



Telling your transition story

IFRS® Sustainability Disclosure Standards

kpmg.com/ifrs

June 2025

KPMG. Make the Difference.



Telling your transition story



What's the issue?

- Climate change is both a business risk and an opportunity to innovate. Investors and other stakeholders need to understand companies' ambitions and actions in response.
- Companies face increasing cost pressures, disruptive technology and an evolving policy landscape. Against this backdrop, transition planning offers an opportunity to protect, and create, long-term sustainable value.
- As transition planning becomes more common and investor demand for it grows, reporting frameworks and standards – including the IFRS Sustainability Disclosure Standards – increasingly require transition plan disclosures.



What's the impact?

- Companies can stand out from the crowd with quality transition plan disclosures that tell their story effectively.
- High-quality disclosures include relevant detail and are understandable and connected across the annual report.
- Transition plans require cross-cutting information. Developing the plan and preparing the related disclosures requires strong connectivity between multiple functions.



What's next?

- This guide provides an introduction to transition plan disclosures for those new to the topic.
- The International Sustainability Standards Board (ISSB) has also released [guidance](#) to help companies comply with its requirements in this area.
- This guide focuses on the IFRS Sustainability Disclosure Standards; however, it may also be useful to companies reporting under other frameworks, including European Sustainability Reporting Standards (ESRS).

Contents

About your transition plan

- 01

What is a transition plan?
- 02

What does a transition plan include?
- 03

What do you need to disclose under IFRS S2?
- 04

Does a transition plan need to align with global climate goals?
- 05

Is a transition plan only about climate?

How to tell your transition story

- 06

How do you connect the dots with financial reporting?
- 07

How is the information presented in the sustainability report?
- 08

How do you manage uncertainty and sensitive information in disclosures?
- 09

Who is involved in preparing the disclosures?
- 10

What do you need to do now?

01 What is a transition plan?

- ▶ A **transition plan** is an aspect of a company's overall business strategy.

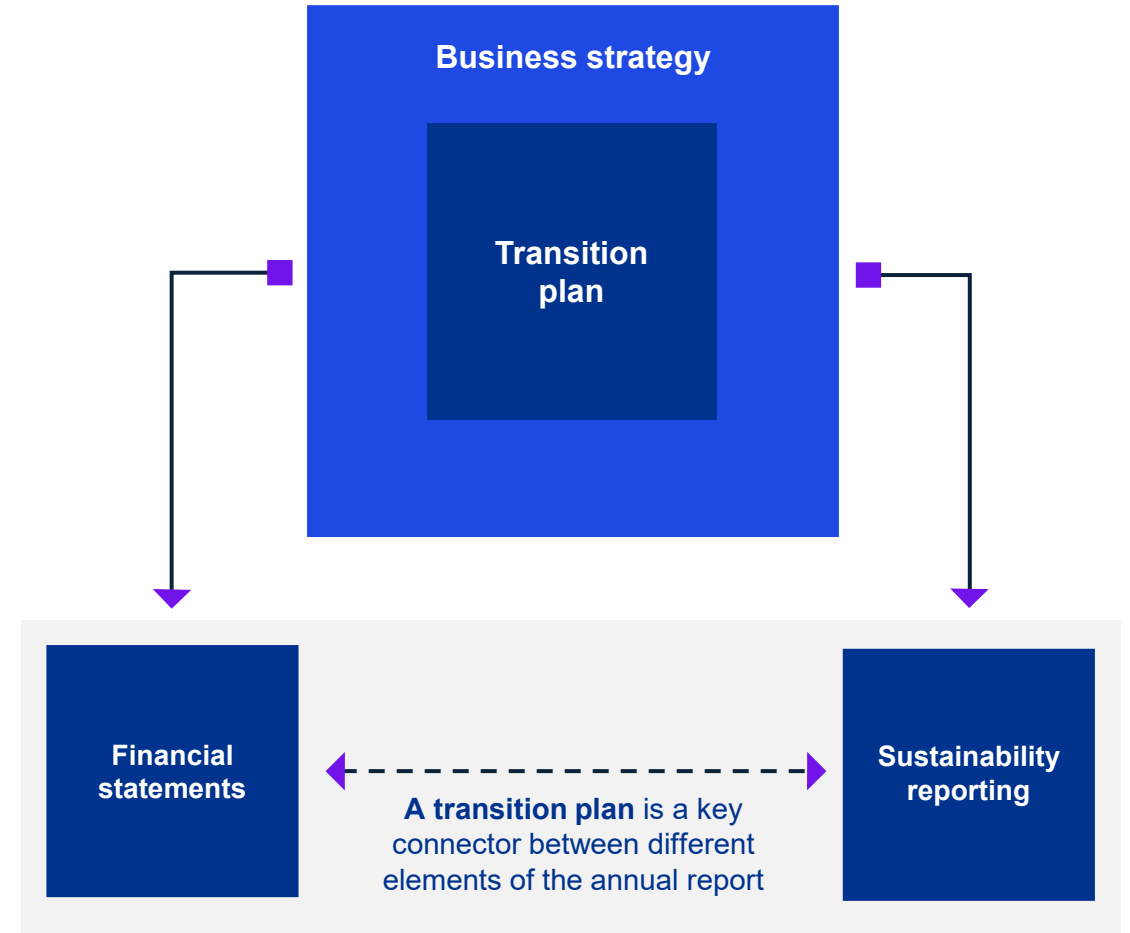
It lays out the company's **targets, actions and resources** for its transition towards a lower-carbon economy. This includes reducing the company's greenhouse gas (GHG) emissions and adapting to the effects of climate change.
- ▶ The transition plan is a key mechanism for companies to become climate resilient and to unlock value. Companies can use disclosures about their transition plans as a tool for communicating effectively with investors, lenders and other stakeholders.



IFRS S2¹ refers to a 'climate-related transition plan'.
In addition, IFRS S1² emphasises the importance of providing connected information – e.g. connecting climate- and nature-related risks. See [Question 5](#) and [Question 6](#).

¹ IFRS S2 *Climate-related Disclosures*

² IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*



02

What does a transition plan include?

- ▶ A transition plan brings together information about the company's:
 - **ambition**;
 - **actions**; and
 - **accountability**.
- ▶ It **connects the dots** between the company's actions and their impact on its financial position and performance (see [Question 6](#)).



The ISSB's guidance on transition plan disclosures is based on broader materials from the UK Transition Plan Taskforce (TPT).

The areas highlighted on this slide are consistent with the TPT's materials, which provide guidance on the transition planning process, the contents of a transition plan and related disclosures.

03

What do you need to disclose under IFRS S2?

- Disclosures need to **tell a clear and connected story**.
Companies have the opportunity to explain in their disclosures how they will protect and create value through their transition.
- There are relevant requirements in IFRS S2 regardless of whether a company has a transition plan, is in the process of creating one, or has set a strategic goal¹.
- If a company has a transition plan, then it provides information about it – including its key assumptions and dependencies.



| | 1. Requirements ² | 2. Illustrative examples |
|---------------------|---|--|
| Governance | <ul style="list-style-type: none"> Governance body or individual(s) responsible for oversight of climate-related risks and opportunities Management's role in the governance processes | <ul style="list-style-type: none"> How the governance body's oversight of strategy considers the transition plan Whether and how the company aligns remuneration for all employees with strategic goals |
| Strategy | <ul style="list-style-type: none"> Climate-related risks and opportunities Business model and value chain Strategy and decision-making Financial position, performance and cash flows Climate resilience | <ul style="list-style-type: none"> How policies contribute to achieving strategic goals How engaging with stakeholders supports indirect mitigation and adaptation efforts How actions to achieve strategic goals may affect asset valuations |
| Metrics and targets | <ul style="list-style-type: none"> Climate-related metrics: <ul style="list-style-type: none"> cross-cutting (including GHG emissions) industry-specific Climate-related targets | <ul style="list-style-type: none"> How the company monitors governance, engagement, business operations and finance Whether metrics and targets consider just transition or nature |



Guidance from the ISSB on IFRS S2

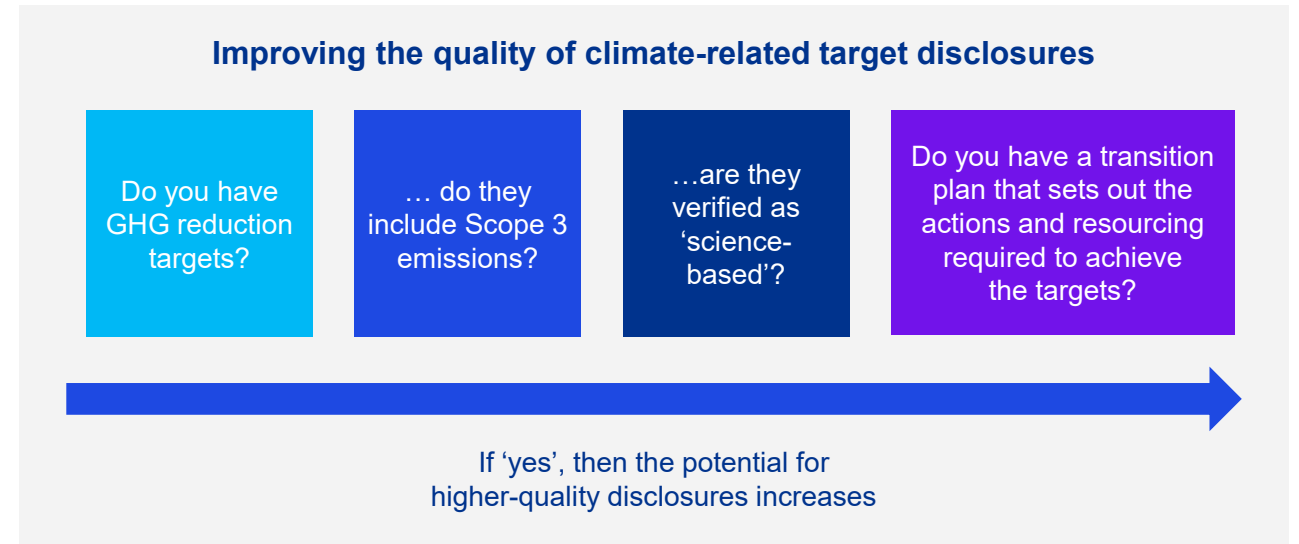
- Adds non-mandatory application guidance to the requirements.
- Provides examples and illustrations to help companies identify relevant information to disclose.

¹ The ISSB's guidance refers to a 'strategic goal' as relating to an entity's transition towards a lower-carbon economy and/or climate-resilient economy.

² IFRS S2 also includes requirements relating to risk management, but these are less relevant to transition plan disclosures.

04 Does a transition plan need to align with global climate goals?

- ▶ IFRS S2 **does not require alignment** with specific climate goals (e.g. 1.5°C).
Instead, companies need to disclose how their climate-related targets are informed by international agreements (e.g. the Paris Agreement or nationally determined contributions).
If a company does claim alignment, then it discloses the basis and assumptions.
- ▶ **Other reporting frameworks**, like ESRS, refer to the 1.5°C goal under the Paris Agreement in their definition of a transition plan.
- ▶ Targets are more **credible** if they are verified as 'science-based' – e.g. validated by SBTi¹. IFRS S2 requires disclosure of whether targets are science-based or not.



¹ Science Based Targets initiative

05 Is a transition plan only about climate?

► A transition plan considers the topics **connected** to, or arising from, the company's transition to a lower-carbon economy.

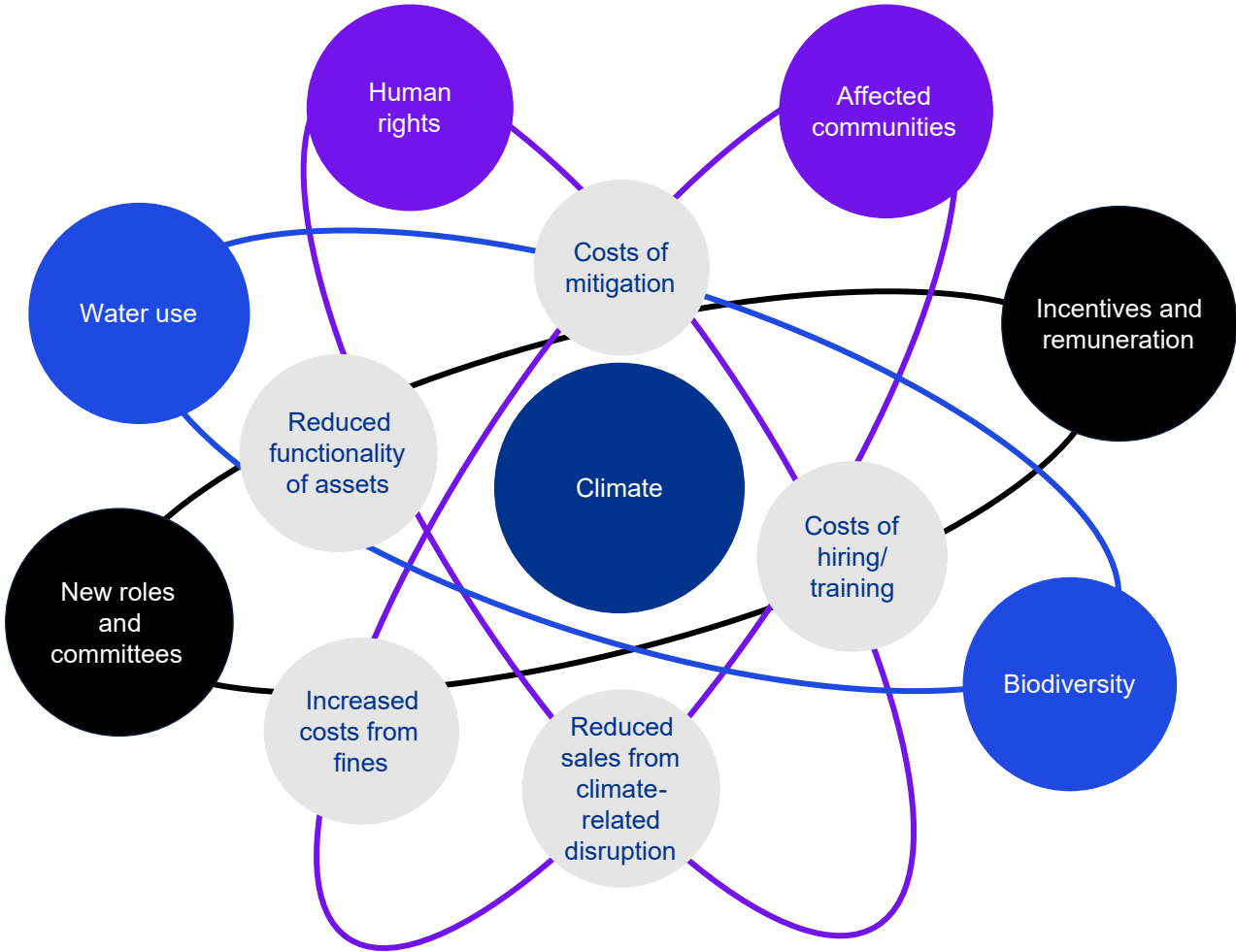
For example, a company may need to consider:

- how switching to lower-carbon raw materials may impact workers in its supply chain;
- how water-dependent operating assets may be affected by increasing water scarcity; and
- how transition plan delivery can be incentivised effectively through remuneration structures.



Climate change is a driver of biodiversity loss, and nature and biodiversity play a vital role in climate change mitigation and adaptation strategies.

Information on developing and disclosing nature-related transition plans can be found in draft guidance from the Taskforce on Nature-related Financial Disclosures (TNFD).



06 How do you connect the dots with financial reporting?

► To ensure that users can **connect the dots** between the relevant pieces of information they need to make their investing and financing decisions (i.e. material information), a company follows these steps.

- Step 1: Consider specific **actions** in the transition plan.
- Step 2: Determine the **financial reporting impact** of each action. This can include the impact on the company's financial position and financial performance at the reporting date or at a future date.
- Step 3: **Disclose** material information – applying specific and overarching disclosure requirements in the IFRS Standards^{1,2}. Choose the best way to **connect the dots** between information in different parts of the reporting – e.g. cross-references, reconciliations, separate note.



There is no specific guidance in the IFRS Standards on whether and where to provide '**no impact**' disclosures.

Judgement is required to determine if information about 'no impact' of a particular action in the transition plan on the financial position and performance at a specific reporting date is material, and if so, whether it needs to be provided in the financial statements and/or the sustainability reporting.

¹ IFRS Standards refers to both IFRS Accounting Standards and IFRS Sustainability Disclosure Standards.

² For further details, read our talkbooks [Clear on climate reporting](#) and [Net-zero commitments](#).

To ensure that users can **connect the dots**...

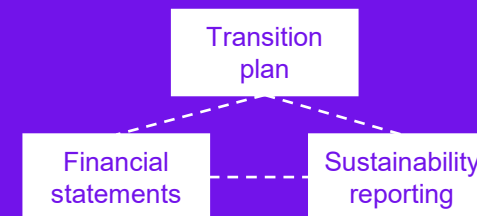
Consider specific **actions**
in the transition plan



Determine the
financial reporting impact
of each action



Disclose
material information and
connect the dots

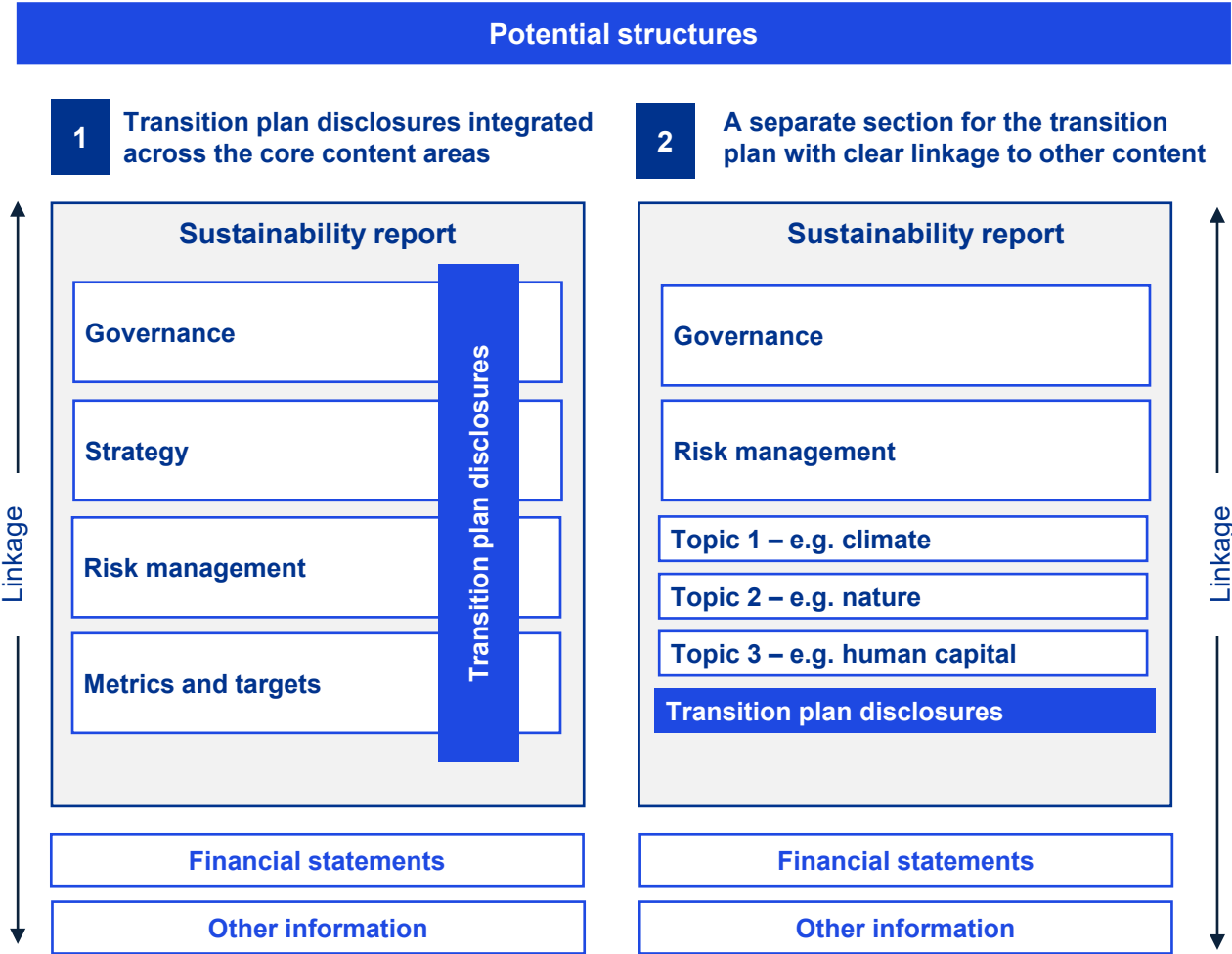


07

How is the information presented in the sustainability report?

- Under IFRS S2, companies determine the **most appropriate structure** for their reporting.
 - The transition plan can be presented as a **separate** section of the sustainability report or **integrated** with other disclosures.
 - Alternatively, some companies choose to publish their transition plan in a separate report. IFRS S1 includes specific requirements for cross referencing.
 - Jurisdictional requirements may influence a company’s choice of structure – e.g. ESRS requires transition plan disclosures to be in the environment section of the report.
- Information needs to be presented **coherently** and in a way that facilitates **linkage** with other information, including the financial statements.

Avoid duplication whenever possible – e.g. information about the governance of the transition plan may duplicate more general governance disclosures.




08

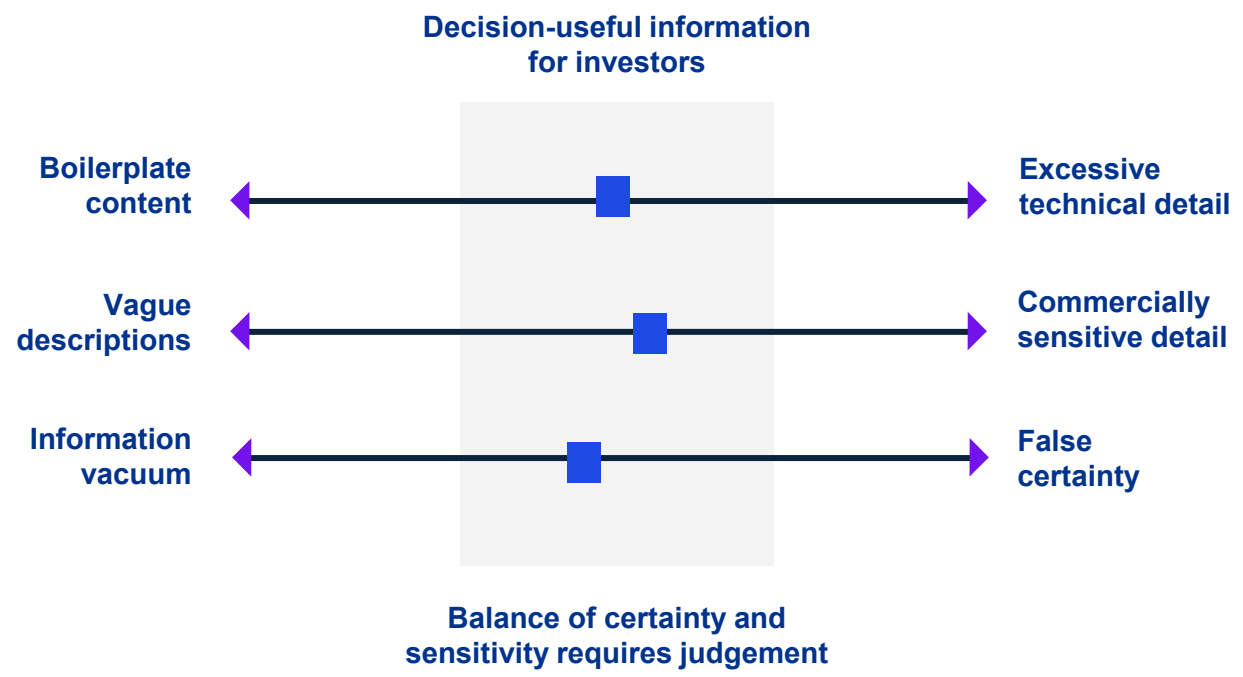
How do you manage uncertainty and sensitive information in disclosures?

- Uncertainty is inherent**
 A transition plan is forward-looking – so information may be inherently uncertain or sensitive. Even near-term actions may be dependent on uncertain future events.
- Transparency promotes credibility**
 To make uncertain information decision-useful for investors, it is important to explain the key areas of judgement, highlighting where and why there is uncertainty, and the key assumptions and dependencies.
- Commercially sensitive information may be excluded in some circumstances**
 Companies can exclude information about opportunities within strict criteria, but there is no such exemption for risks.

 If there is concern about providing information, a key judgement is whether disclosure objectives can be met in a different way.



It is important to involve the governance body early to ensure their full understanding of the disclosure requirements, including the need for uncertain or sensitive information.

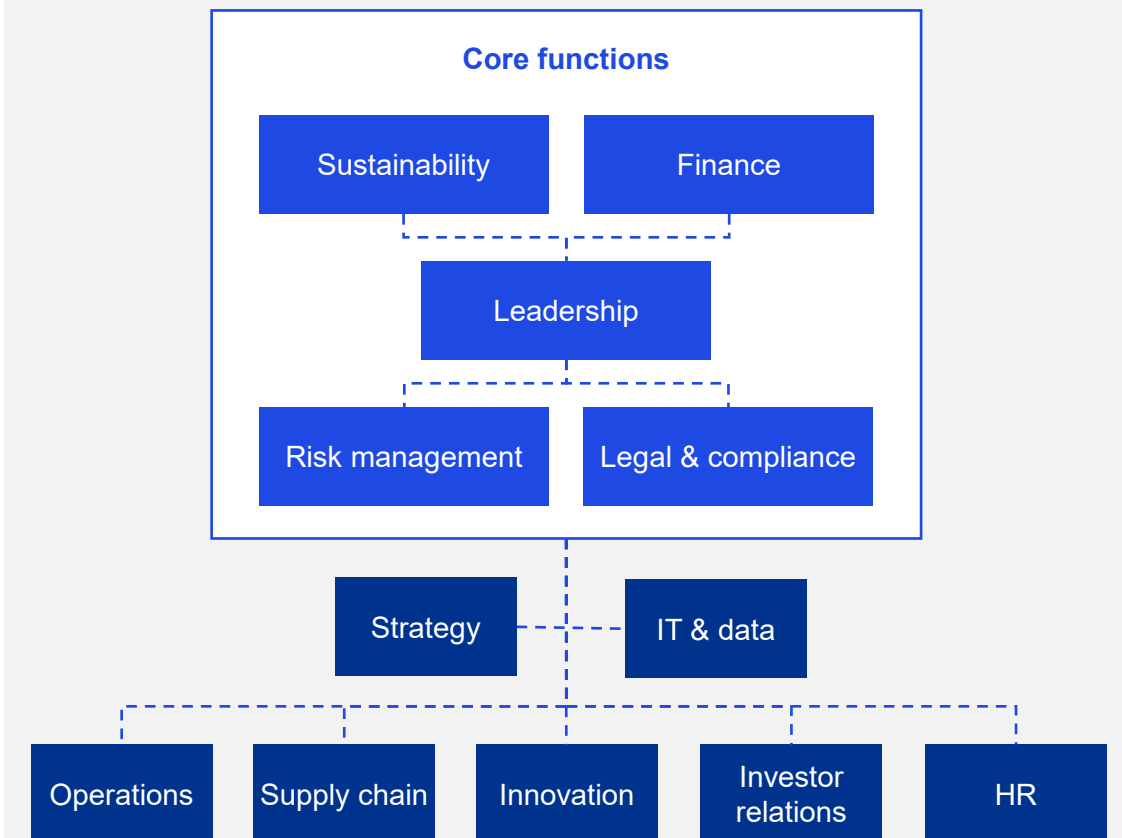


09

Who is involved in preparing the disclosures?

- ▶ Preparing transition plan disclosures is inherently **cross-functional**. It requires breaking down any functional silos to ensure connectivity.
- ▶ The following core functions are typically involved in preparing disclosures.
 - **Sustainability** often leads on decarbonisation strategy and setting carbon reduction targets.
 - **Finance** integrates climate-related risks into financial planning, reporting and disclosures, and ensures compliance with reporting standards.
 - **Risk management** assesses and quantifies climate- and nature-related risks.
 - **Legal & compliance** ensures disclosures are legally compliant and aligned with investor expectations.
 - **Leadership** provides oversight and challenges the transition plan and related disclosures.
- ▶ Other **functions** contribute data and support the disclosure process or are integral to the process of creating the transition plan.

Example functions involved in disclosures

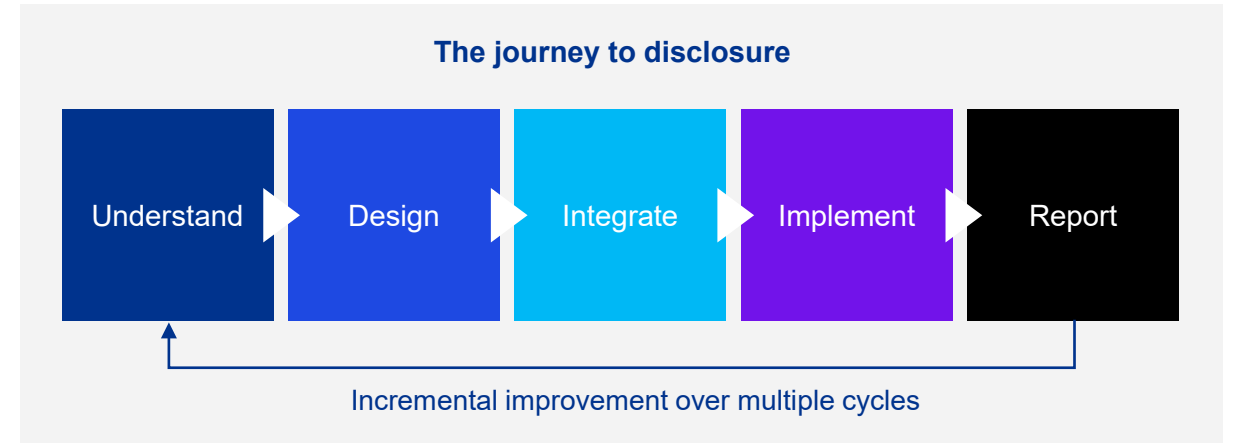


10

What do you need to do now?

Companies have the opportunity to create a clear strategy through their transition plan. This exercise will bring together the information needed to convey a strong narrative for investors in the disclosures.

- ▶ **Understand** the company's sustainability-related risks and opportunities, metrics, targets and policies and identify any gaps.
- ▶ **Design** the transition strategy – from high-level strategic ambition to detailed prioritisation of decarbonisation approaches and financial analysis methods.
- ▶ **Integrate** the transition strategy design into wider business strategy and governance. This includes designing the target operating model, technology and data solutions, financing strategies and remuneration incentive structures.
- ▶ **Implement** the transition plan, ensuring that processes are in place to monitor progress.
- ▶ **Monitor and report** internally and externally. Prepare clear and connected disclosures to tell your transition story.



Keeping in touch



Michael Hayes

Climate Change and Decarbonisation Leader
Global Head of Renewable Energy
KPMG International
mike.hayes@kpmg.ie



Julie Santoro

Partner
KPMG in the US
jsantoro@kpmg.com



Helena Watson

Associate Partner
KPMG International Standards Group
helena.watson@kpmgifrg.com

With thanks to our additional contributors

Victoria Savchenko

Deborah Chandler

Follow 'KPMG IFRS' on LinkedIn or visit kpmg.com/ifrs for the latest news.

Whether you are new to IFRS® Accounting Standards, IFRS Sustainability Disclosure Standards and ESRS, or a current user, you can find digestible summaries of recent developments, detailed guidance on complex requirements and practical tools to help you apply the standards.

KPMG Global
Corporate
Reporting Institute

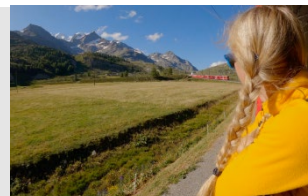


News

Search all KPMG
articles on the
standards



IFRS
Accounting
Standards

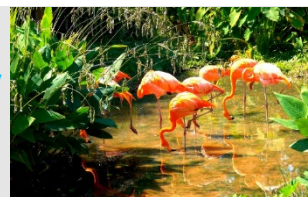


Clear on climate
reporting

Digital hub



IFRS Sustainability
Disclosure
Standards

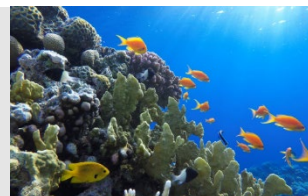


Financial reporting
in uncertain times

Digital hub



European
Sustainability
Reporting
Standards



Connected
reporting





kpmg.com/ifrs

Publication name: Telling your transition story

Publication number: 137893

Publication date: June 2025

© 2025 KPMG IFRG Limited, a UK company, limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

KPMG International Standards Group is part of KPMG IFRG Limited.

KPMG refers to the global organisation or to one or more of the member firms of KPMG International Limited ("KPMG International"), each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. For more detail about our structure please visit kpmg.com/governance.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

This publication contains copyright © material and trademarks of the IFRS® Foundation. All rights reserved. Reproduced by KPMG IFRG Limited with the permission of the IFRS Foundation. Reproduction and use rights are strictly limited. For more information about the IFRS Foundation and rights to use its material please visit www.ifrs.org.

Disclaimer: To the extent permitted by applicable law, the IASB, the ISSB and the IFRS Foundation expressly disclaims all liability howsoever arising from this publication or any translation thereof whether in contract, tort or otherwise (including, but not limited to, liability for any negligent act or omission) to any person in respect of any claims or losses of any nature including direct, indirect, incidental or consequential loss, punitive damages, penalties or costs.

Information contained in this publication does not constitute advice and should not be substituted for the services of an appropriately qualified professional.

'ISSB™' is a Trade Mark and IFRS®, 'IASB®', 'IFRIC®', 'IFRS for SMEs®', 'IAS®' and 'SIC®' are registered Trade Marks of the IFRS Foundation and are used by KPMG IFRG Limited under licence subject to the terms and conditions contained therein. Please contact the IFRS Foundation for details of countries where its Trade Marks are in use and/or have been registered.