

Tracking Climate Transition Plans in the Financial Sector

Rising momentum, room to improve

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Executive summary

Leading financial institutions have started to take comprehensive steps to plan for a net-zero transition, and those efforts are gaining momentum. At least 42% of institutions in sector alliances under the Glasgow Financial Alliance for Net Zero (GFANZ) have disclosed all 10 components of the GFANZ transition plan framework. Many of the goals and commitments aren't detailed in a single place. This note delivers a review of disclosures across sources and compares them with a consistent framework. It reveals the full extent of transition planning disclosures and highlights areas needing further attention.

- Some 77% of institutions have reported across the broader five themes. This underscores the ambition of financials to embed net-zero principles in their activities.
- These themes enjoy structural similarities with conventional climate disclosures. They often bury in the details the forward-looking elements of transition planning.
- We have identified 12 additional elements (subcomponents) that encapsulate the unique aspects of a transition plan. Those include key transition financing strategies and portfolio emissions targets, which show an entity's intention and approach. Disclosure levels averaged only 56% across these additional elements.
- The number releasing stand-alone transition planning documents has tripled to 230 since the start of 2023. We looked at documents with titles including the words "transition plans" or "net zero strategy", among others.
- We also capture information from other dispersed sources such as company and alliance websites to obtain the fullest possible picture of transition planning.
- The analysis in this report covers a universe of over 600 GFANZ sector alliance members participating in the Net Zero Asset Managers initiative, Net-Zero Banking Alliance, Net-Zero Asset Owner Alliance and the Paris Aligned Asset Owners.

42%

Share of GFANZ sector alliance members to disclose all 10 components recommended by the GFANZ framework for transition plans

77%

Share of GFANZ sector alliance members to have revealed all five themes in the GFANZ framework

230

Institutions to have published a standalone transition planning document to date

Disclosure level of each component in GFANZ framework



Source: Company publications, CDP, Bloomberg Terminal, BloombergNEF.

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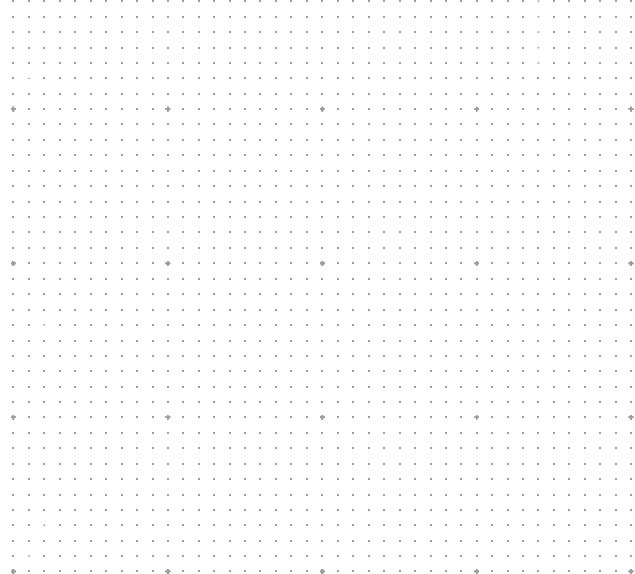
The Glasgow Financial Alliance for Net Zero (GFANZ) is a global coalition of leading financial institutions promoting measures to decarbonize the economy. It was created in April 2021 at COP26 in Glasgow, the United Nations annual conference on climate change. It's an initiative spearheaded by Michael Bloomberg and Mark Carney in their roles as UN special envoys on climate.

Throughout this note, we refer to these sector alliances under the Glasgow Financial Alliance for Net Zero with the below acronyms.

- Net Zero Asset Managers initiative: NZAM
- Net-Zero Banking Alliance: NZBA
- Net-Zero Asset Owner Alliance: NZAOA
- Paris Aligned Asset Owners: PAAO

Introduction

Purpose and approach



Why track the transition plans of financial institutions?

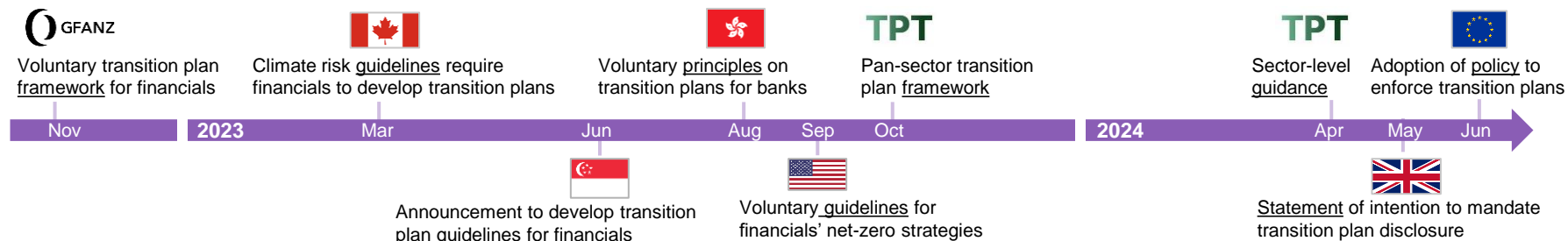
Transition plans are becoming a tool for companies and financial institutions to translate into action their voluntary climate commitments. The plans align diverse internal teams and communicate to external stakeholders such as investors and regulators. The importance of these measures are echoed at industry conferences, where they are often set out as a work in progress and subject to change pending developments in the real economy.

These discussions often lack clarity, even where they are useful. A variety of document types, many not named as a “transition plan,” contain information related to an entity’s transition *planning* process. A wider examination of disclosure gives greater clarity.

This report aims to address the challenge. **It documents the presence of transition plans by components across a wide range of relevant sources and compares them against a consistent framework.** The components are defined based on major transition plan frameworks. We examined more than 600 institutions participating in GFANZ member alliances as of August 2024, including the NZAM, NZBA, NZAOA and PAOO.

The conclusions shed light on the full scope of transition planning disclosure in the financial sector. They also identify areas that currently lack reporting and can help inform policymakers and industry groups in the development of further guidance.

Developments of major transition plan frameworks and policies for financial institutions



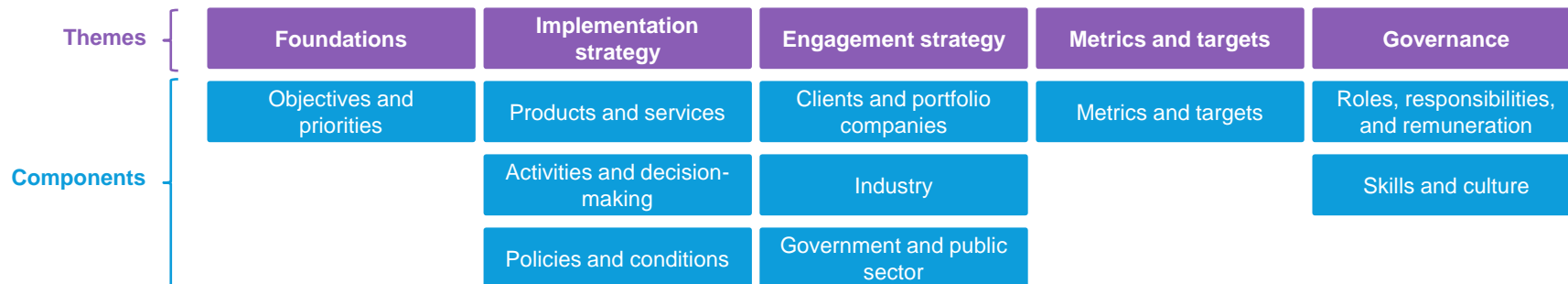
Source: BloombergNEF, various policy documents.

What is considered a transition plan?

The term “transition plan” typically refers to a document prepared by an entity on its net-zero strategy, either disclosed externally or for internal purposes. A transition plan may not be the only place the entity has released such information. The notion of these documents is new, and many are incorporating existing climate disclosure processes. It is important to capture disclosure from other sources because the process of developing such a strategy, often referred to as transition *planning*, is more important than disclosure for its sake. Hence this report:

- **Captures disclosure across sources:** we have identified transition plans named as such, and the cases when related transition planning elements are disclosed across various dispersed sources. For example, elements can be disclosed in similarly-named publications such as climate action plans, net-zero strategy reports as well as broader, sustainability and climate risk-related reports and websites.
- **Measures against a consistent structure:** Disclosure completeness of transition plans is assessed at the institution level based on the [Financial Institution Net-zero Transition Plans](#) framework published by GFANZ in November 2022. The framework contains a set of disclosure recommendations comprised of 10 components, which are grouped under five themes as illustrated below.

GFANZ Financial Institution Net-zero Transition Plans framework



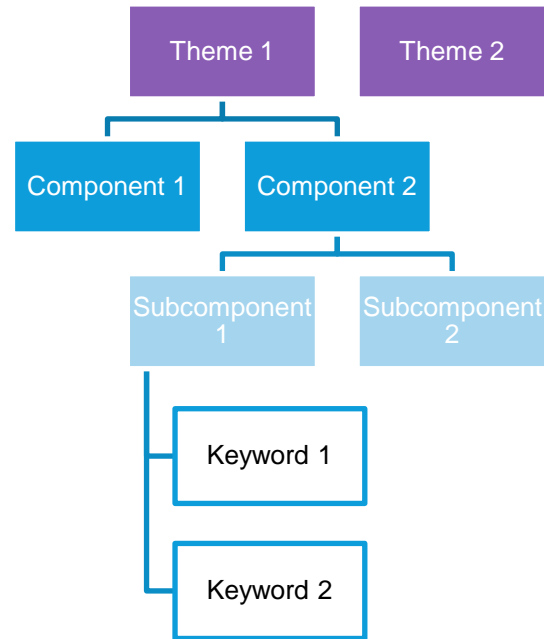
Source: Glasgow Financial Alliance for Net Zero

Identifying disclosure

To identify the existence of disclosures at the **theme** and **component** levels, we developed a multi-level methodology.

- **We split each GFANZ component into multiple subcomponents.** Each subcomponent represents a different disclosure aspect. For example, the *metrics and targets* component includes subcomponents such as portfolio targets, financial targets, as well as the use of carbon offsets.
- All 23 subcomponents are derived based on either a breakdown of the GFANZ description for each component, or a selection of relevant “optional disclosures” in the GFANZ framework.
- Not all 44 “optional disclosures” in the GFANZ framework are used. Some provide context or more color for critical information already covered in the component description. To keep our methodology relatively succinct, we generally only select those that provide additional information.
- At the bottom of the structure, the smallest unit of judgement is a list of carefully chosen **keywords** and phrases. The existence of these keywords, together with context judgement when necessary, helps us determine the existence of a subcomponent. Once a subcomponent is hit, its corresponding component is considered identified, also its corresponding theme.

Illustrative structure to identify disclosure



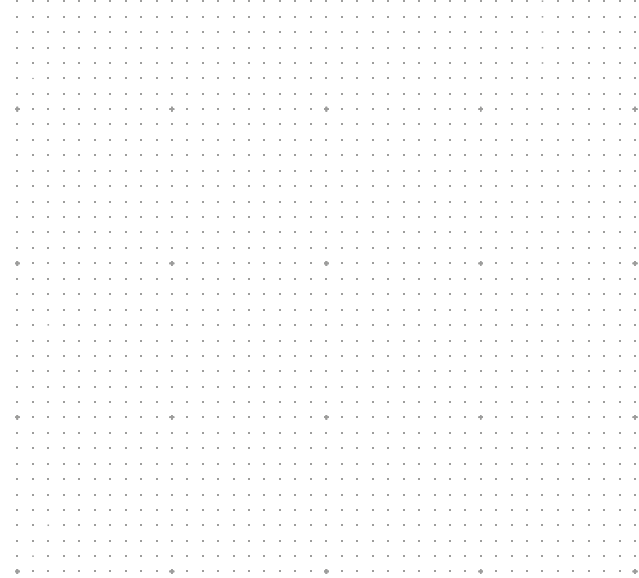
Examples

- *Implementation strategy*
- *Engagement strategy...*
- *Products and services*
- *Policies and conditions...*
- *Transition-aligned products*
- *Portfolio emissions targets...*
- *“climate fund”*
- *“fossil fuel restriction”...*

Source: BloombergNEF, Glasgow Financial Alliance for Net Zero.

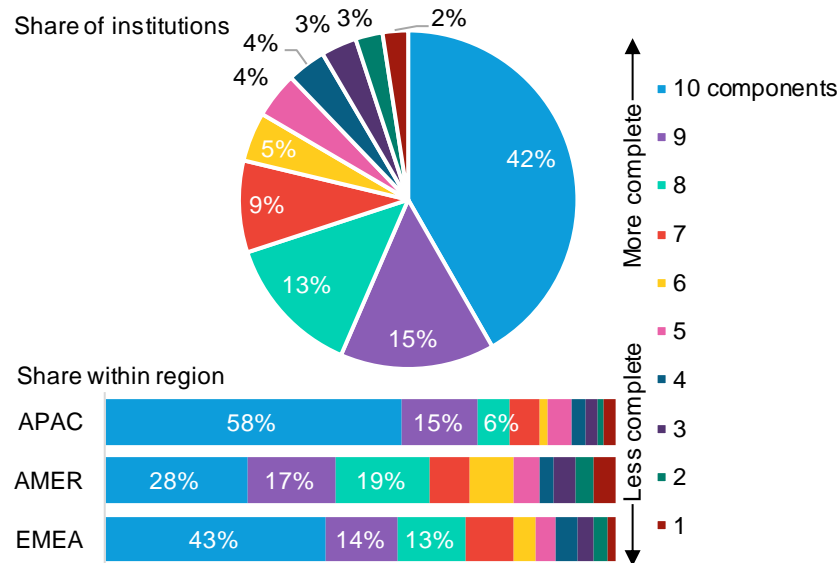
Level of disclosure

Compared to the GFANZ framework



Some 42% of institutions have disclosed a transition plan

Disclosure completeness of GFANZ components, by region



Some 42% of GFANZ sector alliance members have reported on all 10 recommendations in the GFANZ framework for transition plans.

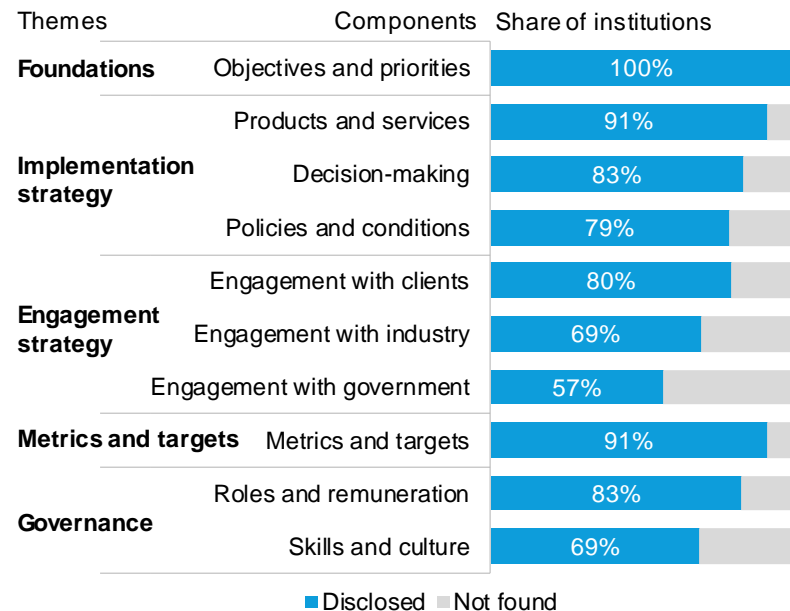
This provides strong evidence that a considerable proportion of financial institutions have already taken comprehensive measures to plan a transition toward net zero.

- Within the remaining 58% of institutions, the **disclosure completeness showed a positively-skewed distribution**. Some 15% of entities disclosed nine components, 13% with eight components, etc. Overall, close to 90% of institutions have already disclosed five or more components.
- Making up a quarter of the GFANZ sector alliance members, Europe, Middle East and Africa (EMEA) region had the largest number of institutions disclosing all 10 components. Yet within each region, **Asia-Pacific (APAC) had the largest share of members reporting all components** at 58%. Only 28% of institutions in the Americas (AMER) disclosed all 10 components.
- As transition planning practices and general climate reporting policies evolve, the number of institutions disclosing all 10 components will likely grow.

Source: Company publications, CDP, Bloomberg Terminal, BloombergNEF.

Mostly good disclosure across all components

Disclosure level of each component in GFANZ framework



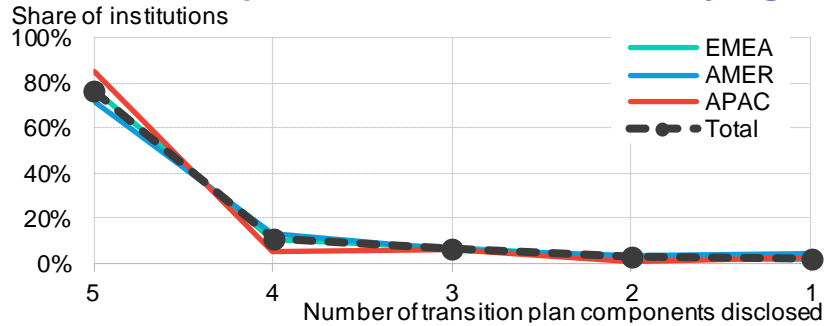
The level of component disclosures was good across the board. All components were reported by more than half of institutions, with *engagement with government* the lowest at 57% of institutions. The average across 10 components was 80%.

- *Objectives and priorities* received 100% by default. All institutions have stated their commitment to achieve net zero through participation in GFANZ member alliances.
- Two of the most important components, *products and services* and *metrics and targets* were adopted widely, each with 91% of institutions disclosing them. The former signals the spread of financial products and investments with sustainability attributes. The latter demonstrates progress in target-setting, such as portfolio and operational emissions goals.
- Discussions on developing internal *skills and culture* in relation to net zero were relatively scarce with only 69% of institutions reporting. Securing the necessary expertise on climate-related issues has been a challenge in the financial industry, which elevates the importance of this component to demonstrate progress relative to peers.
- The Appendix on [slide 20](#) provides the full definitions of components.

Source: Company publications, CDP, Bloomberg Terminal, BloombergNEF.

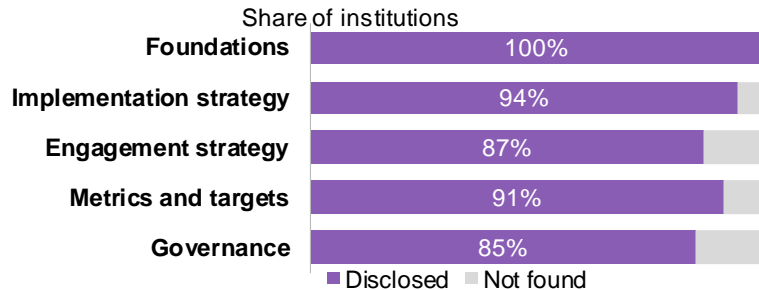
Over 75% of institutions disclose across the five GFANZ themes

Disclosure completeness of GFANZ themes, by region



Source: Company publications, CDP, Bloomberg Terminal, BloombergNEF.

Disclosure level of each GFANZ theme



Source: Company publications, CDP, Bloomberg Terminal, BloombergNEF.

An outstanding 77% of institutions have disclosed at least some information across all the broader five themes in the GFANZ framework. This gives confidence on the adoption of general transition planning practices within the financial sector.

These results are not equal to the *full* adoption of all the details entailed in the themes. Disclosure of *any* component or subcomponent would satisfy existence of a theme in our [methodology](#).

- Disclosure levels for every one of the five themes was consistently high. *Foundations* was satisfied by all member institutions, as having a net-zero target is a prerequisite for joining GFANZ. Aside from it, the share of entities disclosing each theme ranged between 85% of institutions for *governance* to 94% for *implementation strategy*.
- The high level of disclosure can be partly explained due to the overlap with conventional climate-related reporting, which entities have been conducting over previous years. For example, the Task Force on Climate-Related Financial Disclosures (TCFD), which guides entities to disclose climate risks and opportunities, already covers information around climate governance as well as metrics and targets (more on [slide 14](#)).

Additional key elements

Details that set transition plans apart

The need for additional key elements

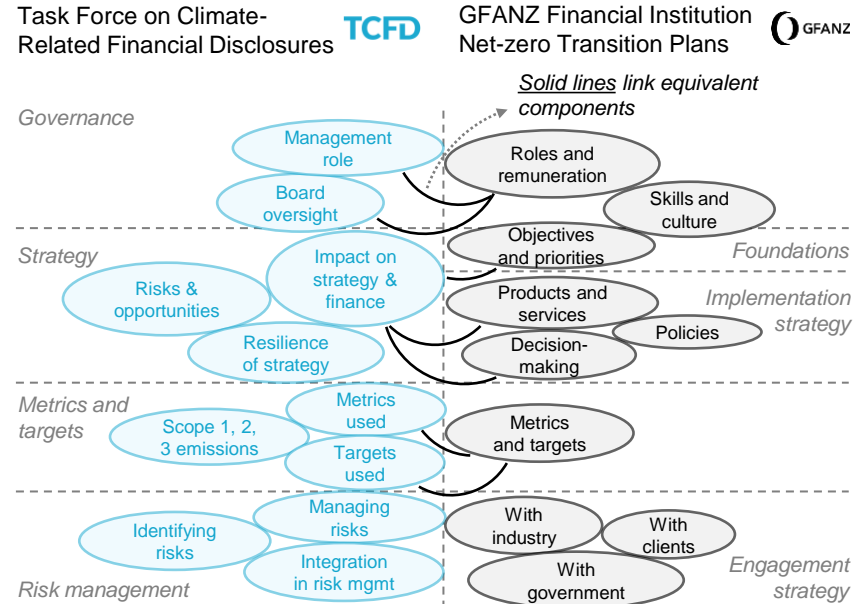
Transition planning is different from conventional climate reporting for its forward-looking focus on an entity's strategy to achieve net zero. While climate disclosures identify risks and opportunities, transition planning integrates a net-zero commitment into core business activities.

Both practices use a common set of data and practices such as climate related governance, strategy and metrics. This means that the structure of transition plans can mirror those of existing climate reporting. This is by design, primarily to reduce reporting burden. However, the resulting challenge is that **the merit of transition plan disclosures are buried in the detail of a familiar structure.**

That is why **we track a collection of additional key elements that embody the unique aspects of transition plans**, beyond the mostly shared components assessed so far. These include a portfolio of assets aligned with net zero beyond general sustainable financing, and explicit targets to reduce emissions in the portfolio beyond baselining current and past emissions.

These additional key elements are part of the subcomponents and “optional disclosures” recommended in the GFANZ framework. In this section, we compile those that provide the most evidence on the level of adoption of transition planning practices among financial institutions.

High-level mapping of climate risk and transition plan disclosure frameworks















Source: BloombergNEF, TCFD, GFANZ.

Rationale for additional key elements

Disclosure levels for key elements were lower. An average 56% of entities detailed these key elements. The table below outlines the rationale for each key element and corresponding disclosure results. This average was higher for components (80%), as detailed in [slide 9](#). The three subsequent slides give more details on some elements. [The Appendix](#) provides detailed definitions.

Key elements tracked and rationale for selection

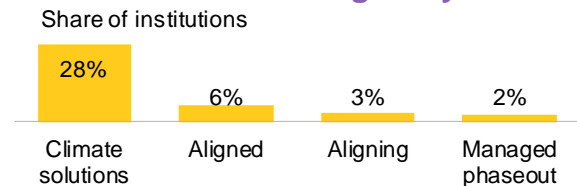
Key element	Component	Rationale – these elements demonstrate that entities...	Disclosure
Key transition financing strategies	Objectives and priorities	Specify concrete actions and financing approaches to transition.	 32%
Financial planning	Objectives and priorities	Align business priorities with the transition, such as capex plans.	 31%
Just transition considerations	Objectives and priorities	Address a whole-economy transition, including society and nature.	 73%
Transition-aligned products	Products and services	Align solutions and portfolios offered with net-zero pathways.	 52%
Progress on engagement	Engagement with clients	Drive continuous tracking and assessment of engagement results.	 54%
Escalation framework	Engagement with clients	Ensure rigidity and accountability in engagement process.	 27%
Portfolio emissions targets	Metrics and targets	Set explicit targets for the biggest source of emissions.	 87%
Pathways referenced	Metrics and targets	Ensure the transition plan is based on sound climate science.	 81%
Use of carbon offsets	Metrics and targets	Have transparency about carbon offsetting intentions.	 67%
Reviews and updates	Metrics and targets	Ensure the transition plan is being continuously evaluated.	 64%
Financial metrics and targets	Metrics and targets	Align financing activities with the real-economy transition.	 34%
Independent review and assurance	Roles, responsibilities and remuneration	Ensure the quality of information in a transition plan.	 69%

Source: Company publications, CDP, Bloomberg Terminal, BloombergNEF.

Additional element highlight: Key transition financing strategies

- **Description:** Key transition financing strategies refers to the prioritized channels that institutions set out to provide funding for the real-economy transition to net zero. These are defined by GFANZ as follows:
 - *Climate solutions:* Financing or enabling entities and activities that develop and scale climate solutions
 - *Aligned:* Financing or enabling entities that are already aligned to a 1.5 degrees C pathway
 - *Aligning:* Financing or enabling entities committed to transitioning in line with 1.5 degrees C-aligned pathways.
 - *Managed phaseout:* Financing or enabling the accelerated managed phaseout (e.g., early retirement) of high-emitting physical assets.
- **Why important:** GFANZ's framework on financing strategies can be used to categorize clients and portfolios to inform what actions are needed to bring them to climate alignment. Setting priorities on top of that further signals an institution's understanding of the opportunities and challenges among these strategies, and invite stakeholders to take actions.
- **Disclosure:** Not many entities stated a focus on specific financing strategies, while those who did may mention multiple. The share of entities mentioning any of the strategies was 32% of the universe. *Climate solutions* was the most discussed strategy at 28%, followed by 6% focusing on *aligned* companies such as those with approved Science Based Targets.

Share of institutions stating a key financing strategy



Source: Company publications, BloombergNEF. Note: Institutions can mention several strategies.

Examples of key transition financing strategies

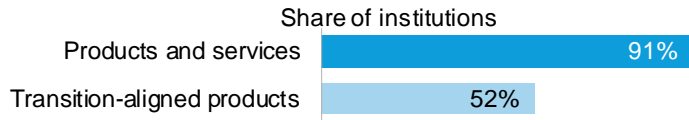
Strategy	Examples
Climate solutions	Increase investments in solutions that accelerate the low-carbon transition such as renewable energy, electric vehicles and green buildings.
Aligned	Invest only in companies that have a transition strategy aligned with the Paris Agreement or whose activities and emissions are aligned with 1.5°C.
Aligning	Finance companies not yet aligned with the Paris Agreement but have credible transition plans.
Managed phaseout	Support an accelerated managed phaseout of high-emitting physical assets such as coal assets.

Source: Company publications, BloombergNEF.

Additional element highlight: Transition-aligned products

- **Description:** Transition-aligned products refers to any investments and solutions that are explicitly aligned with the goals of the Paris Agreement, namely with the net zero or 1.5 degrees C pathways.
- **Why important:** Given longstanding concerns over greenwashing in the financial sector, an explicit alignment to the Paris Agreement goals showcase that financing products and investments are designed with science-based high standards, and help them differentiate in the market. They include products that scale zero-carbon solutions, a portfolio of assets with robust transition plans, and indices and funds based on transition-aligned pathways. Alignment may not be full. Institutions can also show credibility by specifying the share of a portfolio aligned with net zero.
- **Disclosure:** The level of disclosure for this aspect was limited to 52% of entities, compared with the 91% providing general climate and sustainability-related products and services.

Disclosure level under products and services



Source: Company publications, BloombergNEF.

Examples of transition-aligned products

Industry	Examples
Asset managers	<ul style="list-style-type: none"> • An equity strategy that aims to have at least 90% of investments aligned with environmental objectives defined in the EU Taxonomy • A fund that has the objective to replicate the MSCI World Climate Paris Aligned Net US Index • A portfolio dedicated to the transition by focusing on companies whose activities and emissions are aligned with the goals of the Paris Agreement
Banks	<ul style="list-style-type: none"> • Project finance and use of proceeds financing for assets or activities that are aligned to a 1.5°C pathway, such as deployment of new low-carbon technologies • A sustainability-linked loan to drive the transition to a low-carbon economy for companies in line with science-based pathways for respective sectors
Asset owners	<ul style="list-style-type: none"> • Having 60% of companies in the portfolio with an approved Science Based Target • Insurance offerings for the clean energy sector

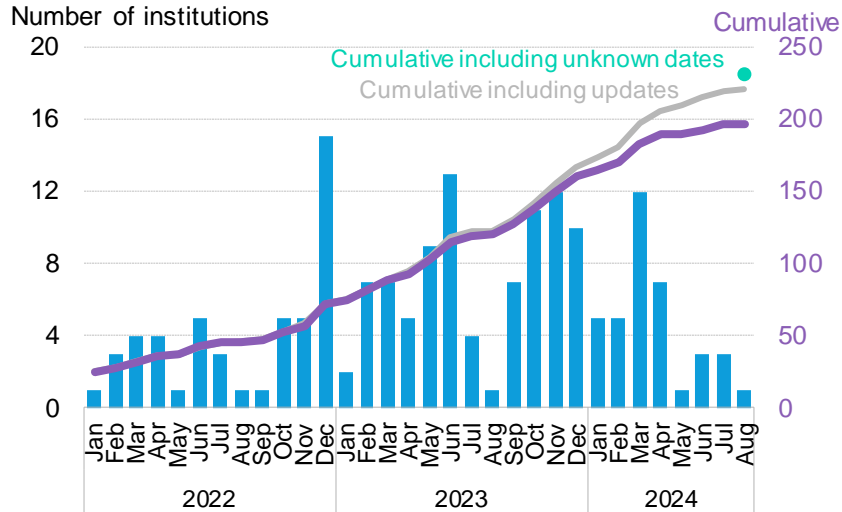
Source: Company publications, BloombergNEF.

A closer look at standalone plans

Disclosures across document types

At least 230 institutions have published a standalone transition document

Transition plans published and updated over time



Source: Company publications, BloombergNEF. Note: Includes climate strategy documents not titled “transition plan.”

Almost a third of GFANZ sector alliance members have published a standalone climate strategy equivalent to a transition plan. This number has almost tripled from the start of 2023. Some entities have also started to update their plans, with changes such as new interim emissions targets for more sectors. As of August 2024, at least an additional 24 institutions have announced the intention to publish a standalone plan.

This section looks at standalone, forward-looking climate strategy documents. They may not be named as “transition plan,” and can be part of a wider climate document. We classify them into three types:

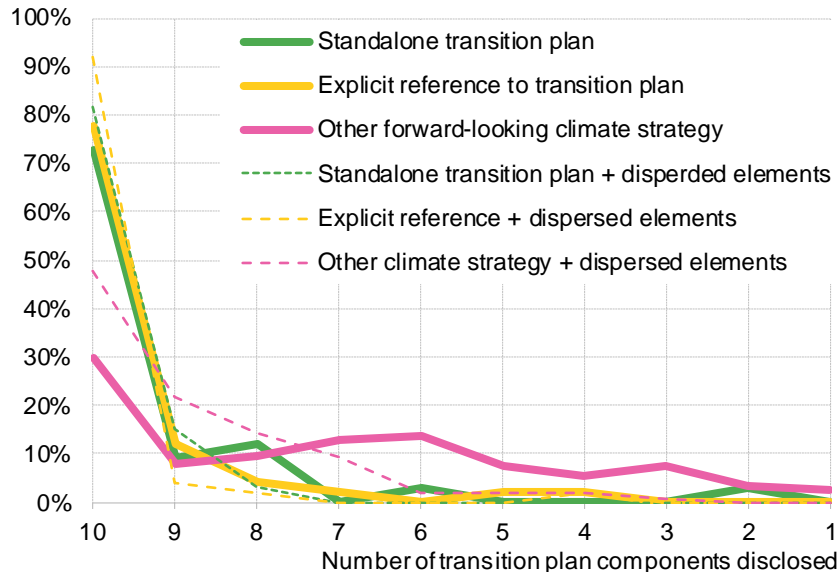
- **Standalone transition plan:** Standalone documents with “transition plan” in the title, (15% of standalone strategy document universe).
- **Explicit reference to transition plan:** Climate reports not titled “transition plan” but contain an explicit references to transition planning or a relevant framework. These can be through a table or index mapping relevant sections of the report to a framework (21%).
- **Other forward-looking climate strategy:** They have no explicit references to “transition plan” but contain similar elements and information. These can have a variety of names such as climate action plan, net zero strategy, climate strategy, etc. (64%).

Transition plan documents are more complete than other climate strategies

There are noticeable differences in content alignment levels for documents intended as a transition plan. Institutions with documents titled “transition plan” or with explicit references to it have higher completeness against the GFANZ framework. Even then, dispersed elements still exist outside of standalone documents. Either these documents can be more complete, or stakeholders should take all disclosure channels into consideration.

Disclosure completeness, by standalone document type


Share of institutions



Source: Company publications, CDP, Bloomberg Terminal, BloombergNEF

- Among the named **transition plans**, 73% of documents contained all 10 components. More than 94% contained at least eight components.
- Even with different names, documents with **explicit references** to transition plans had the highest levels of disclosure completeness with 78% of them containing all 10 components. This could be a result of their deliberate mappings pointing out relevant sections compared to the components in transition plan frameworks.
- **Other climate strategy** documents had the lowest level of alignment. Only 30% of documents contained all 10 components. This shows other documents, though perhaps serving similar purposes, may not be squarely treated as transition plans even though they could be part of the transition *planning* process.
- In this analysis we count CDP disclosure results as part of the standalone documents. CDP questionnaires provide investors a standardized access to large amounts of climate disclosure data, even before transition plans came into being. We used them to complement results for some key components, and therefore is difficult to set them aside.

Financial institution transition planning depends on real-economy plans

Data and tools available on  Bloomberg Terminal

Financial institutions need transition plans and climate strategies from their clients in the real economy to help develop their own goals. Those include targets, investment plans and governance structure and are essential to inform investment and financing decisions. Investors and banks assess the alignment of a company's future emissions trajectory with the institution's own plans, and offer financing, engagement and advisory solutions to drive entities to decarbonize.

Bloomberg has identified over 1,973 real-economy companies to date with climate targets and transition plans. These are tracked in the **Transition Plan Indicator** field under the {ESG NETZ<GO>} function on the Bloomberg Terminal. Bloomberg's **Transition Credibility Scores** use standardized, systematically generated inputs to analyze corporate transition leaders and laggards in sectors such as automobiles, cement, electric utilities and oil. The scores are available on the Bloomberg Terminal in {BESG<GO>} Climate solutions: Reference or directly in {HELP BESG:0:1 4568346 <GO>}.

Bloomberg Terminal {ESG NETZ<GO>}



Source: Bloomberg Terminal

Bloomberg Transition Credibility Scores

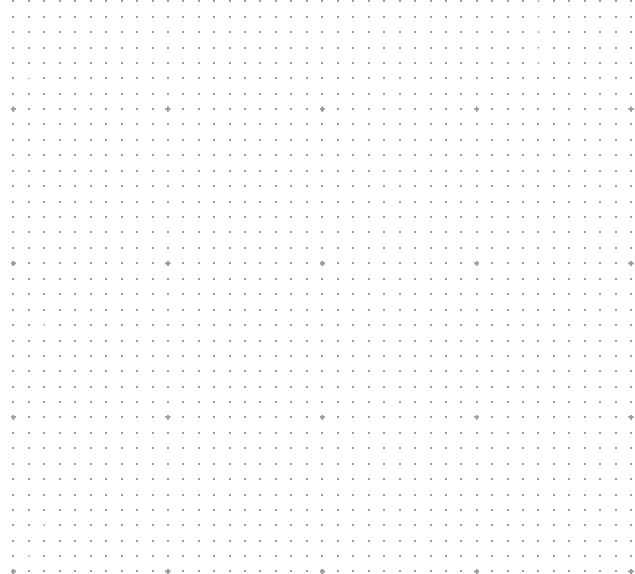
Summary Table

	Adjust weights	Select equity ticker	Select peer tickers		Year
		5444 JP Equity	ACX SM Equity	FER PW Equity	5463 JP Equity
Name	Choose Thresholds	Yamato Kogyo Co Ltd	Acerinox SA	Ferrum SA	Maruichi Steel Tube Ltd
Transition - Overall Score /10 (Higher is better)		1.87	5.31	0.37	1.54
Transition - Peer Position	75%	Transition Follower	Transition Leader	Transition Laggard	Transition Follower
Analysis of Assessment:					
Ambition	Choose Weights				
Foundations / Targets	10%	0.00	0.33	0.00	0.25
Actions					
Implementation	35%	0.27	0.84	0.00	0.18
Engagement	10%	0.00	0.00	0.00	0.00
Accountability					
Metrics / Performance	35%	0.21	0.53	0.11	0.19
Governance	10%	0.17	0.17	0.00	0.00
Historical Snapshot - Low Emitter/Strong Decarboniser/Strong Green Financials					
Country of Risk		No	Strong Green Financials	Low Emitter	No
		JP	ES	PL	JP
Govt Climate Score - Global Position		Lagging	Leading	Lagging	Lagging

Source: Bloomberg Terminal

Appendix

Definitions



Element-level descriptions

The following slides provide a description for each of the 23 elements in the tracking rubric.

Descriptions of elements in BNEF transition plan rubric

■ Additional key elements

Component	Rubric element	Description
Objectives and priorities	1. Net-zero ambition	Long-term ambition and commitment to achieve net zero by 2050
	2. Priority transition financing strategies	Prioritized key financing strategies of net-zero transition action to enable real-economy emissions reduction. (GFANZ's four key transition financing strategies)
	3. Financial planning	Any aspects of financial planning to implement the transition plan.
	4. Just transition	How the concepts of just transition and nature are factored into the transition plan.
Implementation strategy	5. Products and services	Existing and new products and services to support clients' and portfolio companies' efforts to transition in line with 1.5 degrees C pathways.
	6. Transition-aligned products	Any transition-aligned products and services the entity offers.
	7. Decision-making	How the entity is embedding its net-zero objectives and priorities in core evaluation and decision-making tools and processes to support the net-zero commitment.

Source: Glasgow Financial Alliance for Net Zero, BloombergNEF.

Element-level descriptions (2)

Descriptions of elements in BNEF transition plan rubric

■ Additional key elements

Component	Rubric element	Description
Implementation strategy	8. Policies and conditions	Any policies and conditions to define business boundaries with priority sectors and activities, such as thermal coal, oil and gas, and deforestation.
Engagement with clients and portfolio companies	9. Engagement with clients	The entity's approach for engagement with clients and portfolio companies.
	10. Escalation framework	Existence of an escalation framework with consequences when engagement is ineffective.
	11. Progress on engagement	Details of progress on engagement with clients and portfolio companies.
Engagement with industry	12. Engagement with industry	The entity's approach for engagement with industry peers, including membership in associations.
Engagement with government	13. Engagement with government	The entity's approach and summary of engagement activities with government and the public sector.

Source: Glasgow Financial Alliance for Net Zero, BloombergNEF.

Element-level descriptions (3)

Descriptions of elements in BNEF transition plan rubric

■ Additional key elements

Component	Rubric element	Description
Metrics and targets	14. Metrics and targets	Any metrics or targets used to drive and monitor execution of the transition plan.
	15. Financial metrics and targets	Any targets for aligning financial activity in support of the real-economy net zero transition.
	16. Portfolio emissions targets	Any targets used to measure changes in client and portfolio GHG emissions, including financed emissions or portfolio coverage targets.
	17. Use of carbon offsets	The entity's approach for neutralizing any residual emissions, using carbon offsets or other measures.
	18. Reviews and updates	The intention to regularly review and update the transition plan, or a log of previous updates.
	19. Pathways referenced	The scenarios and pathways referenced to build the transition plan.

Source: Glasgow Financial Alliance for Net Zero, BloombergNEF.

Element-level descriptions (4)

Descriptions of elements in BNEF transition plan rubric

■ Additional key elements

Component	Rubric element	Description
Governance	20. Climate governance structure	The governance structure for oversight of the transition plan, including relevant roles, responsibility and accountability.
	21. Incentives and remuneration	Any climate-related remuneration and incentive schemes.
	22. Independent review	Whether the plan or any parts of it are subject to independent review or third-party assurance.
	23. Skills and culture	Summary of existing capacity, and any training programs and initiatives to develop the necessary skills and embed the transition plan in the organization's culture.

Source: Glasgow Financial Alliance for Net Zero, BloombergNEF.

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