

18 September 2025

To whom it may concern,

### **Climate-related Transition Planning Guidance - Consultation paper**

The Insurance Council of Australia (ICA) welcomes the opportunity to provide feedback on Treasury's Climate-related Transition Planning Guidance - Consultation paper.

The ICA is the national body of the general insurance industry in Australia, representing around 85% percent of private sector general insurers. Australia's general insurance sector provides protection for 41 million homes, buildings and vehicles against unexpected events.

Transition plans can help insurers navigate the shift to a low-carbon economy by providing a clear framework for reducing emissions, managing climate risks, and capitalising on climate-related opportunities, such as investing in sustainable assets, and supporting clients in their own decarbonisation journeys. When well-developed, they can also give insurers deeper insights into their clients' risk profiles, supporting more informed underwriting and investment decisions.

The ICA welcomes Treasury's guidance as an important step in helping insurers develop and use decision-useful transition plans that can be operationalised through business planning, underwriting, and investment decisions. We support Treasury's consultative approach and offer the following views on the proposed draft guidance.

Further detail is provided below.

#### **1. Do you support transition plan preparers being the target audience for using the guidance?**

The ICA supports transition plan preparers being the primary audience. Clear and practical guidance will assist insurers and other organisations in producing credible and comparable plans. While we note that Treasury's guidance is intended to operate as a standalone document to support best-practice transition planning, and is not mandatory, we consider there is value in more clearly articulating the interaction between Treasury's guidance and AASB S2. Given that many users of the guidance will also be mandatory reporters under AASB S2, cross-referencing to relevant provisions would assist preparers in understanding how best-practice transition planning aligns with mandatory disclosure obligations, while preserving the intended function of the guidance as a non-mandatory resource.

#### **2. Do you have feedback on the proposed design principles that underpin the draft guidance?**

The ICA strongly supports the principle of international alignment. Ensuring consistency with international frameworks, particularly the IFRS Transition Plan Taskforce (TPT) and ISSB standards, will help to promote comparability, reduce duplication of reporting requirements, and enable Australian organisations to access global capital markets with greater ease.

The ICA also supports the focus on both decarbonisation and adaptation within the guidance. Insurers are acutely aware of Australia's escalating climate risks - the total insured cost of extreme weather events over the past five years is \$22.5 billion<sup>1</sup> - and transition planning must therefore encompass government investment in resilience as well as emissions reduction if it is to be effective. Addressing both aspects together is essential to strengthening the economy's ability to withstand future climate shocks.

The principle of balancing ambition with flexibility is also supported. Ambition is central to the credibility of transition plans, but flexibility is equally important to reflect the differing sectoral pathways, starting points, and data availability that exist across industries. This balance ensures that the guidance remains practical and usable across a wide range of organisations.

Finally, the ICA agrees with the principle of "climate first but not only." Transition planning should primarily focus on addressing climate risks and opportunities, but it should also acknowledge the important linkages with broader sustainability, social and economic objectives. This includes recognising considerations around nature and just transition, which are increasingly relevant to both financial markets and communities. To give effect to this principle, we would welcome further guidance on how non-climate considerations can be effectively integrated into transition planning.

### **3. Are there other principles or considerations the guidance should prioritise and why?**

The ICA would welcome the inclusion of proportionality in the guidance. Transition planning will vary depending on an organisation's size, sector, and maturity in climate strategy. Scalable and achievable guidance would ensure that all entities, regardless of capacity or resources, can engage meaningfully with transition planning while progressively improving their practices over time. The inclusion of tiered disclosure approaches or case studies would further support organisations in applying the guidance effectively and consistently, regardless of their starting point.

The ICA also recommends the inclusion of advice on how entities can embed global political and regulatory settings into their transition planning. While the guidance notes its intent to assist organisations in considering, planning, and implementing climate strategies in the Australian context, international policy settings also have a significant influence on transition planning, particularly for global organisations. In some cases, international regulatory developments may diverge from or contradict Australian-specific guidance. We would therefore welcome the inclusion of material to support entities in navigating and embedding these global considerations into their transition plans.

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

While we note that Treasury's guidance is intended to operate as a standalone document to support best-practice transition planning, and is not mandatory, we consider there is value in more clearly articulating the interaction between Treasury's guidance and AASB S2. Given that many users of the guidance will also be mandatory reporters under AASB S2, cross-referencing to relevant provisions would assist preparers in understanding how best-practice transition planning aligns with mandatory disclosure obligations, while preserving the intended function of the guidance as a non-mandatory resource.

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<sup>1</sup> Insurance Council of Australia, Australia's insurance industry snapshot 2025, [INCA015-Fact-Pack-2025\\_v2.8-1.pdf](#), 2025

The ICA would also welcome further detail on how transition plans can provide disclosure of adaptation and resilience measures, alongside decarbonisation strategies. Given Australia's heightened exposure to physical climate risks - natural disasters have caused more than \$34 billion in insurance claims since 2010<sup>2</sup> - insurers need visibility on how organisations are managing these risks to their assets, operations, and supply chains. This includes strategies to protect both their own assets and those of clients and customers.

**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?**

Some ICA members are preparing to align with the IFRS TPT disclosure framework as it is internationally recognised and supported by the IFRS Foundation; while other insurers may also draw on complementary transition planning materials, including NGFS climate scenarios, and sector-specific materials. These resources help to provide additional granularity and ensure disclosures are relevant to both domestic and international expectations.

**6. Are there areas where you think the guidance should be more prescriptive and/or are there areas where you think it should be more flexible and why?**

The ICA believes it is important that the guidance maintains a degree of flexibility recognising that transition planning is not mandatory and may be adopted differently across sectors. Entities have varying levels of data availability, maturity in transition planning, and exposure to climate risks, and the framework must accommodate this diversity. Flexibility in how organisations approach pathways, methodologies and sector-specific challenges will ensure that all entities can engage meaningfully in the process, regardless of their starting point.

At the same time, the ICA considers that the guidance would benefit from greater detail to provide clearer direction on what constitutes a credible 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, assist preparers in understanding expectations, and give users greater confidence in the robustness of disclosures, without requiring wholesale replication of the TPT Framework or creating unnecessary redrafting risks when the TPT Framework is updated.

**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?**

The ICA would welcome sector-specific guidance for the financial services sector, including insurance. Unlike emissions-intensive industries, financial institutions such as banks and insurers have comparatively small operational emissions but play a critical role in financing, underwriting and enabling the broader economy's transition. Their emissions and climate risk profiles are therefore largely indirect and highly dependent on counterparties, portfolios and insured assets. This underscores the need for tailored guidance that reflects the sector's unique exposures, its ability to influence transition outcomes, and its corresponding responsibilities.

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<sup>2</sup> The McKell Institute, The Cost of Extreme Weather, [The Cost of Extreme Weather - The McKell Institute](https://mckellinstitute.org.au/research/the-cost-of-extreme-weather/), 2022.

Sector-specific guidance could also deliver greater comparability across banks and insurers, both of which are grappling with the financial impacts of physical climate risks on Australian households and businesses. Mortgaged homes and insured homes, for example, are increasingly exposed to extreme weather events and sector-specific guidance could help financial institutions disclose these shared risks in a comparable way, supporting better systemic risk assessment and improved coordination across the financial sector.

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

The ICA supports the overall direction of the draft guidance as an important step in improving the quality and comparability of transition plans. As mentioned, the guidance could be strengthened with more detail to clarify what constitutes a credible and decision-useful plan.

Our key recommendations to strengthen the guidance, as outlined in this submission, include:

- More clearly articulate the interaction between Treasury's guidance and AASB S2, while also clearly highlighting that the guidance is voluntary in nature.
- Include advice on how entities can embed global political and regulatory settings into their transition planning.
- Further detail on how transition plans can provide disclosure of adaptation and resilience measures, alongside decarbonisation strategies
- Provide additional clarity and specificity within the guidance on how the IFRS Transition Planning Taskforce (TPT) Disclosure Framework recommendations apply in the Australian context.
- Ensure guidance is practical for organisations of varying size, sector, location and maturity.
- Provide sector-specific guidance for financial services, to reflect the indirect emissions and unique exposures of banks and insurers.
- Provide further guidance on how non-climate considerations can be effectively integrated into transition planning.

**9. Specific feedback on the Draft Transition Planning Guidance**

Please see Question 8.

We trust that our initial observations are of assistance. If you have any questions or comments in relation to our submission please contact Ange Nichols, Senior Adviser, Climate Action, [ange.nichols@insurancecouncil.com.au](mailto:ange.nichols@insurancecouncil.com.au).

Yours sincerely,



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