Net Zero Finance Tracker Methodology 2025

November 2025

CLIMATE
POLICY
INITIATIVE

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KEYWORDS

Net Zero, Paris Agreement, Transition Plans, Transition Risks, Sustainable Finance, Integrity

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RECOMMENDED CITATION

Climate Policy Initiative. 2025. Net Zero Finance Tracker Methodology 2025. Available at: https://www.climatepolicyinitiative.org/wp-content/uploads/2025/10/NZFT-Methodology.pdf

ACKNOWLEDGMENTS

The authors wish to thank the following CPI colleagues for their review and guidance, listed in alphabetical order: Pedro Fernandes, Emilie Heijden, Rob Kahn, Chavi Meattle, Oscar Mills, Sayali Nagwekar, Varun Shankar. We also thank Pauline Baudry and Elana Fortin for support on design, and Kirsty Taylor for editing.

External input and guidance was provided by Alex Clark (Asset Impact), David King (Bloomberg), William Young (BNEF), Manveer Gill (CDP), Perrine Toledano (CCSI), Mikhael Gaster (Center for Active Stewardship), Ronan Hodge, Stephanie Chow-Ashton (GFANZ), Claudia Gray (Global Canopy), Tom Alcoran (InfluenceMap), Jolien Noels, Raphaël Jachnik (OECD), Nestor Toroman, Stéphane Voisin (Institut Louis Bachelier), Rémi Hermant (Reclaim Finance), Felix Nagrawala, Xavier Lerin (ShareAction), Raphael Tran (Sustainable Finance Observatory), Pernilla Bergmark (WBA), Anderson Lee (WRI), and Julie Raynaud.

As this methodology document is updated iteratively, we also acknowledge reviewers and contributors to past versions:

- **CPI colleagues:** Angela Falconer, Angela Pastor, Ayush Sharma, Barbara Buchner, Baysa Naran, Bella Tonkonogy, Caroline Dreyer, Dharshan Wignarajah, Donovan Escalante, Harsha Vishnumolakala, Helene Van Caenegem, Jake Connolly, Jaryeong Kim, Jatin Kudavelly, Josh Wheeling, Lea Faucheaux, Luke Patience, Matvei Anufriev, Nicole Pinko, Matthew Solomon, Rob Macquarie, Sherin Tan, and Shunya Kimura.
- **Other organizations:** Amy Owens, Andrew Wells, Benjamin Attia, Daan Van Acker, Holly Li, Li Cheng, Louis Worthington, Martin Stavenhagen, and Padraig Oliver.

This work would have not been possible without the support of our funders: the Laudes Foundation, Bloomberg Philanthropies, and the Hewlett Foundation.

ABOUT CLIMATE POLICY INITIATIVE

Climate Policy Initiative (CPI) is an analysis and advisory organization with deep expertise in finance and policy. Our mission is to help governments, businesses, and financial institutions drive economic growth while addressing climate change. CPI has offices in South Africa, Brazil, India, Indonesia, the United Kingdom, and the United States.

CONTENTS

INTRODUCTION

Since the adoption of the Paris Agreement in 2015, multiple public and private sector initiatives have been launched to galvanize alignment with its goals. Related actions include the adoption of mitigation and investment targets, net-zero integrity standards, information disclosure, net-zero pathway assessments, and portfolio temperature assessments. This has created a need for comprehensive tracking of the financial system's progress in aligning with the Paris goals.

The Net Zero Finance Tracker (NZFT), developed by Climate Policy Initiative (CPI), is an interactive platform that provides a comprehensive assessment of the alignment of a sample of financial institutions (FIs) with net-zero goals. It tracks how organizations are responding to the Paris Agreement at strategic and operational levels, and whether this response is translating into Paris-aligned capital allocations and changes in the real economy.

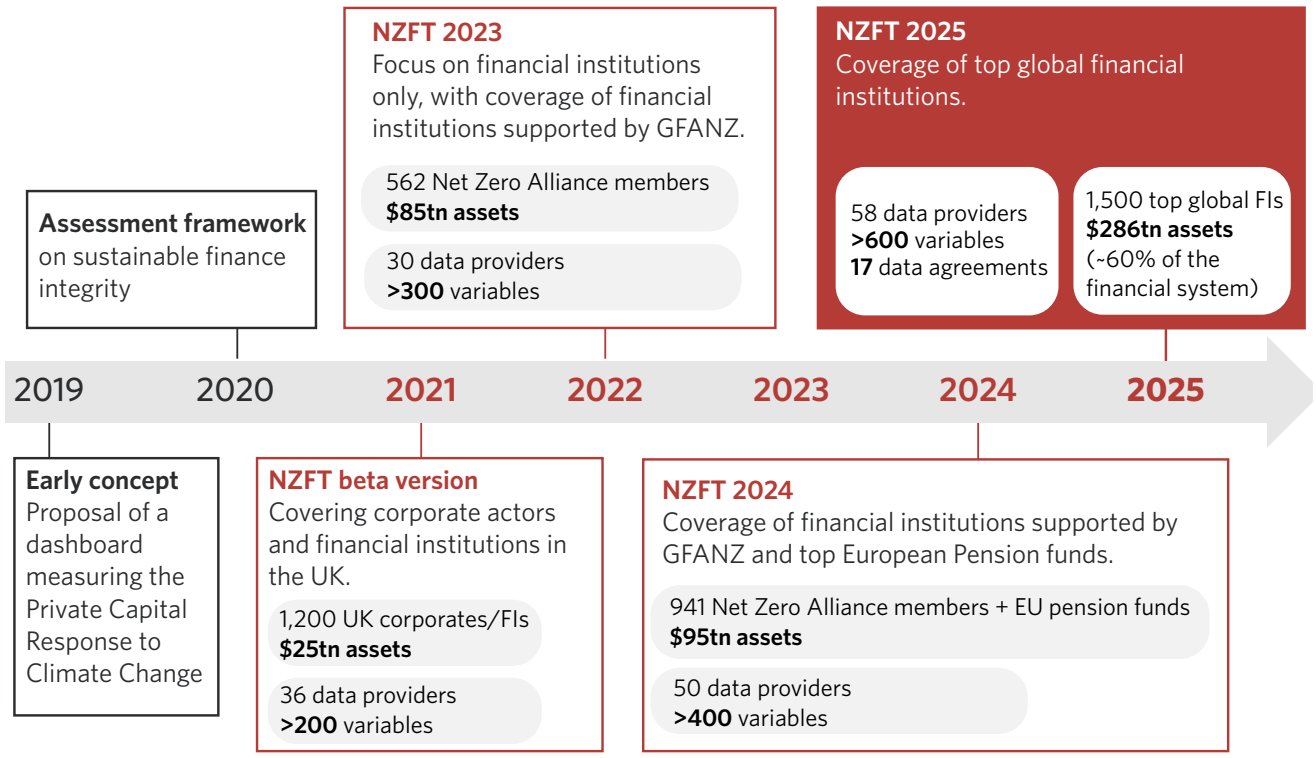
Since launching a beta version in 2022, CPI has expanded the NZFT scope annually to now include over 1,500 FIs, covering the largest banks, insurers, asset managers, and asset owners across all geographies. The combined assets under management/owned (AUM/O) of the sampled institutions is estimated at USD 286 trillion[1], representing around 60% of global financial assets, or 67% of private financial assets (FSB, 2024).

This document outlines the methodological foundations of the NZFT. This is the result of CPI's assessment of what Paris alignment and net-zero represent, reviewed and refined, considering what available data reveals in terms of trends and progress. It aims to provide clarity on the NZFT indicator scoring criteria and rationale, including the frameworks and sources that have informed them. This methodology also explains how we process, standardize, and aggregate data to produce these scores.

This living methodology is regularly updated and improved upon, in consultation with data providers and dashboard end-users, as new data becomes available and as Paris alignment and net-zero frameworks evolve. An overview of the evolution of the NZFT is shown in Figure 1.

1 Financial data on assets managed/owned is gathered from the Bloomberg Terminal, Factset, S&P Capital IQ, Diligent, IPE's Top 1,000 European Pension Guide 2023 (IPE, 2023), and multiple pension rankings..

Figure 1: Evolution of the NZFT



2025 UPDATES

Based on feedback on the 2024 iteration of the NZFT and inputs from a methodology consultation attended by climate data providers and academic observers in March 2024, this year's methodology has been updated to strengthen the coverage and accuracy of our assessments of FIs. Key updates include:

- **Expansion in FI coverage** from 1,000 in the NZFT 2024 to 1,500 in 2025, or from approximately USD 95 trillion in assets under management/owned AUM/O to USD 286 trillion, **a threefold** increase.
- **Expansion of data sources** from 50 in 2024 (tracking more than 80 standard actions and metrics), to 58 data sources (tracking 117 standard actions and metrics) this year. See Section 4 for details.
- **Updated rating criteria for indicators** to reflect improved data availability and emerging understanding of net-zero best practices with a focus on transition plans. New integrations include the TPT, OECD, ISO, and Ceres frameworks, while those from ACT, CDP, CSRD ESRS, IFRS ISSB were updated to reflect new publications.[2] See Section 2 for details.
- **Additional indicators for the Impact dimension** (credit financing, exposure to physical climate risk, exposure to clean energy and high-emission investment) and the

2 Abbreviations: TPT: Transition Plan Taskforce, OECD: Organisation for Economic Co-operation and Development, ISO: International Organization for Standardization, Ceres: Coalition for Environmentally Responsible Economies, ACT: Assessing low-Carbon Transition, CDP: Carbon Disclosure Project, CSRD-ESRS: Corporate Sustainability Reporting Directive – European Sustainability Reporting Standards, IFRS ISSB: International Financial Reporting Standards – International Sustainability Standards Board.

implementation dimension (use of offsets), as well as a new analysis integrated to track whether entities have published a transition plan. Improvements have been made to portfolio emissions (estimated by linking corporate-level emissions to FIs based on debt and equity ownership) and project-level financing (identification of alignment benchmarks and transition finance activities). See Sections 2.1.5.2 and 2.1.5.3 for details.

- **Increased nuance in indicator scoring**, with improvements to account for limitations in the validity of actions of FIs when excessive time has passed without updates.
- **Analysis of progress data retrieved directly from FIs' ESG/sustainability/climate reports, annual reports, and TCFD disclosures (see Section 4.3 Primary Data Processing),** now moving from 100 to 200 entities fully examined, and an additional 90 entities on selected actions.

1. DEFINITIONS

Term	Definition
Credit finance	Loans and underwriting of share and bond issuances, typically done by banks. Corporate loans encompass both project finance and loans used for general corporate purposes rather than specific projects.
Divestment from high-emission activities	The act of selling or disposing of financial assets—stocks, bonds, or other investments—in companies or industries involved in activities harmful to the climate (e.g., fossil fuels). Organizations often do so to reduce their exposure to risks deriving from potential policy responses to climate change. Divestment can impact the real economy by affecting cost of capital for carbon-intensive activities, adding financial and social pressure on companies, influencing the adoption of norms, though this is generally disregarded as a primary strategy for decarbonization (e.g., compared to shareholder engagement) (Tager et al. 2023).
Exclusion of high-emissions activities	The immediate cessation of new financial activities related to specific fossil fuel projects or companies. For example, the immediate end of finance to companies in the coal value chain. As with phase-out targets, exceptions are allowed only for financing dedicated to the decommissioning of fossil fuel assets.
Fossil fuel expansion	The growth of any fossil fuel operations across the value chain: increasing extraction (upstream), transportation and processing (midstream), or energy production (downstream). This includes activities such as developing new oil and gas fields, building pipelines and LNG terminals, expanding gas- and oil-fired power plants, and increasing coal mining and infrastructure. The International Energy Agency's Net Zero Scenario has highlighted that no investments in new fossil fuels are needed to reach net zero, and expansion by fossil fuel entities is in breach of this (IEA, 2023). Identifying financing of expansionist fossil fuel companies thus serves as a clear indication of misalignment with net-zero objectives.
Fossil fuel phase-out target	A commitment to end financing for certain fossil fuel activities by a specified date, aligning with global decarbonization pathways. For example, the SBTi (2023) notes that this entails a commitment to phasing out activities related to coal projects and coal companies with a 2030 phase-out for OECD countries and a 2040 phase-out globally. Exceptions are allowed for financing dedicated to decommissioning.
Green finance / investment / bonds	Financial instruments and practices aimed at funding environmentally sustainable projects or initiatives such as renewable energy, clean technology, and conservation efforts.
Mitigation and adaptation finance	• Mitigation finance supports initiatives and projects aimed at reducing GHG emissions. • Adaptation finance supports initiatives and projects that help communities and ecosystems adapt to the impacts of climate change, such as extreme weather events.
Net zero	Refers to the balance between the amount of greenhouse gases (GHGs) emitted into the atmosphere and the amount removed or offset (e.g., through reforestation or carbon capture), resulting in no net increase in atmospheric GHG concentrations. The term carbon neutrality has the same definition, but only for carbon dioxide rather than all GHGs.
Paris Agreement alignment and misalignment	Paris (mis)alignment indicates that an organization is (not) consistent with the goals and targets outlined in the Paris Agreement, aimed at limiting global warming to well below 2°C above pre-industrial levels.[3]
Physical climate risk	Financial losses caused by acute climate events (e.g., storms, floods, wildfires) and chronic climate change effects (e.g., sea level rise, temperature increases).
Physical value at risk	An estimate of the potential financial impact of physical climate risks on investments that can be aggregated up to an investor's portfolio. It is most often expressed as a percentage (loss) of an investment or portfolio under specific climate scenarios.

3 While other interpretations of Paris alignment include consistency with Nationally Determined Contributions (NDCs) or aggregate NDC goals, these are not considered in the NZFT given that NDC aggregates are not in line with the Paris temperature goal.

Term	Definition
Engagement (policy, shareholder, and client).	For the purposes of this report: • **Policy engagement** refers to FIs' engagement with government and industry representatives on climate change in a way that encourages, and does not oppose, the climate transition. • **Shareholder and client engagement** refers to active client or shareholder engagement with portfolio companies on climate action in ways that encourage, and do not oppose, the transition.
Project finance	Dedicated, ring-fenced funding for specific infrastructure projects (e.g., a coal mine, LNG terminal, or wind farm).
Validity rule	The validity rule defines the period for which a standard action is considered valid or applicable in the NZFT indicator assessment. It specifies the number of years an action remains in effect once undertaken or evidenced. For example, if an action has a three-year validity rule, evidence of that action from a given year will be considered valid for that year and the following two years. Different standard actions may have different validity periods depending on their nature.
Short-, near-, intermediate and long-term targets	These timeframes refer to the specific periods for which emissions reduction or climate action goals are set. In this dashboard, we refer to: • 2030 short-/near-term and intermediate targets • 2050 long-term targets.
Target, implementation, Impact	These terms are often used in the context of climate action planning: • **Target:** A specific goal for FIs, such as reducing emissions by a certain percentage by a particular year or increasing green investment. • **Implementation:** Steps and strategies they put in place to achieve a target. • **Impact:** The real-world effects and outcomes resulting from implementation and the achievement of targets.

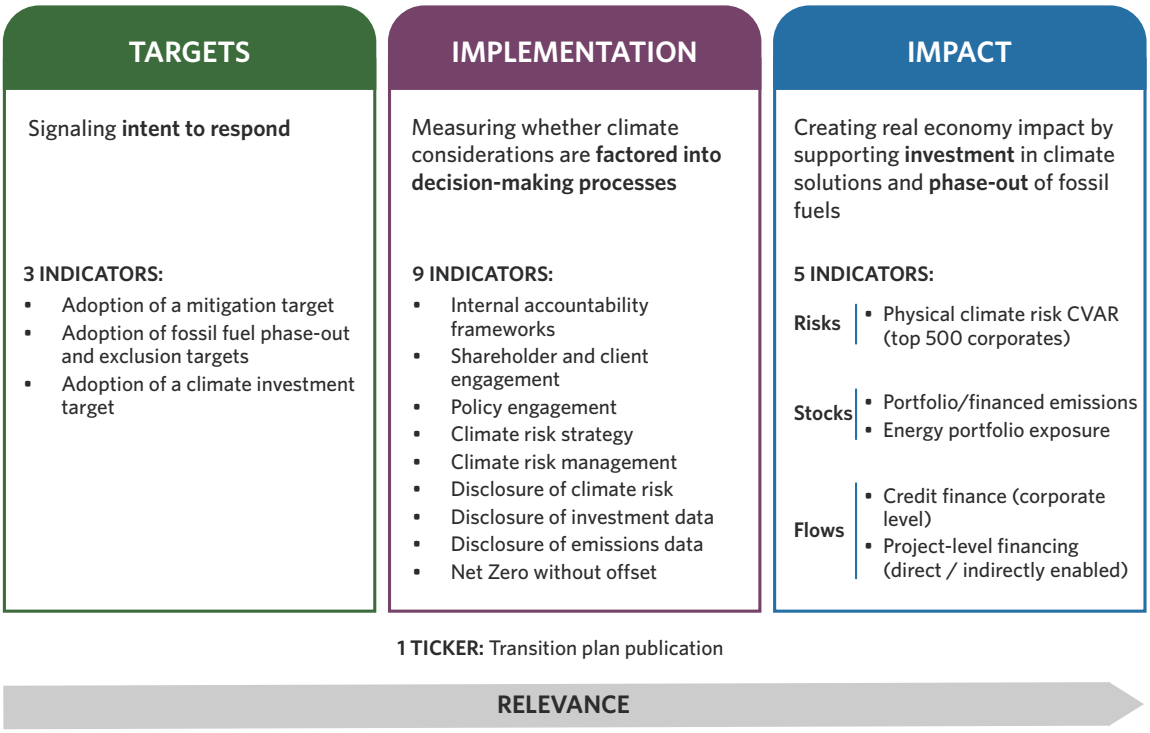
2. DIMENSIONS OF PROGRESS

From the perspective of financial institutions (FIs), Paris alignment relates to the "***holistic commitment*** *to make investments and overall organizational practices consistent with the achievement of the Paris goals … through the integration of Paris-aligned targets across the* ***investment decision chain****, from strategy and sourcing through to due diligence. Institutional engagement must be comprehensive across multiple business areas, able to deliver on a long-term horizon, and ambitious in the scale of action taken. Ultimately, action should to the extent possible translate to* ***changes in the real economy*** *– through the realignment of portfolios and investments with temperature trajectories compatible with Paris."*[4]

The NZFT maps the progress of private FIs toward alignment with the Paris Agreement goals using a set of indicators that track how they are moving from targets to actions and ultimately to real-economy impacts.

The dashboard shows: 1) what **targets** have been set; 2) their **implementation**—i.e., how these are integrated into due diligence, internal processes, and operations; and 3) how these drive investment decisions and **impacts** on the ground. We use three dimensions to organize the measurement of progress, each with supporting indicators determined through a literature review and in consideration of data availability, illustrated in the figure below. The 2025 dashboard includes 17 indicators measured by more than 100 standard actions.

Figure 2: Three dimensions with increasing levels of relevance



4 CPI. 2020. "A Proposed Method for Measuring Paris Alignment of New Investment. Available at: https://www.climatepolicyinitiative.org/wp-content/uploads/2020/12/2.-A-Proposed-Method-for-Measuring-Paris-Alignment-of-New-Investment-3.pdf

The NZFT methodology draws upon CPI's previous work on sustainable finance integrity (2019, 2021) to assess FIs' net-zero efforts, and an in-depth review of available data sources (CPI, 2023). In this 2025 update, we complement this with a review of frameworks and guidelines, ensuring that our methodology remains robust, credible, and aligned with global best practices and the latest industry developments.

The iterations of the NZFT have increasingly focused on FIs' adoption of detailed net-zero transition plans, including comprehensive, science-based target-setting, effective implementation of external and internal engagement strategies, climate risk management, and transparent disclosures.

For details on how CPI has integrated transition plans, see: *Using the Net Zero Finance Tracker to Assess Financial Institutions' Transition Plans*. The 17 frameworks and guidelines used to inform our assessment methodology are listed below and summarized in the Annex.

- Assessing low-Carbon Transition (ACT) Finance – Investing Methodology Version 2.2 (2024)
- CDP Technical Note: Financial Services Transition Plans and Net Zero Commitments (2023)
- Ceres BluePrint for Implementing a Leading Climate Transition Plan (2024)
- CSRD ESRS E1/2 Climate Change (2023a, 2023b)
- Glasgow Financial Alliance for Net Zero (GFANZ) Transition Plan Framework (2022, 2023)
- International Sustainability Standards Board (ISSB) International Financial Reporting Standards (IFRS) S2 Climate-related Disclosures (2023), and guidance (2025)
- Institutional Investors Group on Climate Change (IIGCC) Net Zero Investment Framework (NZIF) 2.0 (2024)
- ISO Net Zero Guidelines (2022)
- Net-Zero Asset Owner Alliance (NZAOA) Target-setting Protocol fourth edition (2024)
- OECD Guidance on Transition Finance – Ensuring Credibility of Corporate Transition Plans (2022)
- Principles for Responsible Investment (PRI)
- Principles of Responsible Banking Responsible Banking Blueprint (2024)
- SBTi Near-Term Framework for Financial Institutions (2023) and Financial Institutions Net-Zero Standard Consultation Draft V0.1 (2024)
- Transition Plan Taskforce (TPT) Disclosure Framework and Asset Owner Sector Guidance (2023)
- UNEP FI Guidelines for Climate Target Setting for Banks V2 and supporting note (2024a, 2024b)
- United Nations High-Level Expert Group (UN HLEG) Recommendations on the Net Zero Emissions Commitments of Non-State Entities (2022)
- WWF Criteria for Credible Climate and Nature Transition Plans for Financial Institutions (2022)

2.1 SCORING INDICATORS

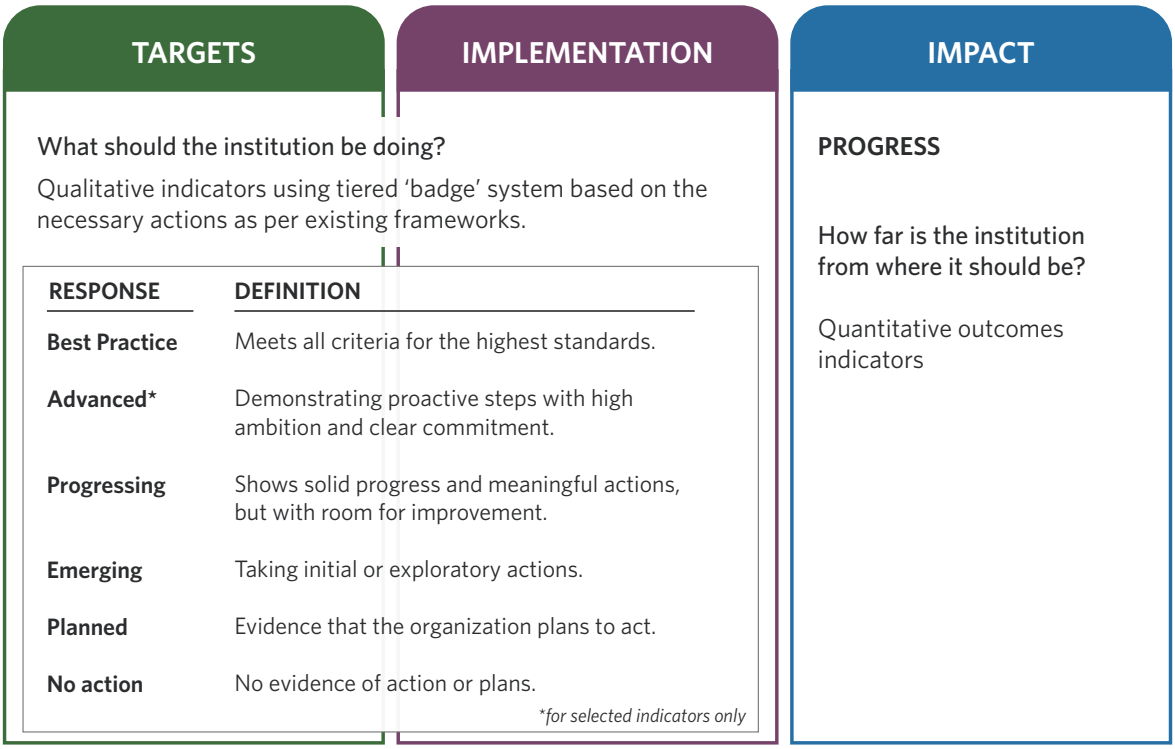
Targets and Implementation indicators are assessed qualitatively, while Impact is assessed using quantitative methods.

Targets and Implementation indicators use a tiered score system, assessing FIs' tracked targets and actions against those considered necessary for a net-zero transition, drawing on the literature listed above and detailed in the Annex. Responses are considered according to their credibility, based on an assessment of the following principles:

- **Transparency:** Either non-transparent or transparent.
- **Concreteness:** At the stage of either commitment or action.
- **Comprehensiveness:** Incomplete, sectoral, partial, or comprehensive.
- **Ambition:** Ranging from low to high.

Impact is assessed using quantitative indicators relating to activities that either support a net-zero transition (new project-level investment or credit finance for clean energy), or detract from it (new project-level or credit finance to fossil fuel companies). Transition risk management is measured by exposure to physical climate risk, energy portfolio exposure to fossil fuels and clean energy, and portfolio/financed emissions. For all indicators, location is attributed by the source of flows, rather than their destination.

Figure 3: Assessment of indicators within the three dimensions



The NZFT 2025 methodology introduces a refined scoring approach, with amended terminology as well as the addition of a new intermediate rating: 'Advanced'– for those indicators where the development of practice warrants greater granularity in assessing FIs' actions.

VALIDITY RULE OF STANDARDIZED ACTION

Due to the sporadic nature of reporting and the way we collect data, we apply specific validity rules to determine how long a recorded action remains valid in years where no updated data is available. These rules help ensure that we neither overstate nor understate progress by assuming continuity where it may not exist.

Table 1. Overview of the validity rule currently applied to indicators

Dimension	Validity rule
Targets and Implementation	Commitment actions based on coalition memberships are considered valid for one year, given that memberships change and coalitions can disband.
Targets	The validity period of all standardized actions is **5** years.[5]
Implementation	The validity period of all standardized actions is **3** years[6], other than some specific actions valid for only **1** year for: **Shareholder engagement:** [A. Percentage of votes cast in favor of pro-climate shareholder resolutions] **Policy engagement:** [A. Directly participates in policy processes for climate/sustainable government reforms and regulation] and [B. Carries out indirect climate policy advocacy] We consider Implementation measures more as actions than long-term strategies or states to avoid overestimating an FIs' level of implementation.

The tables below summarize the actions and metrics tracked by each indicator, how they are assessed, and how they relate to existing frameworks. Further details on the scoring approach and underlying data are available in the NZFT Scoring Methodology 2025. In addition to the response assessments listed for each indicator, "No action" may be awarded as a score to indicate no evidence of action.

5 SBTi (2025) recommends the entities to review their targets every five years which indicating 5-year as valid period for target information.
6 TPT (2025) recommends that entities should publish a standalone transition plan document at least every three years which indicates a valid period for implementation action.

2.1.1 TARGETS

Indicators	Standard actions/metrics tracked	Response assessment	Reference frameworks and data sources
Adoption of a mitigation target	▪ Type of asset covered by the target ▪ Percentage of relevant portfolio covered ▪ Validation of long-term target (2030-50) ▪ Validation of near-term target (2025-30) ▪ Time between target baseline year and first reporting year ▪ Use of absolute or intensity metrics ▪ Inclusion of portfolio companies' Scope 3 emissions ▪ Use of a net-zero target scenario/ methodologyAdoption of net-zero or long-term target ▪ Adoption of intermediate net-zero target ▪ Adoption of carbon neutrality target ▪ Adoption of active portfolio / investment emissions target(s) ▪ Adoption of other active climate-related targets ▪ Commitment to adopt a mitigation target ▪ Commitment to adopt an intermediate target ▪ Commitment to adopt Paris-aligned targets ▪ Commitment to adopt short-, long-term, and intermediate targets	▪ **Best Practice**: Externally validated aligned long-term and near-term portfolio targets in absolute terms, covering 90% or more of the relevant portfolio. Targets ambition, scope, and methodology reflect the need to reach net-zero by 2050. ▪ **Advanced:** Externally validated aligned long-term and near-term portfolio targets, covering more than 50% of relevant portfolio. ▪ **Progressing**: Transparent long-term and near-term targets, covering a portion of (above zero) the relevant portfolio. ▪ **Emerging**: Portfolio target adopted but it is partial, or information is incomplete. ▪ **Planned**: Has committed to adopt a target. ▪ **No action**: No evidence of target.	**Reference Frameworks**: **TCFD** Recommendation on Metrics and Targets **SBTi** Near-Term Financial Sector Science-based Target Guidance (5.3 Defining the Boundary of Portfolio Targets/3.2 Scope 1 and 2 Target Time Frame) **SBTi** Financial Institution Net Zero Standard Conceptual Framework and Initial Criteria (4.3. Portfolio Target Boundary Criteria) **CSRD** ESRS E1 Climate Change (Metrics and Targets) **UNEP FI** Guidelines for Climate Target Setting and supporting note (Guidelines 2 & 3) **GFANZ** Financial Institution Net-zero Transition Plans (Metrics and Targets) **OECD** Guidance on Transition Finance (4.2.1 Element 1: Setting temperature goals, net-zero, and interim targets) **UN HLEG** Recommendation 2: Setting net-zero target ISO Net Zero Guidelines **(8.2.6 Interim Targets**) **WWF** Criteria for Credible Transition Plans (Ambition and Prioritization) **Principles for Responsible Banking** Responsible Banking Blueprint **ACT Finance** (Module 1: Target-Alignment of Scope 3 (category 15) emissions reduction target) **TPT** Disclosure Framework (Accountability - 4. Metrics & Targets - 4.3 GHG Metrics and Targets) **Data Sources**: Accounting For Sustainability, BankTrack, CDP, CPI, Diligent Stewardship Data, ECIU, ESG Book, MSCI, NZAM, NZAOA, NZBA, NZIA, Net-Zero Donut, Observatoire de la Finance Durable, PAAO, PRB, PRI, Private Equity Energy Tracker, RTZ, SBTi, ShareAction, Tracenable, TPI, WRI

Indicators	Standard actions/metrics tracked	Response assessment	Reference frameworks and data sources
Adoption of a climate investment target	• Disclosure of quantified target • Specification of timeline • Disclosure of climate finance methodology • Adoption of investment target • Commitment to finance climate solutions	• **Best Practice**: Quantified target disclosed, with a timeline and methodology. • **Progressing:** Quantified target disclosed, with a timeline. • **Emerging:** Target adopted but without a timeline. • **Planned:** Commitment to adopt a target. • **No action**: No evidence of target.	**Reference frameworks:** **SBTi** Near-Term Financial Sector Science-based Target Guidance (2.3. The FINZ Target-setting Framework) **ACT Finance** (Module 1: Target-Financing target) **CDP** Technical Note on Financial Services Transition Plans **CSRD** ESRS E1 Climate Change (Metrics and Targets) **NZAOA** Target Setting Protocol (financing transition targets) **TPT** Disclosure Framework (4.2 Financial Metrics and Targets) **Principles for Responsible Banking** Responsible Banking Blueprint **GFANZ** Scaling Transition Finance and Real-economy Decarbonization **TCFD** Recommendation on Metrics and Targets (capital deployment metrics) **Data sources:** CDP, CIC, CPI, Net-Zero Donut, NZAOA, Private Equity Energy Tracker, Reclaim Finance, ShareAction, TPI, WRI Green Targets
Adoption of fossil fuel phase-out and exclusion targets	• Has a fossil-free portfolio • Has a phase-out policy for oil and gas • Date for oil and gas phase-out • Existence of a phase-out policy for coal • Date for coal phase-out • Existence of restrictions placed on new fossil fuel development • Extent of fossil fuel policy coverage • Extent of divestment target • Unspecified fossil fuel policy • Commitment to exclude/phase-out thermal coal	• **Best Practice**: Has a credible fossil fuel phase-out policy including comprehensive restrictions on all new fossil fuel. development, or has no fossil fuel assets. • **Advanced:** Has a developed phase-out policy, although coverage or scope is incomplete (on either O&G or coal). Alternatively, has a full fossil fuel divestment policy. • **Progressing:** Has a phase-out policy for only some fossil fuels (on either O&G or coal), or an incomplete divestment target. • **Emerging:** Has weak or undefined fossil fuel restrictions. • **Planned:** Commitment to adopt a target. • **No response:** No evidence of target	**Reference frameworks:** **SBTi** FIs' Near-Term Criteria **ACT Finance** (Module 1: Target-Engagement target-Assessment) **WWF** Criteria for Credible Transition Plans (Ambition and Prioritization) **The Investor Agenda** Investor climate actions plans (expectations ladder: asset allocation) **GFANZ** Scaling Transition Finance and Real-economy Decarbonization **UN HLEG** (Recommendation 5: Phasing out of fossil fuels and scaling up renewable energy) **IEA** Net Zero Roadmap a global pathway to keep the 1.5 goal in reach **Data sources:** BankTrack, Coal Policy Tracker, CDP, CPI, Diligent, The Divestment Database, Financial Exclusions Tracker, Insure Our Future, Net Zero Donut, NZAM, NZAOA, Oil and Gas Policy Tracker, Powering Past Coal Alliance, Private Equity Energy Tracker, ShareAction, TPI

2.1.2 IMPLEMENTATION

	Standard actions/metrics tracked	Response assessment	Reference frameworks and data sources
Internal Accountability Frameworks	▪ Has dedicated responsible investment staff ▪ Board is accountable for climate change or transition plan ▪ C-suite staff are accountable for climate change or transition plan ▪ Business-level staff are accountable for climate change or transition plan ▪ C-suite staff compensation is linked to climate change or transition plan ▪ Board members have climate-related expertise or competency ▪ Commitment to integrating sustainability principles in governance	▪ **Best Practice:** Dedicated responsible investment staff, and evidence that entire organization is accountable for climate change, with incentives and measures to ensure competency on climate issues at executive level. ▪ **Advanced:** Dedicated responsible investment staff, and evidence that entire organization is accountable for climate change, with C-suite compensation linked to climate objectives. ▪ **Progressing:** Dedicated responsible investment staff, and evidence that part of the organization is accountable for climate change. ▪ **Emerging:** First measures introduced to increase accountability. ▪ **Planned:** Commitment to adopt measures to increase accountability. ▪ **No response:** No evidence of action.	**Reference frameworks**: **GFANZ** Financial Institutions Net-Zero Transition Plans (Governance-Roles, responsibilities, and remuneration) **TCFD** Recommendation on Governance **CSRD** ESRS E2 (Chapter 2 Governance) **Ceres** Blueprint for Implementing a Leading Transition Action Plan **CDP** Technical Note on Financial Services Transition Plans **TPT** Disclosure Framework (5. Governance) **ISSB** Climate-Related Disclosures (Governance) **IIGCC** NZIF 2.0 (Governance & Strategy) **IFRS** Sustainability Disclosure Standards (Governance) **ACT Finance** (Management-Oversight of climate change issues/capability and incentives) **ECB** best practices **WWF** Criteria for Credible Transition Plans (Ambition and Prioritization) **NGFS** Credible Transition Plans: The micro-prudential perspective (appropriate governance) **OECD** Guidance on Transition Plans (4.2.9 Element 9: Ensuring sound governance and accountability) **Data sources**: CDP, CPI, Diligent, ESG Book, FinanceMap, MSCI, Net-Zero Donut, PRB, PRI, TPI, WRI

	Standard actions/metrics tracked	Response assessment	Reference frameworks and data sources
Shareholder and Client Engagement	▪ Percentage of votes cast in favor of pro-climate shareholder resolutions ▪ Engagement to drive climate-related behavior in investees ▪ Engagement policy includes engagement target ▪ Engagement policy includes escalation strategy ▪ Has a climate voting or engagement policy ▪ Commitment to engage on climate change or sustainable practices	▪ **Best Practice:** Indications of positive voting and engagement on business practices for all tracked activities, with no negative action. A clear and ambitious engagement strategy with engagement target and escalation policy is disclosed. ▪ **Advanced:** Indications of positive voting for >85% of tracked activities and indications of positive engagement, with no negative engagement. Either engagement target or escalation strategy is present. ▪ **Progressing:** Indications of positive voting for >70% of tracked activities and indications of positive engagement for tracked activities. An engagement strategy is present. ▪ **Emerging:** First steps at engaging (including with suppliers) but with possible presence of negative engagement OR has a voting/ engagement policy. ▪ **Planned:** Commitment to engage. ▪ **No action:** No evidence of action.	**Reference frameworks**: **GFANZ** Financial Institution Net-zero Transition Plans (Engagement Strategy) **UN HLEG** Recommendation 4: Include voting (especially proxy) strategies in line with decarbonization and escalation policies, **ACT Finance** (Module 7: Investee engagement) **NZAM** Commitment (Commitment 7) **CDP** Technical Note on Financial Services Transition Plans **Ceres** Blueprint for Implementing a Leading Transition Action Plan **OECD** Guidance on Transition Plans (4.2.8 Element 8: Integration with financial plans and internal coherence) **CSRD** ESRS E2 Climate Change (Disclosure Requirement SBM-2 – Interests and views of stakeholders) **WWF** Criteria for Credible Transition Plans **Principles for Responsible Banking** Responsible Banking Blueprint **PRI** Stewardship for Sustainability Evaluation Tool **TPT** Disclosure Framework (Action - 3. Engagement Setrategy - Engagement with value chain) **IIGCC** NZIF 2.0 (Stakeholder and Market Engagement), **TCFD** Recommendation on Risk Management **UN HLEG** (Recommendation 4) **Data sources:** CDP, Climate Action 100+, CPI, Center for Active Stewardship, Diligent, FinanceMap, Net Zero Donut, MSCI, NZAM, NZAOA, NZIA, PAII, PRB, PRI, PSI, SBTi, ShareAction, TPI

	Standard actions/metrics tracked	Response assessment	Reference frameworks and data sources
Policy Engagement	▪ Directly participates in policy processes for climate/sustainable government reforms and regulations ▪ Carries out positive climate policy advocacy ▪ Positions itself in favor of climate/ sustainable government reforms and regulations ▪ Positions itself in favor of specific financial regulations, including use of reporting standards and taxonomies, as well as prudential regulation ▪ Commitment to work with business partners on ESG ▪ Commitment to work with government on ESG ▪ Commitment to work with industry on responsible investment ▪ Commitment to work with industry on a sustainable economy ▪ Commitment to positively influence climate policy ▪ Commitment to work with governments on NZ transition ▪ Commitment to work with governments and industry on net zero transition ▪ Commitment to conduct engagement in line with Paris goals	▪ **Best Practice:** Indications of positive engagement on climate change and financial reform and no negative action. ▪ **Progressing:** Indications of general support and no negative action. ▪ **Emerging:** First steps at engaging, but possible presence of negative engagement, too. ▪ **Planned:** Commitment to engage. ▪ **No action:** No evidence of action.	**Reference frameworks**: **ACT Finance** (Module 8.3: Policy engagement) **UN HLEG** Recommendation 6: Aligning lobby and advocacy, **GFANZ** Financial Institution Net-zero Transition Plans (Engagement Strategy - Direct and indirect lobbying and public-sector engagement) **TPT Disclosure Framework** (Action 3. Engagement Strategy - Engagement with industry/Engagement with government, public sector, communities, and civil society), **WWF** Criteria for Credible Transition Plans **Principles of Responsible Banking** Responsible Banking Blueprint (Advocacy and Partnerships) **CDP** Technical Note on Financial Services Transition Plans **OECD** Guidance on Transition Plans (4.2.8 Element 8: Integration with financial plans and internal coherence) **Ceres** Blueprint for Implementing a Leading Transition Action Plan **ISO** Net Zero Guidelines: (9.1.2 Content of mitigation plans) **IIGCC** NZIF 2.0 (Policy advocacy and Stakeholder and Market Engagement). **Data sources:** BEI, CDP, CPI, FinanceMap, Investor Agenda, Occupational Pensions Stewardship Council, Net Zero Donut, NZAM, NZAOA, NZIA, PAAO, PRI, PSI, WMB

	Standard actions/metrics tracked	Response assessment	Reference frameworks and data sources
Climate Risk Strategy	▪ Considers the impact of climate risks and opportunities in strategy or financial planning ▪ Uses climate scenarios to inform strategy ▪ Reviews and assesses climate strategy at least every three years ▪ Assesses climate risks and opportunities for different time horizons ▪ Provides temperature trajectories for the scenarios examined ▪ Uses reputable energy transition scenarios ▪ Uses reputable physical climate risk scenarios ▪ Commitment to assess climate risks	▪ **Best Practice:** Assesses climate risks, and scenarios and incorporates them in strategy, using various timeframes and reputable climate scenarios, review the strategy regularly. ▪ **Progressing:** Assesses climate in strategy, with some degree of transparency on the use of scenarios. ▪ **Emerging:** First steps at developing a climate risk strategy. ▪ **Planned:** Commitment to adopt a climate risk strategy. ▪ **No action:** No evidence of action.	**Reference frameworks**: **TCFD** Recommendation on Strategy **UN HLEG** Recommendation 4: Creating a transition plan, **ISSB** IFRS S2 (Climate-related Disclosures-Risk management) **IIGCC** NZIF 2.0 (Governance & Strategy) **World Economic Forum** Measuring Stakeholder Capitalism **ISO Net Zero Guidelines** (13.2 Scope of reporting and information to include) **Principles for Responsible Banking** Blueprint for Responsible Banking **Ceres** Blueprint for Implementing a Leading Climate Transition Action Plan **CSRD** ESRS E1 Climate Change (Metrics and Targets) **CDP** Technical Note on Financial Services Transition Plans **OECD** Guidance on Transition Plans **TPT** Asset Owners Sector Guidance **S&P** Global Corporate Sustainability Assessment **Data sources:** CAFI, CDP, CPI, FinanceMap, IFRS Sustainability Alliance, PRI, Private Equity Energy Tracker, ShareAction, TCFD
Climate Risk Management	▪ Has process(es) to assess climate risk ▪ Has process(es) to manage climate risk ▪ Has process(es) to assess and manage climate risk, environmental dependencies and impact ▪ Integrates climate into overall risk management ▪ Uses tools to manage climate-related risks and opportunities ▪ Reports coverage in the use of tools ▪ Commitment to manage climate risks ▪ Commitment to adopt a carbon price	▪ **Best Practice:** Evaluates and manages climate-related risks, comprehensively using appropriate tools for all assets. ▪ **Advanced:** Evaluates and manages climate-related risks, using appropriate tools for majority of assets. ▪ **Progressing:** Evaluates and manages climate-related risks with the support of tools for some assets. ▪ **Emerging:** First steps at managing climate risk. ▪ **Planned:** Commitment to manage climate risk. ▪ **No action:** No evidence of action.	**Reference frameworks**: **ACT Finance** (Module 5: Management-5.5 Risk Management) **CSRD** ESRS E1 Climate Change (Impact, risk and opportunity management) **CDP** Technical Note on Financial Services Transition Plans **Ceres** Blueprint for Implementing a Leading Climate Transition Action Plan **GFANZ** Financial Institution Net-zero Transition Plans (Relationship between risk management and transition planning) **PRI** (Climate risk: An investor resource guide - Risk Management), **TCFD** Recommendation on Risk Management, and **ISSB** IFRS S2 (Climate-related Disclosures-Risk management) **Data sources:** CAFI, CDP, CPI, CPLC, GCAP, ESG Book, FinanceMap, IFRS Sustainability Alliance, Net Zero Donut, MSCI, PRI, Private Equity Energy Tracker, TCFD, WMB
Disclosure of Climate Risk	▪ Publishes TCFD/ISSB/CSRD disclosures ▪ Requests that external managers and/or service providers incorporate TCFD/ISSB/CSRD into reporting ▪ Commitment to engage with clients or investee companies to adopt TCFD/ISSB/CSRD disclosures ▪ Commitment to TCFD/ISSB/CSRD reporting	▪ **Best Practice:** Publishes TCFD/ISSB/CSRD disclosures. ▪ **Progressing:** Publishes TCFD/ISSB/CSRD disclosures or actively urges external managers and/or service providers to include TCFD/ISSB/CSRD principles in their reporting. ▪ **Planned:** Commitment to disclose climate risks. ▪ **No action:** No evidence of action.	**Reference frameworks**: **TCFD** Recommendation, **IIGCC** NZIF 2.0 (Governance & Strategy, relevant guidance in Essential action points) **ISSB** IFRS S2 (Climate-related Disclosures) **UN HLEG** (Accelerating the Road to Regulation) **Bloomberg** Law's analysis on ESG tool **CSRD** ESRS E1 Climate Change **PRI** analysis **Data sources**: Accounting For Sustainability, CDP, Climate Action 100+, CPI, IFRS Sustainability Alliance, NZAM, NZIA, PAAO, PRI, Sustainability Reporting Navigator, TCFD, TCFD resources hub

	Standard actions/metrics tracked	Response assessment	Reference frameworks and data sources
Disclosure of Investment Data	▪ Reporting system for climate investment data is in place ▪ Reporting system for high-emitting assets are in place ▪ Plans to disclose climate investment data	▪ **Best Practice:** Evidence of reporting system for climate investment data and high-emitting assets. ▪ **Progressing:** Evidence of a reporting system for either climate investment data, or high-emitting assets. ▪ **Planned:** Commitment to disclose climate investment data. ▪ **No action:** No evidence of action.	**Reference frameworks**: **ACT Finance** (Module 4: Portfolio Climate Performance) **CDP** Technical Note on Financial Services Transition Plans **UN HLEG** Recommendation 4: Creating a transition plan **ISSB** IFRS S2 (Climate-related Disclosures-Climate-related metrics) **TCFD** Recommendations under Metrics and Targets for Financial Sector **Data sources:** CAFI, CDP, CIC, CPI, MSCI, Net Zero Donut, Reclaim Finance, ShareAction, TPI, WRI
Disclosure of Emissions Data	▪ Disclosed emissions are verified externally ▪ Discloses financed emissions ▪ Discloses portfolio emissions ▪ Discloses emissions calculation methodology and/or factors influencing emissions changes ▪ Tracking of financed/portfolio emissions uses established methodologies ▪ Tracks coverage of portfolio emissions ▪ Tracks portfolio emissions ▪ Tracks some level of emissions ▪ Discloses progress against targets ▪ Discloses Scope 1 and/or 2 emissions ▪ Discloses Scope 3 emissions ▪ Discloses Baseline emissions ▪ Some level of emissions is tracked ▪ Commitment to track and disclose emissions	▪ **Best Practice:** All financed emissions or portfolio emissions have been disclosed and verified, with established methodologies and attribution analysis applied, as well as disclosure as to whether the institution is on track to meet their emissions targets. ▪ **Advanced:** Majority of financed emissions or portfolio emissions have been disclosed and verified. ▪ **Progressing:** Some/unspecified portfolio emissions are tracked or disclosed. ▪ **Emerging:** First observable steps taken toward emissions disclosure. ▪ **Planned:** Commitment to disclose emissions. ▪ **No action:** No evidence of action.	**Reference frameworks**: **CDP** (Questionnaire Section C-FS14.1 Portfolio Impact) **UN HLEG** Recommendation 8: Increasing transparency and accountability **PCAF** (Financed Emissions-The Global GHG Accounting & Reporting Standard-Financed Emissions) **GFANZ** Financial Institution Net-zero Transition Plans (Disclosure), **IIGCC** NZIF 2.0 (Objectives-Reporting on portfolio financed emissions) **OECD** Guidance on Transition Plans (Element 10: Transparency and verification, labeling, and certification) **CSRD** ESRS E1 Climate Change **ISO Net Zero Guidelines** (13.2 Scope of reporting) **ISSB** IFRS S2 (Climate-related Disclosures-Climate-related metrics) **GRI**-G4 Financial Sector Disclosure **Data sources:** CAFI, CDP, CPI, ESG Book, FinanceMap, MSCI, Net Zero Donut, NZBA, NZAOA, PCAF, PRI, Private Equity Energy Tracker, Tracenable, WRI
Net Zero Without Offsets	▪ Exclusion of using carbon credits in achieving mitigation targets ▪ Discloses use of carbon credits	▪ **Best Practice:** Carbon credits are not used as part of mitigation targets. ▪ **Emerging:** Discloses use of carbon credits. ▪ **No action:** No evidence of disclosure about use of carbon credits.	**Reference Frameworks**: **SBTi** Near-Term Financial Sector Science-based Target Guidance **ISSB** IFRS S2 (Climate-related Disclosures-Climate-related metrics- Climate-related targets) **OECD** Guidance on Transition Plans- Element 4: Providing clarity on use of carbon credits and offsets **GFANZ** Financial Institution Net-zero Transition Plans (Disclosure), **UN HLEG** (Restrict Use of Voluntary Carbon Credits) **Data sources:** CDP, ECIU, MSCI, e, TPI, WRI

2.1.3 IMPACT

Indicator	Description	Data sources

Portfolio/ financed Emissions - Beta	**This indicator measures FIs' financed emissions (tCO_2e)** by tracking information on Scope 3 – Category 15 (Investments) emissions, portfolio emissions, or financed emissions. Tracked emissions are both:
	
	• **"Self-Reported" by FIs, as recorded in CDP data**. Emissions are disclosed directly by FIs, calculated using their own methodologies, which vary in scope, coverage, and level of detail adopted in each year. As a result, while data is useful for understanding institutions' responsibility at the time of reporting, figures are only partially comparable across institutions and between years; emissions trends may in part reflect changes in methodology, or result from divestment of high-emitting assets rather than real reductions.
	• **"Estimated" by CPI, by attributing historic emissions of the 500 largest corporate emitters to FIs based on their debt and equity exposure to these companies in the last year,** using a single harmonized approach. As a result, the indicator is a proxy measure of whether the financed companies (i.e. real-economy firms in which financial institutions hold debt or equity) have been on a path to decarbonization, which may partly reflect investor engagement. The approach draws on guidance from the Partnership for Carbon Accounting Financials (PCAF) on emissions. Estimated corporate emissions are sourced from the following databases:
	  ▪ **Asset Impact:** Estimates of corporate emissions using asset-based data.
	  ▪ **COGEM**: Estimates of corporate emissions using machine learning models.
	  ▪ **MSCI:** Estimates of corporate emissions using company-reported data.
	In cases where data is absent for both FIs' self-reported emissions and corporate emissions, interpolation is done as follows:
	• **When there is a one-year gap in reported emissions**, the missing year is filled with the average of the flanking values.
	• All other cases:
	  ▪ For missing years preceding the first available value, the first available value is applied.
	  ▪ For missing years following the last available value, the last available value is applied.
	  ▪ If emissions are only reported for a single year, this value is applied to all preceding and subsequent years in the time series.
	
	Note: To correct potential errors/inconsistencies in self-reported data, the following approach was adopted: Where methodology changes have been verified within the same source, or where significant "outlier" emission changes were observed (increases/decreases of emissions by a factor of 5), we only considered the most recent figures. Similarly, where multiple data sources were used to fill data gaps, leading to outlier data fluctuations (increases/decreases of emissions by a factor of 5), we prioritized datasets that were most recent, most complete, and the largest (for maximum values), or smallest (for minimum values). Despite this, trends in data may still, in part, reflect improvements in methodology. To the extent possible, raw data was also checked for potential errors (e.g., significant inconsistency between values reported in different years).
		Asset Impact
		COGEM
		CDP
		CPI
		MSCI
		Net-Zero Donut
		NZDPU

Physical climate risk CVAR (top 500 corporates) - Beta	**This indicator assesses the potential financial impact of physical climate risks on FIs through their core portfolio holdings.** To identify the impact of such risks, we examine the physical value at risk (VaR) of the largest 500 companies in the MSCI ACWI universe. MSCI's VaR model assesses the financial impacts of both acute and chronic physical climate risks, under five different warming scenarios: 1.5°C, 2°C, 3°C, 4°C, and 5°C. CPI then estimates the impact on FIs' portfolios based on the direct exposure of debt and equity instruments in these companies. **Note:** The indicator captures physical climate risks only in relation to the share of the financing portfolio exposed to the top 500 corporates, not the institution's entire debt and equity holdings. It should therefore be interpreted as reflecting risks for that specific portfolio segment rather than the full portfolio. To assess the materiality of these exposures, we complement the indicator with a proxy metric that expresses the share of financing to the top 500 corporates relative to the institution's total AUM/O. This provides an indication of the relative significance of top 500 exposures within the overall portfolio.	Bloomberg LP, MSCI

Indicator	Description	Data sources
Energy Portfolio Exposure - Beta	**This indicator measures the percentage of an FI's energy portfolio exposed to fossil fuel and clean energy investments**. The analysis focuses on the exposure of corporate bonds and equity to companies in the fossil fuel sector, those expanding in it, and companies operating in the clean energy sector. By quantifying exposure to fossil fuel and clean energy investments, the indicator reveals transition risks and opportunities. **Note**: Amounts are adjusted to reflect the proportion of a company's involvement in each energy sector. Only companies that could be confidently matched across Urgewald's and Profundo's datasets appear in the dashboard.	Urgewald's Investing in Climate Chaos, CPI Profundo
Credit Finance (corporate level)	**This indicator measures how FIs have contributed to the credit funding of clean energy companies and fossil fuel companies** (via loans and debt/equity underwriting), the latter broken down into companies with and without expansionist plans. This includes syndicated finance and, where available, bilateral finance, though the latter is much less likely to be reported. The financial transactions of the largest 65 banks are included in the scope. Bank subsidiaries' financing is aggregated to the parent level. Investment figures are broken down to track investment by capital type (loans and underwriting), region (region of destination (Central Asia and Eastern Europe, East Asia and Pacific, Latin America & the Caribbean, Middle East and North Africa, Oceania, South Asia, sub-Saharan Africa, US & Canada, and Western Europe) and economic classification (Advanced Economies, Emerging Markets and Developing Economies (EMDEs). **Note**: Amounts are adjusted to reflect the proportion of a company's involvement in each energy sector.	Reclaim Finance's Banking on Business as usual: the energy finance imbalance, RAN's 2025 Banking on Climate Chaos
Project-Level Financing (direct / indirectly enabled)	**This indicator measures how FIs have directly contributed to the funding of new clean energy projects, transition projects and fossil fuel projects via direct/primary investment**. Investment figures are tracked by technology (Ammonia, Bioenergy, Coal, Electricity, Fossil Fuel, Gas, Geothermal, Hybrid, Hydrogen, Hydropower, Marine, Methane, Nuclear, Oil, Power Grids, Propane, Renewable Energy, Solar, Synthetic Fuels, Waste-to-Energy, and Wind), capital type (Debt, Equity, Other/Unknown), region (Central Asia and Eastern Europe, East Asia and Pacific, Latin America & Caribbean, Middle East and North Africa, Oceania, South Asia, Sub-Saharan Africa, US & Canada, and Western Europe), and economic development (Advanced Economies, Emerging Markets and Developing Economies (EMDEs)]. Projects appearing in multiple data sources are removed from the data source containing the least information (e.g., on the identity of the FI or on the location of the project) and identified via fuzzy-matching of project names. The final project-level data is also used to calculate project-level investment that has been **indirectly enabled** by financial entities as shareholders or corporate lenders. For more information, refer to subsection 2.1.5.2 below. Power sector technologies are grouped according to CPI's taxonomy for transition finance (see subsection 2.1.5.3) meant to shed clarity on how to clearly distinguish between clean energy, transition finance, and fossil fuel finance activities in the financing of new projects in the power sector. **Note**: financing data was retrieved in May 2025, any subsequent update of the datasets by the provider is therefore not reflected.	BNEF GEM IJ Global PPI

2.1.4 TRANSITION PLAN PUBLICATION

While elements of transition plans are embedded across all NZFT's indicators, the NZFT also tracks whether NZFT entities have adopted a transition plan. Users can filter FIs based on the presence/absence of a transition plan to assess whether entities with transition plans perform differently across targets, implementation and impact.

Description	Assessment	Data sources
Transition plans outline how institutions will adapt their business models, investment strategies, and risk management practices to support the shift to a low-carbon economy. Having a structured plan helps institutions mitigate climate-related financial risks and align with net-zero targets.	**Transition Plan Present:** Climate transition plan is present. **No action:** No evidence of a climate transition plan.	CDP CPI ECIU ShareAction

2.1.5 COMPLEMENTARY NOTES ON IMPACT INDICATORS

2.1.5.1 RELATIONSHIP BETWEEN CPI'S ENERGY FINANCE INDICATORS

CPI tracks three key indicators to assess FIs' influence on the energy system: credit financing, finance to projects, and exposure to fossil fuels and clean energy.[7] These indicators aim to capture various aspects of the financial sector's interaction with energy systems in relation to the climate transition. The **exposure to fossil fuels and clean energy** indicator captures financial stocks—the total value of investments (such as shares or bonds) that FIs continue to hold at a given point in time. In contrast, the **finance to projects** and **credit financing** indicators capture financial flows—i.e., new capital provided by FIs to energy companies over a specific period. However, they differ in granularity and scope.

- **Finance to projects** refers to funding dedicated to specific infrastructure or assets (e.g., a gas pipeline or solar installation) through project-specific structures (e.g., special-purpose vehicles or syndicated loans) or via balance sheet financing. This provides a clear line of sight on what is being built, where, and with whose support. As a result, it offers precise visibility of what FIs are financing. Tracking investments in newly funded energy sector assets holds financial actors accountable for the real-world impacts of their investments, which could either mitigate or lock in emissions.
- **Credit finance** captures a broader range of financing to companies:
    - **Corporate loans**, most of which are general-purpose and not earmarked for specific uses, though some may be for project finance.
    - **Underwriting of bond and equity issuances**, where FIs—typically investment banks—facilitate companies' access to capital markets. In these cases, banks temporarily purchase shares or bonds to sell on to investors. While the bank's ownership is often short-lived, this enables companies to raise capital. Because credit finance includes

7 Our use of the term 'clean energy' rather than 'sustainable power' reflects an effort to ensure consistency in the language used across our indicators. Although we utilize 'sustainable power' data from Reclaim Finance for some of our indicators, we find that the taxonomical scope of our clean energy definition is broadly similar to that of Reclaim Finance's 'sustainable power'. The term 'clean energy' is therefore used in its place.

both corporate and project finance transactions, it offers a comprehensive view of an FI's role in enabling a company's energy-related activities.

Unlike the flow indicators, **exposure to fossil fuels and clean energy** captures financial stocks—that is, the value of equity and bond holdings in energy companies at a specific point in time. These holdings do not represent new finance for energy companies but enable their owners to influence corporate actions and also have implications for FIs' risk exposure.

- **Equity holdings** give FIs partial ownership of companies, along with voting rights and influence over strategic direction—depending on the size of stake.
- **Bond holdings** do not confer ownership rights such as voting but do provide other ways to influence companies. As part of the creditor relationship, the FI is entitled to repayment of the bond purchased with interest over time and can attach other conditions.

ADJUSTING FOR DIVERSIFIED COMPANIES

Many energy companies have diversified business activities. This does not pose a problem for calculating project finance, given that capital is tied to a known asset with a specific purpose. However, for corporate finance, to more accurately reflect climate alignment, financial transactions and exposures were adjusted based on the share of a company's business linked to either fossil fuels or clean energy. Both credit finance—excluding the project finance it contains—and the exposure data were adjusted based on the company's revenue mix. For example, if 10% of a company's revenue comes from fossil fuels, only 10% of a general-purpose loan to that company is counted as fossil fuel finance.

These adjustments were based on research conducted by Urgewald, RAN, Reclaim Finance, and Profundo. The adjustment factors for the credit data were applied by RAN and Reclaim Finance, for fossil fuel and clean energy data, respectively. The adjustment factors for the clean energy exposure data were applied by Profundo and CPI. The adjustment factors for fossil fuels were applied by CPI and provided by Urgewald and based on joint NGO research Banking on Climate Chaos 2024 and Urgewald's publication Still Banking on Coal 2024.

ASSESSING ALIGNMENT: DIFFERENTIATING HIGH- AND LOW-ALIGNMENT ACTIVITIES

A key distinction between the three energy finance indicators is the extent to which they allow users to assess whether financial support is aligned with climate goals. Project finance is the most transparent as it is tied to specific assets, making it possible to classify projects as clean energy (e.g., solar PV), transition (e.g., nuclear), or fossil fuels/high emissions (e.g., oil-fired power plants).[8]

Credit finance offers less clarity. Corporate-level finance is fungible—i.e., not restricted to particular activities—and many companies are involved in a mix of fossil fuel, transition, and clean energy operations. Nevertheless, RAN, the creator of the fossil fuel dataset, flags corporate finance that flows to companies actively engaged in fossil fuel expansion, which serves as a strong indicator of misalignment. This is especially significant given the IEA's conclusion that no

8 See paragraph 2.1.5.3 for more information on the taxonomy used for this indicator. Note that there are 7% investment tracked in 2024 including other high emissions sectors outside the fossil fuel sector such as grey hydrogen and waste-to-energy facilities

new fossil fuel development is necessary for the goal of limiting warming to 1.5°C. In this context, any financing to expansionary fossil fuel companies is inconsistent with climate targets.

The exposure indicator provides the least ability to assess forward-looking alignment. While it identifies who holds shares or bonds in fossil fuel or clean energy companies, it does not indicate when those positions were taken or will mature. Bond holdings and shareholdings are also frequently bought and sold on the stock exchange, meaning that a particular shareholding recorded in the financial database may have already been sold or increased. Nonetheless, persistent exposure to fossil fuel companies—particularly those pursuing new development—raises questions about ongoing financial risk and transition planning. Similar to the credit indicator, CPI has also flagged exposure to companies involved in fossil fuel expansion.

COVERAGE ACROSS THE FINANCIAL SECTOR

Some types of FIs are more predominant in some indicators than others, depending on the types of transactions they engage in. Project finance is typically provided by banks, which have the capacity to structure complex infrastructure deals. CPI's methodology accounts for this concentration but also includes indirect forms of support by tracking FIs that invest in the banks responsible for project finance, broadening the lens on who enables these transactions.

Credit finance is similarly bank-dominated, reflecting the central role of banks in providing loans and underwriting services. Other types of FI are not captured in this indicator.

In contrast, the exposure indicator provides the widest coverage across the financial system. It includes institutional investors, insurers, asset managers, and others who hold significant investments in energy companies through equities and fixed income.

BRINGING THE INDICATORS TOGETHER

Each of CPI's indicators offers a distinct lens on the relationship between finance and the energy system. Project finance reveals where and how FIs are supporting specific infrastructure developments. Credit finance shows the broader enablers of corporate activity across the energy value chain. Exposure reveals the long-term investment relationships that define risk and influence within the financial system.

While each indicator has limitations, their combined use provides a nuanced and comprehensive analysis of FIs' climate alignment. For example, a bank may appear to be reducing its project finance to fossil fuel projects while simultaneously increasing its underwriting and loans to companies involved in these projects. Another investor may show low project and corporate finance to clean energy companies, but have a high bond exposure, supporting the activity in other ways.

Together, these three indicators equip policymakers, researchers, and civil society with the tools to better understand how capital is shaping the energy transition—and where urgent interventions may be needed.

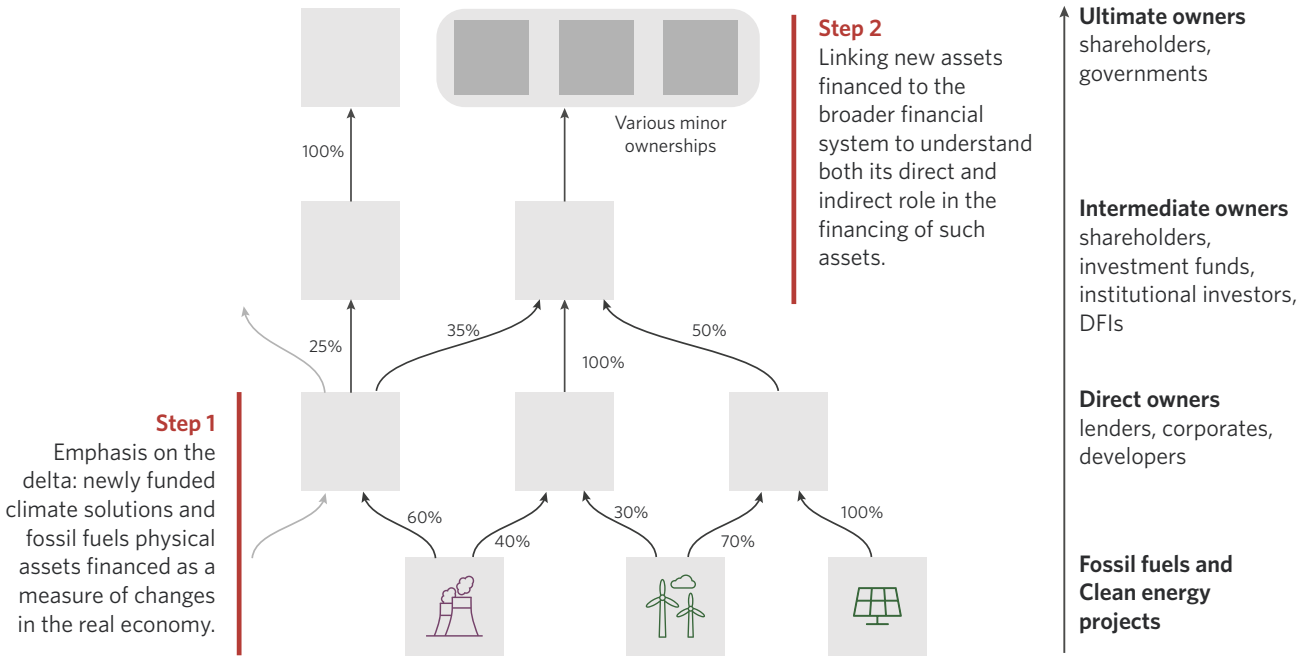
2.1.5.2 LINKING THE FINANCIAL SYSTEM WITH THE REAL ECONOMY

The financial sector has a pivotal role to play in achieving the mitigation objectives of the Paris Agreement and the transition to net-zero emissions. Regulators, coalitions, and FIs require an

informed understanding of the real-world impacts of investments, in both climate solutions and high-emission assets. For this purpose, CPI has adapted approaches for portfolio emissions accounting (e.g., PCAF), to enable identification of FIs that indirectly enable investment in the real economy as shareholders or corporate lenders. The methodology takes a two-step approach to link FIs' net-zero strategies and targets to their ultimate contributions to investment in the real economy:

1. **Emphasis on new assets**: Monitoring investments in newly funded energy projects can help hold financial actors accountable for the real-world impacts of their investments, which could either lock in or mitigate emissions.
2. **Financial system's role**: Traditional tracking of investments in climate-aligned projects typically only reflects direct finance. However, many major financial actors invest indirectly, holding either corporate equity or debt in intermediary investors. To fully grasp an FI's contribution to real-world projects, both direct and indirect/enabled investments must be evaluated.
   Our analysis reattributes direct investments in energy projects based on:
   - Equity/shareholder ownership (financed projects' owners of owners, etc.)
   - Corporate lending ownership

Figure 4: Attributing real-economy investment to the financial system



This approach has several benefits:

1. It provides a more robust metric for determining the real-world impacts of financial decisions.
2. FIs can be held accountable not just for their direct investments but also for their indirect influence.
3. It sheds light on what levers FIs can use to increase their impact in the real economy.

For more information on the approach please see CPI's Ownership Methodology document.

The approach has primarily been used to attribute project-level investment in fossil fuels/ high emissions, transition and clean energy projects. In 2025, it has also been used to estimate physical climate risk exposures and portfolio emissions.

APPLYING THE OWNERSHIP APPROACH TO OTHER INDICATORS

This year, CPI has extended its ownership attribution approach beyond project finance flows to incorporate portfolio emissions and physical climate risk exposure. In the case of estimated emissions (complementing self-reported data), CPI has identified top 500 corporate emitters, attributed emissions to investors based on their ownership of corporate debt and equity—aligned with PCAF methodology (2022). In the context of physical climate risk, CPI estimates exposure, rather than financial flows. The indicator assesses the VaR of equity and debt holdings in top 500 global companies. Using MSCI's asset-level data, this indicator highlights potential losses to FIs' investment portfolios from acute and chronic climate hazards.

The following table compares the attribution methods, and the number of iterations done for the attribution.

Table 2. Attribution methods comparison

	Project-level financing	Estimated emissions	Exposure to physical climate risks
Tracked activity	Project-level financing	Emissions from top 500 largest emitting corporates	VaR of equity and debt of top 500 largest corporates
Type of indicator important to define attribution approach	Activity attribution indicator	Activity and Exposure attribution indicator	Exposure indicator
Direct / Level 0 attribution	Direct financiers to projects, based on transaction level information	Direct emissions from assets owned by top 500 s largest emitting corporates (Asset Impact, MSCI, COGEM)	Direct exposure to physical climate risk of corporate's assets (MSCI). Dataset also includes calculation of the VaR for generic debt & equity holders into top 500 largest corporates (MSCI).
Level 1 attribution	Finance attributed by looking into the owners of debt & equity of the direct investors	PCAF aligned: Portfolio emissions attributed by looking into the owners of debt & equity of the direct corporate emitters	Exposure to debt and equity VaR attributed by looking into owners of debt & equity of directly exposed corporates.
Level 2 attribution	Finance attributed by looking into owners of debt & equity of level 1 owner	Not calculated since non-PCAF aligned.	Not calculated since exposure indicator

2.1.5.3 TAXONOMY FOR TRANSITION FINANCE INVESTMENT AND BENCHMARKS FOR MEASURING ALIGNMENT

CPI has developed an updated Power Sector Transition Taxonomy to classify projects for the Project-Level Energy Indicator, distilled from key elements of transition finance. A three-tier

approach has been implemented to distinguish between finance for activities that are climate-aligned and those for which a credible transition pathway has not yet been established. The use of these tiers ensures equal prioritization of finance for activities classified as either clean or transitional, given their centrality to achieving long-term decarbonization goals.

CPI relies on established lifecycle emissions thresholds in existing frameworks and taxonomies to classify projects as fossil fuels/high emissions, transition, or clean energy (ATB 2024; MAS, 2023; EU Platform on Sustainable Finance 2022). Should more granular data become available, CPI aims to integrate socioeconomic criteria into its classification framework for such projects in future NZFT updates.

This year, the NZFT also adopts scenario-aligned investment benchmarks for the first time. For two indicators—Project-Level Energy Financing and Credit Financing to Fossil Fuels and Clean Energy—these benchmarks – calculated as shares of Clean and Transition Energy investment over total energy investment - indicate the relative alignment of financial investments in the energy sector, with investment requirements for a net-zero world across several time horizons.

The benchmarks are calculated by extracting investment projection data from two climate scenario providers: the IEA and the NGFS. Energy supply investment projections from the IEA were extracted for its Net Zero by 2050 Scenario (IEA 2024b). For the NGFS, data was extracted for its Net Zero by 2050 Scenario (NGFS 2025) across three different climate models: GCAM, MESSAGEix-GLOBIOM and REMIND-MAgPIE.

For more information, see CPI's taxonomy for transition finance investment and benchmarks for measuring alignment.

2.2 SCORING DIMENSIONS (AGGREGATING INDICATORS)

Once indicators have been assessed, qualitative methods are used to score the Targets and Implementation dimensions, using the following approach.

Table 3. Aggregate scoring dimensions for Targets and Implementation indicators

Response assessment	Conditions for application	Targets	Implementation
Best practice	All indicators in the dimension are scored 'Best Practice'	Entities disclosed validated short- and long-term mitigation targets covering most of their portfolios with sufficient ambition to reach net zero by 2050, adopted full fossil fuel phase-out policies, and disclosed climate solution investment goals with a precise timeline and clear methodology.	Entities have a climate change lead and internal incentive systems. They engage with policymakers, clients, and shareholders, adhering to the TCFD guidelines for climate risk strategy and disclosure.

Response assessment	Conditions for application	Targets	Implementation
Advanced	≥50% of indicators are 'Best Practice' or 'Advanced'	At least two target types are adopted to a high standard but have not been fully disclosed or demonstrate credible ambition to reach net zero by 2050.	Entities demonstrate strong performance across most requirements, though this is inconsistent across implementation areas.
Progressing	≥50% of indicators in the dimension are 'Best Practice', 'Advanced', or 'Progressing'	At least two target types are adopted but not being fully validated or disclosed.	Most minimum conditions are met, including multi-level incentive systems, engagement with policymakers and stakeholders, adherence to most TCFD guidelines, and disclosure of progress.
Emerging	≥ one indicator in the dimension is 'Emerging' or higher.	Targets are adopted, but response requirements are at an early stage.	Some action has been taken, but response requirements are at an early stage.
Planned	≥ one indicator in the dimension is 'Planned'	Institutions are planning to adopt targets.	Institutions are planning to implement response measures.
No action	Applied if no action is observed on any indicators	No evidence of action on targets.	No evidence of implementation action.

2.3 AGGREGATING QUALITATIVE INFORMATION FOR TARGETS AND IMPLEMENTATION

To display qualitative information at an aggregate level—i.e., to gauge the overall progress made by the institutions tracked at once—we show how their scores are distributed each year. We have two options to aggregate results.

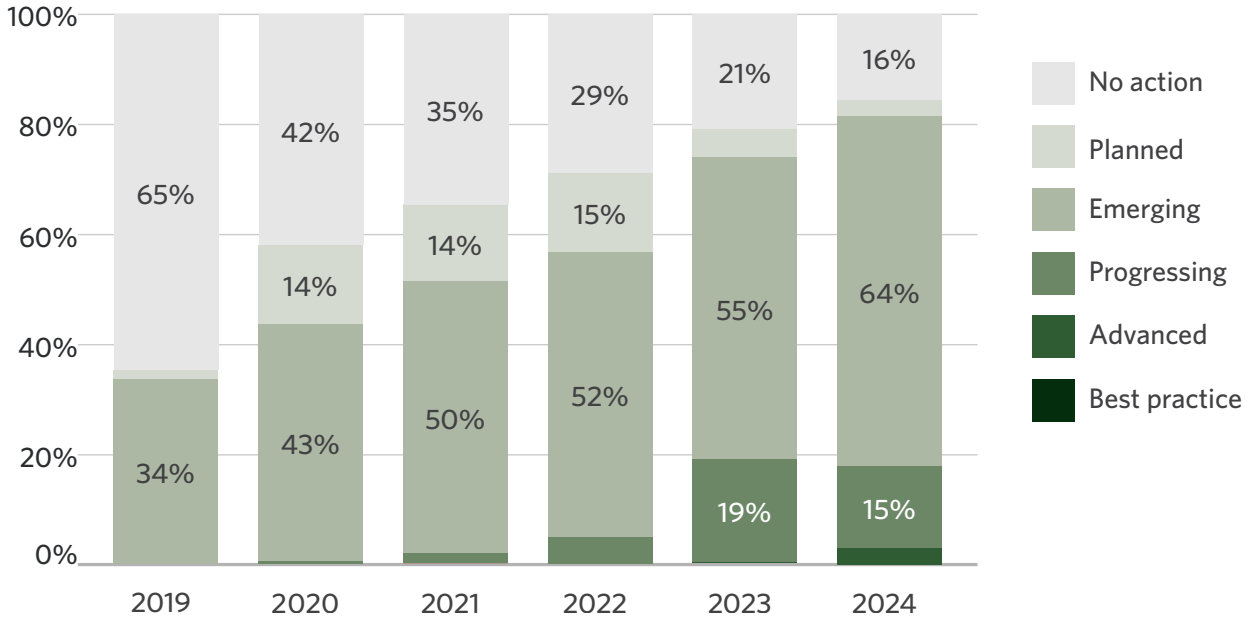
Aggregation by assets under management/assets owned (AUM/O): The default display on the NZFT web dashboard aggregates and distributes scores by AUM/O to capture the performance of FIs relative to their weighting in the financial system.

- **Assets under management** are the market value of the entirety of the investments controlled by a financial entity (typically, an asset manager) on behalf of its investors.
- **Assets owned** are used alternatively when AUM data is unavailable, particularly for entities such as banks that do not typically report AUM. Assets owned are the sum of all the assets the FIs own or have a claim on, as reported on the balance sheet. They may include both tangible (cash, property, investments, etc.) and intangible assets (e.g., intellectual property).

Financial data is currently gathered from the Bloomberg Terminal, Factset, S&P Capital IQ, Diligent, IPE's Top 1000 European Pension Guide 2023 (IPE, 2023), and multiple pension rankings, and the distribution of scores is computed by dividing the sum of AUM/O for all the entities falling within a scoring category by the total sum of that same financial measure across the whole dataset, in the relevant year.

An example of the aggregation method by AUM/O is provided below.

Figure 5: Example of scores distribution by AUM/O



Aggregation by Number of Institutions: An alternative form of aggregation provided in the dashboard involves distributing the scores based on the number of institutions in each scoring category. For a given indicator or dimension, the weight attributed to each score is therefore determined by the number of institutions with a specific score in a given year, divided by the total number of institutions tracked in the same year.

Our tracker provides the percentage of institutions covered by the chosen aggregation method.

3. INSTITUTIONS COVERED AND ATTRIBUTION OF ACTIONS

3.1 INSTITUTIONS COVERED

The NZFT sample has expanded from 1,000 FIs in 2024 to **1,500 in the 2025 iteration**, selecting those with the largest AUM/O. This increase has also significantly scaled up the dataset in terms of size in AUM/O—from approximately USD 94 trillion in 2024 to around USD 286 trillion in 2025, a threefold increase.

Table 4. Sample covered by the NZFT in 2025

Entities analyzed	Nr	AUM/O (USD tn)	AUM/O (%)	Depth of assessment
Top systemic financial institutions and top pension funds	183	32.7	11.4	Secondary data and primary data extracted from reports using LLMs checked for false positives and negatives
Second tier systemic financial institutions	859	239.7	83.7	Secondary data only
Other financial institutions with verified no action	389	11.4	4.0	Entities for which no secondary or primary data is available, but for which we were able to determine lack of action due to lack of reporting
Other financial institutions with no data	69	2.5	0.9	Entities for which no secondary or primary data is available, but for which we were NOT able to determine lack of action due to lack of time to process information in reporting

The sample also includes **778 FIs that were members of climate coalitions** as of December 2024, with a total combined AUM/O of more than USD 215 trillion. The sample excludes members of the Net Zero Investment Consultants Initiative (NZICI) and Net Zero Financial Service Providers Alliance (NZFSPA), as they are not capital allocators.

By focusing on global entities, including members of climate coalitions, the dashboard provides a valuable indication of action by both FIs that have committed to achieving net-zero GHG emissions and those that have not adopted such commitments.

The following categories of private FIs are included in the NZFT dashboard:

LEVEL 1 (SECTORS):

- Asset Owners
- Asset Managers
- Banks
- Insurers
- PE, VC, and Hedge Funds

LEVEL 2 (SUBSECTORS):

- Asset Managers
- Commercial Banks
- Universal Banks
- Hedge Funds
- Insurers
- Investment Banks
- Pension Funds
- Private Equity and Venture Capital
- REITs
- Sovereign Wealth Funds

Certain categories of institution will be more influential than others in the greening of the financial system. For example, despite having huge assets to deploy, a private asset manager investing in public markets in line with a client mandate may be less able to affect change than a quasi-public development finance institution that can provide risk capital to nascent businesses and may have influence over government policy and its own investment targets. Similarly, a regulated asset manager for which liquidity and client mandates are key considerations may not be well placed to invest in wind farm development, while a lightly regulated private equity fund with a high-risk appetite and lower liquidity requirements could be.

3.2 ACTION ATTRIBUTION

A critical step for the NZFT is the initial attribution of actions to unique entities. CPI attributes the net-zero action of each entity exclusively at the level reported by the original data source, whether a local division, subsidiary, or global/entity headquarters. This means that actions attributed to subsidiaries do not contribute to the score of their headquarters, and vice versa. For example, an action attributed to "HSBC UK" does not alter the score of its parent, "HSBC". Nor will an action attributed to "HSBC Asset Management" contribute to the parent company or any other HSBC division. Accordingly, an action attributed to "HSBC" will only affect the score for "HSBC" itself, and not that of its divisions or subsidiaries.

While this conservative approach helps avoid double-counting, it also disperses actions across parent entities and subsidiaries, which can cause challenges in accurately reflecting the full scope of governance mechanisms and their practical applications. We hope that increased subsidiary-level reporting will help address information gaps over time. We aim to continually refine our framework to strike a better balance between accuracy, practicality, and clear communication, and we welcome feedback to help us improve in these areas.

This attribution applies exclusively to the **qualitative indicators** within the Targets and Implementation dimensions. For Impact indicators, investments and exposures of subsidiaries are attributed to the parent company, except in cases where consolidated figures for the parent company are directly available in the dataset. This approach enhances coverage for parent companies whose reporting is typically disaggregated at the subsidiary level.

4. DATA SOURCES

4.1 SECONDARY DATA SOURCES

Information is collected from various **publicly and privately available sources** at the level of individual FIs. Sources to date include more than 600 variables from 58 data providers, with our main data partners or data agreements being with Asset Impact, BNEF, Center for Active Stewardship, CDP, Diligent, Institut Louis Bachelier, InfluenceMap, IJ Global, MSCI, PRI, Profundo, RAN, Reclaim Finance, ShareAction, Sustainable Finance Observatory, Tracenable, and Urgewald.

Our sources are listed in alphabetical order below. Details on all derived datasets are available in the metadata file "NZFT 2025 - Metadata", accessible online.

Figure 6. Data sources used in the study

- Accounting for Sustainability (A4S)
- Asset Impact
- Banking Environment Initiative (BEI)
- BankTrack
- Bloomberg
- Bloomberg New Energy Finance (BNEF)
- Carbon Pricing Leadership Coalition (CPLC)
- CDP
- Center for Active Stewardship (CAS)
- Climate Action 100+ (CA 100+)
- Climate Action in Financial Institutions (CAFI)
- Climate Investment Coalition (CIC)
- Climate Policy Initiative (CPI)
- COGEM
- Diligent
- DivestInvest
- Energy & Climate Intelligence Unit (ECIU)
- ESG Book
- FinanceMap/InfluenceMap (FM)
- Fossil Free Funds (FFF)
- Global Climate Action Portal (GCAP)
- Global Coal Project Tracker (GCPT)
- Global Oil and Gas Extraction Tracker (GOGET)
- IJ Global
- IFRS Sustainability Alliance
- Insure our Future
- International Sustainability Standards Board (ISSB)
- Investing in Climate Chaos (ICC)
- Investor Agenda (IA)
- MSCI
- Net Zero Asset Managers initiative (NZAM)
- Net-Zero Asset Owner Alliance (NZAOA)
- Net Zero Banking Alliance (NZBA)
- Net-Zero Data Public Utility (NZDPU)
- Net-Zero Donut/Observatoire de la finance durable
- Net Zero Insurance Alliance (NZIA)
- Occupational Pensions Stewardship Council
- Paris Aligned Asset Owners (PAAO)
- Partnership for Carbon Accounting Financials (PCAF)
- Powering Past Coal Alliance (PPCA)
- Principles for Responsible Banking (PRB)
- Principles of Responsible Investment (PRI)
- Principles for Sustainable Insurance (PSI)
- Private Equity Climate Risks
- Private Participation Infrastructure (PPI)
- Profundo
- Reclaim Finance
- Race To Zero (RTZ)
- Rainforest Action Network (RAN)
- Science Based Targets Initiative (SBTi)
- ShareAction
- Task Force on Climate-Related Financial Disclosure (TCFD)
- Tracenable
- Transition Pathway Initiative (TPI)
- UN Sustainable Funds Database
- We Mean Business Coalition (WMB)
- World Resource Institute (WRI)

From the above sources, we retrieved information on specific institutions' responses on Paris alignment for all indicators under the three dimensions of Targets, Implementation, and Impact, relying on the most recent and reliable datasets that best reflect the reality of the indicator.

We will work to progressively expand the range of datasets used for the dashboard. Understanding data gaps is critical to ensuring that this is done effectively.

Figure 7 presents the degree of coverage provided by current data sources for each indicator. For the purposes of this analysis, an entity is deemed to be covered for a given indicator if at least one valid (non-null) data point is available between 2019 and 2024 across any of the datasets employed in the construction of the corresponding score or measure. The availability of data varies significantly between attributes and by the type of aggregation chosen. While data coverage for Targets and Implementation dimensions ranges from poor to medium when computed as the ratio between the number of covered entities and the size of the total sample (1,500), if the same analysis is done using total AUM/O as a metric, the coverage analysis appears stronger, suggesting that institutions with the largest AUM/O tend to have better disclosure practices. This highlights a need for significant improvements in data disclosure, specifically regarding institutions' investment goals and how they are effectively tracking progress toward these goals, as well as on self-reported portfolio emissions and the institutions' use of carbon credits. Lastly, data remains scarce in the context of credit financing to the fossil fuels and clean energy sectors, where consistent and reliable information could only be obtained for a subsample of 65 banks.

Figure 7: Datasets and extent of coverage of attributes/indicators

Dimension	Indicator	Coverage	
		By number of entities	By AUM or Total Assets
Target	Adoption of a mitigation target	●	●
	Adoption of a climate investment target	●	●
	Adoption of a fossil fuel phase-out and exclusion target	●	●
Implementation	Internal accountability framework	●	●
	Shareholder and client enagement	●	●
	Policy engagement	●	●
	Climate risk strategy	●	●
	Climate risk management	●	●
	Disclosure of climate risk	●	●
	Disclosure of investment data	●	●
	Disclosure of emissions data	●	●
	Net Zero without offsets	●	●
Impact	Project-level financing (direct/indirectly enabled)	●	●
	Credit financing (corporate level)	●	●
	Energy portfolio exposure	●	●
	Physical climate risk CVAR (Top 500 Corporates) (**)	●	●
	Portfolio/financed emissions - Self-reported	●	●
	Portfolio/financed emissions - Estimated (Top 500 Emitters) (**)	●	●

(*) Coverage is assumed to be perfect for these indicators and absence of data is taken to be an indication of absence of investments or exposure rather than lack of data disclosure.

(**) Despite the attribution methodology being applied to the entirety of the NZFT sample, other data gaps like availability of ownership information may affect attribution; these factors are however not factored into this assessment.

Note: Coverage is determined as the ratio between the number of entities for which at least one non-missing datapoint is observed between 2019 and 2024, and the size of the total sample (1,500).

● **Low**: Less than 1/3 of the sample covered

● **Medium**: Between 1/3 and 2/3 of the sample covered in at least 1 year

● **High**: More than 2/3 of the sample covered in at least 1 year

4.2 SECONDARY DATA PROCESSING

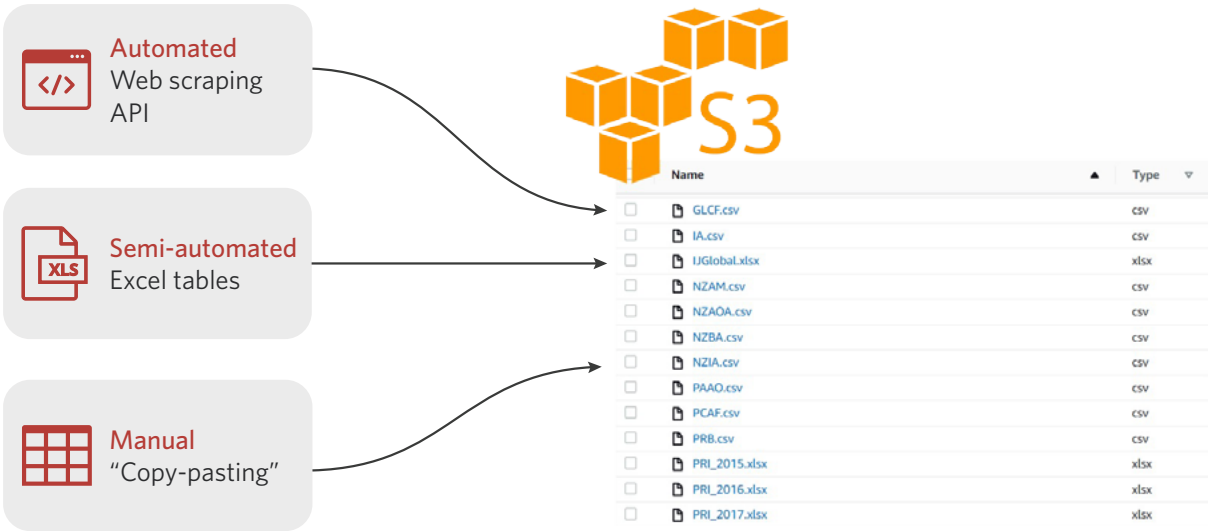
Data processing for the NZFT has two main goals:

A. **Collection and standardization of data from various sources.** Information is obtained from various original data source formats, including web pages, PDF files, reports, and CSV files. Qualitative datasets, representing the larger share of datasets, usually consist of 1/0 true/false logical statements that answer specific questions related to climate action or Paris alignment (e.g., "Has the organization committed to mitigation targets?", "Has the organization adopted a carbon price?"). A smaller share contains numeric values (e.g., USD millions invested in low-carbon, climate-resilient projects). Data presented covers the years 2019 to 2024.

B. **Unique identification and categorization of FIs.** In parallel to Process A, reference tables are developed in which individual FIs are uniquely identified. This aims to ensure that information on the same organization, which may be named differently in different datasets, is attributed to a single, uniquely identified entity. These reference tables also include information such as country of the organization's headquarters and AUM/O, which is used to present the distribution of the scores among the various institution types at the aggregate level (see also Section 3.2 Action Attribution).

Data processing is based on programming code—typically Python—while storage occurs in the cloud, organized in source-specific backend datasets. This enables the development of automated data pipelines that significantly reduce the time required to incorporate new data sources and automate repetitive processes.

Figure 8: Data collection and storage



Updates are much quicker to implement and easier to track, as the relevant code is hosted in the same environment as the data, which greatly improves internal visibility of the process. Specifically:

- Automation of the data extraction process enables the NZFT to be regularly updated with

new additions to coalitions and organization announcements in a way that reduces the need for further human input. By using web scraping or AI techniques such as Natural Language Processing, which extracts relevant data from textual sources such as news articles or organization sustainability reports, data extraction can be automated—increasing our ability to collect the vast data required for the NZFT and the relevance of our data as it can be published with shorter turnaround times and even on a near real-time basis.

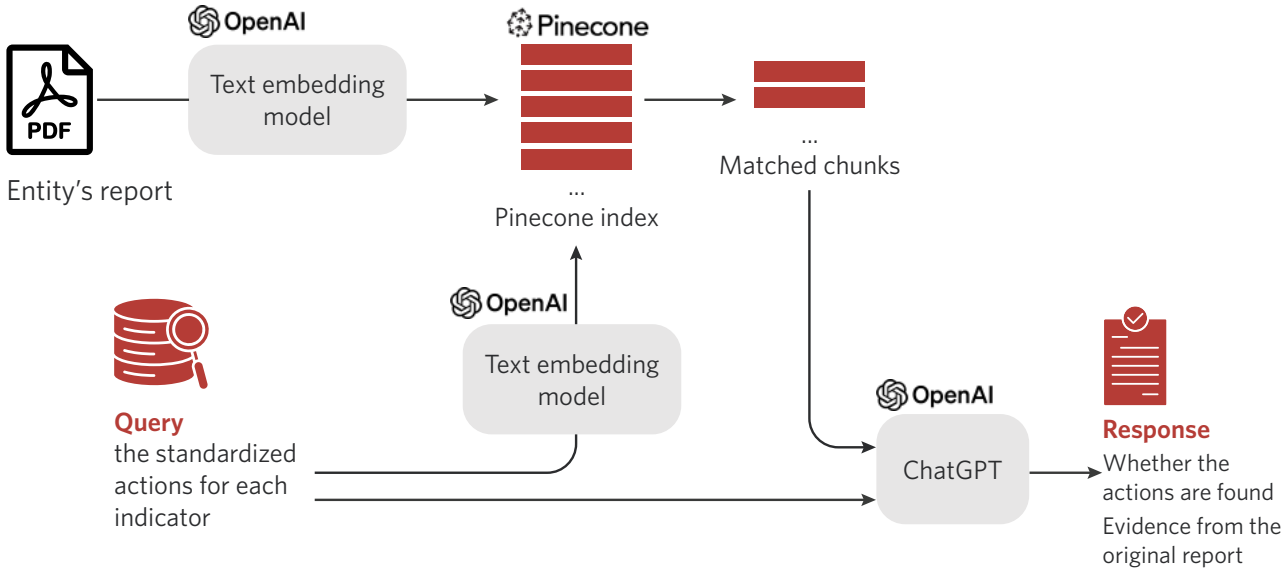
- Once data has been retrieved, an updated data warehousing infrastructure allows for greater automation of the data transforming, joining, and scoring process. This involves storing all data, from the ingestion of raw sources through to the final dataset used in the interactive tool, in a single environment.

4.3 DIRECT PRIMARY DATA PROCESSING FROM REPORTS

We integrated a Large Language Model (LLM) into our data ingestion using technologies from OpenAI and the Pinecone API, which enables us to extract data efficiently from PDF reports (including ESG/sustainability reports, annual reports, transition plans, and TCFD disclosures). The process involves the following steps:

1. **Data Preparation**: Initially, we extract text from each PDF report using the "fitz" Python package. The extracted text is then segmented into approximately 1000-word chunks. Each chunk is processed using the "text-embedding-3-large" model from the OpenAI API, which converts the text into a numerical vector known as an embedding. These embeddings are crucial for enabling efficient similarity searches later. The chunks and their corresponding embeddings are subsequently inserted into a Pinecone database as a Pinecone "index". This step ensures that each report is embedded only once, eliminating redundant processing and embedding in future searches.
2. **Search**: When a user query is received, it is converted into an embedding using the same model employed for the report chunks. This query embedding is then used to perform a similarity search through the Pinecone index to identify the top ten report chunks most relevant to the query.
3. **Response Generation**: With the most relevant chunks identified, the user's question, along with these chunks, is fed into the "GPT-4.1-mini." This model synthesizes the provided information to generate a contextually appropriate answer. This approach not only ensures that the response is highly relevant to the user's query but also optimizes resource utilization by querying the model only once per report, thereby reducing the costs associated with API usage.

Figure 9: Direct data retrieval process



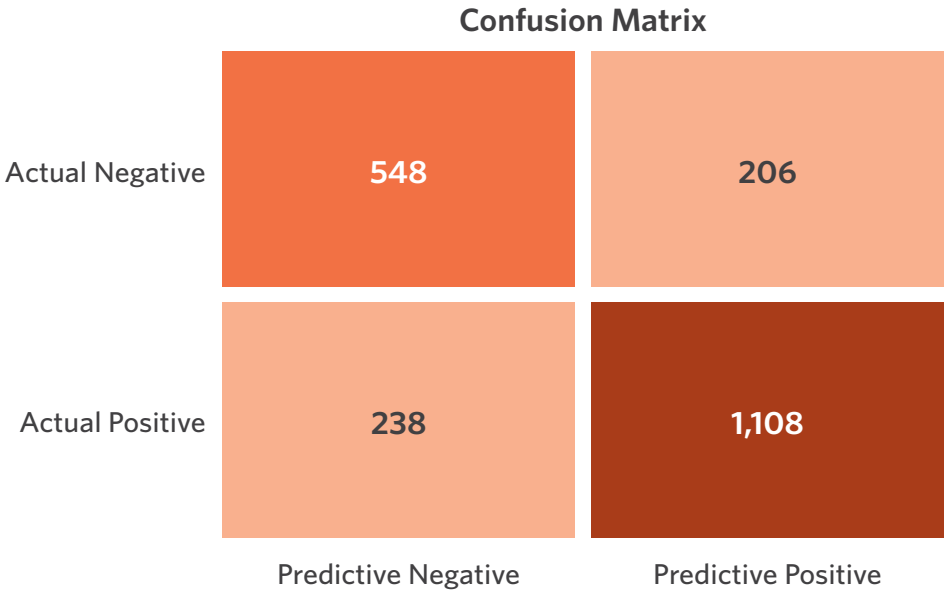
For each standardized action, we constructed a detailed query structure to guide GPT in providing accurate responses and extracting verifiable evidence from source documents. Each query includes a question, an explanation of the action, format requirements, and several exemplar responses. This approach enables GPT to address the query precisely while identifying and retrieving relevant textual evidence from original reports.

To assess the performance of this methodology, we initially conducted a manual evaluation involving 70 standardized actions across 15 top climate coalition members and 15 top pension funds, totaling 2,100 data points. Of these, 1,656 were accurately identified, resulting in an overall accuracy rate of 80%.

For broader implementation, we have instituted several steps to maximize accuracy and reliability:

1. **Manual Sense-Checking**: After extraction, each data point retrieved from reports undergoes a manual review. This step is crucial for identifying and eliminating false positives, ensuring that only true positive data is considered.
2. **Targeted Re-extraction**: For actions characterized by lower accuracy rates or higher incidences of false negatives, we perform a supplementary manual extraction process. This allows us to refine and verify the data further, enhancing the integrity of our dataset. These measures are designed to improve the precision of our automated text extraction processes, thereby enhancing the overall quality and reliability of the data obtained through this AI-driven LLM method.

Figure 10. Direct data retrieval performance evaluation



4.4 REFLECTIONS ON THE STATE OF THE DATA

NZFT analysis draws on multiple data sources that differ in scope, coverage, and frequency.

Gathering data for the NZFT helped increase our understanding of where data collection efforts have been focused to date and where key data gaps still exist.

Current data efforts allow tracking of the quality of mitigation targets and climate risk management, but more transparency is needed regarding institutions' investment goals, how they are effectively tracking progress toward these goals, as well as their self-reported portfolio emissions and use of carbon credits. Granular, publicly available analysis of credit financing to the fossil fuel and clean energy sectors currently only allows reliable information to be obtained for banks.

These variations, largely driven by data availability, inevitably influence the results, with indicators capturing only certain asset classes, regions, or FI subsets. Some indicators may not fully reflect FIs' activities, a common challenge in sustainable finance data. We have sought to apply rigorous methods to enhance clarity, comparability, and representativeness, while minimizing the risk of misleading interpretations. Importantly, the findings still provide a valuable perspective on overall trends and areas of concentration. As data collection, disclosure practices, and methodologies continue to advance, coverage and consistency are expected to improve, enabling more comprehensive and granular assessments over time.

Coordination between data providers is critical to ensure that efforts are focused on closing information gaps. Interest remains in mapping a broader range of indicators to measure the robustness of transition plans, how they are implemented, and their impacts on the real economy. Maintaining a dialogue between data providers, the financial industry, and coalitions is a key instrument to ensure:

- Rapid alignment across sectors, in an ever-evolving field where data and the understanding of net zero alignment are constantly developing.
- Focus on metrics that can deliver the greatest impact on the real economy.

The role of institutions such as the OECD and the NGFS is critical in formalizing, promoting and facilitating such dialogues.

Below is a non-exhaustive overview of possible improvements in current data practices that could help strengthen financial institutions' assessments moving forward. These reflect insights from various bilateral conversations CPI has had with data providers and users, as well as feedback received as part of roundtables, workshops, methodology discussions focused on financial institutions' transition data.

Third-party initiatives that independently assess the actions, responses, and impacts of financial institutions should be encouraged to make information available in cases where:

- There are potentially misaligned incentives, such as in reporting on fossil fuel investments.
- Data gaps limit the ability of financial institutions to report on their own progress, for example, the lack of physical asset-level information that is critical for setting targets and measuring progress at the portfolio level.

Difficulties remain regarding the availability of high-quality portfolio emissions metrics. Initiatives such as the Net Zero Data Public Utility (NZDPU) play an important role in improving data accessibility at the source by enhancing reporting by financial entities. However, self-reported data from financial institutions remain limited, and differences in the scope and methodologies used by reporting institutions hinder comparability across years and companies. Moreover, the lack of internal or automated verification systems to prevent errors at the submission stage often leads to reporting inaccuracies, resulting in data users having to make significant post-collection adjustments to ensure the accuracy and consistency of the data, as explained in Section 2.1.3. Despite such adjustments, self-reported emissions may still reflect improvements in methodology over time, making the data less relevant for measuring decarbonization progress. This calls for better harmonization and for ensuring that data submissions are accompanied by recalculations of emissions for previous years.

Using external estimates based on harmonized attribution methodologies and consistent calculations of emissions at the source can help uncover blind spots, improve data quality, and make cross-institutional comparisons more meaningful. Strengthening the interplay between self-reported and independently assessed data is essential to advancing more transparent, robust, and comparable financed emissions reporting across the financial sector (see Box 1).

Box 1: Comparing estimated and self-reported emissions

CPI's estimated portfolio emissions are designed as a conservative benchmark, capturing emissions from only a subset of corporates and asset classes (see Section 2.1.3). In principle, this means that FIs' self-reported financed emissions — if calculated comprehensively — should exceed CPI's estimates. However, 2024 data shows a notable divergence: where both FI-reported and CPI-estimated data was available (28% of our sample), CPI's estimated emissions using equity (and/or debt) attribution were, on aggregate, 34% higher than those reported by the FIs themselves. This may be due to:

- FIs altering their calculation methodology, or applied narrower boundaries in their reporting (e.g., by excluding subsidiaries or certain asset classes such as shareholdings, corporate bonds), or have focused on a narrower set of company emissions.
- Weak internal emissions data management or inconsistent application of reporting frameworks, driving under-reporting.

Insurers and asset managers accounting for 68% of the cases where equity-based estimates exceeded self-reported values. For both types of institution, equity holdings constitute a significant portion of their portfolios, illustrating that when the scope of assets is similar, CPI estimates are more likely to outweigh self-reported estimates. By contrast, banks appeared more likely to report higher emissions than CPI estimated: only 22% of banks had self-reported values below CPI's estimates, compared to 39% of asset managers and 54% of insurers.

The analysis demonstrates that while CPI's estimates are intentionally conservative, they serve as a valuable diagnostic tool. Discrepancies -where reported values fall short of the benchmark - suggest potential omissions or methodological inconsistencies, from asset class exclusions to narrower boundary definitions.

Estimating portfolio emissions trends over time based on the most recent ownership (e.g., through shareholding and lending in corporate actors) can help capture the decarbonization achieved by the underlying real-economy assets, rather than changes in portfolio emissions that may result from the sale of high-emitting assets, thereby reducing the impact of "paper decarbonization."

Further improvements are needed to address issues of double-counting when measuring the aggregate progress of financial institutions. However, the indicator remains an important proxy for transition risk and a useful measure for understanding progress in the transition of investee companies, particularly when moving from historical to forward-looking emissions.

There is a strong need for simpler metrics that better reflect how financial institutions operate. Engagement metrics could provide a practical measure of the actions institutions take to deliver impact. Data on activity-based metrics, such as evidence of climate-related engagements and voting data, and the disclosure of engagement plans, including clear escalation tactics, is becoming increasingly available and is captured in our dashboard.

Improvements to these metrics should assess not only whether financial institutions have set ambitious engagement and escalation strategies, but also whether they actually implement the tools they commit to, such as denying debt or using other escalation measures when necessary.

Further enhancements could evaluate stewardship effectiveness by:

- Going beyond simple voting statistics to consider the merit of individual climate resolutions.
- Examining a company's emissions profile or the number of marginal votes needed to pass a resolution, in order to assess the significance and potential impact of each vote.

The strength of real-economy corporates' transition plans is an important data point for understanding how financial institutions' engagement is driving changes in the governance practices of corporate actors.

Initiatives like CDP are critical for enabling the availability of information on corporate responses, while service providers such as MSCI and Sustainalytics, and initiatives including Climate Action 100+, the Transition Pathway Initiative, SBTi, and TransitionArc, help track and rate the environmental and climate responses of real-economy actors. This information can then be used to calculate the alignment of financial institutions' portfolios by linking corporate responses with their equity and debt exposures. The ownership/attribution approach developed by CPI (see 2.1.5.2), already used to assess portfolio physical climate risk exposure and portfolio emissions, could be replicated for this purpose.

However, metrics on exposure to aligning and misaligning corporates need to be supplemented by metrics that track how these exposures translate into financial institutions' financing of low-carbon and high-emissions projects—both as direct project investors and indirectly as shareholders and corporate lenders.

Analyzing project-level climate finance sheds light on the role of investors in the low-carbon transition and helps to understand how finance delivers tangible impacts in the form of reduced or increased emissions. Many financial institutions, such as pension funds, while not directly funding projects, may still exert significant influence in shifting investments toward net-zero-aligned activities. It is therefore vital to continue increasing transparency on how financial institutions indirectly enable new project finance as shareholders and corporate lenders.

CPI will continue to improve such attribution methods and further strengthen the attribution of investments via debt and private equity, which are currently comparatively less available.

Accordingly, it is important to strengthen and scale up alignment metrics and benchmarks for capital deployment, such as clean energy ratios. Significant progress has been made by BNEF, IEA, and NGFS; however, further work is needed to address limitations, including:

- Availability of granular country-level pathways, as most benchmarks remain global.
- Deciding whether 1.5°C pathways can still be used as alignment thresholds or should be considered unrealistic.
- Improving comparability between financial flows tracked by existing data initiatives (which often include stock, operational costs, and maintenance capex) and the capex used to calculate benchmarks, as these can differ significantly.
- Developing sectoral benchmarks, particularly for hard-to-track sectors beyond power.
- Improving interoperability between benchmarks and taxonomies, and understanding how they complement one another, as they may drive very different capital allocation decisions.

5. NOTES AND CAVEATS

Covering institutions with a collective USD 286 trillion in AUM/O, representing 60% of the global financial system, or 67% of the global private financial system (FSB, 2024), the tracker provides the most comprehensive overview of its net-zero transition progress. This year, we have expanded our scope beyond FIs that made commitments / adopted targets (e.g., by being previously part of climate coalitions). This has the following implications:

- The changes in the composition of the sample mean that findings from the past edition of the NZFT (2024) cannot be directly compared with this edition.
- While many of the newly added institutions in our sample are not alliance members, our prioritization of larger institutions in terms of AUM/O means that there may still be limited bias toward entities with more resources available to take climate action.

Our data reflects any type of commitment, action, and investment undertaken by the tracked FIs **as of December 31, 2024,** with most datasets accessed or retrieved in March 2025. Some datasets—such as BNEF's Asset Financing and IJ Global's Transaction Data—were accessed later in 2025 to improve the completeness of the asset financing for 2024.

Changes in **data availability over time** affect the assessment of progress in different ways.

- Earlier years (2019–2020) have limited data coverage, as few initiatives tracked FI climate action at the time. Trends may therefore reflect both genuine change and improved data availability.
- For the most recent year (e.g., 2024 in this edition), since most of the data collection took place in early 2025, we observed that data coverage for 2024 may be lower than in previous years.
    - This is potentially due to the fact that reporting by FIs or data providers for the 2024 period was not yet complete at the time of data collection, e.g., around 50% of PRI members who reported to PRI 2023 survey have not responded to PRI 2024 survey when we collected data.
    - Data may also reflect **possible lags in entity-level voluntary disclosures** to the original data providers, e.g., the previous year's action (e.g., 2024) is often not available in surveys published in 2025 as they usually kick off on in the previous year (e.g., 2024). As a result, most action is usually tracked up to 2023.
- Tightening of standards and methodologies adopted across data sources may also affect year-on-year comparisons. For instance, in some cases, positive evidence available from a particular data source in one year may be replaced by negative evidence from a different source in the following year. This can occur when the original source no longer provides data, and a new source that applies stricter/different criteria is adopted instead. As a result, fluctuations in reported performance may reflect changes in data availability and assessment standards.

Data gaps may arise from entities failing to systematically disclose their progress or from not making it easily accessible in a machine-readable format.

The NZFT relies on 58 external data sources, and coverage is constrained by what these sources monitor and publish. For example, certain institution types, such as pension funds, tend to be underrepresented due to limited or inconsistent disclosures and analysis.

While CPI works continuously to enhance data quality, some gaps and errors may persist. The NZFT is designed to support transparency and high-level insights but should not be used as investment advice; hence, investors are encouraged to verify data independently.

As mandatory climate disclosure regimes expand and machine-readable reporting becomes more readily available, we expect significant improvements in data quality. Future iterations of the tracker will capture these developments.

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7. ANNEX: TRANSITION PLAN FRAMEWORKS SUMMARY

The below text summarizes the key elements of the 17 frameworks and guidelines used to inform our assessment methodology. For detail on how CPI has integrated transition plans, see: CPI's Using the Net Zero Finance Tracker to Assess Financial Institutions' Transition Plans.

ASSESSING LOW-CARBON TRANSITION (ACT) FINANCE – INVESTING METHODOLOGY VERSION 2.2 (2024)

The ACT framework reflects common finance sector strategies for transition, incorporating insights from other frameworks (SBTi, PCAF, GFANZ, NZBA, NZAOA, NZAMI, and the IIGCC).[9] It provides a rating system across eight topics: Targets; Intangible Investments (e.g., human capital and R&D for climate expertise); Portfolio Climate Performance; Management; Investor Engagement; Investee Engagement; Policy Engagement; and Business Model.

FIs can use this to quantitatively assess their transition progress. For example, the ACT GHG coverage scoring methodology is based on the percentage of financed emissions an FI considers in its targets. Its five-level scoring system (Basic, Standard, Advanced, Next Practice, Low-Carbon Aligned) enables FIs to evaluate their status across multiple dimensions. The criteria for the top score, "Low-Carbon Aligned", can be considered a best-practice benchmark.

CDP TECHNICAL NOTE: FINANCIAL SERVICES TRANSITION PLANS AND NET ZERO COMMITMENTS (2023)

This guidance outlines how FIs can disclose information aligned with the development of credible climate transition plans and net-zero commitments. It also illustrates how these disclosure recommendations align with financial sector-specific guidance and the principles put forward by the UN High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities.

CERES BLUEPRINT FOR IMPLEMENTING A LEADING CLIMATE TRANSITION PLAN (2024)

This guidance serves as a blueprint for organizations to develop and implement climate transition plans. With the key principles of Ambition, Action, and Accountability, it builds on a framework aligned with other initiatives such as TPT and GFANZ. It provides detailed guidance across six areas: setting goals and targets; decarbonizing the business; ensuring a just transition; advocating for public policy; supporting integration and accountability; and tracking and reporting progress. To support implementation, the guidance defines the characteristics of effective transition planning across four stages of maturity for each of the six areas, enabling organizations to assess and benchmark their progress.

9 Abbreviations; SBTi: Science Based Targets initiative, PCAF: Partnership for Carbon Accounting Financials, GFANZ: Glasgow Financial Alliance for Net Zero, NZBA: Net-Zero Banking Alliance, NZAOA: Net-Zero Asset Owner Alliance, NZAMI: Net-Zero Asset Managers Initiative, IIGCC: Institutional Investors Group on Climate Change.

CORPORATE SUSTAINABILITY REPORTING DIRECTIVE (CSRD) EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS) E1/2 CLIMATE CHANGE (2023A, 2023B)

ESRS E1 (Climate Change) and E2 (General Disclosure) are core environmental standards under the ESRS, developed in support of the CSRD. The standard outlines disclosure requirements across key areas: Governance, Strategy, Impact, Risk and Opportunity Management, and Metrics and Targets. The Strategy section emphasizes the critical role of a climate transition plan in guiding mitigation efforts to align an organization's strategy and business model with the low-carbon transition.

GLASGOW FINANCIAL ALLIANCE FOR NET ZERO (GFANZ) TRANSITION PLAN FRAMEWORK (2022, 2023)

The GFANZ framework outlines components, steps, and best practices for FIs to develop and implement net-zero transition plans, covering five dimensions: Foundations, Implementation Strategy, Engagement Strategy, Metrics and Targets, and Governance. Its recommendations include:

Foundations

- Defining the objectives to achieve net zero by 2050 or sooner, in line with science-based Paris-aligned pathways. Clearly define and measurable short- and long-term targets and identify financing strategies to enable real-economy decarbonization.

Implementation Strategy

- Leveraging existing and new products to support clients / portfolio companies in net-zero transitions.
- Integrating the net-zero objectives and priorities in the decision-making.
- Establishing and enforcing policies on high-emission sectors and activities.

Engagement Strategy

- Engaging with clients and portfolio companies, industry and the public sector.

Metrics and Targets

- Developing metrics and targets to drive and track the net-zero transition progress in the short, medium, and long term. Include metrics and targets focused on aligning financial activity in line with the real-economy net-zero transition.

Governance

- Assigning ownership, oversight and responsibility of net-zero targets to the Board and senior management, and designating individuals and teams for transition plan design and delivery. Use remuneration incentives, review the plan regularly, and manage implementation risks.
- Providing training and development to ensure sufficient skills and knowledge. Foster open communication to integrate the net-zero transition into the organization's culture.

GFANZ also identified four financing strategies that define transition finance in the real economy as: 1) investment in activities and entities enabling climate solutions, 2) Financing or enabling

entities aligned to a 1.5°C pathway, 3) Financing or enabling entities committed to transitioning in line with a 1.5°C pathway, 4) Financing or enabling the accelerated managed phase-out of high-emitting physical assets (GFANZ, 2022 and 2023).

INTERNATIONAL SUSTAINABILITY STANDARDS BOARD (ISSB) INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) S2 CLIMATE-RELATED DISCLOSURES (2023), AND GUIDANCE (2025)

In a transition from the Task Force on Climate-related Financial Disclosures (TCFD), IFRS standards 1 and 2 provide a voluntary framework for reporting periods from January 2024. S1 covers general sustainability-related financial disclosures and S2 focuses on climate-related disclosures following the four TCFD pillars: Governance, Strategy, Risk Management, and Metrics and Targets. While aligned with the TCFD, IFRS S2 requires more detail. For example, IFRS S2 is broadly consistent with the TCFD Recommendation for Risk Management to describe the organization's processes for identifying and assessing climate-related risks, but also requires disclosure of the parameters used to identify risks (e.g., data sources, operations covered, and how assumptions were made). It also includes disclosure requirements related to transition planning. In addition, the 2025 guidance supports entities report high-quality information on their transition to a lower-carbon or climate-resilient economy when applying IFRS S2.

INSTITUTIONAL INVESTORS GROUP ON CLIMATE CHANGE (IIGCC) NET ZERO INVESTMENT FRAMEWORK (NZIF) 2.0 (2024)

The NZIF 1.0 (2021) covered governance and strategy, targets and objectives, engagement, recommended disclosures, and asset-specific guidance on sovereign bonds, listed equity and corporate fixed income, and real estate. The 2024 update adds guidance for new asset classes, including infrastructure and private equity, and updated recommendations on what it differentiates as essential and advanced action points based on observed best practices. For instance, Advanced action points recommend investors to describe the science-based scenarios or pathways used to guide their target setting to enhance the credibility of the target and the alignment with global climate goals.

ISO NET ZERO GUIDELINES (2022)

A set of guidelines and requirements for companies to develop the highest quality net-zero targets, in line with the UN HLEG standards. Key elements include incorporating net zero into strategies and policies, embedding climate into leadership roles and responsibilities, setting and aligning interim and long-term targets, establishing actions to achieve these targets, and transparent monitoring.

NET-ZERO ASSET OWNER ALLIANCE (NZAOA) TARGET-SETTING PROTOCOL FOURTH EDITION (2024)

This protocol provides detailed guidelines for asset owners on setting and achieving net-zero targets from different dimensions, including methodologies for measuring and reporting progress. The NZAOA recommends four types of targets: 1) Engagement with priority investees that produce 65% of the FI's total portfolio emissions; 2) Sub-portfolio targets by asset class; 3)

Investment in climate solutions; and 4) Sector-specific targets focused on portfolio emissions in high-emitting sectors.

OECD GUIDANCE ON TRANSITION FINANCE- ENSURING CREDIBILITY OF CORPORATE TRANSITION PLANS (2022)

This guidance outlines elements of credible climate transition plans aligned with the Paris Agreement. Key elements include: 1) Setting temperature goals, net-zero, and interim targets 2) Using sectoral pathways, technology roadmaps, and taxonomies, 3) Measuring performance and progress through metrics and KPIs, 4) Providing clarity on use of carbon credits and offsets, 5) Setting out a strategy, actions, and implementation steps, including on preventing carbon-intensive lock-in, 6) Addressing adverse impacts through the Do-No-Significant-Harm Principle and Regulatory Capital Requirements (RBC) due diligence, 7) Supporting a Just Transition, 8) Integration with financial plans and internal coherence, 9) Ensuring sound governance and accountability, and 10) Transparency and verification, labeling and certification.

PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)

Climate risk: An investor resource guide (2022): This guide is aligned with the TCFD four pillars (Governance, Strategy, Risk Management, and Metrics and Targets) and provides common questions and answers, examples of investor practices, and key resources to support action for each pillar.

Stewardship for Sustainability Evaluation Tool (2023): Provides a framework to evaluate and compare how managers use stewardship to address sustainability issues, including climate change, with three levels of performance rating: Developing, Intermediate, and Advanced.

PRINCIPLES OF RESPONSIBLE BANKING (PRB) RESPONSIBLE BANKING BLUEPRINT (2024)

Guidance for banks' best practices on climate action, and other responsible investment issues, including guidance on strategy, policies and processes, portfolio composition and financial flows, client engagement, and advocacy and partnerships, targets, and disclosure.

SBTI NEAR-TERM FRAMEWORK FOR FINANCIAL INSTITUTIONS (2023A) AND FINANCIAL INSTITUTIONS NET-ZERO STANDARD CONSULTATION DRAFT V0.1 (2024).

Sector-specific guidance to help FIs set science-based targets that align their activities with the Paris goals. The framework states that financial services should not contribute to the increase of GHGs and achieve net-zero emissions across their portfolios. Short-term science-based targets (with 5-10 year timeframes) must align with the milestones required in the real economy and progressively increase the alignment of all financial flows with the 1.5°C ambition. Regarding coverage of targeted emissions, the 2023 **SBTi** guidance specifies that an FI's net-zero target is only credible if it addresses all emissions it finances (through investing and lending) and facilitates (through managing, transacting, and insuring). The 2023 guidance also states that FIs should set targets on all investment/lending activities, including scope 3 emissions (SBTi, 2023b).

TRANSITION PLAN TASKFORCE (TPT) DISCLOSURE FRAMEWORK AND ASSET OWNER SECTOR GUIDANCE (2023)

Issued by UK HM Treasury to develop best practices for transition progress disclosures for the finance sector and the real economy. The framework is aligned with and builds on the ISSB's climate-related disclosure standard. It is structured into five elements that are consistent with GFANZ transition planning components:

1. **Foundations:** Disclosure of the entity's strategic ambition including its objectives, and priorities for transitioning to net zero.
2. **Implementation Strategy:** Disclosure of measures taken in its operations, products, services and policies to achieve its ambition, and the impacts on its financial condition.
3. **Engagement Strategy:** Disclosure of the entity's measures taken across its value chain, peers, government, public sector, communities, and society to achieve its ambition.
4. **Metrics & Targets:** Disclosure of the metrics and targets it has adopted to measure and drive progress toward its ambition.
5. **Governance:** Disclosure of how it integrates its transition plan in its governance structures and organizational arrangements to achieve the ambition of the transition plan.

UNEP FI GUIDELINES FOR CLIMATE TARGET SETTING FOR BANKS V2 AND SUPPORTING NOTE (2024A, 2024B)

Detailed guidance for banks on setting robust and impactful targets to achieve net zero by 2050 across four elements: 1) Individually and independently setting and publicly disclosing both long-term and interim targets, 2) Establishing an emissions baseline and annually track and disclose the emissions of their activities, 3) Using widely accepted science-based scenarios, 4) Regularly revisiting targets to ensure consistency with the latest climate science.

UNITED NATIONS HIGH-LEVEL EXPERT GROUP (UN HLEG) RECOMMENDATIONS ON THE NET ZERO EMISSIONS COMMITMENTS OF NON-STATE ENTITIES (2022)

These 10 detailed recommendations aim to help businesses, FIs, and other entities enhance the credibility and accountability of their net-zero pledges, emphasizing the need for rigorous standards to prevent greenwashing and ensure concrete progress toward net-zero emissions by 2050. Recommendations relevant to the NZFT include setting clear, short-, medium-, and long-term emissions reduction targets, creating a transition plan, phasing out fossil fuels, increasing transparency and accountability, and aligning lobbying and advocacy.

WORLDWIDE FUND FOR NATURE (WWF) CRITERIA FOR CREDIBLE CLIMATE AND NATURE TRANSITION PLANS FOR FINANCIAL INSTITUTIONS (2022)

Key elements for a credible transition plan for FIs include aligning with 1.5°C goals and science-based targets, phasing out fossil fuels, and increasing climate finance and effective engagement.

climatepolicyinitiative.org