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Transition Finance Emerging Practices

July 2025

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About the Net-Zero Banking Alliance

NZBA is a global member-led initiative supporting banks to lead on climate mitigation in line with the goals of the Paris Agreement.

Members look to the Alliance for insights on how to unlock opportunities and demonstrate progress as they develop and execute their individual net-zero strategies for financing the transition.

NZBA provides guidance, technical support and an internationally recognized framework which supports banks' climate mitigation work. It increases understanding of rapidly evolving areas such as transition planning and transition finance, works with members to develop emerging practice around new approaches and metrics, and builds member capacity for sectoral engagement.

NZBA is the largest global banking alliance focused specifically on climate mitigation and the flagship climate initiative of the Principles for Responsible Banking (PRB), the UN's sustainable banking framework.

NZBA is convened by the UN Environment Programme Finance Initiative. Learn more here: unepfi.org/net-zero-banking/

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Executive summary

Transition finance plays a vital role in enabling high-emitting sectors to decarbonize. Building on the previous work of the Net-Zero Banking Alliance (NZBA) and other organizations, **this report provides practical insights into how banks are integrating transition finance to support the decarbonization journey of their clients.**

Drawing from banks' transition finance approaches and input from NZBA member banks, the report consolidates emerging practices, identifies common challenges, and fosters a shared understanding of credible transition finance approaches for banks.

Key insights and findings:

1. **Framework integration:** An increasing number of banks are developing transition finance approaches to complement their sustainable finance frameworks, with eight NZBA member banks featured in this report. These frameworks provide transparency regarding their criteria to categorize transition finance transactions.
2. **Scope and coverage:** Banks' transition finance approaches cover activity-level and, increasingly, entity-level financing. Transition finance eligibility lists typically focus on hard-to-abate sectors, alongside cross-cutting activities across industries, such as carbon capture and electrification.
3. **Assessment criteria:** Banks use a combination of criteria to assess transition finance transactions, often specifying an activity eligibility list for dedicated-purpose financing and requiring a credible transition plan for general-purpose financing.
4. **Governance:** There is no standard approach to overseeing transition finance. Banks employ varied governance models for their transition finance approach, from centralized committees to decentralized decision-making, often involving sustainability, credit, and risk teams. Internal audit or independent verification processes are used to ensure robustness and transparency.

As the approaches of banks to transition finance mature, NZBA will continue to share emerging practices to support the integrity, scalability, and credibility of transition finance, enabling banks to play a leading role in financing a just and orderly transition to a low-carbon economy.



Background to transition finance for banks

As the global economy moves toward a low-carbon future, banks play a pivotal role in enabling this transition. Transition finance has emerged as a critical mechanism to support high-emitting sectors in adopting more sustainable business models and reducing greenhouse gas (GHG) emissions over time. For banks, integrating transition finance into their strategies and processes not only aligns with evolving regulatory and stakeholder expectations but also positions them well to capture emerging business opportunities.

The main overarching challenge faced by banks in developing their transition finance approach is that transition finance is a relatively new topic, without established global standards and guidance. Banks face high complexity in applying their transition finance approach in an international, regional, and local context. As such, **flexibility and adaptability are key principles of banks' transition finance approaches.**

This absence of a globally accepted definition of transition finance challenge is compounded by the **dynamic nature of transition finance.** Activities and sectors considered as transition finance today, for example, may be classified as green or stranded assets in the future as low-carbon alternatives emerge and new technologies are deployed.

Further, since the low-carbon transition is unique to each country, certain activities and sectors may be considered under transition finance in certain jurisdictions, but not in others. Consequently, it is **complex to develop a global list of eligible transition finance activities.**

The absence of clear sectoral decarbonization pathways in most countries and regions is another challenge faced by banks and their clients in deploying transition finance. **A stable policy and regulatory environment that encourages decarbonization of high-emitting industries in line with country's emissions targets would enable transition finance to grow.**

NZBA publications on transition finance

NZBA published three reports on transition finance over the course of 2022 and 2023, which are summarized below:



The **NZBA Transition Finance Guide**¹ discusses the role of transition finance in the net-zero journey and includes a stocktake of existing frameworks. It provides two guiding principles in structuring a transition finance framework:

1. Clients must have a credible, feasible, and sufficiently ambitious transition plan
2. Transition finance must meaningfully advance a client's net-zero journey



The **Transition Finance Case Studies**² report includes five case studies from NZBA members, which provide insights on the following transition finance topics:

- Definition
- Strategy
- Targets
- Stakeholder engagement
- Implementation challenges
- Size, business model, and geographic considerations



Developing Metrics for Transition Finance³ includes additional transition finance metrics, which may be used by banks when reporting on their transition finance efforts. These metrics help to:

1. Better show the **magnitude of financing** provided to transitioning companies.
2. Provide **credible forward-looking guidance** on the amount of decarbonization being supported.
3. Act as a **complement to existing metrics**, such as sustainable finance targets and emissions reduction.

1 UNEP FI, [NZBA Transition Finance Guide](#), October 2022

2 UNEP FI, [NZBA Transition Finance Case Studies](#), January 2023

3 UNEP FI, [NZBA Developing Metrics for Transition Finance](#), December 2023

Integrating transition finance within banks

Banks are developing transition finance approaches that are complementary to their sustainable finance framework, based on emerging guidance frameworks and regional taxonomies. They face common challenges in developing and implementing their transition finance approaches.

Table 1: Summary of features to integrate transition finance within banks

	Common elements of banks' transition finance approaches	Elements found in some banks' transition finance approaches
External resources used to develop transition finance approach	Most banks used resources from: CBI, ICMA, GFANZ, OECD, TFMR, NZBA⁴	Regional guidance and taxonomies (e.g. EU, ASEAN, Japan, Singapore)
Relationship with sustainable finance framework	Transition finance approach is complementary	Some banks include transition finance in their sustainable finance target

Which external references are used to develop a bank's transition finance approach?

The approach to defining green, sustainable, or transition finance is highly heterogeneous amongst banks. In the absence of a globally accepted definition of transition finance, banks are using a set of external references to define transition finance. This includes a mix of industry guidance and regional taxonomies, as summarized in Table 2.

4 Acronyms: Climate Bonds Initiative (CBI), International Capital Market Association (ICMA), Glasgow Financial Alliance for Net Zero (GFANZ), Organisation for Economic Co-operation and Development (OECD), Transition Finance Market Review (TFMR)

Table 2: Common external references used to develop banks' transition finance approaches

Global guidance documents	Regional guidance and taxonomies
CBI Financing Credible Transition White Paper	European Union Taxonomy for Sustainable Activities
ICMA Climate Transition Finance Handbook	Singapore-Asia Taxonomy for Sustainable Finance
GFANZ Scaling Transition Finance and Real-economy Decarbonization	ASEAN Taxonomy for Sustainable Finance
OECD Guidelines on Climate Transition Finance	ASEAN Transition Finance Guidance Version 2
Transition Finance Market Review: Scaling transition finance	Japan Ministry of Economy, Trade, and Industry (METI): Transition Finance
NZBA Transition Finance Guide	Australia Sustainable Finance Taxonomy

How does a transition finance approach complement banks' other sustainable finance frameworks?

Many banks have established frameworks to categorize their sustainable or green finance activities. A subset of those banks has developed, or is in the process of developing, a complementary transition finance approach. While sustainable or green finance frameworks focus on activities or entities that provide climate solutions or are already aligned with a net-zero pathway (e.g. renewable energy), transition finance frameworks typically focus on high-emitting sectors.

As such, **transition finance approaches are key complements to green or sustainable finance frameworks** as they target different sectors and activities contributing to the common Paris Agreement objective of limiting global temperature increases to well-below 2°C, striving for 1.5°C. Furthermore, **most banks count eligible transition finance activities towards their overall sustainable finance target**, alongside green or other sustainable finance activities. As an example, Allied Irish Bank's (AIB) Sustainable Lending Framework is illustrated in Figure 1.

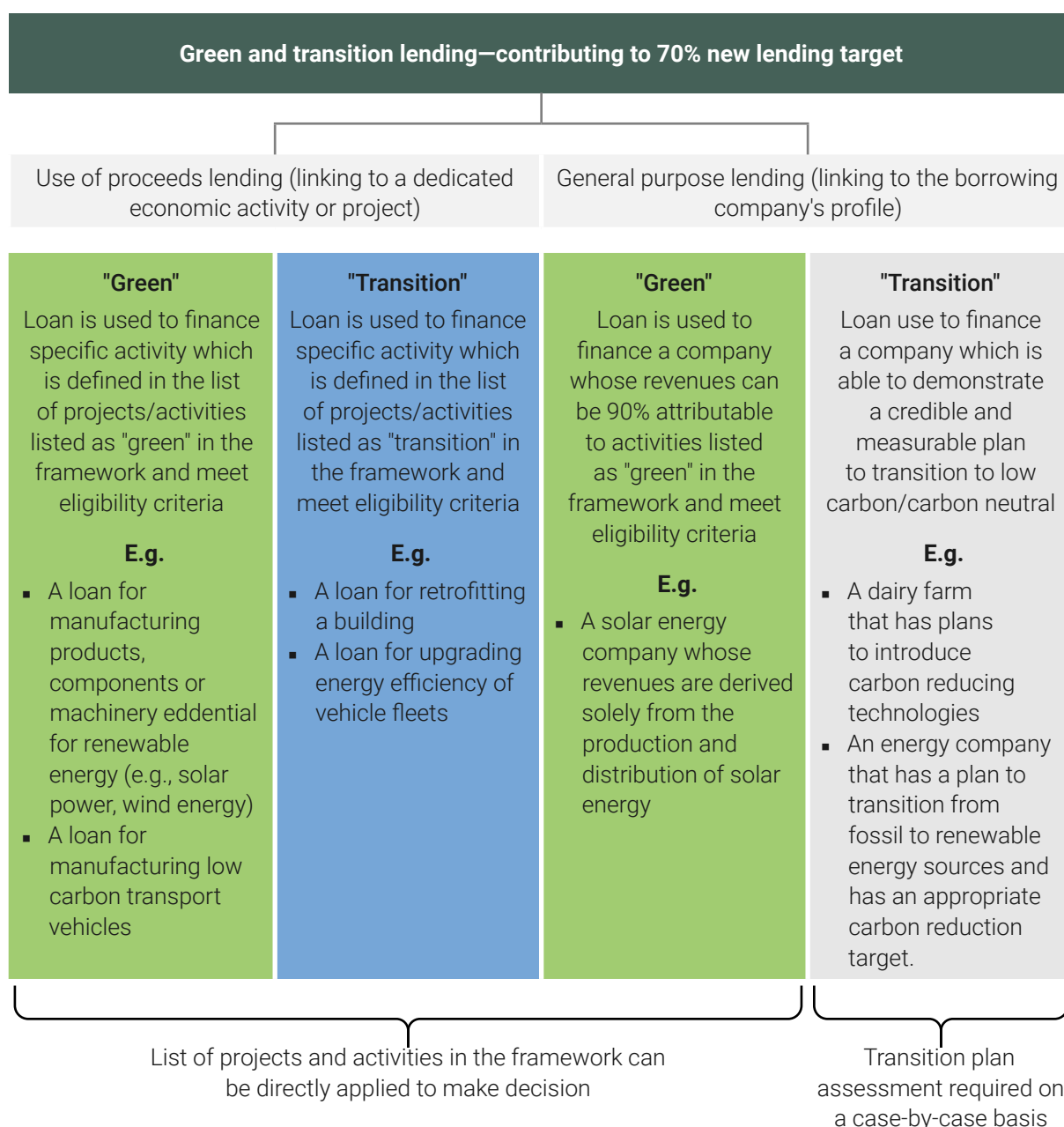


Figure 1: Scope of Allied Irish Bank's Sustainable Lending Framework (AIB, 2024)

However, caution is needed when distinguishing between different types of sustainable finance activities. For example, Westpac, in its Sustainable Finance Framework, classifies activities as either green or transition and note that **general purpose financing to entities that meet a mix of green and transition criteria should only be classified in one category, and not both to avoid double counting** (Westpac, 2024).

Scope of activities covered

Banks have adopted a range of approaches to transition finance with a number of common features related to financing types, financial product types, and scope of activities covered.

Table 3: Summary of scope of activities included in banks' transition finance approaches

	Common elements of banks' transition finance approaches	Elements found in some banks' transition finance approaches
Types of financing	List of eligible activities for dedicated purpose financing	Criteria for general purpose financing to clients
Types of financial product	- Corporate lending - Debt and equity capital markets - Trade finance	- Retail finance - Securitized products - Project finance
Sectors and activities covered	- See common priority sectors in Table 4 - Carbon capture and storage, electrification, energy efficiency	See less common sectors in Table 4

Does the transition finance approach cover activities only or also entity-level financing?

As noted in the Transition Finance Market Review (TFMR, 2024), **transition finance is currently focused on activity-level financing**, with an ambition to increasingly incorporate more entity-level financing that supports the delivery of credible transition plans. The market infrastructure surrounding the assessment of credible transition plans is in development, which limits the ability for banks to support entity-level transition finance.

This is reflected in banks' transition finance approaches. While **all these approaches include lists of activities and projects that qualify as transition finance**, only a portion incorporate transition finance criteria for entities or clients. Furthermore, **entity-level transition finance is generally limited to corporates operating within one industry** that derive a vast majority of their revenues (e.g. at least 90 per cent) from activities included in the bank's transition finance framework.

Most banks' transition finance frameworks acknowledge this cautious approach towards entity-level transition finance. They indicate that their approach will continue to evolve

and will seek to expand the scope of entity-level transition finance as industry principles, approaches, and transition plans mature.

An alternative approach is to **use sustainability-linked loans for general purpose financing to clients and use transition loans for specific activities with proceeds used to decarbonize high-emitting clients.**

Transition opportunities across various levels in the economy

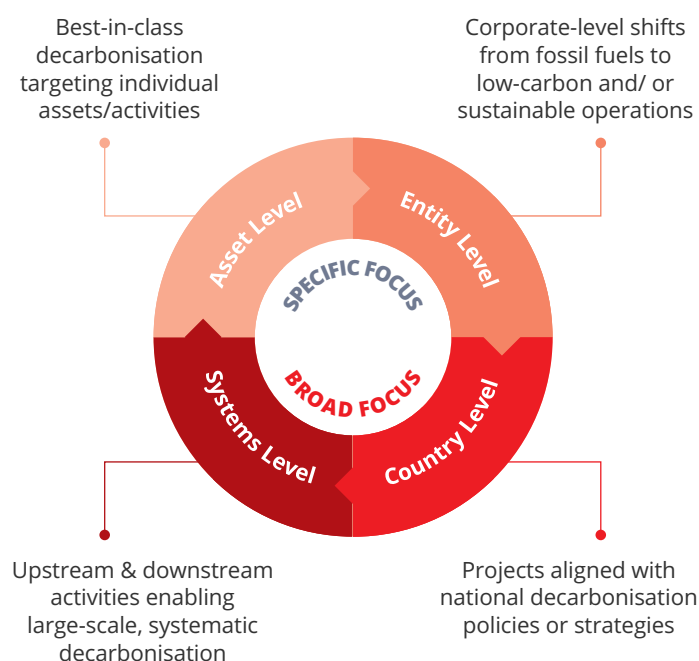


Figure 2: Transition opportunities across various levels in the economy (DBS, 2025)

Beyond activity-level and entity-level transition finance, certain transition opportunities exist across various levels in the economy. For example, DBS includes **country-level and systems-level opportunities** in its transition finance framework.

Country-level transition finance includes projects aligned with national decarbonization policies or strategies. Systems-level transition finance includes **enabling entities or activities** that do not themselves contribute directly to emissions mitigation but rather facilitate the transition of other carbon-intensive activities (DBS, 2025). Examples of these enabling activities are presented in Figure 3 and include suppliers, traders, and distributors in transitioning companies' value chains (UOB, 2022).

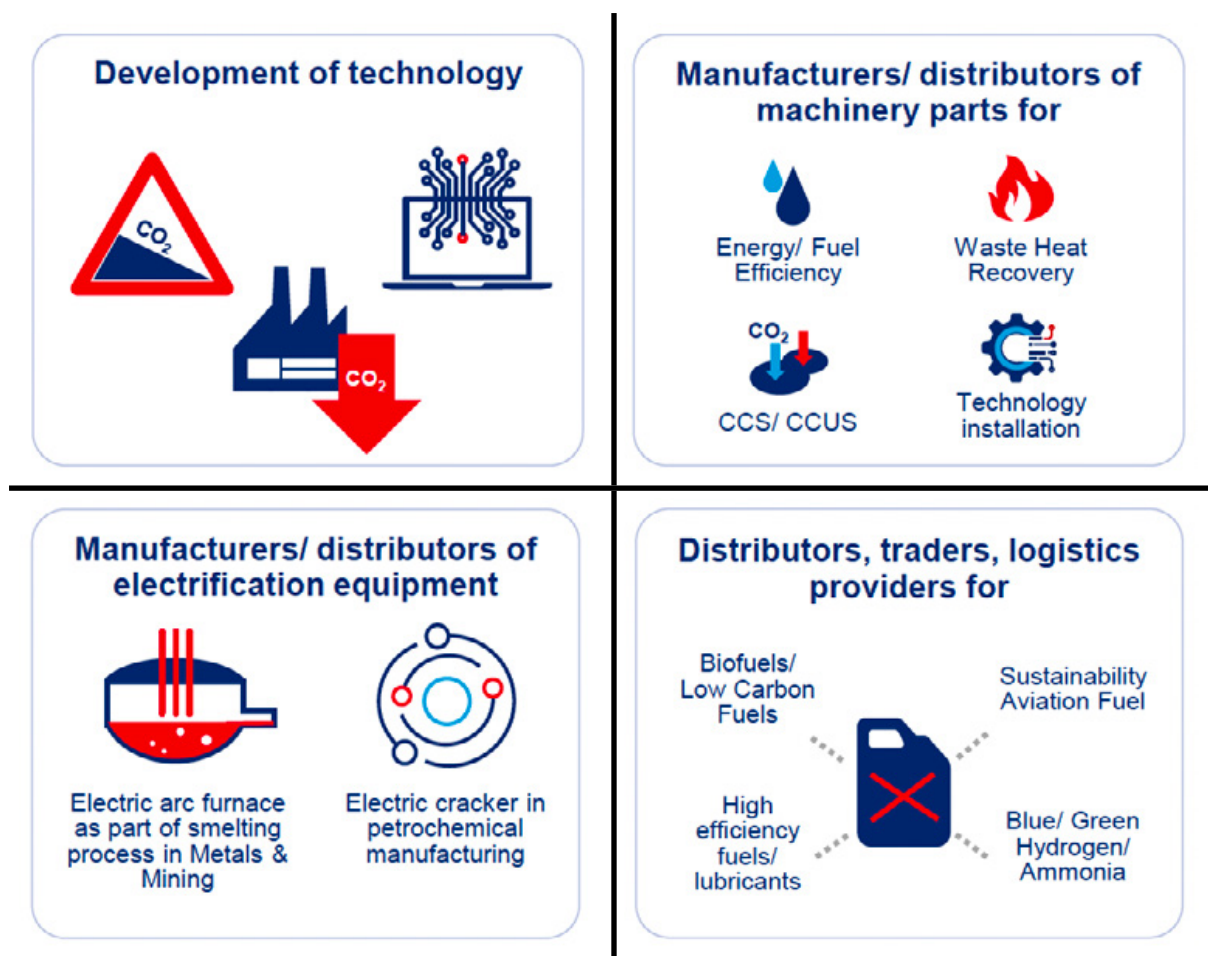


Figure 3: Examples of enabling activities for transition finance (UOB, 2022)

Which financial products are included in banks' transition finance approaches?

The banks analyzed in this report have different business models and have activities across various jurisdictions. As a result, different financial products are included in their transition finance approaches. **The main common financial products include:**

- **Corporate lending**
- **Debt and equity capital markets**
- **Trade finance**

Other financial products included in some transition finance approaches include:

- Consumer lending and mortgages
- Securitized products
- Project finance
- Islamic finance

For example, Barclays' Transition Finance Framework includes an illustration of which financial products and services are eligible for both sustainable finance and transition

finance, and how these contribute to the bank’s sustainable and transition finance target. Barclays also specifies that the financing of new facilities and the refinancing of existing facilities are both eligible under its Transition Finance Framework (Barclays, 2024).

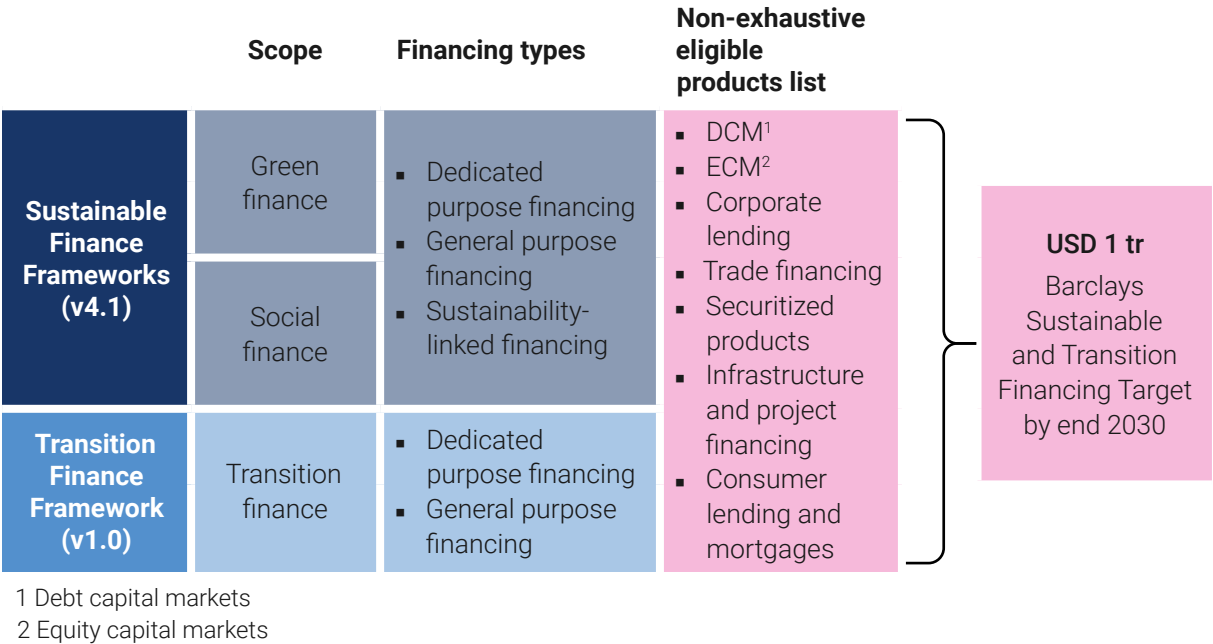


Figure 4: Scope and eligible financial products under Barclays’ Sustainable Finance Framework and Transition Finance Framework (Barclays PLC, 2024)

As the market of labelled transition bonds and loans grows, some banks indicate that these instruments will qualify as transition finance if they are supported by an externally verified transition finance framework aligned to international principles and guidelines. This external verification can be in the form of an independent second-party opinion or an external certification (e.g. Climate Bonds Initiative).

Which sectors and activities are covered under banks’ transition finance approaches?

Although there is no globally accepted definition of transition finance, there is an **emerging consensus amongst banks with a transition finance approach that high-emitting sectors should be prioritized**, as opposed to an economy-wide approach proposed by other stakeholders.

As such, all sectors included in the Guidance for Target Setting for Banks (UNEP FI, 2025) are included in the eligible activity list of banks’ transition finance approaches, namely: agriculture, aluminium, cement, coal, iron and steel, oil and gas, power generation, real estate (commercial and residential) and transport (aviation, automotives, shipping). In addition, other high-emitting sectors are included in most banks’ eligibility lists, including: chemicals (ammonia, hydrogen, plastics), bioenergy, and mining of critical minerals for the transition.

Table 4 illustrates the most common sectors included in banks' transition finance approaches, alongside sample eligible activities. **Across these sectors, a number of cross-cutting activities are considered as eligible under banks' transition finance approaches, such as carbon capture and storage, electrification, and energy efficiency.** These cross-cutting activities are not mentioned in Table 4 but are considered as eligible under most sectors of banks' transition finance approaches.

Table 4: Common sectors and activities included in banks' transition finance approaches

Sector	Sample activities	Sector included in banks' TF approaches
Agriculture	Advanced bioenergy crop, nutrient management, reduced tillage	
Aluminium	Aluminium recycling, novel anode technologies, retrofitting of smelters	
Aviation	Sustainable aviation fuels (SAF), low-carbon, and fuel-efficient aircraft production	
Bioenergy	Second generation biofuels, retrofitting of ethanol plants into SAF plants, biomass gasification	
Cement	Coal to gas switch, blending of alternative materials to replace clinker, electric kilns	
Chemicals	Retrofitting of petrochemical plants, electric steam crackers, blue (gas with CCS) ammonia production	
Coal	Co-firing with ammonia, managed phaseout of coal plants	
Hydrogen	Blue hydrogen production, switch from blue/grey to low-carbon hydrogen	
Iron & steel	Scrap-based production, iron ore electrolysis, blast furnace retrofit (e.g. direct reduced iron and electric arc furnaces).	
Mining	Electrification of equipment, mining of critical minerals for use in energy transition	
Oil & gas	Eliminating flaring, methane emissions reduction	
Power generation	Nuclear power, retrofits of transmission lines, waste-to-energy facilities	
Real estate	High-efficiency biomass heaters, renovation of existing buildings	
Transport	Biofuels transport, alternative fuels for heavy-duty transport, battery electric trains	
Shipping	Vessels powered by alternative fuels, retrofitting of vessels, operational efficiencies	

Legend: Included in some approaches (less than 50%), included in most approaches (50–75%), included in almost all or all approaches (more than 75%)

In addition to lists of eligible activities, some banks also specify which activities are excluded from their transition finance classification framework, such as incineration of unsegregated waste, first-generation biofuels or gas plants, and unabated hydrogen production from natural gas. **Other banks specify ‘sunset’ dates for certain technologies** (e.g. 2030) to ensure that transition does not last indefinitely and that carbon lock-in does not occur. Finally, some banks have overarching exclusion policies which also apply to potential transition finance transactions.

Transition finance assessment criteria and process

Banks have adopted a number of common criteria to assess transition finance transactions, for both dedicated purpose financing and general purpose financing. There are also other criteria based on banks' business model, priority sectors, and geographical footprint. Examples of decision trees used by banks to assess transactions against these criteria are included in Appendix 1.

Table 5: Summary of criteria that banks use to assess transition finance transactions

	Common criteria in banks' transition finance approaches	Criteria in some banks' transition finance approaches
Criteria for all transition finance transactions	Environmental and social impacts assessment	- Avoid carbon lock-in - Use best available technology - Just transition considerations
Criteria for dedicated purpose financing	Included in bank's list of eligible activities (see examples in Table 4)	- Compatible with a 1.5°C/2°C decarbonization trajectory - Lead to emissions reduction
Criteria for general purpose financing	Entity has a credible transition plan	- Entity is 1.5°C/2°C-aligned under credible external framework - Majority of entity's revenues are from transition activities
Monitoring process	Clients are implementing their transition plan	Annual impact reports for dedicated purpose transition finance

Which general criteria are applicable to all transition finance transactions?

All of the banks' transition finance approaches reviewed for this report include an assessment of the environmental and social impacts of eligible transition finance transactions. This is often included as a "Do no significant harm (DNSH)" principle in the bank's transition finance approach or part of the bank's environmental and social risks management framework. Some banks also include distinct criteria for just transition considerations in their transition finance framework.

The other main general criteria explicitly included in some of banks' transition approaches are **avoidance of carbon lock-in and use of best available technology**. Carbon lock-in

occurs when carbon-intensive assets perpetuate, delay, or prevent the transition to low-carbon alternatives, considering the economic life of these assets. Best available technology refers to the latest proven technology to abate GHG emissions for a specific process, which can be implemented under economically and technically viable conditions.

Some banks have also acknowledged the potential for moral hazard and emissions leakage arising from the failure to assess clients' transition plans in lieu of evaluating only eligible activities, and vice versa. For instance, Maybank has taken a proactive stance by engaging transition finance clients to understand their transition plans and associated strategies when mobilizing dedicated use of proceeds financing.

Which criteria are used to assess dedicated purpose transition finance transactions?

For transactions with a dedicated purpose, **the main common criteria used is the inclusion of the financed activity in the bank's eligibility list or in a recognized taxonomy** (refer to Table 4 for examples of eligible activities).

For some banks, dedicated purpose transition finance transactions must support an entity's credible transition plan, while for others this is not a prerequisite. For instance, smaller entities (e.g. small and medium-sized enterprises) and those operating in emerging markets may not have the available resources to develop a transition plan. This is also valid for consumer lending.

In some transition finance approaches, eligible activities must be referenced in key sectorial decarbonization levers identified in established 1.5°C or 2°C global scenarios or in relevant regional or national scenario pathways (where available) so as to reflect local market developments and jurisdictional policy.

While some banks include a distinct criterion whereby financed activities must lead to a measurable and material emission reduction, others broaden the scope to include enabling activities that do not themselves contribute directly to emissions mitigation but rather facilitate the transition of other carbon-intensive activities.

Which criteria are used to assess general purpose transition finance transactions?

For transactions with a general purpose, **the main common criteria used to classify transition finance transactions is that the client must have a credible transition plan**. Some banks, such as First Abu Dhabi (refer to Figure 5), broaden this scope to include clients in the process of developing a credible transition plan.

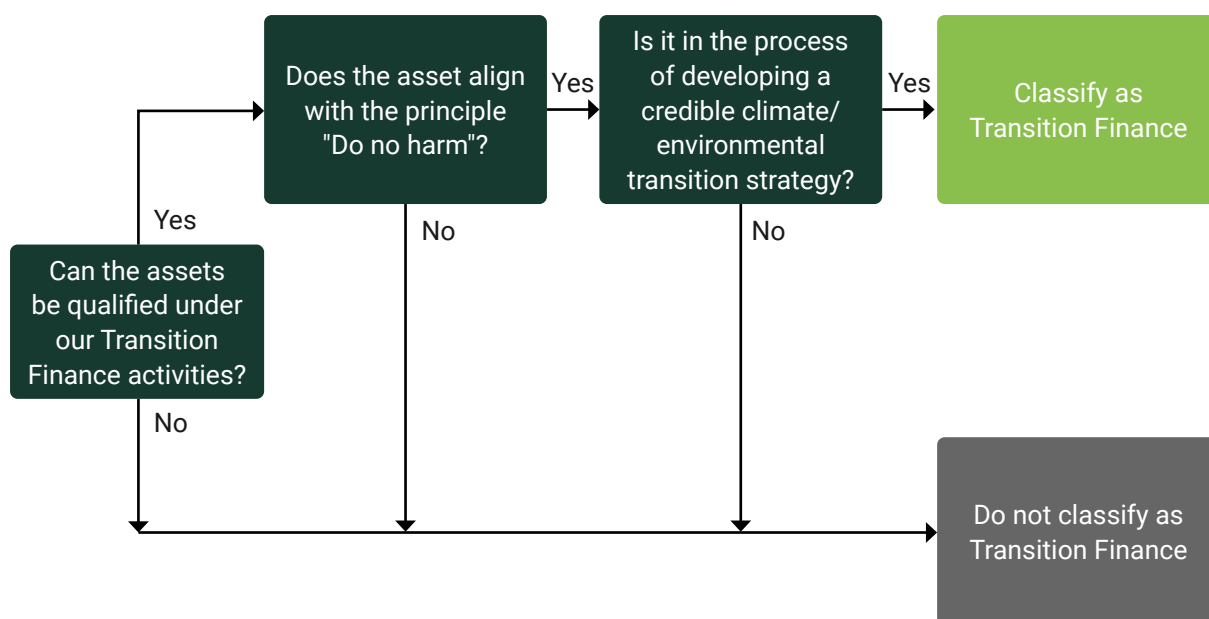


Figure 5: First Abu Dhabi’s simplified classification logic for transition finance assets (First Abu Dhabi, 2024)

In the absence of global standards on transition plans, banks rely on industry guidance to assess the credibility of their clients’ transition plans. Some include specific criteria in their transition finance approach to qualify their clients’ transition plans as credible, such as the presence of interim targets and an ambition level aligned with the objectives of the Paris Agreement. Another common criterion from industry guidance is the alignment of clients’ capital expenditures with the investment needs of their transition plan.

An alternative criterion used by some banks is to **ensure that the client is considered as 1.5/2°C-aligned under a credible external framework**. For example, the client is certified as ‘1.5°C Aligned’ or ‘Transitioning to 1.5°C Aligned’ by the Climate Bonds Initiative (CBI, 2025) or is minimally labelled as ‘Well-Below 2°C’ aligned in the SBTi Corporate Near-Term Criteria (SBTi, 2024).

As the ecosystem to define credible transition plans continues to evolve, another option used by banks is to **only qualify general purpose transactions as transition finance for pure-play clients** that derive a majority of their revenues from transition activities. Barclays (refer for Figure 6) and Maybank (refer to Figure 10), for example, only considers clients with more than 90 per cent of their revenues from eligible transition activities to qualify general purpose transactions under their transition finance framework.

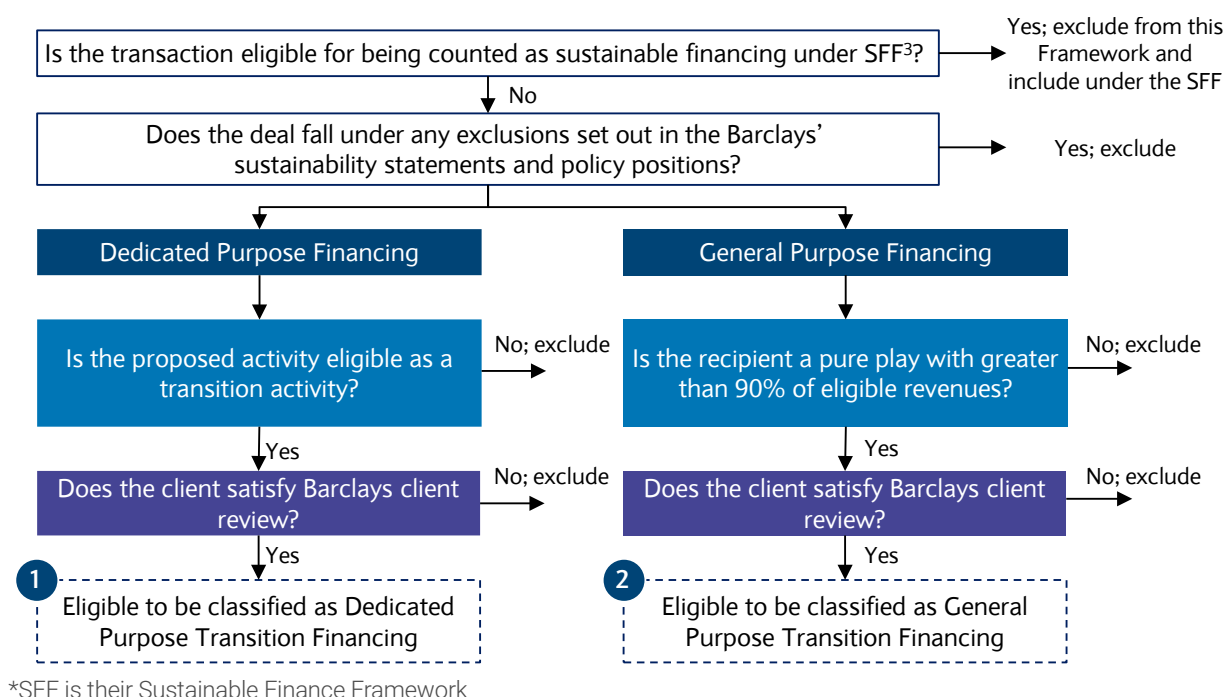


Figure 6: Barclays' decision tree to identify eligible transition financing (Barclays PLC, 2024)

How are transition finance transactions monitored?

Transition finance transactions are reviewed as part of a bank's ongoing monitoring processes, which may include an annual review. For transition finance transactions, this review may involve monitoring clients' activities to ensure continued compliance with the bank's transition finance eligibility criteria.

For example, clients receiving dedicated purpose transition finance from banks could submit a list of transition finance activities financed to support this monitoring process. Some banks require this list to include a description of each activity, plus the allocated amounts and their impacts (e.g. GHG emissions reduction).

For general purpose transition finance, banks typically focus on monitoring the progress and implementation of clients' transition plan. This is important for banks as it may inform future credit decisions for additional financing towards transition activities.

Banks are also starting to monitor the aggregated financing amounts that they allocate to transition finance, especially for those that include transition finance under their sustainable finance target.

Governance

Banks employ varied governance models for their transition finance approach, from centralized committees to decentralized decision-making. Multiple teams are involved in assessing and approving transition finance transactions, with relationship managers playing a key role across the process. Internal audit and independent verification processes are used to ensure robustness and transparency.

Table 6: Summary of governance features of banks' transition finance approaches

	Common elements of banks' transition finance approaches	Elements found in some banks' transition finance approaches
Owner of transition finance approach	Group sustainability committee	
Review of transition finance approach	Periodic review, often on an annual basis	Expansion of approach with new sectors and financial products
Approval of transition finance transactions	Approval by representatives from multiple teams	Approval process may be centralized OR decentralized
Assessment of transition finance transactions	Relationship managers identify potential transactions	Sustainability OR business teams assess the eligibility of potential transactions as transition finance
Independent verification		Internal audit AND/OR external independent verification of transition finance transactions
Activities outside of transition finance eligibility list	Considered on a case-by-case basis	Enhanced review performed by banks

Which group has oversight over banks' transition finance approaches?

Recognizing that banks have different internal governance structures, the main groups involved in the oversight of a bank's transition finance approach include sustainability teams, business teams, risk management, and corporate affairs. A common feature is that the equivalent of a **bank's group sustainability committee is ultimately responsible for reviewing and approving its transition finance approach**. This committee typically reports to the bank's management team or to the board and is independent from the deal team to avoid potential conflicts of interest.

How often is the transition finance approach reviewed?

Due to the evolving nature of transition finance, **banks review their transition finance approach periodically, often on an annual basis**. This includes reviewing their list of eligible transition finance activities to reflect changes in relevant policies and taxonomies, as well as technological developments across different sectors and geographies.

Beyond the list of eligible activities, some banks include provisions to expand their transition finance approach to include additional sectors and financial products. Other banks explicitly acknowledge that their approach for general purpose transition finance will evolve as industry practices mature.

Which groups approve the categorization of transactions as transition finance?

The categorization of transactions as transition finance may be performed by different groups. For some banks, this function is centralized with a dedicated transition finance committee or with an existing sustainability committee that approves other types of transactions under the banks' sustainable finance frameworks. For other banks, eligibility decisions for transition finance transactions are decentralized at the relevant sustainable finance governance forum depending on product group and business area.

A common feature in this approval process is that **multiple teams are represented in the decision-making body**, whether it is centralized or decentralized. This typically includes representatives from business lines, credit, sustainability, compliance, and legal functions.

Which teams assess the eligibility of potential transition finance transactions?

The initial phase to operationalize a bank's transition finance approach is often similar between banks. As central points of contact with clients, **relationship managers are often responsible for identifying transactions that could potentially qualify under their bank's transition finance approach**.

For some banks, assessing the eligibility of these transactions against their transition finance approach is conducted by relationship managers or business teams, while other banks allocate this assessment to their sustainability team. While different teams may be responsible for this task, they often work together to collect and review information from clients so as to validate the classification of transactions.

Is an independent verification conducted on transition finance transactions?

Banks employ a variety of processes to ensure the robustness of the implementation of their transition finance approach. There is no single approach to verifying transition finance transactions, either internally or through third parties.

Some banks involve their **internal audit function to carry out periodic reviews** on the effectiveness of the transaction selection process and compliance of transition finance transactions against their in-house criteria. This may result in reclassifying transactions that fail to meet these criteria. The internal audit may perform a sample-based quality assurance. Alternatively, it may review all transactions categorized as transition finance.

Some banks also commission an **independent external verification** of the alignment of transition finance transactions against their in-house criteria. This verification may be performed for every new transaction or for a group of transactions that are included in their own particular sustainable finance targets.

As an example, Maybank's assessment process for transition finance transactions is presented in Figure 7 Steps 3 and 4 include reviews by both Maybank's internal audit team and an external assurance provider. **This promotes accountability and transparency while protecting the credibility of the bank's sustainability efforts.**

Step 1	Relationship manager/business teams/countries to nominate deals for recognition as transition finance based on criteria listed in this Framework depending on the nature of transaction
Step 2a	In the event the activity abides by the principle-based approach or taxonomy-based approach, business representatives, with the support from GS will verify the deals against the framework and ensure completeness of supporting documents provided, before labelling the transaction as transition finance.
Step 2b	In the event the activity takes the net-zero strategies route, the deal team will submit all details regarding the transaction to ESC for deliberation. If approved, the deal will be tagged as transition finance internally.
Step 3	Internal audit team will evaluate the process of nomination of the deal as well as the merit of the nominated deals against the framework and perform verification on an interim basis.
Step 4	External assurance provider to provide limited assurance on Maybank's Sustainable Finance figures (which encapsulates the transition finance achievement) on an annual basis.

Figure 7: Maybank's assessment process for transition finance transactions
(Maybank, 2025)

How are transactions for activities outside of the scope of the transition finance approach treated?

Although banks' transition finance approaches usually include a list of eligible activities, often a provision also exists whereby banks may consider transactions for activities or sectors outside their eligibility list. This reflects the evolving nature of transition finance, where new low-carbon technologies emerge to support the decarbonization of high-emitting industries. These transactions are typically considered on a case-by-case basis, based on a bank's particular transition finance assessment process and governance.

For these transactions, some banks conduct an enhanced review, especially for activities with a lower level of industry consensus compared to activities included in banks' transition finance eligibility list. This enhanced review may include further consideration of potential emissions lock-in, displacement of low-carbon alternatives, and the local context.



Next steps and future considerations

As transition finance continues to evolve, banks' approaches are expected to be further refined and operationalized in alignment with emerging standards, taxonomies, and regulatory expectations. As such, continued transparency around banks' approaches is key.

The following areas have been identified as key priorities for ongoing development:

- **Fostering standardization:** Banks will continue to engage with clients, regulators, and standard-setters to promote convergence around transition finance definitions, taxonomies, and best practices to support comparability across jurisdictions, while recognizing the local and regional context when assessing transactions. **Consolidation of principles for defining transition finance** would encourage this standardization..
- **Improving guidance regarding entity-level financing:** Transition finance is expected to continue growing beyond activity-level transactions to include more entity-level financing as market infrastructure matures. **Clear industry guidance and standards regarding credible corporate transition plans** would accelerate the deployment of entity-level transition finance.
- **Developing sectoral decarbonization pathways:** Country-level sectoral pathways are tailored to the specific economic, social, and environmental contexts of individual jurisdictions, ensuring that decarbonization is practical and aligned with national priorities. **Country-level sectoral pathways that encourage decarbonization of high-emitting industries** in line with that country's Paris-aligned Nationally Determined Contribution would enable transition finance to grow.
- **Improving data and metrics:** The continued development and adoption of forward-looking, decision-useful metrics will help banks quantify the climate impact of their transition finance transactions. **Standardization of transition finance metrics applicable to banks** would foster this transparency.

This ongoing work will support the integrity, scalability, and credibility of transition finance, enabling banks to play a leading role in financing a just and orderly transition to a low-carbon economy.

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Appendix: Banks' transition finance decision frameworks



Figure 8: Standard Chartered's Transition Finance Framework (Standard Chartered, 2024)

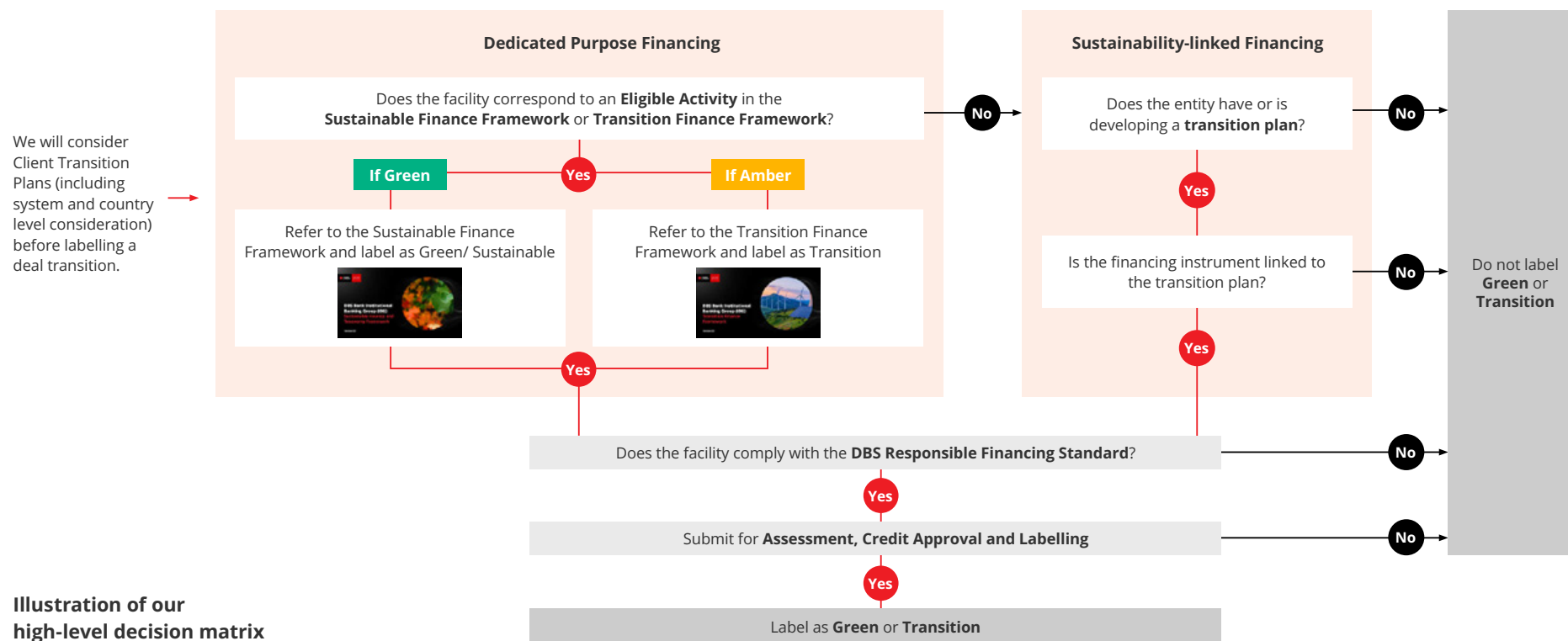


Illustration of our high-level decision matrix

Figure 9: DBS' Transition Finance Framework (DBS, 2025)

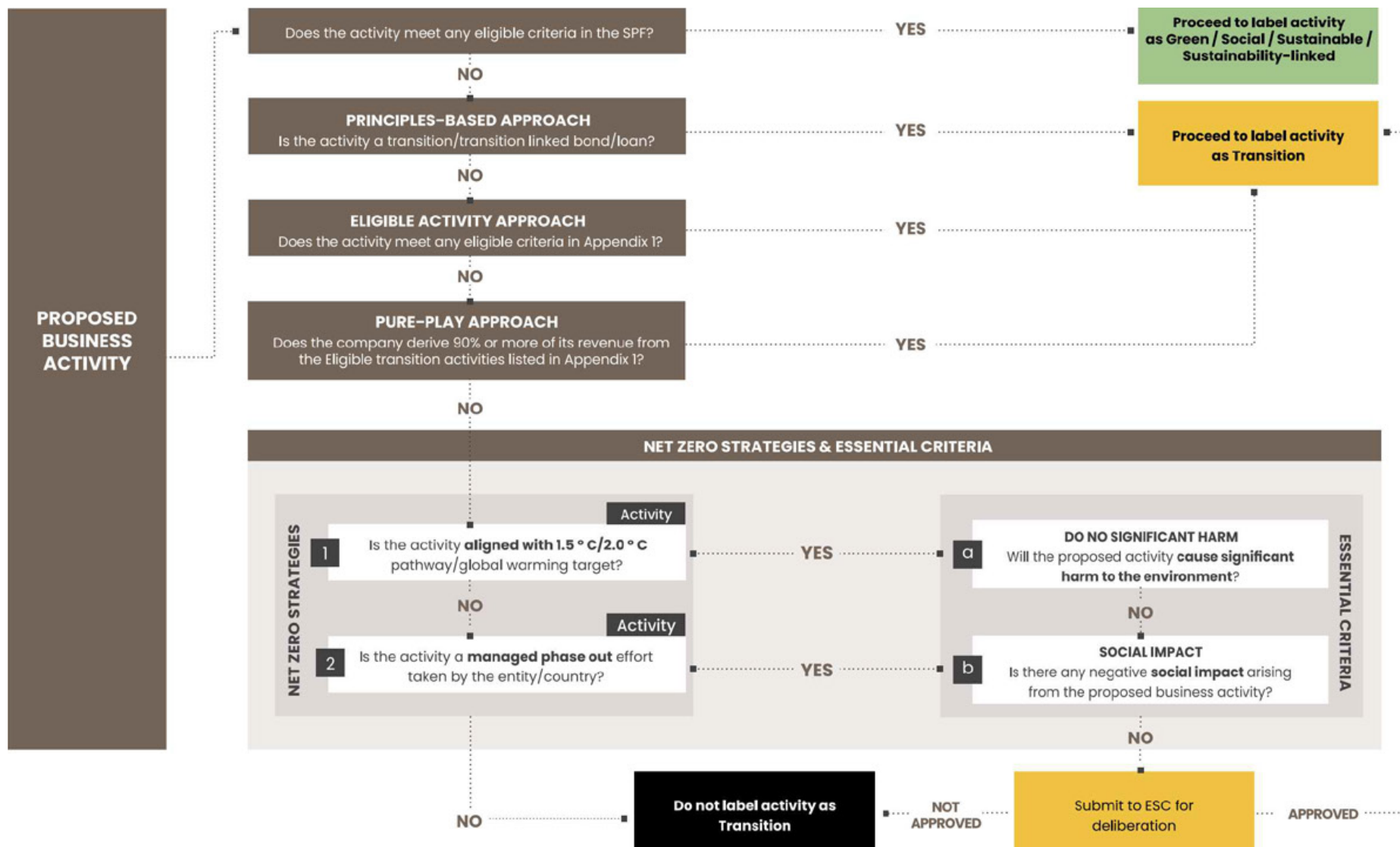


Figure 10: Maybank's Transition Finance Framework (Maybank, 2025)

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UNEP Finance Initiative (UNEP FI) brings together a large network of banks, insurers and investors that catalyses action across the financial system to deliver more sustainable global economies.

For more than 30 years the Initiative has been connecting the UN with financial institutions from around the world to shape the sustainable finance agenda establishing the world's foremost sustainability frameworks that help the finance industry address global environmental, social and governance challenges.

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Founded in 1992, UNEP FI was the first initiative to engage the finance sector on sustainability. Today, the Initiative cultivates leadership and advances sustainable market practice while supporting the implementation of global programmes at a regional level across Africa & the Middle East, Asia Pacific, Europe, Latin America & the Caribbean and North America.



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