

Credibility Beyond Control: How External Dependencies Shape the Credibility of Corporate Transition Plans

Executive Summary

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Abstract

This paper explores how external dependencies—factors outside a company’s direct control—shape the credibility of corporate transition plans (CTPs). It proposes a structured approach to identify and prioritize these dependencies, supported by illustrative tools and examples from steel, utilities, and chemicals sectors. By distinguishing between perceived importance and perceived influence, and by proposing a taxonomy of influence strategies, the paper seeks to support future assessments of transition plan credibility.

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Executive summary

Introduction

Delivering on transition plans and pathways requires companies to rely on some factors which are often out of their control, because they are choices from other actors or emerge from the interactions of many actors. These external dependencies can be categorized within Policy & Regulation (such as real economy regulation, or legal conditions and obligations), Market & Technology (such as capital availability and cost, or energy and commodity prices), Public & Consumer Preferences (such as willingness to pay a green premium, willingness to reduce demand), and Physical Factors (such as availability of land and raw materials, or climate change impacts).

These external dependencies are central to the feasibility of corporate transition plans (CTPs), yet are often underdisclosed or underanalyzed. To increase accountability in corporate climate action and improve credibility of corporate transition plans, external dependencies should be included into disclosure mechanisms, for transparency on identification, assessment & prioritisation, and management of dependencies.

This study

This study examines the current state of dependency disclosures, through review of publicly disclosed CTPs to identify if companies include specific dependencies in the disclosure, which dependencies are disclosed, and if sectoral patterns are identifiable. The disclosure (or lack thereof) of external dependencies contributes to an understanding of whether companies have identified their external dependencies, or can articulate an understanding of their relative importance with respect to delivering on transition plans.

This study evaluates how firms prioritise external dependencies, and the perceived level of influence over those dependencies – through a short expert survey for key sectors, an indicative hierarchical ranking of dependencies was identified, along with evaluation of how much influence companies perceive themselves to have over actors who control critical external dependencies.

This study identifies engagement strategies used by companies to increase control or influence over material external dependencies – through case study interviews, identification of management strategies, engagement strategies, and potential influence mechanisms were identified as causal structures towards managing the impact of dependencies on CTPs.

Key findings

First, external dependencies are widely acknowledged in principle but often excluded or inconsistently addressed in disclosures in practice. Across a sample of forty-four corporate transition plans (CTPs), the most frequently disclosed dependencies were Policy and Regulation; and, Technology. Treatment of dependencies varies widely across firms, with no standard approach; many CTPs do not clearly identify or explain dependencies that are central to transition plan feasibility. Where external dependencies are mentioned, terminology is inconsistent, indirect, and varies by sector.

Second, firms tend to prioritize dependencies they perceive as more influenceable or better understood, rather than those that are most material to transition outcomes. Prioritization of dependencies varied between public disclosures and survey responses when presented with a full list of external dependencies. In disclosures, firms tended to focus on disclosure of dependencies for which firms had clear positioning or existing engagement strategies. In prioritisation across a full list of dependencies, firms tended to prioritise those that they perceived as easier to influence. For example, reviewed disclosures most frequently mentioned alignment to national and international climate frameworks; however, other dependencies (financial regulation, legal conditions and obligations) were also ranked very high importance but without correlated mention in disclosure. This suggests caution in accepting disclosures as representative of the importance of external dependencies, and that firms may not be resource efficient in addressing those dependencies that are most material to transition outcomes.

Third, mapping dependencies by both importance and influence offers a useful framework to support more structured and transparent prioritization (see Figure 1). This approach helps distinguish between dependencies that are material but harder to influence, and those that are tractable but less critical—enabling clearer focus in transition planning and more consistent treatment within disclosures. For example, dependencies of financial regulation and legal conditions and obligations were identified as high importance, but with low influence. This suggests that these dependencies present higher credibility risk and would benefit from engagement focus. Conversely, dependencies of just transition and efficiency improvements were identified by survey participants as high influence but low importance, suggesting (for the purpose of transition plan credibility), companies should not necessarily prioritize resources towards managing these dependencies.

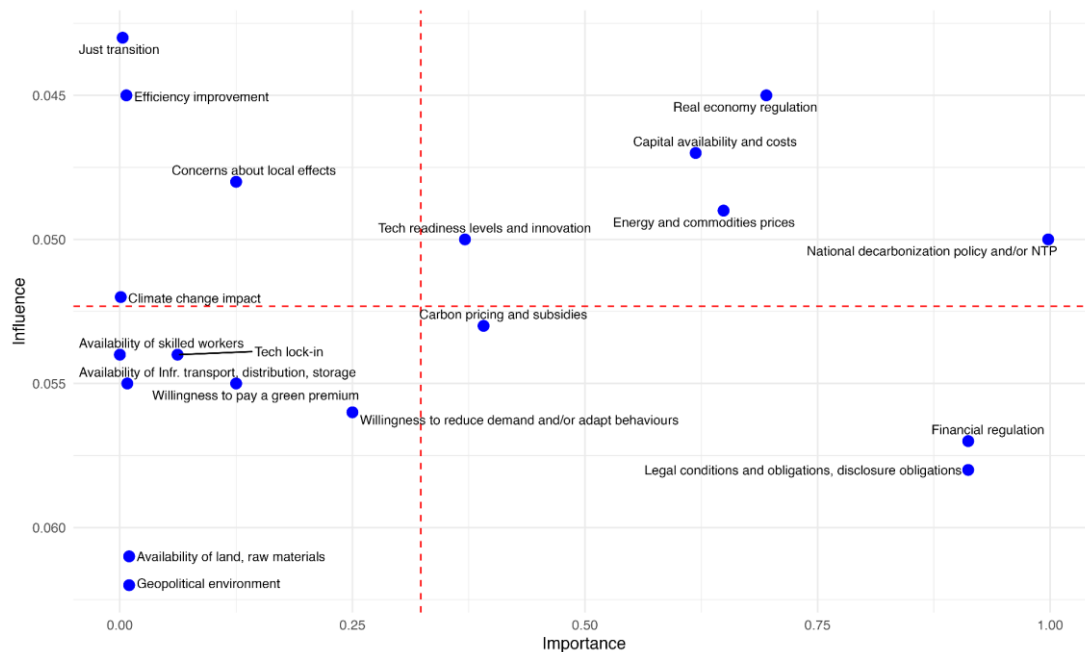


Figure 1 Comparative Matrix of Importance versus Influence

Fourth, firms use different influence strategies depending on context, including type of company, headquarters location, ownership, and sector structure. These factors shaped which dependencies companies prioritized, who they sought to influence, and the mechanisms they used. In the case studies, a state-owned utility prioritized policy engagement and infrastructure planning with government agencies; a multinational emphasized procurement specifications and piloting to shape supplier and customer behaviour. Variation in firm profile thus affects both the framing of dependencies and the design of influence strategies.

Fifth, dependencies are interdependent and may rely on influencing strategies directed across multiple actors. All three case study companies identified a blend of influence strategies applied across and between dependencies. All three case study companies identified technology as a key dependency, but addressed them through different influence mechanisms. One committed to a single technology through partnership with a supplier; another is piloting multiple technologies with evaluation criteria based on sectoral regulation; a third is focussing on internal R&D supported by private investment. This also raises interdependencies; for example, access to capital is required to pursue R&D. Similarly, sectoral regulation may be required to ensure the business case for piloting new technologies. Understanding these interdependencies is essential for firms to select and combine influence strategies effectively.

Sixth, sampled firms apply five primary influence mechanisms:

- **Procurement & Supplier Engagement:** Leveraging purchasing power and technical requirements to shape supplier practices, product (technology) availability.
- **Policy Engagement:** Directly interacting with public sector stakeholders to advocate for supportive policy, regulation, or infrastructure investment.
- **Public Positioning:** Using public communication and disclosure to signal and manage expectations, align narratives, and influence market, policy, or consumer norms.
- **In-House Piloting and R&D:** Demonstrating feasibility through internal innovation, prototyping, and pilot deployment to de-risk emerging solutions and technologies; may be solely financed or financed through partnership or external investment.
- **Proxy Leverage & Industry Engagement:** Influencing indirectly by acting with and through intermediaries such as trade associations, coalitions, or collaborative initiatives.

These strategies are not mutually exclusive and are often combined.

Seventh, NTP policy frameworks can serve as both constraints and enablers. All three case study companies referenced national or sectoral policy frameworks as critical external dependencies—highlighting both their enabling role (such as through funding commitments or infrastructure development) and their limiting effects when timelines, coverage, or implementation mechanisms were unclear or misaligned. For example, in the utilities case, grid decarbonization targets in national plans created a directional signal but lacked sufficient detail on permitting reform or investment timelines, constraining the company’s ability to plan capital allocation.

Further Development

Further work is needed to deepen the empirical and practical application of this framework. This paper offers a proposed framing for identifying and managing external dependencies, but additional work is needed to operationalize it for disclosure guidance, policy alignment, and investment evaluation.

First, more structured frameworks and tools are necessary to provide practical guidance and support benchmarking. Such tools and frameworks should build on this work to address prioritization through evaluation of importance, level of influence, more comprehensive identification of management strategies and influence mechanisms. These tools will be most meaningful when integrated into practice, either through voluntary standards or regulated standards such as those from the Transition Planning Taskforce (TPT) and the World Business Council for Sustainable Development (WBCSD).

Second, future research should examine the effectiveness of different influence mechanisms, including where and how firms can act collectively. This work identified a preliminary and illustrative taxonomy of influence strategies, providing a useful starting point. More systematic evidence is required on how these strategies are deployed across sectors and with what results.

Third, a comprehensive approach is needed to support investors, lenders, and regulators to integrate external dependencies into evaluation of transition plan credibility. This could look like a collection of metrics to evaluate identification of dependencies, evaluation of dependencies, assessment of engagement and influence strategies to manage dependencies, culminating in a credibility score. The construction of credibility of CTPs will be dependent on disclosure to ensure availability of information, together with the ability of other stakeholders to evaluate whether dependencies are appropriately identified, evaluated, and managed. A structured approach to evaluate credibility through external dependencies will support stakeholders to evaluate how companies account for and engage with critical enablers or barriers, including for contexts where necessary enablers are not yet in place.

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