



*Sustainable  
Stock Exchanges*



# Transition Plans

## Training Tool



**UN SSE SUSTAINABILITY-RELATED  
TOOLKIT FINANCIAL DISCLOSURES**

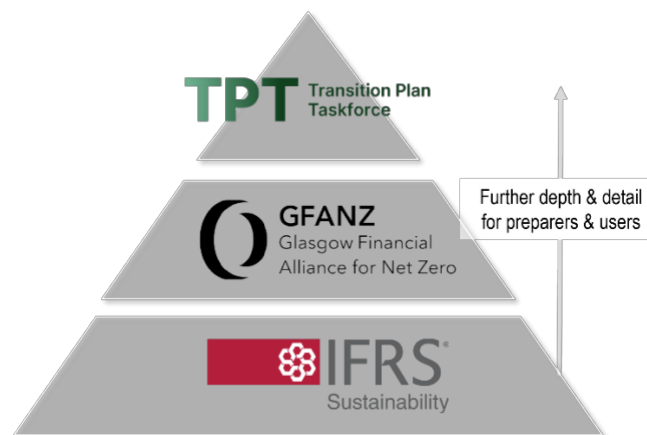
## Introduction

Transition plans have been identified as a key tool for the global economy to achieve net zero targets. These targets aim for a rapid reduction in greenhouse gas (GHG) emissions from activities of real-economy companies, while financial institutions allocate capital and use their influence as shareholders and/or broader financial partners in a way that supports, enables and helps catalyze such action. This document provides a starting point for companies that wish to use transition plans for strategic decision-making as well as for alignment with sustainability-related disclosure standards. This document will help answer frequently asked questions and point readers to tools and resources where they can find more detailed information.

This tool has been developed as a part of SSE's Toolkit on Sustainability-Related Financial Disclosures, given that transition plans are identified by the IFRS S2 for climate-related disclosures as an important component of strategy disclosures. To implement the IFRS sustainability standards, organizations can make use of a number of resources available to develop and disclose transition plans, including GFANZ and TPT, which this document introduces. Both GFANZ and TPT can build on the foundational work of the IFRS Foundation (figure 1).

**Figure 1: The Transition Plan Disclosures Landscape**

Source: Transition Plan Taskforce (TPT)



## Transition plans and IFRS Sustainability Disclosure Standards

A transition plan is defined by the IFRS Foundation as an aspect of an entity's overall strategy that lays out the entity's targets, actions or resources for its transition towards a lower-carbon economy, including actions such as reducing its greenhouse gas emissions. While the IFRS Sustainability Disclosure Standards do not provide specific guidance on developing and disclosing transition plans, IFRS it references the need for a climate-related transition plan when disclosing strategy information. The following references appear in the IFRS S2 on climate-related disclosures:

- (IFRS S2, 9) An entity shall disclose information to enable users of general-purpose financial reports to understand (c) the effects of those climate-related risks and opportunities on the entity's strategy and decision-making, including information about its climate-related transition plan;
- (IFRS S2, 14) An entity shall disclose information that enables users of general-purpose financial reports to understand the effects of climate-related risks and opportunities on its strategy and decision-making. Specifically, the entity shall disclose: (a) information about 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. Specifically, the entity shall disclose information about: (iv) any climate-related transition plans the entity has, including information about key assumptions used in developing its transition plan, and dependencies on which the entity's transition plan relies.

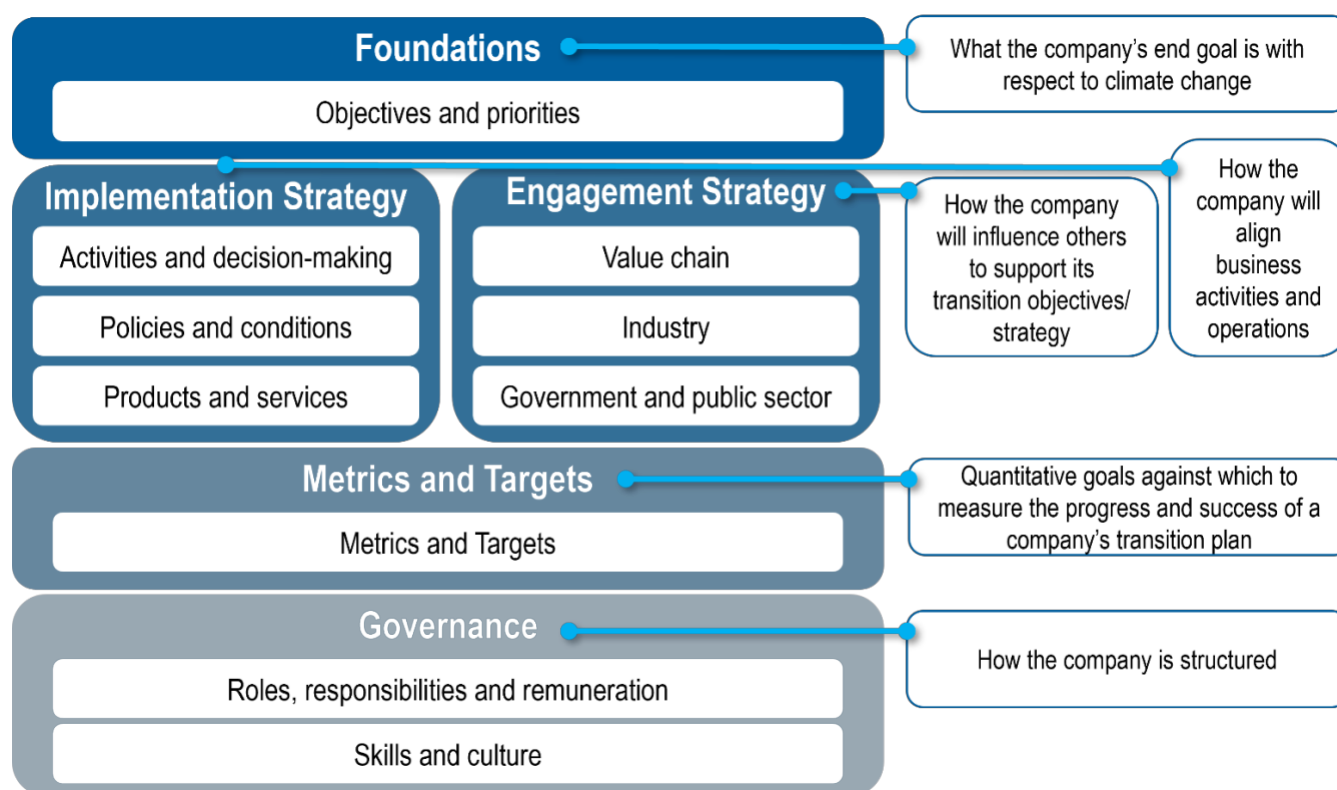
## The GFANZ transition plan framework

Building on the standards set out by the IFRS Foundation the Glasgow Financial Alliance for Net Zero (GFANZ) created a transition plan framework. The GFANZ framework is based on consultations with a wide range of market participants and aims to be a globally consistent approach to transition planning for both financial institutions as well as real-economy companies. The GFANZ framework identifies the key elements a transition plan needs in order to be credible, comparable and comprehensive, and provides tools to support the development, creation and implementation of a company's net zero transition plan. The framework has a focus on financial industry alignment with net zero across all financial sectors to support the scaling of transition finance. The GFANZ framework builds on and consolidates existing transition plan guidance from a range of technical bodies.

GFANZ has identified five transition plan themes (figure 2) comprising ten components, which anchor a credible and comprehensive transition plan.

**Figure 2: Components of a credible transition plan**

Source: GFANZ<sup>1</sup>



## United Kingdom Transition Plan Taskforce (TPT) framework

Building on the GFANZ work, the United Kingdom Transition Plan Taskforce (TPT) developed a sector-neutral, domestic framework for best-practice transition plan disclosures, alongside supplementary sectoral disclosure guidance. The disclosure guidance from the TPT is based on the guidance from GFANZ on developing and implementing transition plans, to ensure the outputs of both initiatives are consistent and form a harmonized approach to transition planning and disclosure. The TPT framework is designed to be available for voluntary and mandatory use internationally, purposefully supporting regulatory implementation in a manner that aims to be consistent with reporting under IFRS Standards and accommodating a net zero or other climate ambition. The TPT provides guidance on disclosure of transition plans, building on the same five components identified by GFANZ, with the aim of enhancing detail and depth of disclosure on the baseline standards of the IFRS Sustainability standards.

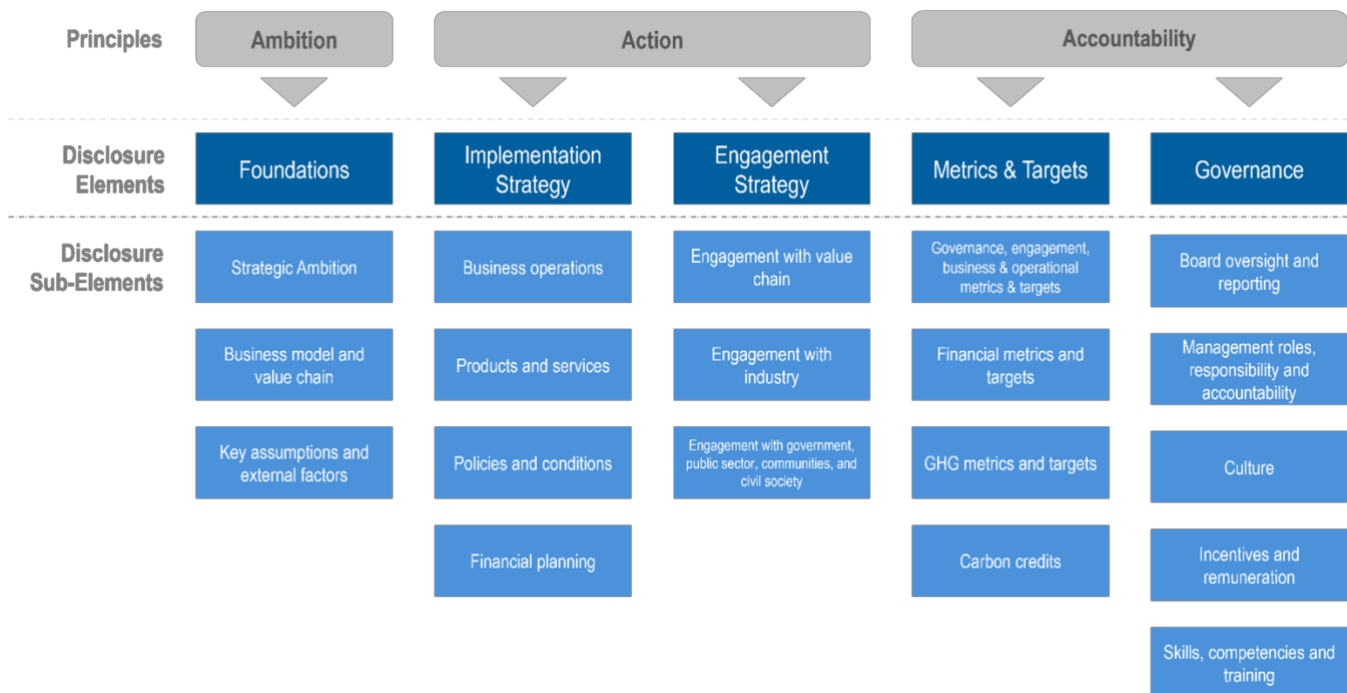
<sup>1</sup> Figure 2 is adapted from Figure 1 in the GFANZ publication [Expectations for Real-Economy Transition Plans](#).

Building on the five transition plan themes, TPT integrates three core principles to effective transition plan disclosures: ambition, action and accountability. The TPT identifies 19 sub-elements for disclosure and provides detailed guidance on how companies can communicate their transition plan effectively through these disclosure elements (figure 3). The TPT recommends that a good practice transition plan should cover:

- An entity’s high-level ambitions to mitigate, manage and respond to the changing climate and to leverage opportunities of the transition to a low GHG and climate resilient economy. This includes GHG reduction targets (e.g., a net zero commitment);
- Short, medium and long-term actions the entity plans to take to achieve its strategic ambition, alongside details on how those steps will be financed;
- Governance and accountability mechanisms that support delivery of the plan and robust periodic reporting; and
- Measures to address material risks to, and leverage opportunities for, the natural environment and stakeholders such as the workforce, supply-chains, communities or customers which arise as part of these actions.

**Figure 3: The TPT Disclosure Framework**

Source: Transition Plan Taskforce<sup>2</sup>



The TPT recommends that entities publish standalone transition plans at least every three years, and sooner when there are significant changes to the plan. Progress against the plan and material updates should be reported annually as part of ISSB-aligned disclosures in general purpose financial reporting (e.g., the Annual Financial Report). If an entity produces a long-form climate or sustainability report, the transition plan must be clearly separable (e.g. as an appendix or separate document).

As of October 2023, policy or regulation guidance on transition planning is also being developed in jurisdictions including the EU/Eurozone, Hong Kong, Japan, Singapore and Switzerland.

<sup>2</sup> Figure 3 adapted from the [Transition Plan Taskforce \(TPT\) Disclosure Framework](#)

## Getting started with transition plans

Companies just getting started on transition planning can make use of the GFANZ Net Zero Transition Plan framework for real economy companies ([Expectations for Real-economy Transition Plans](#)) and the internal training tools contained in their [Workshops in a Box](#). This principles-based guidance can help companies get started with first steps and suggest ways of iterating with more detail over time. Table 1 illustrates the most critical components that SMEs or companies getting started can prioritize. Building on this foundational guidance, companies can then make use of the TPT's disclosure guidance, implementation guide and sectoral guides to add further depth & detail for preparers & users.

**Table 1: Most critical components for SMEs and companies starting to develop transition plans**

Source: GFANZ<sup>3</sup>

THEME	COMPONENT	PERSPECTIVES FROM FINANCIAL INSTITUTIONS
Foundations	Objectives and priorities	Helpful for understanding a company's driving goals
Implementation Strategy	Activities and decision-making	Outlines a company's actions and how it plans to implement its transition plans
	Products and services	Outlines how the company's commercial activity supports the transition plan
Metrics and Targets	Metrics and targets	Outlines a company's targets and enables tracking of progress and cross-comparison
Governance	Roles, responsibilities and remuneration	Outlines the mechanisms in place to enable accountability and execution

For companies engaged in climate-related financial reporting, transition plans represent a logical extension of demonstrating how companies are implementing their climate strategies. More detailed guidance can be found in Chapter 5 of the GFANZ report [Expectations for Real-economy Transition Plans](#). Specific guidance for financial institutions on financed emissions and strategies to finance the transition to a low carbon economy is available in the GFANZ report "[Recommendations and Guidance on Financial Institution Net-zero Transition Plans.](#)"



[www.SSEinitiative.org/disclosure-toolkit/](http://www.SSEinitiative.org/disclosure-toolkit/)

### SSE Toolkit on Sustainability-Related Financial Disclosures

This tool is part of a toolkit that the UN SSE, together with its partners, developed to support stock exchanges and their market participants in the implementation of the IFRS Sustainability Disclosure Standards. The toolkit includes training tools that are designed to complement the SSE Academy's training program on the IFRS Sustainability Disclosure Standards. The SSE will continue to work with its partners to add new tools as necessary to provide ongoing support to stock exchanges and their markets on this topic.

<sup>3</sup> Table 1 is adapted from Table 3 in the GFANZ publication [Expectations for Real-Economy Transition Plans](#).



## Acknowledgements

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## About UN SSE

The SSE initiative is a UN Partnership Programme organised by UNCTAD, the UN Global Compact, UNEP FI and the PRI. The SSE's mission is to provide a global platform for exploring how exchanges, in collaboration with investors, companies (issuers), regulators, policy makers and relevant international organisations can enhance performance on environmental, social and corporate governance issues and encourage sustainable investment, including the financing of the UN Sustainable Development Goals. The SSE seeks to achieve this mission through an integrated programme of conducting evidence-based policy analysis, facilitating a network and forum for multi-stakeholder consensus-building, and providing technical guidelines, advisory services and training.

## Note

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