

24 September 2025

The Treasury

Via email: SustainableFinanceConsultation@treasury.gov.au

Dear Treasury,

Climate-related transition planning guidance

Thank you for the opportunity to provide a submission on the consultation (**Consultation**) on proposed voluntary guidance for climate-related transition planning for Australian businesses (**Draft Guide**).

The Australian Institute of Company Directors (**AICD**)'s mission is to be the independent and trusted voice of governance, building the capability of a community of leaders for the benefit of society. The AICD's membership of more than 53,000 includes directors and governance leaders of not-for-profits, large and small businesses and the public sector.

The AICD commends the Government for the Sustainable Finance Roadmap and Treasury's work in developing this Draft Guide. Climate transition planning has evolved from an early-mover initiative to become a business imperative for many large organisations. At the same time, many businesses are yet to develop transition plans or still in the early stages. It is therefore critical that the Draft Guide supports organisations in building capability over time, while encouraging progress toward high-quality, credible transition plans.

We welcome Treasury's principles-based and voluntary approach to this guidance. It is critical that any framework recognises the diversity of Australian businesses and boards, and supports scalable, fit-for-purpose practices that align with international standards - particularly the Transition Planning Taskforce framework that has emerged as the leading framework.

We would also like to thank Treasury for acknowledging and citing our [*Governing for Net Zero: The Board's Role in Organisational Transition Planning*](#) (**Director Guide**), developed in consultation with the Australian Council of Superannuation Investors (**ACSI**), as being a useful resource in the Draft guide.

Enclosed at **Attachment A** are our detailed responses to key questions relevant to the AICD and its members in the Consultation paper. We have not sought to respond to each question but rather focus on those of greatest relevance to Australian directors.

1. Executive Summary

As detailed in Attachment A, the AICD welcomes the opportunity to provide feedback on the proposed transition planning guidance. We broadly support the intent and structure of the Draft Guide and offer the following key observations and recommendations to enhance its clarity, relevance, and practical utility for preparers:

- **Target audience and purpose clarity:**
 - We support transition plan preparers being the primary audience for the guidance. However, we recommend clearer identification of who specifically - such as large businesses subject to AASB S2. Greater specificity will help ensure proportionality in implementation and support both early-stage and mature preparers in developing credible, fit-for-purpose transition plans.
 - We note that the guidance is positioned as both an 'overview of transition planning best practices and an endorsement of a recommended disclosure framework for Australian organisations.' However, greater clarity is needed on whether its primary purpose is to support organisations in their internal transition planning process or to guide the design and external disclosure of a transition plan. Clearer articulation of scope will help preparers understand how best to apply the guidance and avoid confusion between planning and reporting functions.
 - The document should make clear that this is guidance only, and does not set out expectations that, if not met, will attract the criticism of regulators. In other words, that it is genuine advice to support organisations, rather than ratchet up expectations from government.
- **Design principles:** We support the first three proposed design principles, with the following comments:
 - *International Alignment:* Alignment with the IFRS Transition Plan Taskforce (**TPT**) Disclosure Framework is appropriate and will promote consistency and comparability. However, flexibility is needed to accommodate organisations at different stages of climate capability and reporting maturity.
 - *Balancing Ambition and Flexibility:* Ambition must be balanced with realism. As highlighted in the AICD's *Director Guide*, constrained financial, technological, and operational resources must be considered to avoid undermining credibility.
 - *Climate First but Not Only:* While we acknowledge the interconnectedness of climate, nature, and social issues, we recommend the guidance remain primarily focused on climate change and emissions reduction. Climate is currently the only area subject to legislated disclosure requirements, and maintaining a clear scope will support consistency, comparability, and regulatory confidence. Where nature-related issues materially intersect with climate risk or commitments, they should be dealt with holistically.
- **Compliance with AASB S2 requirements:** Following feedback from our members, we recommend the guidance be more targeted in helping entities meet AASB S2 transition plan disclosure requirements. We recommend that Treasury should consider referencing the IFRS publication, *Disclosing information about an entity's climate-related transition*, as a practical template for Australian entities.
- **Use of case studies and examples:** While the Draft Guide provides an introductory overview of transition plans, we do not consider the guidance to be sufficiently practical to support organisations to undertake the transition planning process. We support the inclusion of further case studies and examples to assist preparers, particularly those developing their first transition plans. In particular:
 - *Assumptions:* Organisations should clearly articulate key assumptions. Additional examples would support preparers and reinforce that engaging with uncertainty is expected and appropriate.

- *Metrics and Targets*: Further guidance and examples will help preparers develop meaningful metrics and support users in interpreting transition plans effectively.

2. Next Steps

We hope our submission will be of assistance. If you would like to discuss any aspects further, please contact Christie Rourke, Climate Governance Initiative Australia Lead and Senior Policy Advisor (crourke@aicd.com.au).

Yours sincerely,

A handwritten signature in dark ink, appearing to be 'C. Gergis', with a stylized, flowing script.

Christian Gergis GAICD
Head of Policy

Changes to mandatory reporting criteria

Proposed approach for the transition planning guidance	
1.	Do you support transition plan preparers being the target audience for using the guidance? We support transition plan preparers being the primary target audience for the guidance. However, we recommend that the guidance be more explicit in identifying who this includes - for example, large businesses subject to AASB S2. Greater clarity around the intended audience would enhance the guidance's usability and relevance. In particular, we suggest including additional detail on how preparers can meet transition plan disclosure requirements under AASB S2, as well as more advanced examples and case studies for organisations further along in their transition planning journey. At present, the Draft Guide reads more as introductory guidance for organisations yet to commence transition planning. Clearer audience definition will help ensure the guidance supports both early-stage and more mature preparers in developing credible, fit-for-purpose transition plans. It would also help promote proportionality in implementation, by signalling that the depth and sophistication of transition plans should reflect the scale and complexity of an organisation's climate-related risks and opportunities.
2.	Do you have feedback on the proposed design principles that underpin the draft guidance? a) Internationally aligned We support alignment with the IFRS Transition Plan Taskforce (TPT) Disclosure Framework, which has been designed to be compatible with and build upon IFRS S2 Climate-related Disclosures. Given the close alignment between IFRS S2 and the Australian Accounting Standards Board's AASB S2, this approach would promote consistency, comparability, and global interoperability in climate-related disclosures. This also supports multinational organisations and access to international capital markets. However, it is important that any alignment with the TPT Framework is implemented with sufficient flexibility to allow organisations to tailor disclosures to their specific business models, sectors, and geographies. While the framework provides a robust structure for transition planning, some of its elements may not be immediately suitable for all organisations - particularly those still developing their climate capabilities or in the early stages of reporting. We have heard from members that some elements can be challenging to implement or not specifically applicable for all organisations (i.e. absolute Scope 3 targets, engagement targets related to policy). For these reasons, we are of the view that Treasury should treat the TPT Disclosure Framework and any accompanying information on transition planning as guidance to provide supportive material for preparers to consider when making disclosures under AASB S2 (Climate-related disclosures). We believe this approach will maintain flexibility while promoting best practice. b) Supports domestic decarbonisation and adaptation The AICD welcome Treasury's recognition that organisations are at different stages of transition planning maturity. We support the principle that climate policy integration should enable organisations and their boards to adopt tailored, context-specific strategies that reflect what is most appropriate for their circumstances. This flexibility is essential to ensure alignment with national resilience goals while supporting practical and effective transition planning.

There should also be a recognition that AASB S2 disclosure requirements apply to multinational organisations as well as domestic. The principle of materiality must remain central to ensure transition plans and related disclosures are relevant and decision-useful for users in relation to global businesses, rather than only focused on Australian domestic considerations.

c) Balances ambition and flexibility

We support this principle. A key insight from the Director Guide is that ambition in climate targets must be balanced with what is realistic, given constraints such as financial capital, technological readiness, and operational resources. Ambitious but unrealistic plans risk undermining organisational credibility and greenwashing accusations.

This approach aligns with consistent feedback from the director community, who emphasise the importance of voluntary, high-quality transition planning that reflects an organisation's specific context and readiness. Sector-neutral guidance that evolves with best practice is essential to supporting effective and credible climate governance.

We would encourage the government to work closely with industry, including representative bodies, to consider whether sector specific resources would be more desirable and support high quality transition planning.

d) Climate first but not only

We acknowledge the value of a holistic approach to sustainability that recognises the interconnections between climate, nature, and social considerations. Directors and organisations increasingly understand that climate risks and opportunities do not occur in isolation and can intersect with broader environmental and social impacts.

However, we believe that the guidance should remain primarily and explicitly focused on climate change and emissions reduction. Transition planning is still an emerging area of practice in Australia and internationally. To build confidence and encourage uptake, it is critical that the guidance provides clarity, simplicity and a targeted scope. Attempting to incorporate a broader set of environmental and social issues at this early stage risks diluting the guidance's effectiveness, confusing boards and management, and undermining its core purpose - supporting organisations to develop credible and actionable climate transition strategies that will help Australia to achieve its national emissions goals.

That said, we recognise that some organisations may choose to address nature-related considerations - such as land use, biodiversity loss, or water security—in more detail as part of their broader sustainability strategy (i.e. climate and nature transition plan). This can be valuable and may reflect stakeholder expectations or the organisation's specific operating context. Where these issues are materially linked to an organisation's climate risk profile or essential to achieving its climate commitments (for example, through nature-based carbon sequestration or supply chain resilience), it is appropriate that they are addressed holistically. However, this should remain at the discretion of organisations to align their climate and nature disclosures. The guidance should not create an expectation that transition plans must encompass wider environmental or social issues beyond climate, as this may detract from the clarity and focus needed to support credible climate outcomes.

It is also important to note that, while the guidance is voluntary, it will shape market expectations and influence regulatory and investor scrutiny. Climate is currently the only area within this broader sustainability landscape subject to legislated disclosure requirements. For this reason, maintaining a clear climate focus will be crucial to supporting consistency, comparability, and credibility in transition planning, as well as assisting boards and organisations to meet their regulatory obligations with confidence.

3.	Are there other principles or considerations the guidance should prioritise and why? No, as stated above, we support the proposed principles other than “climate first but not only”. See response above.
4.	If you are an end user of transition plan disclosures, are there additional considerations you would like to see included? NA
5.	Do you intend to use the International Financial Reporting Standards Foundation's Transition Plan Taskforce (IFRS TPT) disclosure framework to either develop your organisation's transition planning or for investment and lending decisions? What other alternative frameworks do you intend to use? NA
6.	Are there areas where you think the guidance should be more prescriptive and/or are there areas where you think it should be more flexible and why?, We believe the guidance should be more practical in certain areas - particularly in supporting entities to meet transition plan disclosure requirements under AASB S2. Greater clarity in this regard would enhance the practical utility of the guidance for preparers. We recommend that Treasury consider the IFRS publication <i>Disclosing information about an entity's climate-related transition, including information about transition plans in accordance with IFRS S2 (IFRS S2 TP Guidance)</i> as a useful reference. This publication provides a structured approach to applying IFRS S2 requirements and could serve as a valuable template for Australian entities navigating AASB S2 compliance. This includes the TPT Disclosure Framework diagram in Appendix B that illustrates the various disclosure elements and sub-elements. Prescriptive guidance in this area would help ensure consistency, improve disclosure quality, and support preparers in developing credible and actionable transition plans.
7.	Do you see a need for further sector-specific guidance? If so, what additional advice would you consider beneficial and where do you see a role for government? Maintaining a sector-neutral approach supports consistency and avoids unnecessary complexity. It also ensures that the guidance remains broadly applicable while allowing organisations to tailor their transition plans to their specific context and maturity level. We would encourage the government to work closely with industry, including representative bodies, to consider whether sector-specific resources would be more desirable and support high quality transition planning.
8.	Please provide any additional feedback from a transition plan preparer, user or broader stakeholder perspective on the direction and design of the guidance We note that the guidance is positioned as both an ‘overview of transition planning best practices and an endorsement of a recommended disclosure framework for Australian organisations’. However, greater clarity is needed on whether its primary purpose is to support organisations in their internal transition planning process or to guide the design and external disclosure of a transition plan. Clearer articulation of scope will help preparers understand how best to apply the guidance and avoid confusion between planning and reporting functions.

Specific feedback on the Draft Transition Planning Guidance

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

a) Are there areas that could be improved to make the guidance more useful?

- The AICD considers the following areas could be improved to make the guidance more useful for preparers:
 - **Domestic Policy Context (Section 1.3):** Expand the section on public policy to reflect the evolving national climate policy landscape, including the imminent announcement of Australia's 2035 emissions reduction target. This will help preparers align transition plans with current and emerging policy settings.
 - **Financial Planning (Section 2.3):** Emphasise the importance of embedding transition planning within core business strategy and ensuring adequate budget allocation for implementation. As highlighted in the AICD's Director Guide, ambition in climate targets must be balanced with what is realistic, given constraints such as financial capital, technological readiness, and operational resources. Overly ambitious plans risk undermining credibility and attracting greenwashing accusations.
 - **Stakeholder Engagement (Section 3):** Include employees as a key stakeholder group in the engagement strategy. Feedback from directors during the development of the Director Guide highlighted that a genuine commitment to sustainability and climate action can serve as a strong employee value proposition.
 - **Tracking and Reporting Progress (Section 4.3):** Clarify that transition plans are living documents, not necessarily updated annually. While regular review is important, organisations should be encouraged to establish processes for monitoring metrics and targets and determining when updates are warranted.
 - **Governance (Section 5.1):** We recommend referencing the Director Guide in this section. We are of the view that it includes helpful governance insights on the board's oversight role that would be useful for preparers of transition plans.

b) Would further use of case studies or examples be of assistance in the guidance? If so, feedback is welcomed on potential case studies or examples.

- Yes, the AICD supports the inclusion of further case studies and examples to assist preparers, particularly as transition planning practices vary significantly and many organisations are developing their first plans. This should include a mix of different types of case studies that highlight different sectors and reporting maturity. In particular:
 - **Assumptions:** Given the uncertainty inherent in transition planning and financial reporting, organisations should clearly articulate the key assumptions underpinning their plans. While the Draft Guide acknowledges this, additional examples would better support preparers. It may also be helpful to reinforce that neither investors nor regulators expect organisations to have all the answers, and that engaging transparently with uncertainty is encouraged.
 - **Metrics and Targets:** Further guidance and examples of climate-related targets would help preparers develop meaningful metrics and support users in interpreting transition plans effectively. The guidance should explicitly normalise that transition plans are living documents that will naturally evolve over time. As new facts emerge, circumstances change, or lessons are learned during implementation, it should be expected - and encouraged - that plans will be

revised. Normalising this adaptation avoids the perception that change reflects failure, and instead frames it as good practice in dynamic and complex contexts.

- However, it is important that case studies do not become prescriptive. They should reflect Principle 3 – the principle of balancing of ambition with flexibility, ensuring organisations can adapt examples to their own circumstances rather than treating them as mandatory templates.

c) Are you aware of other relevant material that should be included in Appendix A and why?

While we consider Appendix A to be a comprehensive list, we recommend that the reference to [Regulatory Guide 280: Sustainability reporting](#) specifically references areas such as protected statements in relation to a transition plan (RG280.63). We also suggest the guidance be updated to reflect recent Government releases, including [Australia's national climate risk assessment report 2025](#).