

CLIMATE TRANSITION ACTION PLANS

ACTIVATE YOUR JOURNEY
TO CLIMATE LEADERSHIP



INTRODUCTION

The findings of the Intergovernmental Panel on Climate Change (IPCC) are clear: to avoid the most catastrophic effects of climate change, global temperature rise must be limited to 1.5°C or below. To reach this goal, greenhouse gas (GHG) emissions must be reduced 50% by 2030 and to net zero by 2050.

Companies have an essential role to play in the transition to a net zero emissions economy. By acting ambitiously and proactively, they can minimize material financial, regulatory, physical, and systemic risks posed by climate change. At the same time, they can seize economic opportunities to gain competitive advantages, drive business innovation, and create long-term value during the shift to a sustainable, clean energy economy.

Recognizing these risks and opportunities, in 2022 more than a third of the world's 2,000 largest companies have goals to reach net zero emissions by 2050 or sooner. However, according to Net Zero Tracker's analysis, 65% of those with net zero goals showed "a troubling lack of clarity on essentials" including which GHGs and scopes were covered and how companies planned to meet their goals.¹ Meanwhile, the Science Based Target initiative's (SBTi) most recent progress report shows exponential growth in companies setting targets in the last year, yet only 46% of companies are reporting progress on those targets.²

This raises a key point: while it is important that companies make long-term commitments to science-based targets that reduce emissions in line with limiting global temperature rise

A note on terminology

Transition plans is the most commonly used term for these frameworks. However, these often incorporate areas additional to near-term climate action. Therefore, we have largely referred to guidance as Climate Transition Action Plans (CTAPs) in this document.

to 1.5°C, **companies must create and implement near-term action plans to put them on a credible path to achieving long-term goals.**

Climate Transition Action Plans (CTAPs), also known as transition plans, can address the need for clarity on how companies are moving from setting goals to taking near-term action to achieve those goals in line with a 1.5°C pathway. They have emerged as a framework to equip corporate planning and share key details of those plans with companies' stakeholders: investors, NGOs, governments, and the public.

In recent years, dozens of guidance documents have been published on transition plans. For example, in February 2022 the UK Government launched a Transition Plan Taskforce to develop a standard for transition plans over the next two years. And most recently, in September 2022 the Glasgow Financial Alliance for Net Zero (GFANZ) published their guidance, [Expectations for Real-economy Transition Plans](#) – an in-depth document that builds on the myriad of transition plan recommendations published to date (see how this report aligns with GFANZ in Appendix D).

¹ Hans, Kuramochi, et. al. *Net Zero Stocktake 2022*. NewClimate Institute, Oxford Net Zero, Energy & Climate Intelligence Unit and Data-Driven EnviroLab, 1 June 2022, <https://newclimate.org/resources/publications/net-zero-stocktake-2022>

² SBTi staff, et. al. *Science Based Targets initiative Annual Progress Report, 2021. Version 1.2, updated June 2022*. Science Based Targets initiative (SBTi). 1 June 2022, <https://sciencebasedtargets.org/resources/files/SBTiProgressReport2021.pdf>

However, companies and their investors continue to raise questions as to which guidance to use, how the guidance varies, and whether existing guidance ultimately enables the creation of complete, comparable, and decision-useful near-term plans. This is evident in CDP's 2021 report on the state of credible transition plan disclosure, which highlighted that of the 13,100+ organizations who disclosed their environmental data to CDP, only 135 individual organizations met the disclosure criteria, defined by CDP, for a credible climate transition plan.³

Based on detailed analysis of existing transition plan guidance, we have sought to help companies on their climate action journey by answering the question,

“What are the core components of a comprehensive climate transition action plan and how can they be used to drive sufficient, near-term action for companies and decision-useful information for stakeholders?”

METHODOLOGY BEHIND THE RESEARCH

As a coalition of NGOs that works with the world's largest companies and investors on climate and sustainability priorities, We Mean Business Coalition, CDP, Ceres, and EDF have consulted with Ramboll Consulting on an analysis to assess the existing transition plan guidance landscape. The Coalition consolidated this guidance and developed a **consensus-driven definition of what a comprehensive CTAP should include.**

We reviewed **31 transition plan guidance documents** from **17 organizations** to identify best-in-class practices and common core transition plan elements. The project also **surveyed over 100 companies, investors, and other stakeholders** on their needs.

Full details of the background research are listed in Appendix A on page 23.

KEY TAKEAWAYS FROM THE BACKGROUND RESEARCH

- There is general agreement that transition plans need to include business integration, emissions reduction strategies, investments, governance, policy advocacy, and just transition.
- **There is difficulty separating disclosure and goal setting from actual action plans.** For a comprehensive corporate climate strategy, all three of these and more are needed, but everything being called a plan has led to confusion in the marketplace. For example, many companies surveyed cited SBTi as their main source of transition plan guidance, though SBTi is a GHG target setting and validation platform. There is also confusion between the role of ESG reports, various disclosure platforms and frameworks, and that of transition plans.
- There is audience confusion in the various transition plan guidance documents. Some of the guidance is for companies, some for investors, while other guidance is intended for disclosure or benchmarking. Companies are confused on which to use, and many investors do not feel they are getting the decision-useful information they need.
- Just transition is one of the least explored topics in transition plan guidance and would benefit from increased specificity in guidance documents and companies' transition plans. Other gaps in guidance where additional information and clarification would be useful included: value chain engagement, climate adaptation, scenario analysis, and industry case studies.

³ Are companies being transparent in their transition, 2021 version 1.0 – <https://www.cdp.net/en/reports/downloads/6127>

WHAT IS A CLIMATE TRANSITION ACTION PLAN?

A Climate Transition Action Plan is:



a forward-looking list of actions...



taken in the near term...



to align internal strategies...



and external climate and energy policy advocacy...



to reduce GHG emissions in line with a 1.5°C pathway...



and achieve a just transition.

WHAT IS THE DIFFERENCE BETWEEN A CTAP AND OTHER CORPORATE CLIMATE DISCLOSURES?

Corporate climate disclosures are primarily backward-looking and focus on disclosing emissions, goals, longer term plans and progress made towards existing initiatives. CTAPs, however, are laser-focused on forward-looking, specific, and near-term actions a company is taking – and share that information in a non-technical, easily-digestible, and public-facing way.

In creating and sharing their CTAPs, companies seek to build stakeholder confidence that they are on track to meet their stated long-term goals.

For more guidance on corporate climate disclosure:

- **CDP** – CDP is a non-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.
- **Task Force on Climate-Related Financial Disclosures (TCFD)** – The Financial Stability Board (FSB) created the TCFD to develop recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing risks related to climate change.
- **Sustainability Accounting Standards Board (SASB)'s standards** – SASB standards enable organizations to provide industry-based sustainability disclosures about risks and opportunities that affect enterprise value. In August 2022, the IFRS Foundation assumed responsibility for SASB standards and plans to release updated standards.

The climate transition action plan, and the actions taken within the plan, is the middle and core step of a company’s “journey to climate credibility” (see figure 1).

This corporate climate action journey is iterative by nature. It starts with ambition in the form of 1.5°C aligned near- and long-term science-based targets that include Scope 1, 2, and material Scope 3 emissions (Step #1 in figure 1, *Set Science-Based Goals*). While some companies may decide to develop a longer-term GHG reduction goal before setting targets, science-based targets are an essential foundation to a robust plan. To track progress towards targets requires accountability in the form of regular and public disclosure (Step #3 *Accountability and Reporting*).

The goal of a CTAP is to move companies from goal setting (Step #1) and disclosure (Step #3) to real-economy action that is thoroughly planned and, critically, sufficient to achieve a company’s stated climate goals – which should align with a 1.5°C trajectory.

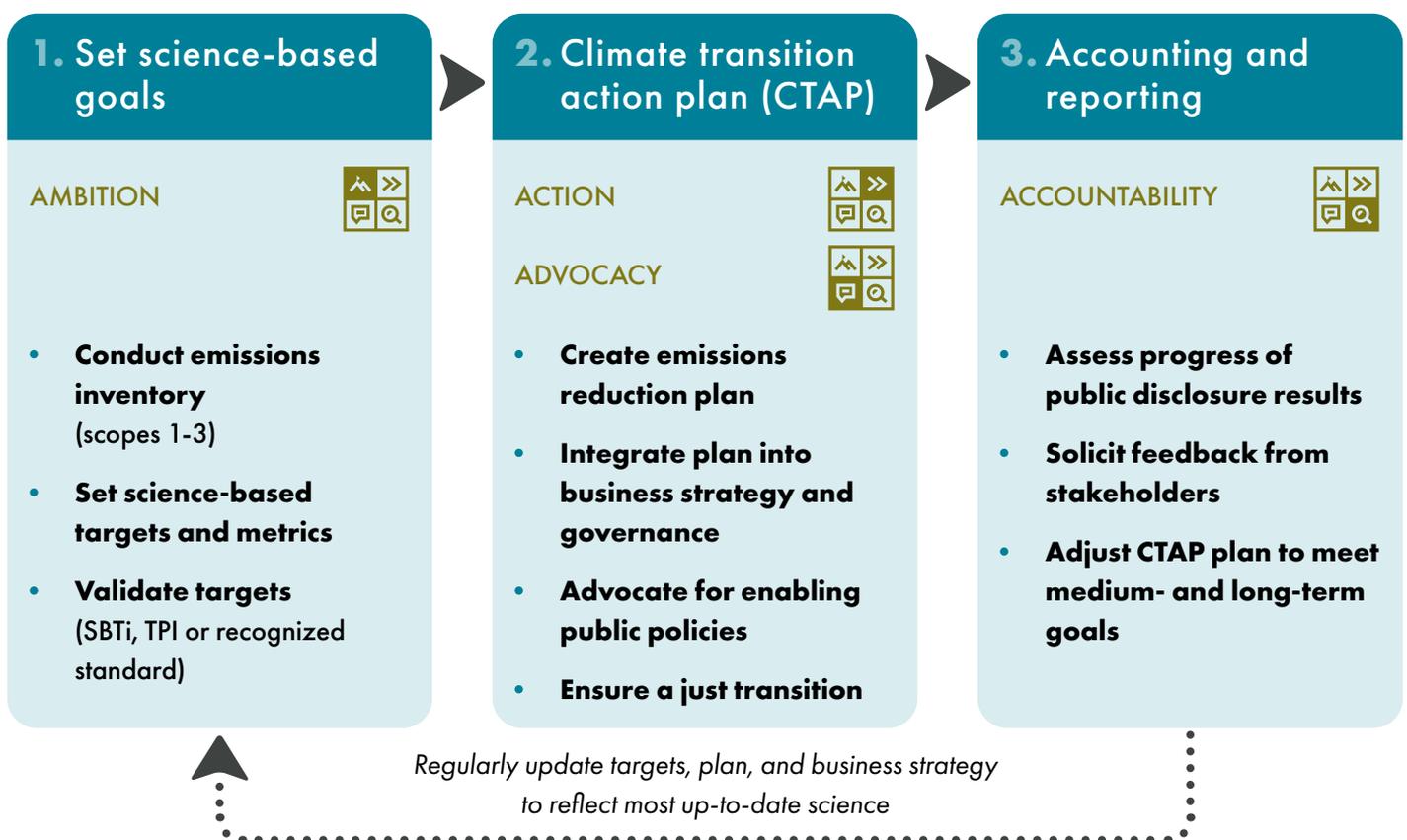
THE 4 A’S OF CLIMATE LEADERSHIP

For a step-by-step guide to all the actions a company should take on the journey to corporate climate credibility, visit [The 4 A’s of Climate Leadership](#).

It brings together best-in-class resources and initiatives to take you from **ambition**, through **action** and **advocacy**, to **accountability**.

By following the 4 A’s your company will be well-placed to create your CTAP.

FIGURE 1: THE JOURNEY TO CORPORATE CLIMATE CREDIBILITY



The CTAP itself (Step #2 *Climate Transition Action Plan*) details the near-term actions and advocacy a company is taking around **four core components of CTAPs**.



FIGURE 2: THE FOUR CORE COMPONENTS OF A CTAP



THE CORE COMPONENTS OF A PLAN

1. EMISSIONS REDUCTION STRATEGY

A company's emissions reduction strategy must include actions the company is taking now and will take in the near term (one-to-three years ahead) to make progress towards its science-based GHG emissions reduction targets.

Emissions reduction strategies should estimate the expected contribution of each action, in terms of a percentage range and approximate absolute number, towards reaching the company's overall GHG reduction target. Companies should spell out interim goals or targets they have set across specific reduction solutions to the extent they are relevant to their strategy. These include but are not limited to renewable energy deployment targets, energy efficiency goals, zero emission fleet targets, supplier engagement goals, and new products, among others. EDF's [Pathways to Net Zero](#) identifies high-impact emission reduction solutions for specific sectors.

The emissions reduction strategy will also consider the investments the company is making to ensure these actions are successful. This includes but is not limited to capital investments; investments in new staff and expertise; process efficiencies; research, development, and deployment of new technologies and designs; and collaboration. Investments should be expressed as a monetary figure and as a percentage of total capital expenditure.

Emissions reduction strategies will vary by sector and by company. These actions must address the largest and most relevant emissions sources that a company has identified as part of its public disclosure. Additionally, they should reflect the business environment in which a company operates. For example, the food sector's emissions profile makes value chain engagement particularly important. Ceres' [Investor Guide to Climate Transition Plans in the U.S. Food Sector](#)

includes guidance on reducing Scope 3 procurement-based emissions via supplier engagement; no deforestation and land conversion policies; and supply chain traceability, transparency, and incentives.

Emissions reduction strategies are fluid, and often dependent on technological advances that are not completely within the control of a company. Companies need to inform stakeholders about the technologies they are exploring, technologies that need more research (and how companies are supporting that with investments, policy advocacy, and/or innovative partnerships), and technologies that do not work.

Companies must not rely on carbon credits or offsets as the primary mechanism to reduce GHG emissions. However, for companies in hard-to-abate sectors that are using carbon credits to neutralize residual emissions or those that are investing in nature-based solutions in addition to their primary emissions reduction strategies, details on actions related to these investments and projects should be included in a company's CTAP.

GHG REDUCTION PROGRAMS AND STRATEGIES

Examples of primary high-impact strategies include:

- Increasing energy efficiency
- Procurement of renewable energy
- Reducing large hotspot supply chain emissions
- Waste reduction and diversion
- Reducing methane and other short-lived climate pollutants (SLCPs)
- Increasing fuel efficiency and/or electrification of transportation and logistics
- Fuel switching and electrification

Reference: [EPA Center for Corporate Climate Leadership](#)

2. BUSINESS STRATEGY INTEGRATION AND GOVERNANCE

A company will only be able to meet its GHG reduction goals by integrating climate action into its core business model and rigorously planning for how the company will thrive in a low-carbon economy. Investment decisions and risk management must be in line with stated metrics and targets. Beyond risk management, companies should conduct market analysis to identify future growth opportunities within the net zero transition – including for new products and services.

Companies need to establish governance mechanisms that create accountability across the organization and board of directors. They also need to have clearly established processes to break down silos and ensure all relevant and impacted parts of an organization are engaged in climate action: finance, government and investor relations, research and development, procurement, sales, operations, facilities, and other teams. Finally, it is important to consider these and other specific implementation-related concerns within holistic assessments of (i) the value of long- versus short-term financial profitability and (ii) inclusion and assessment of risks related to reputation, social license to operate, supply chain volatility, and more.

To ensure adequate risk assessment and management, companies need to regularly conduct scenario analysis based on assumptions of regulatory, physical, and operational changes that will result from various climate change scenarios. They then need to use the outputs to inform their plans. These analyses should be qualitative and quantitative, expressed in financial terms, and should include considerations of physical risks to the business, the effects of transition risks (such as regulatory pressures) on strategy, core operations, and revenue, as well as systemic impacts that could fundamentally change risks and opportunities over time. As one example, a company could consider the effects of additional or deeper incentives for clean technology or a price on carbon at multiple price points. Companies need to provide examples of actions they are taking now and in the near term, based on these scenarios, to adjust their business strategy.

In addition to investments in emissions reduction strategies, companies should identify actions they are taking or will take in the near term to adjust investment and fundamental business model decisions to reach medium- and long-

term GHG commitments – which should be aligned with a 1.5°C pathway. For example, the Institutional Investors Group on Climate Change (IIGCC) and Transition Pathway Initiative (TPI) created transition plan guidance as a [Net Zero Standard for Oil and Gas Companies](#). The standard focuses on GHG reduction and changes in capital expenditures and production plans. It acknowledges ‘winding-down’, diversifying energy offerings, and re-shaping demand within companies’ value chains as legitimate strategies.

Companies should also detail how they are tying executive compensation to reaching their climate goals, and how they are building robust governance structures with clearly defined roles, responsibilities, and accountability mechanisms at the executive and board levels. Such incentives and accountability are important to ensure that company leadership is fully managing risks and opportunities and integrating those factors into core business decisions and strategies.

GUIDANCE ON BUSINESS STRATEGY INTEGRATION

To achieve climate targets, GHG reduction goals must be integrated into core business strategies. This includes adaptation of business models, research, development and demonstration, the development of new products and services, and more. Changes in business strategy should be done on the foundation of **robust scenario analysis** that assesses the climate-related risks and opportunities a business may face. For these strategies to be effectively implemented, **strong oversight and governance** structures must be put into place.

- See the Taskforce on Climate-Related Financial Disclosure (TCFD)’s [Guidance on Scenario Analysis for Non-Financial Companies](#) and [Guidance on Risk Management Integration and Disclosure](#).
- For a holistic resource on aligning business strategy with a 1.5°C future, see [Ceres Roadmap 2030](#).
- For governance guidance, see the World Economic Forum’s [How to Set up Effective Climate Governance on Corporate Boards](#), Ceres’ [Running the Risk: How Corporate Board Can Oversee Environmental, Social and Governance \(ESG\) Issues](#), and TCFD’s [Recommended Governance Disclosures](#).

3. PUBLIC POLICY

Individual companies' emissions reduction actions and internal business strategies alone will not be able to secure the economy-wide shifts we need to address climate change.

Companies should identify what actions they are taking now and in the near term to ensure they are not lobbying against (directly or indirectly through trade associations) proposed policies that will contribute to emission reductions and a just transition. Companies should analyze whether their trade associations' actions are supportive or contrary to the company's 1.5°C-aligned goals. To validate these actions, individual lobbying and trade associations memberships should be disclosed on an annual basis.

Furthermore, a CTAP should detail future actions that companies and policymakers must take to ensure that near-term actions and investments are realized in order to reach maturity and scale over time. Companies should then determine and disclose what actions they are taking now and in the near term to support policies that will advance investment and contribute to emissions reductions needed to achieve 1.5°C in the public and private sectors.

GUIDANCE ON PUBLIC POLICY

Private sector companies have a large role to play in the transition to a net zero economy but they alone cannot bring about this transformation – for their business and the wider economy. To achieve their own goals, companies must advocate for robust public policies, regulations, and investments that are necessary to support corporate action and drive economy-wide decarbonization. Guidance on public policy advocacy includes:

- [Responsible climate lobbying: The global standard](#)
- [The AAA Framework for Climate Policy Leadership: A Guide for Companies](#) from CDP, Ceres, EDF, and other leading NGOs
- [Blueprint for Responsible Policy Engagement](#) by Ceres
- [Going "All In": A Climate Policy Guide for Business Leaders](#) from ClimateVoice
- [Energy Policy Solutions](#) from Energy Innovation





4. JUST TRANSITION

Just transition maximizes the social and economic opportunities of climate action while avoiding the creation or exacerbation of systemic inequalities. In creating and implementing CTAPs, companies should publicly recognize the often-increased negative climate impacts and decreased opportunities from climate action for frontline communities, company workforces, and vulnerable customers – and act with the specific intention to reduce and eliminate these inequalities. This includes conducting thoughtful analysis to avoid – and underline the materiality of – negative impacts on these stakeholders in the short and long term. Beyond their own businesses, systemic changes such as these require collective action and public policies which companies should not undermine – and should actively support.

Companies must engage, seek input from, and provide support to (including training, redeployment, and financial investments) their workforce, vulnerable customers, and impacted communities. To support their climate journey, companies should develop and publicly share formal policies to ensure their 1.5°C transition is aligned with just transition principles. Then, within their CTAP, companies must identify actions they are taking now and will take in the near term to act in accordance with these policies. Input and participation from stakeholders should be sought from the beginning when identifying actions to include in companies' CTAPs, and throughout the process to implement those actions.

GUIDANCE ON JUST TRANSITION

Climate and racial justice considerations and the goal of securing a just transition must be key elements of any CTAP. Our research indicated that among existing guidance on CTAP topics climate justice and just transition were the least developed. However, this should not be used as an excuse to exclude these elements from a company's CTAP. There are a number of helpful resources and expert organizations that companies can and should work with to develop their strategies to support climate justice and a just transition in the movement to a net zero economy. These include, but are not limited to:

- [International Labour Organization \(ILO\)](#)'s webpage, "Frequently Asked Questions on Just Transition"
- [Climate Justice Alliance](#)'s webpage, "Just Transition; A Framework for Change"
- [National Association for the Advancement of Colored People \(NAACP\)](#)'s webpage, "Environmental & Climate Justice"
- [Transform to Net Zero](#)'s climate justice guidance for CTAPs with case studies on Starbucks, Unilever, and Wipro
- [Ceres](#)' blog, "A need for robust just transition planning" detailing the Just Transition Indicators of the [Climate Action 100+](#) company benchmark and investor expectations
- [BSR](#)'s blog, "How Business Can Advance Climate Justice"



HOW TO DISCLOSE A CTAP

ESG, sustainability reports, and climate disclosure platforms serve the important and necessary purpose of providing a backward-looking snapshot of the progress a company is making towards their GHG reduction and other environmental, social, and governance goals as well as a place where longer-term, higher-level plans and strategies are identified. ESG disclosure platforms are where companies detail the goals they are setting, their emissions over time, and the progress they are making in achieving them – steps #1 and #3 in the journey to corporate climate credibility described in figure 1 on page 5.

For companies that are already far along on that journey, many of the elements we have outlined as part of a CTAP are likely already being reported in their ESG or CDP disclosure. In fact, CDP has a comprehensive list of metrics that, if disclosed against, provide evidence that a company has a robust transition plan (see: [CDP Technical Note: Reporting on Transition Plans](#)). Companies can take the elements and subsequent guidance described on pages 7-10 and, as needed, adjust their current disclosures to address these. For example, companies may need to reframe their current disclosures or add more details that are forward-looking, action-focused, and short-term (one to three years ahead).

Responding to the needs identified by the over 100 companies and investors surveyed for this report asking for more structure and simplicity, we have provided the following tools:

1. Foundations and context checklist

2. CTAP template

3. Progress template

The checklist and templates on pages 12-21 can serve as a basis for a standalone CTAP or to supplement current

disclosures – ESG reports, annual financial reports, CDP, etc. – in order to provide the breadth of information a stakeholder needs to understand a company’s climate journey. However, as indicated, while CTAPs should be publicly shared and annually updated, they are not another form of backward-looking disclosure – they are specific, forward-looking, and near-term action plans.

1. FOUNDATIONS FOR CORPORATE CLIMATE ACTION AND CREATING CTAPS

CTAPs are near-term plans focused on the priorities and actions a company will take to achieve their climate goals in line with a 1.5°C pathway. Before a company can develop a CTAP – and before either a company or a stakeholder can determine if a CTAP is sufficient – the company should establish the core foundations, including disclosing their Scope 1, 2, and 3 emissions and setting and disclosing the 1.5°C targets that the CTAP seeks to achieve.

There are other elements which set the context for how prepared a company is for a CTAP and that help identify where a company’s CTAP might need to focus in a given year. For example, if a company reviewing this checklist realizes that it has not tied executive compensation to its climate goals, its CTAP may identify this as an action for the current year. Then, the next time the company fills out this checklist, it will see that this is complete and move onto another action under ‘Business Strategy Integration & Governance.’

The Foundations for Creating CTAPs checklist on pages 12-14 is not meant to be a disclosure framework, rather it is an efficient tool for companies and stakeholders to use when assessing whether a company is equipped to create a CTAP (foundational elements) and, if so, potential areas of focus (contextual elements).

1 FOUNDATIONS FOR CREATING CTAPS CHECKLIST

Company Action	Resources
FOUNDATIONAL ELEMENTS	
<input type="checkbox"/> Have you calculated and publicly disclosed your scope 1, 2, and 3 emissions?	Guidance: <u>The Greenhouse Gas Protocol</u> CDP Questionnaire: C4.2c, C6.1, C6.3, C6.5, C10.1 GFANZ Guidance Section: Metrics and Targets
<input type="checkbox"/> Have you published a near-term 1.5°C-aligned target?	Guidance: <u>SBTi Near Term Criteria</u> CDP Questionnaire: C4.1, C4.1a, C4.1b, C4.2 GFANZ Guidance Sections: Metrics and Targets and Foundations
<input type="checkbox"/> Have you published a long-term 1.5°C-aligned net zero goal?	Guidance: <u>SBTi Net-Zero Standard</u> CDP Questionnaire: C4.1a, C4.1b GFANZ Guidance Section: Foundations
CONTEXTUAL ELEMENTS EMISSIONS REDUCTION STRATEGY	
<input type="checkbox"/> Have you identified your largest emissions sources and assessed all technologically and financially feasible mitigation opportunities?	Guidance: <u>The Greenhouse Gas Protocol</u> CDP Questionnaire: C5.2, C6.1, C6.3, C6.5, C10.1
<input type="checkbox"/> Have you assessed what investments you need to take to reduce emissions in line with your targets and have you disclosed the methodology used to determine how future capital expenditures will align with your 1.5°C targets?	Guidance: <u>Climate Disclosure Standards Board: Accounting for climate</u> CDP Questionnaire: C3.4, C3.5 GFANZ Guidance Sections: Metrics and Targets and Implementation Strategy; 1. Activities and decision-making
<p>The following are typical emissions reduction strategies that companies should plan for and invest in to meet their targets. Please check all that are relevant to your company and sector that you have considered. This is not an exhaustive list and sector-specific guidance should be consulted.</p> <input type="checkbox"/> • Have you redesigned products and services to reduce emissions and/or created new products or business lines? <input type="checkbox"/> • Are you engaging your supply chain in climate efforts? <input type="checkbox"/> • Have you set renewable energy procurement targets and strategies? <input type="checkbox"/> • Have you set energy efficiency targets and strategies? <input type="checkbox"/> • Have you set fuel switching and electrification targets and strategies? <input type="checkbox"/> • Have you set zero emission fleet targets and strategies?	Guidance: see appendix for sector-specific resources CDP Questionnaire: C4.2, C4.5, C12.1, C12.2, C8 module GFANZ Guidance Sections: Engagement Strategy and Implementation Strategy

1 FOUNDATIONS FOR CREATING CTAPS CHECKLIST

Company Action	Resources
CONTEXTUAL ELEMENTS EMISSIONS REDUCTION STRATEGY continued	
<input type="checkbox"/> If an emissions reduction strategy is limited by technical or financial feasibility, have you defined what other actions your company should take, such as policy advocacy, to address these limitations?	Guidance: see public policy guidance box on page 9 CDP Questionnaire: C12.3 GFANZ Guidance Sections: Engagement Strategy; 2. Industry and 3. Government and public sector
<input type="checkbox"/> Have you identified the just transition implications of the emissions reduction strategies you are deploying?	Guidance: see public policy guidance box on page 9 GFANZ Guidance Sections: Foundations and Implementation Strategy; 1. Activities and decision-making and 2. Policies and conditions
CONTEXTUAL ELEMENTS BUSINESS STRATEGY INTEGRATION & GOVERNANCE	
<input type="checkbox"/> Have you conducted and published the results of climate scenario analysis for physical, financial, and transition risks from various climate change scenarios (e.g., business as usual, 3-4°C, orderly or disorderly transition scenario) and opportunities from a 1.5°C scenario?	Guidance: <u>TCFD Knowledge Hub's The Use of Scenario Analysis in Disclosure of Climate-related Risks and Opportunities</u> and <u>Climate Disclosure Standards Board's Accounting for Climate</u> CDP Questionnaire: C3.2 GFANZ Guidance Sections: Implementation Strategy; 1. Activities and decision making and 2. Policies and conditions
<input type="checkbox"/> Does your board have oversight and competence on climate-related issues?	Guidance: see business strategy integration guidance box on page 8 CDP Questionnaire: C1.1 GFANZ Guidance Section: Governance; 2. Skills and culture
<input type="checkbox"/> Is executive compensation tied to performance against goals?	Guidance: see business strategy integration guidance box on page 8 CDP Questionnaire: C1.3 GFANZ Guidance Section: Governance; 1. Roles, responsibilities and remuneration
<input type="checkbox"/> Do you have organizational structures in place that bring together and incentivize units – the financial team, government and investor relations, research & development, and procurement & supply chain relations, etc. – to address and act on your company's climate goals and plan?	Guidance: see business strategy integration guidance box on page 8 GFANZ Guidance Sections: Implementation Strategy and Governance

1 FOUNDATIONS FOR CREATING CTAPS CHECKLIST

Company Action

Resources

CONTEXTUAL ELEMENTS PUBLIC POLICY

<input type="checkbox"/>	Have you disclosed your lobbying, political giving, and trade association activity as it relates to climate?	Guidance: see public policy guidance box on page 9 CDP Questionnaire: C12.3a, C12.3f GFANZ Guidance Sections: Engagement Strategy; 2. Industry and 3. Government and public sector
<input type="checkbox"/>	Do you have a commitment to ensure policy engagement and advocacy is aligned with the company's 1.5°C targets and a process in place to implement this commitment? Do you have metrics and publicly assess this alignment?	Guidance: see business strategy integration guidance box on page 8 CDP Questionnaire: C12.3 GFANZ Guidance Section: Engagement Strategy; 3. Government and public sector

CONTEXTUAL ELEMENTS JUST TRANSITION

<input type="checkbox"/>	Have you considered potential climate impacts on your employees and customers and the communities in which you operate? Have you defined and used specific metrics to assess and reduce these impacts?	Guidance: see just transition guidance box on page 10 GFANZ Guidance Sections: Governance; 2. Skills and culture and Engagement Strategy; 1. Value chain
<input type="checkbox"/>	Have you developed and publicly shared formal policies to ensure your 1.5°C transition (inclusive of emission reduction strategies and policy advocacy) is aligned with just transition principles?	Guidance: see just transition guidance box on page 10 GFANZ Guidance Sections: Foundations and Implementation Strategy; 1. Activities and decision-making and 2. Policies and conditions



2. CLIMATE TRANSITION ACTION PLAN TEMPLATE

Completing the Foundations for Corporate Climate Action and Creating CTAPs checklist will provide companies with meaningful steps they can take toward strong climate mitigation and bring focus to topics that can become action items in their CTAP.

For companies wanting to supplement their existing climate disclosure with a standalone CTAP, the following template provides companies space to disclose those actions across the **four CTAP components**:

- **Emissions Reduction Strategies,**
- **Business Strategy Integration & Governance**
- **Public Policy,** and
- **Just Transition.**

Given the varied nature of each of these components – and that companies are best suited to plan and implement the most effective emissions reduction strategies for their business – the emissions reduction strategy template is formatted differently than the other two.

Given the short-term nature of CTAPs, companies may find they need to limit the actions they focus on each year. However, we recommend that a company plans at least one action under each component that the company's analysis indicates will put it on a 1.5°C pathway in order to underline the credibility of its plan to stakeholders. We have included additional information that may be useful to companies and their stakeholders including which business units will be engaged, timeline for implementation, investment needed for action, and what potential barriers exist. Answering these during the planning phase will make it easier to share results in the following year's CTAP (see Progress Template on page 21).

2 CREATE A CLIMATE TRANSITION ACTION PLAN TEMPLATE

Near-term actions Current and near-term actions your company is taking to reduce emissions in line with its 1.5°C targets that cover the most relevant emissions sources across all three scopes.	GHG reductions Emissions reduction expected if action is successful (total emissions reduced and percent of total emissions).	Timeline Implementation timeline and partners engaged (internal or external).	Investments Investments planned (type and % of total e.g., of capex and/or opex).	Challenges Potential barriers and how to address them.	Just Transition Just transition considerations applied to this action.
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EMISSIONS REDUCTION STRATEGY

OPEN RESPONSE SECTION

Additional activities or actions to share related to emissions reduction strategy. You may also link to existing disclosures your company has published on these topics to supplement your plans indicated above.	
Concerns or challenges.	

BUSINESS STRATEGY INTEGRATION AND GOVERNANCE

Topics	List of actions	Implementation timeline and partners (if relevant)	Potential barriers and how to address them
<p>Risks and opportunities</p> <p>Current and near-term actions you are taking to address risk management and new opportunities associated with climate change.</p>			
<p>Investments and Business Model</p> <p>Current and near-term actions your company is taking to adjust investments and business model decisions to align with your 1.5°C targets.</p>			
<p>Governance and Accountability</p> <p>Current and near-term actions your company is taking to align governance practice with your 1.5°C targets. These can include but are not limited to actions to tie executive compensation, break down silos among business units, and increase board competencies on climate action.</p>			

OPEN RESPONSE SECTION

<p>Additional activities or actions to share related to business strategy integration & governance. You may also link to existing disclosures your company has published on these topics to supplement your plans indicated above.</p>			
<p>Concerns or challenges.</p>			

PUBLIC POLICY

Topics	List of actions or policies	Implementation timeline and partners (if relevant)	Potential barriers and how to address them
<p>Policy Advocacy</p> <p>Current and near-term actions you are taking to advocate for public policies that support your 1.5°C targets.</p>			
<p>Lobbying and Trade Associations</p> <p>Current and near-term actions your company is taking to ensure all your lobbying and trade association activities are aligned with your 1.5°C targets.</p>			
<p>Specific Policy Levers</p> <p>Top 3-5 policy levers that are needed to help you meet your 1.5°C targets.</p>			

OPEN RESPONSE SECTION

<p>Additional activities or actions to share related to public policy. You may also link to existing disclosures your company has published on these topics to supplement your plans indicated above.</p>			
<p>Concerns or challenges.</p>			

JUST TRANSITION

Topics	List of actions or policies	Implementation timeline and partners (if relevant)	Potential barriers and how to address them
<p>Support for workforce, suppliers, and customers</p> <p>Current and near-term activities to support your existing workforce, suppliers, and vulnerable customers in the net zero transition.</p>			
<p>Stakeholder Consultation</p> <p>Current and near-term activities to consult and implement feedback from your workforce, suppliers, and impacted communities.</p>			

OPEN RESPONSE SECTION

<p>Additional activities or actions to share related to just transition. You may also link to existing disclosures your company has published on these topics to supplement your plans indicated above.</p>			
<p>Concerns or challenges.</p>			



3. CLIMATE TRANSITION ACTION PLAN PROGRESS TEMPLATE

The ultimate evidence that a company's CTAP is working is when the company's emissions are being reduced in line with their 1.5°C targets. This can be easier said than done, as many things influence emissions and sometimes actions need a few years to turn into real emissions reduction. Therefore, we suggest companies report progress in three ways.

First, companies should be reporting Scope 1, 2, and 3 emissions in their current ESG and other public disclosure platforms. This is captured in the checklist on pages 12-14 as a foundational element. Second, companies should be reporting progress against near- and long-term targets.

We have not provided a template for this at this time as SBTi is working on a [progress framework](#) that will build consistency among how companies demonstrate performance against targets.

Third, it is useful for companies and stakeholders to see how actions identified in the previous year's CTAP have materialized. The following template is a simple way companies may go about reporting the results of priority actions.

3

CLIMATE TRANSITION ACTION PLAN PROGRESS TEMPLATE

Results

(insert previous plan priority actions below)

Lists of actions or policy

(insert status and explanation for why it was or was not met and plans to meet it in the near term)

EMISSIONS REDUCTION STRATEGY

BUSINESS STRATEGY INTEGRATION AND GOVERNANCE

PUBLIC POLICY

JUST TRANSITION



HOW TO USE A CTAP TO DRIVE ACTION

CTAPs only work if they are implemented. For companies, the CTAP templates and core components described on pages 11-21 should be useful to identify and drive implementation across their business. For stakeholders, CTAP disclosure provides some evidence that implementation is occurring and insights into where they can support companies along their journey. Showing emissions reduction in line with a company's science-based GHG reduction goals is the ultimate evidence needed to show both companies and stakeholders whether their CTAPs are working, or if they need to be adjusted.

While filling out this template (or otherwise disclosing through CDP) provides great evidence that a company has a plan, it does not guarantee that the plan is sufficient. Stakeholders and companies looking to determine whether a plan is sufficient can look to a range of benchmarks covering different elements within a CTAP.

Our goal is to provide clarity as to what a CTAP is: a tool to move a company from goals to action.

While the guidance and tools provided here can be used by any company to start the CTAP process, companies can and should employ deeper sector-specific guidance when available (see Appendix C for a list of sector-specific guidance).

CTAPs support companies in identifying and implementing specific strategies to achieve their science-based GHG reduction goals – and in effectively communicating these goals with their stakeholders. CTAPs are a means to define near-term action and should help companies, their investors, and other stakeholders begin to assess holistically if their near-term strategies, policy positioning, governance, and other efforts are aligned with a company's stated climate goals, and ultimately support limiting global temperature rise to 1.5°C or below.

BENCHMARKING FRAMEWORKS FOR CORPORATE CLIMATE ACTION

While benchmarking is not the purpose of this report, CTAPs – as a tool that spell out near-term climate action companies are taking in the pursuit of achieving medium- and long-term goals – may be used by investors and other stakeholders to benchmark companies' efforts.

Thus, leading assessment tools that companies can and should reference when creating a CTAP include:

- [Transition Pathway Initiative](#) and the Centre's online tool for Publicly Listed Equities
- [Assessing low-Carbon Transition initiative \(ACT\)](#)'s ACT Assessment
- [Climate Action 100+](#)'s Net Zero Company Benchmark
- [World Benchmarking Alliance](#)'s benchmarks
- [Influence Map](#) and [Responsible Policy Engagement](#) for benchmarks on climate policy advocacy

APPENDICES

APPENDIX A. LANDSCAPE ASSESSMENT AND STAKEHOLDER FEEDBACK

UNIVERSE OF TRANSITION PLAN GUIDANCE EXAMINED FOR THIS REPORT

GUIDANCE REVIEWED

29 ORGANIZATIONS CONSIDERED

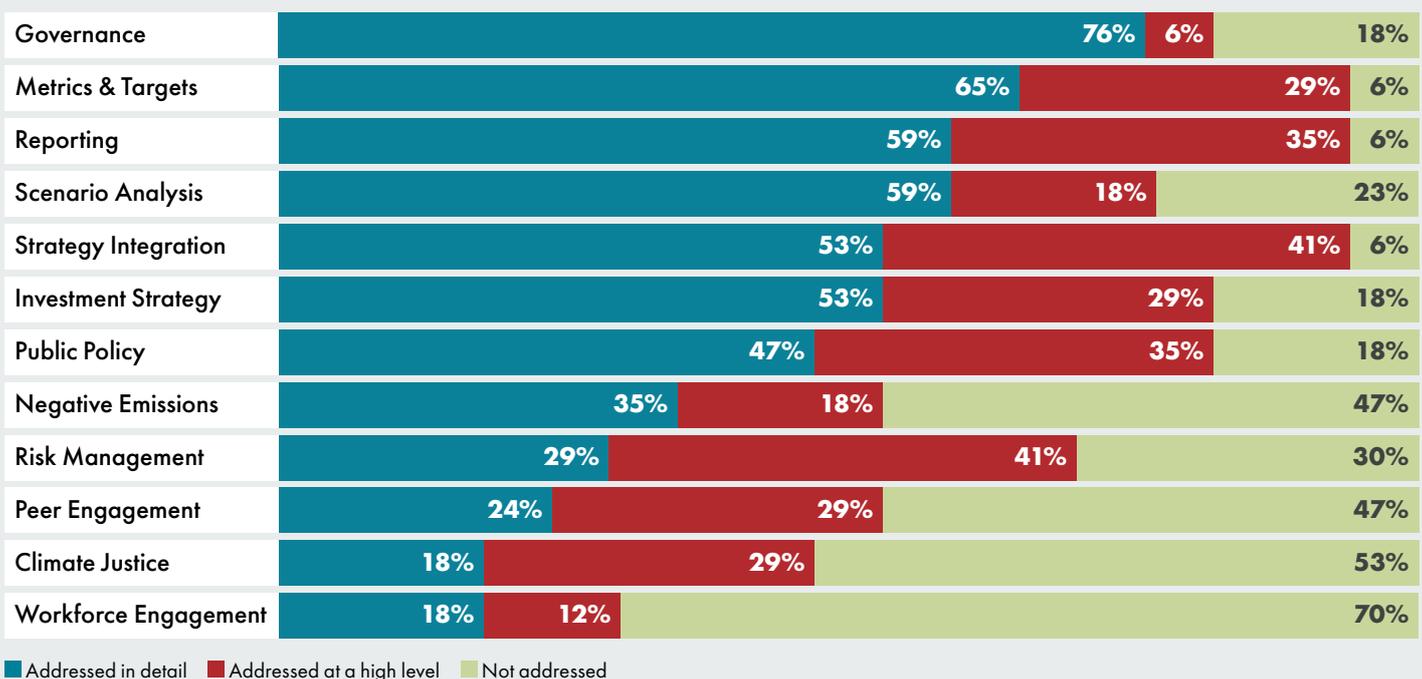
17 ORGANIZATIONS WITH RELEVANT GUIDANCE

31 GUIDANCE DOCUMENTS REVIEWED

ORGANIZATIONS INCLUDED IN ASSESSMENT



FOCUS AREAS OF EXISTING GUIDANCE

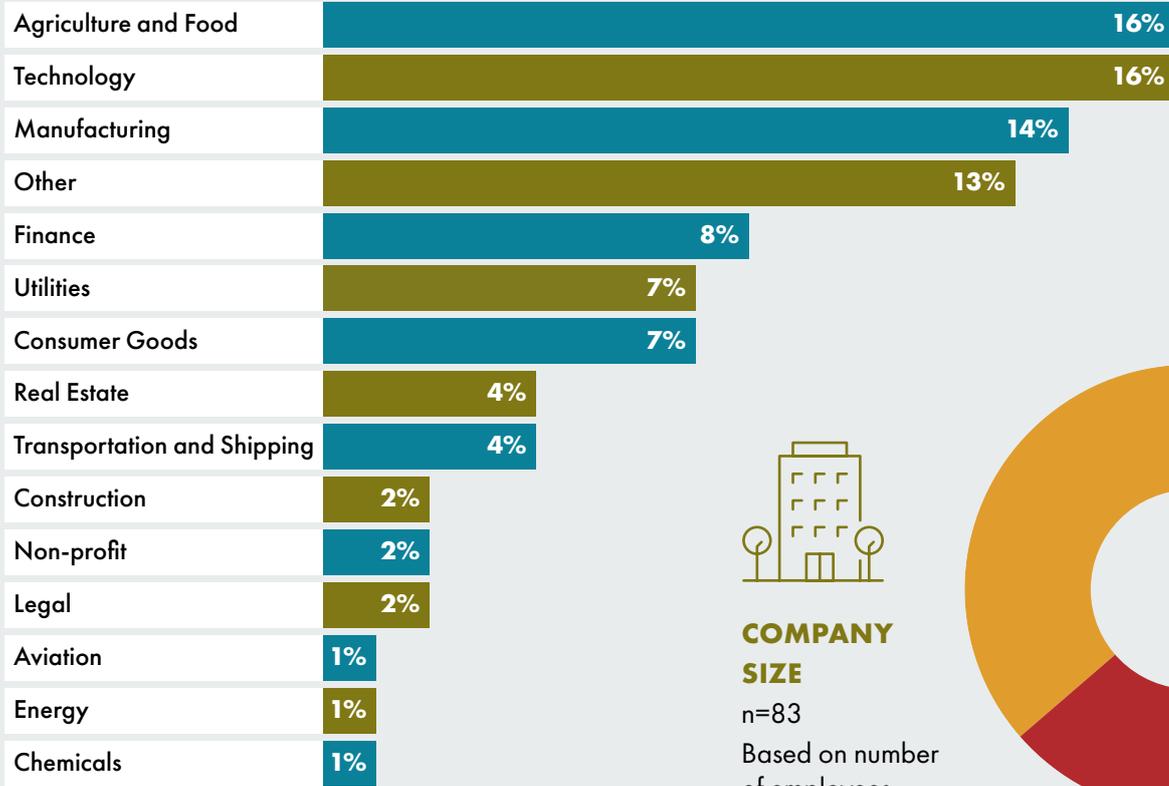


DEMOGRAPHICS OF STAKEHOLDERS INTERVIEWED FOR THIS REPORT

55% OF SURVEY AND INTERVIEW RESPONDENTS **HAVE A CTAP IN PLACE**

INDUSTRY

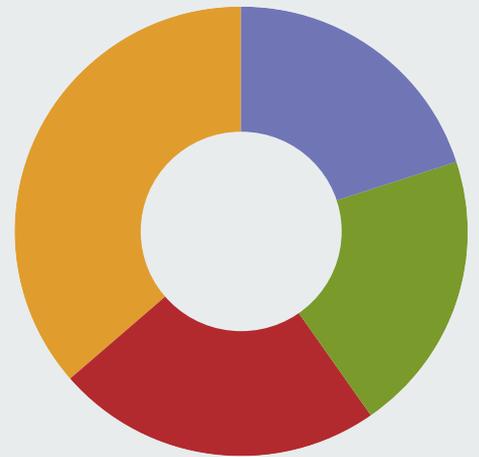
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COMPANY SIZE

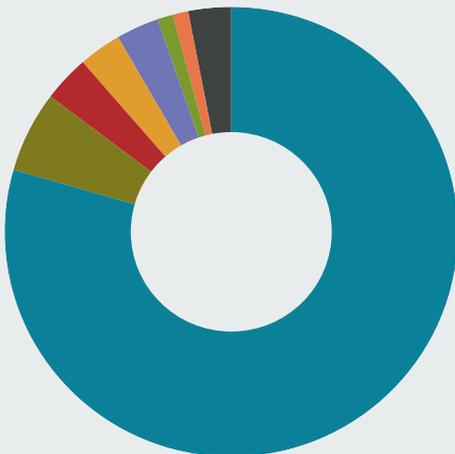
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Based on number of employees



ROLE

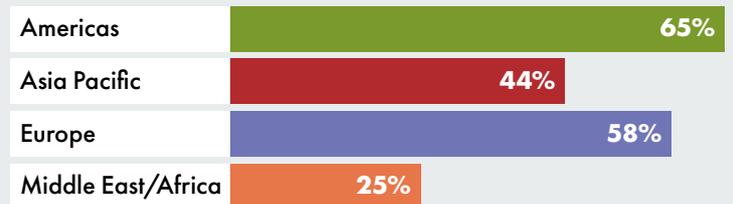
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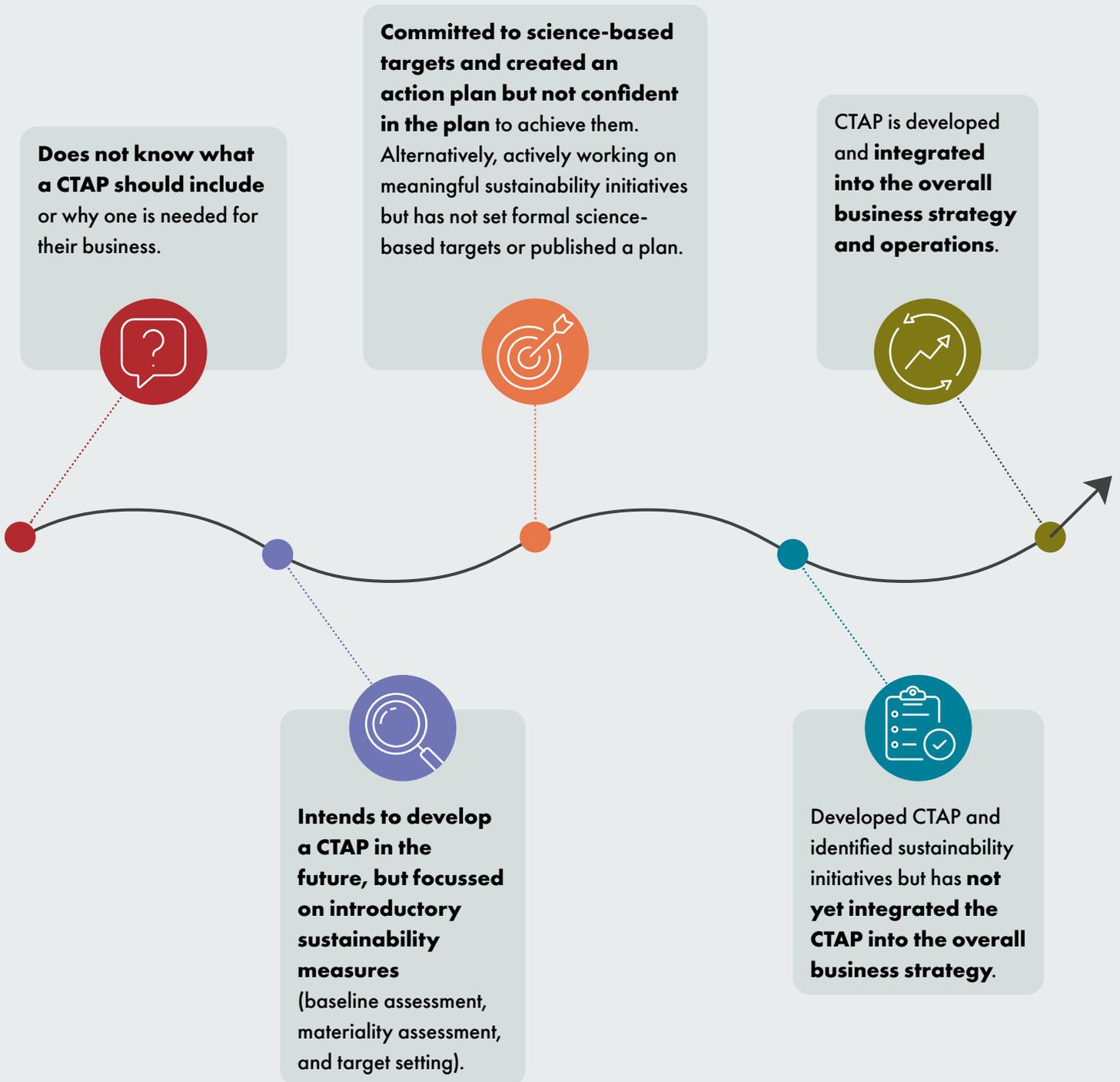
GEOGRAPHY

n=83

Respondent can select multiple options



STAGES OF CTAP MATURITY AMONG COMPANIES SURVEYED



APPENDIX B.

LIST OF GUIDANCE ASSESSED

LANDSCAPE ASSESSMENT POPULATION: INCLUDED ORGANIZATIONS	
Organization	Guidance name
Assessing low-Carbon Transition (ACT)	ACT Step by Step (ACT-S): Methodology
	Assessing low-Carbon Transition (Act-A): Generic
	Assessing low-Carbon Transition: Iron & Steel Sector Methodology
	Assessing low-Carbon Transition: Transport Sector Methodology
	Assessing low-Carbon Transition: Oil & Gas Sector Methodology
	Assessing low-Carbon Transition: Agriculture & Agrifood Methodology (Draft)
CDP	Climate Transition Plan: Discussion Paper
Ceres	Ceres ROADMAP 2030
	The Investor Guide to Climate Transition Plans in the U.S. Food Sector
Children’s Investment Fund Foundation (CIFF)	Essential Components of a Corporate Climate Action Plan
Climate Action 100+ (CA100+)	Climate Action 100+ Approach
	Global Sector Strategies: Investor Interactions to Accelerate Net Zero Electric Utilities
	Global Sector Strategies: Investor Interactions to Accelerate Net Zero Steel
	Global Sector Strategies: Recommended Investor Expectations for Food and Beverage
	Global Sector Strategies: Investor Actions to Align the Aviation Sector with the IEA’s 1.5°C Decarbonization Pathway
Climate Bonds Initiative (CBI)	Financing Credible Transitions: How to ensure the transition label has impact
Climate Safe Lending Network (CSLN)	The Good Transition Plan: Climate Action Strategy Development Guidance for Banks & Lending Institutions: COP26-version (2021)
Committee of Sponsoring Organizations of the Treadway Commission (COSO)	Enterprise Risk Management: Applying enterprise risk management to environmental, social and governance-related risks

continued

LANDSCAPE ASSESSMENT POPULATION: INCLUDED ORGANIZATIONS

Organization	Guidance name
Glasgow Financial Alliance for Net Zero (GFANZ)	The Glasgow Financial Alliance for Net Zero: Our progress and plan towards a net-zero global economy
	Recommendations and Guidance: Financial Institutions Net-zero Transitions Plans
Institutional Investors Group on Climate Change (IIGCC)	Investor Expectations of Steel Companies
Investor Group on Climate Change (IGCC)	Corporate Climate Transition Plans: A Guide to Investor Expectations
	Full Disclosure: Improving Corporate Reporting on Climate Risk
Principles for Responsible Investment (PRI)	Climate transition plan votes: investor briefing (engagement guide)
Science-based Targets initiative (SBTi)	SBTi Corporate Net-Zero Standard
Task Force on Climate-Related Financial Disclosures (TCFD)	Recommendations of the Task Force on Climate-related Financial Disclosures
	Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures
	Guidance on metrics, targets and Transition Plans
Transition Pathways Initiative (TPI)	Methodology and Indicators Report
United Nations Framework Convention on Climate Change (UNFCCC)	Race to Zero Criteria 2.0
World Business Council for Sustainable Development (WBCSD)	Vision 2050: Time to Transform

APPENDIX C.

SECTOR-SPECIFIC GUIDANCE FOR DECARBONIZATION TO SUPPORT CTAP DEVELOPMENT

This report is meant to provide sector-agnostic guidance on the key elements of a Climate Transition Action Plan (CTAP). However, companies should use sector-specific guidance as available in creating and implementing plans to reach their climate goals. Sector-specific resources include:

- Climate Action 100+ [Global Sector Strategies](#)
 - [Electric Utilities](#)
 - [Steel](#)
 - [Food and Beverage](#)
 - [Aviation](#)
- Mission Possible Partnership's [Sector Transition Tools](#)
 - Aluminum, Concrete and Cement, Chemicals, Steel, Aviation, Shipping, Trucking
- Assessing low-Carbon Transition (ACT) [Methodologies](#)
 - Generic, Autos, Electric Utilities, Retail, Cement, Transport, Oil & Gas, Buildings, Real Estate, Property Developers, Iron & Steel
- Investor Group on Climate Change, [Corporate Climate Transition Plans: A guide to investor expectations](#) (Appendix B)
 - Oil and Gas; Power and Utilities; Steel; Food, Beverage and Forestry; Transport; Mining; Cement
- TCFD [Knowledge Hub](#)
 - (With sub industries): Financial; Agriculture, Food, and Forest Products, Consumer, Energy, Materials and Buildings, Transport, Tires
- World Business Council for Sustainable Development (WBCSD)
 - [Pathways](#): Built Environment, Energy, Food and Agriculture, Products and Materials, Transport and Mobility
 - [Sustainable Development Goal Sector Roadmaps](#): Utilities, Chemicals, Forests, Oil & Gas, Tires
- McKinsey Sustainability, ["Decarbonizing the world's industries: A net-zero guide for nine key sectors"](#)
- Ceres [Investor Guide to Climate Transition Plans in the U.S. Food Sector](#)
- Environmental Defense Fund (EDF) [Ambitious Climate Mitigation Pathways for U.S. Agriculture and Forestry: Vision for 2030](#)
- Princeton University/Net-Zero America [Potential Pathways, Infrastructure, and Impacts](#) for the electric power sector
- International Energy Agency (IEA) [Recommendations of the Global Commission on People-Centred Clean Energy Transitions](#) for the electric power sector

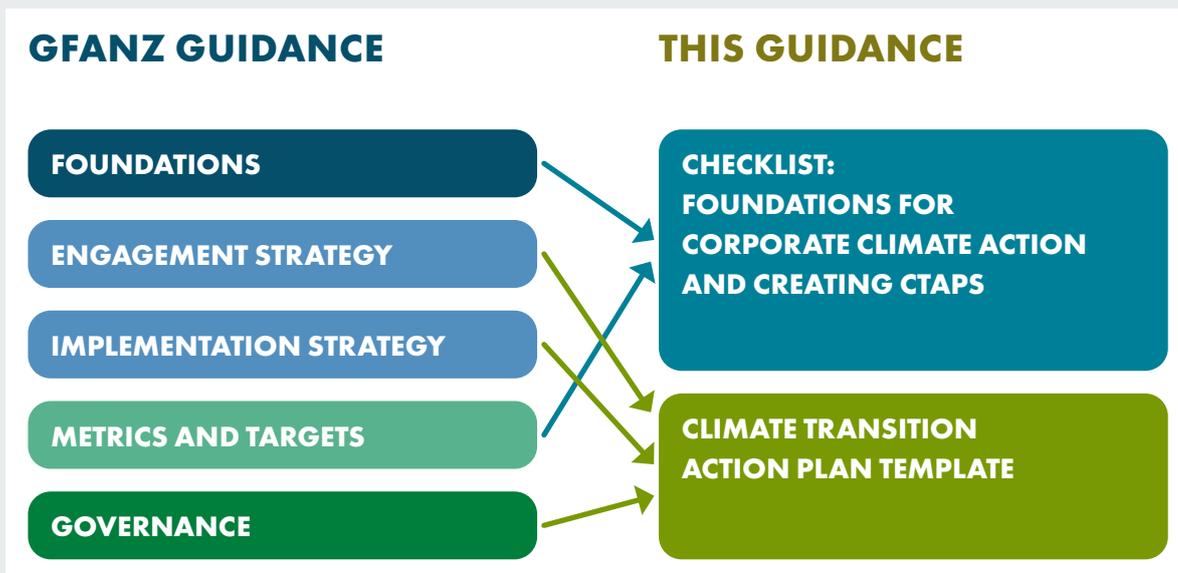
APPENDIX D.

COMPARISON OF CHECKLIST AND TEMPLATE TO GFANZ'S EXPECTATIONS FOR REAL-ECONOMY TRANSITION PLANS GUIDANCE

The guidance contained in this report and in GFANZ's [Expectations for Real-economy Transition Plans](#) are well-aligned, however the approach to organizing the content differs. Based on feedback from companies and investors we have taken a purposeful approach in defining the bounds of a transition plan to be laser focused on **near-term actions**.

This report equips companies with 1) a "checklist" to ensure they have the foundations in place to create a CTAP (e.g., verified, science-based targets and metrics for these and other goals *and then, with those foundations in place*, 2) a "CTAP template" that focuses on specific, near-term actions companies plan to take.

Together the checklist and the CTAP template cover the same elements highlighted in GFANZ guidance, as can be seen in the following figure.





www.wemeanbusinesscoalition.org



www.cdp.net



www.ceres.org



www.edf.org