
CDP Technical Note: Reporting on Climate Transition Plans

CDP Climate Change Questionnaire



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Version

Version	Revision date	Revision summary
1.0	February, 2022	First published version.
2.0	February, 2023	Second published version.

About this document

This technical note provides guidance on how organizations disclosing through CDP can demonstrate that they have a credible climate transition plan in place - as described in CDP's [climate transition plan discussion paper](#). This understanding will support disclosure requests for 2023 and evolve yearly beyond. For further information on CDP's work in this area see our [Transition plan webpage](#).

- ▼ Part 1 broadly introduces the concept of transition, and then outlines the importance of climate transition plans specifically.
- ▼ Part 2 provides a technical definition of climate transition plans, the principles which govern their credibility and the elements which they comprise of.
- ▼ Part 3 lists the questions in the 2023 CDP climate change questionnaire that relate to credible climate transition plans.
- ▼ Part 4 provides additional resources which supplement information detailed in this technical note.
- ▼ Part 5 lists the frameworks and initiatives which relate to climate transition plans.

1. Introduction

1.1 What is transition and why are climate transition plans important?

What do we mean by transition and what is a climate transition plan?

Transitioning refers to taking actions that:

- ▼ align a business model with a world in which two key outcomes are pursued:
 - the global average temperature is allowed to rise by no more than 1.5°C above pre-industrial levels.
 - natural ecosystem health is restored.
- ▼ enable a thriving economy that works for people and planet in the long term.

A credible transition plan sets out how an organization will achieve the above. Part 2 below, provides a definition of climate transition plans, specifically, based on a synthesis of current thought leadership from the frameworks and initiatives listed in the Appendix section (Part 5).

Why are climate transition plans and disclosure about them important?

Organizations typically set emissions reduction targets, commit to monitoring their progress on climate action and reduce their exposure to climate related risks. A climate transition plan is an encompassing instrument that helps organizations to align their climate ambitions. This alignment is achieved by establishing specific strategies and clear accountability mechanisms to track progress. While strategic planning for the future is not a new instrument, the extent of climate transition and the hard limits set on such a transition through scientific discoveries mean that climate transition plans are often a critical element in ensuring a future for the organization.

- ▼ The need for a climate transition plan has been accelerated by the evolving regulatory landscape. Organizations that have prepared for regulatory change will avoid regulatory shocks. In addition to building on the momentum from COP26 (which outlined the influence of non-state actors on accelerating action for a transition towards a 1.5°C world), COP27 led to some significant announcements indicating the need for organizations to create credible climate transition plans, in preparation for regulatory change:
 - The [UK Transition Plan Taskforce](#) published its [Disclosure Framework](#) and accompanying [Implementation Guidance](#). The sector-neutral framework provides recommendations for companies and financial institutions to develop gold-standard transition plans.
 - Momentum continued to accelerate in 2022 in the climate disclosure landscape with the [International Financial Reporting Standards](#) (IFRS) releasing its [International Sustainability Standards Board](#) (ISSB) drafts, the [U.S. Securities and Exchange Commission](#) (U.S SEC) referencing transition plan disclosure as part of its recent [rule proposals](#), and the [European Financial Reporting Advisory Group](#) (EFRAG) releasing its EU Sustainability Reporting Standards (ESRS), detailing its proposed disclosure recommendations on transition plans.
 - The EU's [Corporate Sustainability Reporting Directive](#), together with the EU Sustainability Reporting Standards developed by EFRAG will require large companies (more than 500 employees) to disclose on their transition plans for climate change mitigation and their plans to ensure that their business model and strategy are compatible with the respect of

planetary boundaries of the biosphere integrity and land-system change. Companies previously covered by the NFRD (Non-Financial Reporting Directive) will have to start disclosing in 2025 on FY 2024, whilst other large & listed companies will be required to disclose transition plans the following year.

- The EU's proposed [Corporate Sustainability Due Diligence Directive \(CSDDD\)](#) will require all large companies with more than 500 employees (whether established in the EU and/or outside the EU) to adopt a plan to ensure that the business model and strategy of the company are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5°C in line with the Paris Agreement. While the requirements of this proposal are currently under negotiation in the EU institutions, it is currently expected that large companies established in the EU will be required to adopt transition plans by 2026 and 2028 for companies established outside of the EU.
- Since April 2022, under current UK reporting rules, many large companies, asset owners and asset managers are now required by UK regulators and the government to make [Task Force on Climate Related Financial Disclosures \(TCFD\)](#) aligned disclosures – which may have regulatory implications, especially as the TCFD has updated its guidance to reflect thought leadership on transition plans.

▼ Organizations need a clear accountability mechanism and transparency (via disclosure) because there is growing interest from investors, customers, and employees in how they (organizations) plan on tackling the climate crisis and transitioning their business model to one that aligns with a 1.5°C world.

- In 2022, the [Glasgow Financial Alliance for Net Zero \(GFANZ\)](#), the world's largest coalition of financial institutions committed to transitioning the global economy to net-zero greenhouse gas emissions, released a suite of voluntary recommendations and guidance aimed at supporting financial institutions and real economy companies in developing and implementing credible, high-ambition strategies for achieving net zero.
- In its report on the net zero emissions and commitments of non-state actors, the [United Nations High Level Expert Group \(UN HLEG\)](#), outlined that non-state actors must publicly share their comprehensive net zero transition plans detailing what they will do to meet all targets, align governance, and incentivize structures, capital expenditures, research and development, skills and human resource development, and public advocacy, while also supporting a just transition.

2. Credible climate transition plans

A credible climate transition plan is one that sets out how a business will thrive in a 1.5°C world.

2.1 CDP's definition of a credible climate transition plan

A credible climate transition plan is a **time-bound action plan** that outlines how an organization will achieve its strategy to pivot its existing assets, operations, and entire business model towards a trajectory aligned with the latest and most ambitious climate science¹ recommendations. i.e., halving greenhouse gas (GHG) emissions by 2030 and reaching net-zero by 2050 at the latest, thereby limiting global warming to 1.5°C.

Based on CDP data and research into established frameworks, CDP considers a credible climate transition plan to be defined by the five following characteristics:

- ▼ It supports a strategy for the climate transition i.e., actions that need to occur for an organization to pivot towards a 1.5°C world, with near-term (five to ten-year) science-based targets (emissions reduction targets in line with 1.5°C pathways), and then long-term science-based targets (SBTs) (for 2050 at the latest)
- ▼ It contains verifiable and quantifiable key performance indicators (KPIs) which:
 - measure the success of an organization's climate transition; and
 - are tracked regularly.
- ▼ It is succinctly integrated into an organization's existing mainstream filings (in annual financial reporting/sustainability reporting/overall business strategy)², and provides an accountability mechanism
- ▼ It is guided by the principles outlined in section 2.2
- ▼ It contains the key elements outlined in section 2.3

These criteria demonstrate to investors and other stakeholders that an organization is aligning with ambitious long-term climate goals, and that its business model will transition, in order to be relevant (i.e., profitable) in a 1.5°C world. To avoid potential regulatory shocks, organizations should aim to align, as a minimum, with relevant Paris-aligned policy goals for where the organization operates (this includes direct and value chain operations). Given the number of countries that have committed to net-zero emissions, it is critical that investors and other stakeholders are able to assess an organization's plans to align with such a future (refer to [NetZero tracker](#)).

¹ As communicated by scientifically reliable and reputable institutions such as the *Intergovernmental Panel on Climate Change* (IPCC) and the *Science Based Targets initiative* (SBTi).

² The exact reporting system utilized may vary by organization. For better accountability, (1) ease of integration and (2) reporting frequency should be the key factors used to assess where to integrate the transition plan.

2.2 Principles for a credible climate transition plan

CDP has developed six fundamental principles that will guide the preparation of a credible climate transition plan:

1. **Accountability:** The plan has clearly defined roles and responsibilities. This includes effective governance mechanisms, where the board and C-suite executives are accountable for implementation of the plan.
2. **Internally coherent:** The plan is integrated into the business strategy and financial planning of the organization.
3. **Forward looking:** The plan should reflect considerations of the short- and long-term, trending towards 2050. However, an emphasis on the short-term (the next 5-year timeframe) is critical to achieve long-term climate ambitions, which should be supported by governance mechanisms (new or existing).
4. **Time bound and quantitative:** The plan's KPIs are quantifiable and are outlined for defined timeframes.
5. **Flexible and responsive:** The plan is reviewed and updated regularly³, with a defined stakeholder feedback mechanism in place (e.g., shareholders, at AGMs).
6. **Complete:** The plan covers the whole organization and its value chain, i.e., any exclusions from the plan must not be material to the organization and/or its impact on the natural environment (ensuring the double materiality principle applies to disclosure of exclusions).

2.3 Elements of a credible climate transition plan

The key elements of a climate transition plan are described below, and they are the outcome of an extensive technical review.

The table below indicates how each element relates to the TCFD's 2021 update to its report on "[Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures \(2017 annex\)](#)" to provide additional guidance on disclosing metrics, targets, and climate transition plan information in line with the TCFD recommendations.

³ In alignment with the 2021 update to the TCFD's recommendations, with its integration of transition plans, transition plans should at a minimum be reviewed every five years for continuous relevancy and efficacy and updated if required. The TCFD also notes that progress against the plans should be reported annually, alongside any material, substantive changes to the plan be reported annually (if required)

Transition Plan Element	Description	TCFD Pillar
GOVERNANCE	This demonstrates that an organization has board-level oversight of the climate transition plan and that there are defined governance mechanisms in place, to ensure implementation of the plan.	Governance
SCENARIO ANALYSIS	A climate transition plan should be underpinned by robust scenario analysis ⁴ to identify potential substantive climate-related risks and opportunities.	Strategy
FINANCIAL PLANNING	As part of its strategy to achieve net zero, an organization should outline time-bound financial planning details of its transition. For example, Capital Expenditure (CAPEX), Operating Expenditure (OPEX), Revenue, etc.	
VALUE CHAIN ENGAGEMENT & LOW-CARBON INITIATIVES	A climate transition plan should include time-bound actions to decarbonize business processes (and those of its value chain), with time-bound KPIs. This includes three distinct elements ⁵ : (1) value chain engagement; (2) increasing share of revenue from low-carbon products and services; and (3) implementing emissions reduction initiatives for its direct and indirect operations.	
POLICY ENGAGEMENT	A climate transition plan should demonstrate that an organization's public policy engagement ⁶ aligns with its climate commitments and strategy.	
RISKS & OPPORTUNITIES	A climate transition plan should outline an organization's process for addressing identified climate-related risks and maximizing substantive climate-related opportunities.	Risk Management
TARGETS	A climate transition plan should contain time-bound, verified science-based targets which are in line with the latest climate science. Organizations should set near-term SBTs to halve emissions by 2030 and should also set a net zero long-term target – by 2050 at the latest.	Metrics & Targets
SCOPE 1, 2 & 3 ACCOUNTING WITH VERIFICATION ⁷	A climate transition plan should be accompanied by an annual Scope 1, 2 & 3 emissions inventory that is complete, accurate, transparent, consistent, relevant, and verified by a third party.	

⁴ While the scenario analysis is not the plan, it helps to set the temperature target and the implications will inform the risks & opportunities which the strategy seeks to address.

⁵ The focus should be on the most relevant parts of the value chain – not necessarily all three distinct elements will be relevant for every sector/organization.

⁶ Public policy engagement includes direct policy and lobby group engagement.

⁷ The inventory accounting includes emissions and energy sources accounting.

2.4 Coverage of CDP's climate transition plan elements across other frameworks/standards

The table below shows the extent to which the CDP climate change questionnaire covers the elements of a credible climate transition plan, as set out in other frameworks/standards. Please note: At the time of this publication, some of the mapped standards/frameworks exists only as draft recommendations.

Table 1: Mapping climate transition plan elements to existing frameworks.

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

CDP credible climate transition plan elements		IFRS (ISSB)	U.S.SEC	EFRAG (ESRS)	UKTPT	TCFD	ACT	GFANZ	CA100+	CBI	TPI
Scope 1, 2 & 3 accounting with verification	Comprehensive and third-party verified emissions accounting	Full coverage	Full coverage	Partial coverage	Full coverage	Full coverage	Full coverage	Full coverage	Partial coverage	Partial coverage	Full coverage
	Policy engagement	Partial coverage	Partial coverage	Full coverage	Full coverage	Partial coverage	Full coverage	Full coverage	Full coverage	Full coverage	Full coverage
Value chain engagement & Low-carbon initiatives	Low carbon initiatives - direct operations	Full coverage	Full coverage	Partial coverage	Partial coverage	Partial coverage	Full coverage	Full coverage	Full coverage	Partial coverage	Full coverage
	Value chain engagement	Full coverage	Partial coverage	Full coverage	Full coverage	Partial coverage	Full coverage	Partial coverage	Partial coverage	Partial coverage	Partial coverage



Full coverage

There is at least full coverage between CDP's climate change questionnaire and the disclosure requirement set by this framework/standard i.e., CDP's questionnaire meets (and in some cases, exceeds) the disclosure requirement set by this framework/standard.



Partial coverage

There is partial coverage between CDP's climate change questionnaire and the disclosure requirement recommended by this framework/standard.



Not applicable

The mapped standard/framework does not require the disclosure of this information – whereas CDP's questionnaire does.

3. Reporting on your climate transition plan

CDP’s climate change questionnaire collects data on the climate transition plan elements. Questions which align directly to the climate transition plan elements (as currently defined above) are set out below.

3.1 Map of credible climate transition plan elements against the 2023 CDP climate change questionnaire

To demonstrate a credible climate transition plan and existing efforts to transition to a 1.5°C world, an organization should report on the direct and supporting questions within the CDP questionnaire, such as those outlined below:

- ▼ **DIRECT INDICATORS** (*): These questions allow organizations to indicate that their climate transition plan includes forward-looking and quantitative information, such as associated financial planning details and climate-related targets. This also refers to questions that explicitly mention “climate transition plans” in the questionnaire.
- ▼ **SUPPORTING INDICATORS**: Beyond the direct indicators, other CDP questions allow organizations to report actions and data that evidence the robustness and credibility of their climate transition plan, such as the foundational elements of governance for example. These supporting indicators are not necessarily forward looking but allow organizations to report information that complements their climate transition plan, e.g., activities and data such as emissions accounting and verification, or how climate has impacted their strategy or engagement in the reporting year.

CDP is preparing a technical note for financial institutions that would like to disclose financial sector-specific details on their net zero transition in alignment to various GFANZ and/or investor agenda recommendations through their CDP Climate Change questionnaire response.

The table below maps the 2023 CDP climate change question numbers (direct and supporting indicators) to the key elements of a credible climate transition plan (in section 2.3)

Climate Transition plan element	Aligned 2023 CDP question number	Relevance
GOVERNANCE	C1.1 , C1.1a , C1.1b (Board level oversight)	To ensure accountability for developing an ambitious plan as well as implementation of the plan’s ambitions, board level oversight of the climate transition plan is crucial in steering business strategy towards a 1.5°C aligned trajectory.
	C1.1d (Board expertise on climate related issues)	Addressing climate change requires specific expertise related to climate change and its impacts, and the potential direct and indirect effects on the business. Ensuring this capability exists within governance structures indicates an organization’s competence in delivering on its climate transition plan and increases the chance of success.
	C1.2 (Executive management)	Executive management have responsibility for (1) developing a climate transition plan, and (2) frequently reporting to the board on

Climate Transition plan element	Aligned 2023 CDP question number	Relevance
	accountability & feedback mechanism)	progress towards realizing the plan's ambitions.
	C1.3 , C1.3a (Executive management incentives linked to climate performance indicators)	To incentivize conscious action and commitment in implementing the plan, it is recommended that executive management incentives are linked to climate performance indicators.
STRATEGY⁸	C3.1* (Existence of "1.5°C world" aligned transition plan within business strategy & shareholder feedback)	An organization's climate transition plan should: <ul style="list-style-type: none"> ▼ be aligned with a 1.5°C world: to signal climate ambition. ▼ be publicly available: to demonstrate transparency. ▼ integrated into the business strategy: to fulfil the principle of internal coherence. ▼ have a defined shareholder feedback mechanism: to incentivize regular feedback collection.
	C3.3 (Link between identified (and potential) climate related risks, opportunities & company strategy)	Here, organizations can explain how climate-related risks and opportunities influenced their strategy and climate transition plan, specifically in areas of products/services, value chain, investment in R&D and operations.
SCENARIO ANALYSIS	C3.2 , C3.2a , C3.2b (Details of scenario analysis)	Scenario analysis is used as a strategic tool to inform the development of the climate transition plan, based on several potential future climatic states.
FINANCIAL PLANNING	C3.4 , C3.5* , C3.5a* (Financial planning details associated with a credible climate transition)	Financial planning is crucial when demonstrating that an organization is aligning with climate goals (as elaborated in its climate transition plan), and that it will be relevant (i.e., profitable) in a 1.5°C world. Organizations can use these CDP questions to demonstrate how they have aligned their financial planning with their climate transition plan in the reporting year and at milestone years '2025' and '2030'. Financial details may describe revenue, CAPEX, and/or OPEX projections which are crucial for realizing the plan's ambition.

⁸ Strategy is not an individual element of a climate transition plan – instead, the transition plan is how an organization achieves its strategy to pivot towards a 1.5C aligned trajectory. The inclusion of strategy in this table is due to the fact that it appears as a module in CDP's climate change questionnaire and contains a number of key indicators which provide information on an organization's climate transition plan.

Climate Transition plan element	Aligned 2023 CDP question number	Relevance
	C4.5 , C4.5a (Low-carbon products or services)	Organizations can develop their low-carbon products or services portfolio over time to signal how they intend on transitioning their existing revenues, operations, and entire business model towards a 1.5°C trajectory.
VALUE CHAIN ENGAGEMENT & LOW-CARBON INITIATIVES	C4.3b (Low-carbon initiatives – direct operations)	One of the key elements of a climate transition plan is that it contains time-bound actions to decarbonize business processes and implement emissions reduction initiatives.
	C12.1 , C12.1a , C12.1b , C12.1d , C12.2 , C12.2a (Value chain engagement)	Organizations are facing risks in the value chain that have material environmental and financial implications; hence, value chain engagement plays a significant role in realizing a climate transition plan. For example, organizations with significant emissions in their supply chain can leverage their buyer power and engage their suppliers on developing their own transition plan which aligns with 1.5°C world.
POLICY ENGAGEMENT	C12.3 , C12.3a , C12.3b , C12.3c (Alignment of public policy engagement with climate ambition & strategy)	Ensuring that an organization’s climate transition plan is supported by fully aligned external policy engagement (policy, law, regulation, and trade associations) demonstrates an ambitious effort towards achieving a 1.5°C world. For many organizations, a successful climate transition will depend on an accommodative policy landscape, thus companies should advocate for climate-positive policies that impact their relevant sector(s) and are consistent with their climate transition plan. Organizations should also lobby against climate-negative policies which could affect their ability to transition.
RISKS & OPPORTUNITIES	C2.1 , C2.2 (Process for identifying climate related risks & opportunities)	To demonstrate forward planning (which is crucial for a climate transition plan), an organization’s transition plan should include or reflect a process for identifying, assessing, and responding to climate related risks and opportunities.
	C2.3 , C2.3a (Climate related risks – risks, potential financial impact and response strategy)	Details of the risks posed to an organization by climate-related issues, and the estimated potential financial impact of these risks at the corporate level, as well as the response strategy to manage these risks.
	C2.4 , C2.4a (Climate related opportunities –	Details of the opportunities posed to an organization by climate-related issues, and the estimated potential scale of these

Climate Transition plan element	Aligned 2023 CDP question number	Relevance
	opportunities, potential financial impact and response strategy)	opportunities at the corporate level as well as the response strategy required to take advantage of these opportunities.
TARGETS	C4.1* , C4.1a* , C4.1b* (Emissions reduction targets – absolute & intensity)	The plan includes near- and long-term, verified science-based targets which are in line with the latest climate science to reach a 1.5°C world, with time-bound KPIs. Where this is not feasible, the targets should align to CDP recommended best practice.
	C4.2a* , C4.2b* (Other climate related targets)	Ambitious climate transition plans will include other climate related targets, including, but not limited to, increased low-carbon energy consumption or production targets.
	C4.2c* (Net-zero target)	The plan includes a net zero target, in line with the latest climate science, with time bound KPIs. Third-party verification is considered best practice.
SCOPE 1, 2 & 3 ACCOUNTING, WITH VERIFICATION	C5.2 , C6.1 , C6.3 , C6.5 , C10.1a , C10.1b , C10.1c (Comprehensive and third-party verified emissions accounting)	A climate transition plan should be accompanied by a complete, accurate, transparent, consistent, and relevant inventory of all three scopes of emissions. Any individual organization may find it important to fully disclose to C5 – C10. <ul style="list-style-type: none"> • Third-party verification is necessary for credibility and transparency on progress against a climate transition plan. • Companies should calculate and disclose all material categories of scope 3 and provide an explanation for categories that are not relevant.

4. Further resources

- ▼ [CDP's discussion paper on climate transition plans](#) (2021)
- ▼ Examples of corporate climate transition plans (note: inclusion in this list does not imply an assessment by CDP that these plans are 'credible').
 - [SSE Net zero transition plan](#)
 - [Aviva's Climate Transition Plan](#)
 - [Unilever Climate Transition Action Plan](#)
 - [Aena Climate Action Plan](#)

5. Appendix - List of frameworks and initiatives related to climate transition plans

The following frameworks and initiatives informed CDP's approach to Climate Transition plans:

- ▼ [Task Force on Climate Related Financial Disclosures \(TCFD\)](#)
- ▼ [Climate Safe Lending Network \(CSLN\)](#)
- ▼ [Assessing low-Carbon Transition \(ACT\)](#)
- ▼ [Climate Action 100+](#)
- ▼ [Say on Climate initiative \[CIFF\]](#)
- ▼ [Oxford Martin Principles for Climate-Conscious Investment](#)
- ▼ [Alliance for Corporate Transparency](#)
- ▼ [Australasian Centre for Corporate Responsibility \(ACCR\)](#)
- ▼ [The International Capital Market Association \(ICMA\)](#)
- ▼ [Glasgow Financial Alliance for Net Zero \(GFANZ\)](#)
- ▼ [The Institutional Investors Group on Climate Change \(IIGCC\)](#)
- ▼ [Investor Climate Action Plans \(ICAPs\)](#)
- ▼ [Transition Pathway Initiative \(TPI\)](#)
- ▼ [Climate Bonds Initiative \(CBI\)](#)
- ▼ [UK Transition Plan Taskforce \(UKTPT\)](#)