



Transition Planning Toolkit



Contents



Foreword

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Climate change is widely recognised as being among the most material financial risks facing businesses and one that will transform business models over the long term. The intensification of natural hazard risk is causing increased interruption and damage. Meanwhile, public policy and regulation in many countries is shifting with increased urgency and speed to align with a lower carbon economy.

From a business perspective, climate change is, fundamentally, a question of long-term business strategy and board stewardship. This is no longer just about the future but the risks, challenges and opportunities that companies face today.

Companies that opt for a ‘business as usual’ approach will be ignoring the changing operating landscape and the potential forces at play, such as:

1. The **competitive threat** presented by competitor organisations who are already preparing for the transition to a lower carbon economy. These include organisations who are improving business efficiency, organisations who are offering more climate resilient products and services, and organisations who are using their leadership on the climate transition to attract new customers and increase their market share.
2. The **risks of supply chain disruptions and higher material costs** resulting from climate change.
3. The **threats and the opportunities presented by changing expectations** – from customers, investors and regulators – as attitudes shift to align with a lower carbon economy.

In many ways, climate change is one of many key issues driving financial risk and opportunity. As such, boards have a duty to address climate change with the same diligence and attention as they would any other major risk. Yet, for many boards, climate change is a relatively new and complex issue; it requires them to grapple with the question of their responsibility (and liability) for externalities, and to deal with scientific, macroeconomic and policy uncertainties across a whole range of time scales, from the here and now through to many decades into the future.

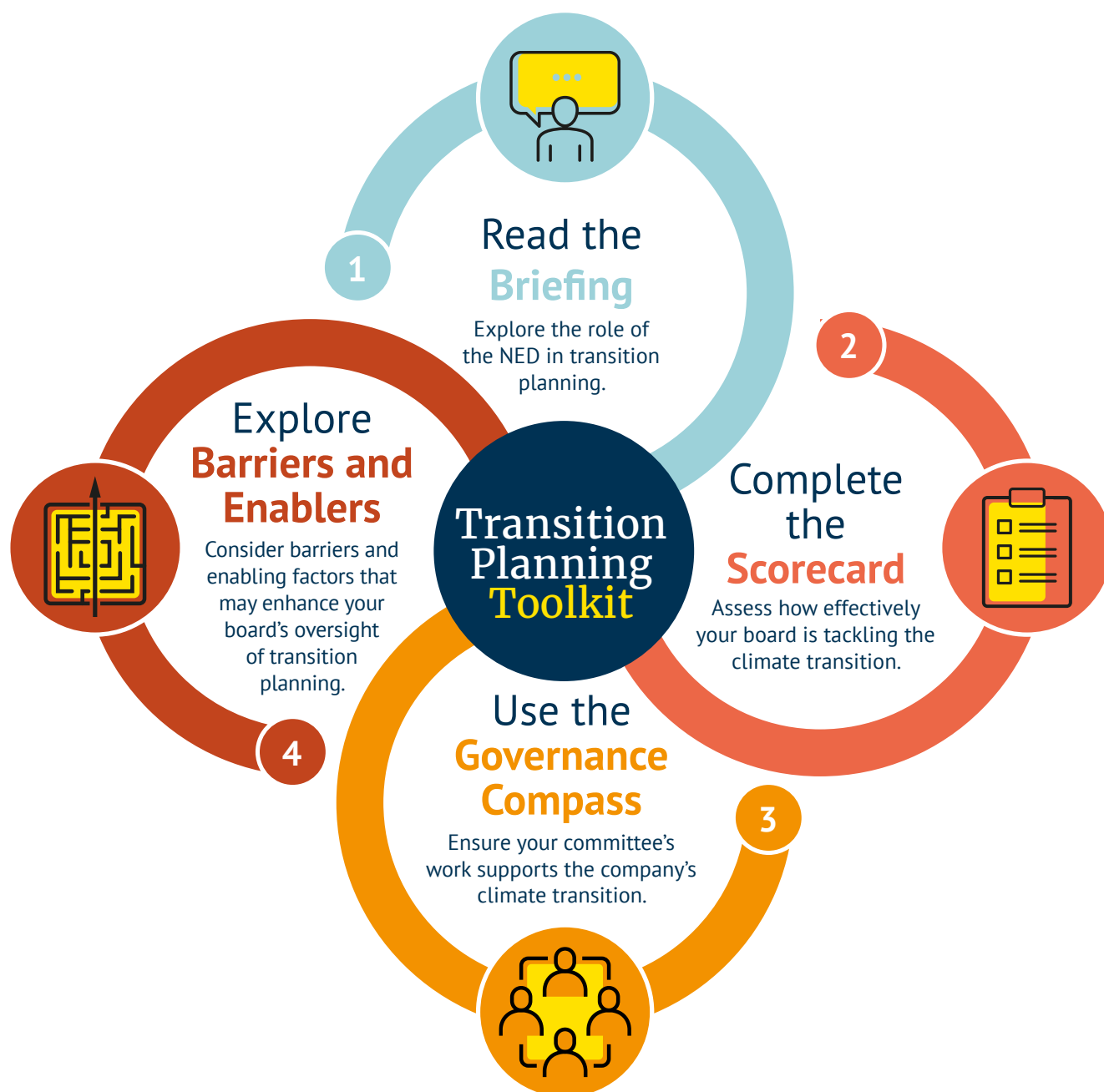
Chapter Zero’s Transition Planning Toolkit has been designed to assist non-executive directors (NEDs) in navigating the transition to a lower carbon economy by anchoring climate strategy within the discussion of business strategy. Part 1 (‘Briefing’) enables NEDs to explore transition planning within the context of the regulatory and reporting landscape. Part 2 (‘Scorecard’) provides a practical tool that allows Boards to assess how effectively they are responding and contributing to a climate-resilient economy. Part 3 (‘Governance Compass’) can be used in board committee meetings to ensure that the committee’s work considers, aligns with and supports the company’s strategic ambition and transition plan. Finally, Part 4 (‘Barriers and Enablers’) discusses the barriers (and how these might be addressed) to developing and delivering on the company’s transition plan.

The toolkit enables NEDs and their boards to effectively integrate climate transition into their overall business strategy and operations, thereby helping them to build resilience and to strengthen business continuity and long-term sustainability.

As Julie Baddeley, Chair of the Board, Chapter Zero, attests:

“The Transition Planning Toolkit recognises that a plan which integrates climate action into business strategy will not be static and will need to be updated as both internal and external challenges and opportunities shift. Investors recognise this iterative nature of transition planning. The overall message from the Transition Plan Taskforce approach is to encourage companies to get started and publish now, recognising the need to adapt as things change.”

Transition Planning Toolkit User Journey



Transition Planning Toolkit

This Transition Planning Toolkit is designed to support you as a NED, and your board, in overseeing the development and delivery of a credible transition plan.



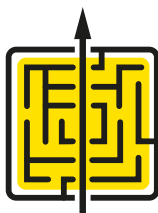
Read the 'Briefing' to explore transition planning within the context of the UK climate-reporting landscape and the key role of the NED in transition planning.



Complete the 'Scorecard' to assess how effectively your board is responding and contributing to a transition to a low-greenhouse gas emissions, climate resilient economy, and to gain insight into your readiness for transition plan disclosures.



Use the 'Governance Compass' in your board committee meetings to ensure that your committee's work considers, aligns with and supports the company's Strategic Ambition and transition plan.



Read 'Barriers and Enablers' to consider and prepare for the barriers to developing and delivering on the company's transition plan, and to understand enabling factors and processes that may enhance this delivery.

Briefing

This toolkit is designed to give non-executive directors (NEDs) an understanding of transition planning and to equip NEDs to guide the development and delivery of credible transition plans.

The toolkit is aligned with the Transition Plan Taskforce Disclosure Framework and Implementation Guidance.



Transition Planning

We will need a fundamental transformation of business and finance if we are to successfully transition to a low greenhouse-gas emissions, climate-resilient economy. Every company will need to think carefully about what the transition means for them. They will have to think strategically about how they can protect and enhance long-term value by responding and contributing to a whole-of-economy transition.

High-quality transition plans enable management teams to develop, communicate and operationalise their climate strategies. A transition plan can focus attention, highlight key issues to be escalated to the board and instigate fundamental change in the business strategy.

Under existing law and regulation, UK-listed companies and most other UK-registered companies and LLPs with more than 500 employees are expected to make climate-related disclosures in line with the recommendations of the global Taskforce on Climate-related Financial Disclosures (TCFD).

In the case of listed companies, the UK Financial Conduct Authority (FCA) expects disclosure of transition plans and directly references relevant TCFD guidance. The FCA has signalled its intention to strengthen these regulatory expectations.

In particular, the FCA intends to consult in Q1 2025 on amending its rules to require reporting against disclosure standards issued by the International Sustainability Standards Board (ISSB), once these have been endorsed for use in the UK. At the same time, the FCA also intends to consult on strengthening its expectations for listed companies' transition plan disclosures, with reference to the Transition Plan Taskforce (TPT) Disclosure Framework.

Referencing the TPT Disclosure Framework in this way will be consistent with the direction of travel in the international reporting landscape. The IFRS Foundation announced in June 2024 that it will assume responsibility for the disclosure-specific materials developed by the TPT and will use these to develop educational materials.

In the meantime, the FCA has encouraged listed companies to familiarise themselves with the ISSB Standards and start to report voluntarily against them. The FCA has previously also encouraged listed companies to engage early with the TPT Disclosure Framework and consider reporting on a voluntary basis; the UK Government will also be consulting on how the UK's largest companies can most effectively disclose their transition plans in alignment with the UK's Green Finance Strategy.

What is a transition plan?

“A climate-related transition plan is 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.”

Source: IFRS S2 Appendix A

The Transition Plan Taskforce

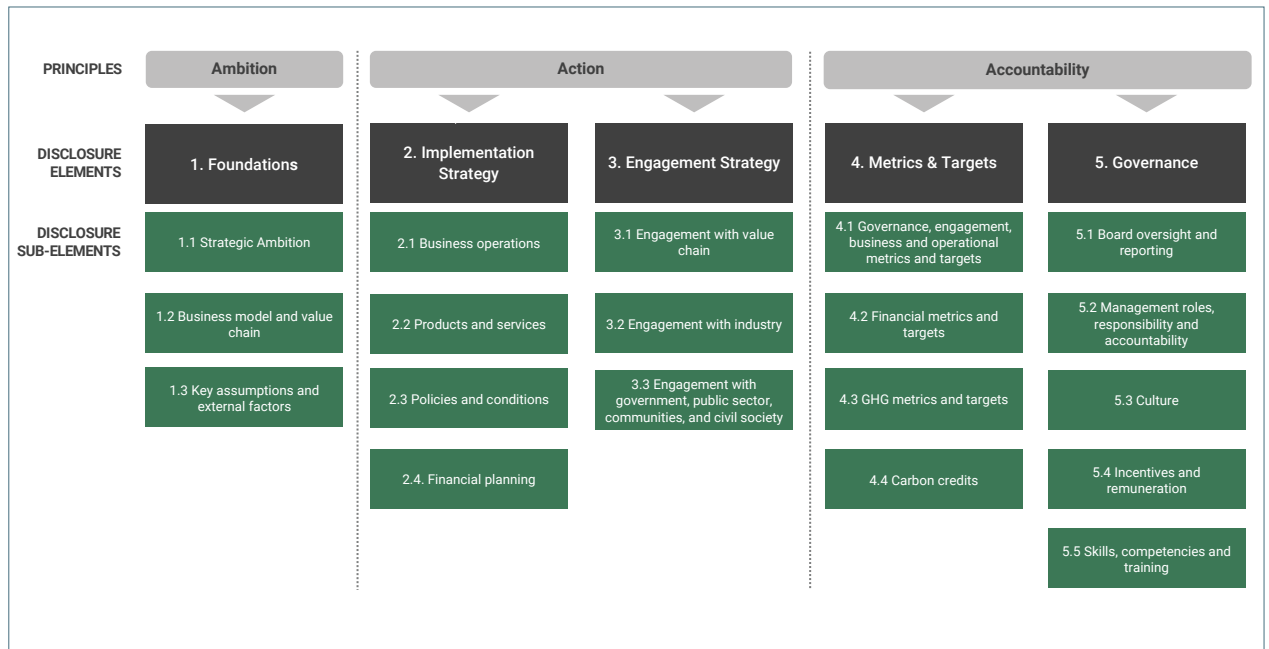
The TPT, a UK government initiative with extensive industry representation was launched in April 2022 to develop the 'gold standard' for private sector climate transition plans. In October 2023, the TPT issued the final [TPT Disclosure Framework](#) (the 'what') and online [Implementation Guidance](#) (the 'how'). In April 2024, the TPT published additional resources, including deep-dive guidance for seven sectors as well as thematic advisory papers on adaptation, nature, just transition and SMEs. These materials are now available via the [IFRS' Knowledge Hub](#).

The TPT Disclosure Framework was developed through a collaborative effort drawing from the wide range of expertise across the market, with over 100 organisations across finance, business, civil society, government and academia having supported the development of the framework and over 600 organisations engaged in testing its robustness.

The TPT has ensured international consistency, having regard to the recommendations of the TCFD and the ISSB and aligning with, and drawing on, the Glasgow Financial Alliance for Net Zero (GFANZ) framework for credible, comprehensive and comparable net zero transition planning. Reflecting this, in June 2024, the IFRS Foundation announced that it will assume responsibility for the disclosure-specific materials developed by the TPT and will use these to develop educational materials.

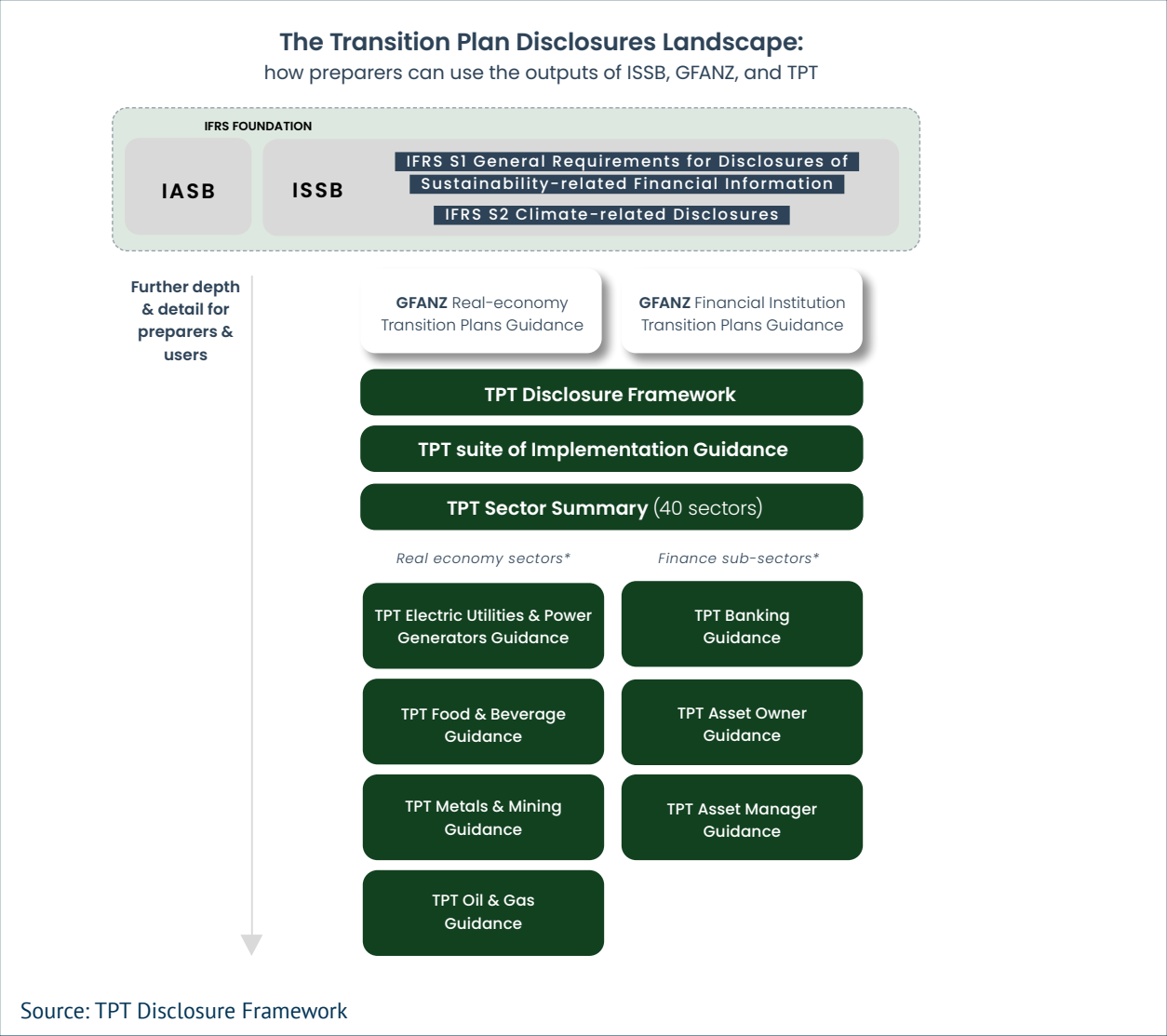
The TPT builds from the definition of a climate-related transition plan set out in the ISSB's climate disclosure standard (IFRS S2 Appendix A), recommending that a good practice transition plan will set out an entity's Strategic Ambition for responding and contributing to the transition towards a low GHG-emissions, climate-resilient economy.

The TPT Disclosure Framework



Source: TPT Disclosure Framework

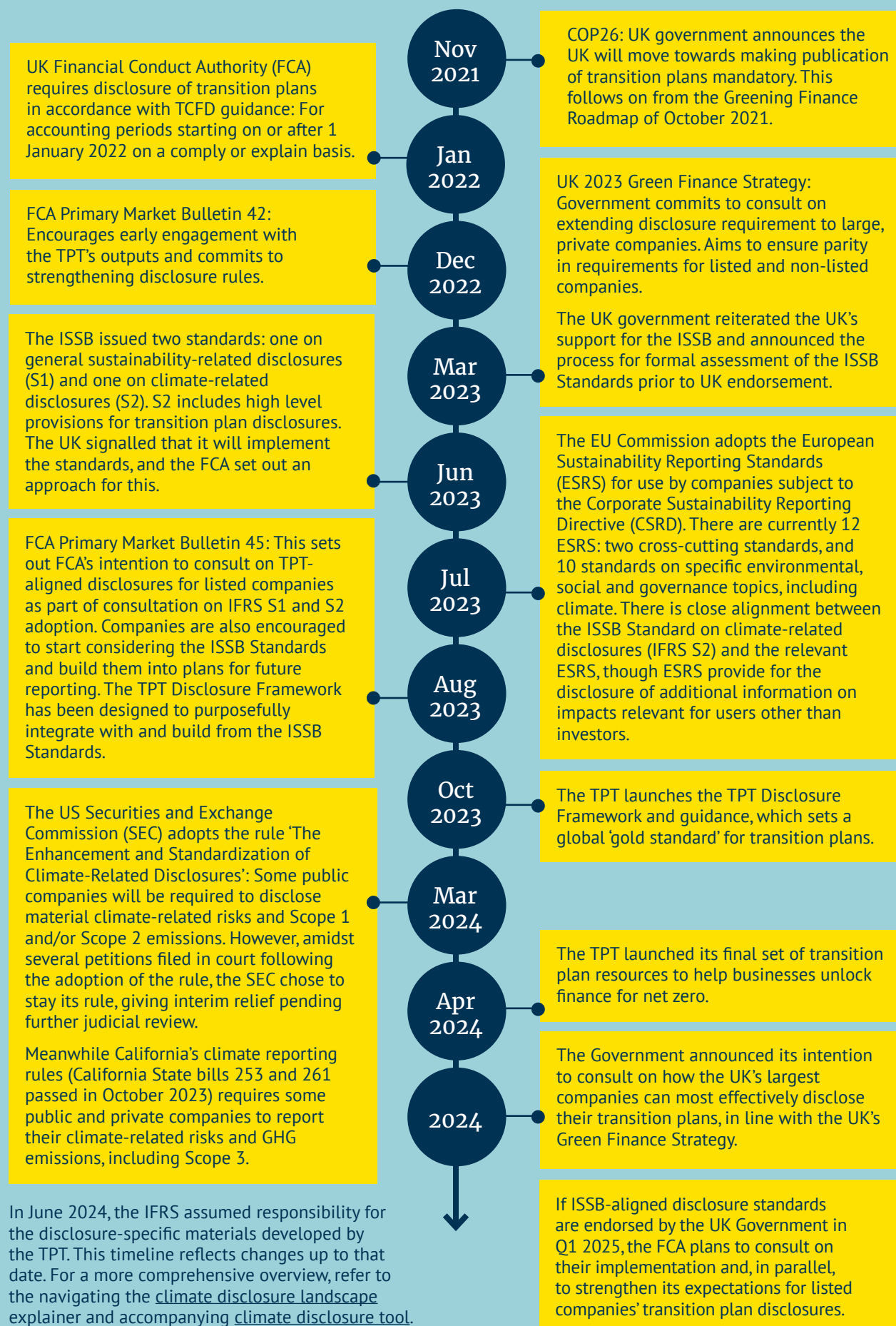
The GFANZ and TPT frameworks provide additional depth and detail to help preparers report effectively on transition-related disclosure requirements in the ISSB standards.



Note: The TPT resources are now available via the [IFRS' Knowledge Hub](#), including:

- the Disclosure Framework
- interpretative guidance on the Disclosure Framework and case studies
- guidance for companies on how to start or continue their transition planning journey (the 'transition planning cycle')
- technical mappings between the Disclosure Framework and the ISSB Standards and TCFD Recommendations, and a comparison between the Disclosure Framework and the European ESRS Standards
- sector summary with high-level guidance for 30 sectors across the economy
- sector-specific guidance for Asset Owners, Asset Managers, Banks, Electric Utilities & Power Generators, Food & Beverage, Metals & Mining and Oil & Gas
- a document examining legal considerations for companies preparing plans using the Disclosure Framework
- advisory papers on adaptation, nature, just transition and SMEs
- a paper on the opportunities and challenges of transition plans in emerging markets and developing economies

Transition planning and the reporting landscape for UK companies





Reporting against the Taskforce for Climate and Financial Disclosures (TCFD) framework is in force and mandatory for most large UK firms from 2022. TCFD sets a framework for climate-related financial disclosure based on four pillars: Strategy, Governance, Risk Management and Metrics & Targets.

In July 2023, the FSB asked IFRS Foundation to take over the TCFD's responsibilities from 2024, noting that the TCFD recommendations had been absorbed into the ISSB Standards.



In October 2023, the Transition Plan Taskforce (TPT) published its final disclosure framework and implementation guidance. Responsibility for the disclosure-specific materials developed by the TPT has now been assumed by IFRS, and these materials can be found on IFRS' Knowledge Hub. It is expected that the UK FCA will consult on the inclusion of the TPT guidance when implementing the ISSB standards.



In 2023, the International Financial Reporting Standards (IFRS) Foundation's International Sustainability Standards Board (ISSB) issued two Sustainability Disclosure Standards: one on general sustainability-related disclosures and one on climate-related disclosures.

Reporting under ISSB will initially be voluntary, although ISSB's goal is that international regulators will endorse the standards for mandatory use worldwide. In May 2024, the UK Government announced that it is aiming to endorse ISSB by Q1 2025. The International Organization of Securities Commissions has endorsed the ISSB standards and encouraged securities regulators around the world to adopt them in their legal and regulatory frameworks.

Voluntary:

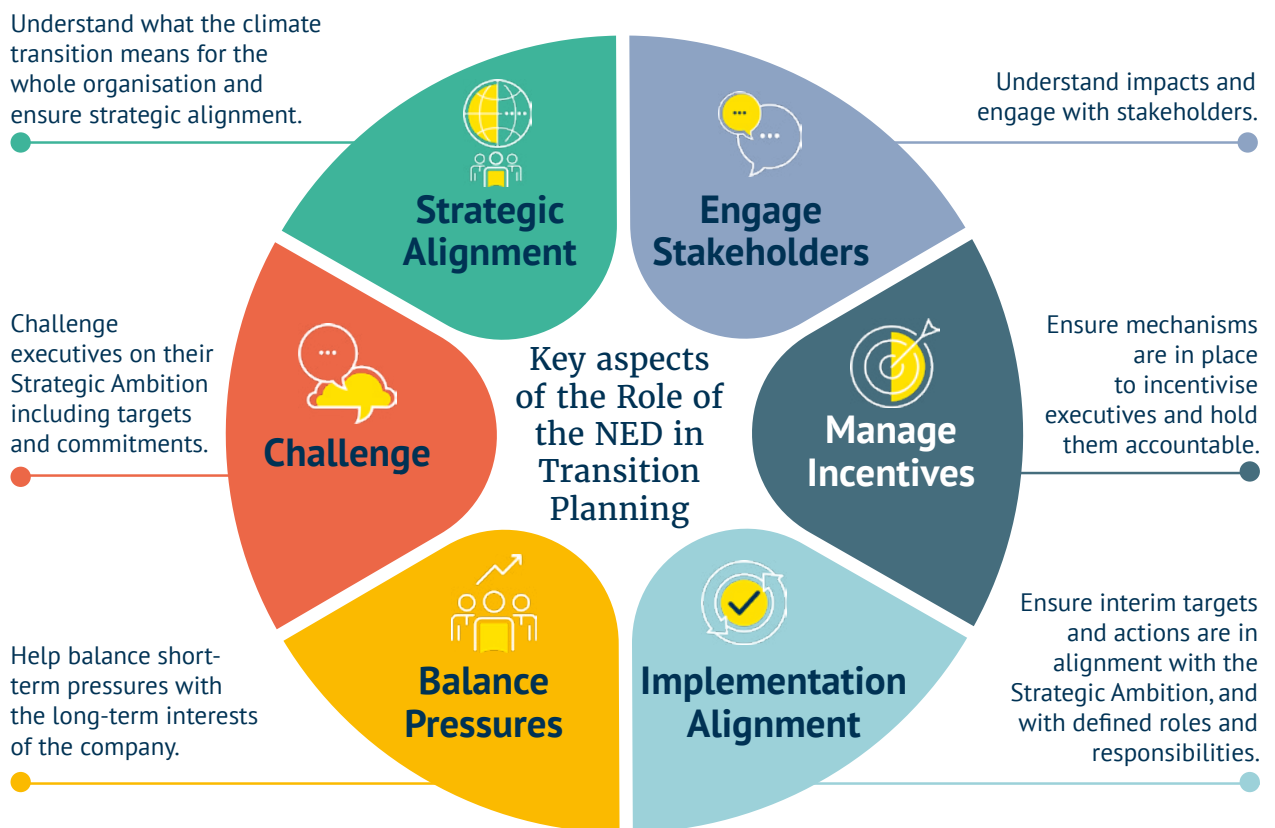
Companies have the option to use voluntary disclosure frameworks, including CDP, GRI and the recommendations on the Task Force on Nature-Related Financial Disclosures (TNFD). Disclosing to these standards and frameworks helps organisations be transparent and take responsibility for and action on impacts on climate, nature and other interlinked sustainability issues. In line with the UK Government's May 2024 announcement, the FCA is encouraging companies to familiarise themselves with the ISSB Standards and suggesting they consider starting to report voluntarily against ISSB Standards prior to the conclusion of the UK ISSB endorsement process.



As a NED, what is your role in Transition Planning?

Transition planning will impact the core direction of travel for your company, and as a NED you need to be involved. Many of your existing responsibilities as a NED are relevant in the context of climate-related risk and opportunity, and transition planning. These include shaping the strategy and development of the business, financial planning, oversight and disclosure.

As a NED, you are particularly well positioned to mobilise the development of a transition plan given your ability to bring an independent voice and perspective to the board, and your access to a peer network which is also engaged in the process.



“ Because transition planning is an exercise in fundamental business change, it falls squarely in the territory of board oversight.”

Ashley Alder, Chair of the FCA

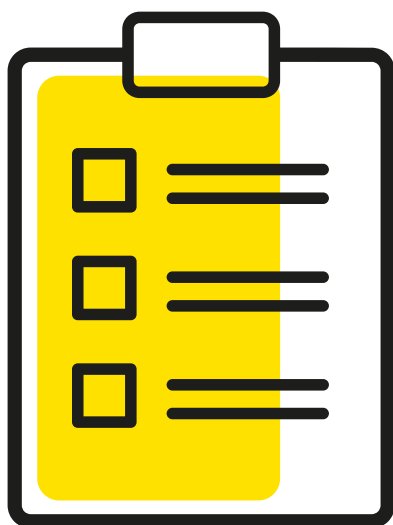
Scorecard

The Transition Planning Scorecard

Complete the Transition Planning Scorecard to help assess how effectively your board is responding and contributing to the transition to a low GHG-emissions and climate-resilient economy.

For boards embarking on their transition planning journey, commence with the 'Getting Started' questions as a first step. In answering these questions, establish whether your board has the essential foundations for effective board oversight of transition planning.

As the company progresses on the journey, the Transition Planning Scorecard serves as a valuable tool. This tool enables board members to help steer the company in developing its transition plan in accordance with the TPT guidance.



Why use the scorecard?

- It will indicate how well you think your board is responding and contributing to the transition.
- It will help you develop an understanding of the TPT Transition Planning Cycle and your role in overseeing this process.
- You can use the results to capture impressions from board members to enable a good discussion.
- It can help identify gaps to be addressed, different viewpoints and challenges to be overcome.

How to use the scorecard?

- To complete the scorecard, you need to answer a total of 20 questions. These are split across the four iterative stages of the [TPT Transition Planning Cycle](#): Assess/Re-assess, Set your ambition, Plan your actions, Implement your plan.
- Once you have completed the scorecard, save the PDF as a new document if you wish to come back to your results later, otherwise your answers will be lost.
- The questions are designed to help you assess how effectively your board is tackling the climate transition.
- Ideally your whole board would complete the scorecard so that you can compare results.

The scorecard is not intended to be exhaustive. It is designed to capture and encourage debate in the boardroom.

Getting Started

Stage 1: Assess or Re-Assess

1. Is the board regularly updated on the company's climate-related risks and opportunities?
2. Do all board members have a sufficient understanding of transition planning and why it's important for the company?

Stage 2: Set your Ambition

3. Has the board discussed the implications of climate change and the movement to a low GHG-emissions, climate-resilient economy as part of its strategic planning?
4. Has the board set objectives, priorities and targets to contribute to the transition to a low GHG-emissions economy?

Stage 3: Plan your Actions

5. Does the board incorporate climate considerations in short- and long-term decision making?
6. As part of the strategic planning processes are climate-related actions and considerations being applied to operations, and/ or products?

Stage 4: Implement your Plan

7. Is the board monitoring progress on the climate-related actions?
8. Are there discussions or preparations regarding future disclosures and reports related to the company's transition planning?

The TPT recommends that your transition plan clearly articulates your company's ('entity's') Strategic Ambition.

The **Strategic Ambition** comprises the entity's objectives and priorities for responding and contributing to the transition towards a low GHG-emissions, climate-resilient economy. It also sets out whether and how the entity is pursuing these objectives and priorities in a manner that captures opportunities, avoids adverse impacts for stakeholders and society, and safeguards the natural environment.

TPT Disclosure Framework definition

The TPT Transition Planning Cycle

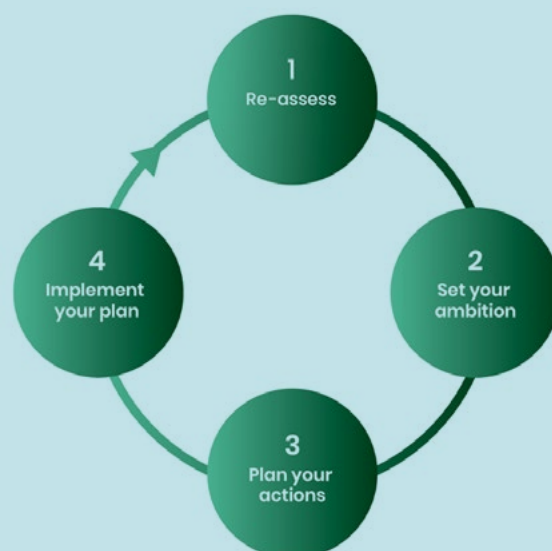
Transition planning is not a 'once and done' activity.

The TPT underlines the need for transition planning to be flexible, dynamic, and responsive to new information and external developments.

Transition plans will have to be regularly reviewed and updated.

Similarly, the actions in the scorecard are iterative. Return to the scorecard periodically as the transition planning process in your company develops.

Note: Although the stages are presented sequentially, you may perform certain activities in a different order.



Source: [TPT Transition Planning Cycle](#)

The Transition Planning Scorecard

Complete the Transition Planning Scorecard. Compare and discuss your results with your board.

Stage 1: Assess or Re-Assess

Assess your current position. Ensure your board is informed and ready to oversee the transition planning process.

Some boards may be at the start of the climate transition planning journey and assessing their position for the first time; others will be re-assessing their position and building on previous work.

1= Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly agree

-
1. The board understands the role of transition planning in responding to and contributing to the transition to a low GHG-emissions, climate-resilient economy.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

-
2. The board is regularly updated on the company's material climate-related risks and opportunities (physical, transition and liability), including the outcomes of scenario analysis.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

-
3. The board has reviewed the assumptions underpinning the assessment of the company's material climate-related risks and opportunities.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

-
4. The transition plan is integral to the overall business strategy.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

-
5. Transition planning is formally integrated into the company's governance structures and processes.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

-
6. The board is aware of or involved in engagement with key stakeholders who may be impacted by the company's transition plan, or on whom successful implementation of the plan depends.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

-
7. The board has reviewed information on the company's GHG emissions footprint across all scopes, including information on data gaps and uncertainties.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

8. The board has reviewed the transition levers* identified by the company to enable the company's own decarbonisation and to influence economy-wide decarbonisation.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

9. The board has reflected on the lessons learned from the company's previous activities on decarbonisation and the transition.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

***Transition lever is a TPT term that relates to the actions available to the company for decarbonising the company, for responding to the company's climate-related risks and opportunities and for contributing to an economy-wide transition.**

Stage 2: Set your Ambition

Challenge your company's Strategic Ambition for responding and contributing to the transition towards a low GHG-emissions, climate-resilient economy.

1= Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly agree

10. The board has reached consensus on the company's Strategic Ambition for responding to and contributing to the transition towards a low GHG-emissions, climate-resilient economy.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

11. The board is satisfied that the company's objectives, priorities and targets are aligned with the Strategic Ambition.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

12. The board is satisfied that the transition plan captures opportunities, avoids adverse impacts on stakeholders and society, and safeguards the natural environment (where possible).

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

13. The board has scrutinised the feasibility of the transition plan, including reviewing key assumptions and assessing the risks to the plan.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

14. The board has reviewed the changes to the business model and value chain which are necessary to deliver the transition plan.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

Stage 3: Plan your Actions

Oversee the implementation and engagement strategy to deliver the transition plan.

1= Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly agree

- 15.** The board understands how the transition plan is being translated into effective company-wide implementation actions.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

- 16.** The board understands the financial impacts of the transition plan.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

- 17.** The board is regularly updated on the company's progress against the metrics and targets set out in its transition plan.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

- 18.** The board is continually developing its knowledge and skills on transition planning.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

Stage 4: Implement your Plan

Support your company to continue or start implementation and disclose the transition plan in line with the TPT Framework. Monitor and report on progress.

1= Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly agree

- 19.** The board actively reviews progress on the implementation of the transition plan.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

- 20.** The board scrutinises and endorses the company's transition plan-related disclosures.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

Interpreting your scores

For each of the 20 questions, individual scores of 5 represent best practice, 4 is good, and 3 is average. Scores of 1 or 2 highlight areas which need attention.

Calculate the total for each of the four sections and overall total out of 100.

	Total
Stage 1: Assess or reassess	
Stage 2: Set your ambition	
Stage 3: Plan your actions	
Stage 4: Implement your plan	
Overall total:	

Using the results

Your results will indicate where to direct your attention and which questions to ask. Ideally get your whole board to complete the scorecard so that you can compare results.

Next steps

-  Invite the rest of your board to complete the scorecard and use it as a basis for discussion.
-  Join a roundtable with other members who have completed the scorecard to compare notes.
-  Link your executive to the [TPT Disclosure Framework and Implementation Guidance](#).
-  Review the UN High Level Expert Group (HLEG) on Net Zero implementation checklists to check for alignment with the [‘Integrity Matters’ Report from the UN HLEG on Net Zero](#). The checklists highlight transition planning as a key step.
-  See also: [The London Stock Exchange has a Climate Governance assessment](#) that provides a measure of companies’ carbon management practices and incorporation of climate change considerations into business strategies. This is a short and useful assessment which provides your self-assessed core against the industry average and the FTSE 100 average.

Governance Compass

The Role of a NED in Transition Planning within Board Committees

Use the 'Governance Compass' tool in your board committee meetings to ensure that your committee's work considers, aligns with and supports the company's Strategic Ambition and transition plan.

Transition planning falls within the remit of the board. While boards cannot delegate responsibility for transition planning to any sub-committee, they often delegate specific tasks to sub-committees.

Beyond the board sub-committees identified under the UK Corporate Governance code: the nomination committee, the audit and the remuneration committee, boards may establish non-mandatory committees, such as a climate committee or sustainability committee.



The Role of the Nomination Committee

The nomination committee plays an important role in ensuring senior management have the right competencies, knowledge and expertise to effectively design, develop and deliver the transition plan, and that the board is equipped to challenge whether the plan prepared by executives is robust and credible.

The nomination committee does this through leading the process of appointments, ensuring plans are in place for orderly succession to both the board and senior management positions and overseeing the development of a diverse pipeline for succession.

Boards hold ultimate responsibility for ensuring the long-term success of the company through strategic planning. Thus, they must anticipate future changes and challenges and take early action to ensure they have the necessary resources to address them – including the expertise and capabilities within the boardroom.

It is important to ensure that your board and senior management with responsibility for the transition plan have, or have access to, the skills, competencies and knowledge required to provide effective oversight of the transition plan.

The nomination committee plays a key role in taking a proactive stance on appointments. By thinking further ahead than the immediate replacement of retiring board members, the nomination committee can more effectively align succession plans and appointments with the company's Strategic Ambition and transition plan.

Six questions for the nomination committee



Built upon the board's prior work integrating the transition plan with the company's overall strategy, these questions act as a framework for structuring nomination committee meeting agendas, and for reporting back to your fellow board members at board meetings.

1	Have we assessed what skillset is required for the board and its committees to challenge whether the Strategic Ambition and the transition plan prepared by executives is robust and credible?
2	Do we reassess the make-up of the board as a result of the company's Strategic Ambition and transition plan?
3	How often is a skills audit undertaken and are we keeping up with the pace of change?
4	Has the skills audit identified gaps in skills, knowledge or experience?
5	Does the nomination committee have recommendations regarding any changes to the composition of the board?
6	Do we take account of the technical skills and knowledge required by the board and committees in the context of transition planning and the evolving climate-related reporting landscape when developing succession plans and recruiting members?

Three key actions for the chair of the nomination committee



1	Lead the alignment of succession plan and board and senior management appointments with the company's Strategic Ambition and transition plan.
2	Liaise with the chair of the board on the outcome of the board evaluation exercise, and/or skills audit, and the identification of gaps and areas of board development.
3	Ensure the nomination committee's reporting in the annual report, including reporting aligned with the TPT Disclosure Framework, provide adequate assurance to investors that the board is competent in overseeing the design, development and delivery of a credible transition plan.

Notes on Disclosure

- The FCA has restated its intention to consult on aligning to UK-endorsed ISSB standards (based on the UK Government's announcement that it aims to endorse ISSB by Q1 2025) and is encouraging listed companies to familiarise themselves with the ISSB standards and consider starting to voluntarily report against them. The FCA has also reiterated its intention to strengthen its expectations for listed companies and the UK's largest companies to disclose transition plans in line with the UK Government's Green Finance Strategy.
- Reporting aligned with the TPT Disclosure Framework should include how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee the transition plan. (TPT sub-element 5.1 – Board oversight and reporting)

References & Resources:

- [The UK Corporate Governance Code, July 2018](#)
- [Guidance on Board Effectiveness, July 2018](#)
- [Sustainability Disclosure Requirements: Implementation Update 2024](#)
- [FCA Primary Market Bulletin 49](#)
- [IFRS: Transition Plan Taskforce Resources](#)



The Role of the Audit and Risk Committee

The audit and risk committee has historically dealt with tasks related to financial reporting, internal controls, risk management, compliance and audit. In the context of an evolving sustainability reporting landscape the role of the audit and risk committee becomes ever more prominent.

How can the audit and risk committee support transition planning?

The audit and risk committee can play a key role in overseeing internal controls over sustainability-related risks and opportunities. The committee may also assist the board in carrying out its responsibilities in relation to sustainability-related disclosures.

The committee may oversee the processes and controls in place to ensure the accuracy and robustness of sustainability-related data. This helps to prepare the company to meet disclosure requirements and supports the development of a high-quality transition plan.

The board and committee should be clear on internal roles and responsibilities in connection to these required disclosures.

The approach taken for assurance may reflect the outcome of a dialogue between investors and the board such that the needs of stakeholders are understood and met.

Potential revisions to audit reform and corporate governance in the UK

In July 2024 during the King's Speech, it was announced that the UK Government intends to strengthen audit and corporate governance by introducing a draft bill – the Audit, Reform and Corporate Governance Bill. The draft bill, which is yet to be published (as of October 2024), may comprise measures to establish a new audit, reporting and governance body.

Prior to this, in 2023, the Financial Reporting Council (FRC) proposed several changes to the UK Corporate Governance Code (the Code), including new provisions related to audit, risk and internal control. Although these changes will not now be made, the audit and risk committee nevertheless has responsibility for overseeing the integrity of narrative reporting, including on sustainability matters, and reviewing any significant reporting judgements.

Where a company commissions assurance or verification of ESG metrics and other sustainability-related disclosures, this should be reported on in the annual report. The TPT Disclosure Framework recommends that the company make certain disclosures about any assurance or verification engagement that it has sought, such as the nature of the engagement and which aspects of the transition plan have been assured or verified.

Ten questions for the audit and risk committee



These questions act as prompts for the audit and risk committee to consider in meeting agendas, and for reporting back to your fellow board members at board meetings.

The committee may consider prompts on non-financial reporting to reference TCFD-aligned reporting along with any supplementary reporting aligned with the ISSB standards and/or the TPT Disclosure Framework. The UK has confirmed its commitment to implement the ISSB standards. The output of the TPT has been designed to lock into future ISSB reporting and applies ISSB corporate reporting norms.

1	Are you satisfied that the company has adequate internal controls over risk, including climate-related risk?
2	Are climate-related risks understood within the broader question of what they mean for the business, and how they shape the company strategy?
3	Are there clear procedures and triggers in place to elevate climate-related risks to the board quickly?
4	Has management undertaken a gap analysis of current TCFD-aligned disclosures and supplementary reporting aligned with the ISSB standards and the TPT Disclosure Framework and is there a plan in place to remediate any gaps?
5	Is the non-financial information used in the disclosures reliable and fit for purpose?
6	What assurance do we require to support the disclosures?
7	How has the board assessed whether the audit and risk committee has a balance of skills and competencies necessary to fulfil its expanding remit?
8	What are the trends in climate-related reporting and regulation that we need to be aware of and for which we need to prepare? Are we doing enough now to prepare for future mandatory disclosure of transition plans, and mandatory assurance?
9	Are the measures to be used in performance-related remuneration science-based and independently verified, particularly in relation to the Strategic Ambition of the transition plan? (This may involve working with remuneration committee)
10	What steps have we taken to ensure that we possess the necessary skills and expertise to effectively fulfil our responsibilities related to the transition plan and sustainability reporting? (This may involve working with the nomination committee.)

Five key actions for the chair of the audit and risk committee



1	Align climate-related oversight activity with the board and other committees.
2	Manage and communicate with stakeholders including investors, to gauge their expectations and needs concerning disclosures and assurance on climate-related disclosures.
3	Emphasise continuous improvement in climate-related disclosures.
4	Set clear expectations for internal and external auditors on non-financial reporting.
5	Consider the right composition of members with the necessary skills.

Notes on Disclosure

- If ISSB-aligned disclosure standards are endorsed by the UK Government in Q1 2025, the FCA plans to consult on their implementation and to strengthen its expectations for listed companies' transition plan disclosures.
- Reporting aligned with the TPT Disclosure Framework should include:
 - how the body(s) or individual(s) considers the transition plan when overseeing the entity's strategy, major transaction decisions, risk management processes and related policies, including if any trade-offs associated with the transition plan have been considered.
 - how the body(s) or individual(s) oversees target setting in the transition plan, and monitors progress towards these targets and the wider strategic ambition of the transition plan.

(TPT sub-element 5.1 – Board oversight and reporting)

Notes on External Assurance

The TPT provide notes on external assurance in its online [implementation guidance](#). Key takeaways:

- The TPT recommendations to include material information related to the transition plan in your general purpose financial report does not change the scope of the statutory audit.
- While external assurance for climate related information is still very nascent, some entities are obtaining external assurance on sustainability-related information, including GHG emissions. Widely used assurance standards include: ISAE 3410, AA1000 Assurance Standard v3; and ISO 14054-3:2019.

- Sustainability-related assurance standards and ethics codes are under development. The International Auditing and Assurance Standards Board (IAASB) concluded its consultation on a Proposed International Standard on Sustainability Assurance (ISSA 5000) in December 2023, which was approved on September 20, 2024. The IAASB plans to publish the ISSA 5000 in December 2024 with guidance and application materials following in January 2025.
- The International Ethics Standards Board for Accountants (IESBA) concluded its consultation on draft International Ethics Standards for Sustainability Assurance (IESSA) and ethics standards for sustainability reporting. IESBA aims to finalise these standards by the end of 2024.
- Reporting aligned with the TPT Disclosure Framework should include if those responsible for executive oversight and delivery of the transition plan use controls and procedures to support transition planning oversight and ensure disclosed information is reliable. Entities must disclose how these controls and procedures integrate with other internal functions and state which aspects of the transition plan are subject to external assurance or verification, including the nature of the assurance or verification. (TPT sub-element 5.2 – Roles, responsibility and accountability).

References & Resources:

- [The UK Corporate Governance Code, July 2018](#)
- [Guidance on Board Effectiveness, July 2018](#)
- [Sustainability Disclosure Requirements: Implementation Update 2024](#)
- [FCA Primary Market Bulletin 49](#)
- [IFRS: Transition Plan Taskforce Resources](#)

The Role of the Remuneration Committee

The remuneration committee plays a pivotal role in aligning remuneration and incentive structures with the company's Strategic Ambition and transition plan.

The company's remuneration program needs to align with the Strategic Ambition of the transition plan to ensure that the interests of executives and other relevant staff are aligned with the successful delivery of the plan.

NEDs on the remuneration committee should ensure that performance metrics are strategically aligned, material to the individual, measurable, clear and transparent. Targets should be appropriately stretching for the relevant individual.

Key Steps towards Effective Executive Compensation

Reference transition plan metrics and targets and market practices to design an effective incentive mechanism and formula.

Engage and seek approval of the committee (and board) over multiple meetings and be prepared for an iterative process.

Design and *metrics selection should be clearly disclosed, showing alignment with strategy and other sustainability-related disclosures.

Review effectiveness and strategic alignment and adjust design, metric(s) and goal(s) over time.

* Transition Plan metrics should be:

- Independently verified
- Science-based
- Relevant/within remit
- Evolving

Relevant Guidance: [WTW's Executive Compensation Guidance for the Climate Transition](#) (pp 15-17), and 2023 Addendum (pp 21-22)

Eight questions for the remuneration committee



Built upon the board's prior work integrating the transition plan with the company's overall strategy, these questions act as framework for structuring remuneration committee meeting agendas, and for reporting back to your fellow board members at board meetings.

1	How are we updating and aligning our executive remuneration policy to strengthen the incentives for the transition plan?
2	How does executive remuneration link to our transition plan and KPIs (metrics and targets)?
3	Do we need to interact with any other parts of the governance structure in respect of risks arising from remuneration?
4	How will any financial and non-financial performance measures support long-term thinking and delivery against the transition plan?
5	Have we considered how the choice of any particular measure may encourage negative behaviour and what steps have we taken to manage such risks?
6	Have we consulted the audit and risk committee on performance measures?
7	What steps have we taken to make sure that any performance measures are stretching and aligned with the ambition of the transition plan?
8	Are the performance measures independently verified, science-based, relevant/within remit?



Five key actions for the chair of the remuneration committee



1	Lead the alignment of remuneration with the delivery of the company's Strategic Ambition and transition plan, and long-term strategic objectives.
2	Engage with stakeholders, including investors and shareholders, to understand their expectations regarding climate-related goals and executive compensation.
3	Monitor the effectiveness of the incentive structure in driving progress toward the Strategic Ambition and transition plan's objectives and be prepared to adjust remuneration structures if they are not effectively driving the desired outcomes.
4	Advocate for clear and transparent disclosure of how remuneration aligns with the Strategic Ambition of the transition plan climate-related goals, both internally and in public disclosures, in accordance with reporting frameworks.
5	Work closely with the chairs of the other committees to oversee benchmarking exercises while still reflecting the Strategic Ambition of the company's transition plan.

Notes on Disclosure

- If ISSB-aligned disclosure standards are endorsed by the UK Government in Q1 2025, the FCA plans to consult on their implementation and is encouraging listed companies to familiarise themselves with the ISSB standards and consider voluntarily reporting against them. The FCA also reaffirmed its plans to strengthen its expectations for listed companies' transition plan disclosures.
- Reporting aligned with the TPT Disclosure Framework should describe:
 - how the entity aligns, or plans to align, its incentive and remuneration structures with the Strategic Ambition of its transition plan, and may include information about: the metric(s) used, whether the metric(s) is within the short-term and/or long-term incentive plan(s), the typical percentage weighting of the transition plan-related metric(s) within the incentive plan for the executive population and the percentage of total executive remuneration that is linked to transition plan-related metric(s).
 - whether and how incentive and remuneration structures for employees across the organisation are aligned with the Strategic Ambition of its transition plan, including whether it has applied a consistent approach or whether it has taken a differentiated approach for specific teams or roles.

- The TPT provides an [example](#) of how a construction materials company discloses information relevant to governance processes, including on remuneration in [Explore the Disclosure Recommendations](#).

References & Resources:

- [The UK Corporate Governance Code, July 2018](#)
- [Guidance on Board Effectiveness, July 2018](#)
- [Chapter Zero - Climate action and remuneration: A pocket guide for remuneration committees](#)
- [DP 23: Finance for Positive Sustainable Change, February 2023](#)
- [Sustainability Disclosure Requirements: Implementation Update 2024](#)
- [FCA Primary Market Bulletin 49](#)
- [IFRS: Transition Plan Taskforce Resources](#)

(TPT sub-element 5.4 – Incentives and remuneration)

The Role of the Sustainability Committee

Often delegated tasks relating to achieving the company's climate ambition and targets, the sustainability committee can play a pivotal role in crafting the company's Strategic Ambition and a credible transition plan, and provide oversight on the delivery of the plan.

Boards hold ultimate responsibility for ensuring the long-term success of the company through strategic planning. In some organisations there is no longer a requirement for a sustainability committee, however, in many organisations this committee still plays an important role. Chapter Zero has found that the chair of the sustainability committee often plays a crucial role in the development of a credible transition plan for the company.

The sustainability committee can support the board in taking a strategic approach to the initiation or continued development of the company's Strategic Ambition and transition plan so that it is integrated with the company's strategy. Bringing recommendations to the board based on well-grounded committee research and insights can support this.

Five questions for the sustainability committee



These questions act as prompts to consider in sustainability committee meetings.

1	Is the role of the committee in relation to the company's Strategic Ambition and transition plan clearly defined in the Terms of Reference?
2	Do we have the skills and knowledge to fulfil the role of the committee in relation to the Strategic Ambition and transition plan?
3	Is the board connected with the work of the committee on the company's Strategic Ambition and transition planning?
4	How are we engaging stakeholders, including employees and investors among others, in the development of the Strategic Ambition and transition plan?
5	How is the committee supporting the board in oversight activities which have not been delegated to the committee? E.g., providing decision-useful information for strategic decision-making related to the company's Strategic Ambition and transition plan.

Three key actions for the chair of the sustainability committee

1	Ensure appropriate attention from the whole board is given to the oversight of the development and delivery of the company's transition plan to achieve the Strategic Ambition.
2	Actively engage with chairs of remuneration, nomination and audit and risk committees to ensure understanding and alignment on the Strategic Ambition and transition plan.
3	Influence key decision makers to support and inform the company's Strategic Ambition and transition plan.

Notes on Disclosure

- The FCA has restated its intention to consult on aligning to UK-endorsed ISSB standards (based on the UK Government's announcement that it aims to endorse ISSB by Q1 2025) and is encouraging listed companies to familiarise themselves with the ISSB standards and consider starting to voluntarily report against them. The FCA has also reiterated its intention to strengthen its expectations for listed companies and the UK's largest companies to disclose transition plans in line with the UK Government's Green Finance Strategy.
- Reporting aligned with the TPT disclosure framework should include information about:
 - the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of the transition plan.
 - management's role in the governance processes, controls and procedures used to monitor, manage and oversee the transition plan, as well as how it is embedded within the entity's wider control, review and accountability mechanisms.

(TPT sub-element 5.1 Board oversight and reporting, 5.2 Roles, responsibility and accountability)

References & Resources:

- [Chapter Zero - What we've learned from Sustainability Committee Chairs](#)
- [Sustainability Disclosure Requirements: Implementation Update 2024](#)
- [FCA Primary Market Bulletin 49](#)
- [IFRS: Transition Plan Taskforce Resources](#)



Barriers and Enablers

This final tool considers actions you can take to overcome barriers and leverage key enablers to effectively oversee your company's transition to a low-greenhouse gas (GHG) emissions and climate-resilient economy.

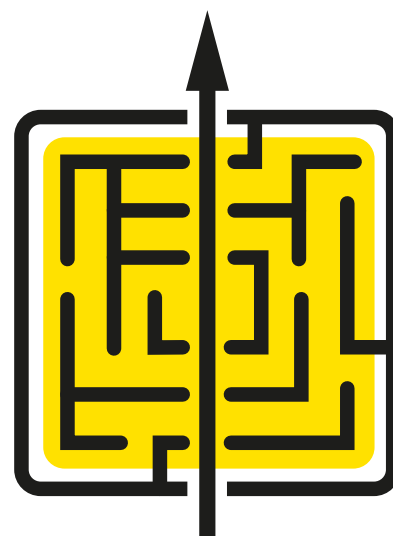
The previous three sections of the toolkit presented a briefing on transition planning, including the Transition Plan Taskforce's framework and guidance, a scorecard for board members to gain insight and prompt discussion on transition planning and a governance compass to navigate the board's responsibilities in the oversight of transition planning.

Why use this tool?

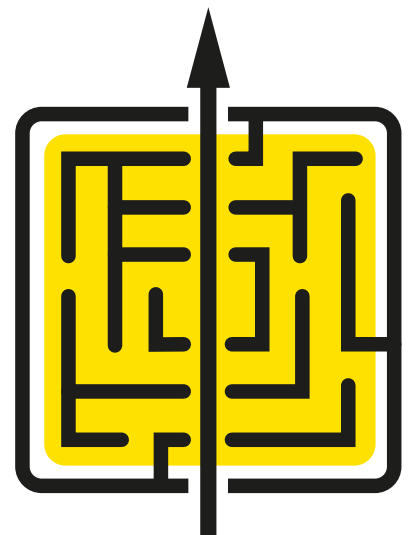
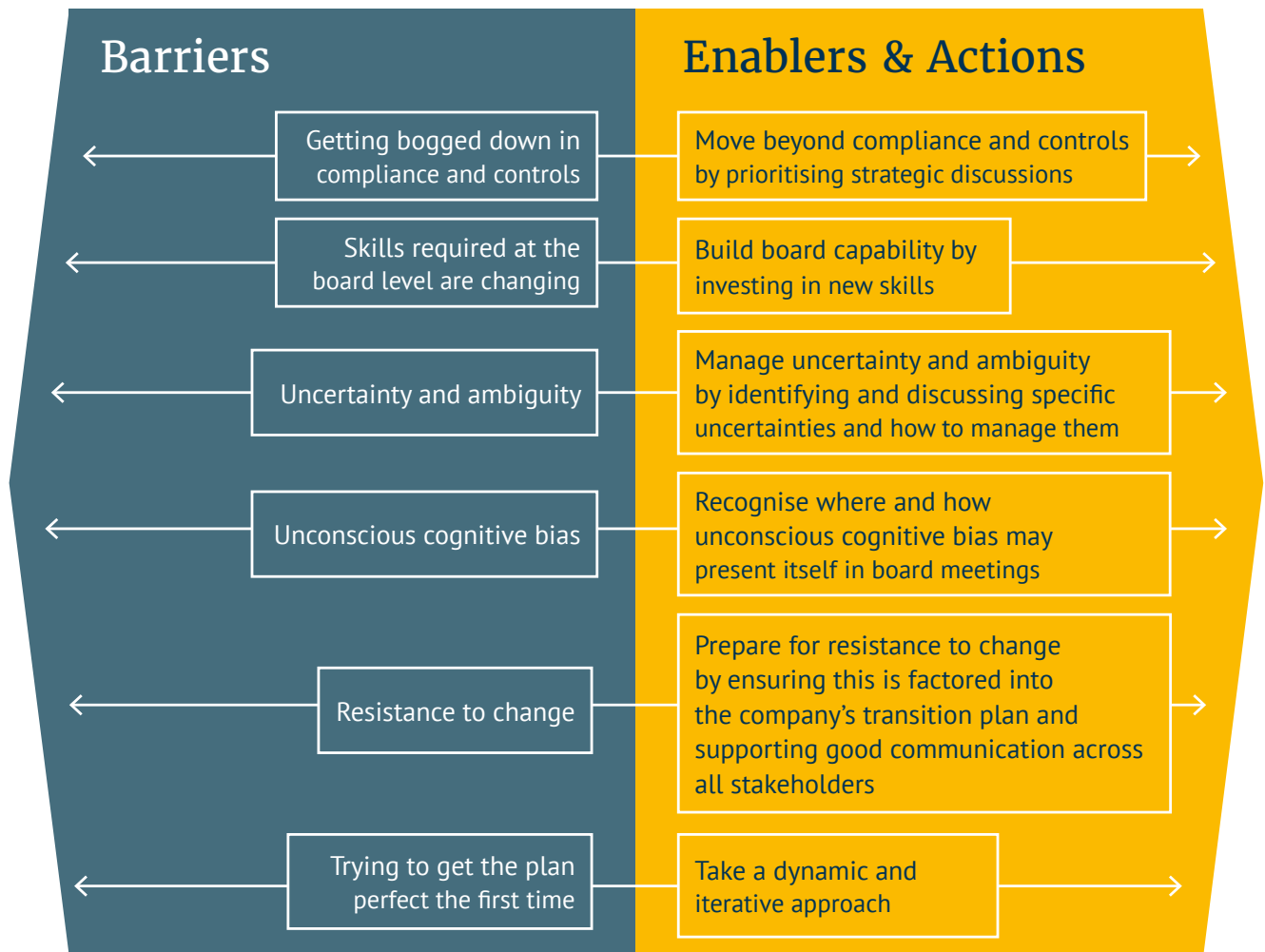
- Build your capability to effectively oversee the development and delivery of your company's transition plan.

How to use this tool:

- Identify and discuss potential barriers to effective oversight of transition planning.
- Consider enabling factors and actions that the board could take to overcome barriers.
- Prepare for stakeholder questions on the board's strategies for overcoming barriers to effective governance, oversight and delivery of the company's transition plan.



Six Actions to Overcome Barriers



1. Move Beyond Compliance and Controls

NEDs play a critical role in shaping the strategy of the company to ensure long-term success. The implications of climate change and the transition to a low-GHG emissions and climate-resilient economy should be part of any strategic review. However, board directors often find themselves tied up in detail on sustainability-related compliance and controls.

To move beyond this, boards should allow sufficient prioritisation and time for strategic discussions in the boardroom. To make best use of the critical thinking

and insights that NEDs bring to the table, you should call on executives to prepare and frame a sufficiently developed strategic discussion, sharing key questions in advance and ensuring adequate time is allocated during board meetings.

Robust board-level discussions on the implications of the wider climate transition, and the company's transition plan, will better equip board directors to answer questions from key stakeholders. Refer to 'Five Key Questions for Boards'.

2. Invest in New Skills

Developing competencies specific to transition planning is critical for making well-informed strategic decisions in the boardroom. NEDs must continue to strengthen their capabilities to understand climate-related risks and opportunities, and the strategic levers for decarbonisation of the company and sector.

In identifying the strategic levers available to the company in its transition, the company might

consider options for decarbonising, for responding to climate-related risks and opportunities and for contributing to an economy-wide transition.

NEDs need to be prepared to seek out new knowledge and develop skills proactively in order to effectively answer challenging questions about the company's transition plan from investors, customers, employees and suppliers.

3. Manage Uncertainty and Ambiguity

There are uncertainties associated with the rate and magnitude of climate change and its impacts, potential for nonlinear change in the climate and ecosystems, as well as uncertainty of time horizons, policy frameworks and political and social responses. The scope of possible scenarios and their consequences is wide.

One of the toughest uncertainties for boards to deal with is a constantly changing policy landscape. Major investment and capital projects need to withstand changes of Government and changes of views within Government. Boards need robust plans that can handle an evolving and shifting policy environment and competitive landscape.

Such uncertainty and ambiguity often result in climate-related risks and opportunities falling down the priority list behind a host of immediate and more defined challenges that are perceived to be 'closer to home'.

While uncertainty often creates a cloudy picture, it is possible to find clarity by identifying and discussing specific uncertainties and how to manage them. Ask executives to present a structured scenario analysis, including plans for different scenarios, and the key underlying assumptions to enable board-level discussion, strategic insight and decision making.

4. Recognise Unconscious Cognitive Bias

Cognitive biases are systematic patterns of deviation from norm or rationality in judgment, often stemming from our brain's attempt to simplify information processing. These biases, if unchecked, can lead to suboptimal decisions and actions.

Cognitive biases can subtly affect boardroom decisions and hinder effective governance of transition planning.

The **'commitment' bias** is the tendency to remain committed to past behaviours, especially those made public, even if they yield suboptimal outcomes. This bias might lead boards to pursue strategies longer than is beneficial in the evolving climate transition.

The **'framing' bias** involves making decisions based on how information is presented rather than on facts. The **'volition' bias** refers to errors in judgment

which arise from deferring responsibility, sometimes by citing external factors. Other biases such as the **'present' bias**, which might cause the undervaluation of distant climate risks and opportunities, and the **'optimism' bias** which can lead to underestimating the likelihood of future adverse events, also affect decision making.

NEDs can mitigate these biases by asking for decision-making processes to be set out in advance, encouraging consideration of alternatives and ensuring that different voices are heard. NEDs also play a key role in scrutinising the underlying assumptions in climate-related risk assessments and the scenarios presented.

By being aware of these cognitive biases and their potential impact on decision-making, boards can be better equipped to make effective decisions that support a resilient future for the company.

Source: A 2017 California Management Review article found that in the context of board decision processes related to climate change, four bias types are of particular relevance: Framing Bias, Optimism Bias, Relevance Bias, and Volition Biases.

5. Prepare for Resistance to Change

Moving from plans to action requires focus and commitment and is often when executives and the board encounter the familiar challenges of any major change program.

Resistance to change can arise in multiple forms. This may include operational resistance from middle management, disengagement in the workforce resulting (for example, from changes to job functions and business processes, customer push back) or uncertainty from investors about the implications of the prioritisation of long-term over short-term performance. A changing policy landscape adds another layer of complexity.

NEDs and boards play an important leadership role in helping to steer the company through strategic shifts required in the climate transition. Ask your

executives to present how the company's climate ambition and strategy are being translated into the company's transition plan and explore with them how the identified changes will be managed. NEDs can help executives to overcome obstacles and make difficult decisions required for implementation. The board must balance its supporting role with an ability to challenge to ensure the company's transition plan is robust and responsive to new developments, also empowering the executive to course correct as necessary.

The board also plays a role in ensuring alignment and engagement with the company's climate ambition and strategy across the whole organisation. Boards can play a part in communicating with employees, investors and other stakeholders.

6. Take a dynamic and iterative approach

Transition planning is a dynamic process, facing challenges and complexities that demand flexibility.

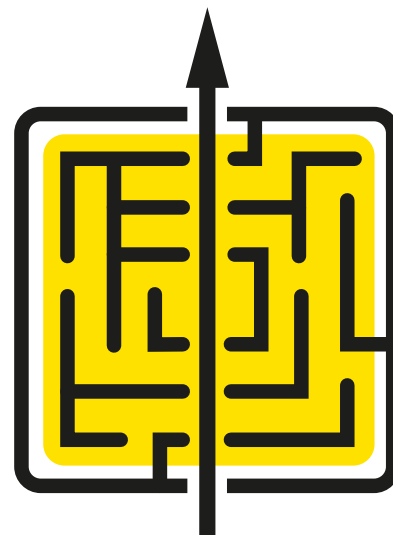
Boards engaged in transition planning for a number of years highlight the iterative nature of the process. A lack of available data alongside multiple uncertainties means that any plan developed today will almost certainly need to be reworked and revised into the future as more information becomes available.

Board collaboration and resilience is critical. Strong relationships inside and outside the boardroom are vital to cultivating the energy, resilience and leadership required. The Chapter Zero network offers you opportunities to maintain momentum on this conversation, to share your progress and challenges as a NED, and those from your board and company, in your transition planning journey.

In the words of Amanda Blanc, it's important to “get started”, and “stick at it”.

“...there inevitably comes a point where we're faced with the scale and the complexity of what we are trying to achieve. A point where you will have to prioritise longer term outcomes against shorter term rewards. A point where you will have to balance decisions across different parts of the business. A point where you start having to do things differently. Of course, this stuff isn't easy. But that is the point of building a Transition Plan in the first place.”

Amanda Blanc at the TPT Disclosure Framework launch, October 2023



Five Key Questions for Boards



1	What are the key implications of the wider climate transition for the company's strategy?
2	What are the key climate and nature-related risks and opportunities for the company?
3	How will the company gain support for its transition plan from all stakeholders?
4	What are the strategic levers available to the company for decarbonisation?
5	How are transition planning-related capabilities being developed and integrated into the board review?

Case Studies

Explore the following case studies on Metro Pacific Investments Corporation and Tyman to gain insights on how the boards of these companies navigated barriers to effective governance on climate-related risks and opportunities, and the transition to net zero. Discover how they moved the conversation from high-level frameworks and concepts to actions and outcomes.

Case Study 1

Metro Pacific Investments Corporation (MPIC): A holistic approach to finance, risk, climate and sustainability

This case study outlines how MPIC moved to a holistic end-to-end risk management approach, integrating climate-related risks and opportunities into strategic decision-making processes.

Case Study 2

Tyman's Board engagement journey

In this case study, we learn about how the Tyman board began engaging with climate issues and how this has evolved over time, from concepts towards more granular conversations about prioritisation and performance tracking.

This Toolkit was created by:

Chapter Zero

Chapter Zero, the Directors' Climate Forum, is building a broad community of NEDs equipped to lead crucial UK boardroom discussions on the impacts of climate change. Its members are helping ensure their companies are fit for the future and that global net zero ambitions are transformed into robust plans and measurable action.

Established in 2019, Chapter Zero offers its members tailored events, toolkits, relevant information and a peer network to draw on for experience, inspiration and ideas. chapterzero.org.uk

Chronos Sustainability

Chapter Zero commissioned Chronos Sustainability to support the development of this toolkit. Chronos Sustainability was established in 2017 with the objective to deliver transformative, systemic change in the social and environmental performance of key industry sectors through expert analysis of complex systems and effective multi-stakeholder partnerships. Chronos works extensively with global investors and global investor networks to build their understanding of the investment implications of sustainability-related issues, developing tools and strategies to enable them to build sustainability into their investment research and engagement. For more information visit chronossustainability.com and @ChronosSustain

Centre for Climate Engagement

The Centre for Climate Engagement plays a unique role in bringing leading academic research to a targeted audience of chairs and non-executive directors to accelerate climate leadership on boards in the private and public sectors.

The Centre is uniquely placed to develop insights drawing on academic expertise from across the University of Cambridge and the wider research community, together with independent expertise from the business sector. climatehughes.org

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For more information on the LSEG Foundation, visit [LSEG Foundation | LSEG](https://lsegfoundation.org)

Drawing from the Transition Plan Taskforce

This toolkit draws on the work of the Transition Plan Taskforce (TPT) including the TPT Disclosure Framework and Implementation Guidance. The TPT, a UK government initiative with industry representation, was launched in April 2022 to develop the 'gold standard' for private sector climate transition plans. transitiontaskforce.net.

The IFRS Foundation is now responsible for the Transition Plan Taskforce's disclosure-specific materials that can help companies with these disclosures. These resources are available via the [IFRS' Knowledge Hub](https://www.ifrs.org/standards/transition-plan-taskforce/).