

PRI RESPONSE

AUSTRALIAN TREASURY CONSULTATION PAPER: CLIMATE-RELATED TRANSITION PLANNING

September 2025

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To inform this paper, the following group has been consulted: Australian Regional Policy Reference Group (RPRG)

While the policy recommendations herein have been developed to be globally applicable, the PRI recognises that the way in which policy reforms are implemented may vary by jurisdiction and according to local circumstances. Similarly, the PRI recognises that there may be circumstances where there are merits to allowing market-led initiatives to precede regulatory requirements.

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ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the Commonwealth Treasury call for feedback on climate-related transition planning guidance.

ABOUT THIS CONSULTATION

In June 2024, the Australian Government released the [Sustainable Finance Roadmap](#), setting out its vision for the implementation of key sustainable finance reforms and related measures¹. Per the Roadmap's objective to mobilize the significant private capital required to achieve net zero, supporting credible transition planning was identified as a priority for Treasury to consider.

In August 2025, Treasury published its [consultation paper](#) on climate-related transition planning guidance, which invites stakeholder feedback on a proposed design approach as well as an illustrative draft guidance based on the proposed design approach. Per timelines proposed under the Sustainable Finance Roadmap, the PRI understands that Treasury will aim to publish best practice guidance for the disclosure of corporate transition plans by the end of 2025.

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¹ The PRI made a submission to the [Sustainable Finance Strategy consultation](#), which informed the Sustainable Finance Roadmap. PRI's latest consultations and letters can be accessed [here](#).

PRI RESPONSE

The PRI welcomes the opportunity to provide feedback to Treasury's proposed design approach and draft guidance for transition planning. We support:

- Recognition of the distinction between transition planning as a process, and transition plans as a formal output resulting from this exercise. This will support entities to approach transition planning as a dynamic, iterative process.
- International alignment as a key principle, with reference to the IFRS TPT Disclosure Framework playing a foundational role in the draft guidance.
- The important role of the guidance in preparing entities to navigate Australia's net zero pathways and base their transition planning on those that are ambitious and relevant.

The PRI is a global association supporting institutional investors that are committed to responsible investment. As such, the views and recommendations presented in this consultation submission reflect our recent analysis on how governments are and can be leveraging transition plan guidance to promote their objectives. We will therefore provide high-level and general feedback and we encourage Treasury to refer to submissions from Australian local investor organizations to provide more detailed feedback on the draft guidance.

The PRI has been an active participant in conversations through our engagement with the Transition Planning Working Group convened by Climateworks Centre and the Energy Efficiency Council (EEC). The group brings together a range of representatives across a range of industries with a common purpose to support credible transition plans. We welcome the opportunity, through this forum, to engage with Treasury to assist with the next stages of development of the guidance.

The PRI recommends the following qualities to be reflected in Treasury's general approach to further developing the draft guidance:

- **A Paris-aligned whole-of-government approach**
 - Paris aligned transition planning: The Australian Government's legislated target to achieve net zero emissions by 2050 underpins the Sustainable Finance Roadmap, and as such, the Government has an imperative to embed national transition planning strategically to mobilize capital and provide investor certainty. [We note](#) that investors also have a financial interest in long-term warming being limited as low as possible, given that temperature stabilisation at or below 1.5°C significantly reduces the risks of economic disruption, supply chain shocks, stranded assets, and market instability. Accordingly, we recommend that Treasury establish a clear expectation for best practice transition planning to be one that supports a whole of economy just transition toward its net zero by 2050 goal.
 - Cross-departmental coordination: Transition planning is a long-term, forward-looking exercise that benefits from policy certainty and consistency. These qualities are reinforced under a [whole-of-government](#) approach, particularly when a central agency coordinates executive agencies to deliver coherent and consistent policy signals, supported by regular reporting and stakeholder dialogue to ensure public accountability and sustained stakeholder engagement. This guidance may be able to showcase Australia's whole-of-government commitment to support transition planning among corporates and investors if it is issued jointly with Federal Departments such as the Department of Climate Change, Energy, the Environment and Water and the Department of Industry, Science and

Resources, as well as relevant independent agencies such as the Net Zero Economy Authority. Alternatively, the guidance may be able to clarify the degree to which such Departments and agencies have been involved in the design and draft.

- Clearer recognition of impacts and dependencies: The draft guidance's framing of "climate first but not only" and the framing of just transition and nature as "other strategic ambitions" does not capture how corporate transition activities will have impacts and dependencies on broader environmental and social externalities. Rather than position just transition and nature as objectives exclusive to climate objectives, Treasury may consider encouraging entities to apply the concept of impacts and dependencies to ensure a more integrated approach amongst practitioners. The PRI, however, notes below that key indicators benefit from a higher prioritization than others – such considerations of impacts and dependencies are likely better positioned as a best practice measure to be phased in.

■ **Prioritization and planning toward mandatory transition plan reporting**

- Clarifying priority disclosure items: Key aspects of a transition plan, such as those that overlap with AASB S2, represent information that is generally considered material for investors. In addition to recognizing the IFRS TPT guidance in this regard, Treasury may also consider clarifying minimum prescriptive disclosure elements – separate from mere compliance with AASB S2 – that every transition plan should include (e.g. interim emissions targets, governance arrangements, capital expenditure alignment, reliance on offsets, and key assumptions). This would help reduce the risk of boilerplate disclosures and enable comparability across companies and sectors.
- Phase-in requirements: The availability of robust and reliable climate-related data and information remains a key challenge for investors to consider and address climate-related risks and opportunities. Transition plans are an important component of this data infrastructure, and provisions for the mandatory adoption, disclosure and implementation of transition plans has been [identified](#) as a key policy opportunity. While AASB S2 provides a strong basis for sub-elements of a transition plan, Treasury has an opportunity to clarify its plans and visions for the integration of transition planning into regulatory requirements and guidance, in line with the Government's broader Net Zero transition plans and commitments. Treasury may also clearly articulate their expectations for transition planning practices and coordinate with other regulatory authorities who will develop transition plan expectations.
- Integration into corporate governance guidance: Many investors share the strong belief that good transition planning is a prudent strategic and risk management exercise, rather than a disclosure and compliance exercise. Done well, investors consider this process to be useful in shaping strategy, direction of travel, and broader contributions to the transition. In this context, Australia's Corporate Governance Principles and Recommendations was last updated in 2019 and can benefit from recognising the importance of transition planning in good governance practice.

■ **Refining and updating the policy context**

- Refining the policy context: As is recognized within the guidance, Australia's climate policies are still under development. Recent announcements include the revised National Climate Risk Assessment, the Nationally Determined Contribution (NDC) and the Net Zero Plan. While the PRI anticipates new announcements to be incorporated in the finalized guidance, such policies can be presented in a more compact, comprehensible

format for practitioners in the context of implementing transition planning. The PRI also [recognizes](#) the importance of national transition planning and the need to make plans “investable”. In finalizing the policy context section, Treasury can ensure this guide plays a role in this space by providing Treasury’s view on how the national net zero commitment and transition plan should create a positive feedback loop with corporate commitments and transition planning.

- Investment plans: In relation to the above, Treasury may also consider leveraging corporate transition plans to clarify areas that require transition-related finance and investment across the economy. For example, companies can be encouraged under section 2.3 (financial planning) to not only clarify their capex plans, but also how they plan to fund their transition plan, such as through equity, bank lending, private capital, etc. Treasury can contextualize this encouragement by providing further information on how its policies seek to support key streams of capital flow (both through public and private finance and investment).
- Regular revision: For this guidance to maintain relevance as a best-practice guide, we recommend that there be an explicit commitment to an annual review and where necessary, regular revision of the document.

The PRI stands ready to support Treasury in providing further insights on specific aspects of transition planning that are gaining particularly strong support from international investors.

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of the Commonwealth Treasury further to implement policies proposed under the Sustainable Finance Roadmap in Australia.

Please send any questions or comments to policy@unpri.org.

More information on www.unpri.org