

Corporate Climate Transition Plans

Spotlight Brief



What is a CBSR Spotlight Brief?

- The CBSR Spotlight Brief is a pre-read for member roundtables, and a long-term resource.
- It is packed full of research and analysis relevant to a particular subject, providing the insights and thought leadership you need to make meaningful change at your organization.
- With the support of subject matter experts, Spotlight Briefs have been thoughtfully reviewed to ensure the most up-to-date and accurate information.
- For questions, please contact info@cbsr.ca

The Canadian Landscape

Context Setting





The Canadian Landscape: Climate Transition Plans

Definitions vary slightly between the major governing bodies that define climate transition plans but there is broad consensus amongst the major governing bodies, regulators and standard-setters on the definition of climate transition plans:

Organisation / Regulation / Standard	Climate transition plan definition
CDP (formerly known as the Climate Disclosure Project)	A climate transition plan is a time-bound action plan that clearly outlines how an organization will pivot its existing assets, operations, and entire business model towards a trajectory that aligns with the latest and most ambitious climate science recommendations.
Taskforce for Climate-related Financial Disclosure (TCFD)	A company's transition plan [is] one component of its strategy to address climate-related risks and opportunities and [TCFD's] recommendations – especially the Strategy recommendation and related guidance – implicitly cover the key aspects of transition plans that should be disclosed.
International Financial reporting Standards (IFRS)/ International Sustainability Standards Board (ISSB)	—'[a]n aspect of an entity's overall strategy that lays out the entity's targets and actions for its transition towards a lower-carbon economy, including actions such as reducing its greenhouse gas emissions.

The Canadian Landscape: Transition Plan Guidance



Reporting standards recommend and require companies to develop a transition plan as a component of the reporting process.

The IFRS S2 requires companies to disclose **"how the entity has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the entity plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation"** (IFRS S2, 14.a.).

Climate Transition plans were added to the IFRS S2 standards in November 2022, after receiving feedback from the business community that "a transition plan is an important component of an entity's overall strategy in responding to significant climate-related risks and opportunities, and that the information would enable users of general purpose financial reporting to understand the entity's strategy, and intended resourcing, to transition to a lower-carbon economy." (Staff Paper, p. 4, 2022)

The Canadian Landscape: Companies with Transition Plans

Of the 13,120 companies surveyed by CDP in 2021, 31% (4,002) have begun to develop a low-carbon transition plan.

- Only 1% of the surveyed companies have addressed the 24 key indicators required for a credible climate transition plan.
- According to this survey, Canada has 301 companies with climate transition plans, but only 43 of those companies respond to 80% or more of CDP's 24 key indicators.

	Responding to 80+% of indicators	Responding to 79-20% of indicators	Responding to <20% of indicators	Total
Denmark	20	57	15	92
Australia	26	99	27	152
India	50	168	49	267
Canada	43	211	47	301
Italy	49	237	84	370
Japan	333	475	68	876
UK	188	708	157	1053
USA	327	1889	701	2917

The Canadian Landscape: COP28 Outcomes

The need for tangible, credible and achievable pathways to net zero was a focus of COP28 this year in Dubai, United Arab Emirates.

The Transition Plan Taskforce (TPT) released a [reflection report](#) following COP28 with a summary of the progress made related to transition planning and ISSB. Here are some key findings:

Transition Plan-related events were hosted by:

- The UN Secretary General
- GFANZ
- Monetary Authority of Singapore
- Accounting for Sustainability
- EY
- KPMG
- ICAEW

The role of Transition Plans in transition financing was discussed at COP28 and was the theme of TPT's event at the UK pavilion.

The Global Stocktake (GST) supported the increased adoption of transition plans in two ways:

1. It called for organizations to “transition away from fossil fuels in energy systems in a just, orderly and equitable manner”
2. It recognized the importance of “policy guidance... and enabling conditions to reach the scale of investments required to achieve a global transition.”

Personal Action

Connecting Transition Plans to the Individual



Personal Action: Resources at a Personal Level

To help deepen your understanding of the impact your lifestyle has on the Earth, we have compiled these resources:

Organization	How they can help you	Important resources
Katherine Hayhoe	<i>Focus: talking about climate change</i> <ul style="list-style-type: none">Katherine Hayhoe is known for talking about climate change at a human level, and for providing advice and insights on how <i>you</i> can also talk about it.	<ul style="list-style-type: none">The most important thing you can do about climate change: talk about it (Ted Talk)Yeah, the Weather Has Been Weird (article)Climate change fear can be paralyzing. But you can spur action through hope, says scientist (article)
Project Neutral	<i>Focus: calculating your carbon footprint</i> <ul style="list-style-type: none">Project Neutral has developed a free household carbon footprint calculator where you can identify your impact on the planet, and how you could go about changing it.	<ul style="list-style-type: none">Carbon Footprint Calculator (webpage)
Carbon Conversations Toronto	<i>Focus: addressing the emotional side of climate change</i> <ul style="list-style-type: none">Carbon Conversations Toronto (CCTO) is a volunteer-led group founded to help individuals find hope in the climate crisis.CCTO hosts in-person and virtual workshops and working groups where you can share and manage your concerns about climate change as a group.	<ul style="list-style-type: none">Climate Change and You (6-part program)Climate Cafes (in-person discussion group)Other workshops (webpage)

Personal Action: My Climate Plan

Climate Transition Plans can exist at a personal level as well as business. Climate Change will impact our lives and finances as individuals – it is important to recognize the future impacts you and your family can face and how to mitigate or adapt in preparation for them.

[My Climate Plan](#) is an organization that can help you understand these risks and create a plan for addressing them. Their service provides support to:

Identify the climate impacts your geographic location will likely face in the future

Based on zip code, see which climate change are expected in your area in the future.

Develop a personalized climate plan

This plan includes links to local solutions providers

My Climate Plan has a membership option

This membership gives you access to a community of support.

Climate action is important at a business-level because inaction impacts you as *an individual*.

Integrated Financial Reporting

*A Beneficial Foundational Step to a Credible
Climate Transition Plan*



Integrated Financial Reporting (<IR>): How it Fits Into the Broader Transition Toolbox

CBSR considers <IR> to be a strong foundation for an organization's sustainability and net zero journey. See below for how we think it fits in:



Integrated Financial Reporting: The Framework

The International Sustainability Standards Board (ISSB) recommends the continued use of the Integrated Reporting Framework in conjunction with the IFRS S1 & IFRS S2 standards.

The goal behind the Integrated Reporting framework is to connect sustainability / climate-related impacts to financial performance. This framework is being recommended and required by sustainability reporting standards – it has been **used by 2,500 companies across 70 countries** (as of 2022).



EXPERT INSIGHT: A key recommendation in the Integrated Reporting framework "conciseness" (International <IR> Framework, p. 56). Through CBSR's assessment of our member's sustainability reports, we observed that some integrated reports are text-heavy making it challenging for stakeholders and investors to draw value from the information.

If you are a current <IR> user or considering implementing it, be sure to consider readability in your design and organization process.





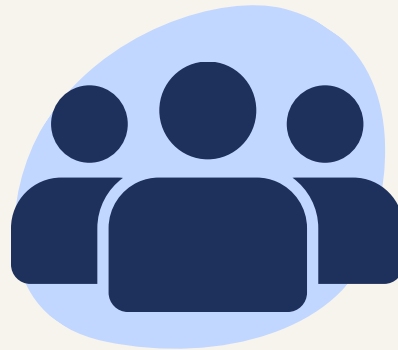
Integrated Financial Reporting: **Benefits to Implementation**

There was a [case study analysis](#) completed in 2018 of Generali Group S.p.A.: one of the largest global insurers and asset managers and a participant in IIRC's pilot program testing of the Integrated Reporting framework. Generali has been reporting in alignment with the <IR> framework since 2013.

The case study analysis was conducted by the Libera Università Mediterranea in Italy. Their analysis reviewed the benefits of integrated reporting to an organization overall, and revealed the following benefits:



Integrated Reporting has taught Generali how to **synthesize information** "to make the reporting system more attractive and suitable for an audience not only composed of highly qualified operators" (p. 247)



Integrated Reporting has "**improved intra-company communication**" (p. 247) because all business functions must share insights and resources in order to create a fulsome report.



Integrated Reporting has **improved external stakeholders' perception** of Generali (p. 247).

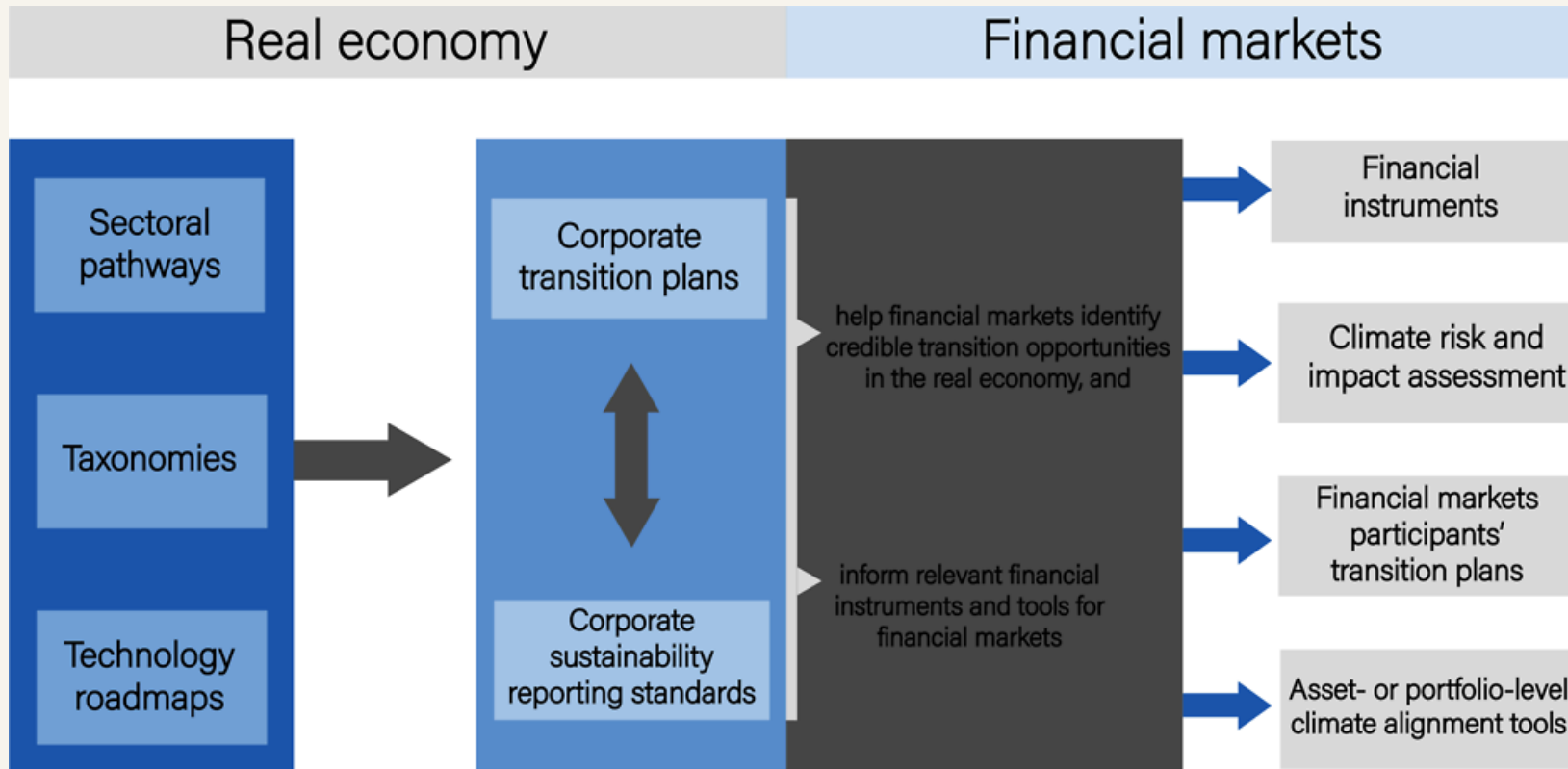
Transition Planning

*Getting Started with Climate Transition Plans
or Growing into a Credible Plan*



Transition Planning: The "Why"

The Organization for Economic Co-operation and Development (OECD) was founded in 1961 to "establish evidence-based international standards and find solutions to a range of social, economic and environmental challenges" ([web](#)).

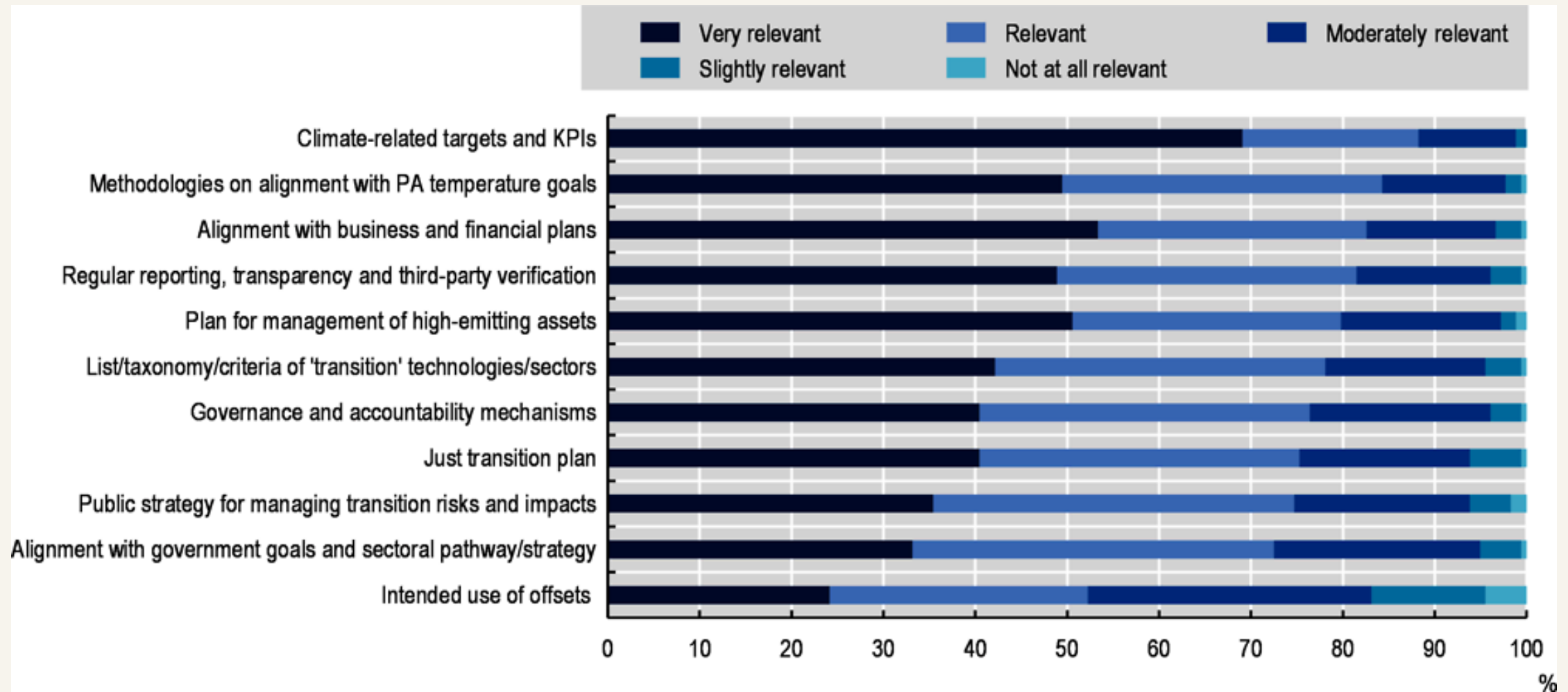


They have [released guidance](#) on Transition Financing which includes a note about the importance of Climate Transition Plans:

- CTPs can build confidence, transparency and credibility which will enable decarbonization financing.
- CTPs enable improved assessment of climate-related financial risks
- CTPs can be "useful building blocks for measuring asset- or portfolio-level climate alignment through dedicated tools and methodologies" (4.1.)

Transition Planning: The "Why"

In a [2022 survey](#) of 178 individuals, OECD determined where stakeholders (across industries and geographies) perceive Climate Transition Plans as being most relevant: in climate-related targets and KPIs, alignment with business and financial plans and plan for management of high-emitting assets.



Transition Planning: Notable Governing Authorities

Group	How they can help you	Important resources
CDP	Focus: impact metrics and disclosures <ul style="list-style-type: none"> Though their focus is on metrics and disclosures, CDP also provides technical guidance on creating a credible climate transition plan. CDP has incorporated ISSB guidance into their own resources to ensure alignment. Collects data on climate transition plans based on organizations who disclosure under their framework. 	<ul style="list-style-type: none"> Technical Guidance for Climate Transition Plans 2022 Report on Climate Transition Plan disclosures
Transition Plan Taskforce (TPT)	Focus: develop the "Gold Standard" accreditation for climate transition plans <ul style="list-style-type: none"> Developed a disclosure framework for climate transition plan reporting that is aligned to IFRS S1 & IFRS S2 standards. Developed sector-based guidance for interpreting the disclosure framework. 	<ul style="list-style-type: none"> Sector-based Guidance Climate Transition Plan Disclosure Framework
International Sustainability Standards Board (ISSB)* <i>*TCFD has been absorbed by ISSB.</i>	Focus: climate risk and governance, integrated reporting <ul style="list-style-type: none"> Developed sustainability reporting standards aimed at amalgamating global reporting standards into one reporting framework. Provides limited guidance on credible climate transition plan creation (through IFRS S2). Developed a reporting standard (IFRS S1) that encourages integrated reporting and helps to inform related climate transition planning. 	<ul style="list-style-type: none"> IFRS S1 IFRS S2 <div data-bbox="2147 819 2420 1015" data-label="Text"> <p>Where TPT will likely sit</p> </div>





Transition Planning: Authorities on the Horizon

Group	How they can help you	Important resources
GRI	<p><i>Focus: disclosure frameworks that encourage transparency and open dialogue about impacts.</i></p> <p>GRI is developing new disclosures related to climate change and reviewing: GRI 305: Emissions 206 (Disclosures 305- to 305-5), GRI 302: Energy 2016, and GRI 201: Economic Performance 2016 (Disclosure 201-2).</p> <p>Part of their proposed update is a "New disclosure on transition plan for climate change mitigation" (p. 3). This new disclosure is said to require:</p> <ul style="list-style-type: none"> • A report on policies and actions, and alignment with scientific evidence • A report on the progress towards relevant targets and goals, including the phase out of fossil fuels • A report on governance such as investment towards implementation • A report on the impact of implementing the climate transition plan on an organizations' workers, local communities and vulnerable groups <p>This proposed disclosure is open for consultation until February 29, 2024. The final standards should be approved and public by Q4 2024.</p>	<ul style="list-style-type: none"> • GRI Topic Standard Project for Climate Change – Climate Change Exposure draft • Project for Climate Change Standards – Info page
Science-based Targets Initiative (SBTi)	<p><i>Focus: building a credible target setting framework and repository</i></p> <p>SBTi has a clear focus on the target setting component of the transition. While they do not provide clear guidance on Climate Transition Planning, they do outline suggested Pathways to Net-Zero.</p> <ul style="list-style-type: none"> • In their guidance, SBTi outlines the rate of emission reductions needed to reach net zero by 2050. <p>Interim targets are a helpful tool that compliments a Climate Transition Plan.</p>	<ul style="list-style-type: none"> • Pathways to Net-Zero: SBTi Technical Summary • SBTi Corporate Net-Zero Standard



Transition Planning: How Guidance Aligns

CDP credible climate transition plan elements		IFRS (ISSB)	U.S.SEC	EFRAG (ESRS)	UKTPT	TCFD	ACT	GFANZ	CA100+	CBI	TPI
Governance	Board level oversight										
	Board expertise on climate related issues										
	Executive management accountability & feedback mechanisms										
	Executive incentives linked to climate performance indicators										
Scenario Analysis	Details of scenario analysis										
Risks & Opportunities	Process for identifying climate related risks & opportunities										
	Climate related risks - risks, potential financial impact and response strategy										
	Climate related opportunities - opportunities, potential financial impact and response strategy										
Strategy to achieve Net Zero	Existence of a "1.5C world" aligned transition plan within business strategy & shareholder feedback										
	Link between identified (and potential) climate related risks, opportunities & company strategy										
Financial Planning	Financial planning details associated with a 1.5C world										
	Low carbon products or services										
Targets	Emissions reduction targets - absolute & intensity										
	Other climate related targets										
	Net-zero targets										
Scope 1, 2 & 3 accounting with verification	Comprehensive and third-party verified emissions accounting										
Policy engagement	Alignment of public policy engagement with climate ambition & strategy										
Value chain engagement & Low-carbon initiatives	Low carbon initiatives - direct operations										
	Value chain engagement										

This chart ([2023](#)) outlines how CDP's elements of a credible climate transition plan align with the recommendations seen in other reporting standards.

- Dark purple signifies full coverage
- Light purple signifies partial coverage
- Gray signifies not applicable

CDP's transition plan elements directly correlate with TCFD's pillars (Governance, Strategy, Risk Management and Metrics & Targets), and are explicitly referenced by ISSB as the best source of climate transition plan guidance.



Transition Planning: The Core Recommendations

The Transition Plan Taskforce (TPT) is designed to help organizations achieve alignment with the IFRS S2 reporting standard:

"any climate-related transition plan the entity has, including information about key assumptions used in developing its transition plan, and dependencies on which the entity's transition plan relies" (14.a.iv.)

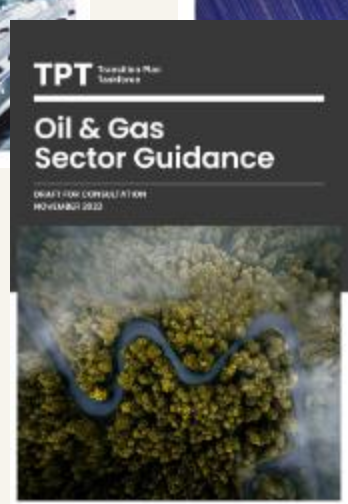
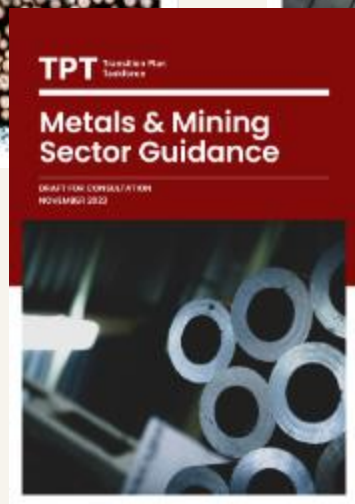
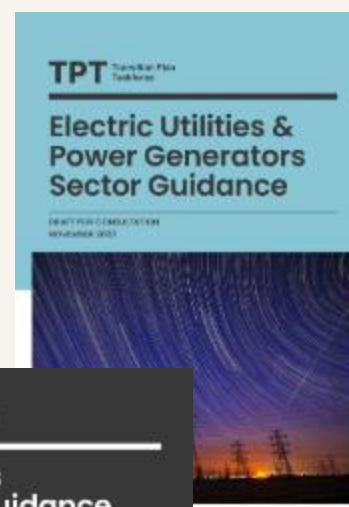
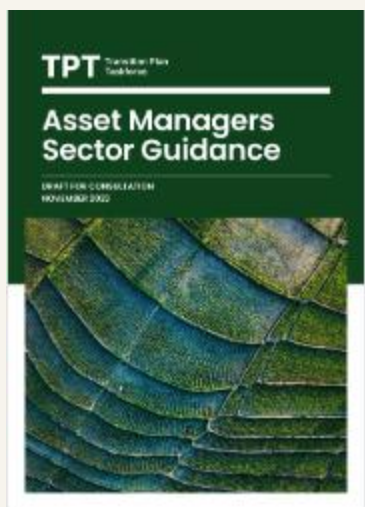
TPT provides an in-depth disclosure framework for climate transition plans which includes five (5) over-arching elements that should be included in the plan.

Foundations <i>The Why</i>	Implementation Strategy <i>The How</i>	Engagement Strategy <i>The Who</i>	Metrics & Targets <i>The What</i>	Governance <i>The When</i>
Why is your organization interested in achieving your targets and supporting the transition to a low-carbon economy?	What are the actions your organization will undertake to achieve the strategic ambition? (Ex: policies, business operations, products, etc.)	Who will you engage with to achieve your strategic ambition? (Ex: suppliers, peers, government, etc.)	What specific targets have you set to drive and monitor progress towards your strategic ambition?	How will your climate transition plan be embedded in organizational strategy?
What is the strategic ambition of your transition plan?	How will these changes impact your organization's financial performance?	How will you engage with them?		What are the governance structures that ensure progress towards your strategic ambition?

Transition Planning: Sector-based Guidance

TPT has begun to release sector-based guidance which further qualifies how to use their Climate Transition Plan Disclosure Framework based on sector.

Sector-based guidance was open for consultation until 29 December 2023, with anticipated updates to the guides expected in early 2024. [Guides and videos](#) are available for:





Transition Planning: Use of Sector-based Guidance



To understand the use of sector-based guidance from TPT, let's walk through the Oil & Gas sector guide.

NOTE: This guide should be consulted after reviewing TPT's Disclosure Framework.

1. Foundations

Sub-Element

1.1 Strategic Ambition

An entity shall disclose the **Strategic Ambition** of its transition plan, setting out its objectives and priorities for responding and contributing to the transition towards a low-GHG-emissions, climate-resilient economy, and doing so in a manner that captures opportunities, avoids adverse impacts for stakeholders and society, and safeguards the natural environment.

When interpreting the Disclosure Framework for the Oil & Gas sector, an entity should consider disclosing:

- objectives and priorities it has in relation to each of its business segments including, where applicable:
 - upstream, including conventional and unconventional (e.g. oil sands, fracking) oil & gas;
 - midstream, including physical trading, transportation, and storage of oil & gas products, but excluding financial trading; and
 - downstream, including processing, refining, marketing and sales of oil and gas products to business and retail customers, but excluding petrochemicals or distribution.
- any objectives and priorities, including timeframes, to phase-down and phase-out any unabated fossil fuel-related business and diversify towards products and services which support a transition to a low-carbon, climate-resilient economy (**see DF 1.1.a**); and
- the purpose of any new or planned oil and gas exploration & production activity within its Strategic Ambition and strategy.

The sector-based guidance goes through each element of the Disclosure Framework and relates it to sector-specific interpretations, qualities or considerations.

For example, the first element of the Disclosure Framework is “Foundations” or, identifying the **strategic ambition** of an organization's transition plan.

When the Oil & Gas sector aims to align with this element, they should consider “objectives and priorities it has in relation to each of its business segments” including upstream, midstream and downstream and the purpose of new or planned oil and gas exploration, amongst others.

Operationalizing & Decarbonizing

How to Action your Climate Transition Plan



Operationalizing & Decarbonizing: The Data

Verdantix, a thought-leader in sustainability, [conducted a survey](#) of 350 people from across industries and geographies on the topic of Net Zero in 2023.

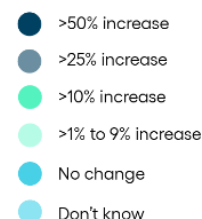
Their survey found that “firms are scheduling major investments in decarbonization over the next two years... [and] also grappling with the challenge of decarbonizing core business processes” ([2023](#)). Their other findings include:

1. A large motivation behind climate action at a corporate level is the perception it drives from stakeholders, investors and customers.
2. Organizational alignment is key to success.
3. Investing in digital technology is important for decarbonizing.

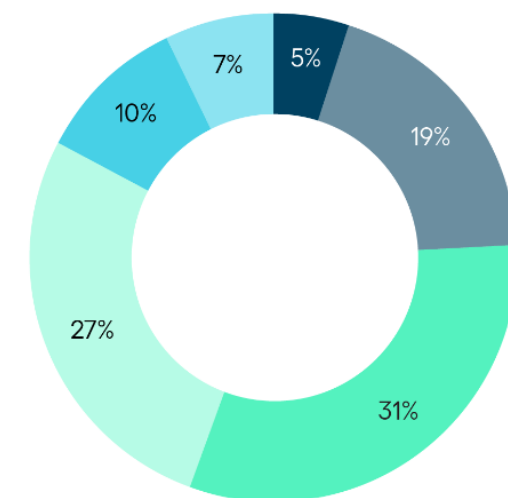
verdantix

Net Zero & Climate Risk

Across all your firm's business functions, by how much do you estimate spending on net zero and climate risk initiatives will increase in 2023 compared to 2022?



Note: Data labels are rounded to zero decimal places; percentages less than 7% are written as numbers
Source: Net Zero And Climate Risk Global Corporate Survey 2023



Verdantix is not alone in this forecast of “climate action” as a competitive advantage.

Fortune Magazine ([July 2022](#)) stated that not only will “climate action [be] a potential source of competitive advantage”, it can also support supply chain resiliency, lower costs, increase sales and create value for total shareholder return (TSR).

Even in 2007, the [Harvard Business Review](#) was reporting that climate action will be a key differentiator and competitive advantage. Many of their recommendations remain relevant today.



● Operationalizing: The Flow of Action

Operationalizing your climate transition plan begins long before the plan itself is created. We have created a flow chart with the steps that support operationalization. **Be sure to pay extra attention to step #2, as this is usually where many organizations lose momentum.**

1

Figure out where you are to determine where you need to go.

Start with data collection of current emissions across your organization and in all scopes*.

Build out your organization's change management capabilities: Begin to train & educate staff cross-functionally, identify sustainability advocates for each team, develop systems for communicating and tracking progress cross-functionally.

2

Determine your high impact areas where action should be prioritized.

Assess the data to see where the largest and specific areas where your emissions lie and see how possible action is.

3

Engage the related teams, stakeholders or suppliers of your priority area to build alignment on goals and expectations.

4

Report on your findings and progress in an **integrated report**. Use that report to build a business case in your organization and to secure executive support for action.

5

*We recognize that scope 3 emissions are challenging to quantify. Estimations to the best of your ability are sufficient.

Operationalizing: Change Management

In November 2023, CBSR partnered with the IVEY School of Business to deliver a Net Zero Working Group focused on Organizational Change Management. IVEY's research is focused on identifying **how** firms can manage the change required to meet net zero. From their research, [IVEY developed a report](#) which outlines the key actions and insights regarding organizational change management including:

Rationale

What is your firm's rationale for reducing GHG emissions, and if truly ambitious, committing to net zero?

Partnerships

How do you foresee external relationships changing based on your – or their – strategy for net zero?

Bringing your stakeholders along for the journey is critical for success.

Critical questions to map your firm's pathway

Decision-making

What decision making processes are in place to translate commitments into action to make progress?

Innovation

How might an innovation mindset guide your firm's decision making and become embedded in your net zero plan?

Decarbonizing: The Flow of Action

Decarbonizing means "to reduce the levels of carbon emissions (such as CO₂) caused by or involved in (something, such as a facility, process, or organization" ([Webster](#)). To us, this means that decarbonizing is the act of lowering emissions that results from the operationalizing steps.

This stage is complex, unique to the organization and long. We have identified 3 consistent stages that most organizations will go through on their decarbonization pathway.

An ongoing task is to **continue to build out organizational alignment** by training, communicating and setting targets for all functions of the firm.

1

Based on your prioritization from the "Operationalizing stage", identify where investment is needed most and identify one (1) project that can be the first step.

2

Build **partnerships and collaborations** that can lower the amount of individual investment/resources needed to see progress.

3



Operationalizing & Decarbonizing: How CBSR Can

Help

In 2024, a large focus of CBSR's programming will be on the *how* of carbon action. Specifically, we want to bring you the best practices and research that can help to inform your action while leaving space for other CBSR members to share their experience. See what programs you can look forward to this year:

Topic	Details	Dates
Empowering Supply Chain Decarbonization through Industry Collaboration	This IN PERSON workshop will be held at GLOBE Forum 2024 in Vancouver, BC. With a focus on action-oriented outcomes, this session will explore how industry alliances can support supplier action and be an important tool for reducing scope 3 emissions.	February 14 from 4:00 – 5:00 PM
SaaS Survey	CBSR will be circulating an anonymous survey to all of our members (with potential to include additional stakeholders) to outline the benefits, drawbacks and favoured data management systems used by organizations today. The intent behind this survey is not to rank the SaaS solutions, but rather provide information and background to support your organization in selecting one.	Summer-Fall 2024
NZWG #10: Scope 1 Reduction Pathways & Commercial Strategies to Support Decarbonization	All Corporate and EXCEL CBSR Members are invited to join our Net Zero Working Group (NZWG). This spring, the NZWG will be convening to discuss the specific best practices around reducing scope 1 emissions (sometimes considered the lowest hanging fruit), and other strategies that have been proven to support decarbonization.	Spring 2024
NZWG #11: Interim Targets	This Fall, the NZWG will be convening to discuss the importance of the less flashly, more specific "interim targets". Though they may seem small and less important than the long-term targets, they are a crucial component of a successful transition plan and are key to ensuring accountability and action.	Fall 2024



We will see you at the session in
GLOBE Forum in Vancouver

Tuesday, February 13, 2024!



CBSR