



GOVERNING FOR NET ZERO: A snapshot of the board's role in organisational transition planning

Snapshot

Governing for net zero: The board's role in transition planning recognises that climate transition planning is an important strategic capability for Australian organisations. Leading boards are embedding climate into core decision-making to remain resilient and competitive in a decarbonising economy.

While each organisation must develop their own responses to the challenges and circumstances they face, experienced Australian boards seek to address the following fundamental elements when overseeing the development and implementation of a transition plan:



Key points

INTEGRATE THE CLIMATE TRANSITION INTO CORE BUSINESS STRATEGY

1. **Prioritise transition planning as a driver of long-term value.** A credible transition plan should be integrated with long-term business strategy, financial planning, and risk oversight – supporting the organisation to navigate both commercial and climate risks, and identify emerging opportunities.
2. **Respond to stakeholder expectations.** Stakeholders increasingly expect clear climate strategies. Transition plans outlining tangible goals and actions can help organisations maintain access to capital, partnerships and workforce trust.
3. **Navigate complexity through board oversight.** Transition planning involves policy uncertainty, competing priorities and evolving market expectations. Effective governance helps balance ambition with commercial reality and articulate the entity's approach.

TRANSITION PLANNING AND DIRECTORS' DUTIES

1. **Transition planning is good business practice.** As financially material climate-related risks escalate, transition planning is increasingly important to corporate strategy, risk management and disclosure. Boards have a central role in guiding and overseeing a credible response.
2. **Directors must diligently oversee transition planning with appropriate insight and proactive inquiry.** Directors should understand relevant risks, assess information critically and oversee the development of a transition plan. A well-governed plan supports sound strategic decision-making and mitigates greenwashing risks.
3. **Articulate material assumptions, progress, and uncertainties.** Directors should oversee transition plans and be satisfied that they are supported by reasonable grounds.

BOARD LEADERSHIP IN TRANSITION PLANNING

1. **Set ambition and guide strategic direction.** Boards help shape the organisation's climate ambition and targets, confirming they are aligned with purpose and long-term strategy. Directors contribute by asking the right questions and challenging assumptions.
2. **Oversee implementation and integration.** The board should approve the transition plan and confirm that it is embedded into business planning, budgeting, and incentives. Committees can support oversight of key areas such as risk and reporting.
3. **Monitor progress and adapt to change.** Transition plans should be revisited periodically. Boards have a role in reviewing progress and responding to material changes to the organisation or operating environment.



Top 10 director questions to guide transition planning

The following lists the Top 10 director questions to guide transition planning and outlines the key points from **Governing for net zero: The board's role in transition planning**.

1. Has your board reviewed a comprehensive assessment – including through the use of scenario analysis – of how climate-related risks and opportunities may impact the organisation's business model, strategy, and financial position?
2. Has your organisation reviewed its emissions profile, including material scope 3 emissions from the value chain, and used this information to inform the development of its transition plan?
3. Does your board have the capability and confidence to critically assess climate-related advice and assumptions from management or advisers?
4. Is climate governance capability appropriately reflected in director education, succession planning and skills at the executive level?
5. Has your organisation engaged in meaningful consultation with key stakeholders – including vulnerable or underrepresented groups – and does the transition plan include strategies for ongoing engagement?
6. Is your organisation's strategic ambition achievable, credible, and aligned with its purpose, employee value proposition and long-term business strategy?
7. Is the transition plan itself credible and robust, considering both its economic feasibility, and reviewed? Are 'reasonable grounds' demonstrable for all forward-looking statements (including targets)?
8. Are your governance structures, decision-making processes, and reporting lines appropriate to support delivery of the transition plan's objectives?
9. Has your board approved the capital and operational budgets required to implement the transition plan, and considered whether executive KPIs and incentives are aligned with transition goals?
10. Are there defined processes in place to monitor progress, review the plan, and respond to material developments or emerging risks?

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