BUSINESS FUTURE PATHWAYS

PATHWAYS TO COMPETITIVENESS

How transition plans can help Canadian businesses compete and grow

October 2025

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Who we are

Business Future Pathways is a finance-driven initiative backed by technical expertise. We help Canadian companies develop climate transition plans that meet the expectations of global investors and drive capital to Canadian industries.

Mission

To provide practical, internationally aligned, and investor-endorsed guidance to Canadian companies, empowering them to develop and report credible climate transition plans.

Vision

A globally competitive and resilient Canadian economy, built to thrive for decades to come.

Governance

Business Future Pathways is guided by a Secretariat and is supported by a Financial Advisory Committee and a Technical Advisory Committee, which provide technical and practical expertise to inform our work. In addition, we undertake an extensive engagement process on our research products through which external experts provide their input and share their expertise. See our website for current Committee and Secretariat members.

Partners

CDP

PRI Principles for Responsible Investment

pwc

Quinn+Partners

RIA Responsible Investment Association

TMX

Supporters

Canada Climate Law Initiative | L'Initiative canadienne de droit climatique

Canadian Climate Institute | L'Institut climatique du Canada

Fondation familiale Trottier Family Foundation

Executive summary

For businesses, planning for disruption is critical to planning for long-term success. But managing for the unknown is a challenge. In the midst of unpredictable trade policies, an AI revolution, and ongoing geopolitical volatility, uncertainty is a given. Climate risks, while no less disruptive than these other variables, are arguably less elusive, clearly trending in one direction. Companies can plan for climate disruption. And those that do, including those that plan for how to seize the opportunities that come from the energy transition, will fare much better in the years ahead than those that do not.

Corporate transition plans are a strategic tool that can help businesses prepare for climate disruption and make the pivots required to stay profitable and competitive. They identify the most important risks and opportunities facing a business and give it a clear path for integrating this information directly into its business strategy and financial planning.

Yet most businesses in Canada are not developing and publishing climate transition plans. This leaves them more exposed to future costs and less able to respond to growth opportunities in the changing climate and energy landscape.

This inaugural report by Business Future Pathways outlines the case for why businesses—and the investors, insurers, and lenders that finance them—should turn their attention to transition planning. It also explores the current state of transition plan uptake and the need for practical, made-in-Canada guidance.

This report makes three conclusions:

1. **Transition plans can drive real and tangible benefits for Canadian businesses**

   Canadian businesses face a range of barriers in becoming climate-ready. Some of these barriers are external and beyond the control of individual companies, such as policy volatility and pressure to maximize short-term profits, while others are tied more directly to internal structures or business operations, such as lack of internal capacity and misaligned governance structures. Whether companies are

publicly traded or privately held, all of these barriers make it difficult to make the investments and pivots needed to prepare for climate change—particularly for emissions-intensive sectors where the gaps to climate readiness are greater.

Transition plans—and the process of developing them—can help businesses navigate these barriers and unlock tangible benefits:

1. Transition plans **enhance internal capacity and strategic alignment**.
2. Transition plans **improve a company's understanding of its climate risks, opportunities, and external dependencies.**
3. Transition plans **help companies identify and prioritize investments**.
4. Transition plans **provide an effective and cost-efficient basis for engagement with investors and stakeholders.**
5. Transition plans **generate reputational benefits and strengthen trust with stakeholders.**
6. Transition plans **support access to markets and capital.**

Taken together, transition plans can help improve the climate readiness of a business and, as a result, improve its ability to attract and secure new investment.

2. Canadian businesses risk falling behind their international peers in their development of transition plans, compromising their long-term competitiveness

Transition plans are still a relatively new tool for businesses and uptake by both Canadian and international companies remains relatively low. Looking a little closer, the data shows that Canadian companies are at risk of falling behind. Most indicators put Canada behind its global peers and the gap may get bigger as other countries implement policies to accelerate transition planning.

As climate impacts intensify, businesses are facing increasing pressure—from investors, insurers, clients, and regulators—to show how they plan to stay profitable through disruption. The European Union, China, Australia, the United Kingdom, and many more of Canada's trading partners are creating standards for transition plans and, in

some cases, requiring them, which will shape the international markets and value chains in which many Canadian companies participate.

Simply put, more Canadian companies need to start the transition planning process to stay competitive in global markets as expectations and markets shift.

3. Canada's private sector lacks standardized transition planning guidance, which creates inefficiencies for businesses looking to improve their climate readiness

According to the two foremost global standards for transition planning —created by the Glasgow Financial Alliance for Net Zero (GFANZ) and the United Kingdom's Transition Plan Taskforce (TPT)— the hallmarks of a credible transition plan include sufficient climate **ambitions**, detailed **actions** to achieve a company's ambitions, and **accountability** measures to stay on track.

Yet, looking beyond these three broad categories, Canadian financial institutions are not aligned on what credible transition plans should include. Different institutions use different frameworks, metrics, and processes when assessing the climate readiness of companies. Different institutions also have different expectations for their portfolio companies. Large financial institutions with mature climate assessment teams often look for and demand more granular information, while smaller financial institutions may have less knowledge and capacity to assess whether a transition plan is credible.

These inconsistencies make it more difficult for businesses to develop credible transition plans. Inconsistent requests by investors send mixed signals and create inefficiencies. Businesses may also approach transition planning with different priorities than their lenders, investors, and insurers, adding to the mismatch in expectations. What's needed is a harmonized vision of what a credible transition plan looks like. Business Future Pathways aims to fill this key gap.

Advancing a harmonized vision and the practical guidance to achieve it

Business Future Pathways was created to address the barriers that are holding back climate transition planning in Canada. Its aim is to advance the resilience and competitiveness of Canada's economy and businesses by collaboratively developing specific, actionable guidance for companies in key sectors. Our work will distill what matters most

from existing global guidance for Canadian investors and companies instead of layering on new or additional frameworks. And most importantly, the guidance we develop will be designed to be put into action.

The goal of our first phase is to facilitate alignment between investors and businesses on what constitutes a credible transition plan. This will include developing simple and user-friendly guidance that both investors and businesses can deploy immediately and will highlight the parts of a transition plan that are most material to the Canadian context. Importantly, this guidance will be tailored to support all types of businesses in Canada, whether large or small, privately held or publicly traded. Our second phase of work will focus on specific high-priority sectors within the Canadian economy that are highly exposed to climate change and also have significant opportunities.

Disruption is overwhelming—planning for it doesn't have to be

Business Future Pathways strives to equip businesses and investors on their journeys toward climate readiness and resilience. An extensive engagement strategy, which includes seeking input and feedback from the financial community and corporate Canada, will play an essential role in helping shape this guidance and set it in motion. Learn more and join us in the steps ahead at www.businessfuturepathways.ca.

1. Introduction

Planning for the future has always been central to good business and financial management. Whether it's a business seeking new financing or a portfolio manager assessing new investment opportunities, understanding how to grow amid change is critical to success.

The importance of good planning is particularly clear when significant change disrupts the economic status quo. Businesses that plan for the future and pivot as needed can thrive through major disruption while those that fail to plan and adapt may get left behind. This was as true with the arrival of e-commerce at the turn of the 21st century as it is now, with the rapid growth of artificial intelligence and automation today and its potential to transform business operations across sectors.

It is also true of climate change, which is set to disrupt the status quo in fundamental and far-reaching ways.

Businesses that plan for climate change will have a clear advantage over those that do not

Preparing for climate change is paramount for Canadian businesses. In a world where little is certain, climate disruption is something businesses and investors can count on and plan for.

Physical climate damages are already eating into the bottom line of many Canadian businesses and will continue to get worse. Damages from climate impacts—including extreme heat, wildfires, and flooding—are intensifying each year, and affecting all sectors of the economy (JP Morgan 2025a; Trust et al. 2024; Sawyer et al. 2022). These costs will be higher for companies that do not prioritize making their assets and supply chains more resilient to climate shocks.

Climate disruption also brings new opportunities for businesses that are ready for them. Clean technologies are getting cheaper and scaling fast, reshaping the world's energy systems (Poudineh 2025; Kudaliyanage 2025). Shifting markets will unlock opportunities for business innovation and new investment across all sectors of the economy, including transportation, manufacturing, building design and construction, and resource development, among others. And looking beyond the United States, Canada's other major trade partners

are forging ahead with policies that respond to these new realities, with implications for market access and reporting requirements (Trottier-Chi 2025).

While preparing for climate disruption is essential, that does not mean it is easy. Businesses face a range of barriers to improving their climate readiness, both internal and external. Challenges include policy volatility at home and abroad, pressure to maximize short-term profits over long-term growth, internal complexities and information gaps, and capacity challenges.

Transition plans are one tool that can help businesses navigate and address these barriers.

Transition plans can help businesses grow and adapt

Transition plans are a strategic tool that can help businesses improve their preparedness for climate disruption and, as a result, improve their long-term competitiveness. While the practice of reporting how businesses manage the risks and opportunities of climate change is not new, what is new is the growing interest in forward-looking planning that brings this information into strategic decision-making across the company. A transition plan does this by showing how an organization is addressing material, climate-related risks and opportunities through its business strategy and financial planning.

Transition plans will look different for each business, depending on its size, sector, and market. For companies that already have low emissions and sell into markets expected to grow, transition plans may focus squarely on how to scale up and capitalize on opportunities. For companies that are heavy emitters, transition plans may focus more on adopting technologies and innovating in order to reduce emissions, and positioning themselves for future growth as markets change. Similarly, transition plans of small- and medium-sized companies may be shorter and less comprehensive than those of larger multinationals that have access to better data and can devote larger teams to the task.

Business Future Pathways aims to create clarity on what credible transition plans look like for Canadian businesses

Transition plans are still a relatively new tool for how businesses plan and strategize around climate disruption. And while recent years have seen positive momentum, most Canadian businesses are not yet developing and reporting transition plans. Closing this gap is imperative to shore up

Canada's long-term competitiveness and support its economic resilience and prosperity for decades to come.

Investors in Canada are also inconsistent on what credible transition plans look like, which makes it harder for businesses trying to do the work.[1] Different financial institutions use different frameworks, metrics, and processes when assessing the climate readiness of companies. And while global guidance for how to develop credible transition plans is starting to converge, investors lack clarity on how this guidance should apply in Canada, where businesses face different pathways to success with unique opportunities, challenges, and constraints.

Standardizing what *credible* looks like in the Canadian context is an important next step, both for businesses and investors.

Business Future Pathways is a new initiative with the goal of accelerating the market adoption of transition plans by Canadian businesses. Backed by technical expertise and supported by an extensive engagement strategy, Business Future Pathways aims to facilitate alignment between investors and businesses on what credible transition plans look like. Further, the initiative will collaboratively develop practical, internationally aligned, and investor-endorsed guidance that helps Canadian businesses improve their climate readiness. Importantly, this is not about developing a new framework but, rather, about distilling from international best practices what is most material for Canadian businesses.

This paper is our starting place. It examines the stakes of climate readiness for Canada's long-term prosperity and global competitiveness, and how transition planning can help Canadian companies grow and build resilience as markets change. In the months ahead, we will develop and share market guidance for transition planning in a Canadian context, including specific guidance for key sectors.

1 We use the term "investors" to indicate any entity that allocates capital with the expectation of receiving a financial return. This includes pension funds, mutual funds, insurance companies, banks, and high-net worth individuals.

2. Why climate readiness is good for business

Running a profitable and competitive business in an era of climate disruption means proactively managing transition-related risks and seizing emerging opportunities. And it means understanding and mitigating physical climate impacts and making assets, operations, and supply chains more resilient.

Yet most Canadian businesses are not climate ready, which exposes them to higher costs, less access to capital, and competitiveness challenges as climate impacts worsen and the energy transition accelerates.[2] This section describes the stakes of improving climate readiness for Canada's economy and for the bottom line of Canadian businesses, and summarizes the barriers holding businesses back.

Climate change is an economic risk, threatening Canada's economic growth and ability to attract investment

Canada's economy is emissions-intensive and highly exposed to both transition and physical risk stemming from a changing climate.[3] Canadian Climate Institute research finds that 70 per cent of Canada's export goods and 60 per cent of its foreign direct investment are in markets expected to face disruption in the energy transition (Samson et al. 2021). This exposure includes historically important sectors with high emissions intensity, such as oil and gas, iron and steel, mining, cement, and heavy manufacturing.

The physical damages from climate impacts will also have significant and widespread economic effects. Central banks estimate that global GDP could be up to 8 per cent smaller from acute extreme weather events and 15 per cent smaller from chronic climate-related stressors by mid-century without further policy action (NGFS 2024a). Within Canada, disaster costs are setting record

2 We use the terms "climate ready" and "climate readiness" to refer to the extent to which companies are prepared for–and able to respond to–the global transition to a low-carbon economy as well as physical climate impacts such as increased climate-related disasters.

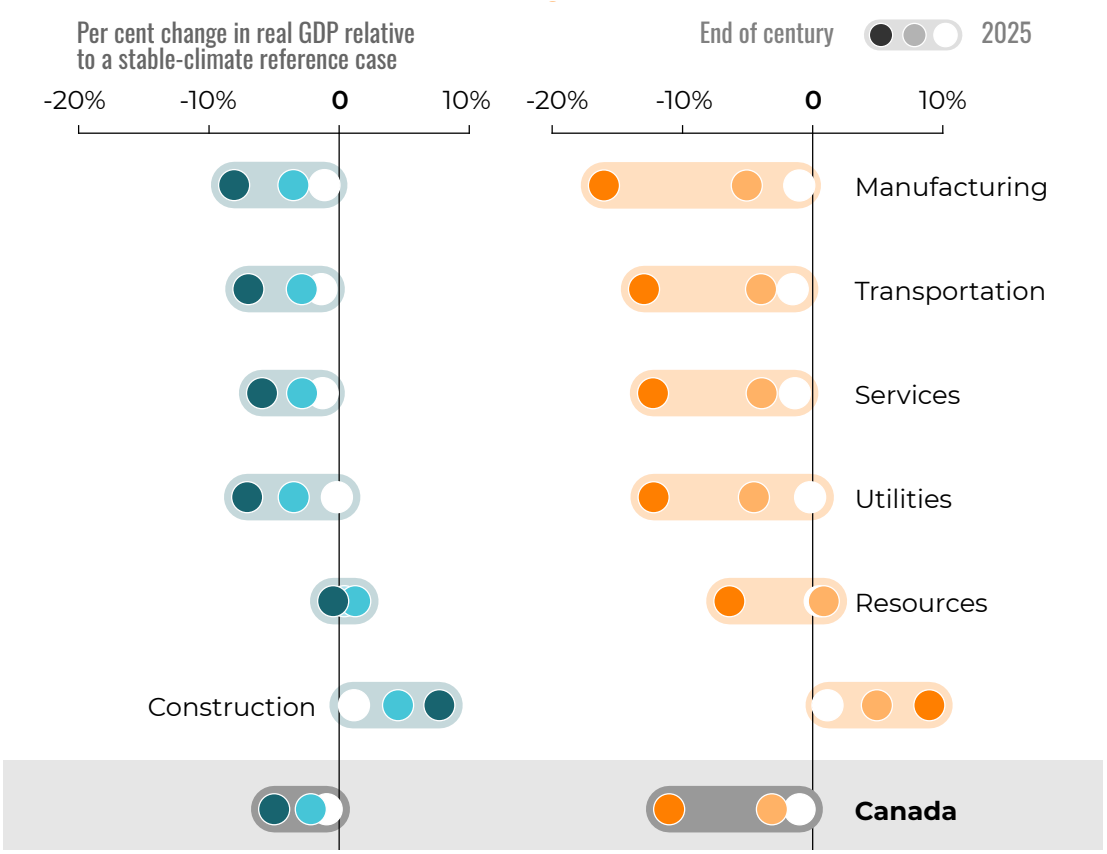
3 Transition risk refers to the financial risks and uncertainties that organizations may face in the global shift to a low-carbon economy. Transition risk is sometimes broken down into policy and legal risks, technology risk, market risk, and reputation risk (TCFD 2017). Physical risk is the result of vulnerability and exposure to climate impacts, including acute climate-related disasters and chronic stressors. These impacts can damage physical assets, disrupt supply chains, and harm workers and communities.

highs: 2022, 2023, and 2024 have been three of the worst years on record for insured losses, with 2024 being the single worst year, with a record-breaking $8.5 billion in insured losses (Aon 2025; IBC 2024).

The effects go far beyond direct losses from disasters. Within Canada, worsening climate impacts are expected to slow GDP growth, reduce competitiveness, increase job losses, and negatively impact economic activity across almost all sectors and regions (see Figure 1) (Sawyer et al. 2022). These negative trends will affect businesses across Canada, far beyond those directly exposed to physical impacts.

FIGURE 1

How climate change affects Canada's major economic sectors in a low-emissions (left-hand side) and high-emissions (right-hand side) scenario.



Source: Sawyer et al. 2022

Damages will continue to climb even in more optimistic, low-emissions scenarios. If left unchecked, the economic implications of climate disruption will be enormous and could upend insurance and lending practices, eroding the very financial foundations on which advanced economies like Canada rely

for growth and stability (Thallinger 2025).[4] At the same time, the full scope of these risks are not fully priced within the financial system (Routledge 2024; CPP Investments 2025). Over time, underpriced risk increases the probability of systemic shocks to the economy, similar to what happened in the 2008 financial crisis (Bolton et al. 2020).

How businesses pivot and prepare for climate change will have significant implications for their bottom line

As the energy transition accelerates and global markets and technologies shift, businesses that discount the relevance of climate disruption to their bottom line risk investing in assets that are no longer profitable, or missing out on new innovations. Businesses with high exposure to physical risks could also suffer significant profit losses, especially those in sectors or regions most exposed to damage and disruption that fail to take proactive measures to reduce these risks (Samson et al. 2021; JP Morgan 2025b).[5]

There is also significant opportunity for businesses across sectors that are proactive in reducing physical risks and aligning their operations with the energy transition.[6] By taking action, businesses can meet demand for low-carbon products and services, access markets, and improve cost efficiencies. It is not only businesses in clean energy, clean tech, and critical minerals that have clear opportunities for growth; so, too, do businesses in other sectors, including agriculture, manufacturing, transportation, and construction (IEA 2025; BNEF 2025; Arnold et al. 2022). A global survey of large corporations finds that over 80% of companies report seeing economic benefits from decarbonization, with some reporting significant benefits, exceeding 10% of revenues (Dimitrova et al. 2025).

In addition to the growing market opportunity, other jurisdictions continue to move ahead with policies that will make it easier for businesses to act and invest. Canada's major overseas trading partners such as the European Union, the United Kingdom, China, and Japan are maintaining and in some cases strengthening their climate and sustainable finance policies (EC 2024b;

4 In just the residential real estate market, for example, as insurance companies raise premiums or reduce coverage, homeowners will have to take on more uninsured losses and may default on mortgages more frequently. In the United States, recent research finds that damages from extreme weather events could cost banks $1.2 billion annually as homeowners without insurance are forced to default on their mortgages. By 2035, losses from climate-driven mortgage defaults could amount to $5.4 billion, or a third of all default losses in that country (First Street 2025).

5 There are also major implications for the communities in which they operate and for their workers. Businesses that are resilient to intensifying physical climate impacts and shifting global markets will be in a stronger position to retain and grow their workforce.

6 By one estimate, every $1 spent on addressing climate risks can yield up to $21 in returns (CDP 2025).

DESNZ 2025; Reuters 2025; KIZUNA 2024; Trottier-Chi 2025). Given the trade-exposed nature of Canada's economy and the urgent drive to diversify trade beyond the United States, it is particularly important for Canadian businesses to keep up with their global counterparts and maintain market access in jurisdictions that are continuing to move forward.

Corporate directors and investors are also under increasing pressure to understand and manage climate-related risks and opportunities. Addressing climate disruption is now widely seen as a fiduciary requirement, particularly where climate risks can have material impacts on the corporation's bottom line or the portfolio's performance (Hansell LLP 2022; Sullivan et al. 2019; Bauslaugh 2021).

So while the pace of the energy transition may not be certain, globally, the direction of travel is clearer than ever before, and companies that integrate this shift into their business planning will have a strategic advantage.

While both necessary and urgent, the path to improving a company's climate readiness is not always easy

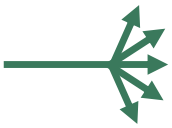
Canadian businesses face a range of barriers in becoming climate ready. Some of these barriers are external and beyond the control of individual companies while others are tied more directly to internal structures or business operations. We summarize four of the largest barriers that companies face on the road to climate readiness in Figure 2.

FIGURE 2

Barriers to climate-readiness for businesses

Internal capacity and governance challenges

Businesses can struggle to progress on climate readiness when they lack technical expertise, stakeholder buy-in, or effective governance structures.



Complex operations and supply chains

Businesses must contend with information gaps and organizational complexity in their identification and management of climate risks and opportunities.

Mismatched time horizons

Climate readiness often requires upfront investments, which creates tension with maximizing short-term profitability.

Policy volatility

Large swings in climate policy undermine business confidence and planning. This is exacerbated by uncertainty regarding technology cost curves.

Each of these barriers makes it difficult for companies to commit to the major investments or changes needed to prepare for climate change. These challenges are particularly acute for emissions-intensive sectors that require significant capital investments or face higher costs to address their greenhouse gas emissions (C3 2024).

Transition plans can help businesses address these barriers and unlock tangible benefits.

3. How corporate transition plans deliver benefits for businesses

Transition plans are forward-looking tools that help businesses chart a resilient growth strategy as climate impacts intensify and global markets shift.[7] When fully executed, transition plans directly integrate climate risks and opportunities into the financial, risk management, and governance functions of a business. Some companies report their transition plans publicly while others may keep those plans as inward-facing documents that are shared more selectively with investors, clients, or insurers.[8]

This section outlines the benefits that transition plans can generate for businesses and how they can help companies overcome some of the barriers to becoming climate ready. It also summarizes the high-level standards needed to meet internationally recognized thresholds of credibility.

Transition plans generate multiple benefits for businesses

Some of the benefits that accrue to businesses come from the planning process itself while others come from having a robust transition plan that is implemented through a company-wide strategy. Undertaking the development of a transition plan requires an upfront investment, particularly where additional capacity is required to develop and implement a plan. However, it yields significant benefits. By plotting a path forward, transition plans can help businesses make sense of complexity and create a path for managing change and uncertainty.

7 Other social and environmental issues are increasingly material to a company's bottom line and impact, and are sometimes discussed as part of transition planning. These include a company's effects on and relationship with nature, workers and communities, and Indigenous rights. Yet global guidance on non-climate impact areas is nascent, and it would be complex for a company to create a fully integrated transition plan (TNFD 2024). This paper—and the work of Business Future Pathways more generally—is focused on driving the market adoption of climate transition plans. As data and standards evolve, we may provide guidance on how to ensure alignment with other areas of impact.

8 Transition planning differs in important ways from conventional climate disclosure. Transition planning is primarily forward-looking in its focus and articulates a plan for integrating climate-related ambitions, actions, and governance and accountability systems into core business activities. By contrast, climate disclosure is typically a point-in-time document that discloses metrics such as greenhouse gas emissions or climate targets but is not necessarily integrated into a future-looking strategy (Guardiola et al. 2024).

Looking more specifically, we outline six benefits that transition plans can generate for companies, as illustrated in Figure 3 and described in more detail below.

FIGURE 3

Benefits of transition plans

1. TRANSITION PLANS ENHANCE INTERNAL CAPACITY AND STRATEGIC ALIGNMENT

The transition planning process can help build internal capacity, identify gaps and challenges, and align a company's internal functions toward the same goal. Developing a credible plan requires co-ordination across different parts of a business and can encourage internal cohesion and capacity, supporting more strategic decision-making across different business areas. Ultimately, integrating actions across capital planning, budgeting, and performance evaluation can help deliver success, and the transition planning process can help with this integration (Koulouk-oui, de Marcellis-Warin, and Warin 2025).

Building this internal capacity and alignment will look different de-pending on the type and size of business. Small- and medium-sized companies may be starting with less in-house capacity and expertise, and may not have dedicated roles and responsibilities for improving climate readiness. Larger companies, meanwhile, often have globally integrated supply chains and operations, and may have to contend

with many diffuse actors with different motivations and responsibilities (Lloyds Bank 2024).

Whether a company is large or small, transition plans can help identify and catalyze where companies need to build their internal capacity, and facilitate greater integration across core financial, operational, and strategic functions.

2. TRANSITION PLANS IMPROVE A COMPANY'S UNDERSTANDING OF ITS CLIMATE RISKS, OPPORTUNITIES, AND EXTERNAL DEPENDENCIES

Transition planning provides a systematic approach to identifying a company's exposure to climate disruption, including both the risks and opportunities. Understanding this exposure is a major step toward addressing it. It can help businesses establish actionable measures for both the short and long term, and can provide an important hedge against risk and uncertainty. Transition planning can also help companies identify where data gaps exist that hamper their ability to fully understand their risk and opportunity profile.

And critically, transition plans can help a company identify the extent to which they are dependent on external factors to achieve their goals, whether it's government policy or technological change.

For example, transition plans can help identify how a company's transition risk exposure may increase or decrease depending on the direction of global policy to reduce emissions. Scenario analysis within a transition plan is a specific tool that can help businesses foresee future risks and opportunities, and be more resilient to change.[9] As discussed below, this understanding can create a foundation for more effective and efficient engagement with external stakeholders, including investors and governments. In addition, while transition planning alone cannot solve data and information gaps, it can create a platform for companies to engage with data providers and supply chains to clarify their exposure, in order to better understand and manage risk.

9 Scenario analysis means positioning one's organization within a hypothetical context, and usually relating that to where the organization is today. Scenarios should be plausible, contain distinctive variables, be consistent with trends, have relevance to decision-making, and challenge conventional wisdom (TCFD 2025).

3. TRANSITION PLANS HELP COMPANIES IDENTIFY AND PRIORITIZE INVESTMENTS

Transition plans can provide greater clarity for businesses about how and when they should make investments by bringing forward the future risks and opportunities that a company faces and integrating these within traditional financial planning functions. This can provide a strategic advantage, helping to ensure that companies are making investments early enough to seize new opportunities in growing markets while also avoiding investments that could later become unprofitable as the energy transition accelerates. In this sense, transition plans can help companies navigate the tension between pressures to maximize short-term competitiveness and profitability with the need for longer-term strategy and investment to improve climate readiness.

This insight into strategic investment decisions is particularly important given the fact that many of the investments required to improve the climate readiness of a business and achieve its climate targets are capital intensive and require early planning (Montague, Raiser, and Lee 2024). Payback periods for major climate investments are often long and a lack of supportive policies can undermine project economics. Companies may not be able or willing to make these large upfront investments if it's unclear whether their competitors are making similar moves. These challenges are biggest for emissions-intensive sectors, such as heavy manufacturing, construction, mining, and transportation, as well as businesses with assets that are vulnerable to physical damages. These are major barriers for businesses and are strongly linked to the direction and durability of government policy, and extend beyond their direct control, but early identification of the investments required can help.

4. TRANSITION PLANS PROVIDE AN EFFECTIVE AND COST-EFFICIENT BASIS FOR ENGAGEMENT WITH INVESTORS AND STAKEHOLDERS

Transition plans can help companies contend with external dependencies—such as supportive policy and technology cost curves—with more agency. By orienting around a plan, businesses can bring more credibility to how they engage with investors, supply chains, governments, Indigenous rights holders, and public stakeholders (NGFS 2023).

Transition plans give companies a platform for engaging directly with governments on the policies that would enable them to address financial risk, seize opportunities, and achieve climate targets. As more companies identify their assumptions and needs through the transition planning process, industries can come to a clearer consensus on the policy support they need to transition and remain competitive. In turn, this consensus can help governments develop stronger and more targeted policies. As a platform for engagement, transition plans can drive value for all types of businesses, whether it's a cement company looking to make big investments to reduce its emissions or a cleantech company looking to scale up and grow its global market share.

Transition plans can also inform and simplify engagement with lenders, investors, and insurers. They provide a single, go-to source of information, creating cost efficiencies by eliminating the need to field multiple, ongoing, and redundant requests for information. They can also provide particular value in supporting emissions-intensive sectors to engage on an ongoing basis with investors on their decarbonization pathways and business strategy (Hegde, Sood, and Tang 2025).

5. TRANSITION PLANS GENERATE REPUTATIONAL BENEFITS AND STRENGTHEN TRUST WITH STAKEHOLDERS

When it comes to speaking publicly about sustainability efforts, businesses are under more scrutiny now than ever before. These concerns have become more acute since the adoption of Bill C-59, which amended Canada's Competition Act to prohibit businesses from making environmental claims not substantiated by an internationally recognized methodology (Bill C-59 2024).[10]

Credible transition plans can substantiate companies' public-facing climate commitments. Companies that develop transition plans in alignment with international standards can substantiate their commitments by showing they have done the work to connect targets with a robust and resourced plan of action. This not only lends credibility to

10 Many businesses have raised concerns about the ambiguity of the legislation and the resulting liability exposure, and some have argued that it has resulted in "greenhushing"—companies downplaying their environmental commitments and choosing not to publicly disclose their plans (Savage and Exner-Pirot 2025). The Competition Bureau has released guidance, clarifying that methodologies recognized by two or more countries will likely be considered internationally recognized (Competition Bureau Canada 2025).

a company's reputation as a responsible actor—it can also help protect against greenwashing accusations (ClientEarth 2025).[11]

6. TRANSITION PLANS SUPPORT ACCESS TO MARKETS AND CAPITAL

Developing transition plans can help Canadian companies maintain market access and improve their access to capital as other jurisdictions move forward with regulating disclosure and market demand continues to grow.

As more trading partners require companies to develop and disclose transition plans, Canadian companies will face increasing pressure to develop their own, simply to maintain market access. Similarly, investors, lenders, and insurers are increasingly looking to manage their own climate risks by engaging with businesses that take climate change seriously and have the planning and risk management to back it up. Credible plans can thus open up a company to a wider pool of credit and debt, and help secure more capital from investors, who are increasingly looking to proactively manage the risk and returns within their portfolios (CPP Investments 2025; Kouloukoui, de Marcellis-Warin, and Warin 2025). Having a robust transition plan might even reduce lending costs in some cases (Zhou, Williams, and Shrimali 2024).

When transition plans are done well and fully implemented, they can improve a company's internal capacity, help companies to better understand their climate-related risks and opportunities, help companies identify strategic investments, provide a basis for engagement with governments and other stakeholders, generate reputational benefits, and support access to markets and capital.[12]

Beyond these direct benefits to businesses, climate transition plans also drive economy-wide benefits by contributing to a greater state of climate readiness for the Canadian economy, as described in Box 1.

11 A recent legal opinion in the United Kingdom argues that well-prepared transition plans can help companies close the "say-do" gap, helping to legitimize their climate pledges with actionable plans and differentiate themselves from those engaged in greenwashing (ClientEarth 2025).

12 Corporate executives in the United Kingdom—which has some of the highest rates of corporate transition plans in the world—see the value: recent research by Lloyds Bank finds that a majority of corporate executives believe transition planning can confer a competitive advantage (Lloyds Bank 2024).

BOX 1

Corporate transition planning delivers economy-wide benefits

Broader uptake of transition planning could improve the country's long-term competitiveness, reduce systemic risk across the economy, and help inform better policy making. It would mean that more Canadian businesses are better at managing and mitigating the downside risks of the climate transition and pivoting toward new opportunities that, in aggregate, help position the economy for the future.

The widespread adoption of transition plans could help reduce systemic risk within the financial system. By improving the quality and quantity of information available in capital markets, transition plans help ensure that the risks and opportunities from climate change are more broadly and consistently "priced in" to how capital gets allocated, and can help avoid large shocks to the global financial system as climate risks become increasingly material. Widespread adoption of transition plans can also help regulators better understand and guard against systemic risks within the financial system, particularly around requirements for conducting climate stress tests and climate scenario analysis (FSB 2025; EBA 2024).

In addition, transition plans can be a valuable source of forward-looking information for governments, regulators, and communities. As more companies develop transition plans and engage governments on the priorities they identify through this process, governments can craft better policies that respond to business needs and create the enabling conditions for industries to grow and remain competitive through the transition. And to the extent that businesses improve how they factor climate into their core strategies and decision-making, it may also allow governments to take a lighter approach in how they regulate.

Not all transition plans are created equal, and quality matters

To drive the benefits outlined above, transition plans must be robust and considered credible by the market and international standard-setting organizations. Credible transition plans must contain certain core elements that form the basis of a coherent strategy for how a business will remain resilient and profitable in the face of climate disruption, including, crucially, how climate-related outcomes are integrated into core business strategy. For example, a business that discloses a long-term emissions target without a clear action framework for achieving that target, or without interim milestones that show a realistic decarbonization pathway, is less likely to be seen as having a credible transition plan and is therefore less likely to receive the attendant benefits described above.

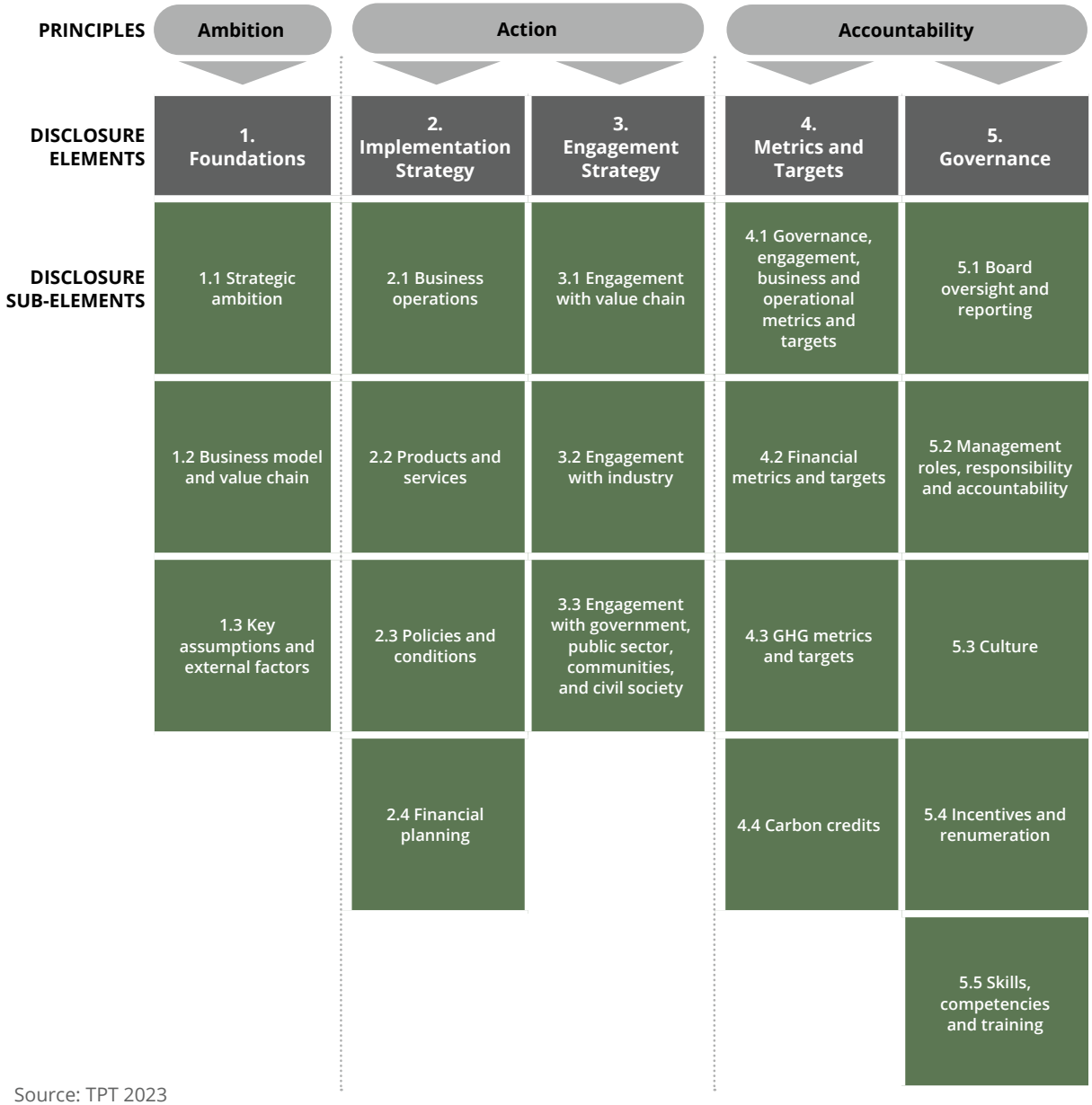
According to the two foremost global standards for transition planning—created by the Glasgow Financial Alliance for Net Zero (GFANZ) and the TPT—the hallmarks of a credible transition plan include three foundational principles and corresponding elements, outlined below and in Figure 4 (GFANZ 2022a; GFANZ 2022b; TPT 2023).

- **AMBITION:** provides the foundation of the entire plan by clearly articulating climate objectives, such as a net zero target by a specific date with interim milestones, and detailing key assumptions and dependencies.
- **ACTION:** includes implementing the plan to achieve a company's stated ambitions across business operations, products and services, and financial planning, as well as engaging across the value chain and with external actors, such as governments.
- **ACCOUNTABILITY:** includes clear metrics and targets for progress on stated ambitions and actions, as well as governance mechanisms such as board oversight, accountability measures, and incentives for success.

A credible plan is one where all of these components work together coherently. Yet, as we explore in Section 4, Canada's private sector is not aligned on the details of what credible transition plans should include in practice.

FIGURE 4

Principles and elements of credible transition plans



Source: TPT 2023

Note: This figure has been reproduced from page 15 of the TPT's 2023 *Disclosure Framework* report.

4. How Canada stacks up against global peers on transition planning

Despite the benefits they deliver, uptake of transition plans both by Canadian and international companies is relatively low. And while global standards for transition planning are converging, there are multiple definitions of what credible transition plans look like in practice. It's a complex and rapidly evolving space with many different actors and frameworks at play.

This section surveys the extent to which companies both within Canada and globally are developing and reporting transition plans. It then explores how global standards for transition planning are converging, describes how other jurisdictions are moving ahead with establishing national guidance in line with these standards, and highlights where Canada needs to catch up.

Canadian companies risk falling behind their global peers

Transition plans are still a relatively new tool for businesses and uptake is challenging to measure. Different analyses produce different conclusions depending on the universe of companies covered and how credible transition plans are defined.

To get a sense of the current state of play, we analyzed data from multiple sources. We looked at data from CDP, the London Stock Exchange Group (LSEG), and Climate Engagement Canada (CEC) in order to get a clearer picture of the current level of transition planning and how Canada compares to its peers across key indicators.

Overall, public disclosures suggest that the uptake of transition plans is nascent—both among businesses in Canada and around the world. Looking a little closer, the data shows that Canadian companies are at risk of falling behind. Most indicators put Canada behind its global peers and the gap may get bigger as other countries implement policies to accelerate transition planning.

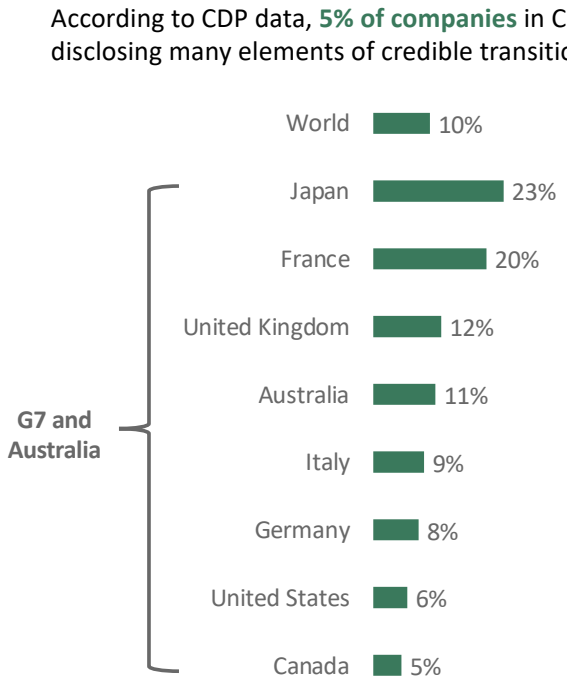
One of the foremost trackers of transition plans is CDP. Its dataset comprises 23,000 companies, which includes publicly traded companies with a combined market value of US$67 trillion, plus many privately listed companies.

Its data shows that a growing number of companies are disclosing some level of transition planning, from 4,000 companies in 2021 to just under 6,000 in 2023. However, most fall short on credibility: only 10 per cent of all reporting companies disclose at least two-thirds of the indicators that CDP deems important for a credible plan (CDP 2024).[13]

Canadian companies perform relatively poorly according to CDP data (see Figure 5). Only 5 per cent have transition plans that cover at least two-thirds of CDP's indicators for credibility. And notably, Canada is one of the only jurisdictions in the CDP database with zero companies that meet all criteria (CDP 2024).

FIGURE 5

The state of corporate transition planning based on CDP data



Source: CDP 2024
Note: Companies are defined as disclosing many elements of credible transition plans when they disclose at least 14 of 21 of the indicators that CDP tracks.

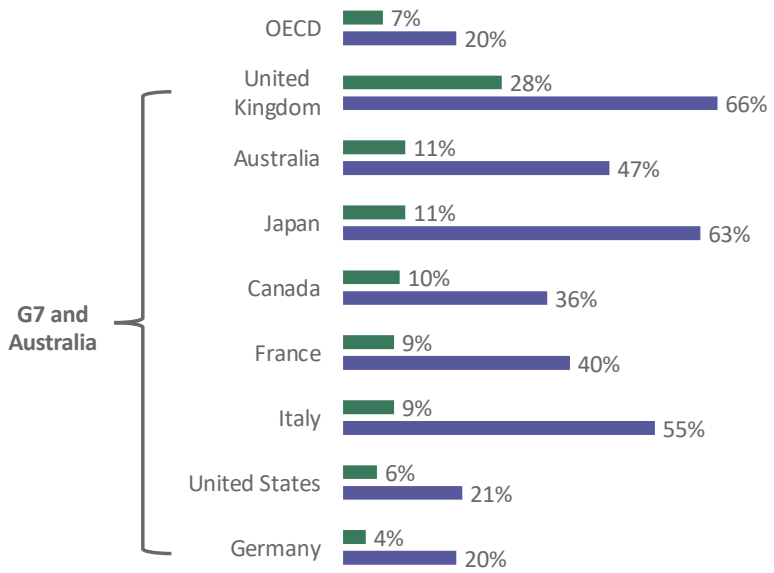
13 CDP uses 21 key indicators to determine whether transition plans are credible, covering comprehensive emissions reporting, including Scope 3 emissions and verification, and full integration of the plan into business strategy. It considers companies to be reporting on "many" of the indicators when disclosing at least two-thirds, or 14 of 21. It is also important to note that these numbers represent the share of companies that disclose with CDP, not the share of total companies in a given jurisdiction.

In addition to reviewing CDP's data, we analyzed data from LSEG on corporate transition plan disclosure.[14] For this exercise, we set a minimum threshold of credibility based on the principles and elements described in Section 3.[15] Using this definition and dataset, Canada's ranking improves to land in the middle of the pack (see Figure 6).

FIGURE 6

The state of corporate transition planning based on LSEG data

According to LSEG data, **10% of publicly-traded companies** in Canada, or **36% by market size,** are disclosing transition plans that meet our criteria.



Source: LSEG 2025

Note: Numbers in Figure 6 are as of June 2025 and based on Canadian Climate Institute analysis of London Stock Exchange Group (LSEG) indicators for ESG performance. "OECD" includes the 38 OECD members and the 11 countries that the OECD identifies as accession countries or partners.

However, when we weight the data by the market value of companies reporting transition plans (instead of by the number of companies), Canada falls behind, again joining Germany and the United States as laggards compared to global peers. Weighting by market value also reveals that larger companies are ahead on transition planning around the world, including in Canada.

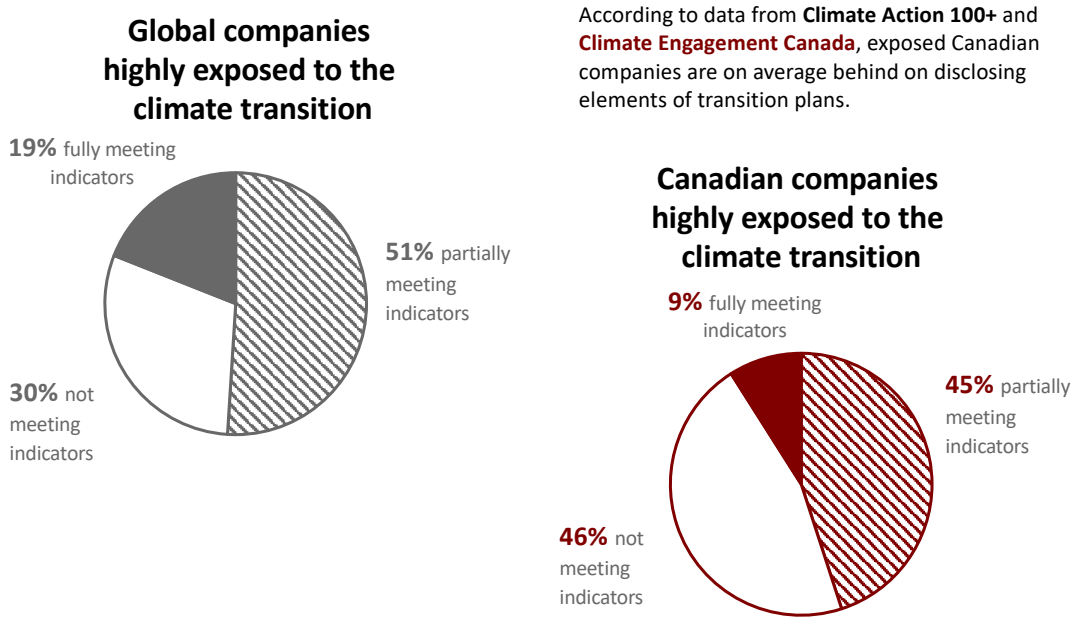
14 Our analysis screens for large publicly traded companies that have the equivalent of revenue over €50 million or net asset value over €25 million. We applied our screening criteria to public companies headquartered in countries associated with the Organization for Economic Co-operation and Development (OECD), creating a dataset of 23,000 companies.

15 The indicators we chose for this exercise correspond to the principles of ambitions, actions, and accountabilities as articulated by TPT and GFANZ. They include: committing to achieving net zero and setting a long-term scope 1, 2, or 3 emissions target; disclosing climate transition risk or physical risk; detailing how they integrate climate-related risks and opportunities into their business strategy; and demonstrating board or committee oversight of climate risk management.

Finally, we looked at how companies with the most significant climate-related risks or opportunities disclose their progress towards net zero, as reported by Climate Engagement Canada (CEC) and Climate Action 100+ (CA100+).[16] We find that Canadian companies tend to be behind their global peers on most, but not all, indicators tracked. Specifically, fewer Canadian companies set emissions targets or outline a plan for aligning their capital expenditure with net zero; however, Canadian companies outperform global peers on indicators regarding policy engagement and governance (CEC 2024; CA100+ 2024). On average, as shown in Figure 7, highly exposed Canadian companies are behind global companies in disclosing most indicators. Falling behind in this universe of companies means climate readiness is at risk precisely where it is most important—those most affected by climate change, both positively and negatively.

FIGURE 7

How global and Canadian companies compare on disclosing elements of transition plans according to CEC and CA100+ data



Source: CEC 2024; CA100+ 2024

Note: This figure averages performance across the indicators that Climate Engagement Canada (CEC) and Climate Action 100+ (CA100+) have in common for assessing companies with significant climate-related risks or opportunities.

16 Climate Engagement Canada selects companies with high emissions on the Toronto Stock Exchange, and where they have relations with the company's investors, the company is open to ongoing engagement, and the company still has progress to be made on climate readiness. By comparison, Climate Action 100+ selected an initial list of 100 companies based on their emissions profiles and continues to add companies with significant climate-related risks or opportunities in which their investor signatories are materially invested. Each indicator has multiple criteria associated with it, with companies meeting some of the criteria labelled as "partially meeting indicator" and companies meeting all of the criteria being labelled as "fully meeting indicator".

Global guidance is converging and major economies are moving forward with implementation at a national level

A range of global organizations offer guidance and frameworks for how businesses should disclose climate-related information. Until recently, there was little co-ordination and standardization across these frameworks, which made reporting a complex and often confusing exercise for both investors and businesses (see Box 2 for a description of historical developments in transition planning guidance). Here we outline some of the major reporting frameworks and, importantly, how they have started to align on the guidance they provide for transition planning.

BOX 2

Historical developments in transition plan guidance

Following the release of its final recommendations in 2017, the Task Force on Climate-related Financial Disclosures (TCFD) provided a definition for transition plans. It identified four core elements of transition plans, key characteristics for how transition plans should be used, and considerations when disclosing transition plans. It noted that transition plans are emerging out of an interest in packaging climate metrics into decision-useful information that can inform corporate strategy (TCFD 2021).

GFANZ developed further guidance for how the financial sector can develop transition plans, which included a framework with five core elements for credible transition planning (GFANZ 2022a; GFANZ 2022b). The TPT built upon this foundation and complements GFANZ's framework by providing sector-specific implementation guidance for 30 sectors (see Figure 4 for TPT's principles and elements of transition planning). The TPT and GFANZ frameworks are in alignment and both are built upon TCFD's initial guidance (TPT 2024; GFANZ 2022a; GFANZ 2022b; BSR 2025).

The body responsible for setting global accounting standards, the International Financial Reporting Standards Foundation (IFRS), is quickly moving towards a global standard for transition planning. With the support of major investors and several Canadian pension plans, IFRS is attempting to establish the global baseline for climate-related disclosures (CPP Investments 2023). The IFRS S2 disclosure standard requires companies to disclose transition plans if they have one, including details on corporate planning, key assumptions and dependencies, how the plan is resourced, and progress on implementation (IFRS 2023). Now that IFRS has assumed responsibility for the TPT's work, transition planning is on track to become an increasingly important part of disclosure regulations and IFRS has recently released new advice on how transition plans can be aligned and integrated into its S2 disclosure standard (IFRS 2025).

While the convergence in global standards is starting to clarify the foundational elements of credible transition plans, these global definitions can only go so far. Global frameworks are published at a high level and, in many cases, are hard to interpret and apply in practice, both by businesses and investors. The IFRS S2 disclosure standard, for example, only defines what transition plans look like for the purpose of financial disclosures. It doesn't provide practical advice or guidance on how companies should go about developing plans. Moreover, many global bodies—such as the Network for Greening the Financial System (NGFS), the World Benchmarking Alliance, and the International Organization of Securities Commissions—also provide assessments of what high-quality, credible transition plans should include, and these are not always aligned (NGFS 2023; NGFS 2024b; IOSCO 2024; Poivet 2024).

In response to these gaps, many jurisdictions are developing their own country-specific transition planning guidance and, in some cases, considering mandating corporate transition planning and reporting. Together, the European Union's Corporate Sustainability Due Diligence Directive (EC 2024a), Corporate Sustainability Reporting Directive (EC 2022), and European Sustainability Reporting Standard E1 (EC 2023) require companies of a certain size to disclose their transition plans.[17] The EU Platform on Sustainable Finance has also recommended further steps, such as developing transition pathways for high-emitting sectors and providing guidance around credible scenarios and targets (EU PSF 2025). Another advisory body, the European Financial Reporting Advisory Group, is similarly in the process of consolidating the EU's transition planning regulations into regulatory guidance (EFRAG 2025).

17 This requirement still persists under the proposed EU omnibus bill (EC 2025) simplifying regulations, although fewer companies will have to comply with CSRD and compliance has been clarified to only mean adopting plans and not necessarily implementing them (Watershed 2025).

The U.K., long a leader in transition planning, is continuing to drive ahead. The U.K. government opened a consultation in June 2025 on mandating transition planning for financial institutions and large companies (DESNZ 2025). In addition, its Prudential Regulation Authority has proposed a tightening of expectations for company boards to effectively manage climate risk (Bank of England 2025).

Progress is not only limited to Europe. In its consultations for a regulatory framework for transition bonds, India's International Financial Services Centres Authority has proposed requiring issuers to have transition plans (IFSCA 2025). Australia opened public consultations on its draft transition planning guidance in fall 2025 (Australian Treasury 2025). And many more jurisdictions are creating standards for transition plans through the adoption of and alignment with IFRS S1 and S2 (Trottier-Chi 2025; IFRS 2024).

Canada has yet to establish transition planning guidance, resulting in a lack of alignment across investors and businesses

While other jurisdictions forge ahead with establishing guidance for transition planning, and in some cases mandating it, Canada lags behind.[18] Absent a concerted effort to distill and import the global best practices for the Canadian context, Canadian investors will remain misaligned on what credible transition plans should include, and businesses will find it difficult to meet expectations.[19]

Company-level transition plans, by their very nature, must be grounded in the opportunities, challenges, and realities that are facing businesses. The context and challenges that define the pathway for transitioning Canada's cement or steel industries, for example, will be unique compared to other countries, requiring different types of investments at different scales and speeds.

18 While the Canadian Sustainability Standards Board's standards include IFRS S2's transition plan disclosure requirement, mandating these standards would require endorsement by the Canadian Securities Administrators (CSA), which is unlikely in the near term. The CSA's previous proposal for mandatory climate disclosures did not consider transition planning, and it has announced that it won't be continuing this work (CSA 2025). Canada does have some limited regulatory guidance for financial institutions, with the Office of the Superintendent of Financial Institutions and the Autorité des marchés financiers in Québec requiring them to disclose a transition plan, but it does not have guidance for companies beyond the financial sector (OSFI 2025; AMF 2024).

19 The Government of Canada's voluntary Net-Zero Challenge is a good starting point for encouraging businesses to disclose elements of transition plans. Transition planning guidance can build upon the challenge by putting more emphasis on other foundational elements—such as financial planning, internal capacity, and governance—and aligning investor expectations behind them.

Currently, investors use different frameworks, metrics, and processes when assessing the climate readiness of companies. Investors also come in a variety of shapes and sizes. While some of the major financial institutions have large teams and sophisticated tools for assessing the quality of company transition plans, smaller financial institutions may be earlier in their journey and have less knowledge and capacity to assess whether a transition plan is credible.

This lack of alignment by investors makes it more difficult for businesses to develop transition plans. For example, inconsistent requests may send mixed signals to a business on what its investors—and capital markets more broadly—are looking for in a transition plan. And just as different investors are at different stages of their climate-readiness journey, so too are businesses. A multinational company may have entire teams devoted to climate and sustainability while a small manufacturer may not have any spare time or capacity to think strategically about the long-term impacts of climate disruption on its business.

A growing number of Canadian investors are calling for more consistency and for reporting that goes beyond performance snapshots, including clarity on the extent to which a company's climate strategy actually aligns with internal governance and spending (CEC 2024). Canada is also one of the few amongst its trading partners without a climate investment taxonomy, which would help clarify what types of investments should go into a credible transition plan (Singh, Curpen, and Haley 2024; Trottier-Chi 2025).

Given the low uptake of transition planning by Canadian companies, establishing clear and actionable guidance is a critical next step to avoid the country falling behind and Canadian companies bearing greater risks—and missing out on economic opportunities as a result.

5. Business Future Pathways: offering practical transition planning guidance

The case for increasing the uptake of climate transition planning is one of dollars and cents for Canadian businesses. Whether it's new opportunities from shifting consumer preferences, new risks from the energy transition, or new costs from extreme weather, climate disruption is putting increasing pressure on businesses to pivot and adapt to stay competitive.

Corporate transition plans are a strategic tool that can help businesses prepare for climate disruption and stay profitable and competitive. They identify the most important risks and opportunities facing a business and outline a clear path for integrating this information directly into its business strategy and financial planning. Transition plans can also help companies increase their internal capacity, can provide an effective and cost-efficient basis for engagement with investors and stakeholders, and can help strengthen a company's public reputation. Perhaps most fundamentally, they can support market access and facilitate greater access to capital.

In addition to the direct benefits that transition plans deliver to the bottom line, they can also help businesses respond to the increasing pressures they face to integrate climate considerations into their core decision-making. Investors, lenders, and insurers now see climate disruption as a material risk and opportunity like any other disruptive force and are firmly embedding it in how they do business. This means they're starting to ask companies for more and better data and, specifically, whether they have credible transition plans.

But Canada lacks a consistent definition of what credible transition plans should include. As a result, Canadian investors are not aligned and it is challenging and time-consuming for businesses to meet investor expectations.

Business Future Pathways will give Canadian companies and financial institutions practical guidance to develop and adopt credible transition plans

Business Future Pathways was created to specifically address the barriers that are holding back climate transition planning in Canada so that more companies feel comfortable and confident in developing transition plans no matter where they are in their journey.

Our aim is to work closely with companies and the financial sector to develop practical, science-based, and actionable guidance. Instead of layering on new or additional frameworks, we will distill what matters most from existing global guidance and aim to increase alignment between Canadian investors and companies.

Business Future Pathways will do this in two phases.

The first phase of our work is to align investors and businesses on what constitutes a credible transition plan. This will include developing simple and user-friendly guidance that both investors and businesses can deploy immediately—guidance that reflects Canada's unique context, challenges, and decarbonization pathways. Importantly, this guidance will be relevant for all types of businesses in Canada, whether large or small, privately held or publicly traded. The second phase of work will focus on specific high-priority sectors within the Canadian economy that are highly exposed to climate change and also have opportunities in the energy transition.

Business Future Pathways strives to equip businesses and investors on their journeys toward climate readiness. An extensive engagement strategy, which includes seeking input and feedback from the financial community and corporate Canada, will play an essential role in helping shape our work. Learn more and join us in the next phase at www.businessfuturepathways.ca.

Acknowledgements

Recommended citation

Business Future Pathways. 2025. Pathways to competitiveness: How transition plans can help Canadian businesses compete and grow. October 21.

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Disclaimer

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