Australian Sustainable Finance Institute

Treasury – Transition Planning Guidance Consultation

ASFI Submission

24 September 2025

The Australian Sustainable Finance Institute (ASFI) welcomes the opportunity to comment on the Department of the Treasury's Draft Transition Planning Guidance. ASFI is a not-for-profit organisation committed to realigning the Australian financial system to be sustainable, resilient, and inclusive. ASFI's members are large Australian financial institutions – including major banks, superannuation funds, insurers, asset managers, and financial services firms – that support ASFI's mission. ASFI members collectively hold over AU$16.5 trillion in assets under management and are committed to allocating capital in ways that create positive social and environmental outcomes.

Summary of positions

ASFI supports the Australian Government's development of transition planning guidance for Australian businesses. Clear, practical and internationally aligned guidance will help preparer entities to understand the rationale for transition planning, to undertake robust transition planning appropriate to their organisation, and to disclose decision-useful transition plans.

Overall, we consider the guidance is a good first draft. We support the guidance taking a sector-neutral approach, aligning with credible international frameworks, aiming to support best practice, and enabling or encouraging consideration of sustainability related issues beyond climate such as nature and First Nations engagement (where those issues are material to particular entities).

Principles

We consider the Principles identified for the guidance could be improved by:

- Separating the principle of 'flexibility' from the principle of 'ambition', so as not to suggest that there is necessarily a trade-off between the two; and
- Introducing principles that the guidance supports development and disclosure of 'credible' and 'decision-useful' transition plans (reflecting the value to investors, lenders, and other stakeholders).

Transition planning and the Australian taxonomy

ASFI supports the draft guidance's reference to the Australian sustainable finance taxonomy as a tool to support transition planning. We recommend the guidance more explicitly outline *how* the taxonomy can be used for this purpose, in particular the value of identifying and disclosing taxonomy-aligned capital expenditure (cap-ex). This is particularly helpful for businesses operating in 'transition' or 'hard-to-abate'

sectors such as mining, manufacturing, and agriculture – where emissions metrics may not tell the full story. More information is set out in the Box on page 7 below.

Providing additional clarity

We also consider that the guidance would benefit from additional clarity and specificity, including in the following areas:

- More clearly articulating the Government's commitment to the net zero transition, so that preparers can take that into account in their transition planning.
- More clearly articulating the commercial rationale for transition planning, including expectations and duties that boards and executives have to ensure businesses are proactively managing climate risk and opportunity.
- Explicitly acknowledging that transition planning involves engaging with uncertainty and making forward-looking statements, and providing reassurance that entities are not expected to accurately predict the future. This could help provide a greater level of confidence for entities to get started on transition planning and disclosure.
- Being clearer and more consistent throughout the document on whether the guidance is intended to support the practice of transition planning, the development of transition plans, or the disclosure of transition plans under Australia's climate-related disclosures framework.
- Encouraging entities to consider and disclose how they intend to fund the implementation of their transition plans, and outlining relevant government funding mechanisms to support transition activities.
- Including reference to additional materials that can support engagement with First Nations communities, such as the *Dhawura Ngilan Business and Investor Guides*.
- Explicitly outlining key concepts from credible international guidance on the use of carbon credits for transition planning – particularly the prioritisation of direct emissions reductions above the use of credits, and the requirement that credits represent genuine emissions reductions.
- Setting out illustrative examples and case studies of transition planning and transition plans. In order to ensure the guidance is relevant for a broad range of organisations, a range of examples could be profiled - from more elementary examples for smaller organisations, to more sophisticated examples for organisations with greater exposure to climate risk and/or a greater level of organisational maturity and resourcing.

Responses to Treasury's Questions

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

Yes, ASFI supports transition plan preparers being the target audience. Clear, practical and internationally aligned guidance will help entities to understand the rationale for transition planning, to undertake robust transition planning appropriate to their organisation, and to disclose decision-useful transition plans.

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

It is unclear whether the proposed principles are intended to apply a) to Treasury's development of the guidance; or b) to organisations' efforts to carry out transition planning and/or transition plan disclosure. The section title "Proposed design principles for the guidance" suggests the former, whereas some of the drafting suggests the latter. ASFI recommends clarifying this one way or the other. The following comments are made on the basis that the principles are intended to apply to Treasury's guidance, not to organisations' activities:

a) *Internationally aligned*: ASFI strongly supports Treasury's proposed principle of international alignment, including with International Financial Reporting Standards Foundation's Transition Planning Taskforce Disclosure Framework. Alignment allows Australia to leverage the significant work done internationally; reduces reporting burden; and supports consistency and comparability of transition plans making it easier for investors and other stakeholders to assess transition plans and supporting Australian businesses' access to global capital markets.

b) *Balances ambition and flexibility*: we agree that flexibility is an important principle. Guidance should be flexible enough to apply to a range of businesses across different sectors and with different levels of organisational maturity with respect to transition planning. We also consider that the principle of supporting ambition is valuable. However, placing these two principles together implies a trade-off between flexibility and ambition, which we suggest is false. ASFI recommends the Government:

   i) Retain the principle of flexibility, and in particular the intention that the guidance can be applied by a wide range of organisations.

   ii) Separately, have a principle of 'supporting ambition', and further define this by reference to alignment with the Paris Agreement goals as the ultimate objective (while recognising that entities may take time to achieve Paris alignment). This could be complemented by the principle of 'supporting continuous improvement' - recognising that transition planning is an iterative process and practice can and should improve over time.

c) *Climate first but not only*: ASFI recognises that prioritising climate is a pragmatic approach to sequencing government reform and that many entities will focus at least initially only on climate-related transition planning. However, there are important inter-connections between climate change and other sustainability-related risks such as nature. A "climate first but not only" frame could be interpreted as not recognising these interconnections or the value – for organisations in a position to do so, and/or for those with material sustainability-related risks and opportunities beyond climate – of taking a holistic approach to transition. An alternative principle could be 'supports integrated transition planning where appropriate'. To give effect to this principle, the guidance could usefully include or reference material on how preparers can (if they choose, and especially if they have material exposure to broader sustainability-related risks/opportunities) integrate broader sustainability considerations into transition planning.

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

ASFI recommends inclusion of the following two additional principles:

- A principle that the guidance support development (and disclosure) of "credible" decision plans. This could be combined with the "ambition" principle above, i.e. "supports entities to develop credible and ambitious transition plans".

- A principle that the guidance support "decision-useful" transition plans. This principle would reflect the fact that a primary user group for transition plans comprises investors and financiers. Producing information that is relevant and accessible to that user group (and broader stakeholders) would support identification and management of climate (and sustainability)

related risk in capital allocation decisions, while promoting transparency and reducing transaction costs. This principle could be framed as "supports development of decision-useful transition plans".

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

   See questions in response to Question 8, below.

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 will be an important tool for supporting transition plan disclosure in the finance sector. ASFI Members have also reported using the *Net Zero Investment Framework* which covers a broad range of relevant asset classes and also outlines different types of targets such as portfolio alignment targets, climate solutions targets, and engagement targets, which may be relevant to support transition planning. Members have also used the Glasgow Financial Alliance for Net Zero *Transition Plan Guidance*, and noted the relevance of WBCSD's *Practical Guide on Transition Plan Dependencies* as well as Mission Possible Partnership guidance for sector specific considerations.

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?**

   See comments in response to Question 8, below.

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?**

   ASFI supports the sector-agnostic approach taken in the guidance. However, the guidance could refer transition plan preparers to existing sector specific guidance (see example noted in response to question 5 above).

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

   We note that the guidance is titled 'transition planning guidance' but the draft reads in some areas as if it were guidance for producing transition plans. Similarly, structuring the guidance to align with IFRS TPT framework (a transition plan *disclosure* framework) implies that the guidance is intended to support entities with transition plan disclosure. While there is strong crossover between these activities (transition planning, transition plan development, and transition plan disclosure), the framing and articulation of the guidance could be clearer and more consistent to avoid confusion, and to be a more practical guide for whichever of these activities it is seeking to support.

   ASFI also considers that the guidance would benefit from greater detail to provide clearer, more practical direction on what constitutes good practice transition planning and a credible, ambitious and decision-useful transition plan. We acknowledge that the draft guidance is structured to align with, and endorse the use of, the IFRS Transition Planning Taskforce (TPT) Disclosure Framework, which already includes detailed recommendations under each principle and disclosure element. However, it is not always clear from the draft guidance how these recommendations are intended to apply in the Australian context. Providing additional clarity and specificity within the guidance itself would support comparability and assist preparers in understanding expectations. We have outlined some suggestions for where additional content would be valuable below.

   Introductory materials

   ASFI would welcome greater clarity and detail in the introductory content as follows:

   - We suggest the introductory content could more clearly articulate the Government's direction of travel on climate change and sustainability. Since policy settings are an important consideration in transition planning, emphasising at the outset the Government's commitment to net zero transition (and other sustainability goals) would provide important context for transition plan preparers to manage climate risk and opportunity. It will also be important to update the policy

section to refer to the recently announced 2035 NDC, sector decarbonisation plans, the 2025 Climate Risk Assessment and the National Adaptation Plan.

- The introductory content could more clearly articulate the commercial rationale for transition planning, and the growing expectation and duty of boards and executives to ensure that businesses are proactively considering and managing climate risk and opportunity.
- The introductory content could explicitly acknowledge that transition planning involves engaging with uncertainty and making forward-looking statements. It could provide reassurance that entities are not expected to accurately predict the future, and that transition plans can (and should) be updated and evolved over time. In doing so, the guidance could draw from existing material such as the Australian Council for Superannuation Investors and Australian Institute of Company Directors "Governing for Net Zero" resource.
- Guidance could also note that Australian corporations law supports entities engaging with risk and uncertainty in their transition plans. In doing so, the guidance could reference and outline key elements of ASIC guidance on this topic. This could help provide a greater level of confidence for entities to get started on transition planning and disclosure.

Guidance related to Financial Planning (section 2.3)

This section of the guidance could be strengthened by encouraging entities to consider and disclose how they will fund their transition, in addition to describing the expected cash flow impacts. Having a clear strategy for funding transition activities (through equity, debt, grants or other means) is an important part of transition planning. Incorporating this dimension would be consistent with IFRS TPT Guidance, enhance the credibility of Australian companies' transition plans, and provide useful insights into where government policy and public finance can play a role. The guidance could also usefully include background on government funding mechanisms that are or will be available to directly support and/or mobilise private capital for transition as relevant policy context.

Guidance related to the Australian Taxonomy (section 2.4)

ASFI supports the draft Guidance's reference to the Australian sustainable finance taxonomy as a tool to support transition planning. The Australian taxonomy, which is based on Paris-aligned pathways to net zero, has been designed to support financial institutions and other businesses to allocate capital toward high-impact decarbonisation activities and capital assets.

ASFI recommends the guidance could more explicitly outline *how* the Australian taxonomy can be used by entities operating in sectors covered by the taxonomy to support their transition planning, in particular using cap-ex metrics. Cap-ex – investment in new capital assets – is crucial to understanding an entity's transition approach. It shows where a company is investing for the future and is therefore a concrete indicator of an entity's exposure to climate-related risks and opportunities.

For entities operating in sectors covered by the Australian sustainable finance taxonomy, identifying (and disclosing) the percentage of their planned cap-ex that is aligned with a credible, science-aligned sustainable finance Australian taxonomy is a valuable way to understand and communicate their exposure to climate-related transition risks and opportunities. If a high (or increasing) share of planned capex investment is taxonomy-aligned, it suggests the entity is transition aligned or that management is actively shifting the business model toward low-carbon activities. Low or no alignment could suggest either a) business model lock-in to higher risk activities; or b) missed opportunities in growth areas. Entities may also choose to set targets for cap-ex alignment, which can be tracked through assessment and disclosure of actual cap-ex investment over the relevant period.

Taxonomy-aligned cap-ex can provide a more nuanced indicator for transition planning than emissions-based metrics (such as total emissions, or emissions intensity), particularly for businesses that are highly emissions intensive and that require significant capital investment in order to decarbonise – for example, in sectors such as mining and industrial manufacturing. For these businesses, adopting a taxonomy-aligned cap-ex metric can demonstrate the bona fides of their transition plans (ex-ante), and demonstrate the extent to which they have achieved them (ex-poste). See further information in Box: Transition Planning and the Australian Taxonomy.

Guidance related to First Nations engagement

ASFI supports the inclusion in the draft guidance of a section on First Nations engagement, and recognition by the draft guidance of the importance of working in partnership with First Nations communities in the net zero transition. First Nations engagement will not be a material transition consideration for all entities, and the guidance should be clear that not all entities will need to include First Nations engagement in their transition planning. However, it is relevant to many aspects of transition, including the build out of renewable generation and transmission infrastructure, and extraction of critical minerals. The guidance could usefully indicate which sectors are likely to have a greater intersection with First Nations rights and interests (for example, mining and energy) and provide or reference specific guidance for these sectors if available.

ASFI supports the guidance referencing the Australian Taxonomy Minimum Social Safeguard criteria and the First Nations Clean Energy Networks' toolkit. We suggest the guidance could also reference the *Dhawura Ngilan Business and Investor Guides* and the Department of Climate Change Energy Environment and Water (DCCEEW), *First Nations Principles: the Principles of Free, Prior, and Informed Consent*, which was developed for DCCEEW employees but contains information on First Nations engagement that would also be useful information for other organisations.

Guidance related to use of carbon credits

This section could more specifically set out fundamental concepts from credible and widely recognised international guidance for the use of carbon credits, in particular:

- The mitigation hierarchy, i.e. the expectation that businesses prioritise direct emissions reductions, and use carbon credits only where direct reductions are not possible; and
- The expectation that any carbon credits used represent genuine emissions reductions.

It could also reference relevant guidance including from the Voluntary Carbon Markets Integrity Initiative, and the International Emissions Trading Association.

Case studies and examples

To make the guidance as practical and adoptable as possible, the Government should consider including illustrative examples and case studies of transition planning and transition plans. A range of examples could be provided – from basic (for those entities that are smaller, less exposed to material transition or physical risk, and/or just beginning to undertake transition planning), to intermediate, to more sophisticated. Presenting these materials in an Annex separate from the main guidance would assist readability.

9) Specific feedback on the Draft Transition Planning Guidance

See response to Question 8 above.

BOX: Transition Planning and the Australian Taxonomy

What is the Australian Sustainable Finance Taxonomy?

The Australian Sustainable Finance Taxonomy is a science-based classification tool that identifies economic activities which are either: a) already aligned with a 1.5 degree emissions trajectory, or b) on the pathway to alignment. The taxonomy was developed by ASFI in partnership with the Australian Government, and in close consultation with a wide range of stakeholders. It was released in June 2025 and is available for voluntary use by the market.

Taxonomies are increasingly recognised in global frameworks (e.g. IRFS, GFANZ, SBTi, ICMA) as a consistent, comparable, and decision-relevant benchmark to assess the credibility of transition planning and disclosures. The Australian taxonomy can be used as a metric to support entities to understand their current exposure to transition risk and opportunity, set transition goals through capital investments in climate-related opportunities aligned to the taxonomy, and track progress against those goals. As such, it can support high quality transition planning and preparation of credible corporate transition plans.

Why use the taxonomy for transition planning?

Using taxonomy alignment to support transition planning and disclosure can:

- Provide a forward-looking and transparent measure of alignment with the Paris Agreement decarbonisation goals that can apply across all sectors and activities covered by the taxonomy.
- Allow differentiation from competitors on a credible basis.
- Reduce greenwashing risk by providing an objective measure to validate green claims.
- Support access to capital from investors and lenders who are increasingly seeking to ensure investees/borrowers have in place credible transition plans.

The Australian taxonomy has been developed with a particular focus on supporting finance and investment into 'transition' or 'hard to abate' sectors, such as mining, manufacturing, and agriculture. In these sectors, emissions intensity metrics often do not tell the full story. Investors and lenders may be reluctant to increase allocation to these sectors due to uncertainty about their green credentials, and because doing so can increase the investor or lender's 'financed emissions'. Taxonomy alignment of capex provides a more nuanced metric for these activities.

How can the taxonomy be used for transition planning and disclosure?

As part of transition planning and disclosure, businesses may choose to:

- Identify and disclose the volume and/or percentage of their organisation's cap-ex that is taxonomy aligned (planned and actual);
- Set and disclose targets for increasing taxonomy alignment over time, and the planned investments or operational changes to achieve this; and
- Iteratively report on actual /historical capex to demonstrate progress towards implementation of those targets over time.

In time, and to provide a fuller picture of how an entity's transition plan is being implemented across its business strategy, disclosure could also cover percentage alignment of *revenue* and/or *operational expenditure* (op-ex).

Considerations

- Taxonomy alignment is typically disclosed as a percentage of total cap-ex (and sometimes op-ex/revenue), which avoids disclosure of commercially sensitive figures.
- The intent of using taxonomy alignment metrics should not be to demonstrate full alignment. For many businesses, taxonomy alignment is unlikely to be strong or even moderate at this stage of the transition. Rather, taxonomy alignment is about adopting a credible metric for setting targets and tracking progress over time, and supporting access to capital for future Paris aligned cap-ex.
- The Australian taxonomy covers all 6 sectors of the economy but does not yet have universal coverage of all sub-sectors and activities. Taxonomy alignment will be relevant for entities operating in sectors where there is strong taxonomy coverage.