track, particularly in terms of the quality of transition plan disclosures.

Many global thought leaders have recently put forward perspectives on transition plan credibility, most notably the Assessing Companies Transition Plans Collective (ATP-Col), an ad-hoc working group of 90 individual experts from 40 organisations, including Climateworks Centre. The group aims to collectively develop a consensual framework with guidance on how to assess companies' transition plans' credibility. Co-convened by the World Benchmarking Alliance and Columbia University and featuring many other global standard setters like TPT and GFANZ, it launched its inaugural transition plan assessment framework at New York Climate Week 2024.

Guidance to ensure that transition plans are credible will enable corporations to define and disclose appropriate strategies, facilitating their mandatory reporting journey and mitigating potential greenwashing claims. Crucially, credible transition plans will support corporates, financial institutions and government to achieve the emissions reductions required for the transition to a net zero economy. Aligning with global best practice standards helps companies comply with current mandatory requirements and positions them to be more resilient.

What this means for audit and assurance

As the assessors of transition plans, auditors and assurers have a pivotal role in supporting the market and providing confidence in the robustness of disclosures. The ramifications of decarbonisation differ across companies and sectors, so assurance is crucial in verifying the credibility of the financial implications companies have stated. For example, auditors can verify that the financial statements relating to climate spend internally align with the company's targets.

Climateworks has heard clearly from industry voices, particularly small and medium-sized enterprises and mid-tier audit and assurance firms, that their capacity to absorb these significant changes is limited. Thus, the implementation sequencing and support available to them is critical to ensure a smooth transition and stakeholder buy-in.

We have heard consistent stakeholder concerns about 'greenhushing', i.e. the risk that companies become less willing to disclose because they fear they will open themselves up to scrutiny or that their data is not of sufficient quality to be 'auditable'. Large emitters have cited this perceived need for 'audit-ready' data as a reason not to disclose scope 3 emissions data or targets.

However, transparency is more important than perfection when it comes to the existential threat of climate risk. By its very nature, climate science is more uncertain than other more established fields, thus, businesses should expect a degree of flexibility. As authoritative legal opinions have recently stated, so long as a director makes the best informed decisions possible at the time, equipped with the best available data and good intent and clear disclaimers about any gaps or assumptions, they should not then be exposed in the future to liability risk for breach of their duties.

Furthermore, many of the concerns raised relate to the current experience of what it means to be 'auditable', particularly for reasonable assurance. The priority is for a company to make decisions based on the best available data at a point in time. The inherent uncertainty of climate data suggests the stringent standards applied to established financial data need not apply here, particularly if emissions factors and other proxy data for scope 3 reporting are the best options available in the short term. An 'ESG audit' may have different requirements than another financial audit. Not all financial auditors also provide ESG audit services. The new standards could reflect That differentiated approach.

Climateworks would also consider whether reasonable assurance for all climate disclosures for all the companies within scope is necessary or adds value. Some data is more material to the question of climate risk than others, and the interconnected nature of the data means that many elements will always have to be considered together. We suggest a lens of materiality, in terms of climate impact, when determining the rules and sequencing of the implementation and also by auditors when performing these assessments.

Simply requiring assurance of emissions reduction targets, for example, would often necessitate a high level review of the choice of scenarios, pathways, implementation strategy, and finance strategy for an auditor to feel comfortable that the targets can be met, which would be highly material for a large company in a high emitting sector.

In line with the ATP-CoI guidance and Climateworks' Australian credibility criteria (see Addendum 1), we would encourage the following checks for climate credibility:

1. **Completeness:** use a checklist approach familiar to auditors such as by checking if the plan contains all the elements of a robust disclosure framework - such as that developed by TPT.
2. **Consistency:** check that the company's internal and external actions and engagements align with the plan's intent as a test of good corporate operation and governance.
3. **Ambition and feasibility**: This is an assessment of the company's targets and actions against what climate science says is required and would involve cross-referencing against climate scenarios and pathways as well as credibility criteria relating to the choice of decarbonisation levers. Things to note:
    - This is newer, more technical climate expertise that many auditors would have to upskill on unless they are already proficient in ESG audit. It might not require an exceedingly detailed review of projects and investments, but sufficient detail for an auditor to get a sense of whether the plan is achievable
    - This is already case law in the EU (see KLM judgement), and increasingly, Australian companies are being challenged by the regulators on these questions (see Qantas, Santos cases)

There are two key challenges until the audit market has adjusted to these new requirements - namely the lack of capacity and skills in the market, particularly at mid-tier audit firms. This may create a lag until there are sufficient trained auditors available.

The use of climate scenarios, scope 3 data, and transition plan disclosures are the newest areas of disclosure, particularly at the scale expected as Australia moves from voluntary to mandatory disclosure. They are also the most material to climate risk. Therefore, upskilling auditors and assurers in these areas should be a priority to fill the current skill gap to ready the market for reasonable assurance of all climate data.

Our recommendations

1. Develop detailed guidance for assessing the credibility of transition plans

Ensuring the credibility of transition plans is essential to realise the goals of the Australian Government's Sustainable Finance Strategy. A comprehensively disclosed plan alone does not guarantee sufficient emissions reduction in line with what the current climate science tells us is needed. Australian reporting requirements must be interoperable with international markets for long-term prosperity and investor confidence. Credible plans protect against greenwashing and provide clear guidance both to transition plan preparers and assessors to ensure that their targets are realistic and actionable.

The Australian Treasury is currently developing transition plan guidance for the Australian market, which Climateworks Centre recommends considers the question of credibility in line with our and others' best practices. Building on this, we recommend the AUASB develop complementary guidance about assessing the credibility of transition plans, for which we would recommend referencing ATP-CoI frame and our own consultative process to apply this in the Australian context.

Within this broad category of guidance, some particularly complex and important topics may warrant additional guidance and support for transition plan preparers and assessors, such as target setting, the use of climate scenarios, capital allocation, carbon credits, and collaborating with your value chain on scope 3 emissions.

a) Given the inherent uncertainty of climate data, we recommend the AUASB standards ater for ongoing audit processes if transition plans are being regularly updated, as opposed to a single 'point in time' audit of the initial transition plan disclosure. This can include ongoing monitoring of progress against targets. Additionally, we recommend the AUASB define limited and reasonable assurance for audit of forward-looking climate data compared to other financial data.

2. Start capability building for sustainability audit and assurance now

There is a significant need for capability building, especially in assessing corporate climate transition plans by auditors, investors, regulators, advisors and other market players. As mandatory climate disclosures approach, the ability to assess the alignment with climate science and the credibility of transition plans is crucial to avoid greenwashing risks and ensure confidence within the financial system.

Helpfully, GFANZ has launched the Global Capacity Building Coalition which provides guidance and case studies about best practice in relevant skills and processes. ATP-Col guidance provides information targeted at assessors.

AUASB could help set standards for the skills and systems required for auditing and provide expert advice on capability building strategies and approaches. They could set out advice on audit regime requirements, and could call for more direct government interventions where they see important gaps they do not expect to be filled by the private sector, e.g. audit regimes, competency frameworks, training for regulators.

3. Support the development of an enabling government data strategy

As per the public letter Climateworks Centre recently signed along with the Internet of Things Alliance, Carbon Markets Institute, Australia Industry Group, and Tech Council of Australia, we are calling on Australian government to coordinate a Trusted Nature and Climate Data Plan (Trusted Data Plan). This plan would improve the quality, availability and consistency of data used by decision-makers to inform sensible decisions on the route to net zero and nature positive.

The Trusted Data Plan aims to build a robust data framework that aligns with global standards, addresses data gaps and improves the transparency and portability of sustainability data across sectors. It would consider and complement existing government initiatives for improved data, such as Environment Information Australia. It would also coordinate the setting of standards, the interoperability and data sharing between existing platforms, technology adoption, and education and training.

Climateworks recognises that in some areas there are issues about data availability. We recommend that AUASB calls for the development of the Trusted Data Plan, and explain to the government where auditors are finding data issues. In this way the AUASB can guide government support to enable a better data environment for auditors. We also suggest that AUASB works on linking audit standards to available, trusted data sources and advocating for greater clarity and consistency in data use.

Climateworks Centre's expertise and insights

Stepping up global climate ambition can still help prevent the worst consequences of climate change. While corporations are responsible for the majority of emissions worldwide, both globally and within Australia, they have yet to take the necessary actions to decarbonise at the appropriate pace. Sustainable reporting and assurance has a role to play in helping to limit global warming in line with keeping global warming within 1.5 degrees.

Transition plans are a key lever to increasing transparency and raising ambition.Various global initiatives have sought to develop more detailed guidance about how to present transition plans to support clarity, consistency and comparability for end users. The Transition Plan Taskforce (TPT) has developed the most accepted transition plan disclosure framework and related guidance, which draws on components identified by the Glasgow Finance Alliance for Net Zero (GFANZ) and Climateworks Centre supports its use as the 'gold standard' for how a transition plan should be structured and what it should contain.

Overall, Australian companies are not currently aligned with the targets or actions required to meet the 1.5°C, and insufficient transition plan disclosures prevent transparency and accountability of company action. Additional guidance is needed for the Australian market about how to disclose a climate-related corporate transition plan and what counts as 'credible'. The Australian Treasury is now developing guidance which may address these questions, so we can soon expect increasing convergence and standardisation in the market which will support data gathering and assessment for assurers.

Earlier this year, we conducted a thorough literature review of over 50 leading global and local frameworks found at a high level that for credibility of transition plans, the most relevant framework is the Assessing Companies Transition Plans Collective (ATP-Col) guidance. The ATP-Col is an ad-hoc working group of 90 experts from 40 organisations[1], including Climateworks Centre. It launched in June 2023 and is convened by the World Benchmarking Alliance. It aims to collectively develop a consensual framework and guidance for assessing the credibility of companies' transition plans, paving the way for ambitious future standards and regulations. ATP-Col offers in-depth guidance for assessors, helping ensure transition plans are credible.

These global standard credibility frameworks provide a foundation but need tailoring to reflect local challenges and opportunities. Many organisations like Oxford Sustainability Finance Group and Network for Greening the Financial System are highlighting the importance of country-specific versions of global frameworks and are beginning to develop relevant guidance. We see an opportunity for Treasury to build on and tailor the global best practice resources for the Australian context.

Earlier this year, we focused on consolidating the credibility principles from these global frameworks and establishing credibility criteria for transition plans to be used by the Australian market. The first phase of our work, which is now complete, builds on and is aligned with ATP-Col to set out high-level principles and credibility criteria appropriate for the Australian context (see attached materials). The second phase, which is currently in progress, focuses on identifying those credibility criteria where country specificity might be valuable and feasible, such as target setting and decarbonisation levers and providing more prescriptive guidance based on our local pathways.

---

[1] 2DII, A4S, ADEME, Banque de France, Carbon Tracker, CDP, Ceres, CIFF, ClientEarth, Climate Arc, Climate Bonds Initiative, Climate Champion Team, Climateworks Centre, Columbia Center of Sustainable Investment, Council on Economic Policies, E3G, EU Joint Research Center, European Climate Foundation, Finance Watch, GFANZ, Institut Louis Bachelier, New Climate Institute, Notre Affaire A Tous, Oxford University, Race to Zero, Reclaim Finance, Rocky Mountain Institute, UK TPT, UN Climate Action team, UNFCCC GCAP, UNGC, UNPRI-CA100+, World Benchmarking Alliance, WBCSD, We Mean Business, WRI-SBTi, WWF(EU/FR),TPI, FrankBold

This work has been supported by members of the Australian Transition Plan Working Group[2] (TPWG), which we convene on a quarterly basis. The TPWG brings together peak bodies, industry associations, and research institutes to support Australian businesses in credibly realising their net zero commitments while enabling investors and consumers to make informed decisions. We also regularly test this content when building the capacity of leading Australian companies, such as through developing credible transition plan guidance for the Australian Climate Leaders Coalition, and delivering professional development through Monash University's Net Zero Academy. We are collaborating with a group of highly respected and reputable international organisations on the emerging topic of how to tailor target setting and implementation plan assessment criteria by incorporating local pathways.

Thank you for taking the time to consider our submission. Climateworks Centre's current position on what counts as credible is detailed below in Addendum 1 and 2. We welcome an opportunity to brief your team on our work and provide more context about how we believe it can help inform green audit and assurance.

Yours sincerely,

Tom Wainwright

Sustainable Corporates Lead
Climateworks Centre
tom.wainwright@climateworkscentre.org

[2] TPWG members include representatives of Australian Council of Superannuation Investors, Carbon Market Institute, Chartered Accountants, Australian Sustainable Finance Institute, Responsible Investment Association Australasia, Australian Industry Group and Business Council for Sustainable Development Australia, and we have also consulted with Australian Institute Company Directors.

Appendix 1

Defining credibility: High-level credibility principles and criteria

Background and global context

Significant progress has been made over recent years on the global definition, acceptance and adoption of climate reporting and disclosures. The International Sustainability Standards Board (ISSB), which was established by the IFRS Foundation, has helped achieve much global consistency for climate disclosures, taking over the well-established Taskforce for Climate-Related Financial Disclosures and many leading economies have already adopted or announced their intention to adopt the standards. In Australia, they were implemented through the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill in September 2024.

A key element of climate reporting is a company's 'transition plan' (see Climateworks Centre's definition below), a complex document for a company to set out its climate strategy. Various initiatives have sought to develop more detailed guidance about how to present these to support clarity, consistency and comparability for end users. The Transition Plan Taskforce has developed the most accepted transition plan disclosure framework and related guidance, which draws on components identified by the Glasgow Finance Alliance for Net Zero (GFANZ), and Climateworks supports its use as the 'gold standard' for how a transition plan should be structured and what it should contain. As of June 2024, the IFRS Foundation has assumed responsibility for the disclosure-specific materials developed by the Transition Plan Taskforce, thus further consolidating and providing certainty to the market.

However, these frameworks do not address the key question of whether a transition plan is **'credible' (i.e. whether the actions it sets out will actually result in the emissions reduction required to align with the Paris Agreement)**. This is critical to accelerate progress towards net zero and mitigate greenwashing risk because corporate climate progress remains way off track, particularly in terms of the quality of transition plan disclosures.

Many global thought leaders have recently offered perspectives on transition plan credibility, most notably the Assessing Companies Transition Plans Collective (ATP-Col), an ad hoc working group of 90 individual experts from 40 organisations including Climateworks. The group aims to collectively develop a consensual framework with guidance on how to assess companies' transition plans' credibility. Co-convened by the World Benchmarking Alliance and Columbia University, it launched its inaugural transition plan assessment framework at New York Climate Week 2024.

Australian project context

In line with global trends, Australian corporates are also not fully demonstrating credible transition plan best practices. To support their transition to net zero, an opportunity was identified to a) bring global best practices to the Australian market, and b) tailor and localise them so they could be readily received and adopted by end users – from preparers such as companies and advisors to assessors such as investors, regulators and assurers. There was also a key window of opportunity to influence the rules governing the financial system given the focus of the Treasury's *Sustainable Finance Roadmap* on developing guidance for transition plan disclosures.

Throughout 2024, Climateworks' Sustainable Corporates team developed high-level credible transition plan principles and criteria for Australia, largely based on the ATP-Col framework but also other prominent and reputable transition plan guidance. This was developed in consultation and collaboration with leading ATP-Col members and an informal Australian Transition Plan Working Group that we co-convened with the Energy Efficiency Council.[3] The working group consists of key industry bodies and thought leaders who we consulted to frame and leverage the content for the Australian context.

This document presents the following outcomes of this research:

1. A definition of a 'corporate climate-related transition plan'.
2. Fundamental statements, or 'credibility principles', that define credibility for such plans.
3. A set of 'credibility criteria' to assist in and facilitate the application of these principles to corporate climate-related transition plans.

The principles and criteria guide the preparation and assessment of a transition plan disclosed in line with a framework such as that developed by the Transition Plan Taskforce.

See the separate Appendix for further context about the rationale for the principles and criteria, and a full list of the reports reviewed to develop them.

---

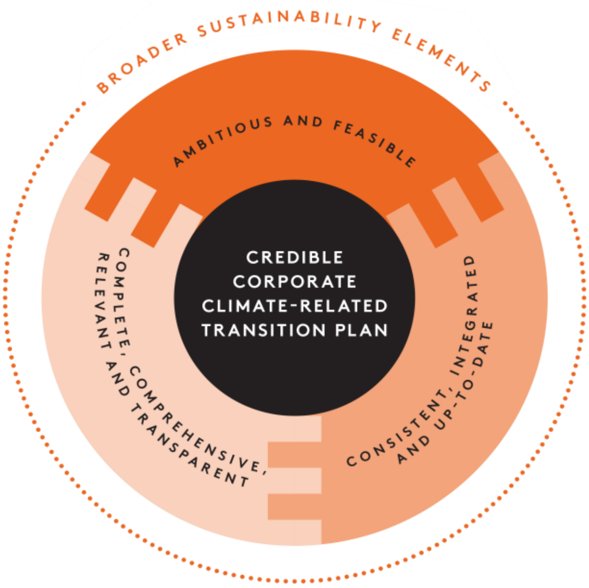
1. Definition of a corporate climate-related transition plan

A corporate climate-related transition plan sets out a company's strategy and related action plan to prepare for and contribute to the global transition to net zero emissions in line with the latest international agreement on climate change (currently the Paris Agreement).

2. Credibility principles

To be 'credible', corporate climate-related transition plans should be:

- Sufficiently **complete, comprehensive, relevant and transparent** for users to make informed decisions.
- **Up-to-date and consistent** across and **integrated** into the company's governance structure and broader systems, including mechanisms for accountability. The plan should also consider **sustainability elements beyond emissions reductions,** demonstrating recognition and commitment to holistic sustainability.
- Sufficiently **ambitious and feasible** for emissions reductions to occur in line with the Paris Agreement.



[3] The Transition Plan Working Group (TPWG) was created to support Australian businesses with credibly realising their net zero commitments, while enabling investors and consumers to make informed decisions. Members include Australian Council of Superannuation Investors (ACSI), Australian Sustainable Finance Institute (ASFI), Australian Industry Group (AiGroup), Business Council for Sustainable Development Australia (BCSDA), Carbon Market Institute (CMI), Chartered Accountants Australia New Zealand (CA ANZ), Climateworks Centre, Energy Efficiency Council (EEC), Investor Group on Climate Change (IGCC), Responsible Investment Association Australasia (RIAA) and United Nations Principles for Responsible Investment (UN PRI).

3. Credibility criteria

1. A credible transition plan includes an evidence-based net zero target(s) and supporting interim targets covering scope 1, 2 and 3 emissions.

2. A credible transition plan sets out specific, measurable and feasible actions to meet short-term targets and positions the company for success in achieving longer-term targets.

3. Within the value chain, a credible transition plan prioritises emissions reductions rather than using carbon credits. To counterbalance emissions, the use of carbon credits is limited to residual emissions defined according to a Paris-aligned pathway. Beyond value chain mitigation, using carbon credits is encouraged to support efforts to limit global temperature rise.

4. The corporate strategy – including the financial plan – supports the targets and actions outlined in the transition plan.

5. The company's engagement strategy and policy advocacy support the targets and actions outlined in the transition plan.

6. The governance strategy is clearly defined and embedded into the company's governance frameworks, with a supportive culture and clear incentives for senior executives.

7. The company defined a process for reviewing and updating the transition plan that is appropriate for the evolving context and maintains comparability over time.

8. The corporate transition plan acknowledges the holistic and interdependent system of climate change and commits to managing broader sustainability issues.

Appendix 2

Part 1: Credibility principles

'Credibility principles' are the foundation for credibility in the transition planning process. These principles, presented below, refer to the fundamental statements that define credibility for corporate climate-related transition plans.

Credibility principle 1

Transition plans are sufficiently *complete, comprehensive, relevant* and *transparent* for users to make informed decisions.

Explanation

Complete	The disclosures include all components required to demonstrate how the company plans to transition to a net zero economy, as defined by local or global best-practice guidance, and any omissions are adequately justified.
Comprehensive	All transition plan components are disclosed with sufficient detail and scope for users to make informed decisions.
Relevant	The information provided is useful for supporting informed decision-making by transition plan users, and there is a manageable balance between providing sufficient detail and remaining clear and succinct.
Transparent	Information is publicly available,[4] factual, coherent, verifiable and comparable among companies within its sector.

Credibility principle 2

Transition plans are *up-to-date* and *consistent* across and *integrated* into the company's governance structure and broader systems, including mechanisms for accountability. The plan should also consider sustainability elements beyond emissions reductions, demonstrating recognition and commitment to holistic sustainability.

Explanation

Consistent	Targets, actions and strategies are compatible with each other and are coherent across the organisation's structure and systems.
Integrated	Targets and actions are embedded into the wider organisational systems including processes and strategy. These are also holistically informed to enable a just transition while respecting and staying within planetary boundaries.
Up to date	The transition plan remains up to date through rigorous monitoring, progress review, and continuous improvement, whilst maintaining comparability over time.

[4] Information considered commercially sensitive can qualify for an exemption in line with local policy and global best practice as the International Financial Reporting Standards (IFRS 2023).

Holistic sustainability	See credibility criteria 8 below

Credibility principle 3

Transition plans are sufficiently *ambitious* and *feasible* for emissions reductions to occur in line with the Paris Agreement.

Explanation

Ambitious	The strategy and targets are suitably ambitious and in line with the Paris Agreement goal – ideally, pursuing efforts to limit warming to 1.5ºC – and with an evidence-based[5] pathway that is appropriate for the sector and, when available, the region the company operates in.
Feasible	When developing and implementing its plan, the company considers internal and external dependencies that can impact (either enable or hinder) its ability to achieve the goals outlined in the transition plan and achieve the required emissions reductions.

Part 2: Credibility criteria

Building on the credibility principles, a set of credibility criteria and sub-criteria has been developed to support the development of credible transition plans. 'Credibility criteria' refers to specific requirements that corporate climate-related transition plans need to meet to demonstrate credibility.

These criteria serve as a practical guide for transition plan developers and assessors to ensure that the credibility principles are thoroughly reflected in the disclosure elements. For a more thorough evaluation of transition plans' credibility, these criteria could be supplemented by a complementary assessment methodology.

Credibility criteria

1. A credible transition plan includes an evidence-based net zero target(s) and supporting interim targets covering scope 1, 2 and 3 emissions.

1.1. The net zero and emissions reduction targets cover material[6] scope 1, 2 and 3 emissions (including financed emissions). Collectively, the interim targets cover short-, medium- and long-term timeframes.[7] This includes material non-CO_2 greenhouse gases (GHG),[8] such as methane.
1.2. Corporate targets are set in line with best practice standards and are disclosed in the transition plan along with all relevant[9] information required for a user to assess these targets.

[5] In this context, 'evidence-based' and 'science-based' can be considered equivalent. We have chosen to use 'evidence-based' to avoid potential confusion with the Science Based Targets initiative (SBTi). However, global frameworks such as the Transition Plan Taskforce refer to 'science-based'. These perspectives should be considered when tailoring this content for specific audiences.

[6] Science Based Target initiative's Net Zero recommends for targets to cover at least 95% of a company's scope 1 and 2 emissions, and at least 67% of scope 3 emissions when these represent 40% or more of total scope 1, 2 and 3 emissions.

[7] According to the Australian Accounting Standards Board (2023), time horizons can vary across companies depending on several factors. Global organisations such as the Science Based Targets initiative (2024) and Transition Plan Taskforce (2022) provide best practice guidance on this topic.

[8] As per the UNFCCC Kyoto Protocol and GHG Protocol Corporate guidance.

[9] For details on the relevant information to be disclosed, refer to best practice disclosure standards such as the Transition Plan

1.3. Net zero target(s) and supporting interim target(s) are aligned to an evidence-based decarbonisation pathway that aligns with the Paris Agreement goals, pursuing efforts to limit global warming to 1.5ºC above pre-industrial levels. The pathway should also be appropriate for the sector and region in which the company operates.
1.4. Corporate GHG emissions inventory is disclosed (annually) in line with local regulation and best practice[10] accounting methods and standards across scope 1, 2 and 3 emissions (which include upstream and downstream emissions).
1.5. Progress against targets is measured and reported annually including historical emissions performance and trends.

2. A credible transition plan sets out specific, measurable and feasible actions to meet short-term targets and positions the company for success in achieving longer-term targets.

2.1. The transition plan clearly details time-bound actions to reduce corporate emissions, covering short-, medium- and long-term timeframes[11] and specifies the expected reductions in emissions resulting from those actions. Assumptions and external dependencies are clearly outlined.
2.2. The emissions reduction actions outlined are consistent with the target(s) ambition – hence, with a Paris-aligned evidence-based pathway and, if applicable, a regionally-specific sustainable finance taxonomy. This includes a feasible and ambitious strategy to manage locked-in emissions and transition away from existing fossil fuel assets (see criteria 4.2 for requirements regarding new fossil fuels).
2.3. The emissions reduction actions take into account the wider system in which the company operates. These actions incorporate feasible technologies or solutions, based on the most suitable and relevant regional pathways available.
2.4. All decarbonisation actions have clear metrics and targets to track progress and ensure their implementation and deployment.

3. Within the value chain, a credible transition plan prioritises emissions reductions rather than using carbon credits. To counterbalance emissions, the use of carbon credits is limited to residual emissions defined according to a Paris-aligned pathway. Beyond value chain mitigation, using carbon credits is encouraged to support efforts to limit global temperature rise.

3.1. The transition plan follows the mitigation hierarchy prioritising decarbonisation activities that result in direct emissions avoidance or mitigation over carbon credit use.
3.2. The transition plan clearly outlines the commitments and activities related to carbon finance, including the use of carbon credits and other Environmental Attribute Certificates (EACs). These disclosures are separated from disclosures on emissions reductions within the value chain.
3.3. Carbon credits are not counted towards the achievement of interim emissions reduction targets.
3.4. Residual emissions at the net zero target year can be counterbalanced by carbon credits representing emissions removal projects with a low likelihood of reversal,[12] provided the residual emissions are no greater than indicated by an evidence-based Paris-aligned pathway.
3.5. The company indicates how it plans to address future residual emissions. Carbon finance mechanisms including carbon credits should be considered to address residual emissions at the net zero year.[13]
3.6. Implementation and disclosure of carbon credits for beyond value chain mitigation – covering

---

Taskforce Disclosure Guidance.

[10] Companies should define their organisational boundary as per the GHG Protocol guidelines (except for when and if a most appropriate guidance is developed).

[11] According to the Australian Accounting Standards Board (2023), time horizons can vary across companies depending on several factors. Global organisations such as the Science Based Targets initiative (2024) and Transition Plan Taskforce (2022) provide best practice guidance on this topic.

[12] In line with the Oxford Principles for Net Zero Aligned Carbon Offsetting (2024)

[13] For more information see ISO Net Zero Standard (2022).

residual and historical emissions –is encouraged in line with best practice guidance.[14]
3.7. Carbon credits should be purchased voluntarily if a company's decarbonisation trajectory deviates from a Paris-aligned pathway at a point in time. In such cases, the company explains the deviation and sets up interim targets, supported by a clear action plan, to realign with the pathway and to stay within an appropriate, evidence-based carbon budget.
3.8. Carbon credits used are high integrity as determined by best practice guidance.[15]

4. The corporate strategy – including the financial plan – supports the targets and actions outlined in the transition plan.

4.1. The organisational strategy, including financial planning, must not contradict the company's transition plan goals. The revenue from, or investments into, high-emitting activities do not undermine the decarbonisation targets.
4.2. No new fossil fuel exploration, expansion or financing, including coal, oil, and gas. Where limited exemptions may exist, these are justified and aligned to a Paris-aligned (regionally-specific if available) evidence-based decarbonisation pathway and/or sustainable finance taxonomy.
4.3. Corporate financial planning quantifies the cost of the decarbonisation actions outlined[16] in the transition plan, including any finance gaps and plans to address them. It also contains information on the expected changes in capital allocation and financing decisions.
4.4. Where available, the company's transition plan outlines how capital and/or operational expenditures align with the appropriate sustainable finance taxonomy.
4.5. The organisational strategy, including financial plans, includes metrics and targets to track progress.

5. The company's engagement strategy and policy advocacy support the targets and actions outlined in the transition plan.

5.1. The engagement strategy is robust and considers all material stakeholders in the value chain and industry. It articulates how the organisation will influence relevant suppliers, peers and customers to transition to net zero.

5.2. Direct and indirect engagement (through trade associations) with the government, regulators and public sector are clearly disclosed; these are in line with the targets and broader strategy outlined in the company's transition plan.

5.3. Metrics and targets to monitor and track progress on the engagement strategy are clearly detailed and disclosed. Progress and an updated engagement strategy are disclosed annually and remain relevant and in line with the company's transition plan.

6. The governance strategy is clearly defined and embedded into the company's governance frameworks, with a supportive culture and clear incentives for senior executives.

6.1 The governance structure and processes for delivering the plan are clearly outlined detailing the ownership and accountability processes to deliver set targets, including board-level oversight and roles and responsibilities across the Board and senior management.
6.2 The Board and senior management have appropriate climate-related capabilities to oversee the delivery of the transition plan.
6.3 Executive and board remuneration policies are linked to the climate-related targets established in the company's transition plan incentivising the delivery of the plan.
6.4 The organisational culture aligns with the corporation's climate-related transition strategy and includes elements to drive employee engagement (e.g. skill development, training and change management).

---

[14] Such as the Science Based Targets initiative's beyond value chain mitigation report [2024] and ISO Net Zero Guidelines [2022].
[15] Such as the Integrity Council for the Voluntary Carbon Market (ICVCM) Core Carbon Principles Guidance and CORSIA Eligible Emissions Units.
[16] Information considered commercially sensitive can qualify for an exemption in line with local policy and global best practice as the International Financial Reporting Standards.

7. The company defined a process for reviewing and updating the transition plan that is appropriate for the evolving context and maintains comparability over time.

7.1. There is a clear process in place to review and update the transition plan (at least every 3 years, when there are significant changes to the business or as climate science evolves).
7.2. Annual progress against the transition plan is disclosed.
7.3. The company makes a commitment to adhere to the principles of continuous improvement of the transition plan.
7.4. Disclosures are verified, ideally by an accredited third party, in line with appropriate standards.
7.5. Companies offering products or services that contribute directly to decarbonisation efforts benefit from evaluating their contribution to the climate transition or avoided emissions. This impact should be reported and considered for strategy development in line with best practice guidance (e.g. GHG Protocol).

8. The corporate transition plan acknowledges the holistic and interdependent system of climate change and commits to managing broader sustainability issues.

8.1. The transition plan acknowledges the interdependency and impacts of the company's value chain on the environment and, ideally, seeks to contribute to the environmental goals of water and marine resources protection, circular economy, pollution prevention and protection and restoration of biodiversity and ecosystems.[17] The plan refers to country-specific factors using the most relevant and granular regional data that is available.
8.2 The transition plan signals how the company is contributing to a just transition with local communities and wider society, including culturally safe engagement with First Nations people.
8.3. The transition plan recognises the importance of going beyond climate mitigation and addressing climate adaptation and resilience.

Part 3: Consolidation of resources

Over 50 resources covering transition or transition plans' best practices were identified as relevant for this project. Each resource was selected based on its relevance and contribution to the project's objectives, prioritising those resources that:

- present credibility principles
- review or consolidate multiple relevant reports
- are published by an influential entity in the transition plan space
- take an Australia or country-specific approach
- are commonly referenced by other relevant sources.

Table 1 Overview of the resources reviewed in project.

[17] In line with the European Union sustainable finance taxonomy's environmental objectives.

Resource name	Organisation	Date	**Type** (see table 2)
ACT Generic Methodology	Assessing Climate Transition	December 2023	Assessment methodology
Assessing the credibility of Climate Transition Plans in the Oil and Gas sector	University of Oxford	June 2023	Transition plans standards / expectations
CA100+ Methodology 2.0	Climate Action 100+	March 2023	Assessment methodology
CDP Technical Note: Reporting on Climate transition plans	Carbon Disclosure Project (CDP)	February 2023	Assessment methodology
Claims Code of Practice: Building integrity into voluntary carbon markets	Voluntary Carbon Market Integrity (VCMI) Initiative	November 2023	Element deep dive
Climate Action Tracker ‘fair share range’	Climate Action Tracker	No date	Element deep dive
Corporate Climate Responsibility Monitor 2024	New Climate Institute	April 2024	Assessment methodology
Corporate Climate Transition Plans	Investor Group on Climate Change (IGCC)	November 2022	Transition plans standards / expectations
Corporate Climate Transition Plans: What to look for	Reclaim Finance	January 2024	Literature review
Credible Transition Plan Framework	Ethical Partners Funds Management	March 2024	Literature review
Disclosure Framework	Transition Plan Taskforce (TPT)	November 2022	Disclosure framework
EBRD Paris Alignment methodology	European Bank for Reconstruction and Development (EBRD)	2022	Assessment methodology
Elements of credible corporate transition plans	Organisation for Economic Cooperation and Development (OECD)	2022	Literature review
Expectations for Real-economy companies	Glasgow Financial Alliance for Net Zero (GFANZ)	November 2022	Transition plans standards / expectations
Framework and guidance to assess the credibility of companies'	ATP-Col World Benchmarking Alliance	June 2024	Assessment methodology

Transition Plans			
GRI Topic Standard Project for Climate Change – Climate Change Exposure draft	Global Reporting Initiative	February 2024	Element deep dive
International Financial Reporting Standards S2	International Sustainability Standards Board (ISSB)	June 2023	Element deep dive
InfluenceMap Methodology Overview of methodology and metrics for measuring the 'Climate Policy Engagement Alignment' assessment under the Climate Action 100+ Net Zero Company Benchmark	Climate Action 100+	October 2022	Assessment methodology
ISO Net Zero Guidelines	International Standards Organisation (ISO)	November 2022	Transition plans standards / expectations
Just Transition: Framework for company action	Council for Inclusive Capitalism	May 2023	Element deep dive
Nature In Transition Plans: Why And How?	World Wide Fund (WWF) for Nature	January 2023	Element deep dive
Net Zero Integrity: Assessment of the Net Zero Pledges of Australian Companies	Climate Integrity (commissioned by the UTS Institute for Sustainable Futures)	February 2024	Assessment methodology
Net zero Transition Plans: Red Flag Indicators to Assess Inconsistencies and Greenwashing	University of Zurich; Oxford Sustainable Finance Group, University of Oxford	September 2023	Transition plan standards and/or expectations
R2Z - Race To Zero Criteria	Race to Zero	2022	Transition plans standards / expectations
Reporting on climate transition plan in ESRS format: a user guide for undertakings	AMF Autorité des marchés financiers	2024	Transition plans standards / expectations
Summary of the Principles for Net-Zero Financing & Investment	US Department of the Treasury	Sept 2023	Transition plans standards /

			expectations
The net zero credibility gap - what is it and why should investors care?	ABRDN	April 2024	Transition plans standards / expectations
TPI's methodology: management quality and carbon performance	Transition Pathway Initiative (TPI)		Element deep dive
Transition Mapping Finance	Climate Bonds Initiative (CBI)	Sept 2023	Literature review
Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions	United Nations High-Level Expert Group	Nov 2022	Transition plans standards / expectations
What makes a transition plan credible	Climate Policy Initiative	March 2022	Transition plans standards / expectations

Table 2: Legend for resource type

Resource type	Definitions	Source
Assessment Methodology	Frameworks that evaluate at least some aspects of transition planning using a predefined list of criteria and/ or methodologies. They result in giving companies an alignment score and/ or validating their decarbonisation target methodologies (ACT, CA100+)	Reclaim Finance
Transition plan standards and/or expectations	Frameworks that set expectations regarding the content of transition plans. They can set minimum expectations for transition planning as well as identify red lines and key focus areas (UN HLEG, ISO, CBI guidance)	Reclaim Finance
Disclosure framework	Frameworks that help or mandate companies to publish specific indicators and data points regarding the impact of their activities on climate and the risk and opportunities they are exposed to (e.g TPT, ISSB, TCFD)	Reclaim Finance
Literature review	Reports that compare, summarise or aggregate multiple reports	Climateworks
Element deep dive	Frameworks that focus on one specific aspect of transition plans (e.g targets, engagement, nature)	Climateworks