

A Guide to Transition Plans for Banks

The path from targets
to implementation

A “one-stop-shop” view of key concepts and definitions, available frameworks and tools, and emerging practice in the design and delivery of transition plans by banks.



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List of abbreviations and acronyms

AASB	Australian Accounting Standards Board
ACT	Assessing Low-Carbon Transition
CBI	Climate Bonds Initiative
CCS	Carbon Capture & Storage
CCUS	Carbon Capture, Utilization, and Storage
CDP	CDP (formerly Carbon Disclosure Project)
CFPPs	Coal-Fired Power Plants
CoP	Communication on Progress
CRD VI	Credit Requirements Directive VI
CSRD	Corporate Sustainability Reporting Directive
CSDDD	Corporate Sustainability Due Diligence Directive
CVM	Comissao de Valores Mobiliarios (Brazilian Securities & Exchange Commission)
DAC	Direct Air Capture
EFRAG	European Financial Reporting Advisory Group
EIA	Environmental Impact Assessments
EPC	Energy Performance Certificate
ESG	Environmental, Social, and Governance
EU	European Union
EV	Electric vehicle
F4B	Finance for Biodiversity Foundation
FAO	Food and Agriculture Organization
FAS	Amazon Sustainability Foundation
FCA	Financial Conduct Authority
FEBRABAN	Brazilian Federation of Banks
FINMA	Swiss Financial Market Supervisory Authority
G20	Group of Twenty
GABV	Global Alliance for Banking on Values
GBF	Global Biodiversity Framework
GCC	Gulf Cooperation Council
GFANZ	Glasgow Financial Alliance for Net Zero

GHG	Greenhouse Gas
ICMA	International Capital Market Association
IEA	International Energy Agency
IFC	International Finance Corporation
IFRS S2	International Financial Reporting Standards S2
IIGCC	Institutional Investors Group on Climate Change
ILO	International Labour Organization
ISSB	International Sustainability Standards Board
KPIs	Key Performance Indicators
M&A	Mergers & Acquisitions
MOU	Memorandum of Understanding
MPP	Mission Possible Partnership
NBS	Nature-Based Solutions
NDCs	Nationally Determined Contributions
NGFS	Network for Greening the Financial System
NGOs	Non-Governmental Organizations
NZAOA	Net-Zero Asset Owner Alliance
NZTPs	Net-Zero Transition Plans
OECD	Organisation for Economic Co-operation and Development
PCAF	Partnership for Carbon Accounting Financials
PRB	Principles for Responsible Banking
PRSAC	Social, Environmental & Climate Risk framework
SAF	Sustainable Aviation Fuels
SBTN	Science Based Targets Network for Nature
SBTi	Science Based Targets initiative
SDG	Sustainable Development Goals
SMEs	Small and Medium-sized Enterprises
SMI	Sustainable Markets Initiative
SREP	Supervisory Review and Evaluation Process
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
TPT	Transition Plan Taskforce
TPI	Transition Pathway Initiative
UNESCO	United Nations Educational, Scientific and Cultural Organization
WBA	World Benchmarking Alliance
WWF UK	World Wide Fund for Nature United Kingdom



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Executive summary

Banks are increasingly expected to demonstrate how they are aligning their financing activities with global sustainability goals, particularly the transition to a net-zero, nature-positive economy. Transition plans are emerging as the cornerstone of this shift, offering a structured and forward-looking way to implement climate and sustainability commitments, manage risks, and tap into new business opportunities. While most transition planning efforts to date have focused on climate mitigation, these plans also offer a critical opportunity to adopt a cross-thematic approach that integrates other sustainability priorities, including nature and biodiversity, human rights, circular economy, and just transition.

The impetus for transition planning comes from multiple directions. Investors, regulators, clients, and civil society actors are pressing banks to clarify their sustainability strategies in a holistic way and outline how they intend to support the transition of the real economy. Internally, banks are also finding value in using transition plans to align their governance, strategic planning, and product development with long-term sustainability goals. In this context, transition plans are not only a tool for external disclosure but also a means to enhance internal coordination and drive transformation at the institutional level.

This guidance provides a practical reference for banks at all stages of transition planning. It synthesizes the most relevant and widely used frameworks in the field, including those from the [Glasgow Financial Alliance for Net Zero \(GFANZ\)](#) and the [Transition Plan Taskforce \(TPT\)](#), while incorporating insights from UNEP FI's global membership. UNEP FI recommends drawing on these foundational resources, as future developments in the field are likely to evolve in line with these existing frameworks. The guidance also highlights emerging practices, flexible approaches for implementation, and sector-specific levers banks can use to support their clients' transitions. Taken together, this paper provides a "one-stop-shop" reference guide for banks to understand the emerging landscape around transition planning, create long-term value, and play a pivotal role in navigating sustainability-related risks while financing a more sustainable future.



Introduction

Banks are facing increasing pressure to align their financing with the [Paris Agreement](#) and the [United Nations Sustainable Development Goals \(SDGs\)](#). Sustainable finance is becoming—with varying degrees of maturity—a top priority for policymakers and regulators across jurisdictions around the world. At the same time, investors are increasingly asking banks to take steps to mitigate sustainability-related risks associated with their lending and investment portfolios as well as to spearhead initiatives in the financing of profitable sustainable models across industries and geographies. In parallel, banking clients are becoming increasingly aware of the orchestrating role of finance in the addressing of global ESG challenges and are asking banks to act while civil society actors are also adding pressure to the financial system to align with Paris and the SDGs. For many banks, this convergence of expectations is not only a source of pressure, but also an opportunity to innovate, build resilience, strengthen client relationships, and position themselves competitively in the market.

Many banks, particularly in Europe but increasingly in other parts of the world, have made sustainability commitments by joining voluntary frameworks such as UNEP FI's [Principles for Responsible Banking \(PRB\)](#), and taken important steps in advancing their alignment across a number of impact areas such as climate, nature, healthy and inclusive economies, and human rights. To date, this effort has mostly focused on the analysis and understanding of their portfolios' footprint across these impact areas as well as the development of interim targets to gradually align their lending and investment activities with Paris and the SDGs. According to [PRB's 3rd Biennial Progress Report](#) nearly all PRB signatory banks report conducting analyses of the sustainability impact of their portfolios, with 80% having set at least one public target and approximately half having set targets on two or more impact areas. Climate mitigation is the impact area where most PRB signatories have set a target for, followed by financial health & inclusion, diversity & gender equality, resource efficiency & circular economy, and nature & biodiversity.

At this point a growing number of banks, including UNEP FI members, are looking to advance the implementation of their targets through the design and delivery of transition plans. However, there is often lack of clarity on what these transition plans should entail in terms of structure, and breadth and depth of information as well as on the relevant concepts, definitions, and available tools and resources banks can use in this regard. At the core of this nascent transition planning exercise is climate mitigation and the low-carbon economy since most transition plans by banks have focused on emissions-related targets and the strategies needed to achieve them. However, transition plans create an important opportunity for banks to adopt a more integrated perspective on sustainability by bringing in other impact areas such as nature, inclusive economic development, and a just transition. Therefore, transition plans can contribute significantly to more comprehen-

sive, cross-thematic efforts to weave together all the sustainability activities that banks perform across their lending and investment portfolios. While the broader landscape of transition planning has matured considerably, with credible frameworks such as those from the [Glasgow Financial Alliance for Net Zero \(GFANZ\)](#) and the [Transition Planning Taskforce \(TPT\)](#) now established, banks still face unique challenges in adapting this general guidance to their specific roles and business models.

Recognizing the evolving nature of transition planning for the banking sector and the challenges that many banks face as they are looking to advance the design and delivery of their transition plans, this paper aims to create a “one-stop-shop” reference guide to transition planning for banks. It provides an overview of relevant concepts, definitions, and available tools and resources that banks can use on that front, as well as insights on emerging practice from some of the world’s most advanced banks in the field. While the paper adopts a cross-thematic perspective, it places particular emphasis on climate mitigation, given that it is the area where most transition planning has progressed to date. Nonetheless, the report maintains a cross-thematic lens throughout and acknowledges that the banking sector’s ability to transition is inherently linked to the transition of the sectors that it finances and thus examines the transition levers for some key sectors from a financing perspective.

This publication is the third guidance that UNEP FI has published on transition plans, following one focusing on asset owners: [A Tool for Developing Credible Transition Plans](#), and one focusing on insurance: [Underwriting the Transition: A deep-dive transition plan guide for insurance and reinsurance underwriting portfolios](#).

1. Key drivers, concepts, and definitions

This first part of the paper discusses the imperative of transition planning for banks and explores the key concepts and definitions regarding the design and delivery of transition plans by banks.

The imperative of transition plans for banks

Transition plans may be considered both the conceptual and practical backbone of a bank's path toward sustainability and alignment with Paris and the SDGs—a path that could spark a multi-year transformation that redefines how banks do business, build resilience, and generate profit as well as how they operate on a day-to-day basis. The imperative for banks in designing and delivering transition plans is driven by several factors, most notably the following:

- First of all, transition plans are increasingly becoming a key **focus area for policymakers and regulators** across jurisdictions from around the world. Indeed, public actors see transition plans for companies as a key enabler for fulfilling national strategies against international commitments related to the SDGs, for example on climate mitigation as a key enabler for fulfilling their [Nationally Determined Contributions \(NDCs\)](#) to align with the [Paris Agreement](#). In fact, in some jurisdictions transition plans are already part of disclosure requirements or other regulatory initiatives introduced by public actors. For example, as part of its [Green Deal](#) and its broader efforts to integrate sustainability into the real economy, the European Union has introduced the [Corporate Sustainability Reporting Directive \(CSRD\)](#), under which large companies—including banks—are required to disclose sustainability information including about how they plan to achieve net zero emissions by 2050. Additionally, under the [EU Taxonomy](#) which provides a framework for identifying sustainable economic activities, companies are also encouraged to disclose their transition plans. More recently, [EFRAG's Implementation Guidance](#) (draft) provides an EU-aligned roadmap for how companies should develop and disclose their transition plans. Similarly in the United Kingdom of Great Britain & Northern Ireland, large companies are required to disclose information on their transition plans—for climate specifically—while the [Financial Conduct Authority \(FCA\)](#) has mandated listed companies and financial institutions to report on their transition plans—again, for climate specifically—in line with the recommendations of the [Task Force on Climate-related Financial Disclosures \(TCFD\)](#). Policymakers and regulators in other countries such as Australia, Brazil, Switzerland, South Africa, and the United Arab Emirates have all introduced initiatives and/or launched public consultations that either

mandate or encourage large and/or listed companies—including banks—to publish information related to their transition strategies. These mandates may not necessarily contain the term “transition plan”, but they reference elements that require companies to advance their transition-related strategies and actions. **Table 1.1** provides a non-exhaustive view of those. Most of them look at transition primarily through the lens of climate mitigation, however there is a growing interest of policymakers and regulators in gradually incorporating other impact areas such as nature and just transition, on their respective initiatives.

Table 1.1: Non-exhaustive view of national initiatives related to transition plans or transition¹

	Body	Initiative	Summary	Design	Disclose	Implement
Australia	Securities & Investment Commission	AASB S2 Climate-related Disclosures	Requires listed companies (inc. financial institutions) and large private companies to adopt IFRS S2 , under which they must disclose any existing climate transition plans, and the assumptions/dependencies used in developing them.	✗	✓	✗
Brazil	Securities & Exchange Commission	CVM Resolutions No. 59 , 193 , 217 , 218 , and 219	Requires listed companies, funds, and securitisation firms to adopt IFRS S2 , under which they must disclose information on emissions reduction strategies and climate-related transition plans.	✗	✓	✗

¹ The purpose of this table is to provide a high-level summary of respective initiatives, for more details please check the referenced initiatives.

	Body	Initiative	Summary	Design	Disclose	Implement
European Union ²	European Commission	Corporate Sustainability Due Diligence Directive (CSDDD)	Requires EU large companies and non-EU parent companies with significant EU activity to put into effect a plan to ensure that their business model and strategy are compatible with the transition to a sustainable economy and with Paris and provide progress updates annually.			
		Corporate Sustainability Reporting Directive (CSRD)	Requires EU large and listed companies and non-EU parent companies with significant EU activity to disclose detailed sustainability information. If material, entities are required to disclose climate transition plans including how their business strategies align with Paris.	✓ under CSDDD	✓ under CSRD	✓ under CSDDD
		EU Taxonomy for Sustainable Activities	Provides a classification system for sustainable activities. Companies subject to the Taxonomy are encouraged to use it to inform their transition plans.			
	EFRR	Implementation Guidance on Climate Transition Plans	Provides an EU-aligned roadmap for how companies should develop and disclose their climate transition plans but also consider ecosystem/social impacts.			
Japan	Tokyo Stock Exchange	Corporate Governance Code	Requires listed companies in the Prime Market to disclose information in line with TCFD, including their strategies and actions on climate mitigation.	✗	✓	✗
	METI, FSA & MOE	Guidelines on Climate Transition Finance	Requires banks to promote real economy decarbonisation through transition finance, and borrowers to develop credible strategies for net zero.	✓	✗	✗
South Africa	South African Reserve Bank	Guidance on climate-related disclosures for banks (G3/2024)	Requires banks to disclose information in line with TCFD, including any existing climate transition plans and the assumptions/dependencies used in developing those.	✗	✓	✗
		Guidance on climate-related governance and risk practices for banks (G2/2024)	Requires banks to undertake transition planning as part of climate risk management and consider transition plans in proportion to their size, business model, and complexity.	✓	✓	✓

2 EU initiatives related to transition plans may be significantly impacted by the Omnibus package: finance.ec.europa.eu/news/omnibus-package-2025-04-01_en

	Body	Initiative	Summary	Design	Disclose	Implement
Switzerland	DETEC	Climate Reporting Ordinance (ORCM)	Requires listed companies, banks and insurance companies and others supervised by FINMA to disclose transition plans as part of their sustainability reports, comparable with Swiss climate goals.	✓	✓	✓
United Arab Emirates	MOCCAE	Federal Decree-Law No. (11)	Requires public and private companies to measure and report GHG emissions, develop and implement transition strategies to reduce emissions in line with the United Arab Emirates Net Zero by 2050 strategy.	✓	✓	✓
United Kingdom	BEIS	Taskforce on Climate-related Financial Disclosures (TCFD)	Requires listed companies and large companies, asset managers and life insurers to disclose information in line with TCFD, including any existing plans for transitioning to a low carbon economy .	✗	✓	✗
	Financial Conduct Authority		Requires financial institutions under FCA rules to disclose information in line with TCFD, including any existing plans for aligning their financing to a low carbon or net zero economy.	✗	✓	✗

- Beyond policy and regulatory initiatives across jurisdictions, transition plans also form a core element of **global voluntary reporting or commitment frameworks** that many banks have adopted as part of their broader approach toward sustainability. For example, the [IFRS S2 Climate-related standard](#) by the [International Sustainability Standards Board \(ISSB\)](#), which has been adopted by many banks worldwide, requires the disclosure of information about climate transition plans, including information on the key assumptions used when developing those. Additionally, under [PRB's Responsible Banking Journey](#) banks are recommended to develop a transition plan. Voluntary reporting frameworks that focus on other impact areas beyond climate such as the [Taskforce on Nature-related Financial Disclosures \(TNFD\)](#)—which has also been adopted, on a voluntary basis, by many banks worldwide—require to disclose information on nature transition plans. In many markets, investors have been a key driver in engaging banks to adopt these voluntary frameworks.
- Another imperative for transition planning in the banking sector is that transition plans are **increasingly being adopted by banks' clients**. Indeed, more and more companies from different sectors and geographies are developing transition plans, either on a mandatory or voluntary basis. Those company transition plans can essentially form the cornerstone of banks' own transition plans. In fact, the adoption of profitable sustainable models by companies across sectors and geographies is the key enabler

for the alignment of banks' financing with Paris and the SDGs. Therefore, there is a role for banks not only in understanding and assessing their clients' transition plans but also in providing financing for the implementation of those plans. In other words, there is a demand-driven element for banks in designing and delivering transition plans since many of their clients are working out their sustainability transition and expect banks to finance that transition. This is a reciprocal process through which banks can navigate and understand the transition dependencies they have on the actions of real economy players. Currently, there is voluntary guidance banks can use to assess company transition plans, primarily through the lens of climate mitigation, such as the [Technical Note: Reporting on Climate Transition Plans](#) provided by the [CDP](#), the [Guidance to Assess Transition Plans](#) provided by the [Climate Bonds Initiative](#), and the [Investor Expectations of Corporate Transition Plans: From A to Zero](#) provided by the [Institutional Investors Group on Climate Change](#). Banks can leverage that guidance in understanding and assessing their clients' transition strategies, an activity that can in turn provide insights and inform the design and delivery of their own transition plans.

- Finally, but of key importance, transition plans for banks are a vehicle for realizing the **business case of sustainable finance** across business lines and sectors. A central activity in the development of a bank's transition plan is conducting market intelligence and due diligence on emerging climate and nature-based solutions (NBS), circular business models, and transition technologies. Indeed, there is a learning curve different teams within banks need to go through to familiarize with profitable sustainable models across sectors and geographies and the market dynamics around those including both established and emerging players. From hydrogen investments to transport electrification, NBS, circular business models, AI solutions for energy efficiency and nature conservation, and carbon capture & storage (CCS) technology, the development of transition plans presents a unique opportunity for banks to strengthen existing client relationships, drive new ones, and realize the full potential of sustainable finance.

All in all, transition planning in the banking sector is driven by an evolving mix of both systemic and institutional factors which are only expected to grow in the future, making the imperative of transition plans for banks even stronger. In the context of UNEP FI and its members, that imperative lies on the implementation of the targets they have set across impact areas. In particular, transition plans form a core part under [PRB's Responsible Banking Journey](#) which is cross-thematic and covers implementation across different impact areas as well as under UNEP FI's [Climate Mitigation Journey](#) that discusses implementation for climate mitigation specifically, at a more granular level. **Figure 1.1** below highlights (in dotted lines) how transition plans are integral to UNEP FI members' journey toward sustainability.

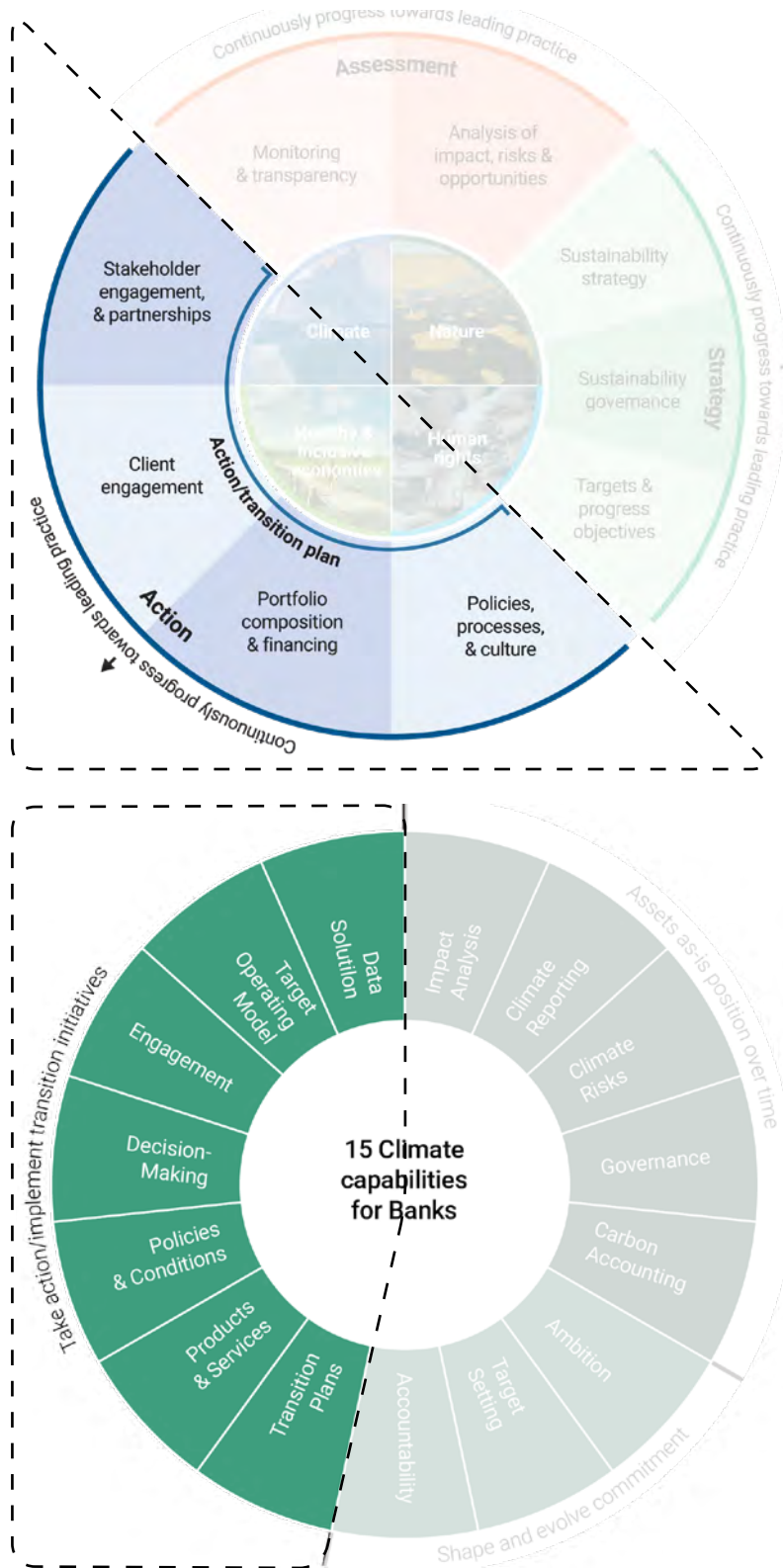


Figure 1.1: PRB'S Responsible Banking Journey & Climate Mitigation Journey

Understanding transition plans for banks

Transition plans are essentially management frameworks that outline how banks plan to align over time their business practices (i.e. lending and investment activities) and operations with Environmental (E), Social (S), and Governance (G) sustainability goals, in line with Paris and the SDGs. In the context of UNEP FI and its members, the end state of a bank's transition plan is when that bank's lending and investment activities have fully aligned with the priority areas that the UN recognizes toward a positive global transition; these are namely climate change, nature, healthy and inclusive economies, and human rights as outlined in **Figure 1.2**, below, with circular economy and just transition being considered as key enablers across all four priority areas.



Figure 1.2: UN Priorities for Responsible Banking

When considering the full breadth and depth of the real economy activities that banks finance across sectors and geographies, it can be easily understood that the alignment of their financing with those priority areas is not something that can happen overnight but rather requires a multi-year transformation that evolves how banks do business and generate profit as well as how they operate on a day-to-day basis. That multi-year transformation is enabled through the design and delivery of transition plans, therefore a starting point for banks is decoding what transition plans are about. **Table 1.2** provides a non-exhaustive view of various definitions on transition plans, as explicitly provided, or implied by different organizations, highlighting the ones that specifically cover financial

institutions/banks. All those definitions look at transition plans through the lens of a single impact area, most commonly that is climate mitigation.

Table 1.2: Non-exhaustive view of various definitions on transition plans³

Organization	Coverage of the definition	A transition plan is...
International Sustainability Standards Board (ISSB)	Cross industry/ climate	...an aspect of an entity's overall strategy that lays out the entity's targets and actions for its transition toward a lower-carbon economy, including actions such as reducing its greenhouse gas emissions.
CDP	Cross industry/ climate	...a detailed, time-bound action plan that outlines how an organisation will pivot its assets, operations, and business model to align with the latest climate science recommendations.
Glasgow Financial Alliance for Net Zero (GFANZ)	Financial institutions/ climate	...a set of goals, actions, and accountability mechanisms to align business activities with a credible pathway to net-zero GHG emissions that delivers real-economy emissions reductions in line with net zero.
Net Zero Asset Owners Alliance (NZAOA)	Asset owners/ climate	...a time-bound action plan that outlines how an organisation will pivot its existing assets, operations, and business model toward a trajectory aligned with a fixed and defined target, such as net-zero by 2050.
Taskforce on Nature-related Financial Disclosures (TNFD)	Cross industry/ nature	...an aspect of an organisation's overall business strategy (...) to contribute to the transition implied by the Global Biodiversity Framework (GBF) where biodiversity loss is halted and reversed by 2030 and put nature on a path to recovery by 2050.
The Finance for Biodiversity Foundation (F4B)	Cross industry/ nature	...a time-bound, comprehensive action plan that describes how a company intends to reduce its negative impacts on biodiversity and shift toward positive actions for nature.
International Labour Organisation (ILO)	Cross industry/ just transition	...a strategy to ensure the shift to a sustainable economy is fair and inclusive, protecting workers, communities, and vulnerable groups affected by environmental transitions.
World Business Council for Sustainable Development (WBCSD)	Cross industry/ circular economy	...the process of shifting from a linear 'take-make-dispose' system to one in which the value of products, components, and materials is maintained and enhanced for as long as possible.

Looking at the various definitions on transition plans—as outlined in **Table 1.2** and regardless of whether they take a cross-industry view or specifically focus on financial institutions and/or a certain environmental or social topic—it can generally be said that the rationale that all these different organizations adopt on transition planning is very much aligned. In fact, they all share some common elements which are important for banks

³ The purpose of this table is to provide a summary view of the different definitions on transition plans as explicitly provided or implied, for more details please check the referenced organizations.

to consider when looking to design, disclose, and implement their transition plans, as per below:

- First of all, the design and delivery of transition plans is about **strategy**—for banks this means that they should treat transition planning not as a compliance exercise or an operational matter, but rather as a core part of their long-term business strategy and successful positioning in the market. In fact, transition planning is meant to define how banks can achieve profitability while operating on a net positive basis in relation to the UN priorities for responsible banking (**Figure 1.2**). This is something that essentially touches upon every single business and operating aspect of a bank—all the way from the Board and management to business teams in the front-line, operational teams in the middle-office and back-office, corporate functions, clients and customers across business lines and sectors, products and services, shareholders, and the broader set of stakeholders.
- A core element of transition plans is about business practices. For banks this means evolving how they do business, build resilience, and generate profit across business lines and sectors. In fact, transition plans should enable the full cycle of lending and investment activities—both the off-balance and on-balance sheet—to gradually align with Paris and the SDGs. This alignment touches upon several components of a bank's **business model** including lead generation and origination activities, marketing, relationship management, product design and development, pricing, underwriting, credit analysis and approvals, annual reviews, limits management, and portfolio management.
- Another core element of transition plans is about operations. This means that banks need to rethink how they operate on a day-to-day basis. In fact, transition plans should entail all operational activities to be reviewed, assessed, and updated, where needed, to enable the operationalization of banks' alignment with Paris and the SDGs. This touches upon several components of a bank's **operating model** including its policies and procedures, processes and controls, team roles and responsibilities, suppliers, databases, and workflow platforms that banks use such as the customer relationship management (CRM) and transactional systems.
- Transition plans should also be in alignment with **science**—for banks this means that they need to adhere to science-based practices and methodologies when looking to advance their transition. For example, banks should rely on the use of science-based scenarios and sectoral insights such as the ones provided by the [International Energy Agency \(IEA\)](#) and the [Network for Greening the Financial System \(NGFS\)](#) when looking to inform their sectoral transition strategies, as well as on taxonomy frameworks when looking to develop and disclose their transition finance activities.
- Finally, a common element across all various definitions is that transition plans are **time-bound**—for banks this means that they need to design and deliver their transition strategies with a specific timeframe in mind as well as a clear understanding of the key milestones in that timeframe, for example the 2050 milestone for net zero emissions or the 2030 milestone by when biodiversity loss should be halted and reversed according to the [Global Biodiversity Framework](#). There are a number of resources that banks can leverage to navigate and understand the time-bound element of different impact areas including the science-based scenarios and sectoral insights provided by the

[International Energy Agency \(IEA\)](#) and the [Network for Greening the Financial System \(NGFS\)](#). Additionally, it's important for banks to understand that transition planning is not something static but a rather dynamic process that is likely to be realized over multiple years and iterated through multiple cycles as emerging sustainable models and transition technologies evolve across business lines and sectors and operational capabilities mature.

The main takeaway for banks when looking at the various definitions is that transition plans form the conceptual and practical backbone they can develop and use to guide them on their path toward sustainability. As mentioned before, this path could spark a multi-year transformation that starts from top and gradually spreads across the various components of a bank's business model and operating model. That transformation comes with a unique opportunity for banks to build on their existing client relationships, create new ones, and realize the full potential of sustainable finance across business lines and sectors. Within this context, transition plans can serve multiple audiences; all the way from helping banks' internal teams to align around a coherent sustainability strategy to providing transparency and accountability to external stakeholders such as regulators, investors, clients, and civil society.



2. Available guidance and resources

The second part of the paper discusses the available guidance and resources that banks—including UNEP FI members—can use toward the design and delivery of their transition plans, including guidance and resources for assessing company transition plans. As mentioned before, there is a role for banks in understanding and assessing their clients' transition strategies, an activity that's integral to the design and delivery of their very own transition plans.

Understanding guidance banks can use for their transition plans

As discussed in the previous section, the various initiatives outlined in **Table 1.1** indicate a lack of standardization regarding what transition plans should entail in terms of scope, structure, and breadth and depth of information. This becomes even more complicated when considering the many different sectors across diverse geographies that banks finance and the unique idiosyncrasies of each sector's and/or country's transition. For banks, that lack of a clear, universally adopted standard creates challenges as they are often unclear on what guidance to follow and what good may look like from a policy or regulatory perspective in the future. What does exist today that banks can leverage in relation to the design and delivery of their transition plans is voluntary guidance that has been developed and is provided by some leading actors of the sustainable finance ecosystem; this includes the [Recommendations and Guidance on Financial Institution Net-Zero Transition Plans \(NZTPs\)](#) by the [Glasgow Financial Alliance for Net Zero \(GFANZ\)](#), the [Banks Sector Guidance](#) by the [Transition Plan Taskforce \(TPT\)](#), and the [Nature Transition Plans](#) by the [Taskforce on Nature-related Financial Disclosures \(TNFD\)](#). Most of that guidance looks at transition planning from the specific lens of a single impact area, most often that is climate mitigation, however there is growing guidance covering other impact areas, nature most notably but also the incorporation of social and circular economy considerations into transition plans.

The guidance that is available on transition planning for financial institutions—including banks—is a good starting point to help banks conceptualize what transition plans may cover in terms of scope, structure, and breadth and depth of information. In most cases, that guidance has been developed following a multi-party consultation process with the participation of international organizations, global research institutes, policymakers, finance experts, and some of the world's most advanced banks in the field. Even though

the majority of the current guidance has not yet become mandatory at scale, policymakers in some jurisdictions have begun exploring options to require banks to develop and publish transition plans.⁴ Therefore, it is important for banks to spend time to familiarize with the available guidance and start using it toward the design and delivery of their transition plans. In the context of UNEP FI and its members, banks can draw from the available guidance to embark on or advance their path toward sustainability as outlined in [PRB’s Responsible Banking Journey](#) and—for climate mitigation specifically—UNEP FI’s [Climate Mitigation Journey](#).

Tables 2.1, 2.2, 2.3 and 2.4 provide a non-exhaustive view of voluntary guidance that banks can use toward the design and delivery of their transition plans, highlighting the ones that specifically cover financial institutions/banks. In all cases, the available guidance looks at transition plans through the lens of a specific impact area, most commonly that is climate mitigation or nature. However, the rationale is very much similar and can equally apply to other impact areas. For instance, such is the case with circular economy as shown in Table 2.4. All in all, there is a common objective of working out a bank’s transition strategy in relation to its lending and investment activities and sharing that with stakeholders.

Table 2.1: Non-exhaustive view of voluntary guidance banks can use on climate transition plans

Body	Glasgow Financial Alliance for Net Zero (GFANZ)
Guidance	Financial Institution Net-zero Transition Plans—Fundamentals, Recommendations, and Guidance
Guidance coverage & summary	Financial Institutions/Climate Mitigation Provides a structure that financial institutions can apply to develop Net-Zero Transition Plans (NZTPs), including (5) management components and (4) financing strategies, as outlined below.

Management components

- Foundations:** Strategic commitment to achieving net zero by 2050 or sooner.
- Implementation strategy:** Actions and initiatives to align with net zero including Products & Services, Decision-Making, and Policies & Conditions.
- Engagement strategy:** Stakeholder engagement to support the transition including Clients & Portfolio Companies, Industry Peers, Government & Public Sector.
- Metrics & targets:** Quantitative goals to measure progress toward net-zero commitment and delivery.
- Governance:** Effective oversight and transparency of the transition plan.

4 For example, under prudential regulation, banks subject to [Credit Requirements Directive \(CRD VI\)](#) in Europe are required to develop, disclose and implement transition plans to manage ESG risks as part of their Supervisory Review and Evaluation Process (SREP). Similarly, regulators in the United Kingdom have launched [consultations](#) on implementing climate-related transition plan requirements.

Financing strategies

Solutions: Finance emerging and scalable climate solutions that can reduce GHG emissions across sectors.

Aligned assets & companies: Finance assets or companies who are already in line with a 1.5°C-aligned trajectory.

Aligning assets & companies: Finance assets or companies committed to transition in line with a 1.5°C-aligned trajectory.

Managed phaseout of high-emitting assets: Facilitate the early retirement of high-emitting physical assets such as coal-fired power plants.

Body	<u>Transition Plan Taskforce (TPT)</u>
Guidance	<u>Bank Sector Guidance</u>
Guidance coverage & summary	Banks/Climate Mitigation Bank-specific disclosure framework on climate transition plans—it leverages the TPT framework and provides additional considerations for banks to disclose information regarding their climate transition plans for 10/19 TPT sub-components, as summarized below:

- Reduce financed and facilitated emissions and use financial levers to support real economy transition.
- Integrate transition plans into core banking activities & assess client transition plans.
- Disclose climate-aligned financial products.
- Disclose bank's policies on climate-related risks.
- Provide information about how the transition plan affects their financial position.
- Disclose how they engage with banking clients/suppliers on transition.
- Disclose how they engage with public actors to address the social implications of transition.
- Disclose how governance structures, targets, and processes support their transition.
- Disclose metrics that support their transition objectives.
- Disclose absolute GHG emissions for Scope 1, 2 & 3 and any GHG emissions intensity targets for financed and facilitated emissions.

Body	<u>Climate Safe Lending Network</u>
Guidance	<u>The Good Transition Plan</u>
Guidance coverage & summary	Banks/Climate Mitigation Principles framework outlining (7) principles of what a good climate transition plan looks like for banks—a 2nd version , released in 2022, fully maps those principles to GFANZ's management components and financing strategies.

Management components

- 1. Net-Zero & Paris-Aligned Targets:** Set science-based targets for net zero emissions between 2030 and 2050 and develop interim targets for 2030.
- 2. Agency & Broader Influence:** Engage in peer learning and collaboration and ensure consistency in lobbying, advocacy, and industry engagement on climate commitments.
- 3. Measurement & Reporting:** Include the full extent of the bank's business in climate disclosures and measure the real economy impact of decarbonization.
- 4. Governance:** Embed climate considerations into the bank's culture and strategy and establish structures that create a continuous learning.

Financing strategies

Financing Innovation & Drawdown: Invest in net-zero technologies and start-ups, focus innovation efforts on climate solutions and review risk appetite to support these innovations.

Decarbonizing Balance Sheets & Economies: Engage proactively with clients on their climate strategies and offer pricing structures that incentivise sustainability goals.

Stopping finance to fossil fuels & deforestation: Implement a near-term end to all expansion and exploration of fossil fuels and deforestation, assess legacy assets and create reduction pathways.

Body	Network for Greening the Financial System (NGFS)
Guidance	Note on Integrating Adaptation & Resilience into Transition Plans
Guidance coverage & summary	Financial Institutions/Climate Adaptation Leverages GFANZ (5) management components to provide guidance on integrating adaptation into climate transition plans, as outlined below.
<ul style="list-style-type: none">■ Integrate adaptation into NZTPs for managing risks and seizing adaptation finance opportunities.■ Translate the assessment of risks into concrete risk management and investment decisions.■ Engage with stakeholders on building resilience and realising adaptation finance opportunities.■ Use metrics for current position and establish KPIs e.g. amount of adaptation finance mobilised.■ Set up governance structures to oversee the integration of adaptation objectives into NZTPs.	

Table 2.2: Non-exhaustive view of voluntary guidance banks can use on nature transition plans

Body	Glasgow Financial Alliance for Net Zero (GFANZ)
Guidance	Nature in Net-zero Transition Plans
Guidance coverage & summary	Financial Institutions/Nature Leverages GFANZ management components and financing strategies to provide supplemented guidance to assist financial institutions in integrating nature considerations into their NZTPs.

Management Components

1. **Foundations:** Incorporate nature-related levers in NZTP objectives and priorities.
2. **Implementation Strategy:** Assess products and services to how they can support nature-related levers/Update decision-making to account for nature.
3. **Engagement Strategy:** Advise and support clients and the value chain on nature-related levers/ Include nature on engagement activities.
4. **Metrics & Targets:** Consider measuring and monitoring nature-related metrics and targets alongside climate ones—including where nature credits are used.
5. **Governance:** Define roles for nature-related levers/Provide access to ongoing, relevant, nature-related training.

Financing Strategies

- **Solutions:** Finance solutions that enable nature-related levers.
- **Aligned & Aligning Assets & Companies:** Incorporate (either via engagement or financing) nature-related levers as part of a broader net-zero strategy to support clients or portfolio companies aligning to net zero.
- **Managed Phaseout of High-Emitting Assets:** Consider potential synergies between nature and other GHG emissions-reducing strategies.

Body	The Taskforce on Nature-related Financial Disclosures (TNFD)
Guidance	Nature Transition Plans
Guidance coverage & summary	Cross Industry/Nature Disclosure framework on nature transition plans—it leverages TPT’s 16/19 disclosure components—replacing (3) that are climate-specific (in orange) with (4) that are nature-specific (in blue).

1. Foundations

[Strategic Ambition](#), [1.1 Framing & Scope](#), 1.2 Business Model & Value Chain, 1.4 Key Assumptions & External Factors

2. Implementation Strategy

2.1 Business Operations, 2.2 Products & Services, 2.3 Policies & Conditions, 2.4 Financial Planning

3. Engagement Strategy

[3.1 Engagement with the landscape, river basin and seascape](#), 3.2 Engagement with Value Chain, 3.3 Engagement with Industry, 3.4 Engagement with Government, Public Sector & Civil Society

4. Metrics & Targets

[4.1 Dependency and impact metrics and targets](#), 4.2 Governance, Engagement, Business, & Operational metrics & targets, 4.3 Financial metrics & targets, [GHG Metrics & Targets](#), [Carbon Credits](#)

5. Governance

5.1 Board Oversight & Reporting, 5.2 Roles, Responsibilities & Accountability, 5.3 Culture, 5.4 Incentives & Remuneration, 5.5 Skills, Competencies & Training

Body	WWF
Guidance	Nature in Transition Plans
Guidance coverage & summary	Cross Industry/Nature Leverages GFANZ (5) management components to provide supplemented guidance to assist companies in integrating nature considerations into their NZTPs.

- Build knowledge and set objectives to restore nature to deliver climate/nature positive goals.
- Implement objectives to safeguard and restore nature for climate/nature positive goals.
- Engage stakeholders to safeguard and restore nature for climate/nature positive objectives.
- Define metrics for nature safeguards & restoration for climate/nature positive goals.
- Build capability and accountability to safeguard & restore nature for climate/nature positive goals.

Table 2.3: Non-exhaustive view of voluntary guidance banks can use to include social considerations in their transition plans

Body	UNEP FI
Guidance	Incorporating Just Transition Considerations into Financial Sector Transition Planning
Guidance coverage & summary	<p>Financial Services/Just Transition Guidance to support financial institutions in integrating social considerations into their climate transition plans. It references GFANZ guidance but leverages the G20 Transition Finance Framework (TFF).</p> <ul style="list-style-type: none"> ■ Pillar 1 (Principle 6): Include strategies for an orderly, just, and affordable transition, minimising negative impacts on jobs, communities, and other SDGs, while maintaining energy security and price stability. ■ Pillar 5 (Principle 20): Encourage fundraisers to evaluate and mitigate the potential socio-economic impacts of their transition plans and to disclose mitigation measures or net-positive impacts. ■ Pillar 5 (Principle 22): Enhance collaboration among government agencies, employers, workers, market regulators, academia, civil society, and the private sector to create a comprehensive strategy for mitigating negative economic and social implications.
Body	Global Business Initiative (CBI) on Human Rights
Guidance	Integrating human rights into company climate action
Guidance coverage & summary	<p>Cross-industry/Just Transition Practical guide for companies to embed social considerations into their climate transition strategies.</p> <ul style="list-style-type: none"> ■ Map the intersections between climate action and human rights. ■ Align policy commitments across climate and human rights. ■ Conduct human rights and environmental due diligence across all activities. ■ Engage meaningfully with stakeholders on human rights/just transition. ■ Ensure company grievance mechanisms include climate action. ■ Raise internal awareness to strengthen internal coordination.

Table 2.4: Non-exhaustive view of voluntary guidance banks can use to include circular economy considerations in their transition plans

Body	UNEP FI
Guidance	Circular Economy as an Enabler for Responsible Banking
Guidance coverage & summary	Financial Services/Circular Economy Highlights how circular economy practices can reduce negative impacts and enhance positive outcomes across banking portfolios, while supporting SDGs, Paris, nature, and social goals.
<ul style="list-style-type: none"> Integrate circularity in transition plans as an interlinked topic associated with a different impact area (e.g. climate mitigation, nature, pollution, healthy and inclusive economies). Integrate circular economy principles (reduce, reuse, recycle, regenerate) into internal policies and processes, client engagement, portfolio composition and financing, stakeholder engagement and partnerships. Identify sectoral hotspots (e.g., textile, agriculture, mining, mobility) for circular interventions to reduce negative environmental and social impact. Map opportunities to finance circular business models that create both risk mitigation and growth potential. Engage with clients on circular economy solutions as part of transition planning and target setting. 	
Body	UNEP FI
Guidance	Circular solutions to achieve climate targets
Guidance coverage & summary	Banking/Circular Economy Practical guidance for banks on embedding circular economy into climate transition planning, with focus on high-impact sectors.
<ul style="list-style-type: none"> Link circular economy pathways to decarbonisation strategies, recognising circular economy as a lever for reducing GHG emissions, especially Scope 3 emissions. Assess portfolio exposure to linear risks (resource dependency, waste intensity). Incorporate circular economy metrics and targets into transition planning disclosures. Build and strengthen client capabilities and partnerships for scaling circular economy innovation. 	
Body	Ellen MacArthur Foundation
Guidance	Financing the circular economy—Capturing the opportunity & Navigating the circular economy reporting landscape
Guidance coverage & summary	Banking/Circular Economy These documents provide insights that can inform banks’ transition planning through identification of circular opportunities, metrics, and financing approaches.
<p>Banks can draw on the insights of those documents to:</p> <ul style="list-style-type: none"> Identify circular opportunities within value chains and across sectors. Incorporate circular economy-related metrics into transition planning disclosures and reporting. Design financing instruments tailored to circular economy innovation (e.g., leasing, product-as-a service models, recycling infrastructure, secondary markets). Assess risk-adjusted returns from circular economy business models to strengthen the business case and guide portfolio alignment. 	

A key takeaway for banks from **Tables 2.1, 2.2, 2.3 and 2.4** is that there does exist voluntary guidance—covering different impact areas—that they can draw on with regards to the design and delivery of their transition plans, so they do not start from zero. It can generally be said that GFANZ guidance, published in November 2022, has been used, in many instances, as a basis for other frameworks that have built upon it. When looking at these frameworks it becomes clear that most of the guidance revolves around two notions; the first is about the **management components** banks need to develop to enable their transition and the second is about the **financing strategies** they need to develop to gradually align their portfolios with Paris and the SDGs. In addition, climate transition plans are the ones that have materialized the most in terms of available guidance and resources and, in some cases, have set the foundations upon which other impact areas have built on. In fact, many banks think of climate transition plans as a first step of their sustainability transition and then look to add nature, just transition, and/or other impact area considerations across the management components and the financing strategies of those plans. However, as mentioned in the previous section, transition plans can act as an entry point to more comprehensive, cross-thematic efforts to weave together all the sustainability activities that banks perform across their lending and investment portfolios.

All in all, much of the rationale that is included in the available guidance is closely aligned, covering some common elements of what a credible transition plan should typically include for a bank. It is important for banks—including UNEP FI members—to consider those elements when looking to design and deliver their transition plans, as summarized below:

- **Strategic alignment & governance:** A credible transition plan anchors on the bank's broader strategy, including Board-level defined strategic goals. This includes setting clear sustainability objectives and integrating them into the bank's core business strategy. In other words, for a transition plan to be credible it must be owned at the bank's highest levels and be supported by governance structures that enable accountability across the various management and functioning levels.
- **Driven by targets:** A credible transition plan starts with credible science-based targets that are in line with Paris and the scientific trajectories of other impact areas. The target-setting process is essential for banks to go through as it allows them to build the technical knowledge and skills that are necessary toward the design and delivery of their transition plans.
- **Integration across business lines:** Transition planning requires fundamental evaluations across business units including retail, SMEs, commercial/corporate, investment/global markets, and asset management. A credible transition plan should set out transition objectives for the bank's financing, capital allocation, and client engagement across all of its business units.
- **Integration across corporate functions:** Transition planning requires fundamental evaluations across corporate functions and operational units. This could include risk, treasury, marketing, product design, HR, technology, and data. A credible transition plan should set out transition objectives on how the bank's corporate functions and operational units will enable its delivery.

- **Prioritization:** A bank's credible transition plan should prioritize material issues and articulate any trade-offs involved between different sustainability topics, time periods, and/or business areas. It should acknowledge that banks cannot address all sustainability matters equally and describe the process used to navigate them transparently, in consultation with key stakeholders.
- **Balancing context with consistency:** Credible transition plans should be grounded in the policy, economic, and social context in which each bank operates, recognizing differences in geographies, sectors, and client readiness. They should also draw on existing guidance where possible to ensure consistency, rather than inventing new structures.
- **Measurement and transparency:** A credible transition plan requires clear, measurable targets backed by robust Key Performance Indicators (KPIs). These should track progress over time, link to broader sustainability goals, and inform internal decision-making and external disclosures. Quantifiable metrics enable transparency, comparability, and accountability for the plan's implementation.

Understanding guidance banks can use for assessing their clients' transition plans

The voluntary guidance on transition planning, as summarized in the previous part of the paper, is the basis that banks can leverage in relation to the design and delivery of their transition plans across different impact areas. As previously mentioned, a bank's transition is also very much dependent on the transition of the sectors that it finances and as such it can be informed—to a meaningful degree—by its clients' transition plans, where those exist. Therefore, there is an additional component toward a bank's transition strategy which is about understanding and assessing client transition plans. This can be a complicated and time-consuming process with all sorts of challenges such as the availability and/or maturity of client transition plans across sectors and geographies, the breadth and depth of the impact areas those plans cover, the credibility of the underlying data and the assumptions used for their development, as well as the dynamics related to relationship management. However, it is also a process that can generate substantial benefits for banks such as the identification of new opportunities to finance clients' transition needs/initiatives, the strengthening of existing client relationships and the development of new ones, especially in emerging areas of sustainable business models, for example hydrogen projects, electrification technologies, nature-based solutions (NBS), carbon capture & storage (CCS) technologies. Recognizing the value of these assessments, a number of UNEP FI members have already developed internal evaluation methodologies to assess the state of their clients' transitions.

Currently, there is voluntary guidance that banks and/or investors can use toward the assessment of their clients' transition plans such as the [Technical Note: Reporting on Climate Transition Plans](#) provided by the [CDP](#), the [Guidance to Assess Transition Plans](#) provided by the [Climate Bonds Initiative \(CBI\)](#), the [Assessing Transition Plans Collective \(ATP-Col\)](#) provided by the [World Benchmarking Alliance](#) and the [Investor Expectations of](#)

[Corporate Transition Plans: From A to Zero](#) provided by the [Institutional Investors Group on Climate Change \(IIGCC\)](#). Most of the voluntary guidance looks at the assessment of company transition plans through the lens of a single impact area, most commonly climate mitigation since it is the area where company transition plans have materialized the most to date, however the rationale is very much aligned and can equally apply to other impact areas. It is sensible to anticipate that future policy or regulatory initiatives regarding the assessment of company transition plans by banks will draw from this guidance, therefore it is important for banks to become familiar with it.

Table 2.5 provides a non-exhaustive view of voluntary guidance, as provided by different organizations, that banks and/or investors can use toward the assessment of company transition plans, highlighting where that guidance has specifically been developed to help financial institutions and/or institutional investors in assessing company transition plans. All in all, there is a common objective across all that guidance which is about understanding and assessing companies' transition maturity and the need and means to finance that transition.

Table 2.5: Non-exhaustive view of voluntary guidance banks can use for assessing their clients' transition plans⁵

Body	Voluntary guidance	Summary
Glasgow Financial Alliance for Net Zero (GFANZ)	Expectations for Real-Economy Transition Plans (for financial institutions)	Outlines the key elements financial institutions and investors should expect in real-economy corporate transition plans that demonstrate alignment with net zero—these include measurable targets, corporate objectives & prioritised actions, implementation levers, financial planning, governance & accountability, and policy engagement & just transition.
Institutional Investors Group on Climate Change	Investors' Expectations of Corporate Transition Plans: From A to Zero (for institutional investors)	Defines what institutional investors should expect from companies developing climate transition plans that demonstrate alignment with net zero—this includes (5) pillars, namely comprehensive and aligned targets, credible strategy for delivering those targets, engagement commitments, contribution to climate solutions, and disclosure and accountability.
Climate Policy Initiative	What Makes a Transition Plan Credible? Considerations for Financial Institutions (for financial institutions)	Helps financial institutions to evaluate the credibility of corporate climate transition plans and integrate them into their financing strategies—it includes (6) elements, namely detailed targets, implementation plan, integration across the institution, context-specific sustainability including just transition, transparency and verification, and flexibility & responsiveness.

⁵ The purpose of this table is to provide a summary view of voluntary guidance banks can use on assessing client transition plans, for more details please check the referenced guidance.

OECD	Guidance on Transition Finance: Ensuring Credibility of Corporate Climate Transition Plans (for financial institutions)	Helps financial institutions and other stakeholders establish a credible foundation for transition finance, by guiding the design, assessment, and implementation of corporate climate transition plans—this includes science-based & time-bound targets, comprehensive action plans, governance & accountability, capital alignment, just transition & social considerations.
Climate Bonds Initiative	Guidance to Assess Transition Plans	Provides a sector-agnostic structure to help companies in identifying credible corporate climate transition plans, particularly in hard-to-abate sectors, that financial institutions can use for evaluation purposes—this includes (5) hallmarks, namely performance targets, robust plans, action, governance, and disclosure.
Transition Pathway Initiative	Methodology report: Management Quality and Carbon Performance Version 5.0	TPI's methodology enables investors and other stakeholders to a) evaluate (via a tiered framework with Levels 0–5 and 23 quality indicators) whether companies have appropriate governance to manage climate risks and b) evaluate (via sectoral benchmarks) whether companies' emissions performance is Paris-aligned.
CDP	Technical Note, Reporting on Climate Transition Plans	Provides guidance on how companies that disclose through CDP can demonstrate that they have a credible climate transition plan—this includes (9) building blocks, namely governance, strategy, scenario analysis, targets, value chain engagement, financial planning, risks and opportunities, policy engagement, implementation & accountability.
World Benchmarking Alliance & ADEME	Assessing Low-Carbon Transition (2.0)	Provides a framework for evaluating how well companies are prepared to transition to a low-carbon economy. ACT's methodology evaluates both the quality of disclosed plans and the alignment of actual emissions with scientific, comparative benchmarks and can be used by investors and other stakeholders seeking transparency on climate transition assessments.
World Benchmarking Alliance & Columbia University	Assessing the credibility of a company's transition plan: framework and guidance	Presents a harmonized four-step assessment process stakeholders can follow to holistically assess the credibility of a company's transition plan, namely compliance check, red-flag identification, granularity review, and overall credibility evaluation. It also provides (4) principles banks can use when assessing climate transition plans: relevance, ambition, consistency, and feasibility.
UN Sustainable Stock Exchanges Initiative	Model Guidance on Climate Transition Plans	Provides a flexible template to help listed companies develop and disclose credible, actionable transition plans. It emphasizes a structured four-step process (assessment, ambition, implementation, disclosure) and (4) components (governance, strategy, metrics, financing), and encourages customization to local market context.

A key takeaway for banks from **Table 2.5** is that there does exist voluntary guidance that they can draw on when it comes to assessing their clients' transition plans. Banks can take a step further and not only use that guidance for assessment purposes but also to better understand the transition needs of their clients and by extension any opportunities to finance that transition. Much of the rationale that is included in the available guidance is closely aligned, covering some common elements that are important for banks—including UNEP FI members—to consider when assessing their clients' transition plans, as summarized below:

- **Commitment (demonstrated through science-based targets):** A credible company transition plan must begin with a clear, public commitment to align with Paris and/or other impact areas in line with the SDGs and be accompanied by clear and transparent science-based targets. This signals that the company is serious, measurable, and accountable in its ambition, and is not just making aspirational statements.
- **Action plans:** A credible company transition plan should be accompanied by a detailed action plan that clearly explains how the commitment and targets translate into tangible steps that the company is taking to deliver against them. This signals that the company has agreed and mobilized internally specific actions to make progress against its commitment and targets.
- **Implementation levers:** Another element that's important when assessing a company's transition plan is to have clarity about the specific tools and technologies it aims to leverage to align with Paris and/or other impact areas. This signals that the company invests resources to adopt and implement the necessary levers to deliver against its commitment and targets.
- **Metrics:** A credible company transition plan should also be measurable which means that it should be accompanied by clear qualitative and quantitative metrics such as emissions metrics, target metrics, and implementation metrics that can be used for monitoring its progress. Those metrics can provide transparency to stakeholders, and they vary across sectors.
- **Capital alignment:** It is also important that a company's financial decisions—including investments, budgets, and spending—are consistent with its commitment and targets as outlined in its transition plan. This is a critical test of whether a company's transition is supported with the right decisions and is financially actionable.
- **Transparency & accountability:** Finally, another element of a credible company transition plan that banks should consider is around disclosure. This means that there is public, consistent, and comprehensive disclosure of a company's transition plan that provides transparency on its progress and there are consequences for failure or success.

3. Financing the transition

So far, this paper has covered the key concepts and definitions of transition planning for banks as well as the available tools and resources they can use toward the design and delivery of their transition plans—including those for assessing their clients' transition plans. It is clear that **financing strategies** sit at the core of transition planning for banks, therefore it is essential for them to understand the sustainable solutions and transition initiatives they can finance across sectors to gradually align their lending and investment with Paris and the SDGs. When doing so, it is important for banks to familiarize themselves with the sustainable taxonomies and broader policy environment in the jurisdictions in which they operate. This part of the paper aims to provide the readers with a high-level understanding of the transition levers that banks can use for financing the real-economy transition. Some levers such as renewable energy, are already scaled or quickly scaling across different markets, while others, such as the deployment of CCS & CCUS technologies, are still at an early stage. In any case, it is important for banks to become familiar with what financing the real-economy transition looks like or may look like in the future to be able to inform their long-term financing strategies and client engagement activities. The paper discusses the transition levers that banks can use in relation to the financing of five key sectors, these are namely power generation, agriculture, steel, aviation, and shipping. **Tables 3.1, 3.2, 3.3, 3.4, and 3.5** of this section provide a non-exhaustive view of the financing strategies banks can apply to accelerate the alignment of these sectors with the climate, nature, and social/just transition impact areas as outlined in [PRB's Responsible Banking Journey](#). As previously mentioned, it is important for banks to also consider circular economy as an enabler of those financing strategies.

Understanding financing strategies for the real-economy transition

Power generation

The power generation sector is the largest source of GHG emissions generated through fossil fuel combustion including coal, oil, and gas and accounts for approximately 40% of the world's global energy-related CO₂ emissions ([World Nuclear Association, 2024](#)). In addition, it affects ecosystems directly through land use and habitat destruction, water use and pollution, and air pollution. According to the [2021–2023 Net-Zero Roadmap](#) by the [International Energy Agency \(IEA\)](#), an estimated USD 4.5 trillion per year is needed globally in energy investments to achieve the sector's decarbonization by 2050 in line with SDG 7: Affordable & Clean Energy. This includes initiatives in clean energy deployment, grid expansion and modernization, battery and hydrogen storage, energy efficiency, and the deployment of CCS & CCUS technologies. Current investment (as of 2023) is estimated around USD 2.8–3.0 trillion annually, indicating a gap of USD 1.5–2 trillion per year ([Energy Tracker Asia, 2024](#)). Therefore, banks have a vital role to play in financing that gap and further engaging power generation companies toward their transition by following a mix of the financing strategies outlined in **Table 3.1**.



Table 3.1: Non-exhaustive view of transition levers banks can use for financing the alignment of the power generation sector with climate, nature, and just transition

		Climate	Nature	Just transition
Transition levers	Sustainable solutions	<p>Finance entities active in climate solutions for power generation, distribution, and storage, including those in:</p> <ul style="list-style-type: none"> ▪ Clean/renewable power generation such as wind, solar, hydroelectric, geothermal, and green hydrogen. ▪ Energy storage systems such as battery storage systems, pumped hydro, thermal, and hydrogen storage. ▪ Smart grid/micro-grid technologies that energy companies and consumers can use to optimize energy management. ▪ Carbon storage solutions such as CCS/CCUS technologies and Direct Air Capture (DAC) on power plants. 	<p>Finance entities active in nature-based solutions, including:</p> <ul style="list-style-type: none"> ▪ Bioenergy with CCS where biomass is used for power generation and removes carbon. ▪ Agrovoltaics that enhance biodiversity and soil health while generating renewable energy. 	<p>Embed just transition when financing sustainable solutions, including:</p> <ul style="list-style-type: none"> ▪ Community equity considerations in clean energy projects and use of micro-grids for rural electrification.
	Aligned/aligning assets & companies	<p>Finance transition initiatives for power generation entities that are already aligned or aligning with the 1.5°C trajectory, including:</p> <ul style="list-style-type: none"> ▪ Diversification/expansion into renewable energy such as investments in wind farms, solar panels, hydroelectric, geothermal, and green hydrogen projects. ▪ Diversification/expansion into clean energy-related areas such as energy storage, electric vehicle (EV) infrastructure, and other electrification solutions. ▪ Upgrade/modernization projects such as smart grid infrastructure, real-time monitoring, plant efficiency, reduction of methane leaks, and data analytics. ▪ Electrification and demand-side management projects such as clean electricity, digital tools, and AI-driven energy management solutions. 	<p>Finance nature-related transition initiatives, including:</p> <ul style="list-style-type: none"> ▪ Adoption of nature-positive design, for example solar and wind farms with biodiversity plans or wind power with radar-based shutdowns. ▪ Water management projects such as the implementation of dry cooling or closed-loop systems in thermal power plants. 	<p>Embed just transition when financing transition initiatives, including:</p> <ul style="list-style-type: none"> ▪ Energy affordability and reliability for local communities and social infrastructure in fossil-dependent regions.
	Managed Phaseout	<p>Implement a managed phaseout strategy of high emitting assets, including:</p> <ul style="list-style-type: none"> ▪ No new financing toward new coal-fired plants or the life extension of existing coal plants. ▪ Financing the early retirement of fossil plants, through transition bonds, blended finance, or decommissioning funds. 	<p>Incorporate nature levers in managed phaseout, including:</p> <ul style="list-style-type: none"> ▪ No new financing for exploration in areas of critical ecosystems. 	<p>Embed just transition in managed phaseout, including:</p> <ul style="list-style-type: none"> ▪ Retraining of displaced workers due to transition.



Agriculture

Agriculture contributes approximately 20–25% of global anthropogenic GHG emissions, with methane and nitrous oxide as major gases that mainly come from biological and land-use processes. The sector has also significant nature impacts such as land conversion, soil degradation, water pollution, and use of chemicals. According to the [Food and Agriculture Organization \(FAO\) of the United Nations](#) an estimated USD 300 billion to USD 500 billion annually may be needed globally over the next decades to transform agriculture sustainably and banks can provide some of that finance by leveraging a mix of the financing strategies outlined in **Table 3.2**.

Table 3.2: Non-exhaustive view of transition levers banks can use for financing the alignment of the agriculture sector with climate, nature, and just transition

		Climate	Nature	Just transition
Transition levers	Sustainable solutions	<p>Finance entities active in climate solutions for agriculture, including those in:</p> <ul style="list-style-type: none"> ▪ Renewable energy integration solutions such as biogas production from waste and on-farm wind/solar panels. ▪ Clean technologies such as solar-powered irrigation and electric farm machinery and equipment. ▪ Smart farming technologies such as remote sensing, climate risk forecasting, and early warning systems. 	<p>Finance entities active in nature-based solutions, including those in:</p> <ul style="list-style-type: none"> ▪ Water efficiency solutions such as drip and sprinkler irrigation systems, rainwater harvesting and storage and soil moisture monitoring. 	<p>Embed just transition when financing sustainable solutions, including:</p> <ul style="list-style-type: none"> ▪ Community equity considerations in sustainable farming.
	Aligned/aligning assets & companies	<p>Finance transition initiatives for agriculture entities that are already aligned or aligning with the 1.5°C trajectory, including:</p> <ul style="list-style-type: none"> ▪ Renewable energy integration projects including solar and wind to power farm operations. ▪ Electrification projects such as the replacement of diesel-powered tractors with electric versions. ▪ Conversion to regenerative agriculture projects such as cover cropping, reduced tillage farming, and crop rotation. ▪ Operational efficiency projects such as AI-based decision support and soil health monitoring and management. 	<p>Finance nature-related transition initiatives, including:</p> <ul style="list-style-type: none"> ▪ Agroforestry transition projects that sequester carbon and enhance biodiversity. ▪ Agroecology transition projects such as composting and livestock integration. 	<p>Embed just transition when financing transition initiatives, including:</p> <ul style="list-style-type: none"> ▪ Financing support for small-scale farmers and economic diversification for local communities.
	Managed phaseout	<p>Implement a managed phaseout strategy of high emitting assets, including:</p> <ul style="list-style-type: none"> ▪ No new financing to farms heavily reliant on synthetic nitrogen fertilizers without credible transition plans. ▪ Sustainable certification/traceability requirements for new loans or extensions. 	<p>Incorporate nature levers in managed phaseout, including:</p> <ul style="list-style-type: none"> ▪ No new financing for agricultural operations involved in deforestation of primary forests or high conservation value areas. 	<p>Embed just transition in managed phaseout, including:</p> <ul style="list-style-type: none"> ▪ Retraining farmers in low-carbon technologies.



Steel

The steel sector is a significant contributor to climate change, accounting for approximately 8% of global CO₂ emissions ([Ritchie, H. 2024](#)), which makes it one of the most carbon-intensive industries worldwide. Steel production also comes with significant effects on ecosystems, biodiversity, and natural resources including resource extraction, water use and pollution, and land degradation. Therefore, banks have a vital role to play in financing steelmakers' transition through a mix of the financing strategies outlined in **Table 3.3**.

Table 3.3: Non-exhaustive view of transition levers banks can use for financing the alignment of the steel sector with climate, nature, and just transition

		Climate	Nature	Just transition
Transition levers	Sustainable solutions	<p>Finance entities active in climate solutions for steel production, including those in:</p> <ul style="list-style-type: none"> ▪ Renewable energy integration solutions such as solar, wind, and hydro to power steel production facilities. ▪ Green steel production technologies such as Electric Arc Furnaces (EAF) and Direct Reduced Iron (DRI). ▪ Low-carbon steel alternatives such as novel alloys and alternative binders. ▪ Carbon storage solutions such as CCS/CCUS technologies and Direct Air Capture (DAC) on steel plants. 	<p>Finance entities active in nature-based solutions, including those in:</p> <ul style="list-style-type: none"> ▪ Water efficiency solutions that advance wastewater treatment and protect aquatic systems. ▪ Digital/AI solutions such as for biodiversity monitoring near steel plants. 	<p>Embed just transition when financing sustainable solutions including:</p> <ul style="list-style-type: none"> ▪ Community equity considerations in sustainable steel projects.
	Aligned/aligning assets & companies	<p>Finance transition initiatives for steelmakers that are already aligned or aligning with the 1.5°C trajectory, including:</p> <ul style="list-style-type: none"> ▪ Clean energy integration projects such as the installation of solar and wind on steel manufacturing sites. ▪ Green steel projects such as the installation of Electric Arc Furnaces (EAF) and Direct Reduced Iron (DRI) plants. ▪ Diversification/expansion into low-carbon steel alternatives such as novel alloys and alternative binders. ▪ Energy efficiency projects such as retrofitting steel plants with energy-saving technologies (e.g. waste heat recovery). ▪ Carbon storage projects for installing CCS/CCUS or Direct Air Capture (DAC) on steel manufacturing sites. 	<p>Finance nature-related transition initiatives, including:</p> <ul style="list-style-type: none"> ▪ Circular economy/resource efficiency projects such as investments in scrap steel collection, processing, and recycling facilities to reduce dependence on virgin ore. 	<p>Embed just transition when financing transition initiatives, including:</p> <ul style="list-style-type: none"> ▪ Economic diversification in steel-dependent regions.
	Managed phaseout	<p>Implement a managed phaseout strategy of high emitting assets, including:</p> <ul style="list-style-type: none"> ▪ No new financing for projects that use traditional coal-intensive blast furnace-basic oxygen furnace (BF-BOF) steelmaking. 	<p>Incorporate nature levers in managed phaseout, including:</p> <ul style="list-style-type: none"> ▪ No new financing for steel plants operating in high-risk biodiversity areas. 	<p>Embed just transition in managed phaseout, including:</p> <ul style="list-style-type: none"> ▪ Retraining of displaced workers due to transition.



Aviation

Aviation contributes approximately [4–5%](#) of anthropogenic climate change forcing when including both CO₂ and non-CO₂ effects. The sector has also significant nature impacts including land use change and noise, air pollution, and water pollution. According to major international bodies like the [IEA](#) and the [Mission Possible Partnership \(MPP\)](#), an estimated USD 1.5–3 trillion is needed globally for the transition of the aviation sector by 2050 and banks can apply a mix of financing strategies to enable that transition, as outlined in **Table 3.4**.

Table 3.4: Non-exhaustive view of transition levers banks can use for financing the alignment of the aviation sector with climate, nature, and just transition

		Climate	Nature	Just transition
Transition levers	Sustainable solutions	<p>Finance entities active in climate solutions for aviation, including those in:</p> <ul style="list-style-type: none"> ▪ Next-generation aircraft such as electric/hybrid-electric aircrafts, and hydrogen-powered aircrafts. ▪ Aircraft design innovations such as lightweight materials, advanced aerodynamics, and next-generation engines. ▪ Sustainable Aviation Fuels (SAF) such as from waste oils, agricultural residues, algae, and synthetic e-fuels. ▪ Low-carbon infrastructure such as airport hydrogen/battery charging facilities and SAF storage and fuelling facilities. 	<p>Finance entities active in nature-based solutions, including those in:</p> <ul style="list-style-type: none"> ▪ Agroforestry & nature-linked SAF produced from regenerative or nature-positive agriculture. ▪ Biodiversity-friendly infrastructure such as green belts, habitat buffers, and pollinator habitats. 	<p>Embed just transition when financing sustainable solutions, including:</p> <ul style="list-style-type: none"> ▪ Community equity to offset aviation emissions and build climate resilience.
	Aligned/aligning assets & companies	<p>Finance transition initiatives for aviation entities that are already aligned or aligning with the 1.5°C trajectory, including:</p> <ul style="list-style-type: none"> ▪ Diversification/expansion into next-generation aircrafts, for regional or short-haul flights. ▪ Fleet renewal projects for replacing older, less efficient aircrafts with fuel-efficient models. ▪ Drop-in compatibility projects for scaling up SAF adoption by airline companies. ▪ Low carbon & SAF infrastructure projects such as green terminal upgrades and electrified ground support equipment. ▪ Operational efficiency & flight optimization projects such as AI-assisted air traffic management and carbon calculators. 	<p>Finance nature-related transition initiatives, including:</p> <ul style="list-style-type: none"> ▪ Adoption of nature-inclusive design for retrofitting airports and airfields to coexist with local ecosystems (e.g. green roofs, wildlife corridors, runoff filtration). 	<p>Embed just transition when financing transition initiatives, including:</p> <ul style="list-style-type: none"> ▪ Aviation infrastructure in underserved regions. ▪ Inclusive infrastructure that benefits local communities.
	Managed phaseout	<p>Implement a managed phaseout strategy of high emitting assets, including:</p> <ul style="list-style-type: none"> ▪ No new financing for expansion of fossil-fuel only aircraft fleets or aircraft purchases not meeting carbon standards. ▪ SAF requirements (e.g. minimum 10% SAF by 2030) for new financing to airline companies and fuel suppliers. 	<p>Incorporate nature levers in managed phaseout, including:</p> <ul style="list-style-type: none"> ▪ No new financing for aviation infrastructure in protected areas. ▪ Environmental Impact Assessments (EIA) requirements for new loans. 	<p>Embed just transition in managed phaseout, including:</p> <ul style="list-style-type: none"> ▪ Retraining of displaced workers due to transition.



Shipping

The shipping sector is a major and growing source of GHG emissions, primarily CO₂, with additional climate forcing from black carbon and other pollutants. Additionally, it affects nature and biodiversity in multiple ways including marine pollution and destruction. According to major international bodies like the [Global Maritime Forum](#), an estimated total investment of USD 1.4–1.9 trillion is needed to fully decarbonize the shipping sector by 2050, and banks can apply a mix of financing strategies to provide that finance as outlined in **Table 3.5**.

Table 3.5: Non-exhaustive view of transition levers banks can use for financing the alignment of the shipping sector with climate, nature, and just transition.

		Climate	Nature	Just transition
Transition levers	Sustainable solutions	<p>Finance entities active in climate solutions for shipping, including those in:</p> <ul style="list-style-type: none"> ▪ Next-generation ships such as battery-electric vessels, hybrid engines and fuel cells. ▪ Eco-friendly vessel design such as light-weight materials, next-generation hull designs, and wind-assisted propulsion. ▪ Alternative marine fuels such as green ammonia, green hydrogen for fuel cells or combustion, and green methanol. ▪ Low-carbon infrastructure such as electrification of port equipment and cold ironing. 	<p>Finance entities active in nature-based solutions, including those in:</p> <ul style="list-style-type: none"> ▪ Nature-friendly technologies such as eco-friendly dredging methods and tools for ecosystem monitoring and impact reduction. ▪ Estuary management solutions for port regions to improve water quality and provide natural flood protection. 	<p>Embed just transition when financing sustainable solutions including:</p> <ul style="list-style-type: none"> ▪ Community equity to offset shipping emissions and build climate resilience.
	Aligned/aligning assets & companies	<p>Finance transition initiatives for shipping/port entities that are already aligned or aligning with the 1.5°C trajectory, including:</p> <ul style="list-style-type: none"> ▪ Diversification/expansion into next-generation vessels with low-carbon or zero emissions engines. ▪ Fleet renewal projects for replacing older, less efficient vessels with fuel-efficient models. ▪ Retrofitting projects for conversion of existing vessels to dual-fuel or battery hybrid systems. ▪ Low-carbon infrastructure projects such as green fuel bunkering stations and electrified ports. ▪ Operational & demand efficiency projects such as real time navigation and route adjustments. 	<p>Finance nature-related transition initiatives, including:</p> <ul style="list-style-type: none"> ▪ Nature retrofitting of vessels such as the adoption of advanced wastewater treatment, hull coatings that reduce toxic leaching, or noise-reduction technologies. ▪ Nature-based infrastructure projects such as mangrove and seagrass restoration near port areas and biodiversity-friendly port expansion. 	<p>Embed just transition when financing transition initiatives, including:</p> <ul style="list-style-type: none"> ▪ Economic diversification in port cities. ▪ Protection of local communities in port expansion projects.
	Managed phaseout	<p>Implement a managed phaseout strategy of high emitting assets, including:</p> <ul style="list-style-type: none"> ▪ No new financing for vessels or operations with poor environmental compliance. ▪ Set exclusion criteria in decision-making for projects or companies without low-carbon commitments. 	<p>Incorporate nature levers in managed phaseout, including:</p> <ul style="list-style-type: none"> ▪ No new financing for port infrastructure leading to habitat destruction or land conversion. 	<p>Embed just transition in managed phaseout, including:</p> <ul style="list-style-type: none"> ▪ Retraining of seafarers in low-carbon technologies.

4. Emerging practice on transition planning for banks

Having looked at the key concepts of transition planning for banks as well as the available tools and resources and financing strategies they can use towards their transition plans, this final section of the paper provides concrete examples of emerging practice. The purpose of the section is to help readers make the connection between theory and practice by presenting actual case studies of how some advanced banks in this space are approaching transition.

This section draws on information that is publicly available through several sources including banks' official sites, press releases, sustainability reports, and other sources. Given the global footprint of UNEP FI, the paper has included examples from different regions. The banks included in the paper are the [Oversea-Chinese Banking Corporation \(OCBC\)](#), [First Abu Dhabi Bank \(FAB\)](#), [Bradesco](#), and [Vancity](#). By no means is it the intention of this paper to provide an exhaustive view of those banks' transition strategies but only a high-level summary of some of the practical steps they are taking toward their transition. The information is presented in line with the building blocks of [PRB's Responsible Banking Journey](#)—that closely resembles the GFANZ transition planning components that have also been leveraged by other organizations such as TPT—as summarized below and shown in **Figure 4.1**.

- **Policies, processes & culture:** This building block of transition is about integrating sustainability objectives and targets into decision making processes and creating a culture in which management and employees understand their role in delivering the bank's sustainability commitment.
- **Portfolio composition & financing:** This building block is about providing the capital necessary for the sustainability transition of different sectors, embedding sectoral targets in the portfolio, building resilience, developing business opportunities, and providing financing for sustainable business models, projects, and activities.
- **Client engagement:** This building block is about creating synergies with clients across sectors and geographies, encouraging sustainable practices, and accompanying clients in their transition toward the adoption of more sustainable business models and the implementation of transition technologies.
- **Stakeholder engagement & partnerships:** The final building block is about partnering with relevant stakeholders (notably peers, investors, regulators, policymakers, suppliers, scientists, academia, civil society) and advocating for an enabling policy environment.



Figure 4.1: Transition plan building blocks of PRB'S Responsible Banking Journey

Tables 4.1, 4.2, 4.3, and 4.4 provide a non-exhaustive view of some of the practical steps that some of the world's most advanced banks have taken for aligning with the climate, nature, and just transition impact areas.

Table 4.1: Non-exhaustive view of how OCBC approaches transition⁶

	Cross-thematic	Climate	Nature	Social/just transition
Policies, processes, and culture	<ul style="list-style-type: none"> ▪ Responsible Financing Framework developed to integrate ESG considerations into decision-making including sector-specific policies for clients in sectors with elevated risk of potential environmental and social impacts (e.g. agriculture, energy, mining, forestry, chemicals). ▪ Enhanced due diligence for clients or transactions deemed as ESG high-risk. ▪ 12,200 employees trained in sustainability, and embedded oversight via a Group Sustainability Steering Committee. 	<ul style="list-style-type: none"> ▪ Policy to support a managed phaseout of coalfired power plant financing (CFPPs) and thermal coal mines. ▪ No financing on upstream oil & gas projects approved for development after 2021. 	<ul style="list-style-type: none"> ▪ No financing for projects located in or having significant impact on United Nations Educational, Scientific and Cultural Organisation (UNESCO) World Heritage Sites and Wetlands of International Importance designated under the Ramsar Convention. ▪ No financing for production or trade in wildlife including products regulated under Convention of International Trade in Endangered Species of Wild Fauna and Flora (CITES) and United for Wildlife Financial Taskforce. ▪ No financing for drift net fishing in the marine environment using nets more than 2.5km in length. 	<ul style="list-style-type: none"> ▪ No financing for production or activities involving harmful or exploitative forms of forced labour or child labour.

⁶ The purpose of this table is to provide a summary view of the practical steps some advanced banks have taken in relation to transition, for more details please check those banks' sustainability reports.

	Cross-thematic	Climate	Nature	Social/just transition
Portfolio composition & financing	<ul style="list-style-type: none"> ■ In 2024, extended over 200 green, social, and sustainability-linked loans with a committed sustainable finance portfolio of SGD 71 billion (~USD 52 billion). ■ Supported, in 2024, nearly 4,000 SMEs with SGD 9 billion in sustainable finance, including over 110 sustainability-linked loans. ■ Top Mandated Lead Arranger in the London Stock Exchange Group's ESG Loans league tables for APAC (ex-Japan) and Southeast Asia in 2024. 	<ul style="list-style-type: none"> ■ OCBC 1.5°C loan (2023)—Singapore's first net-zero-aligned loan, offering corporates reduced interest rates when they meet or exceed carbon emissions reduction targets aligned with internationally recognised, science-based decarbonisation pathways. ■ SGD 3.5 billion extended in OCBC Eco-Care Loans to promote adoption of electric vehicles and energy-efficient homes. 	<ul style="list-style-type: none"> ■ Pledged nearly SGD 1 million with the National Parks Board (NParks) of Singapore and the National University of Singapore to lead Singapore's first seagrass restoration program, focused on improving transplant techniques, assessing ecological impact and species diversity, and promoting public participation. ■ Pledged SGD 3 million with NParks to lead Singapore's first large-scale ecological mangrove restoration project to enhance coastal resilience and carbon storage. 	<ul style="list-style-type: none"> ■ OCBC Women Unlimited (2024)—First programme dedicated to women entrepreneurs by a Singapore bank, to empower, enable and engage women entrepreneurs via tools, knowledge and support to start or grow their business. ■ SME Start-ESG Programme (2025) with Enterprise Singapore—Comprises a grant for SMEs to obtain a baseline measurement of sustainability performance which is a pre-requisite for sustainability-linked loans, OCBC expects 300 SMEs to participate.

	Cross-thematic	Climate	Nature	Social/just transition
Client engagement	<ul style="list-style-type: none"> Enables clients' transition through strategic advisory, innovative financial solutions and ecosystem partnerships, across its multifaceted businesses. OCBC Sustainability Hub (2024) via RM-assisted platforms—Empowers OCBC's sales representatives to engage in meaningful ESG conversations with customers. 	<ul style="list-style-type: none"> QUEST programme (2024)—Partnered with ecosystem stakeholders (Singapore Business Federation, SingPost and EY) to help SME suppliers develop carbon inventories and implement decarbonisation strategies. SME Energy Assessment Tool (2022)—A free digital tool designed in collaboration with Singapore's Building & Construction Authority to provide SMEs with easy access to green building certification and green finance. 	<ul style="list-style-type: none"> OCBC Sustainability Hub (2024)—Empowers customers with timely and relevant updates on sustainability trends and their investments, where a customer's personal ESG rating is calculated based on their investment holdings. 	<ul style="list-style-type: none"> Curated a series of webinars on sustainability issues faced by SMEs featuring subject matter experts, solution providers, and business leaders. SGBC-OCBC Built Environment Decarbonisation Challenge (2023) in partnership with the Singapore Green Building Council—Aims to expedite the adoption of sustainability solutions by identifying and supporting innovative technology solutions to decarbonise the built environment.
Stakeholder engagement & partnerships	<ul style="list-style-type: none"> Signatory to the UN Global Compact, actively reporting through the Communication on Progress (CoP) framework. Signatory of the Equator Principles for managing social and environmental risks in project finance. 	<ul style="list-style-type: none"> Signatory to the Poseidon Principles, aligning its ship financing with decarbonisation targets in the maritime sector. 	<ul style="list-style-type: none"> Collaborated with Singapore's two other local banks on a first-of-its-kind report on nature-related financial risks, in partnership with the University of Cambridge Institute for Sustainability Leadership with support from the Monetary Authority of Singapore. Ongoing initiatives like OCBC Arboretum and OCBC Mangrove Park with community and staff volunteers supporting reforestation and habitat protection activities. 	<ul style="list-style-type: none"> Working group member of the Facility-level Just Transition Working Group (F-JTWG) with Climate Finance Asia serving as the secretariat, published the F-JT guidelines which provides concrete mechanisms for banks and borrowers to integrate Just Transition best principals into the financing phasing out of coal-fired power plants.

Table 4.2: Non-exhaustive view of how First Abu Dhabi Bank approaches transition⁷

	Cross-thematic	Climate	Nature	Social/just transition
Policies, processes, and culture	<ul style="list-style-type: none"> ■ Sustainable Finance Framework that establishes criteria to classify financing as sustainable or transition, incorporating ESG risk reviews for every transaction. ■ ESG risks incorporated into the bank's risk appetite with key risk indicators, assessment requirements, and governance structure. ■ Established ESG governance structures including a Board Risk and ESG Committee, a Group ESG Committee, and an ESG-Sustainable Finance Committee. 	<ul style="list-style-type: none"> ■ Implemented a Climate Risk Framework, a Climate Risk Policy, as well as climate risk scoring and stress-testing frameworks to assess vulnerabilities under different climate scenarios. ■ Has ceased new financing for coal-fired mining and coal-based power generation, since 2023. ■ Strengthened the governance structure by clearly defining roles and responsibilities for managing climate-related risks, further supported by a robust framework to identify, assess, and monitor these risks. ■ Rolled out mandatory ESG and climate awareness training for all employees and launched specialised carbon literacy programmes for employees. 	<ul style="list-style-type: none"> ■ Nature-related criteria embedded in ESG Assessments. ■ First bank in the MENA region to publish a Nature Report aligned with the Taskforce on Nature-related Financial Disclosures (TNFD) framework. 	<ul style="list-style-type: none"> ■ Assessment of "Social" factors as part of ESG assessment for all corporate cases.

⁷ The purpose of this table is to provide a summary view of the practical steps some advanced banks have taken in relation to transition, for more details please check those banks' sustainability reports.

	Cross-thematic	Climate	Nature	Social/just transition
Portfolio composition & financing	<ul style="list-style-type: none"> Transition finance frameworks developed to inform financing for heavy and hard-to-abate sectors, for example hydrogen projects. Pledged AED 275.4 billion (~USD 75bn) in sustainable and transition finance by 2030, then increased it to AED 500.0 billion (~USD 135bn) – the largest climate finance commitment of any bank in the MENA region. 	<ul style="list-style-type: none"> Sustainable finance facilitation doubled from AED 126.1 billion in 2023 to AED 266.6 billion (~USD 72.6bn) in 2024. Green Bond issuance totalling AED 13.4 billion (~USD 3.64 bn) across 14 bonds. Has achieved, since 2022, 53% of its 2030 target for sustainable and transition finance and facilitation. FAB's lending contributed to 4% of the UAE's NDC target by 2030. Executed the inaugural carbon credits trade on AirCarbon Exchange (ACX) with specialist carbon trading company Helix Climate. 	<ul style="list-style-type: none"> Issued a 5-year Blue Bond valued at HKD 390 million (~USD 50 mn), the first-ever Blue Bond issued by a financial institution in the Gulf countries. 	<ul style="list-style-type: none"> Offers sustainability-linked supply chain finance programmes to SMEs and corporate clients in the UAE. Partners with TradeSun (Coriolis Technologies' rating tool) providing ESG ratings, sharing detailed ESG reports, and offering ESG rating-linked financing benefits, based on improvements in SME sustainability performance.
Client engagement	<ul style="list-style-type: none"> Analysed highest emitting clients to assess their decarbonisation maturity and build a tailored engagement approach to foster transition support. 	<ul style="list-style-type: none"> Hosted a series of roundtables, including one on managing the carbon life cycle management of the real estate and construction sector in the UAE. Memorandum of Understanding (MOU) with Blue Carbon and Masdar for the supply of high-quality carbon credits. Dedicated Carbon Trading desk, providing carbon trading, and financing options, and facilitating strategic carbon transactions. 	<ul style="list-style-type: none"> Collaborated with Boston Consulting Group (BCG) on a white paper discussing Nature-Positive Pathways in MENA, launched at COP16 in Riyadh. It highlights the key drivers and challenges of water scarcity and biodiversity loss in MENA as well as the investment and collaboration opportunities to address them. 	<ul style="list-style-type: none"> Hosted Sectorial Summit Series, which are high-level events designed to engage with net zero priority sector clients. In collaboration with BCG, hosted the Sectorial Summit 2024 on sustainability for the real estate and construction industries.

	Cross-thematic	Climate	Nature	Social/just transition
Stakeholder engagement & partnerships	<ul style="list-style-type: none"> Signatory of UNEP FI's Principles for Responsible Banking (PRB), and currently holding a seat on UNEP FI's Banking Board. Strategic Pathway Partner of COP28 - showcased a comprehensive six-point agenda through speaking engagements and workshops for clients and stakeholders on key topics: Sustainable Finance, Net-Zero Transition, SME support, Nature, Carbon Markets and Youth. Conducted an annual ESG competition for university students, with the aim of bridging theory with the practical application of sustainability on corporates. 	<ul style="list-style-type: none"> First bank signatory of the COP28 Net-Zero Transition Charter. Active supporter of climate-related initiatives including TCFD, PCAF, CDP, and GFANZ. Supported the COP28 Presidency to drive climate action in the MENA private sector by becoming a supporter of the COP28 & SME Climate Hub for MENA, alongside partners Masdar and Abu Dhabi Chambers. Founding member of the UAE Carbon Alliance. 	<ul style="list-style-type: none"> Worked with Archireef, and the Environment Agency—Abu Dhabi (EAD), to deploy 100 sqm of artificial Reef Tiles to restore marine ecosystems in the Arabian waters. Member of Mastercard's Priceless Planet Coalition focused on restoring mangrove ecosystems, aiming to contribute to the UAE's goal of planting 100 million mangroves by 2030. 	<ul style="list-style-type: none"> Developed an executive education programme on sustainability education called "Frontiers in Sustainability" in collaboration with IMD and Emirates Foundation to mainstream sustainability literacy for private and public sector in the UAE.

Table 4.3: Non-exhaustive view of how Bradesco approaches transition⁸

	Cross-thematic	Climate	Nature	Social/just transition
Policies, processes, and culture	<ul style="list-style-type: none"> ■ Social, Environmental, and Climate Responsibility Standard (PRSAC) outlines the main guidelines for sustainability. ■ The structure for managing social, environmental, and climate risks includes forums and departments that support senior and board leadership in decision-making. ■ Social and environmental risks assessed for clients in industries with potential impacts and significant credit exposure, assigning a socio-environmental rating that informs credit decisions. ■ Sustainable Finance Framework that defines criteria for classifying financing as sustainable or transition, while highlighting strategic themes for climate transition. ■ Second Party Opinion (SPO) issued by an independent external provider for ESG-labeled loans and capital markets transactions. 	<ul style="list-style-type: none"> ■ Measurement of financed emissions generated from the bank's loans following the Partnership for Carbon Accounting Financials (PCAF) methodologies since 2020. ■ Decarbonization targets for financed emissions in carbon-intensive sectors established since 2023. ■ Climate indicators and scenarios incorporated into business and financial planning, influencing climate strategy. ■ Scenario sensitivity analysis conducted to identify and quantify climate risks in the portfolio, using a sectoral heatmap and NGFS scenarios. 	<ul style="list-style-type: none"> ■ As signatories of the Equator Principles, incorporates biodiversity aspects into the analysis processes for project financing. ■ Conducts georeferenced real estate collateral reviews: identifying deforestation or conservation risks, indigenous land overlaps, contamination, and protected forest areas. ■ Heightened environmental screening for entities with infractions related to illegal deforestation. 	<ul style="list-style-type: none"> ■ Addresses social issues and just transition through strong governance, integrating social, environmental, and climate aspects into decision-making in business and labor relations.

⁸ The purpose of this table is to provide a summary view of the practical steps some advanced banks have taken in relation to transition, for more details please check those banks' sustainability reports.

	Cross-thematic	Climate	Nature	Social/just transition
Portfolio composition & financing	<ul style="list-style-type: none"> BRL 305 billion (~USD 60 billion) to ESG-labelled loans and bonds (green, blue, sustainability-linked), socio-environmental products, credit granting and enabling instruments, covering sectors like renewable energy, water & sanitation, low-carbon agriculture, waste management and others. 	<ul style="list-style-type: none"> BRL 1.03 billion in 2024, for solar energy credits via the CDC Energia Fotovoltaico line. Participation in Programa Fundo Clima, with BRL 225 million in 2024, for loan operations supporting climate mitigation/adaptation. BRL 12.3 billion in 2024, for loans and capital markets debt, covering categories such as green, social, sustainable, and sustainability-linked loans and bonds includes renewable energy, efficiency, clean transport, and low-impact buildings. 	<ul style="list-style-type: none"> Offering of products with the potential to promote sustainable practices, such as Renovagro, which encourages the adoption of environmentally responsible agricultural techniques. 	<ul style="list-style-type: none"> Credit lines offered under the National Program for Strengthening Family Farming (Pronaf), which supports small-scale producers engaged in rural activities. Bradesco Expresso, a financial inclusion solution that enables retail stores to perform as banking correspondents, providing access to essential financial services in underserved areas (in the Legal Amazon, for example).
Client engagement	<ul style="list-style-type: none"> Provides tailored advisory services and financing solutions to help businesses transition to more sustainable practices. Supports clients through Bradesco BBI ESG team (Investment Banking) and the Sustainable Finance team (Sustainability Department) in the issuance and structuring of green, social, and sustainability-linked bonds and loans. Engaged 217 corporate clients on ESG issues in 2024. 	<ul style="list-style-type: none"> Participated in the working groups the Global Compact initiatives, the Thematic Chamber on Climate, Energy and Sustainable Finance of the Brazilian Business Council for Sustainable Development (CEBDS). 	<ul style="list-style-type: none"> Actively engages clients in ESG-labeled transactions, with the potential to contribute to the bioeconomy, particularly those strengthening value chains that promote sustainable practices and forest conservation. Supports the ILPF Network (Rede ILPF) in promoting the crop-livestock-forest integration technique, a sustainable land-use model that enhances productivity and environmental resilience. 	<ul style="list-style-type: none"> Financial citizenship promoted through inclusion and education programs such as NextJoy and Ágora Academy, as well as initiatives tailored to support vulnerable clients.

	Cross-thematic	Climate	Nature	Social/just transition
Stakeholder engagement & partnerships	<ul style="list-style-type: none"> ■ Signatory of UNEP FI's Principles for Responsible Banking (PRB). ■ Signatory of the Equator Principles for managing social and environmental risks in project finance. ■ Facilitates multi-stakeholder workshops that bring together regulators, associations, and clients to shape sustainable finance priorities and raise awareness on climate, nature, and social risks. 	<ul style="list-style-type: none"> ■ Co-chairs the PCAF Brazil Chapter to help financial institutions apply methodologies adapted to the Brazilian context. ■ Active participation in sectoral and multisectoral forums, of the UNEP FI, the Brazilian Business Council for Sustainable Development (CEBDS) and the Brazilian Federation of Banks (Febraban). ■ Encourages strategic suppliers to manage and disclose their greenhouse gas (GHG) emissions, raising awareness about the risks and opportunities arising from climate change. 	<ul style="list-style-type: none"> ■ Co-founder of the Amazon Sustainability Foundation (FAS), supporting sustainable value chains and biodiversity conservation in the Amazon region. ■ Supported projects and initiatives from various partners aimed at forest conservation and reforestation in the Amazon and the Atlantic Forest, as well as key actions to protect biodiversity ■ Carried out a pilot project following the TNFD's LEAP approach with the Brazilian Business Council for Sustainable Development (CEBDS) and other financial institutions. 	<ul style="list-style-type: none"> ■ Promotes climate literacy among employees, suppliers, customers, and broader society via awareness campaigns and voluntary commitments.

Table 4.4: Non-exhaustive view of how Vancity approaches transition⁹

	Cross-thematic	Climate	Nature	Social/just transition
Policies, processes, and culture	<ul style="list-style-type: none"> ■ Evaluation criteria incorporated in the screening for new loans and business accounts. ■ Senior leadership committee responsible for executing Vancity's impact strategy and monitoring performance. 	<ul style="list-style-type: none"> ■ No direct financing of fossil fuel extraction, production, and processing. ■ Policy in place to guide lending to energy-related projects and support the transition to a low-carbon economy 	<ul style="list-style-type: none"> ■ In 2023 assessed potential biodiversity impacts and dependencies associated with lending portfolio, taking into consideration regional factors. ■ Vancity Investment Management is a signatory to the Finance for Biodiversity Pledge, issued first Biodiversity Progress Report in 2025. 	<ul style="list-style-type: none"> ■ Clean and fair transition embedded with the bank's broader climate strategy. ■ Member and community insights incorporated into granting approach.
Portfolio composition & financing	<ul style="list-style-type: none"> ■ Between 2016 and 2024 allocated \$70 million towards Impact Investment Strategy, which provides opportunities to invest in venture capital funds that generate tangible social, environmental, and economic benefits. ■ Impact lending via Vancity Community Investment Bank (VCIB). 	<ul style="list-style-type: none"> ■ CAD 102 million in green assets financed, with 7,810 tonnes of avoided emissions reported in 2024. ■ Planet-Wise loans for home retrofits, purchasing a low-emission vehicle, and helping businesses lower their emissions. 	<ul style="list-style-type: none"> ■ Using the MSCI Nature and Biodiversity Portfolio Analysis Tool, Vancity Investment Management conducted a portfolio-level analysis across all equity investments. For each portfolio they identified the portfolio's interface with sensitive locations, evaluated dependencies and impacts on nature using key metrics, and assessed nature related risks and opportunities. 	<ul style="list-style-type: none"> ■ 1,924 affordable housing units financed in 2024, with 1,097 homes retrofitted for climate resilience.

⁹ The purpose of this table is to provide a summary view of the practical steps some advanced banks have taken in relation to transition, for more details please check those banks' sustainability reports.

	Cross-thematic	Climate	Nature	Social/just transition
Client engagement	<ul style="list-style-type: none"> ▪ Women and Black entrepreneur lending programs helping more people access needed capital and grow their business. 	<ul style="list-style-type: none"> ▪ Vancity enviroVisa™ Carbon Counter tool helps members track personal carbon footprints, enviroFund™ directs 5% of profits to climate initiatives. ▪ Home Energy Advice tool helps clients reduce emissions at home. 	<ul style="list-style-type: none"> ▪ Vancity Investment Management engages with portfolio companies on biodiversity including securing a commitment from Costco to pilot the TNFD framework. 	<ul style="list-style-type: none"> ▪ Offer Wealth Mindset—Indigenous Financial Resilience program, an Indigenous taught and led approach to financial wellbeing.
Stakeholder engagement & partnerships	<ul style="list-style-type: none"> ▪ Founding signatory of UNEP FI's Principles for Responsible Banking (PRB). ▪ Member of the Global Alliance for Banking on Values (GABV). 	<ul style="list-style-type: none"> ▪ Active supporter of climate-related initiatives including PCAF. 	<ul style="list-style-type: none"> ▪ Veritree partnership—Vancity planting a tree in a local post-wildfire zone, for every member who chooses eStatements. 	<ul style="list-style-type: none"> ▪ Non-Profit Housing Retrofit Grants offering grants to support energy-efficient retrofits in affordable housing. ▪ Supported Electrical Joint Training Committee enabling underrepresented groups to train on clean energy. ▪ Active member of the Climate Engagement Canada (CEC) on supporting just transition practices.



Conclusion

Transition planning has become a strategic imperative for banks across the world. Regulatory and policy developments are making transition plans a central feature of disclosure requirements, while voluntary initiatives such as UNEP FI's [Principles for Responsible Banking \(PRB\)](#) and frameworks like the [ISSB's IFRS S2](#) are setting clear expectations for credible, science-based planning. Clients across sectors are developing their own transition strategies and increasingly expect their banks to finance the shift to more sustainable business models while investors and civil society actors are adding further pressure for transparency and accountability. Taken together, these drivers are pushing banks to move beyond high-level commitments toward actionable transition plans that guide how they generate value, manage risk, and support the real economy in meeting global sustainability goals in line with Paris and the [SDGs](#).

Transition plans are the foundation of a bank's journey toward sustainability. They help chart a course for how a bank operates, engages clients, and deploys capital in a way that supports long-term value creation and systemic change. While much of the initial focus has been on climate mitigation, transition planning is not—and should not be—limited to that single dimension. Indeed, effective transition plans must also address nature, inclusive economic development, and human rights to reflect the full scope of the SDGs and the interconnected challenges banks face.

This UNEP FI publication has outlined the key concepts and definitions on transition planning for banks as well as the tools, frameworks, and guidance available to support banks in developing robust transition plans. It has also highlighted examples of emerging practice from UNEP FI members across regions, demonstrating how institutions are putting theory into practice in diverse contexts.

Finally, the paper has underscored that banks cannot transition in isolation. Financing the transition of the real economy—across high-impact sectors such as power generation, agriculture, steel, aviation, and shipping—is essential. The sector-specific levers discussed here offer a starting point for banks to integrate transition thinking into client engagement and portfolio allocation. All in all, transition plans are not just a compliance exercise—they are a strategic blueprint for how a bank can deliver on its sustainability commitment, navigate risk, and unlock new opportunities in the move toward a more sustainable, inclusive economy.

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