Investor Group on Climate Change

Submission to the Treasury

Climate-related transition planning guidance

24 September 2025

About IGCC

The Investor Group on Climate Change (IGCC) is a not-for-profit network representing institutional investors across Australia and New Zealand. Our 103 members collectively manage over $4.5 trillion in assets locally, including the retirement savings of more than 15.8 million Australians in addition to millions of New Zealanders. We are actively engaged in public policy that helps investors minimise9 the risks and seize opportunities of Australia's transition to a net zero, climate resilient economy.

Summary of response

IGCC supports Treasury's development of transition planning guidance. Investors will use the guidance to inform their own transition planning and to scrutinise company transition plans, informing investment strategies. IGCC's recommendations for Treasury in refining this guidance are:

- Develop guidance that acknowledges the institutional investor sector as both users and preparers of climate-related financial disclosures (CRFD). This should be developed in partnership with asset owners and use the guidance currently under development for CRFD as an input once completed. The guidance could consider portfolio-wide transition strategies, investor specific levers and investors' business model and value chain.
- Provide consistent and whole-of-Government guidance on the need to engage with uncertainty in transition planning and forward-looking statements. This includes Treasury guidance on transition plans as well as from ACCC and ASIC. Without this, preparers may default to overly conservative or generic disclosures that fail to provide the strategic insights investors require for informed decision-making.
- Highlight key accountability elements for credible transition planning including governance, resourcing, responsible policy engagement and advocacy.
- Strengthen the role of adaptation and resilience as core interconnected components of climate transition planning.

IGCC collaborates with several partner organisations including ACSI, RIAA, ASFI and the Transition Planning Working Group convened by Climateworks Centre and EEC. IGCC welcomes the opportunity to engage with Treasury together with these groups to assist with the next stages of developing the guidance. Please contact us for more information.

Francesca Muskovic
Francesca.Muskovic@igcc.org.au
Executive Director of Policy, IGCC

Responses to Consultation Questions

Part A: Proposed approach for the transition planning guidance

Question 1: Do you support transition plan preparers being the target audience for using the guidance?

Yes, IGCC agrees the guidance should target transition plan preparers. The guidance should also acknowledge how different audiences will interact with it, including policy makers, regulators, standard setters and consumers. Investors will use this guidance to inform their own transition planning, as well as assist in the scrutiny of corporate transition plans.

Investors, both domestic and international, will use company transition plans to identify investment opportunities and assess how climate risks and opportunities are being managed by investees, making credible transition plans a central component of Australia's ability to attract foreign capital.

It would be helpful if the guidance also acknowledged how preparers of different size, capacities and from different sectors will engage with the material, and the role expert service providers play in the preparation of transition plans.

Question 2: Do you have feedback on the proposed design principles that underpin the draft guidance?

Internationally aligned

IGCC supports Treasury’s alignment with the International Financial Reporting Standards Foundation’s Transition Planning Taskforce Disclosure Framework (IFRS TPT Disclosure Framework). The more widely adopted this framework is, the more comparable entities’ disclosures are likely to be.

This positions Australian companies competitively to attract capital as the framework aligns with Australia’s ISSB S2 and our mandatory climate-related disclosure regime. It will also assist investors in comparing company disclosures across global portfolios.

Supports domestic decarbonisation and adaptation

IGCC supports this principle, though notes the limitation of a domestic focus.

The guidance provides an opportunity to draw a clear connection between the Government’s climate targets, sector specific plans, and policies to drive decarbonisation and adaptation, and the response of companies to these settings.

The opportunity for companies is to draw on credible, government-backed modelling of relevant sector pathways and demonstrate alignment of their corporate strategies to reduce scope 1, 2 and 3 emissions. The flip side of that is that in some hard-to-abate sectors, companies are much more reliant on government policies to underpin their efforts. This will highlight where public policy is evolving and over time should provide an important feedback loop to policymakers, who can compare transition plans and disclosures across sectors to help identify persistent barriers to action and policy gaps.

IGCC notes that many companies have global value chains and operate across jurisdictions. Australia's export-dominated economy means that this principle may inadvertently miss where the substantive climate impacts lie, in the end use of exports and scope 3 emissions.

While domestic decarbonisation is crucially important, the guidance would benefit from further acknowledgement of Australian companies' role in markets beyond Australia by encouraging entities' reference to policy settings in other jurisdictions. Guidance that encourages Australian companies to focus on domestic emissions, *as well as* the role they play in the global transition, would contribute to strengthening Australia's climate resilience.

From an investors' perspective, prioritising real-economy decarbonisation helps ensure transition plans focus on emissions reduction through business transformation rather than simply shifting carbon liabilities elsewhere through divestment or offsetting. This approach builds long-term resilience for Australia's economy by encouraging organisations to fundamentally adapt their operations for a low-carbon economy instead of relying on solutions that don't address the underlying carbon intensity of their business model.

Finally, IGCC suggests further emphasis under this principle on adaptation and resilience that highlights adaptation and resilience as core interconnected components of climate transition planning. Suggested language can include 'while the guidance focuses on climate transition, it recognises that climate transition and adaptation are fundamentally interconnected'. This approach acknowledges that physical climate risks could disrupt decarbonisation strategies and that adaptation measures are imperative from a business continuity perspective.

IGCC commends the guidance in Part B, explicitly drawing out adaptation as a key area of transition planning and improving climate resilience, as well as the examples provided on how organisations may embed adaptation and resilience in their approach.

Balances ambition and flexibility

It is appropriate to recognise companies are subject to a changing policy, regulatory and fiscal environment, but flexibility should not be framed as being in opposition to ambition.

Companies' transition plans and disclosures will be compared to that of their peers, subject to the same uncertainty and changing landscape. In that regard, transition plans should be viewed as another form of business planning that will necessarily evolve over time to meet emerging challenges and opportunities. This should not be seen or explained as a constraint to ambition.

Climate first but not only

N/A (covered by others - ACSI and RIAA)

Question 3: Are there other principles or considerations the guidance should prioritise and why?

IGCC strongly encourages Treasury to engage directly with ACCC and ASIC to communicate consistent whole-of-Government guidance that encourages robust and credible transition plans.

This should provide clarity and reassurance on liability in relation to uncertainty regarding transition planning and forward-looking statements. In the UK, Client Earth have provided a legal opinion to alleviate concerns that corporate transition plan disclosure increases legal liability.[1]

Treasury should acknowledge preparers' concerns regarding compliance and regulatory risks associated with forward-looking statements in the transition planning guidance. Transition plans are inherently forward-looking disclosures that require organisations to develop strategies and processes addressing uncertain transition-related conditions, including evolving policy, climate science, and regulatory landscapes.

To enable robust and decision-useful transition plans, preparers need regulatory clarity and confidence that good-faith forward-looking disclosures with reasonable grounds will not expose them to enforcement action when assumptions or scenarios do not materialise as anticipated. IGCC welcomes ASIC's regulatory guidance, RG 280 Sustainability reporting[2], which summarises legislative and regulatory requirements in this area.

As IGCC has previously highlighted,[3] for institutional investors, their forward-looking transition plans contain an inherently high degree of uncertainty as they do not have direct control over activities of the underlying investments, exposing them to potentially unforeseen climate-related risks and opportunities.

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[1] 2025, Client Earth, Transition plan disclosure a climate and market imperative, not a legal trap, say lawyers
[2] 2025, ASIC, RG 280 Sustainability reporting
[3] 2025, IGCC, Submission to ASIC consultation on CP 380: Sustainability Reporting

Without more detailed guidance and examples on forward-looking statements, IGCC is concerned preparers may default to overly conservative or generic disclosures that fail to provide the strategic insights users require for informed decision-making.

4) If you are an end user of transition plan disclosures, are there additional considerations you would like to see included?

- Section 3 on Engagement Strategy excludes shareholders and investors. These are important stakeholders and should be included.
- Section 1 describes Just Transition as 'complementary', although for some economically significant sectors there are elements of Just Transition which would not be described as complementary. For example, workforce transition may be an essential component of a business strategy to pivot towards decarbonisation where significant business transformation is required. IGCC suggests a materiality assessment of Just Transition risks and explanations of how material risks will be addressed should be included in company transition plans, in line with previous IGCC thought leadership setting out investor expectations of corporate just transition planning[4].

Question 5: Do you intend to use the International Financial Reporting Standards Foundation's Transition Plan Taskforce (IFRS TPT) disclosure framework to either develop your organisation's transition planning or for investment and lending decisions? What other alternative frameworks do you intend to use?

The IFRS TPT Disclosure Framework provides transition plan preparers with useful guidance on structuring disclosures. Investors also reference The Net Zero Investment Framework (NZIF)[5]. NZIF is the most widely used resource by investors to develop their individual net zero strategies and transition plans, most recently updated in June 2024.

NZIF offers a comprehensive and rigorous framework for investor net zero investment strategies and targets, covering most of the major asset classes in an average investor portfolio. It is the most widely adopted framework by investors to set targets and produce net zero strategies. NZIF supports transition strategies that support investors to finance decarbonisation of the real economy. The latest version incorporates three years of practitioner experience.

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[4] 2024, IGCC, Investor Expectations for Corporate Just Transition Planning. This guidance includes reference to a range of best practice frameworks.

[5] 2024, IGCC, NZIF 2.0 : The Net Zero Investment Framework

Question 6: Are there areas where you think the guidance should be more prescriptive and/or are there areas where you think it should it be more flexible and why?

Referring to comments under Question 3, IGCC requests more specific guidance to address concerns regarding liability in the context of data uncertainty and forward-looking statements.

Question 7: Do you see a need for further sector-specific guidance? If so, what additional advice would you consider beneficial and where do you see a role for government?

Referring to comments under Question 4, guidance on sectors where Just Transition considerations are most material would be useful to set company expectations and direct investor focus on disclosures.

Beyond this, IGCC suggests guidance for investors – both asset owners and asset managers. IGCC notes there is work currently underway to finalise guidance for asset owners for CRFD and suggests this work should be finalised and used as a starting point for guidance on transition planning. IGCC would be willing to support in the development of investor-specific guidance, along with other representative groups including ACSI, RIAA and ASFI, drawing on our experience working with institutional investor members.

Further specific guidance for asset owners and asset managers

Although investor climate transition plans and company climate transition plans share the overarching goal of addressing climate change, they have distinct focuses and components due to the different roles of corporates and investors in the economy.

As both users and preparers of climate-related financial disclosures, investors face the dual challenge of developing their own transition plans while simultaneously assessing and responding to the transition plans of their investee companies. This creates additional complexities in target setting, strategy development, and implementation, but there is less high-quality guidance available for investors in the market than there is for companies.

IGCC recommends developing sector-specific guidance that acknowledges the institutional investor sector context, both as key stakeholders in implementing Australia's sustainable finance strategy; and as participants in Australia's mandatory climate-related financial disclosures regime.

Some key areas of transition planning where further advice in guidance for institutional investors could be beneficial include portfolio-wide transition strategies, investor-specific levers and business model and value chain.

As noted above, drawing on guidance currently under development for CRFD and the existing sector-specific guidance developed by the Transition Plan Taskforce for asset managers and asset owners, is encouraged. IGCC has been working with members for several years on investor-specific net zero strategies and transition plans and would be willing to contribute.

Question 8: Please provide any additional feedback from a transition plan preparer, user or broader stakeholder perspective on the direction and design of the guidance.

The government recently accepted the Climate Change Authority's (CCA) advice to adopt a 2035 emissions target of 62-70 per cent reduction on 2005 levels. CCA emphasised the top of the target range is possible with existing technology and increased policy ambition. IGCC suggests Treasury's guidance highlight the need for transition plans to align with the top end of ambition, appropriately identifying policy dependencies and gaps.

Part B: Specific feedback on the Draft Transition Planning Guidance

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

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

Refer to comments under Question 3.

Amend language in guidance that constrains ambition

In some areas, IGCC is concerned that language and emphasis used is likely to limit preparers from reflecting on the scale of change required for a net zero transition, including forward-looking scenarios.

At present, the language and emphasis in guidance may inadvertently see preparers take a less ambitious, cautious approach to planning that is anchored to existing policy settings, i.e. that is 'achievable'.

In contrast, there are fewer examples where language and emphasis in the guidance encourages more forward-looking, transformative planning and systemic change that effective transition requires.

Examples IGCC highlights include:

- Page 13 Foundations: Notably sub-sections 'Considering domestic policies' and 'Considering international agreements'
- Page 20 Implementation strategy: *'An effective implementation strategy ensures the strategic ambition of the plan is not only aspirational but also achievable.'*
- Pages 21, 22 Implementation strategy: *'Organisations should consider all current policies when developing their implementation strategy.'*

'Organisations should identify in their transition plans where decarbonisation levers are driven by or align with government policies, as well any underlying assumptions or dependencies.'

'Organisations should consider government adaptation policies when identifying adaptation risks and opportunities… Australian federal, state and territory, and local governments are taking significant steps in advancing adaptation'

The guidance appropriately emphasises leveraging and considering Australia's current policy settings as an important foundation, but effective transition planning requires forward-looking scenario analysis.

For example, from an investor user perspective of transition plans, assessing and understanding whether investees have made realistic assessments of required policy support is essential. Guidance that encourages preparers to identify the policy conditions necessary for success and how they can actively engage key stakeholders best placed to introduce these, supports a more comprehensive approach to transition planning.

This approach would also encourage preparers to assess the systemic change needed to transition to a net-zero economy and more strategically consider their role within the system in reducing economy-wide emissions, and contributing to the transformative systemic change that effective transition planning requires.

Highlight the need for credible scenario analysis

IGCC welcomes the reference to scenario analysis on p. 17 as part of the foundations for an entity's transition plan. The recent release of the National Climate Risk Assessment (NCRA) provides another important reference point for investors who will expect companies to incorporate this data into their own scenario analysis in managing physical risks.

IGCC supports transition planning that aligns with credible reference pathways, ensuring one of which is consistent with 1.5C.

Alignment of capital allocation and lobbying activities

Governance is a core component of an effective transition plan. The draft guidance points out that governance contributes to an effective transition plan by ensuring '*accountability and coordination, helping the transition plan stay on track and its integration with broader organisational goals and processes*.'

The IGCC recommends adding to the governance section of the guidance two critical accountability pillars to support the credibility of an entity's transition plan:

- **Capital allocation** – How companies allocate capital underpins the success of their transition to net zero. Investors want credible granular evidence that companies are supporting delivery of transition plans through appropriate sourcing, management and deployment of capex and opex. IGCC has published guidance on how companies can demonstrate alignment of capital deployment with transition plan objectives.[6]

- **Lobbying activities** – Direct or indirect lobbying should be consistent with an entity's objectives. Investors expect evidence of policies and procedures to ensure periodic assessment of the company's lobbying activities and those of entities the company is associated with (e.g. industry bodies), incorporating remedial action where lobbying activities may undermine or contradict the company's transition plan objectives or climate policies. IGCC recommends the Responsible Climate Lobbying Standard[7] included for reference.

b) Is the level of proposed detail sufficient? If not, what additional advice or detail would you like to see provided in the guidance and in which sections and why?

Refer to comments under Question 3.

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

More detailed guidance and examples on forward-looking statements that meet ASIC's expectations would provide much greater certainty and comfort to preparers. Without this, IGCC is concerned preparers may default to overly conservative or generic disclosures that fail to provide the strategic insights users require for informed decision-making.

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

Yes. Please see the following suggestions:

Under **standards and expectations:**

- IGCC's 'Incentivising Climate Action with Executive Remuneration in Australia[8]'
- IGCC's 'Financing Australia's Corporate Climate Transition: Capital Alignment Principles for Corporate Decarbonisation'[9]

Under **Sector Specific Materials:**

- The Investor Agenda's 'Investor Action Plans (ICAPs) Expectations Ladder'[10] and accompanying guidance[11]

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[6] 2025, IGCC, *Financing Australia's Corporate Transition*.
[7] See https://climate-lobbying.com/
[8] 2024, IGCC, Incentivising Climate Action with Executive Remuneration in Australia
[9] 2025, IGCC, Financing Australia's Corporate Climate Transition: Capital Alignment Principles for Corporate Decarbonisation
[10] 2023, The Investor Agenda, Investor Action Plans (ICAPS) Expectations Ladder
[11] 2024, The Investor Agenda, Investor Action Plans (ICAPS) Guidance on using the expectations ladder

ICAPs provides investors with clear expectations for issuing and implementing comprehensive climate action plans (also known as Transition Plans, Roadmaps etc). The tiered ladder sets out a summary of encouraged actions over four tiers, from those beginning to think about climate (Tier 4) to the net zero standard-setters (Tier 1) in four interlocking areas: investment, corporate engagement, policy advocacy, and investor disclosure. Governance is a cross-cutting theme across all four areas. The framework is neutral to the tools, approach and methodologies investors choose to adopt and is aligned with evolving expectations and established frameworks (e.g. NZIF, SBTi FI, AOA TSP). The accompanying ICAPs Guidance enables investors to interpret the ICAPs Expectations Ladder. It helps investors self-assess where they are on the ladder to understand the specific climate actions they can take to strengthen their approach and make further progress.

Under **Assessment methodologies:**

- IIGCC, AIGCC, Ceres and IGCC's 'The Net Zero Investment Framework 2.0.'[12] NZIF offers a comprehensive and rigorous framework for investor net zero investment strategies and targets, covering most of the major asset classes in an average investor portfolio.

  Updated following three years of practical implementation and extensive consultation with over 200 investors, NZIF 2.0 is an evolution of the original framework and guidance and includes:

  - Financed emissions: A repositioning of the new Portfolio Decarbonisation Reference Objective clarifies how it was originally envisaged to support portfolio alignment. The update intends to better support the NZIF's emphasis on 'financing reduced emissions' rather than 'reducing financed emissions'.

    Investor experience has shown that focusing on financed emissions alone can have perverse outcomes, such as dissuading investment in climate solutions at a time when the mobilisation of capital to finance these areas should be encouraged.

  - Asset class and thematic guidance: There is new guidance for Sovereign Bonds, Real Estate, and Private Debt, in addition to the inclusion of guidance published after the NZIF launched in 2021 for Infrastructure and Private Equity.

  Other notable improvements include new emissions performance criterion for listed equities and corporate fixed income, and new certificate deposits guidance to support net zero cash management.

[12] 2024, IGCC, NZIF 2.0 : The Net Zero Investment Framework

NZIF 2.0 also summarises best practices shared by investors, collected from three years of implementation, converting them into more than 40 potential actions an investor can choose to take.

- SBTi Financial Institutions Net-Zero Standard[13] – recently released this sector-specific guidance complements the Corporate Net-Zero Standard currently listed in the appendix.

[13] 2005, SBTi, Financial Institutions Net-Zero Standard