

HKMA Workshop on Climate Transition Plans:

# **Developing and Disclosing a Credible Transition Plan**

November 27<sup>th</sup>, 2023

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# AGENDA

## CDP Introduction

## Climate transition plans

- ← Definition & importance of credible climate transition plans
- ← Global landscape on regulatory requirements
- ← Principles & elements of a credible transition plan
- ← State of transition plan disclosures
- ← Resources

## Q&A

# **CDP**

# **INTRODUCTION**

# CDP - Global Disclosure System:

## Implementing environmental best practice at scale globally



- ▶ Mission driven environmental non-profit
- ▶ Drives efforts towards a net zero, nature-positive economy
- ▶ Maintains the world's most comprehensive database of environmental data
- ▶ Converges frameworks, standards, and laws for comparable disclosure and data

**746+**

Investors requested thousands of companies to disclose to them through CDP in 2022

**340+**

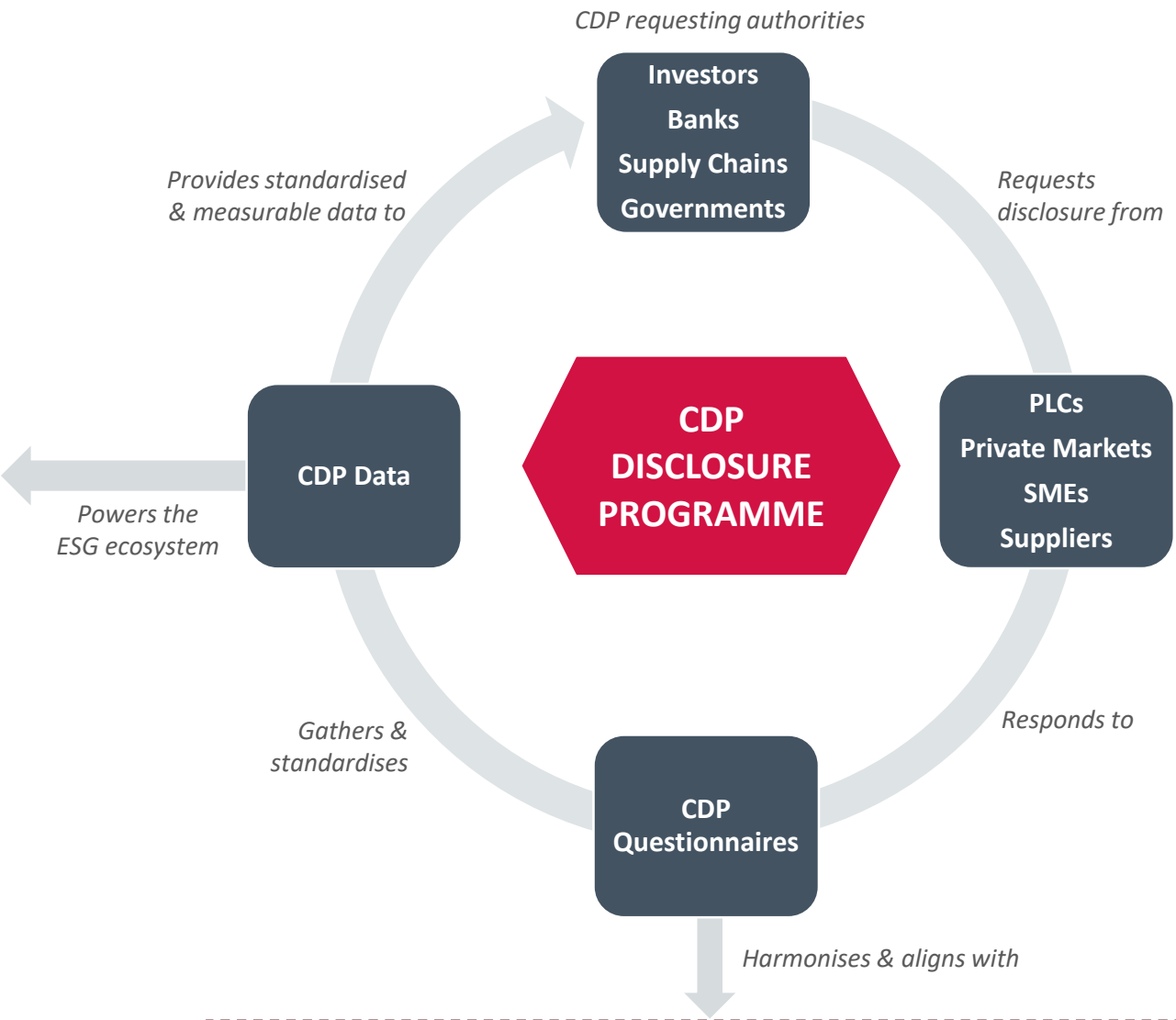
Buyers asked their suppliers to disclose through CDP

**23,000+**

Companies worth over 66% of global market capitalisation disclosed through CDP in 2023



# How CDP works?



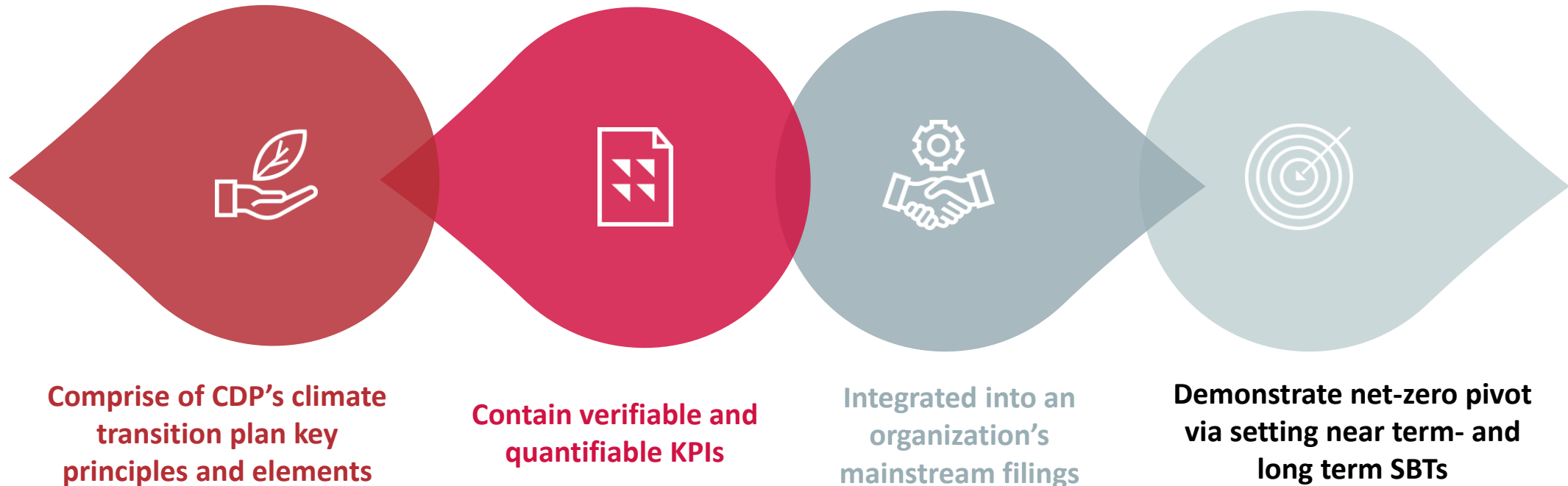


# **CLIMATE TRANSITION PLANS**

# What is a credible climate transition plan?

A credible climate transition plan is a **time-bound, action plan** that clearly outlines how you will pivot existing assets, operations, and entire business model towards a trajectory that aligns with the most ambitious climate science.

## Characteristics of a credible transition plan



# Why are climate transition plans important?



## Regulatory Compliance

Climate transition plans enable organizations to navigate evolving regulations and policy changes, ensuring compliance and avoiding regulatory shocks.

## Accountability and Transparency

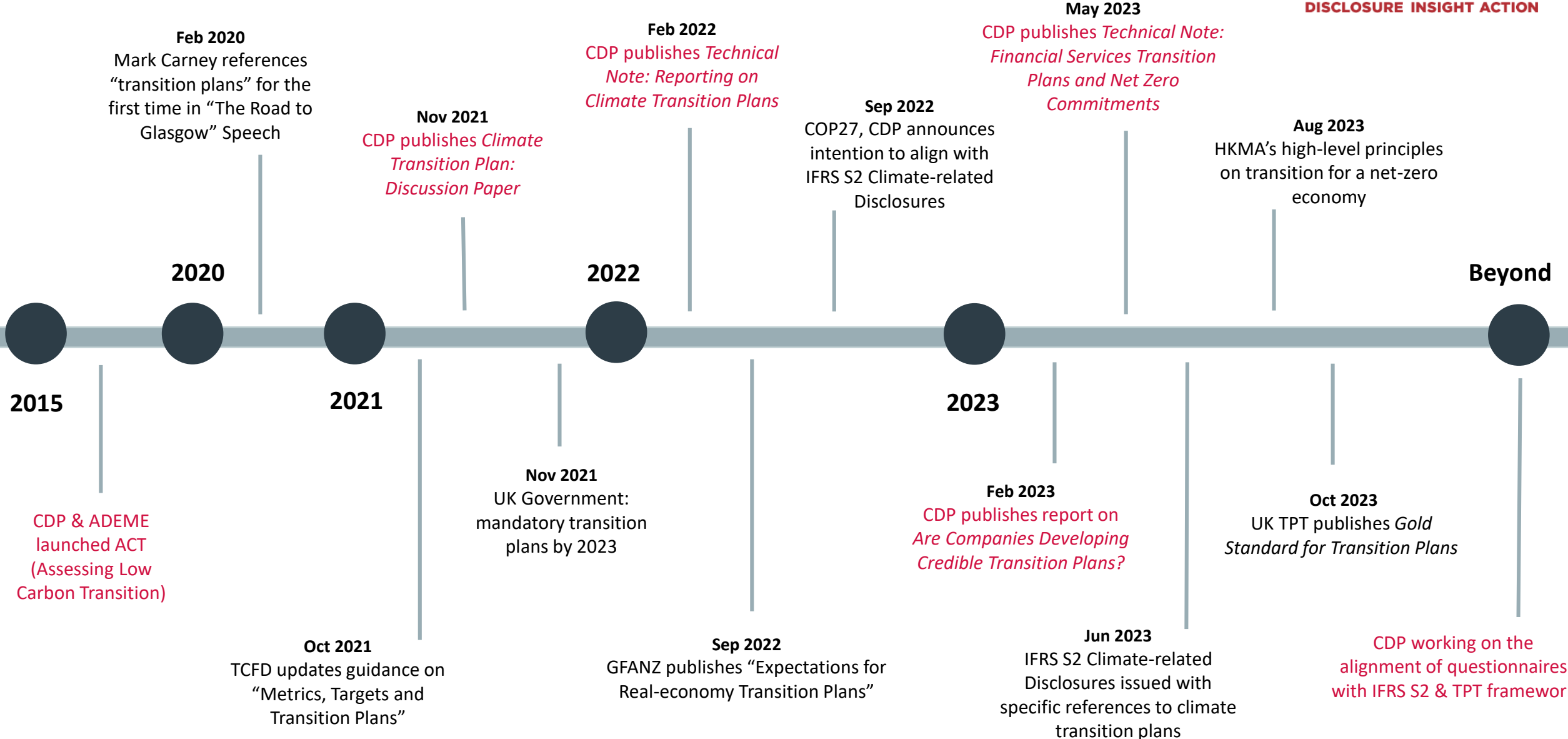
Climate transition plans enhance accountability and transparency by providing stakeholders with clear insights into an organization's climate strategies and actions.









## Investor and Stakeholder Engagement

Robust climate transition plans are essential for attracting investment and securing stakeholder support, as initiatives like GFANZ emphasize the importance of credible and ambitious net-zero strategies.



# CDP's role in developing credible transition plans



	<p>The International Sustainability Standards Board (ISSB) finalized sustainability-related and climate-related disclosure standards, which include an expectation for firms to disclose transition plans.</p>
	<ul style="list-style-type: none"> <li>• The Corporate Sustainability Reporting Directive (CSRD) proposes new requirements for companies to develop and disclose transition plans for climate mitigation.</li> <li>• The proposed Corporate Sustainability Due Diligence Directive (CSDDD) discusses mandatory transition planning requirements for large companies.</li> <li>• The European Commission has proposed banking regulations that would require banking institutions to disclose "concrete plans" to manage ESG risks.</li> </ul>
	<p>The Securities and Exchange Commission (SEC) has proposed a draft rule suggesting that public firms disclose voluntary adoption of transition plans in their climate-related risk management strategy.</p>
	<ul style="list-style-type: none"> <li>• Japan is committed to developing sustainability standards based on the ISSB's global baseline, with draft standards expected by March 2024 and final standards by March 2025.</li> <li>• Listed companies on the "Prime Market" already have TCFD-aligned climate information disclosures, and sustainability disclosures have been required in corporate finance reporting since March 2023.</li> </ul>
	<ul style="list-style-type: none"> <li>• The Hong Kong Stock Exchange is considering mandating strengthened climate-related disclosures, including transition plan disclosures, to enhance its ESG framework and align with international standards. Mandatory climate-related disclosures aligned with TCFD Recommendations are expected by 2025.</li> <li>• The Hong Kong Monetary Authority sets up some high-level principles on planning for transition to a net-zero economy for Banks.</li> </ul>
	<p>Singapore plans to implement ISSB-aligned disclosures on a risk-proportionate basis. The Monetary Authority of Singapore released a Finance for Net Zero Action Plan, which includes credible transition plans as a strategic outcome.</p>
	<p>The Treasury in Australia has consulted on climate-related financial disclosures for large entities, proposing transition plan disclosure requirements, including information on offsets, target settings, and mitigation strategies.</p>
	<p>The country's most economically significant entities have started reporting against Climate-related Disclosure standards, which include a requirement to disclose transition plan aspects of their strategies since January 2023.</p>

# Global landscape of transition plans requirements

# Principles of credible climate transition plans

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 regularly, 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).

# Key elements of a credible climate transition plan



Governance



Scenario analysis



Financial planning



Value chain engagement &  
low carbon initiatives



Policy engagement



Risks & opportunities



Targets



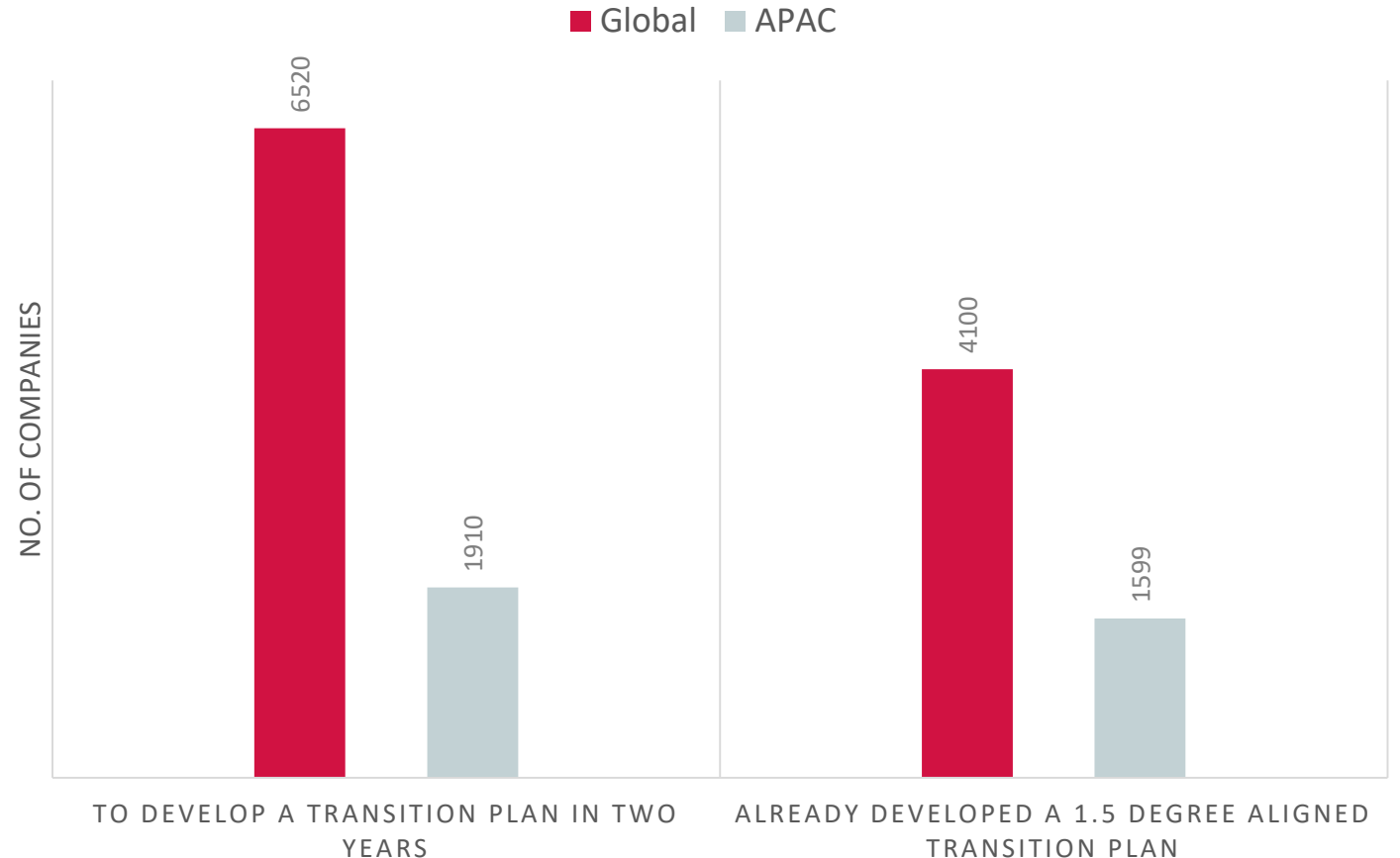
Scope 1, 2 & 3 accounting  
with verification

# Are APAC companies ready for climate transition?



- 1,599 APAC companies have already developed a 1.5 degree aligned transition plan
- 1,910 APAC companies plan to develop a transition plan in the next two years
- Only 81 companies globally met all 21 CDP indicators of a credible transition plan, with 27 of those companies from APAC

## STATE OF CLIMATE TRANSITION PLANS IN 2022



2023 statistics to be released in 2024

# How to get started?

## The transition roadmap and elements



CDP's system will move the emphasis of our work up this spectrum for climate and then move the journey forward for nature.

# CDP Resources



Link: [Transition Plans Report](#)



Link: [Pan-sector guidance on transition plans](#)

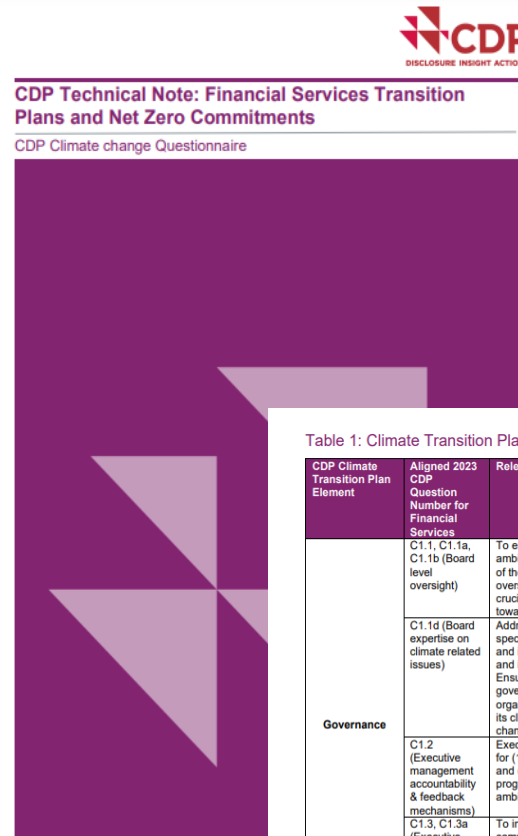


Table 1: Climate Transition Plans for Financial Institutions

CDP Climate Transition Plan Element	Aligned 2023 CDP Question Number for Financial Services	Relevance	TCFD Pillar	ICAPs Expectations Ladder	GFANZ Transition Plan Disclosure Sub-Components	UN High-Level Expert Group Recommendations
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.	Governance	Governance: - Policy Tiers 1, 2 & 3 - Accountability Tiers 3 & 4, - Board Reporting Tiers 1, 2 & 3	Governance: Roles, responsibilities and remuneration	UN4.10: Governance
	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.		Governance: - Policy Tiers 1 - Accountability Tiers 2 - Skills Assessment Tiers 1, 2 & 3	Governance: Skills and culture <sup>10</sup>	UN4.10: Governance
	C1.2 (Executive management accountability & feedback mechanisms)	Executive management have responsibility for (1) developing a climate transition plan, and (2) frequently reporting to the board on progress towards realizing the plan's ambitions.		Governance: - Policy Tiers 1 & 2 - Accountability Tier 4 - Board Reporting Tiers 1 & 2	Governance: Roles, responsibilities and remuneration	UN4.10: Governance
	C1.3, C1.3a (Executive 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.		Governance: - Accountability Tier 1	Governance: Roles, responsibilities and remuneration	UN4.10: Governance

<sup>10</sup> GFANZ recommendations also stipulate that disclosers should provide a summary of access to climate-related resources, and the resource requirements and a change management program needed to embed transition plan elements into culture and practice.

Link: [Financial services guidance on transition plans](#)

# Other resources



- Transition Plan Taskforce (TPT), [Disclosure framework](#), 2023
- TPT, [Sector Deep Dives](#), 2023
- Glasgow Financial Alliance for Net Zero (GFANZ), [Financial Institution Net-zero Transition Plans: Fundamentals, Recommendations and Guidance](#), 2022
- GFANZ, [Expectations for Real-Economy Transition Plans](#), 2022
- The Investor Agenda, [Investor Climate Actions Plans \(ICAPs\) Expectation Ladder](#), May 2021
- United Nations' High-level Expert Group on the Net Zero Emissions Commitments of Non-State Entities, [Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions](#), November 2022
- IIGCC, [Investor Expectations of Corporate Transition Plans: From A to Zero](#), 2023
- Planet Tracker, [Climate Transition Analysis Template](#), as of 2023
- Transition Pathway Initiative (TPI), [Preparedness for transition tool](#), 2023
- World Benchmark Alliance (WBA), [Just transition assessment](#), 2021





# Thank You



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