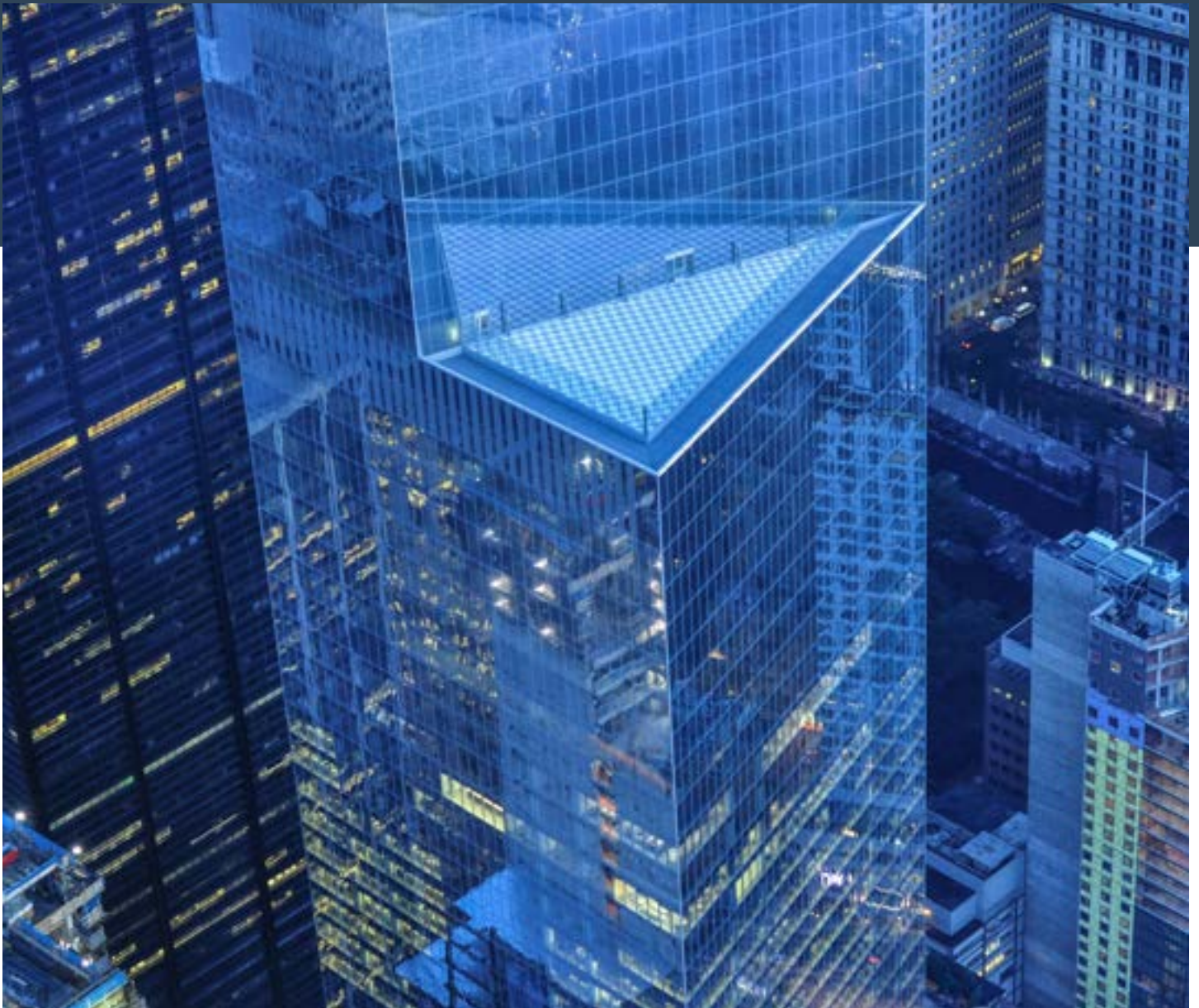


TPT Transition Plan
Taskforce

Banks Sector Guidance

April 2024



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Contents

| | |
|--|-----------|
| ABOUT THE TPT | 5 |
| 1. INTRODUCTION | 6 |
| The TPT's Sector Guidance | 6 |
| How this Guidance fits within the suite of TPT Guidance | 7 |
| Sector Context | 11 |
| Scope of the Banks Guidance | 12 |
| A strategic and rounded approach to Banks' transition plans | 14 |
| 2. INTERPRETING THE TPT DISCLOSURE FRAMEWORK FOR THE BANKING SECTOR | 20 |
| GLOSSARY | 38 |

About the TPT

The United Kingdom (UK) has set itself ambitious and legally binding targets to cut greenhouse gas (GHG) emissions to net zero by 2050, with binding interim targets. The UK has also pledged at UN climate negotiations to cut emissions by at least 68% by 2030.¹

In October 2021, the UK government published the Greening Finance Roadmap, signalling that it intends to strengthen new and existing sustainability reporting requirements for companies, including publication of climate transition plans.

At COP26, the UK Chancellor further committed to work towards the UK becoming the world's first Net Zero-aligned Financial Centre and ensuring that financial flows shift towards supporting a net zero economy. The Chancellor also set out that the UK will move towards making publication of transition plans mandatory.

The Transition Plan Taskforce (TPT) was launched by HM Treasury in March 2022 with a mandate to bring together leaders from industry, academia, and regulators to develop good practice for transition plan disclosures for finance and the real economy. In addition, the TPT has been tasked to engage with non-UK governments and

regulatory networks to support conversations on how to build common baselines and principles for transition planning. This has included the Financial Stability Board, the International Organization of Securities Commissions (IOSCO) and the Network for Greening the Financial System (NGFS), as well as the G7, G20, UNFCCC and the Coalition of Finance Ministers for Climate Action. The TPT's Disclosure Framework complements, and builds on, the ISSB's final IFRS S1² and S2³ and draws on GFANZ's framework and guidance for credible, comprehensive, and comparable net zero transition planning.

In the 2023 Green Finance Strategy, the UK government committed to consult on introducing requirements for the UK's largest companies to disclose their transition plans if they have them.⁴ In addition, the Financial Conduct Authority (FCA) has signalled its intention to consult on strengthening requirements for transition plan disclosures in line with the TPT Disclosure Framework, alongside its consultation on implementing UK-endorsed ISSB Standards.⁵

In January 2024 the TPT's mandate was extended to 31 July 2024, with the possibility of a further 3-month extension in order to contribute to the work of the new Transition Finance Market Review.

At COP26, the UK Chancellor further committed to work towards the UK becoming the world's first Net Zero-aligned Financial Centre and ensuring that financial flows shift towards supporting a net zero economy.

1) See **UK Climate Change Act 2008** and **the UK's Nationally Determined Contribution**, as updated September 2022.

2) International Financial Reporting Standards (IFRS), **IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information**, 2023.

3) International Financial Reporting Standards (IFRS), **IFRS S2 Climate-related Disclosures**, 2023.

4) UK Government, **Mobilising green investment: 2023 green finance strategy**, 2023.

5) FCA, **Primary Market Bulletin 45**, 2023.

1. INTRODUCTION

The TPT's Sector Guidance

In October 2023, the TPT published the final **Disclosure Framework** and a **suite of Implementation Guidance**. Preparers of transition plans should first read these products.

The TPT's Terms of Reference also gave the TPT a mandate to produce sectoral guidance for both financial sector and real economy companies. To deliver this the TPT has published two types of sector guidance to complement the TPT Disclosure Framework: the TPT Sector Summary and the TPT Sector Deep Dives.

The TPT Sector Summary was published online in October 2023 and was open for comment until 24 November 2023. This Guidance provides a high-level overview of decarbonisation levers and metrics & targets for an extensive number of financial and real economy sectors, leveraging existing third-party guidance. An updated version of the TPT Sector Summary was published in April 2024.

The TPT Sector Deep Dive Guidance provides sector-specific guidance for preparers to interpret the Disclosure Framework for a small number of sectors. In its **Status Update** in July 2023, the TPT confirmed these sectors as:

- **Asset Managers;**
- **Asset Owners;**
- **Banks;**
- **Electric Utilities & Power Generators;**
- **Food & Beverage;**
- **Metals & Mining;** and
- **Oil & Gas;**

These sectors were chosen given each sector's greenhouse gas emissions, its need for (or its provision of) transition finance in the UK context, and the quality of existing guidance available in the market. In making its selection the TPT sought to identify sectors for which additional guidance would be beneficial in kick-starting transition plan disclosures, while also identifying opportunities to leverage existing sectoral guidance and consolidate it into the context of the Disclosure Framework.

In November 2023, the TPT published the Sector Deep Dive Guidance for consultation. The consultation ran until 29 December 2023. This document is the final version of this Guidance.

The materials produced by the TPT reflect a synthesis of best practice at the time of publication. They do not constitute financial, legal, or other professional advice and should not be relied upon as such. Nothing in the Banks Guidance is intended to override, substitute, or alter existing legal or regulatory requirements, including, without limitation, duties of the entity's directors and senior managers, and the entity's constitutional documents. Nothing in the Banks Guidance should be understood to require the disclosure of commercially sensitive information.

How this Guidance fits within the suite of TPT Guidance

In October 2023, the TPT published its final **Disclosure Framework**, as part of a wider suite of Implementation Guidance, including:

- Guidance to help preparers **explore the disclosure recommendations**, including case studies;
- Guidance on the **transition planning cycle**, including case studies;
- Technical mapping to the final **Climate-Related Disclosures standard (IFRS S2) issued by the International Sustainability Standards Board (ISSB)** and the **TCFD's Recommendation and Guidance**;
- A comparison of the TPT Disclosure Framework to the **European Sustainability Reporting Standards (ESRS)**; and
- **Legal considerations for preparers of transition plans using the TPT Disclosure Framework.**

On 9 April 2024, the TPT published the suite of final Sector Deep Dive alongside:

- **Opportunities and challenges relating to the use of private sector transition plans in emerging markets and developing economies**; and
- the final **Transition Planning Cycle Guidance** document which includes new content on adaptation.

The TPT Working Groups on Adaptation, Just Transition and Nature, and the TPT Advisory Group on SMEs, also published advisory papers on 9 April 2024. These papers are independent of the core suite of TPT documents:

- **Building Climate-ready Transition Plans: Including adaptation and resilience for comprehensive Transition Planning approaches**, an advisory paper from the TPT Adaptation Working Group;
- **The Future of Nature in Transition Planning**, an advisory paper from the TPT Nature Working Group;
- **Putting people at the heart of transition plans: key steps and metrics for issuers, an advisory paper from the Just Transition Working Group**; and
- **Considerations on SMEs and transition plans**, an advisory paper from the SME Advisory Group.

The Disclosure Framework contains the foundational disclosure recommendations which apply to all sectors, as shown in Figure 1. It is designed to complement, and build on the ISSB's final Standards IFRS S1⁶ and S2,⁷ as well as drawing on GFANZ's framework and guidance for credible, comprehensive, and comparable net zero transition planning and uses the same core components and structure. This means that the TPT Framework and GFANZ are both part of an aligned, consistent effort to support the development of private sector transition plans.

6) International Financial Reporting Standards (IFRS), **IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information**, 2023.

7) International Financial Reporting Standards (IFRS), **IFRS S2 Climate-related Disclosures**, 2023.

Preparers should first read the Disclosure Framework to understand the TPT’s key concepts.

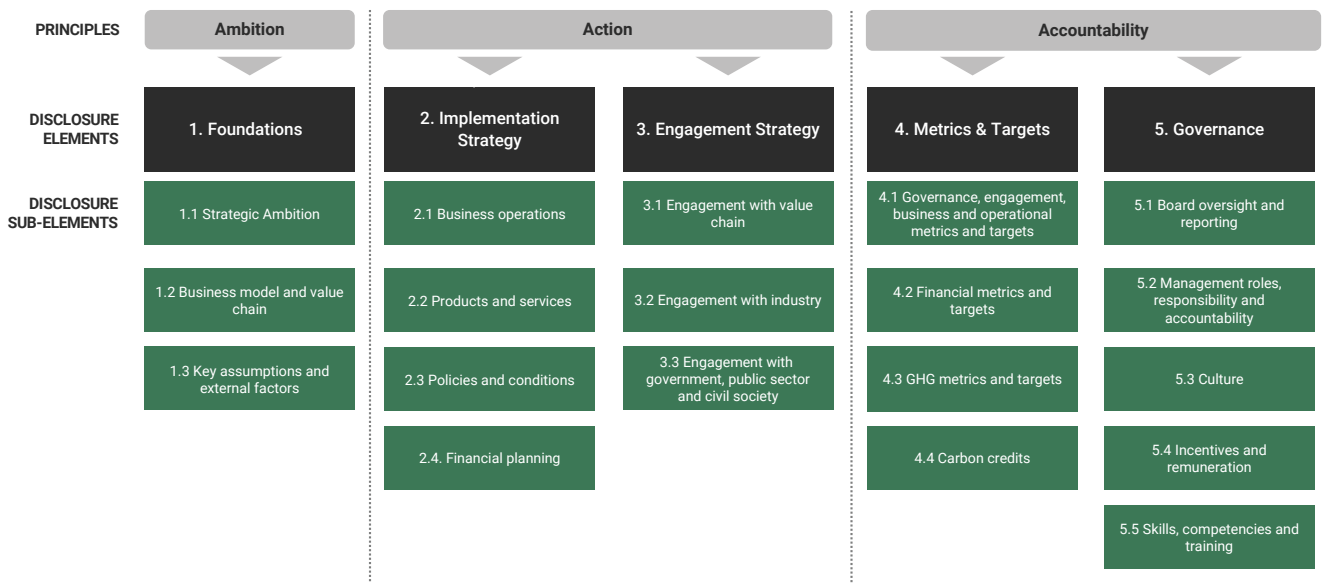


Figure 1: The TPT Disclosure Framework

This Banking Guidance adds further depth and detail for preparers of transition plans that are operating in the banking sector.

Part One of this Guidance (Introduction) introduces the sector context and how the Guidance is to be used alongside the Disclosure Framework and wider TPT Guidance. Part Two (Interpreting the Disclosure Framework for the Banks sector) provides suggestions of disclosures and further guidance and resources for entities to consider.

The hierarchy of TPT guidance within the overall transition plan disclosures landscape is set out in Figure 2. In jurisdictions where ISSB Standards are to be adopted, preparers will likely begin by consulting IFRS S1 and S2 for wider climate and sustainability disclosures. IFRS S2 contains disclosure requirements relevant to transition planning. The TPT Disclosure Framework then complements, and builds on, ISSB. The TPT’s suite of Implementation Guidance, as well as transition plan guidance materials published by GFANZ, may further help preparers develop their plans. The Banks Guidance then interprets the Disclosure Framework for the Banks sector.



The Transition Plan Disclosures Landscape: how preparers can use the outputs of ISSB, GFANZ, and TPT

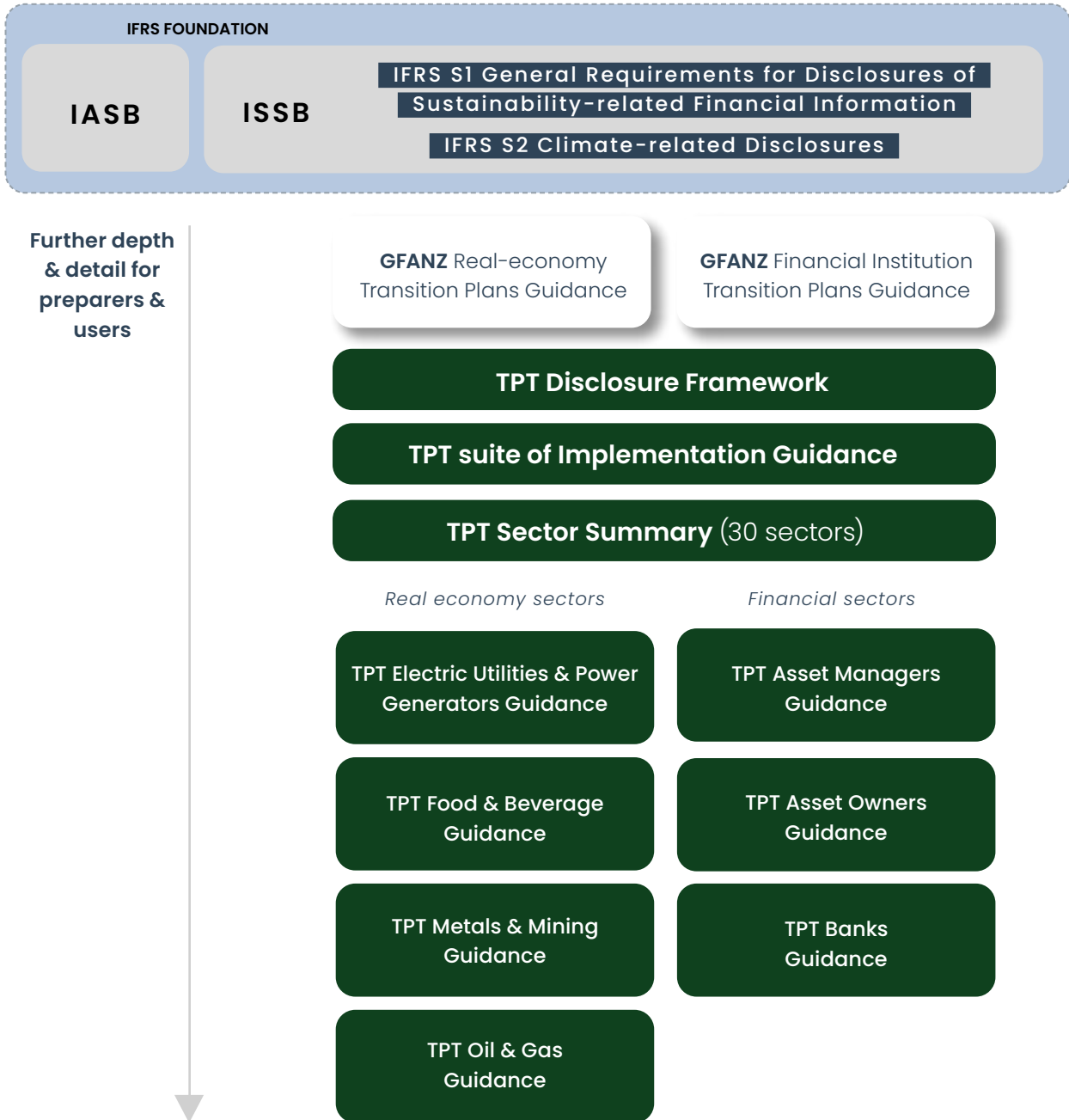


Figure 2: The Transition Plan Disclosures Landscape

Using the Banks Guidance to Interpret the Disclosure Framework

The TPT Disclosure Framework (see Figure 1) breaks down five Elements into 19 Sub-Elements, each of which is supported by Disclosure Recommendations. Where Recommendations are introduced using **“shall”**, this indicates that the TPT views these as relevant disclosures for all good practice transition plans, subject to a materiality assessment. Some Sub-Elements also contain examples of additional disclosures that an entity may consider, but which may not be relevant to all entities. These are introduced using **“may”** or **“e.g.”** and are not intended to be comprehensive. This means an entity may consider disclosing other information under these Sub-Elements.

Part Two of this Guidance supports preparers and users to interpret the Disclosure Framework by setting out suggestions of disclosures that entities **“should consider disclosing”**. None of the suggestions in this Guidance replace the Disclosure Recommendations in the Disclosure Framework; they are complementary and intended to help preparers interpret the Disclosure Framework. As in the Disclosure Framework, suggested disclosures are not intended to be comprehensive, and an entity may consider disclosing other information under these Sub-Elements where deemed material to the decisions of primary users of the entity’s general purpose financial reports. These suggestions of disclosures are accompanied by further considerations and references to external guidance that preparers may find useful, titled **“When disclosing, an entity may additionally consider:”**.

The TPT Disclosure Framework and Sector Guidance, including this Banks Guidance, use the ISSB’s definition of a climate-related transition plan, and apply the same approach to materiality and the wider set of concepts, definitions, and corporate reporting norms that are set out in the ISSB’s General Requirements standard (IFRS S1)⁸ (see Appendix 1: Reporting of transition plans in the TPT **Disclosure Framework**). In addition to including transition plan disclosures as part of its general purpose financial reports, the TPT regards it as good practice for an entity periodically to publish its transition plan in a single standalone document that sits alongside its general purpose financial reports.

Photo Miquel Parera, Unsplash.com

⁸) International Financial Reporting Standards (IFRS), **IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information**, 2023.

Sector Context

There is an urgent need to scale up financing for the global transition towards a low-GHG emissions, climate-resilient economy.

According to the Independent High Level Expert Group on Climate Finance, by 2030 the world will need a five-fold increase in concessional finance, a tripling of multilateral development bank financing, and 15 times as much private sector climate finance to emerging markets and developing economies to deliver on the Paris Agreement.⁹ In addition, the United Nations Environment Program estimates that there is an annual adaptation finance gap of US\$194–366 billion.¹⁰

As financial intermediaries that finance every sector of the economy, Banks have a critical role to play in this transition. Achieving net zero requires a whole economy transition across the globe – encompassing nations, entities, individuals – all of whom are reliant on Banks. Banks are a unique and essential enabler in the global system to accelerate a just transition, build a low-GHG emission and climate-resilient global economy, and achieve the goals outlined in the Paris Agreement.

In addition, Banks must grapple with climate-related risks, which present a significant and complex threat to their portfolios. Market actors and supervisors have become increasingly aware of the potential impact of climate-related physical and transition risks, both the safety and soundness of individual Banks, and the overall stability of financial markets. Already in 2021, the G20-backed Taskforce for Climate-related Financial Disclosures (TCFD) recommended in its Implementing Guidance that organisations disclose their plans for transitioning to a low-carbon economy.

Building on the TCFD’s recommendations, the IFRS S2 Climate-related disclosures standard requires entities to disclose information about ‘any climate-related transition plan [they have]’, as part of broader disclosures on climate-related risks and opportunities.¹¹ Prudential supervisors are now actively considering the role of transition plans in prudential supervision, with some having either consulted on or set expectations with regards to both transition plans and transition planning.^{12,13} There are also ongoing workstreams in relevant international groups of financial regulators and standard setters, such as the Network of Central Banks and Financial Regulators for Greening the Financial System (NGFS), the Basel Committee on Banking Supervision (BCBS), and the Financial Stability Board (FSB).

In developing their transition plans, Banks will need to reduce their emissions (the majority of which are financed emissions),¹⁴ manage their climate-related risks and opportunities (e.g. by supporting clients in building climate resilience or implementing enhanced climate risk management frameworks to address borrowers who are unable to transition), and use their levers to enable the economy-wide transition (e.g. by enabling the growth of green alternatives). Alongside this, Banks should identify, assess and take into account the impacts and dependencies of their transition plans on stakeholders and society, and the natural environment, and the risks and opportunities that arise from these.

The development and disclosure of robust, credible, and sector-appropriate transition plans will allow Banks to communicate to their stakeholders how they are preparing for and responding to the transition.

9) Independent High-Level Expert Group on Climate Finance (IHLEG), **A climate finance framework: decisive action to deliver on the Paris Agreement**, 2023.

10) UN Environment Programme (UNEP), **Adaptation Gap Report 2023: Underfinanced. Underprepared**, 2023.

11) International Financial Reporting Standards (IFRS), **IFRS S2 Climate-related Disclosures**, 2023.

12) see e.g. Monetary Authority of Singapore (MAS), **Consultation Paper on Guidelines on Transition Planning (Banks)**, 2023.

13) European Banking Authority (EBA), **Consultation paper on Draft Guidelines on the management of ESG risks**, 2024.

14) CDP, **The Time to Green Finance: CDP Financial Services Disclosure Report 2020**, 2021.

Scope of the TPT Banks Guidance

Activities addressed in this Banks Guidance

Banks should address their full range of operations and activities in their transition plans, covering on- and off- balance sheet activities including, but not limited to, any lending, sales and trading, capital markets, and advisory activities.

It is recognised there may be data and methodology limitations for some banking activities (e.g. methodologies for financed emissions may not cover all relevant asset classes, and methodologies for facilitated emissions may not cover all relevant banking activities). Where this is the case, Banks should be transparent in identifying these limitations, explain the impact of these and outline any steps that they are taking, or plan to take, to address them.

This document is intended to provide guidance for discrete areas in which the Banking sector is unique, such as core banking activities. A bank's non-banking activities (i.e. operational activities) are not unique to the sector (e.g. electricity, heating, business travel) and are therefore not addressed in this Banks Guidance.

When disclosing information about its **non-banking activities**, an entity should do so in accordance with the TPT Disclosure Framework, utilising the accompanying Explore the Disclosure Framework guidance.

When disclosing information about its **banking activities**, an entity should do so in accordance with the TPT Disclosure Framework, utilising the accompanying Explore the Disclosure Framework guidance and supplemental Banks Guidance.

Applying the TPT Sector Guidance to cross-sector entities

Entities should use the TPT's sector guidance as appropriate to their specific business model. In instances in which an entity has multiple operations, this may result in an entity using more than one piece of sector guidance to interpret the TPT Disclosure Framework. For example, the TPT recognises that Banks may have in-house asset management functions. In such instances, an entity is recommended to use both the Banks and Asset Managers Guidance.

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Sub-Elements of the Disclosure Framework addressed in this Guidance

The Disclosure Framework sets out 19 Sub-Elements supported by a series of Disclosure Recommendations. While entities are expected to disclose against all Sub-Elements, only 10 were selected for sector specific interpretation in this Guidance. Sub-Elements were selected considering the scope for additional sector specificity to build on the Disclosure Framework, and the breadth and depth of existing sector-specific guidance.

For Sub-Elements where additional sector-specific guidance is provided, this may only apply to some Disclosure Recommendations of the Disclosure Framework. Suggestions for disclosures and additional considerations are not intended to be comprehensive. An entity should disclose other information under these Sub-Elements where deemed appropriate.

The Disclosure Recommendations in the Disclosure Framework for the remaining nine Sub-Elements were deemed not to require further sector-specific detail or interpretation. No additional sector-specific guidance has been provided for these Sub-Elements.

The Sub-Elements selected for interpretation in this Guidance are set out in Figure 3 below.

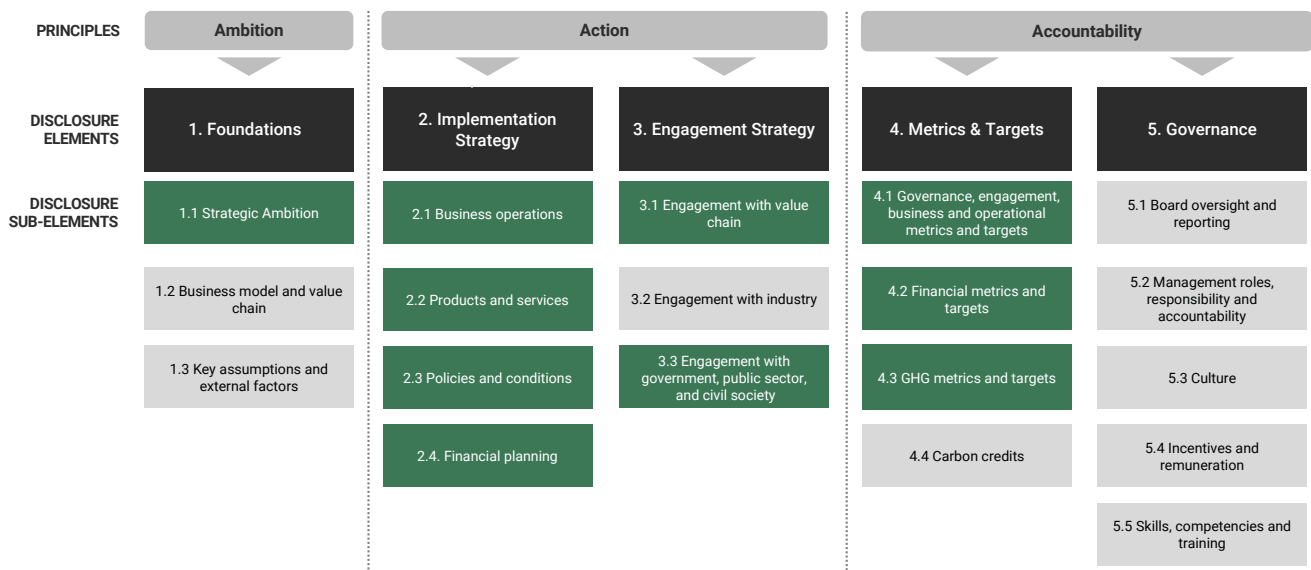


Figure 3: Sub-Elements selected for interpretation in this Guidance

A strategic and rounded approach to Banks' transition plans

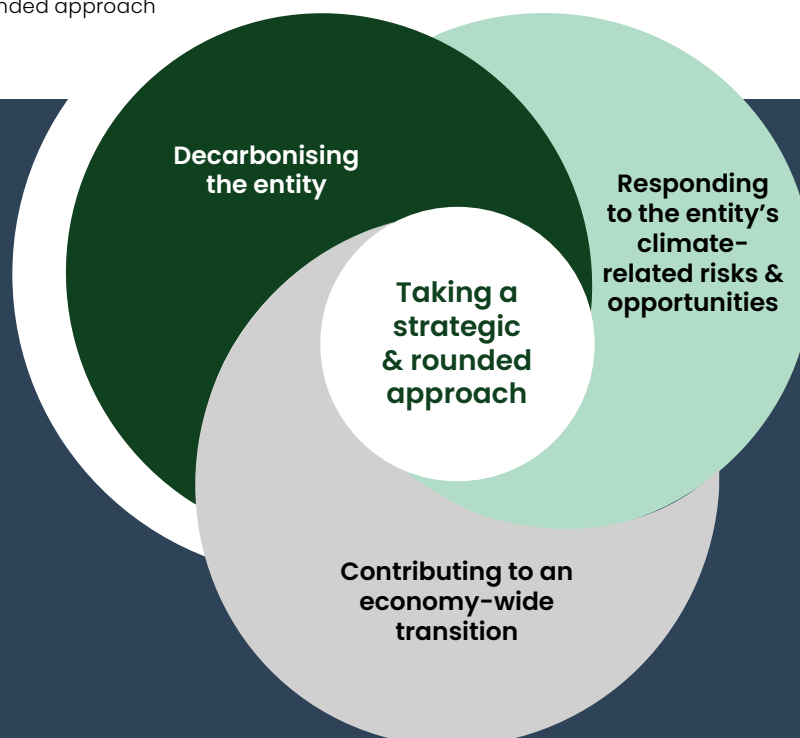
The TPT Disclosure Framework recommends that entities, including Banks, take a strategic and rounded approach to transition planning, considering three inter-related channels:

1. **Decarbonising the entity:** A bank's transition plan should outline its ambitions and actions, in the short-, medium- and long-term, to reduce its Scope 1, 2 and 3 (including financed and facilitated) GHG emissions.
2. **Responding to the entity's climate-related risks and opportunities:** A Bank's transition plan should set out its ambitions and actions to enhance its resilience to a changing climate, and how it is responding to climate-related risks (e.g. fossil fuel exposure and risk of stranded assets) and opportunities (e.g. investment in climate solutions) that arise from the transition to a low-GHG emissions, climate-resilient economy.
3. **Contributing to an economy-wide transition:** A Bank's transition plan should set out its ambitions and actions to use the levers and capabilities it has available to embed and accelerate the transition to a low-GHG emissions and climate-resilient economy. For example, this may include providing finance or services to companies in high-emitting sectors with the intention of decarbonising or phasing out their activities.

Considering all three inter-related channels in designing their transition plan can help Banks protect and enhance long-term value and avoid the unintended consequences of an approach which exclusively focuses on achieving GHG emissions or adaptation targets within an entity's own operations and portfolio.

Taking a strategic and rounded approach helps Banks to consider a wide range of decarbonisation levers available to them and where possible avoid a strategy of 'paper decarbonisation', which is characterised by actions that decarbonise an entity's balance sheet in ways that may not necessarily contribute to the actual decarbonisation of the economy

Figure 4: Three inter-related channels for a strategic and rounded approach



Impacts and dependencies of climate transition plans on stakeholders, society, the economy, and the natural environment

The Disclosure Framework sets out how disclosures relating to climate-resilience, nature and society are part of a transition plans. Sub-Element **1.1 Strategic Ambition** of the TPT Disclosure Framework states:

An entity shall disclose the **Strategic Ambition** of its transition plan. This shall comprise the entity's objectives and priorities for responding and contributing to the transition towards a low-GHG emissions, climate resilient economy, and set out whether and how the entity is pursuing these objectives and priorities in a manner that captures opportunities, avoids adverse impacts for stakeholders and society, and safeguards the natural environment.

The TPT Disclosure Framework recommends that an entity shall disclose whether and how it has identified, assessed and taken into account the impacts and dependencies of the transition plan on its stakeholders (e.g. its workforce, value chain counterparts, customers), society (e.g. local communities), the economy, and the natural environment, throughout its value chain, that may give rise to sustainability-related risks and opportunities (**see DF 1.1.b**).

This section outlines how these impacts and dependencies may occur in the Banking sector. This can inform specific disclosures under **1.1 Strategic Ambition**.

Impacts and dependencies: the natural environment

The financing activities arising from a Bank's transition plan may impact and depend upon the natural environment and many of the ecosystem services they provide. These impacts and dependencies are likely to be indirect, taking place through the activities of their clients and customers. For example, a Bank may, as part of its transition plan, increase financing for the development of new infrastructure or operations necessary for the transition to a low-carbon economy. While this may support its climate objectives, without proper stewardship, due diligence, and engagement with its clients, it may create adverse impacts for the natural environment by financing increased deforestation pressures, land-use change or habitat degradation.

At the same time, a Bank's transition plan is likely to depend on the natural environment through its clients and customers, for example it has been estimated that half of the company value traded on the London Stock Exchange is highly or moderately dependent on nature.¹⁵ Furthermore, a Bank's transition plan may rely on the ability of its borrowers to ensure the resilience of their operations to the physical impacts of the changing climate. Where a borrower relies on ecosystem services for flood, storm and heat protection, this creates an indirect dependency on nature for the lending Bank.

¹⁵ PricewaterhouseCoopers (PwC), **Managing nature risks: From understanding to action**, 2023.

These impacts and dependencies of a Bank's transition plan may give rise to both nature-related risks and opportunities. For example, where the activities of clients and customers harm natural carbon sinks, this can undermine the Bank's ability to achieve its Strategic Ambition. Physical risks (e.g. degradation of ecosystem services) and transition risks (e.g. civil society opposition and litigation) could also increase the probability of default. The World Economic Forum's *2023 Global Risk Report* identified biodiversity loss and ecosystem collapse as one of the fastest deteriorating global risks over the coming decade, with all six environmental risks featuring in the top ten risks.¹⁶

Banks may find that they can mitigate these risks and create opportunities through actions such as implementing policies and conditions on their financing activities, engaging with clients and customers on their nature-related impacts and dependencies, and financing activities that positively contribute to the natural environment.

The TPT therefore recommends that Banks disclose whether and how they identify, assess, and take into account the impacts and dependencies of its transition plan, and pursue their objectives and priorities in a manner that safeguards the natural environment. See Figure 5 for an illustrative example of impacts and dependencies of a Bank's transition plan on the natural environment.

In doing so, Banks may find it helpful to refer to:

- Capitals Coalition's *Aligning Accounting Approaches for Nature: Recommendations for a Standard on Corporate Biodiversity Measurement and Valuation*,¹⁷
- The Exploring Natural Capital Opportunities, Risks and Exposure's *ENCORE tool*,¹⁸
- Partnership for Biodiversity Accounting Financials' (PBAF) *PBAF Standard v2023 – Dependencies*,¹⁹
- Science-based Targets Network's (SBTN), *Target-setting Tools and Guidance* (see Materiality Screening Tool under Step 1: Assess),²⁰
- Taskforce on Nature-related Financial Disclosures' (TNFD), *Guidance on the identification and assessment of nature-related issues: The LEAP approach*²¹ and *Additional guidance for financial institutions*.²²

The TPT therefore recommends that Banks disclose whether and how they identify, assess, and take into account the impacts and dependencies of its transition plan, and pursue their objectives and priorities in a manner that safeguards the natural environment.

¹⁶ World Economic Forum (WEF), *Global Risks Report*, 2023.

¹⁷ Capitals Coalition, *Aligning Accounting Approaches for Nature: Recommendations for a Standard on Corporate Biodiversity Measurement and Valuation*, 2022.

¹⁸ Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE), *ENCORE Tool*, as of 2023.

¹⁹ Partnership for Biodiversity Accounting Financials (PBAF), *PBAF Standard v2023 – Assessment of Dependencies on ecosystem services*, 2023.

²⁰ Science-based Targets Network (SBTN), *Target-setting Tools and Guidance*, 2023.

²¹ Taskforce on Nature-related Financial Disclosures (TNFD), *Guidance on the identification and assessment of nature-related issues: The LEAP approach*, 2023.

²² Taskforce on Nature-related Financial Disclosures (TNFD), Taskforce for Nature-related Financial Disclosures, *Sector Guidance: Additional guidance for financial institutions*, 2023.

Impacts and dependencies: stakeholders, society, and the economy

The investing and lending activities envisaged in a Bank's transition plan may impact and depend on its stakeholders (e.g. workforce, value chain counterparts, clients), society (e.g. local communities to both offices and investments), and the economy.

For example, changes to a Bank's portfolio of products and services may negatively impact the accessibility and affordability of financial products for vulnerable communities. As part of its transition plan, a Bank may finance activities that positively or negatively impact employment or the access and affordability of key goods and services. Similarly, the success of a Bank's transition plan may depend on societal and political support for key government policies.

These impacts and dependencies of a Bank's transition plan may give rise to social risks and opportunities. For example, where financed activities lead to significant unmitigated negative impacts on local communities, this may cause tensions with local communities, create project delays and result in a higher probability of loan defaults.

Banks may find that they can mitigate risks and capture opportunities by taking a just transition approach to transition planning. For example, Banks may conduct meaningful social risk and opportunity assessments, engage and pursue effective dialogue with their clients and customers on their social impacts and dependencies, or launch just transition-focused products (e.g. mortgages that enable low-income households to invest in energy efficiency measures).

The TPT therefore recommends that Banks disclose whether and how they identify, assess and take into account the impacts and dependencies of their transition plan, and pursue their objectives and priorities in a manner that captures opportunities and avoids adverse impacts for stakeholders and society. See Figure 5 for an illustrative example of impacts and dependencies of a Bank's transition plan on stakeholders, society, and the economy.



In doing so, Banks may find it helpful to refer to:

- Climate Safe Lending Network's *The Good Transition Plan Guidance*²³ and *The Good Transition Plan Strategy Toolkit*,²⁴
- Curran et al.'s *Making transition plans just: how to embed the just transition into financial sector net zero transition plans*,²⁵
- Impact Investing Institute's *Just Transition Criteria – a practical tool for fund managers*²⁶ and *Fostering Impact: An investor guide for engaging communities in place-based impact investing*,²⁷
- International Labour Organisation and LSE Grantham Research Institute's *Just Transition Finance Tool for banking and investing activities*,²⁸
- Robins, Muller & Szwarc's *From the grand to the granular: translating just transition ambitions into investor action*,²⁹
- Robins, Brunsting & Wood's *Investing in a just transition: Why investors need to integrate a social dimension into their climate strategies and how they could take action*,³⁰
- Robins, Brunsting & Wood's *Climate Change and the just transition: A guide for investor action*,³¹ and
- World Benchmarking Alliance's *Just Transition Assessment tool*.³²

Photo Kid Circus, Unsplash.com

23) Climate Safe Lending Network, **The Good Transition Plan**, 2021.

24) Climate Safe Lending Network, **The Good Transition Plan Strategy Toolkit**, 2022.

25) Curran et al., **Making transition plans just: how to embed the just transition into financial sector net zero plans**, 2022.

26) Impact Investing Institute, **Just Transition Criteria – a practical tool for fund managers**, 2023.

27) Impact Investing Institute, **Fostering Impact: An investor guide for engaging communities in place-based impact investing**, 2023.

28) International Labour Organisation and LSE Grantham Research Institute for Climate Change and the Environment, **Just Transition Finance Tool for banking and investing activities**, 2022.

29) Robins, Muller & Szwarc, **From the grand to the granular: translating just transition ambitions into investor action**, 2021.

30) Robins, Brunsting & Wood, **Investing in a just transition: Why investors need to integrate a social dimension into their climate strategies and how they could take action**, 2018.

31) Robins, Brunsting & Wood, **Climate Change and the just transition: A guide for investor action**, 2018.

32) World Benchmarking Alliance, **Just Transition assessment tool**, 2021.

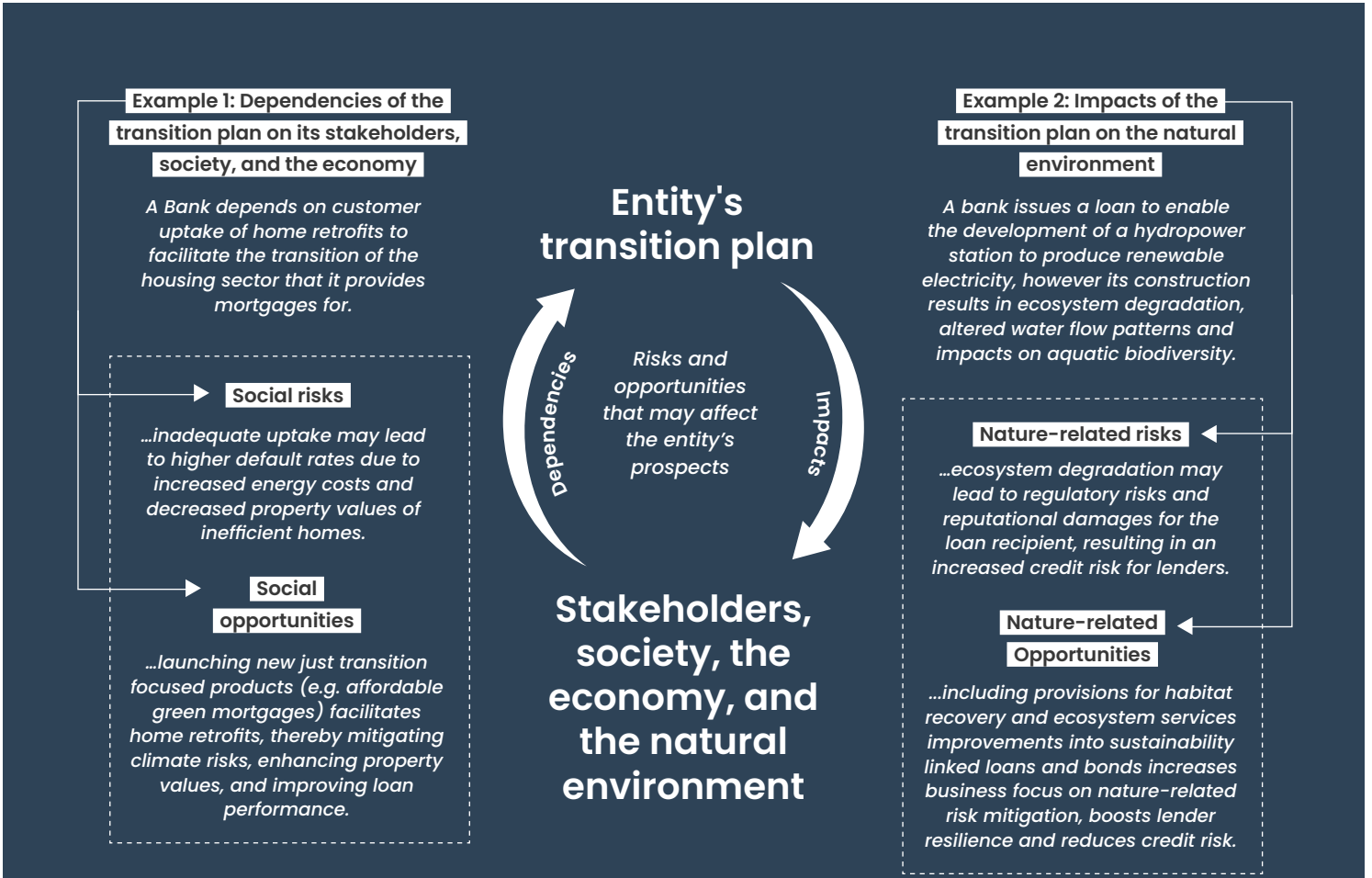


Figure 5: Illustrative example of impacts and dependencies with stakeholders, society, the economy and the natural environment that may arise for Banks.



Photo Viktor Forgacs, Unsplash.com

2. INTERPRETING THE TPT DISCLOSURE FRAMEWORK FOR THE BANKING SECTOR

Preparers should first read the Disclosure Framework which provides Disclosure Recommendations for each Sub-Element.

The Banks Guidance uses the ISSB's definition of a climate-related transition plan and applies the same approach to materiality and the wider set of concepts, definitions, and corporate reporting norms that are set out in the ISSB's General Requirements standard (IFRS S1).³³

Sector-specific guidance is not provided for all Sub-Elements of the Disclosure Framework. Where additional sector-specific guidance is not provided, the following statement is included **"No additional sector-specific guidance is provided for this Sub-Element"**.

For Sub-Elements for which additional sector-specific guidance is provided, additional guidance may only be provided for some of the Sub-Element's Disclosure Recommendations. Cross-references to Disclosure Recommendations included in the Disclosure Framework are provided in the format **"(see DF 1.1.a)"**.

The additional sector-specific guidance is not intended to be comprehensive. An entity should disclose other information and consider other resources where deemed appropriate.

1. Foundations

Sub-Element

1.1 Strategic Ambition

An entity shall disclose the Strategic Ambition of its transition plan. This shall comprise the entity's objectives and priorities for responding and contributing to the transition towards a low-GHG emissions, climate-resilient economy, and set out whether and how the entity is pursuing these objectives and priorities in a manner that captures opportunities, avoids adverse impacts for stakeholders and society, and safeguards the natural environment.

When interpreting the Disclosure Framework for the Banking sector, an entity should consider disclosing:

- its objectives and priorities for reducing the financed and facilitated emissions associated with its on- and off-balance sheet activities (e.g.lending, sales and trading, capital markets, and advisory activities) **(see DF 1.1.a.i)**;
- its objectives and priorities for managing climate-related risks and capturing climate-related opportunities through its on- and off-balance sheet activities **(see DF 1.1.a.ii)**;
- its objectives and priorities for using the levers and capabilities it has available to embed and accelerate the transition to a low-GHG emissions and climate-resilient economy, particularly by supporting the transition of the real economy **(see DF 1.1.a.iii)**;
- whether its objectives and priorities apply only to a proportion of its on- and off-balance sheet activities, and if so, the reasons for any exclusions and the extent to which it is taking or plans to take any steps to increase the scope of coverage **(see DF 1.1.a)**.

³³) International Financial Reporting Standards (IFRS), **IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information**, 2023.

When disclosing, an entity may additionally consider the following:

In disclosing its objectives and priorities for responding and contributing to the transition towards a low-GHG, climate-resilient economy, an entity may describe any underlying theory of change, outcome rationale or intentionality statement it uses to define its objectives and priorities. In doing so, it may consider the United Nations Development Group's *Guidance on Theory of Change*.³⁴

In defining its objectives and priorities, an entity may consider segmentation by:

- economic systems, considering the expansive, economy-wide impact of the entity's activities and the flows between different sectors;
- the sectors the entity finances;
- the entity's business lines (e.g. commercial banking, wholesale banking); and
- the geographies in which the entity operates.

An entity's underlying business model will inform and influence the Strategic Ambition of its transition plan. In defining its objectives and priorities, an entity may consider how these are informed and influenced by its:

- size (e.g. total assets, total deposits, number of employees);
- organisational structure (including geographic coverage);
- risk appetite;
- existing contractual agreements;
- clients (e.g. extent to which its clients are retail, commercial, institutional).

When determining the objectives and priorities of its transition plan, an entity may consider relevant guidance including:

- GFANZ's *Financial Institution Net-zero Transition Plans – Fundamentals, Recommendations, and Guidance and supplemental guidance*;^{35, 36, 37}
- IIGCC's *Net Zero Standard for Banks*;³⁸
- Net Zero Banking Alliance's (NZBA) *Transition Finance Guidance*;³⁹
- PCAF's *The Global GHG Accounting and Reporting Standard for the Financial Industry: Financed Emissions and Facilitated Emissions*;⁴⁰
- SBTi's *Financial Institutions Net Zero Standard (Consultation Draft)*;⁴²
- TPI's *Net Zero Banking Assessment Framework*;⁴³ and
- UNEP-FI's *Guidelines for Climate Target Setting for Banks*.⁴⁴

In defining its objectives and priorities, an entity may consider the four key financing strategies outlined by GFANZ:^{45, 46, 47}

- climate solutions: financing or enabling entities and activities that develop and scale climate solutions (an entity may also consider the IIGCC's *Climate Solutions Guidance*);⁴⁸

34) United Nations Sustainable Development Group, **Theory of Change UNDAF Companion Guidance**, 2017.

35) Glasgow Financial Alliance for Net Zero (GFANZ), **Financial Institution Net-Zero Transition Plans – Fundamentals, Recommendations, and Guidance**, 2022.

36) Glasgow Financial Alliance for Net Zero (GFANZ), **Financial Institution Net-Zero Transition Plans – Supplemental Information**, 2022.

37) Glasgow Financial Alliance for Net Zero (GFANZ), **Scaling Transition Finance and Real-economy Decarbonization – Supplement to the 2022 Net-zero Transition Plans report**, 2023.

38) The Institutional Investors Group on Climate Change (IIGCC), **Net Zero Standard for Banks**, 2023.

39) Net Zero Banking Alliance (NZBA), **NZBA Transition Finance Guide**, 2022.

40) Partnership for Carbon Accounting (PCAF), **Financed Emissions**, 2022.

41) Partnership for Carbon Accounting (PCAF), **Facilitated Emissions**, 2023.

42) Science Based Targets Initiative (SBTi), **The SBTi Financial Institutions Net-Zero Standard: Conceptual Framework and Initial Criteria: Consultation Draft**, 2023.

43) Transition Pathway Initiative (TPI), **Net Zero Banking Assessment Framework**, 2023.

44) UN Environment Programme Finance Initiative, **Guidelines for Climate Target Setting for Banks: Version 2**, 2024. 45) Glasgow Financial Alliance for Net Zero (GFANZ), **Financial Institution Net-Zero Transition Plans – Fundamentals, Recommendations, and Guidance**, 2022.

46) Glasgow Financial Alliance for Net Zero (GFANZ), **Financial Institution Net-Zero Transition Plans – Supplemental Information**, 2022.

47) Glasgow Financial Alliance for Net Zero (GFANZ), **Scaling Transition Finance and Real-economy Decarbonization – Supplement to the 2022 Net-zero Transition Plans report**, 2023.

48) The Institutional Investors Group on Climate Change (IIGCC), **IIGCC Climate Solutions Guidance** 2023.

- aligned: financing or enabling entities that are already aligned to a 1.5°C pathway;
- aligning: financing or enabling entities committed to transitioning in line with 1.5°C-aligned pathways; and
- managed phase-out: financing or enabling the accelerated managed phase-out (e.g. via early retirement) of high-emitting physical assets.

An entity may consider disclosing the extent to which it has taken into account and aligned with any voluntary commitments including, but not limited to, the Net Zero Banking Alliance (NZBA).

When disclosing whether and how it has identified, assessed and taken into account the impacts and dependencies of the transition plan on its stakeholders (e.g. its workforce, value chain counterparts, customers), society (e.g. local communities), the economy, and the natural environment, throughout its value chain, that may give rise to sustainability-related risks and opportunities, an entity may find it helpful to refer to **Impacts and dependencies of the transition plan on stakeholders, society, the economy and the natural environment** section within this guidance (see page 15).

When disclosing any potential trade-offs, synergies, or co-benefits identified between its objectives and priorities, an entity may include:

- reducing financed emissions and climate vulnerability by divestment and capital reallocation, versus reducing real-world emissions and building climate resilience through engagement with investees;
- reducing portfolio emissions and climate vulnerability by divestment and capital reallocation, versus reducing real-world emissions and building climate resilience through engagement with new and/or existing clients and customers;
- reducing portfolio emissions by engaging with entities to prevent deforestation, with co-benefits arising from the protection of nature; and
- providing finance to the expansion of renewable energy that delivers co-benefits including expanding skills for workers and improving community access to affordable clean energy.

Sub-Element

1.2 Business model and value chain

An entity shall disclose a description of the current and anticipated implications of the entity's **Strategic Ambition** on its business model and value chain.

No additional sector-specific guidance is provided for this Sub-Element.

Sub-Element

1.3 Key assumptions and external factors

An entity shall disclose key assumptions that it has made and external factors on which it depends in order to achieve the **Strategic Ambition** of its transition plan.

No additional sector-specific guidance is provided for this Sub-Element.

2 Implementation Strategy

Sub-Element

2.1 Business operations

An entity shall disclose information about the short-, medium-, and long-term actions it is taking or plans to take in its business operations in order to achieve the **Strategic Ambition** of its transition plan.

Within this Guidance, a Bank's core banking processes, including for its on- and off- balance sheet activities are addressed in Sub-Element **2.1 Business operations**. It is noted that policies and conditions frequently underpin an entity's core banking processes and there is likely to be overlap between disclosures under Sub-Elements **2.1 Business operations** and **2.3 Policies and conditions**. The TPT recommends that an entity allocates the disclosure of information between these Sub-Elements as it deems appropriate.

When interpreting the Disclosure Framework for the Banking sector, an entity should consider disclosing:

- information about any short-, medium-, and long-term actions it is taking or plans to take in its core banking activities and processes (e.g. its lending, sales and trading, capital markets, and advisory activities) in order to achieve the **Strategic Ambition** of its transition plan (**see DF 2.1.a**); and
- whether and how it considers the transition plans or pathways of its clients to inform decision-making, including its approach to gathering information and evaluating the quality and credibility of those plans or pathways (**see DF 2.1.a, 2.1.b**).

When disclosing, an entity may additionally consider:

When disclosing information about any short-, medium- and long-term actions that it is taking or plans to take, this may include:

- embedding the objectives and priorities of the transition plan into decision-making tools and processes;
- implementing (by creating new or amending existing) processes and policies to identify, assess, prioritise, and monitor climate-related physical and transition risks and opportunities (e.g. risk and expected return models, discount rate, and credit ratings);
- integrating the assessment of client transition plans and pathways in customer onboarding, due diligence processes, and reviews;
- incorporating transition plan-related considerations into pricing (e.g. using client transition plan assessments to inform lending and pricing decisions);
- integrating transition plan-related considerations into financial terms (e.g. contractually agreed safeguards) and conditions (e.g. tenors);
- integrating climate-related considerations into financial planning processes;
- implementing lending and investing strategies to capture climate-related opportunities (e.g. increasing the financing of climate solutions, nature-based solutions and adaptation activities to increase climate resilience both within its value chain and the wider economy);

- obtaining relevant and adequate data sources (e.g. by requesting information from clients and customers), and developing the data infrastructure to collect and aggregate transition-plan related data across the entity;
- managing limitations from data availability, including in its data strategy, data sourcing routes, and engagement with data providers and clients; and
- providing front-office teams with the necessary resources to implement the transition plan within its lending, sales and trading, capital markets and advisory processes.

When disclosing whether and how it embeds the objectives and priorities of its transition plan in its decision-making tools and processes, an entity may consider GFANZ's guidance on its Implementation Strategy component: Activities and Decision-Making.^{49, 50}

In defining the short-, medium- and long-term actions it is taking or plans to take to implement (by creating new or amending existing) processes and policies to identify, assess, prioritise, and monitor climate-related risks and opportunities, an entity may consider guidance from prudential supervisors on the management of climate-related financial risks (e.g. the Basel Committee on Banking Supervision,⁵¹ Bank of England,⁵² Monetary Authority of Singapore),⁵³ IFRS,⁵⁴ TCFD,⁵⁵ UNEP-FI,⁵⁶ and the Institute and Faculty of Actuaries (IFOA).⁵⁷

When disclosing whether and how it considers the transition plans or pathways of its clients to inform decision-making, including its approach to gathering information and evaluating the quality and credibility of those plans or pathways, this may include:

- the assessment criteria and methodology used to assess alignment with the entity's Strategic Ambition, and any actions taken to improve alignment;
- how it measures the progress of clients against their transition plan, where relevant, including the key metrics used;
- any governance processes it has in place to assess clients' compliance with their climate transition plans or pathways; and
- whether clients are required to meet specific transition plan related requirements within a certain time period as a condition of financing.

When disclosing whether and how it evaluates its clients' transition plans or pathways, to inform decision-making, in addition to considering the TPT Disclosure Framework and suite of Implementation Guidance, an entity may consider:

- GFANZ's *Expectations for Real-economy Transition Plans*⁵⁸, *Financial Institution Net-Zero Transition Plans – Fundamentals, Recommendations and Guidance*, and supplemental guidance,^{59, 60}
- IIGCC's *Investor Expectations of Corporate Transition Plans: From A to Zero*,⁶¹
- CDP's Technical Notes: *Financial Services Transition Plans and Net Zero Commitments*⁶² and *Reporting on*

49) Glasgow Financial Alliance for Net Zero (GFANZ), **Financial Institution Net-zero Transition Plans: Fundamentals, Recommendations and Guidance**, 2022.

50) Glasgow Financial Alliance for Net Zero (GFANZ), **Scaling Transition Finance and Real-economy Decarbonization - Supplement to the 2022 Net-zero Transition Plans report**, 2023.

51) Basel Committee on Banking Supervision, **Principles for the effective management and supervision of climate-related financial risks**, 2022.

52) Bank of England Prudential Regulation Authority (PRA), **PRA Climate Change Adaptation Report 2021: Climate-related financial risk management and the role of capital requirements**, 2021.

53) Monetary Authority of Singapore (MAS), **Consultation Paper on Guidelines on Transition Planning (Banks)**, 2023.

54) International Financial Reporting Standards (IFRS), **Knowledge Hub**, as of 2024.

55) Task Force on Climate-related Financial Disclosures (TCFD), **TCFD Recommendations**, as of 2024.

56) United Nations Environment Program – Finance Initiative (UNEP-FI), **Climate Risk Applications: From Disclosure to Action**, 2020.

57) Institute and Faculty of Actuaries (IFOA) and the University of Exeter, **The Emporer's New Climate Scenarios: Limitations and assumptions of commonly used climate-change scenarios in financial services**, 2023.

58) Glasgow Financial Alliance for Net Zero (GFANZ), **Expectations for Real-Economy Transition Plans**, 2022.

59) Glasgow Financial Alliance for Net Zero (GFANZ), **Financial Institution Net-Zero Transition Plans – Supplemental Information**, 2022.

60) Glasgow Financial Alliance for Net Zero (GFANZ), **Scaling Transition Finance and Real-economy Decarbonization - Supplement to the 2022 Net-zero Transition Plans report**, 2023.

Climate Transition Plans;⁶³

- Planet Tracker's *Net Zero Transition Plan Disclosure Guidance Template*;⁶⁴ and
- Climate Safe Lending Network's *The Good Transition Plan*.⁶⁵

2.2 Products and services

An entity shall disclose information about short-, medium-, and long-term actions it is taking or plans to take to change its portfolio of products and services in order to achieve the **Strategic Ambition** of its transition plan.

When interpreting the Disclosure Framework for the Banking sector, an entity should consider disclosing:

- whether and how it is responding to any clients' and customers' climate-related preferences, to create or change products and services in order to achieve the **Strategic Ambition** of its transition plan (**see DF 2.2.a**);
- whether it offers, or plans to offer any climate- or sustainability-linked financial products (**see DF 2.2.a**), including a description of any underlying taxonomy, tools, methodologies, or definitions used to classify these products as climate- or sustainability-linked (**see DF 2.2.b**);
- whether and to what extent it has considered carbon lock-in (e.g. for long-dated infrastructure and equipment) in the actions it is taking or plans to take to change its portfolio of products and services (**see DF 2.2.a**); and
- any mitigation and/or assessment exercises undertaken to monitor that any climate- or sustainability-linked financing provided is being used in such a way that supports the **Strategic Ambition** of its transition plan (**see DF 2.2.a**).

61) Institutional Investors Group on Climate Change (IIGCC), *Investor Expectations of Corporate Transition Plans: From A to Zero*, 2023.

62) CDP, *CDP Technical Note: Financial Services Transition Plans and Net Zero Commitments*, 2023.

63) CDP, *CDP Technical Note: Reporting on Climate Transition Plans*, 2023.

64) Planet Tracker, *Net Zero Transition Plan Disclosure Guidance Template*, as of 2023.

65) Climate Safe Lending Network (CSLN), *The Good Transition Plan - Climate Action Strategy Development Guidance for Banks & Lending Institutions: COP26-version*, 2021.

When disclosing, an entity may additionally consider:

When disclosing information about any short-, medium-, and long-term actions it is taking or plans to take to change its portfolio of products and services in order to achieve the Strategic Ambition of its transition plan, this may include:

- increasing capital allocation in climate solutions, nature-based solutions, and other forms of adaptation and transition finance; and
- implementing responsible phase-out strategies for high-GHG emitting assets on- and off-balance sheet.

When disclosing whether and to what extent it has considered carbon lock-in, an entity may consider the Organisation for Economic Co-operation and Development's (OECD) *Mechanisms to Prevent Carbon Lock-In in Transition Finance*.⁶⁶

When disclosing information about any steps it is taking or plans to take to change its portfolio of products and services in order to achieve the Strategic Ambition of its transition plan, this may include:

- using additional climate-related conditions and/or covenants in existing products and services to incentivise clients and customers;
- providing advisory services to retail customers on the assessment of climate-related risks and opportunities (e.g. educating customers on how to improve the EPC rating of their home);⁶⁷
- changing products and services to consider climate-related financial risks including those arising from the physical impacts of the changing climate, and to support climate-resilience of clients and customers (e.g. using preferential lending rates to finance improving the EPC rating of homes); and
- changing products and services at retail and SME banking level to support financially vulnerable and/or climate vulnerable clients and their transition needs.

If an entity uses, or plans to use, any climate- or sustainability-linked financial products and services to achieve the Strategic Ambition of its transition plan, it may consider disclosing information about any products and services that facilitate the deployment of transition finance for mitigation and/or adaptation (e.g. green or transition bonds, climate resilience bonds, and/or sustainability-linked loans, revolving credit facilities, and bonds) and quantitative information on the differential between 'regular' and 'sustainable' financing pricing.

Where an entity has used any taxonomies, tools, methodologies or definitions to classify products and services, it may consider:

- regulatory classifications or labelling regimes (e.g. the EU Sustainable Finance Disclosure Regulation (SFDR),⁶⁸ the FCA's Sustainable Disclosure Requirements (SDR) and investment labels);⁶⁹
- legislative taxonomies (e.g. the EU Taxonomy,⁷⁰ the (forthcoming) UK Green Taxonomy);
- market-based taxonomies (e.g. the Climate Bonds Initiative Taxonomy);⁷¹
- third-party guidance (e.g. International Capital Market Association,⁷² Loan Market Association⁷³); and
- proprietary classifications or taxonomies, with details provided of underlying methodologies.

An entity may consider disclosing information about any potential impacts and dependencies that changing its products and services may have on its stakeholders and society (e.g. via changes to the accessibility and affordability of its products). This may include steps it is taking or plans to take to avoid adverse impacts and capture opportunities.

66) Organisation for Economic Co-operation and Development (OECD), **Mechanisms to Prevent Carbon Lock-in in Transition Finance**, 2023.

67) Department for Energy Security & Net Zero, **Green Home Finance Accelerator**, 2023.

68) European Commission, **Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector**, 2019.

69) Financial Conduct Authority (FCA), **PS23/16: Sustainability Disclosure Requirements (SDR) and investment labels**, 2023.

70) European Commission, **Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088**, 2020.

71) Climate Bonds Initiative (CBI), **Climate Bonds Taxonomy**, 2021.

72) International Capital Market Association, **Taxonomies & Nomenclatures**, as of 2024.

73) Loan Market Association, **Documents & Guidelines**, as of 2024.

When disclosing information on any mitigation and/or assessment exercises undertaken to avoid potential greenwashing risks with use of proceeds instruments (products) intended to support the entity's transition, an entity may consider the NZBA's *Transition Finance Guide*⁷⁴

When describing the expected principal contributions of its actions to change its portfolio of products and services to achieve its Strategic Ambition, an entity may consider referring to the four key financing strategies outlined by GFANZ.^{75, 76, 77}

2.3 Policies and conditions

An entity shall disclose information about any policies and conditions that it uses or plans to use in order to achieve the **Strategic Ambition** of its transition plan.

When interpreting the Disclosure Framework for the Banking sector, an entity should consider disclosing:

- information about any policies that it uses, or plans to use, to manage the entity's on- and off-balance sheet activities relating to sectors and activities that are emissions-intensive (e.g. burning of thermal coal, oil and gas, and deforestation) or climate-vulnerable, (e.g. infrastructure operations in coastal and flood-prone areas, farming practices in regions susceptible to drought), including any relevant exclusion policies and/or any managed phaseout plans in these sectors (**see DF 2.3.a**); and
- which business divisions, services offerings, and if relevant, jurisdictions its policies and conditions apply to, the rationale for any exclusions and any steps it is taking or plans to take to increase those policies' scope of coverage (**see DF 2.3.a**).

When disclosing, an entity may additionally consider:

When describing information about any policies or conditions that it uses or plans to use, an entity may consider explaining the underlying context of the policies and explain where restrictions do or do not apply. An entity may include policies and conditions in relation to:

- climate-related considerations in on- and off-balance sheet activities: location-based exclusion policies (e.g. exclusion of assets in sites on wetlands), threshold-based exclusion policies (e.g. setting quantitative limits for sectors subject to elevated transition risk), and additional conditions and/or covenants;
- phase-out of GHG intensive assets: assets in emissions-intensive sectors and activities (e.g. oil and gas,

74) Net Zero Banking Alliance (NZBA), **NZBA Transition Finance Guide**, 2022.

75) Glasgow Financial Alliance for Net Zero (GFANZ), **Financial Institution Net-Zero Transition Plans – Fundamentals, Recommendations, and Guidance**, 2022.

76) Glasgow Financial Alliance for Net Zero (GFANZ), **Financial Institution Net-Zero Transition Plans – Supplemental Information**, 2022.

77) Glasgow Financial Alliance for Net Zero (GFANZ), **Scaling Transition Finance and Real-economy Decarbonization – Supplement to the 2022 Net-zero Transition Plans report**, 2023.

78) Institutional Investors Groups on Climate Change (IIGCC), **Net Zero Investment Framework Implementation Guide**, 2021.

79) Transition Pathway Initiative (TPI), **Preparedness for transition tool**, as of 2023.

utilities, thermal coal mining, coal-fired electricity generation, agriculture) as defined by IIGCC⁷⁸ and TPI;⁷⁹

- safeguarding the natural environment: exclusion policies utilising location- and/or activity-based criteria, such as: Key Biodiversity Areas, Areas of Zero Extinction, Ramsar Convention (on Wetlands of International Importance), UNESCO Natural World Heritage Sites, and the Bonn Convention; and
- building resilience to the changing climate: policies and conditions to address on- and off-balance sheet activities related to sectors, activities or assets that may be particularly vulnerable to a changing climate or that are at risk of maladaptation⁸¹ (e.g. policies to screen investments for climate vulnerability).

When disclosing policies and conditions relating to climate-vulnerable sectors and activities, an entity may consider describing how it defines these. This may include sectors and activities that have high exposures to physical risk (e.g. due to vulnerabilities to extreme weather events such as extreme heat), or sectors and activities that have high exposure to transition risk, (e.g. due to sensitivity to carbon pricing policies arising from energy-intensive activities that are reliant on fossil fuels). An entity may consider the carbon-intensive sectors identified by the NZBA: agriculture; aluminium; cement; coal; commercial and residential real estate; iron and steel; oil and gas; power generation; and transport.⁸²

An entity may consider guidance on policies for high-emitting activities and assets, including for thermal coal, oil and gas and deforestation policies, from GFANZ's *Financial Institution Net Zero Plans*,^{83, 84, 85} the IIGCC's *Net Zero Investment Framework Implementation Guide*,⁸⁶ and the SBTi's *Fossil Fuel Finance Position Paper (Consultation Draft)*.⁸⁷

An entity may consider GFANZ's *Financial Institution Net-zero Transition Plans* guidance on policies and conditions which recommends that policies should include:

- a clear objective connected to net zero;
- a definition of the sectors and activities to which the policy applies;
- conditions and standards for ongoing business engagement;
- details of any restrictions or exclusions that apply; and
- estimated timelines.⁸⁸

Sub-Element

2.4 Financial planning

An entity shall, to the extent the financial effects of its transition plan are separately identifiable, disclose information about the effects of its transition plan⁸⁹ on its financial position, financial performance and cash flows⁹⁰ over the short-, medium-, and long-term, including information about how it is resourcing or plans to resource its activities in order to achieve the **Strategic Ambition** of its transition plan.⁹¹

No additional sector-specific disclosures are provided for this Sub-Element.

81) See, for example, Schipper, *Maladaptation: When Adaptation to Climate Change Goes Very Wrong*, 2020.

82) Net Zero Banking Alliance (NZBA), *NZBA Transition Finance Guide*, 2022.

83) Glasgow Financial Alliance for Net Zero (GFANZ), *Financial Institution Net-zero Transition Plans – Fundamentals, Recommendations, and Guidance*, 2022.

84) Glasgow Financial Alliance for Net Zero (GFANZ), *Financial Institution Net-zero Transition Plans – Supplemental Information*, 2022.

85) Glasgow Financial Alliance for Net Zero (GFANZ), *Scaling Transition Finance and Real-economy Decarbonization – Supplement to the 2022 Net-zero Transition Plans report*, 2023.

86) Institutional Investors Groups on Climate Change (IIGCC), *Net Zero Investment Framework Implementation Guide*, 2021.

87) Science Based Targets Initiative (SBTi), *The SBTi Fossil Fuel Finance Position Paper, Consultation Draft*, 2023.

88) Glasgow Financial Alliance for Net Zero (GFANZ), *Financial Institution Net-zero Transition Plans – Fundamentals, Recommendations, and Guidance*, 2022.

89) Please note that 2.4.c is not intended to cover information about the financial effects of wider climate-related risks and opportunities. Instead the focus lies on the direct and indirect effects from implementing the transition plan itself.

90) For entities in the financial sector, this should cover the financial performance of the entity itself and not its investment or lending portfolio.

91) This Sub-Element should be regarded as distinct from the Disclosure Recommendations under Sub-Element **4.2 Financial metrics and targets**. Under **2.4 Financial planning**, the focus should lie on demonstrating that the entity has integrated the transition plan into its financial planning and disclosing expected financial effects. Under Sub-Element **4.2 Financial metrics and targets**, on the other hand, the entity should disclose the financial metrics and targets that it is using to assess progress and delivery of the plan over time.

When disclosing, an entity may additionally consider:

When disclosing qualitative and quantitative information about how it expects implementation of its transition plan to affect its financial position, performance, and cashflow over the short-, medium-, and long-term, an entity may consider describing how this has been informed by its scenario analysis, including a forward-looking assessments of possible credit losses or credit risks.

When disclosing qualitative and quantitative information about how it expects implementation of its transition plan to affect its financial performance and cashflow over the short-, medium-, and long-term, an entity may consider:

- changes to credit risk arising in relation to financing clients affected by increasing regulatory requirements (e.g. carbon taxes, fuel efficiency regulations or other policies); and
- changes to credit risk arising from technological shifts (e.g. sectors moving away from legacy technology to new low- or no-GHG emission technology).

3 Engagement Strategy

Sub-Element

3.1 Engagement with value chain

An entity shall disclose information about any engagement activities with other entities in its value chain that it is undertaking or plans to undertake in order to achieve the **Strategic Ambition** of its transition plan.

When interpreting the Disclosure Framework for the Banking sector, an entity should consider disclosing:

- information about any engagement activities that it is undertaking, or plans to undertake, in order to achieve the **Strategic Ambition** of its transition plan, which may include engagement with its **(see DF 3.1.b)**:
 - clients in high-GHG emitting or climate vulnerable sectors;
 - clients with high-emitting, or energy-intensive, assets to support retrofit, managed phase-out and/or responsible retirement of such assets; and
 - financial service providers, including: index providers, investment consultants, stock exchanges, credit rating agencies, proxy advisors, and data providers.

When disclosing, an entity may additionally consider the following:

In describing its engagement activities, an entity may provide an overview of the different types of engagement that it undertakes, including a description of what it deems to be the minimum requirement for classifying an activity as an engagement activity. Engagement activities will vary, depending on the profile of a bank's clients, customers, and banking divisions. For example, retail banking engagement activities may focus on the education of customers, while commercial banking engagement activities may focus on contractual agreements. As such, an entity may consider disaggregating its engagement activities to reflect different approaches taken for its clients, customers, and/or banking divisions.

When describing current and planned engagement activities with its clients and customers, an entity may include:

- how it engages with its clients and customers to understand their low-GHG emission transition priorities and pathways, and climate-related risks and opportunities;
- how it supports clients in the managed and accelerated phase-out of GHG intensive assets;
- how it engages clients on climate- or sustainability-linked and/or climate-resilient products and services;
- how it engages with clients to understand how their transition plans consider avoiding adverse impacts for stakeholders and society, and safeguarding the natural environment, including any associated use of metrics and targets, monitoring, and reporting;
- describing successful client engagement, where engagement has led to desired outcomes which support the Strategic Ambition of the entity.

In describing any escalation processes or criteria in place to manage instances where engagement activities do not lead to the desired change, an entity may disclose any exit conditions it has defined.

In describing current and planned engagement activities with financial sector services providers (including data and index providers), an entity may consider referring to the IIGCC's *Improving Net Zero Data Provision: Six asks of data vendors*⁹² and *Enhancing The Quality Of Net Zero Benchmarks*.⁹³

92) Institutional Investors Groups on Climate Change (IIGCC), **Improving Net Zero Data Provision: Six asks of data vendors**, 2023.

93) Institutional Investors Groups on Climate Change (IIGCC), **Enhancing the Quality of Net Zero Benchmarks**, 2023.

Sub-Element

3.2 Engagement with industry

An entity shall disclose information about any engagement and collaborative activities with industry counterparts (and other relevant initiatives or entities) that it is undertaking or plans to undertake in order to achieve the **Strategic Ambition** of its transition plan.

No additional sector-specific guidance is provided for this Sub-Element.

Sub-Element

3.3 Engagement with government, public sector and civil society

An entity shall disclose information about any direct and indirect engagement activities with the government, regulators, public sector organisations, communities, and civil society that it is undertaking or plans to undertake in order to achieve the **Strategic Ambition** of its transition plan.

Within this guidance, a Bank's engagement with the government, public sector, communities and civil society in its capacity as a financial institution is covered in **3.1 Engagement with value chain**.

No sector-specific disclosures are provided for this Sub-Element.

When disclosing, an entity may additionally consider:

When disclosing information about any direct and indirect policy, regulatory or wider stakeholder engagement activities that it is taking, or plans to undertake, this may include in relation to:

- national climate mitigation and adaptation targets and strategies, including sectoral pathways towards net zero emissions, and sectoral adaptation priorities;⁹⁴
- policies to which attract investment of capital into climate and nature solutions;
- policies to mobilise low-GHG, climate resilient capital flows to emerging markets and developing economies;
- aligning regulation and taxonomies with GHG reduction commitments and delivery, including improvement of relevant corporate disclosure;⁹⁵
- subsidies, incentives, and policies (both demand-side and supply-side) to accelerate the economy-wide transition;
- achieving international consistency, alignment and standardisation in transition planning requirements and expectations; and
- protecting vulnerable communities who could be adversely impacted by transition activities.

An entity may consider *The Global Standard on Responsible Climate Lobbying* which provides a framework to ensure companies' lobbying and political engagement activities are in line with the goal of restricting global temperature rise to 1.5°C above pre-industrial levels.⁹⁶

94) Science Based Targets initiative (SBTi), **Pathways to Net Zero: SBTi Technical Summary Version 1.0**, 2021.

95) Advisory Group on Finance for the UK's Climate Change Committee, **The Road to Net-Zero Finance**, 2020.

96) Climate Lobbying, **Responsible Climate Lobbying: The Global Standard**, 2022.

4 Metrics & Targets

Within this guidance, metrics and targets have been divided as follows between the Metrics & Targets Sub-Elements:

- **4.1 Governance, business and operational metrics and targets** – including portfolio coverage and alignment, and engagement
- **4.2 Financial metrics and targets** – including investment in climate solutions and other transition finance; and
- **4.3 GHG metrics and targets** – including financed and facilitated emissions

Sub-Element

4.1 Governance, business and operational metrics and targets

An entity shall disclose information about the governance, engagement, business and operational metrics and targets that it uses in order to drive and monitor progress towards the **Strategic Ambition** of its transition plan, and report against these metrics and targets on at least an annual basis.

When interpreting the Disclosure Framework for the Banking sector, an entity should consider disclosing:

- any governance, engagement, business and operational metrics and targets that it uses to drive and monitor progress towards the **Strategic Ambition** of its transition plan, including how the metrics and targets reflect the **Strategic Ambition** of its transition plan, and how they relate to the actions outlined under **2. Implementation Strategy** and **3. Engagement Strategy**. This may include metrics and targets segmented by (**see DF 4.1.a, 4.1.b**):
 - o economic systems, considering the expansive, economy-wide impact of the entity's activities and the flows between different sectors;
 - o the different sectors the entity finances;
 - o the various business lines (e.g. commercial banking, wholesale banking); and
 - o on- and off-balance sheet activities (e.g. lending, sales and trading, capital markets, and advisory services); and
 - o the geographies in which it operates;
- which of its core banking activities and/or sectors each of its governance, engagement, business and operational metrics and targets apply to, including the rationale for any exclusions and the extent to which it is taking or plans to take steps to increase the scope of coverage (**see DF 4.1.c.iii**);
- any metrics and targets that it uses to monitor and drive progress of portfolio and/or sector coverage and alignment (**see 4.1.a, 4.1.c**), including detail of any underlying methodology used to assess alignment (**see 4.1.c.x**);
- information about the limitations of any underlying taxonomy, tools, methodologies or definitions on which metrics and targets rely (**see DF 4.1.c.x**); and
- any targets it has set to increase the proportion of financed and/or facilitated emissions that are covered by engagement activities (**see DF 4.1.c**), and detail of any underlying methodology used to prioritise engagement activities (**see DF 4.1.e**).

When disclosing, an entity may additionally consider:

When disclosing information about its engagement metrics and targets, an entity may consider metrics and targets in relation to:

- the type of engagement activities;
- the outcome of engagement activities (e.g. a reduction in clients' GHG emissions or the scaling of climate solutions);
- public policy engagements that support the Strategic Ambition of its transition plan, including as a proportion of all public policy engagements; and
- trade association memberships and associated engagement and lobbying activities that support the Strategic Ambition of its transition plan.

When disclosing information about its business metrics and targets, an entity may consider metrics and targets in relation to:

- the number and proportion of clients that have set or plan to set GHG emissions reduction targets;
- the number and proportion of clients that have developed or plan to develop credible transition plans, including the alignment of these targets and plans to the Strategic Ambition of its own transition plan;
- the number and proportion of clients' transition plans that include relevant information about the impacts and dependencies of their transition plans on stakeholders, society, the economy and the natural environment;
- the proportion of financing deployed to support the Strategic Ambition of its transition plan, including proportion of financing deployed to climate solutions; and
- the entity's exposure to transition risks (e.g. anticipated future financial impacts based on results from scenario analysis) and to physical risks (e.g. assets vulnerable to acute and chronic physical risks).

An entity may describe the extent to which it is incorporating portfolio alignment methodologies and where there are limitations in doing so. In such cases an entity may describe how it is considering portfolio alignment, and how this alignment supports its Strategic Ambition. When disclosing information about any metrics and targets that it uses to monitor and drive progress of portfolio and/or sector coverage and alignment methodologies, an entity may consider guidance by: the Portfolio Alignment Team (PAT),^{97,98} CDP and WWF,⁹⁹ SBTi,¹⁰⁰ and the TPI.¹⁰¹

When disclosing information about any engagement and business metrics and targets, an entity may consider: GFANZ's *Financial Institution Net-zero Transition Plans: Supplemental Information*,¹⁰² IIGCC's *Net Zero Investment Framework*,¹⁰³ and the Climate Financial Risk Forum's (CFRF) *Climate Disclosures Dashboard 2.0* (in particular the recommended shift away from activity level-data towards outcomes-based reporting).¹⁰⁴

When disclosing any metrics and targets that it uses to drive and monitor progress towards enhancing its resilience and responding to climate-related physical and transition risks and opportunities that arise from the transition, an entity may consider the Global Resilience Index Initiative's (GRII) *Aligning Finance with Adaptation and Resilience – Targets and Metrics for Financial Institutions*,¹⁰⁵ CFRF's *Climate Disclosures Dashboard 2.0*,¹⁰⁶ and GFANZ's *Financial Institution Net-zero Transition Plans: Supplemental Information*.¹⁰⁷

97) TCFD, **Portfolio Alignment Team – Measuring Portfolio Alignment**, 2020

98) Portfolio Alignment Team, **Measuring Portfolio Alignment, Technical Considerations**, 2021

99) CDP Worldwide and WWF International, **Temperate Rating Methodology v1.0**, 2020

100) SBTi, **Financial sector science-based targets guidance, v1.1**, 2022

101) Transition Pathway Initiative (TPI), **Preparedness for transition tool**, 2023

102) Glasgow Financial Alliance for Net Zero (GFANZ), **Financial Institution Net-zero Transition Plans: Supplemental Information**, 2022.

103) Institutional Investors Groups on Climate Change (IIGCC), **Net Zero Investment Framework Implementation Guide**, 2021.

104) Climate Financial Risk Forum (CFRF), **Climate Disclosures Dashboard 2.0**, 2023.

105) Global Resilience Index Initiative (GRII), **Aligning Finance with Adaptation and Resilience Goals – Targets and Metrics for Financial Institutions: Technical Note**, 2023.

106) Climate Financial Risk Forum (CFRF), **Climate Disclosures Dashboard 2.0**, 2023.

107) Glasgow Financial Alliance for Net Zero (GFANZ), **Financial Institution Net-zero Transition Plans: Supplemental Information**, 2022.

4.2 Financial metrics and targets

An entity shall disclose information about any financial metrics and targets, relevant to its business, sector, and strategy, that it uses in order to drive and monitor progress towards the **Strategic Ambition** of its transition plan, and report against these metrics and targets on at least an annual basis.

When interpreting the Disclosure Framework for the Banking sector, an entity should consider disclosing:

- information about the extent to which each of its financial metrics and targets reflect the **Strategic Ambition** of its transition plan, including how its metrics and targets support the real-economy transition (**see 4.2.b**);
- to which of its on- and off-balance sheet activities and/or sectors each of its financial metrics and targets apply, including the rationale for any exclusions and the extent to which it is taking or plans to take steps to increase the scope of coverage (**see DF 4.2.c.iii**);
- information about the limitations of any underlying taxonomy, tools, methodologies or definitions on which metrics and targets rely (**see DF 4.2.c.x**); and
- any financial metrics (forward-looking and backward-looking) that it uses to monitor and drive the alignment of its capital allocation to the **Strategic Ambition** of its transition plan (**see DF 4.2.e**).

When disclosing, an entity may additionally consider:

When disclosing information about any financial metrics and targets, this may include:

- a clear explanation of the scope of its metrics and targets, including the reason for any exclusions; and
- an explanation of whether it has set metrics and targets in relation to each of the emissions-intensive or climate-vulnerable sectors and activities it has disclosed under **2.3 Policies and Conditions**.

When defining any financial metrics and targets to drive and monitor progress towards the Strategic Ambition of its transition plan, an entity may consider the NZBA's *Guidelines for Climate Target Setting for Banks*,¹⁰⁸ and the four financing strategies outlined by GFANZ.^{109, 110, 111}

When disclosing any financial metrics and targets that it uses to drive and monitor the alignment of its portfolio to the Strategic Ambition of its transition plan, this may include metrics and targets segmented by:

- economic systems, considering the expansive, economy-wide impact of the entity's activities and the flows between different sectors;
- the different sectors the entity finances;
- the various business lines (e.g. commercial, wholesale banking);
- on- and off-balance sheet activities (e.g. lending, sales and trading, capital markets, and advisory services); and
- the geographies in which it operates.

108) UN Environment Programme Finance Initiative (UNEP-FI), **Guidelines for Climate Target Setting for Banks**, 2021.

109) Glasgow Financial Alliance for Net Zero (GFANZ), **Financial Institution Net-Zero Transition Plans – Fundamentals, Recommendations, and Guidance**, 2022.

110) Glasgow Financial Alliance for Net Zero (GFANZ), **Financial Institution Net-Zero Transition Plans – Supplemental Information**, 2022.

111) Glasgow Financial Alliance for Net Zero (GFANZ), **Scaling Transition Finance and Real-economy Decarbonization – Supplement to the 2022 Net-zero Transition Plans report**, 2023.

When disclosing information about any underlying taxonomy, tools, methodologies, or definitions on which any financial metrics and targets rely, an entity may provide additional information in respect of any "green" or "transition" definitions used, including:

- the methodologies or criteria used to determine the boundary between "green" and "transition"; and
- whether the definitions for "green" and "transition" metrics and targets are provided by the Bank, or by an external entity;
- the extent to which any classification between "green" and "transition" definitions align to regulatory definitions.

When disclosing any financial metrics and targets that it uses to drive and monitor progress towards enhancing its resilience and responding to the climate-related physical and transition risks and opportunities that arise from the transition, an entity may consider the Global Resilience Index Initiative's (GRII) *Aligning Finance with Adaptation and Resilience – Targets and Metrics for Financial Institutions*,¹¹² CFRF's *Climate Disclosures Dashboard 2.0*,¹¹³ and GFANZ's *Financial Institution Net-zero Transition Plans: Supplemental Information*.¹¹⁴ As part of this, an entity may consider guidance from the CFRF on the use of scenario analysis¹¹⁵ and the reporting of future financial impacts of climate-related physical risks under multiple climate scenarios.¹¹⁶

4.3 GHG metrics and targets

An entity shall disclose information about the GHG emissions and removals metrics and targets that it uses in order to drive and monitor progress towards the **Strategic Ambition** of its transition plan, and report against these metrics and targets on at least an annual basis.

When interpreting the Disclosure Framework for the Banking sector, an entity should consider disclosing:

- any absolute gross GHG targets that it has for its financed and facilitated emissions (**see DF 4.3.b**) and associated metrics (**see 4.3.k, 4.3.l**), including at the:
 - o portfolio level; and
 - o sector level.
- any gross GHG emissions intensity targets that it has set for its financed and facilitated emissions (**see DF 4.3.f**) and associated metrics (**see 4.3.k, 4.3.l**), including at the:
 - o portfolio level; and
 - o sector level.
- to which of its on- and off-balance sheet activities and/or sectors each of its GHG metrics and targets apply, including the rationale for any exclusions and the extent to which it is taking or plans to take steps to increase the scope of coverage (**see DF 4.3.i.iii**); and
- information about any GHG metrics used to monitor progress, including its use of proxied data versus reported data (**see DF 4.3.k.iii**).

112) Global Resilience Index Initiative (GRII), **Aligning Finance with Adaptation and Resilience Goals – Targets and Metrics for Financial Institutions: Technical Note**, 2023.

113) Climate Financial Risk Forum (CFRF), **Climate Disclosures Dashboard 2.0**, 2023.

114) Glasgow Financial Alliance for Net Zero (GFANZ), **Financial Institution Net-zero Transition Plans – Supplemental Information**, 2022.

115) Climate Financial Risk Forum (CFRF), **Scenario Analysis: Guide for Banks**, 2023.

116) Climate Financial Risk Forum (CFRF), **Climate Disclosures Dashboard 2.0**, 2023.

When disclosing, an entity may additionally consider:

In defining its GHG metrics and targets, an entity may consider established methodologies including SBTi,¹¹⁷ TPI,¹¹⁸ PCAF^{119, 120} and the GHG Protocol.¹²¹ An entity may also consider target setting guidance, such as UNEP-FI's *Guidelines for Climate Target Setting for Banks*,¹²² NZBA's *NZBA Transition Finance Guide*,¹²³ and the PCAF data hierarchy when disclosing data quality and coverage used in baseline metric calculations.¹²⁴

When calculating its financed emissions, an entity may consider the TCFD's *Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures* guidance for suggested formulae, including weighted average carbon intensity, total carbon emissions, and carbon intensity.¹²⁵ Further guidance, including recommended incorporation of Scope 3 financed emissions may be found in PCAF's *The Global GHG Accounting and Reporting Standard for the Financial Industry*,¹²⁶ and IIGCC's *Discussion Paper: Investor Approaches to Scope 3*.¹²⁷

Sub-Element

4.4 Carbon credits

An entity shall disclose information about how it uses or plans to use carbon credits to achieve the **Strategic Ambition** of its transition plan, and report on the use of carbon credits on at least an annual basis.

No additional sector-specific guidance is provided for this Sub-Element.

¹¹⁷ Science-Based Targets Initiative (SBTi), **Financial Sector Science Based Targets Guidance**, 2023.

¹¹⁸ Transition Pathway Initiative (TPI), **Methodology Report: Management Quality and Carbon Performance – Version 5.0**, 2023.

¹¹⁹ Partnership for Carbon Accounting (PCAF), **The Global GHG Accounting and Reporting Standard for the Financial Industry: Facilitated Emissions**, 2023.

¹²⁰ Partnership for Carbon Accounting (PCAF), **The Global GHG Accounting & Reporting Standard for the Financial Industry**, 2022.

¹²¹ The Greenhouse Gas Protocol (GHG Protocol), **Corporate Accounting and Reporting Standard**, 2004.

¹²² UN Environment Programme Finance Initiative (UNEP-FI), **Guidelines for Climate Target Setting for Banks**, 2024.

¹²³ Net Zero Banking Alliance (NZBA), **NZBA Transition Finance Guide**, 2022.

¹²⁴ Partnership for Carbon Accounting (PCAF), **The Global GHG Accounting & Reporting Standard for the Financial Industry**, 2022.

¹²⁵ Task Force on Climate-related Financial Disclosures (TCFD), **Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures**, 2021.

¹²⁶ Partnership for Carbon Accounting (PCAF), **The Global GHG Accounting and Reporting Standard for the Financial Industry**, 2022.

¹²⁷ Institutional Investors Groups on Climate Change (IIGCC), **Discussion Paper: Investor approaches to scope 3: its importance, challenges and implications for decarbonising portfolios**, 2024.

5 Governance

Sub-Element

5.1 Board oversight and reporting

An entity shall disclose information about the governance body(s) (which can include a board, committee, or equivalent body charged with governance) or individual(s) responsible for oversight of the transition plan.

No additional sector-specific guidance is provided for this Sub-Element.

Sub-Element

5.2 Roles, responsibility and accountability

An entity shall disclose information about management's role in the governance processes, controls, and procedures used to monitor, manage, and oversee the transition plan, as well as how it is embedded within the entity's wider control, review, and accountability mechanisms.

No additional sector-specific guidance is provided for this Sub-Element.

Sub-Element

5.3 Culture

An entity shall disclose information about how it aligns or plans to align its culture with the **Strategic Ambition** of its transition plan.

No additional sector-specific guidance is provided for this Sub-Element.

Sub-Element

5.4 Incentives and remuneration

An entity shall disclose information about how it aligns or plans to align its incentive and remuneration structures with the **Strategic Ambition** of its transition plan.

No additional sector-specific guidance is provided for this Sub-Element.

Sub-Element

5.5 Skills, competencies and training

An entity shall disclose information about actions it is taking or plans to take to assess, maintain, and build the appropriate skills, competencies, and knowledge across the organisation in order to achieve the **Strategic Ambition** of its transition plan.

No additional sector-specific guidance is provided for this Sub-Element.

Glossary

| Term | Definition |
|--|--|
| climate resilience | <p>At the entity-level: the capacity of an entity to adjust to climate-related changes, developments, or uncertainties. Climate resilience involves the capacity to manage climate-related risks and benefit from climate-related opportunities, including the ability to respond and adapt to climate-related transition risks and climate-related physical risks. An entity's climate resilience includes both its strategic resilience and its operational resilience to climate-related changes, developments, and uncertainties.¹²⁸</p> <p>At the systems-level: the capacity of interconnected social, economic, and ecological systems to cope with a hazardous event, trend, or disturbance, responding or reorganising in ways that maintain their essential function, identity, and structure. Resilience is a positive attribute when it maintains capacity for adaptation, learning, and/or transformation.¹²⁹</p> |
| entity | An organisation that voluntarily chooses, or is required by law, to prepare a general purpose financial report. |
| facilitated emissions | GHG emissions associated with activities performed by financial institutions when arranging finance, such as securitisation and advisory services. Facilitated emissions and financed emissions differ from each other in that facilitated emissions are off-balance sheet (e.g., insurance underwriting, capital markets underwriting, brokerage, mandated asset management), whereas financed emissions are derived from on-balance sheet exposure (representing direct financing). ¹³⁰ |
| financed emissions | Absolute GHG emissions that banks and investors finance through their loans and investments. Facilitated emissions and financed emissions differ from each other in that facilitated emissions are off-balance sheet (e.g. insurance underwriting, capital markets underwriting, brokerage, mandated asset management), whereas financed emissions are derived from on-balance sheet exposure (representing direct financing). ¹³¹ |
| general purpose financial reports | Reports that provide financial information about a reporting entity that is useful to primary users in making decisions relating to providing resources to the entity. Those decisions involve decisions about: <ul style="list-style-type: none"> (a) buying, selling, or holding equity and debt instruments; (b) providing or selling loans and other forms of credit; or (c) exercising rights to vote on, or otherwise influence, the entity's management's actions that affect the use of the entity's economic resources. General purpose financial reports include-but are not restricted to-an entity's general purpose financial statements and sustainability-related financial disclosures. ¹³² |

¹²⁸ International Financial Reporting Standards (IFRS), **IFRS S2 Climate-related Disclosures**, 2023.

¹²⁹ Intergovernmental Panel on Climate Change (IPCC), **Climate Change 2022: Impacts, Adaptation Vulnerability. Annex II: Glossary**, 2023.

¹³⁰ The Partnership for Carbon Accounting Financials (PCAF), **The Global GHG Accounting and Reporting Standard Part A: Facilitated Emissions**, 2022.

¹³¹ The Partnership for Carbon Accounting Financials (PCAF), **The Global GHG Accounting and Reporting Standard Part A: Financed Emissions**, 2022.

¹³² International Financial Reporting Standards (IFRS), **IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information**, 2023.

| | |
|--------------------------------|---|
| greenhouse gases (GHGs) | The six gases listed in the Kyoto Protocol: carbon dioxide (CO ₂); methane (CH ₄); nitrous oxide (N ₂ O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); and sulphur hexafluoride (SF ₆). ¹³³ |
| just transition | The just transition involves anticipating, assessing, and addressing the social risks and opportunities of the transition to a low-GHG emissions and climate-resilient development, as well as ensuring meaningful dialogue and participation for impacted groups (including workers, communities, supply chains, and consumers) in transition planning. |
| material information | In the context of sustainability-related financial disclosures, information is material if omitting, misstating, or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports, which include financial statements and sustainability-related financial disclosures and which provide information about a specific reporting entity. ¹³⁴ |
| natural environment | (a) Plants, wild animals and other living organisms; (b) their habitats; and (c) land (except buildings or other structures), air, and water, and the natural systems, cycles, and processes through which they interact. |
| portfolio alignment | The approach by which, in order to achieve their own targets, a financial institution sets engagement targets to have a portion of their investees set targets. ¹³⁵ |
| portfolio coverage | The approach by which, in order to achieve their own targets, a financial institution sets engagement targets to have a portion of their investees set targets. ¹³⁶ |
| value chain | The full range of interactions, resources, and relationships related to a reporting entity's business model and the external environment in which it operates. A value chain encompasses the interactions, resources, and relationships an entity uses and depends on to create its products or services from conception to delivery, consumption, and end-of-life, including interactions, resources, and relationships in the entity's operations, such as human resources; those along its supply, marketing, and distribution channels, such as materials and service sourcing, and product and service sale and delivery; and the financing, geographical, geopolitical, and regulatory environments in which the entity operates. ¹³⁷ |

133) The Greenhouse Gas Protocol (GHG Protocol), **Corporate Accounting and Reporting Standard (Revised)**, 2004.

134) International Financial Reporting Standards (IFRS), **IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information**, 2023.

135) Portfolio Alignment Team, Portfolio Alignment Team (PAT), **Measuring Portfolio Alignment Technical Considerations**, 2020.

136) Science-Based Targets Initiative (SBTi), **Financial Sector Science Based Targets Guidance**, 2023.

137) International Financial Reporting Standards (IFRS), **IFRS S2 Climate-related Disclosures**, 2022.



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