

Transition planning: Enabling corporate and systemic decarbonization



Climate risk is now a business risk

The impacts of climate change — both physical and transitional — are here. Companies across sectors are experiencing tangible financial losses due to disruptions in operations and supply chains.

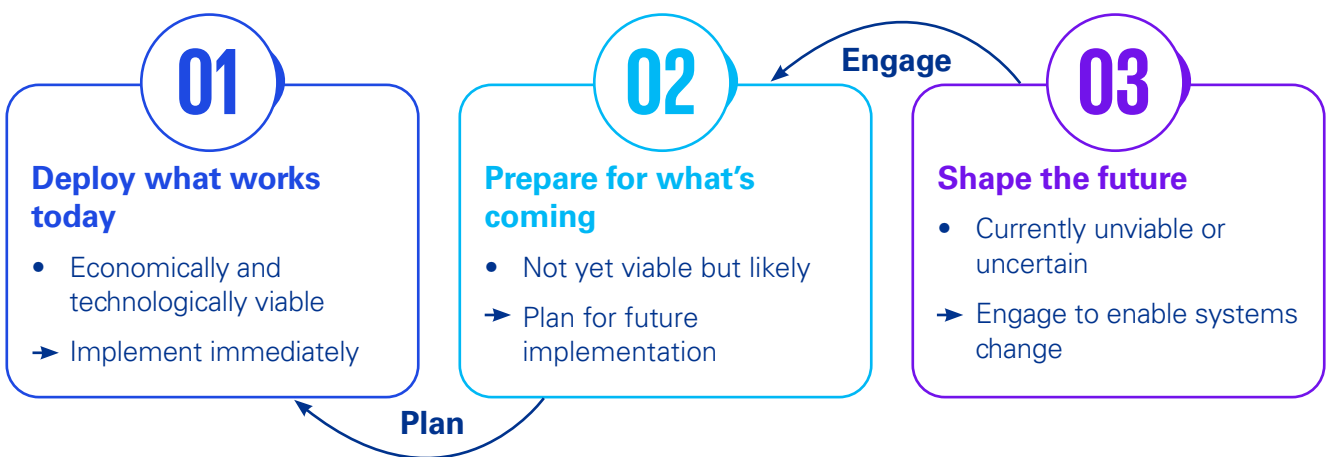
The threat of significant value erosion has become a board-level concern. While regulatory and political developments — such as the EU Omnibus — are evolving, the real momentum is coming from within the corporate sector and the investment community. This shift is increasingly evident across global markets.

Businesses are now integrating climate mitigation and adaptation strategies into their financial and strategic

planning — not only to manage risk, but to unlock innovation and growth opportunities in the low-carbon economy. Transition planning has emerged as the strategic response to this challenge. It is no longer a niche concept — it is becoming mainstream.

Our approach: A three-lens framework

At KPMG, we believe that effective transition strategies must be grounded in both economic and technological viability. We propose a three-lens framework to help corporates focus, prioritize and engage internal and external stakeholders based on the current and evolving viability of solutions, as well as broader systemic challenges.



Lens 1: Deploy what works today

- Focus on solutions that are economically and technologically viable now.
- Implement these immediately and disclose them as part of the company's near-term transition strategy.

Lens 2: Prepare for what's coming

- Identify solutions that are not yet commercially or technologically viable but are likely to become so.
- Disclose the steps required to achieve viability — through investment, capability building, or partnerships — and outline indicative time horizons.
- Be transparent about expectations, uncertainties and dependencies, and where external support is required to expedite the process.

Lens 3: Shape the future

- Develop a strategic engagement plan for solutions that are currently unviable or where technological pathways remain uncertain due to systemic challenges and broader economic dependencies. Clearly disclose the assumptions, uncertainties and dependencies involved, and articulate how your engagement approach supports long-term strategic objectives.
- Corporates should play an active role in enabling systems change by:
 - Collaborating with governments to shape effective policy interventions.
 - Creating demand signals for emerging technologies (e.g., energy transition and circular solutions).
 - Investing in or partnering with climate innovators to accelerate development and deployment.
 - Engaging with academic and research institutions to support innovation and evidence-based approaches.

- Signalling to financial markets where transition and adaptation finance is most needed to unlock capital flows.
- Working with financial institutions to make investment decisions that accelerate the adoption of key mitigation and adaptation solutions.
- This approach also enables companies to determine how to engage in carbon markets, particularly in relation to beyond value chain investments.

Conclusions: Corporates as catalysts for systems change

Transition planning is not just about reducing emissions — it's about redefining corporate value creation in a decarbonizing and adapting world that is subject to increasing climate risk and disruption. Companies have a critical role to play in driving the innovation, investment and policy alignment needed to achieve net-zero by 2050. Transition strategies must be embedded as core business strategies — central to decision-making, stakeholder engagement and long-term resilience.

Our call to action:

- Transition planning is an iterative process that responds to evolving macroeconomic and societal conditions. Don't let perfection get in the way of progress — get started now.
- Use the three-lens framework to structure your transition planning strategy.
- Disclose transparently — outlining key uncertainties, assumptions and dependencies is critical to shift the market.
- Engage proactively with stakeholders — where you have the most influence, and where it can enable your transition.

This is how corporates can move beyond incremental change and become catalysts for the systems-level transformation the climate crisis demands. It's not enough to transition up to a point. The responsibility — and opportunity — for corporates is far greater.

This paper also reflects the inputs of Richard Manley, Chief Sustainability Officer, Canada Pension Plan Investment Board and we wish to acknowledge his important contribution to this narrative.

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