SAICA
DIFFERENCE MAKERS™

Sustainability Snapshot

Governance for the just transition

What boards and excos need to know about assessing transition plans

South Africa is already feeling the effects of climate change through more frequent droughts, floods and other extreme weather events. These have damaged infrastructure, disrupted livelihoods and taken lives. Climate change also deepens existing problems of inequality, poverty and unemployment in an economy that is already under strain.

Responding to the climate crisis is therefore not only about protecting the environment – it is an economic necessity. South Africa must move towards a low-carbon, climate-resilient economy in a way that avoids new social injustices. This will require a collective effort across government, business, labour, academia and civil society.

While the just transition agenda has so far focused on the energy sector, it ultimately calls for rethinking the economy as a whole. This Sustainability Snapshot considers the role of business leadership in driving that shift, starting with credible plans for transition.

In this issue

What is a transition plan and why should a business have one?

For many businesses, a climate transition plan can feel like an expensive distraction. Profit margins are tight, energy prices volatile and the future uncertain. Why invest in plans for a low-carbon economy when demand for high-emitting products remains strong?

Some firms will continue to make healthy profits without a transition plan – at least for now. That window is closing.

> South Africa's Climate Change Act, signed into law in 2024, gives government new powers to set carbon budgets, require emission-reduction plans and hold large emitters accountable. It signals a shift from voluntary disclosure to legal obligation. Internationally, financial regulators and investors are following suit. Global frameworks such as the International Sustainability Standards Board (ISSB) and the UK-led Transition Plan Taskforce (TPT) are shaping expectations for credible, detailed transition strategies. Multinational clients and lenders increasingly expect South African suppliers to demonstrate alignment with these standards.

In this context, a transition plan is not a glossy sustainability document but a strategic tool. It sets out how a company will move from its current business model to one aligned with a low-carbon, climate-resilient economy. It translates climate commitments – such as net-zero or science-based targets – into a practical, time-bound roadmap for action. A credible plan identifies how the company will cut emissions across its operations and value chain, adapt to physical climate risks and support wider social and economic transitions. It sets interim targets, assigns accountability and embeds climate considerations in governance, strategy and capital allocation.

The absence of a plan may not trigger immediate pain but the costs of inaction are mounting. Carbon pricing, trade measures such as the EU's Carbon Border Adjustment Mechanism, and new disclosure rules are already reshaping competitiveness. Access to finance is tightening as banks and asset managers integrate transition risk into lending criteria.

Procurement contracts increasingly require suppliers to disclose their transition pathways. Over time, businesses without a credible plan risk higher borrowing costs, reduced market access and loss of investor confidence.

Of course, not every company faces the same exposure or incentive. Companies in sunset industries like coal mining may see little reason to invest in a long-term transition. But their financiers, insurers and customers are under growing scrutiny to demonstrate how they will manage associated social and environmental risks. For them, transition planning is not optional – it is central to managing liability, reputation and policy risk. The same applies to energy-intensive industries such as steel, cement and transport, where technological and regulatory shifts are gathering pace.

Transition planning also reaches beyond compliance. It helps firms anticipate disruption and seize opportunity. Businesses that engage early can influence emerging policy, attract talent and investment and secure a foothold in future value chains. Planning for reskilling and diversification can reduce social resistance and build credibility with workers, communities and regulators. Aligning with national climate and development goals strengthens a firm's social licence to operate.

The global shift towards sustainable and inclusive growth will not reward every company equally. But it will penalise those who fail to prepare. A just and well-managed transition is becoming a strategic necessity – not because government says so, but because markets, finance and society are already moving in that direction.

Transition plans, when done well, turn climate ambition into corporate strategy. They help businesses make informed choices about where to invest, what to exit and how to adapt. In a world where climate and economic futures are inseparable, that is no longer a nice-to-have. It is the foundation of long-term value.

The core components of a credible transition plan

While there is no standardised, one-size-fits-all template for corporate transition plans, there are certain core components that should be included in a transition plan's design to ensure that it is robust and credible.

An inclusive approach
Engage workers, communities and stakeholders to co-create fair and lasting solutions

Solid foundations
Link to international frameworks and base plans on double materiality assessments

Focus on implementation
Translate climate commitments into actions, integrating just transition principles

Measurable targets
Set SMART, time-bound objectives and track progress with clear KPIs and OKRs

Accountability
Assign responsibility, review and report transparently for continuous improvement

1 An inclusive approach

Best practice principles (see examples **below** under step 4) suggest that a credible corporate transition plan must embed the principles of a just transition, ensuring climate strategies are fair and leave no one behind.

Companies need to consider how their climate goals – including net-zero targets – affect workers, communities, suppliers, service providers and other stakeholders across their value chain. They must also determine what support is needed to help these groups adapt, for example through reskilling, and ensure that the benefits and burdens of the transition are shared equitably. Embedding inclusivity at the heart of strategy and implementation ensures climate action is sustainable and socially responsible.

Just transition plans should be informed by ongoing engagement with relevant stakeholders, including workers and unions, communities, civil society, clients and investee companies. The goal is to co-create solutions that reflect the needs of all affected groups. Transparency and accessibility are essential: consultations should address language or technological barriers, be available through multiple channels, and provide financial or non-financial support where needed, such as covering transport costs or offering awareness and education sessions. Engagement should be continuous, adapting plans as circumstances and stakeholder needs evolve.

Consultations can explore areas such as:

- Worker needs and aspirations
- Opportunities and co-benefits of the transition
- Measures to limit or prevent negative impacts
- Feasible timelines for implementation
- Actions to support workers, such as skills development.

Engagement can take place at company, sector or national levels. In South Africa, for example, the Presidential Climate Commission ran in-person consultations in Mpumalanga to inform a national just transition framework for the energy sector, involving government, business, labour, civil society, youth, traditional leadership and researchers. Such structured dialogue provides a foundation for inclusive, practical and widely supported transition plans.

2 Solid foundations

A credible governance cycle begins by linking transition plans to internationally recognised frameworks, such as the UN Global Compact, Sustainable Development Goals, TCFD, ISSB, the Corporate Sustainability Reporting Directive (CSRD) Transition Plan Disclosure Framework, or GFANZ guidance. These benchmarks provide credibility, allow adaptation to operational contexts, and support continuous, practical improvement.

Effective transition planning also relies on a thorough double materiality assessment, which considers both:

- How ESG factors, including just transition objectives, affect financial performance
- How corporate activities affect people, communities and the environment.

This dual lens ensures that companies focus on the most critical ESG issues for both business risk and societal impact. Insights from materiality assessments are then integrated into strategy and governance, enabling ongoing recalibration based on reliable data.

3 A focus on implementation

A corporate transition plan must translate climate commitments into actionable steps while ensuring the transition is just and inclusive. Businesses should integrate just transition principles across all activities, products, services and client interactions. This requires the development of specific, measurable targets alongside appropriate systems for accountability.

4 Specific, measurable targets

Just transition objectives should be incorporated into climate commitments with SMART targets – specific, measurable, achievable, relevant and time-bound. Baselines and interim targets aligned with climate goals should be established and regularly reviewed. Objectives and key results (OKRs) should cover social, environmental and governance dimensions, supported by key performance indicators (KPIs) that track progress and milestones. KPIs should draw on regulatory frameworks and voluntary guidance as well as stakeholder input to capture local priorities.

5 Accountability

Robust governance systems are essential to ensure a transition plan is credible, actionable and integrated into the business. Responsibility must be assigned to oversee implementation and embed the transition strategy across broader business processes and decision-making. This may require organisational skills and culture shifts to enable effective execution. Decision-making should be inclusive of staff and stakeholders, supported by annual reviews, stakeholder feedback mechanisms and transparent public reporting through sustainability or integrated reports. A dynamic, iterative governance cycle enables the organisation to adapt to emerging risks and opportunities, track progress against objectives and demonstrate accountability. Clear lines of responsibility, integrated processes and systematic monitoring help ensure the transition plan is both effective and credible in achieving climate and social objectives.

Integrating transition targets into executive incentives

Executive remuneration can be a powerful lever to embed transition objectives in corporate culture. Short-term incentives drive immediate performance, while long-term incentives align leadership with sustained ESG outcomes, climate targets and cultural change. Linking pay to measurable ESG performance motivates executives to prioritise just transition goals.

The **UN Global Compact's Principles for Responsible Remuneration** provide guidance, emphasising alignment with corporate purpose, measurable ESG impact, stakeholder engagement and transparent disclosure.

The role of boards and excos

The shift to a climate-neutral economy is transformative and complex, reshaping industries, communities and livelihoods unevenly. Boards and executive committees sit at the centre of this challenge. Their role extends beyond safeguarding profitability: they must steward a transition that is equitable, inclusive and resilient. Organisations that embed environmental and social purpose into core strategy build trust, innovation capacity, stakeholder loyalty and long-term value.

Boards as guardians of the just transition

Boards are responsible for strategy and oversight. They are not only responsible for overseeing financial performance but also for ensuring that the organisation operates sustainably, considering the long-term impacts on society and the environment. They must examine how transition plans affect key stakeholders – from communities and workers to shareholders.

Global and domestic regulatory frameworks support boards in this work. The King V Code, for example, reinforces the role of boards in driving sustainability by integrating it into the organisation's core strategy and ensuring transparent reporting, thereby promoting responsible corporate governance with respect to transition strategies.

To carry out their function, boards should conduct regular reviews to assess organisations' progress against transition targets. Reviews should evaluate:

- Success in meeting KPI milestones
- Emerging or shifting risks
- Effectiveness of governance structures and incentive alignment, including ESG-linked executive remuneration
- Stakeholder feedback and independent assessments.

These reviews must be actionable, guiding refinements to transition plans, investment priorities and risk management, while accounting for regulatory and market developments.

Excos as implementing agents

Executive committees are responsible for execution and disclosure. They translate board-approved strategy into operational plans, embed just transition objectives into business processes and oversee progress towards climate and social targets. Executives should implement transparent monitoring systems and ensure timely reporting to stakeholders, including disclosures aligned with frameworks such as GRI, SASB, TCFD and ISSB.

Integration of ESG and transition metrics into executive incentives is important. Executive accountability ensures that strategies produce tangible, measurable results that support both corporate and societal goals.

A culture of learning and adaptive governance

Just transition governance thrives when continuous learning is prioritised. Boards and management should provide training, develop knowledge-sharing platforms, benchmark against peers and embed feedback loops. Using data analytics, stakeholder insights and peer review enables proactive adaptation, innovation and value creation in response to emerging risks. Anchoring plans in global standards, fostering inclusivity and committing to transparent reporting ensures that transition strategies are accountable, resilient and adaptable.

Taking the first steps

Developing a transition plan can be daunting. To start, we recommend implementing a step-by-step approach, incorporating best practices from leading frameworks and guidance.

1. **Robust materiality assessment** Identify priority ESG issues
2. **Set science-based targets** Set SMART, science-aligned goals
3. **Establish a working group** Create a cross-functional team
4. **Select a framework** Adopt recognised standards
5. **Engage stakeholders** Involve workers, communities, partners
6. **Develop and implement** Define actions, resources, governance
7. **Monitor and report** Track KPIs, review, disclose
8. **Continuously improve** Embed learning, sharing, refinement

1 Conduct a materiality assessment

Begin by identifying and prioritising the ESG issues most pertinent to your organisation. This involves:

- **Engaging stakeholders:** Consult with affected groups – including employees, communities and supply chain partners – to understand their concerns and perspectives.
- **Assessing impacts:** Evaluate both the positive and negative impacts of your operations on these stakeholders.
- **Aligning with standards:** Utilise appropriate global and local frameworks to guide your assessment.

2 Set clear, science-based targets

Establish SMART targets that align with climate science, such as the Science-Based Targets initiative (SBTi) or the TCFD recommendations. This includes:

- **Defining emission reduction goals:** Set near-term and long-term greenhouse gas (GHG) reduction targets.
- **Developing a decarbonisation roadmap:** Outline the strategies and actions required to meet these targets.
- **Integrating targets into business strategy:** Ensure these targets are embedded into the organisation's core operations and decision-making processes.

3 Establish a working group

Form a cross-functional team with representatives from each business unit, including board members. This group will:

- **Champion the transition:** Drive the implementation of the just transition plan across the organisation.
- **Ensure inclusivity:** Act as liaisons, facilitating communication between stakeholders and decision-makers.
- **Monitor progress:** Oversee the execution of the plan and report on advancements.

4 Select an appropriate framework

Choose a framework that aligns with your organisation's goals and regulatory requirements. Options include:

- **Transition Plan Taskforce (TPT):** Provides a comprehensive approach covering ambition, planning, and implementation stages. You can find out more about the TPT here.
- **International Sustainability Standards Board (ISSB):** Offers guidance on integrating just transition principles into climate plans. More on the ISSB here.
- **Global Reporting Initiative (GRI):** Supplies metrics and indicators for reporting on social dimensions of the transition. More on the GRI here.
- **Glasgow Financial Alliance for Net Zero (GFANZ):** Identifies five themes to ensure credible transition plans particularly for financial institutions.

5 Identify and engage stakeholders

Recognise groups that will be affected by the transition, such as workers, local communities and supply chain partners. Engage with them through:

- **Consultative dialogues**
  Hold meetings and discussions to understand their concerns and expectations.
- **Feedback mechanisms**
  Implement surveys, focus groups and other tools to gather input.
- **Inclusive planning**
  Incorporate their perspectives into the development and refinement of the transition plan.

6 Develop and implement the transition plan

Create a detailed action plan that includes:

- **Strategic initiatives**
  Define clear actions to achieve emission reduction targets and address social impacts.
- **Resource allocation**
  Determine the financial and human resources required for implementation.
- **Timeline**
  Establish milestones and deadlines to track progress.
- **Governance structures**
  Set up oversight mechanisms to ensure accountability.

7 Monitor, evaluate and report progress

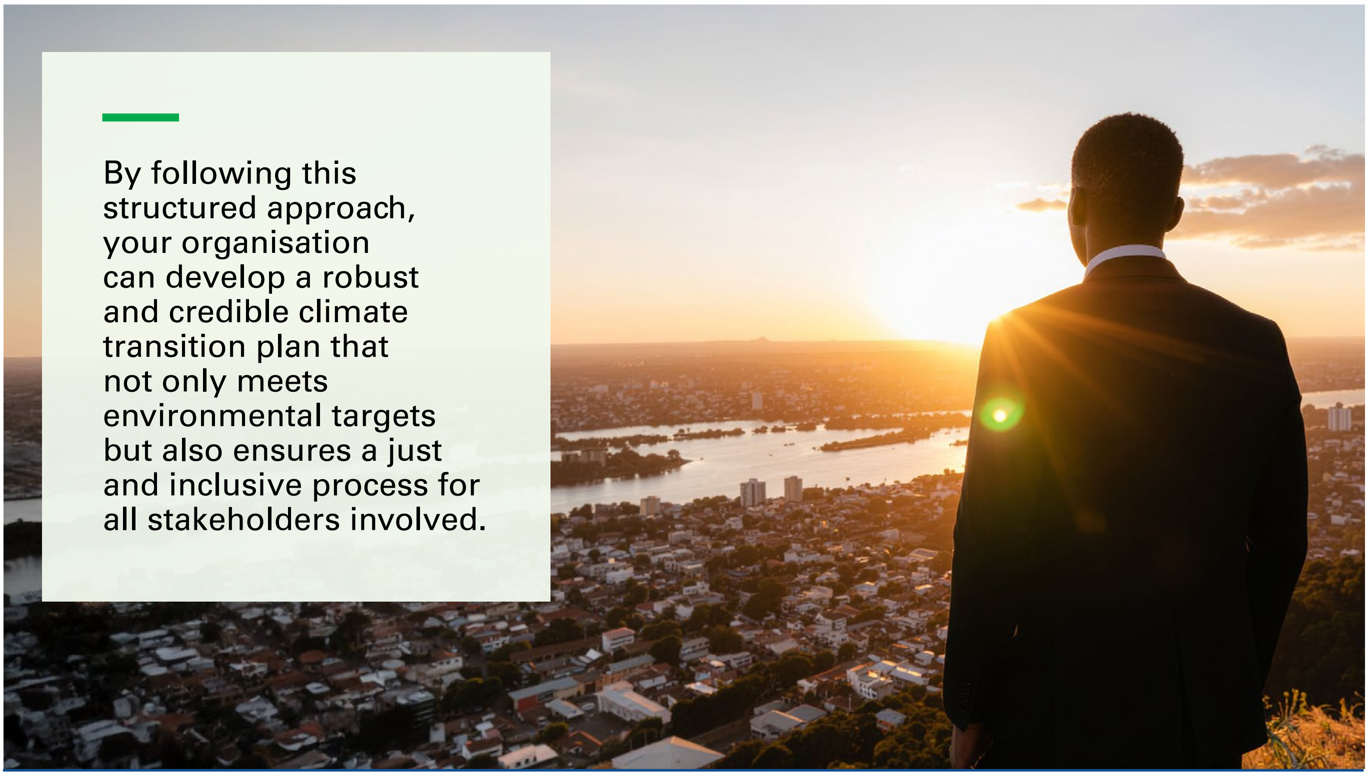
Regularly assess the effectiveness of the transition plan by:

- **Tracking KPIs**
  Monitor metrics related to emissions reductions, stakeholder engagement and social outcomes.
- **Conducting reviews**
  Perform annual governance reviews to evaluate success and identify areas for improvement.
- **Reporting transparently**
  Disclose progress in sustainability or integrated reports, ensuring accessibility and clarity for all stakeholders.

8 Foster a culture of continuous improvement

Encourage ongoing learning and adaptation by:

- **Providing training**
  Offer educational programmes to build capacity and awareness.
- **Promoting knowledge sharing**
  Create platforms for exchanging ideas and best practices.
- **Benchmarking**
  Compare performance against industry standards and peers.
- **Utilising feedback**
  Incorporate insights from stakeholders to refine strategies and actions.



By following this structured approach, your organisation can develop a robust and credible climate transition plan that not only meets environmental targets but also ensures a just and inclusive process for all stakeholders involved.

Conclusion

South Africa's transition to a low-carbon, climate-resilient economy presents a clear opportunity for boards and executives to strengthen business models, manage emerging risks and unlock new avenues for sustainable growth. Companies that proactively embed just transition principles into strategy, governance and operations are better positioned to protect long-term value, build trust with stakeholders and enhance resilience in the face of climate-related and social challenges.

At the same time, staying aligned with national objectives and engaging in policy-making forums enables businesses to contribute to a broader, inclusive transition while ensuring their strategies remain relevant and supportive of employees, communities and commercial partners.

By continuously monitoring progress, adhering to global standards and maintaining the flexibility to adjust plans as circumstances evolve, organisations can implement credible, accountable and adaptive transition plans that deliver both commercial and societal benefits.

Sneak peek into next month's Snapshot

Accounting for the social side of the transition

In our next snapshot, we explore how organisations can integrate the social dimension of ESG into strategy and reporting. We review global best-practice standards and their relevance for South African organisations, examine local frameworks and guidance and outline practical steps to build a more complete and effective sustainability strategy.