



Tracking the Transition

Global private financial institutions' progress toward net zero



CLIMATE
POLICY
INITIATIVE



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ABOUT CPI

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 seven offices worldwide, in Brazil, India, Indonesia, South Africa, the United Kingdom, and the United States.

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Tracking global finance commitments for real-world impact

Independently tracking climate targets, implementation, and real-world impacts, CPI's [Net Zero Finance Tracker](#) (NZFT) provides insights into the state of transition of the financial sector from 2019 to 2024.

The NZFT 2025 release tracks 1,500 global financial institutions, primarily private, representing USD 286 trillion in AUM/O, around 60% of global financial assets, or 67% of the global financial system, excluding central banks and public FIs (FSB, 2024).

CPI synthesizes data from 58 sources to assess performance across three NZFT dimensions and 17 indicators. This work reveals where the global financial system is supporting—or failing to enable—the transition to a low-carbon, climate-resilient economy. CPI's analysis of FIs' performance also highlights where more policy, regulatory, and industry coalition support can help overcome barriers to ambition and action.

We also explore the impact of mandates and risk models, and the potential of transition plans to incentivize action. Regulators, policymakers, climate finance advocates, and FIs themselves can derive insights from the NZFT to improve climate targets, implementation, and impact across the global financial system.

Harmonizing data to track progress against key indicators

58

Data providers

>600

Variables

17

Data agreements:



InfluenceMap

ShareAction»



1,500

Global financial institutions

~\$286trn

(~60% of global financial assets)

5

investor categories:

**Asset Owners Asset Managers Insurance
PE, VC, Hedge Funds Banks**

+11

sub-investor categories

Three dimensions, 17 indicators:

Targets (3) Implementation (9) Impact (5)

~110

Actions captured



Executive summary

Context, key findings, and recommendations

Financial institutions are key enablers of the climate transition

Between 2024 and 2030, an annual average of at least USD 6.3 trillion in global climate finance is needed to keep global warming within 1.5°C (CPI, 2025). Achieving this—and capturing the economic and environmental benefits that result from it—will require financial institutions (FIs) to play a key role as enablers, alongside other actors including governments and real-economy companies.

Action from FIs is vital to the climate transition in the global economy, composed of interlocking sectors and national economies. As owners and financiers of real-economy companies and projects, FIs fundamentally shape whether the global economy transitions along low-carbon, resilient pathways or remains locked in emission-intensive systems that are increasingly vulnerable to climate-caused disruption.

Beyond accelerating or hindering the transition, FIs are directly exposed to the consequences of inaction. The most forward-looking banks and asset managers will be responsive to shifts in market preferences and regulations toward sustainability, which will erode the value of carbon-intensive assets. Insurers must get ahead of disruption in the sector caused by physical climate impacts, such as rising insurance claims related to extreme weather events. Pension funds and other asset owners face growing fiduciary, stewardship, and legal pressure to consider climate and nature risks.

The transition also presents economic opportunities. FIs that align capital with credible net-zero strategies can benefit materially by backing climate-resilient companies that have strong potential to outperform as the operating context shifts. The leaders will shape market standards and secure competitive advantages in a rapidly evolving financial landscape.

Near-term backsliding will not change the ultimate need for transition. As the global net-zero narrative comes under political and regulatory crossfire in specific jurisdictions, some major FIs have publicly retreated from net-zero coalitions and commitments. The NZFT also shows that too much private finance continues to flow to carbon-intensive industries that are still failing to transition. Yet, clean energy investment is increasing and, in private, FIs continue to develop their individual transition responses.

Decarbonization in the real economy remains imperative for FIs to mitigate physical climate and transition risks. Analysis across all NZFT indicators indicates that real progress has been made from 2019 to 2024, but remains uneven, fragile, and below what is needed at the speed required. Any faltering in momentum will only increase the need for long-term decarbonization, as physical climate risks are set to rise.

Transparent, independent tracking is more vital than ever. The NZFT equips stakeholders with the evidence needed to spotlight institutions and investor categories that are forging ahead and support such leaders, guide those seeking inspiration, and drive meaningful progress toward a transitioned, more resilient financial system.



Key findings across Targets, Implementation, and Impact

TARGETS

Adoption of Targets signals FI's ambition, sets direction, and creates accountability for their climate action. As of 2024, Target-setting had expanded rapidly across NZFT-tracked institutions, but there is room to strengthen quality.

- **Mitigation targets** had been set by FIs representing 80% of AUM/O—but lacked depth. Comprehensive, validated targets aligned with 1.5°C pathways remained rare. Asset managers and banks led on mitigation targets, yet quality varied in some key countries.
- **Fossil fuel phase-out and exclusion targets** had been set by 59% FIs by AUM/O, but a failure to apply policies across the entire fossil-fuel energy value chain and to halt financing of expansionist fossil fuel companies limits target credibility. In 2024, just 14% of FIs by AUM/O had credible fossil fuel policies, falling short of the IEA's recommendation that no new fossil fuel expansion is needed.
- **Climate investment targets** tended to be of higher quality when adopted. However, FIs covering just 34% of AUM/O had set climate investment targets, showing limited growth. While quality could be improved, many of these operational targets did incorporate some important features, such as specified timelines and clear methodologies.

By institution type, banks and asset managers lead on setting targets, but insurers are more closely aligned with net-zero goals. Adoption and quality lags for both private equity and asset owners, although performance among asset owners sees pension funds performing comparatively better than sovereign wealth funds.

Most target-setting is voluntary, and recent withdrawals from and disbandment of net-zero alliances highlight the fragility of commitments without policy reinforcement. Any such retrenchment within 2025 may be reflected in next year's NZFT dataset. While most jurisdictions have adopted legally binding national climate targets, these have not yet been translated into equivalent mandates for the financial sector. The challenge remains to improve quality, even out and raise progress across regions, and end the dominance of fossil-fuel financing in order to rapidly move portfolios toward net-zero, climate-resilient alignment.

FIs moving toward internal target-setting and monitoring of transition and climate risks can help strengthen credibility and resilience. However, unless commitments are reaffirmed and better aligned with policy frameworks, these trends may manifest as stagnation or retrenchment in next year's NZFT dataset (covering 2025).



IMPLEMENTATION

Integrating climate considerations into governance and business processes is essential to turn ambition into meaningful change.

FIs have significantly progressed in their quality of implementation actions, showing clear progress, though best practices remain uncommon.

- Most progress was seen on disclosure of climate risk (covering 79% of FIs by AUM/O in 2024), climate risk management (83%), and internal accountability (77%).
- There is the greatest room for FIs to improve on policy engagement, disclosure of investment data, and working toward net zero without using carbon offsets. Policy engagement is a key tool given the impact that countries' climate policies have in driving further financial response and impacts in the real economy.
- Shareholder engagement has broadened, with 806 entities (73% of FIs by AUM/O) reporting some sort of action in 2024. However, FIs supporting more than 75% of climate resolutions declined from 21% to just 6% (in terms of AUM/O) in 2021 to 2024. This decline was driven by US entities, reflecting political headwinds and FIs' concerns over shareholder proposals that do not meet business interests.

Banks, asset managers, and insurers lead on Implementation, while asset owners (especially sovereign wealth funds) and private equity are behind.

IMPACT

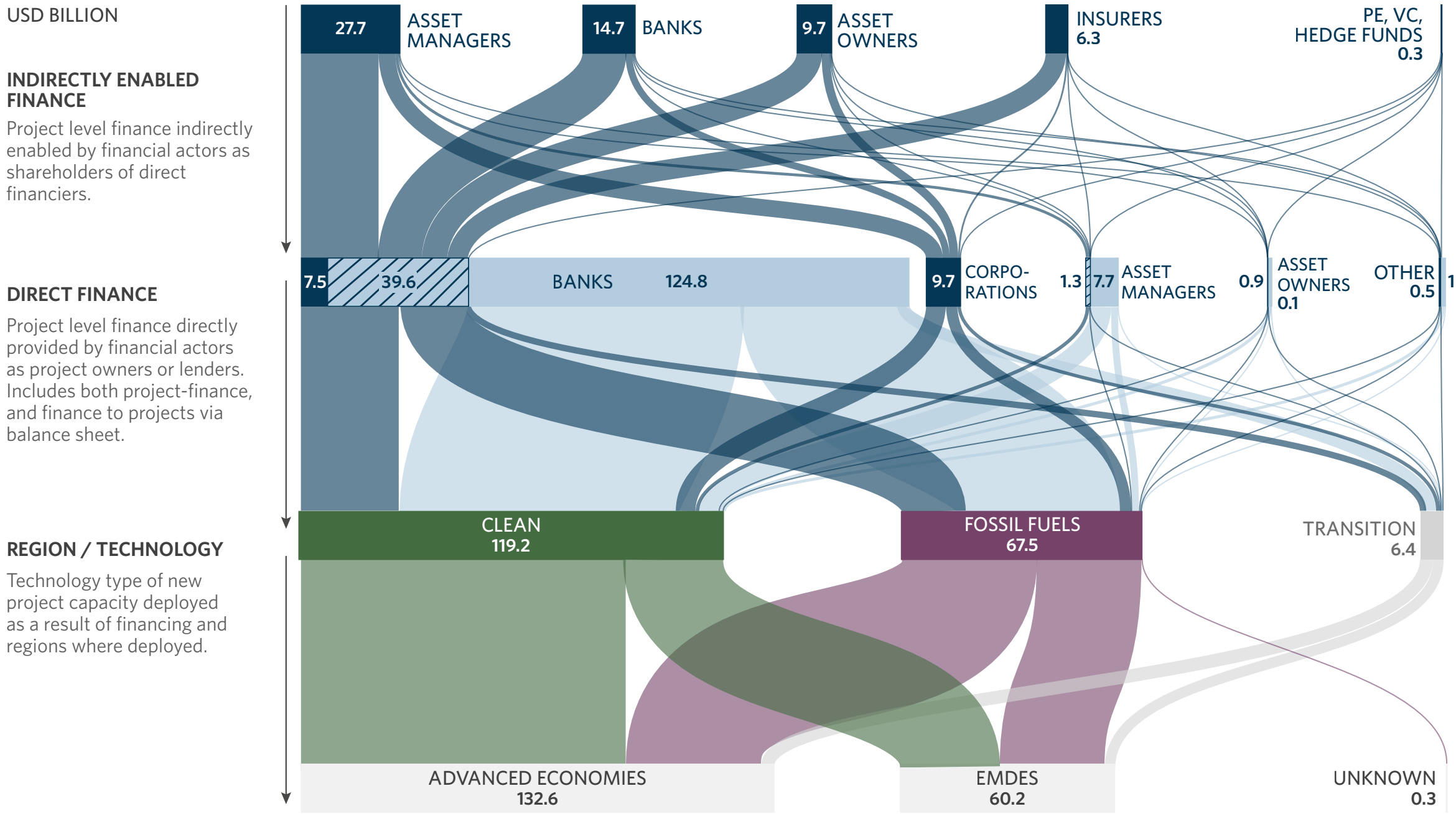
What ultimately matters is the impact that FIs achieve in the real economy.

- **Physical climate and nature risks threaten financial stability.** Estimated projected portfolio losses escalate to 5% globally under +2°C to +3°C warming scenarios, especially in asset-heavy sectors and regions that are particularly vulnerable to climate change (e.g. the projections rise to 10-15% in EMDEs). This underscores the need to integrate effective climate risk management into fiduciary duty and support the transition away from emission-intensive activities that contribute to physical climate risk and are potentially exposed to transition risks that remain unaddressed by transition plans.

Despite this, NZFT-tracked FIs continue to show mixed progress across energy finance indicators in 2024:

- **Financed emissions have decreased only slightly since 2019.** CPI's independent assessment of portfolio emissions also highlights potential inconsistencies in FIs' self-reported figures.
- **Nearly three-quarters of energy capital stocks remain in FF holdings** the majority of which are expanding their operations.
- **Similarly, credit financing remains skewed toward fossil fuels.** Banks' bond and equity underwriting and loans to FF companies accounted for 70% of all tracked new credit finance, with just 30% for clean energy.

Figure ES1. Project financing (direct and indirectly enabled) Sankey, 2024



Source: CPI analysis based on BNEF, GEM, IJ Global, PPI and Bloomberg.

Note: Indirect flows are attributed based on equity ownership, as information on debt is limited. EMDEs are likely underestimated due to limited data availability on China, both for debt finance and institutions' ownership for some projects, with most available data pertaining to public entities. "Other" includes private financial institutions (insurers, PE/VC/HF, etc.) as well as public sector (governments, DFIs, etc.)

IMPACT

Focusing on how capital is deployed on the ground, direct finance to clean and transition energy projects has been growing by 18% every year from 2019 to 2024. This led to a total of almost USD 126 billion for clean and transition projects financed directly or indirectly enabled by FIs (e.g., as shareholders) in 2024. However new FF projects are still funded, contrary to the International Energy Agency (IEA) warning that new fossil energy investment is incompatible with net zero—also requiring clean energy to be deployed at pace. This means that current levels already overshoot this pathway and exacerbate the economic risks of climate change.

Clean energy project finance was also concentrated in advanced economies, with emerging markets receiving just 29% of global energy flows in 2024. Banks remained the primary providers of direct project finance for new energy projects (USD 164 billion or 94% of total). Asset managers played a critical role in indirectly enabling new project finance through their positions as shareholders, with USD 28 billion enabled (47% of the total enabled finance) by supplying equity to companies investing in energy assets.

Potential factors influencing progress

POTENTIAL DRIVERS

- **Supportive policies and regulations influence FI behavior.** While the NZFT focuses on the actions of private finance institutions, the enabling environment remains essential for driving progress. FIs in jurisdictions with binding climate laws and disclosure regimes (e.g., the EU) perform better than peers in countries with weaker or fragmented frameworks (e.g., the US and China).
- **Net zero coalition membership is strongly associated with higher performance.** This is true across climate targets, implementation, and impacts, though significant gaps remain even among coalition members. As prevailing coalitions work to weather political headwinds and member withdrawals, it will be important to explore ways to support new and existing members in advancing their climate-related investment practices, while acknowledging the need for regional and individual variation. Calls and strategies for reform or higher ambition should also account for the legal and political pressures that influenced FI decisions to withdraw. Future alliances may draw on these to enhance resilience.
- **Transition plans are emerging as a useful tool for FIs to align governance with climate objectives.** They drive improvements in target-setting and implementation with marginal impacts on portfolio alignment and real-world impact. Such plans need to be rigorous, externally verified, and backed by sustained leadership commitment in order to effect real change.

PERFORMANCE VARIES SHARPLY BY ACTOR TYPE

- **Regulatory scrutiny and business models that internalize long-term risk have contributed to insurers and banks leading on targets and implementation.** However, better performance on targets and implementation does not always translate into high performance on impact.
- **Short-term investment horizons dilute asset managers' stewardship activities,** causing them to lag behind banks and insurers.
- **The impact of mandates is clear in the differing performance of pension funds and sovereign wealth funds.** Overall, asset owners lag behind insurers, banks, and asset managers, but within the category, pension funds perform much better across all dimensions than sovereign wealth funds (SWFs). One potential reason is that pension funds' long-term obligations naturally align them with climate risk management, while SWFs often pursue broader fiscal or political objectives.
- **Lighter regulation and lower transparency** that deprioritizes long-term climate risks have resulted in private equity, venture capital, and hedge funds having the weakest performance overall.

CLIMATE ALIGNMENT CAN IMPROVE FINANCIAL PERFORMANCE

- **Preliminary analysis shows that higher scores across Targets, Implementation, and Impact are associated with stronger growth in return on equity (ROE).** This suggests a potential link between robust transition practices and financial performance.



Recommendations to spur action across actors

The NZFT yields insights on actions for policymakers/regulators, and coalitions to lay the groundwork—and for FIs themselves to take further action focusing on real-economy impacts as they transition toward a more sustainable future.

Policy makers/regulators	Financial industry and coalitions, investment associations, and industry bodies
In a fragmented and shifting landscape, policy makers and regulators should seek to provide clearer regulatory expectations and legal clarity to catalyze voluntary ambition, while also reducing political risks that can destabilize private FIs’ climate commitments. • Focus financial supervision on simpler, more practical, and outcome-oriented metrics for FIs, with metrics that: ▪ Focus on actions that directly influence real economy climate action. ▪ Track FIs’ contributions to new clean and high-emissions project deployment, as they directly impact emissions mitigation/increase. • Regulators in advanced economies should continue to align prudential and sustainable finance frameworks/regulations (e.g., disclosure regimes, the EU Green Deal) with net-zero scenarios. This should include action to: ▪ Integrate climate considerations into capital adequacy, risk assessment, and transparency mechanisms to help ensure that FIs manage physical and transition risks effectively. ▪ Restrict finance for FF expansion, incentivize clean energy lending, and climate finance investment to EMDEs. ▪ Amend regulatory and legislative frameworks to allow greater capital allocation to EMDEs. • Regulators in EMDEs should strengthen local enabling environments in order to increase low-carbon investment in these countries, which currently struggle to attract sufficient new investment.	Given recent FI exits and closures, remaining climate coalitions and broader industry associations should maintain focus and momentum by focusing on the following: • Continue to influence the industry where possible by: ▪ Encouraging and supporting members to strengthen their commitments. ▪ Spotlighting members’ best practices. ▪ Helping to enhance member reviews with regular progress checks. ▪ Providing technical support and peer learning. • Engage systemically with policy makers and regulators to create the enabling policy environment that is essential for managing climate risk and aligning portfolios with net zero. • The financial industry and coalitions can support the reallocation of capital decisively toward clean energy by: ▪ Setting expectations for clean energy allocation, by introducing stronger commitments on fossil fuel engagement and phase-out, where feasible. ▪ Monitoring how FIs finance the deployment of new climate solutions and new high-emissions assets. ▪ Helping to design new investment vehicles to scale up clean energy investment through blended finance, particularly targeting large-ticket investors and aimed at increasing the deployment of capital in EMDEs. ▪ Building capacity of local FIs in EMDEs for robust transition and clean capital allocation.

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1. Introduction

Context, methodology, and scope

The need for and progress in FIs' climate action

Between 2024 and 2030, an average of at least USD 6.3 trillion in global climate finance will be needed each year to keep global warming within 1.5°C (CPI, 2025).

Achieving this scale of investment—and capturing the economic and environmental benefits that come from it—is achievable but will require financial institutions (FIs) to play a central role.

Progress has been made, but the withdrawal of major FIs from climate coalitions since late 2024 and the disbandment of the Net Zero Banking Alliance in October 2025 highlight current challenges. Even as political backlash, regulatory uncertainty, and legal risks have driven some institutions to reassess public climate commitments, many still recognize decarbonization as essential to ensure sustainable growth and mitigate climate and nature risks. With global decarbonization pathways already underway, the FIs who increase momentum and stay on course will be the ones that thrive most from the climate transition.

In addition, FIs continue to face real barriers to seizing the opportunities presented by net-zero action. These include inconsistent regulations, data gaps on finance risks, flows, and returns, and misalignment between climate commitments and capital allocation—often shaped by short-term incentives and fiduciary constraints. In emerging markets and developing economies, the challenge is even greater: political and macroeconomic instability, underdeveloped pipelines of investable projects, and limited awareness of climate finance opportunities hinder progress, despite EMDEs being critical to global decarbonization.

The importance of independent, credible tools to track progress, close information gaps, and guide effective action is more crucial than ever. CPI's Net Zero Finance Tracker (NZFT) provides the first independent, standardized assessment of over 1,500 private FIs from 67 countries' progress on climate Targets, Implementation, and Impact. All types of FIs are covered—from banks to pension funds. This broad coverage of institutions can help to identify leaders and laggards, enabling meaningful comparisons across institutions and regions. The use of "FIs" throughout the rest of this report refers to those FIs covered by the NZFT.



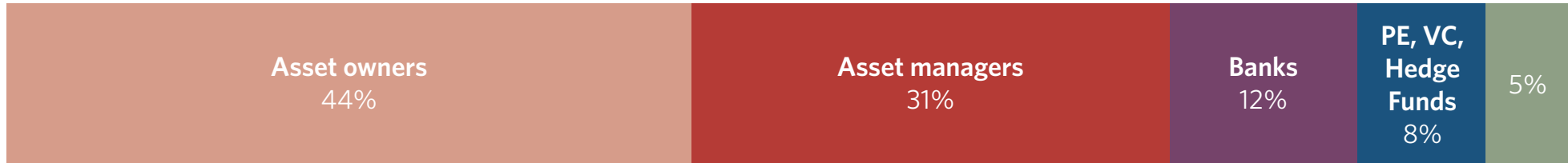
Tracking 1,500 FIs from across the global financial system

Figure 1: NZFT sample composition

USD 286 trillion in assets under management / owned
AUM/O



1,500 global financial institutions
Number of institutions



The NZFT 2025 release tracks 1,500 global FIs, primarily private, representing USD 286 trillion in assets—around 60% of global financial assets, or 67% of the global private financial system (FSB, 2024).¹

The NZFT sample covers the world’s largest entities in terms of assets under management or ownership (AUM/O), to capture the greatest possible share of the global private financial system. Throughout this report, references to shares of AUM/O describe the proportion of total AUM/O held by FIs within the NZFT sample.

The analysis relies on secondary data (collected from other entities) on these institutions, with two exceptions:

1. **For the largest 183 entities** (representing around 11% of total AUM/O tracked), we conduct additional analysis using primary data sources and large language model (LLM) tools to ensure their actions are fully captured.
2. **For entities where no secondary data can be found**, we also seek primary data to determine whether this absence reflects a genuine lack of disclosure or a reporting gap.

See the NZFT [Methodology 2025](#) for more information.

¹ The “global private financial system” excludes central banks and public FIs.

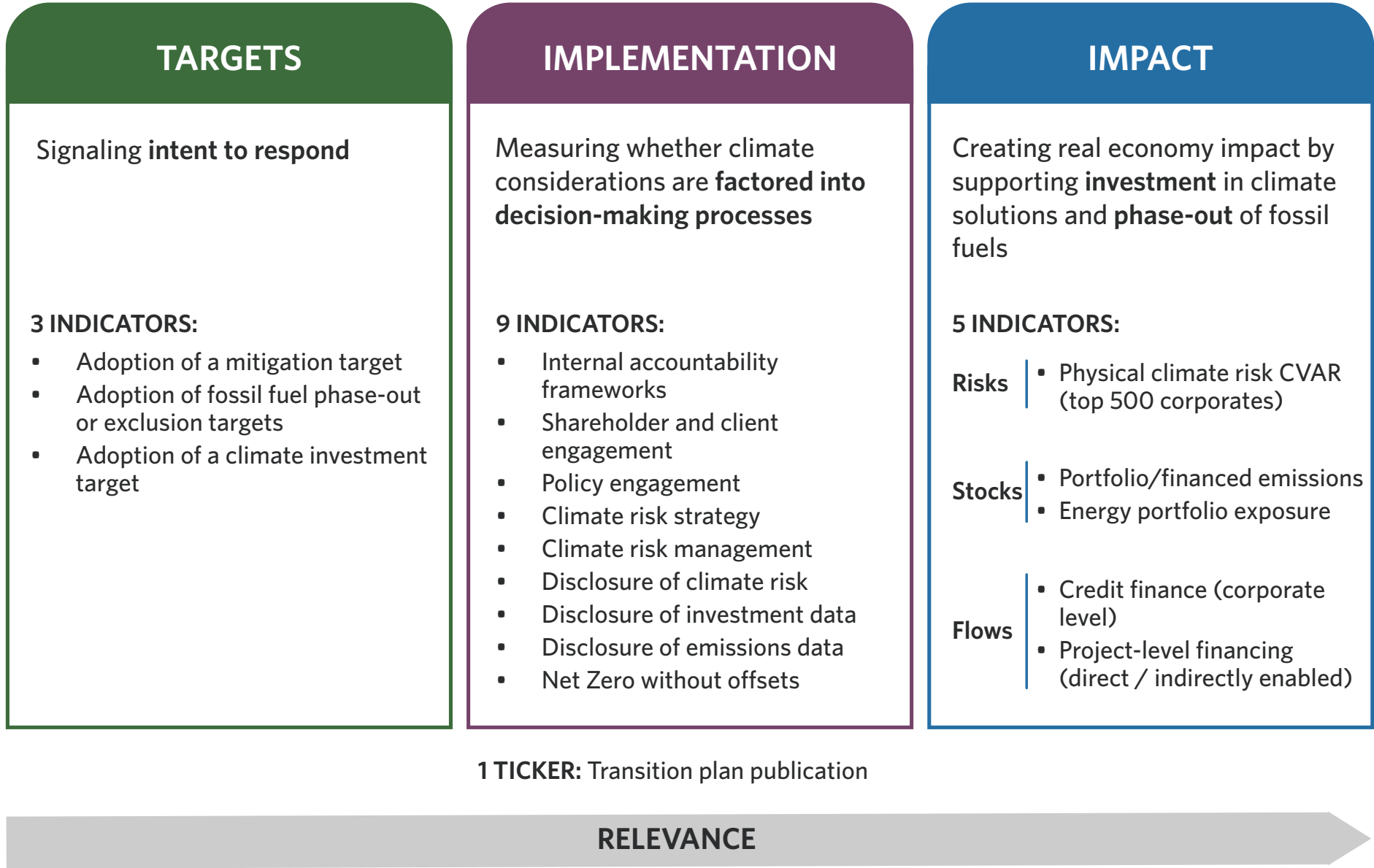
NZFT release 2025 covers indicators across Targets, Implementation, and Impact

The NZFT evaluates FIs using 17 indicators across Targets, related Implementation actions, and Impacts in the real economy, each representing a dimension for which net-zero and transition plan frameworks have identified steps for FIs to take to become climate-aligned.

This approach reflects five years of development to achieve the most effective composite mix of indicators to provide a powerful assessment of overall progress.

See the NZFT [Methodology 2025](#) for more information.

Figure 2: NZFT dimensions and indicators



Scoring system to show quality of Targets and Implementation

Each of the 12 Target and Implementation indicators has a scoring system based on actions that align with credible net-zero pathways, ranked from *no action* to *best practice*. This system is informed by 17 net-zero alignment and transition plan frameworks and captures the transparency, concreteness, comprehensiveness, and ambition of FIs’ climate action.*

Scores are displayed at the individual indicator level and as aggregate scores for the Targets and Implementation dimensions. Some sections of this report (Section 3: Influencing Factors) also present scores as a weighted average across tracked FIs, with each category’s score weighted by the AUM/O of institutions in that category. The resulting scores are rounded, and the final score is determined based on the scale after rounding.

Table 1: NZFT Scoring system for Targets and Implementation

Score	By indicator	Aggregated by dimension	Quantitative score
Best Practice	Meets all criteria for the highest standards.	All indicators in the dimension are scored as Best Practice	5
Advanced (selected indicators only)	Demonstrating proactive steps with high ambition and clear commitment.	≥50% of indicators are Best Practice or Advanced	4
Progressing	Shows solid progress and meaningful actions, but with room for improvement.	≥50% of indicators are Best Practice, Advanced, or Progressing	3
Emerging	Taking initial or exploratory actions.	At least one indicator is scored as Emerging or higher	2
Planned	Evidence that the organization plans to act.	At least one indicator is scored as Planned	1
No action	No evidence of action or plans.	No Action is observed for any indicator.	0

CPI does not assign scores for indicators in the Impact dimension, assessing FIs’ impact on the real economy, but provides alignment benchmarks where possible.

* See [Using the Net Zero Finance Tracker to Assess Financial Institutions’ Transition Plans](#) for information of how the NZFT methodology links to existing transition plans frameworks, and the [NZFT Methodology 2025](#) for more information on our scoring methodology in general.

Synthesizing data from 58 sources for the most comprehensive view of FI progress

This report synthesizes the latest data from 58 public and private external sources, as well as internal CPI data collection, on FIs' progress toward climate alignment. The data covers the period from 2019 to 2024. Key data partnerships include 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.

This open, actionable data can empower civil society, regulators, and investors to hold institutions accountable in their transition to net-zero or implementation of their transition plans, strengthen net-zero strategies, and accelerate climate-aligned investment. The dataset offers multiple perspectives and can be explored through several lenses: aggregate trends for dimensions and individual indicators, trends for investor categories or regions and countries. This report contains insights based on aggregate data, which is searchable along with entity-level data on the interactive [NZFT dashboard](#). For caveats and considerations for using NZFT data, see the [NZFT Methodology 2025](#).

REPORT STRUCTURE

- **Section 2 of this report begins by looking into aggregate scores across the Targets, Implementation, and Impact dimensions** and their underlying indicators, zooming in on more granular trends where relevant.
- **Section 3 then explores the factors influencing FIs' actions across indicators**, providing more detail on emerging patterns by region and country. Our analysis highlights global and national trends, differences across institution types, and emerging best practices. It also assesses whether the transition plans increasingly adopted by FIs are associated with improvements in climate performance. We also explore the drivers of action, revealing where institutions are translating commitments into real-world impact—and where gaps remain.
- **Section 4 concludes with a set of recommendations** and practical ways that FIs can improve their climate performance by learning from the successes of peers.



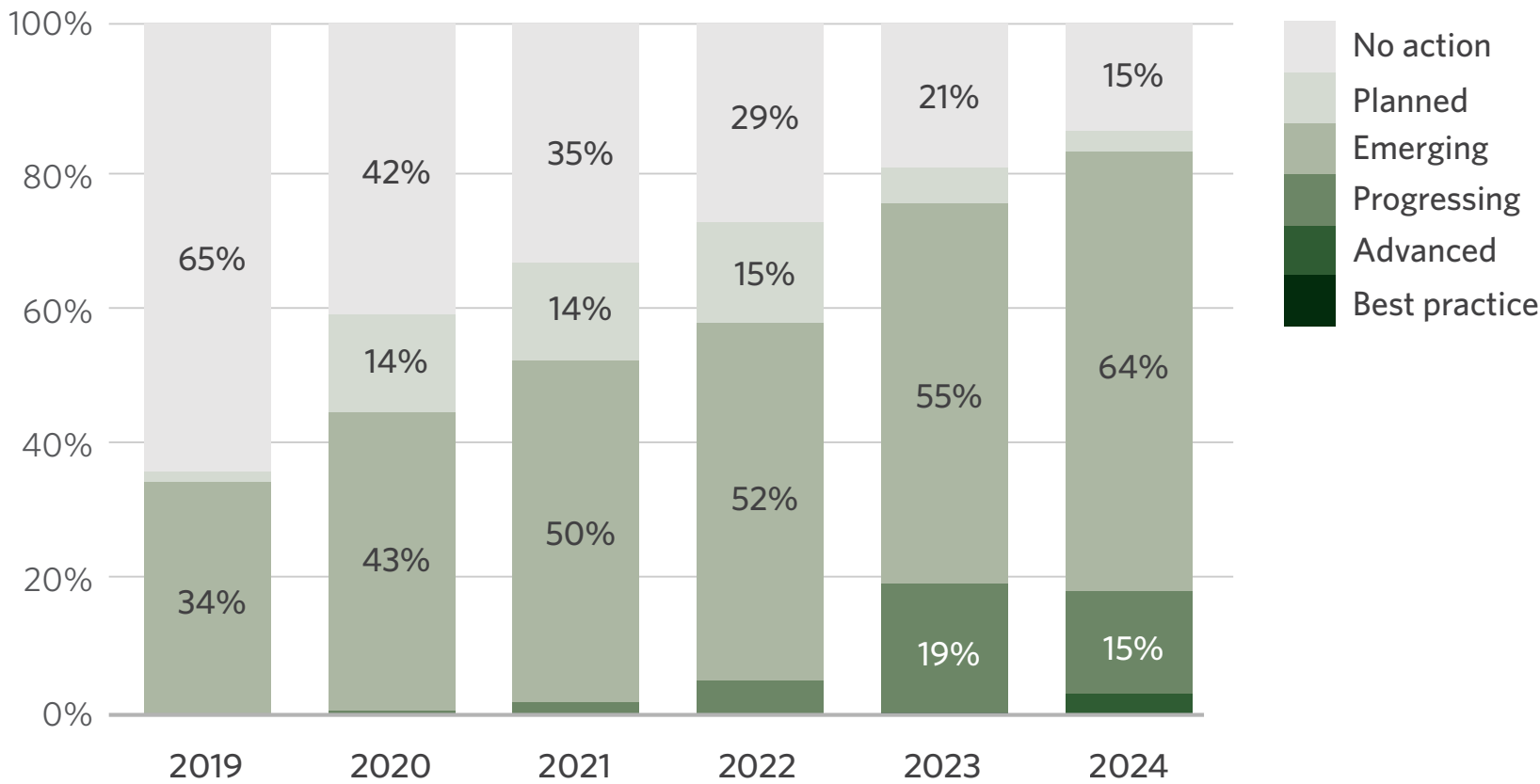
2. Progress across NZFT indicators

Targets, Implementation, and Impact

2.1 Targets

Signaling intent to respond

Figure 3. Fls’ target setting across Target indicators, by % of AUM/O



Source: CPI based on various sources used for all the dimension's underlying indicators. For a full overview of the sources used please refer to the NZFT methodology.

Note: This figure shows the aggregate scores for Fls' climate targets across three areas: adoption of a mitigation target, of a fossil fuel exclusion and phase-out target, and of a climate investment target.

No action: No action observed for any indicator
Planned: ≥1 indicator is Planned
Emerging: ≥1 indicator is Emerging or higher
Progressing: ≥50% of indicators are Progressing or higher
Advanced: ≥50% of indicators are Advanced or higher
Best practice: All indicators in the dimension are scored as Best Practice

Despite increasing target coverage, quality still lags

The share of Fls adopting some type of climate target grew from 34% in 2019 to 82% of Fls in the NZFT by AUM/O in 2024, now representing over USD 233 trillion in assets. This marks an increase from 169 to 756 entities.

The largest increase occurred from 2022 to 2023, when AUM/O coverage rose from 57% to 74%. Fls with targets scored as *Progressing* rose from 5% to 19% by AUM/O in this period. This may have been spurred by market expectations and anticipation of regulations. Major developments around this time included the launch of GFANZ's Transition Plan Framework in 2022 and the EU Corporate Sustainability Reporting Directive (CSRD) in early 2023.

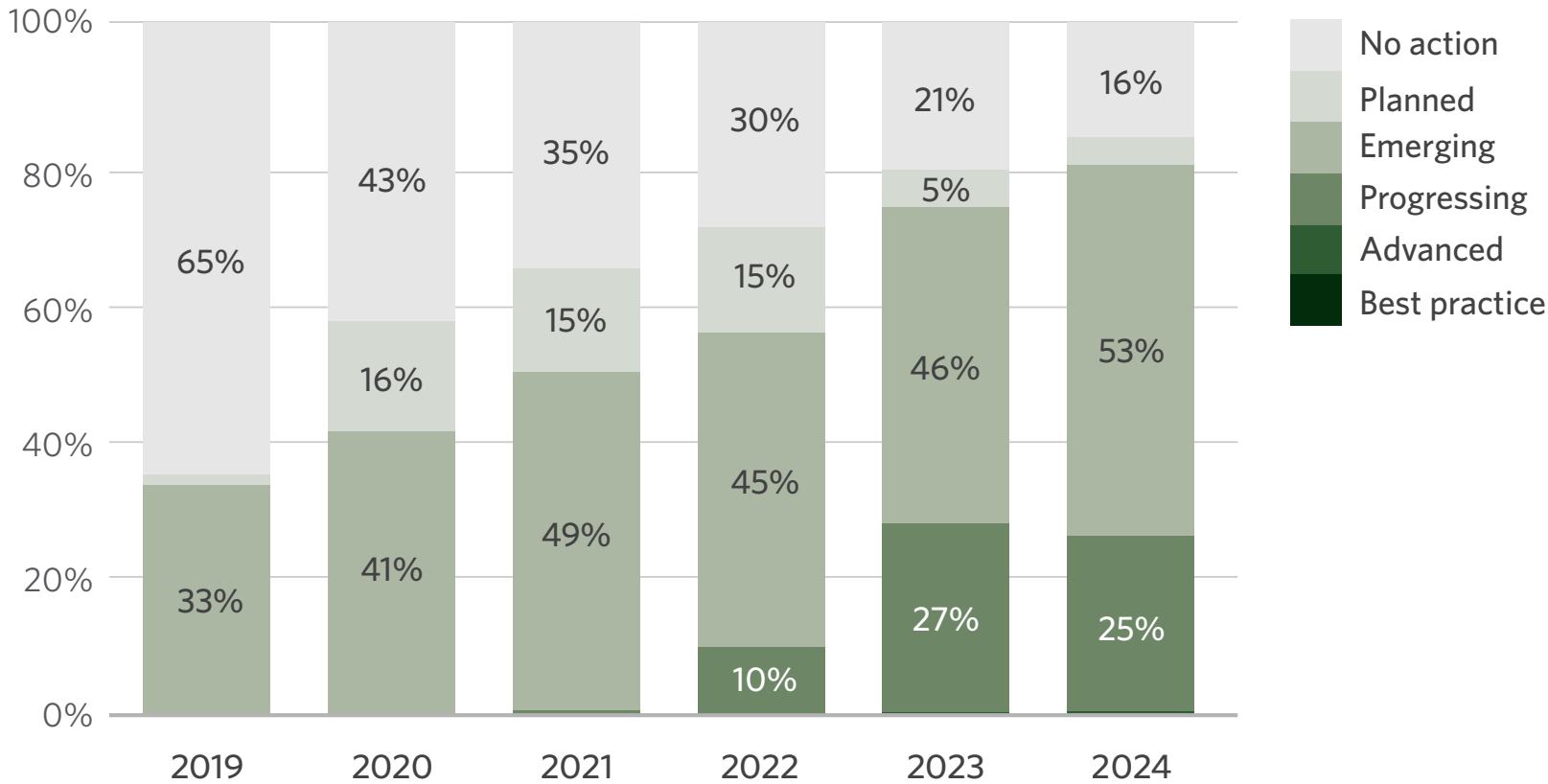
Opportunities exist for the remaining 18% of Fls (in terms of AUM/O) to bring their portfolios under climate targets. Fls with existing targets could also improve their quality. Currently, just 3% of Fls by AUM/O (25 institutions) have *Advanced* aggregate scores for Target indicators (see the Scoring Key).

Meanwhile, some backsliding on targets has been seen as several major Fls withdraw from climate coalitions. For example, Wells Fargo exited the Net Zero Banking Alliance (NZBA) in 2024 and dropped its mitigation target in early 2025, citing political pressure, data gaps, and regulatory uncertainty (Reuters, 2025a). Another recent NZBA defector, HSBC, delayed its net-zero target from 2030 to 2050 (Reuters, 2025b), exposing the fragility of voluntary pledges. The recent dissolution of the NZBA (Reuters, 2025c) could have substantial impacts on Fls' target setting. Any such developments within 2025 will be reflected in next year's NZFT dataset.

To maintain momentum and credibility, regulators, policymakers, and international standard setters must support and encourage Fls to address both coverage and quality—bringing more assets under climate-aligned targets and ensuring these are robust, transparent, and enforceable. This will require coordinated action to address barriers that remain beyond Fls' control.

Underlying target indicators are explored in more detail the following pages.

Figure 4. FIs’ mitigation target scores, by % of AUM/O



Source: A4S, 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.

No action: No evidence of target.
Planned: Has committed to adopt a target.
Emerging: Portfolio target adopted but it is partial, or information is incomplete.
Progressing: Transparent long- and near-term targets, covering portion of relevant portfolio with specified net zero scenario used.
Advanced: Externally validated aligned long- and near-term targets, covering ≥50% of relevant portfolio.
Best practice: Externally validated, aligned long- and near-term portfolio targets in absolute terms, covering ≥90% of relevant portfolio. Target ambition, scope, and methodology aims for net zero by 2050.*

* Best Practices also require absolute targets aligned with 1.5°C pathways, and incorporating Scope 3 emissions from portfolio companies, using a recent baseline year, and covering most or all asset types and portfolios.

Mitigation targets have expanded quickly, but quality gaps persist

To support their climate transition, FIs must set clear, measurable, and ambitious portfolio-level mitigation targets.

FIs made encouraging progress on mitigation target setting. FIs’ adoption of such a target rose from 33% by AUM/O in 2019 to 80% in 2024. This was driven by the adoption of long- or mid-term targets, with 65% of FIs (by AUM/O) adopting one such target in 2024. However, mitigation targets do not necessarily cover the entirety of these institutions’ portfolios.

Quality still lags: less than 1% of FIs by AUM/O had *Advanced* targets, and none had reached *Best Practice*. NZFT data indicates that the following actions could help FIs progress their scoring:

- Many FIs rated as *Emerging* could achieve a *Progressing* score by specifying the net-zero scenario they used to set their mitigation target.
- The key enabler to move from *Progressing* to *Advanced* is having a near-term (2025–30) target that is SBTi-validated. Only 58 FIs (less than 4% by AUM/O) met this benchmark in 2024.

As of September 2025, amid policy shifts, several large FIs (e.g., Swiss Re and Manulife) have withdrawn from the SBTi while stating that their sustainability strategies remain unchanged (Responsible Investor, 2025a). Although these FIs have not disclosed their reasons, these withdrawals are viewed as linked to a letter published in August by 23 US State Attorneys General, demanding information from the SBTi and its members, citing concerns about potential antitrust violations (ESG Today, 2025).

Asset managers and banks lead on mitigation targets, yet quality varies in some key countries

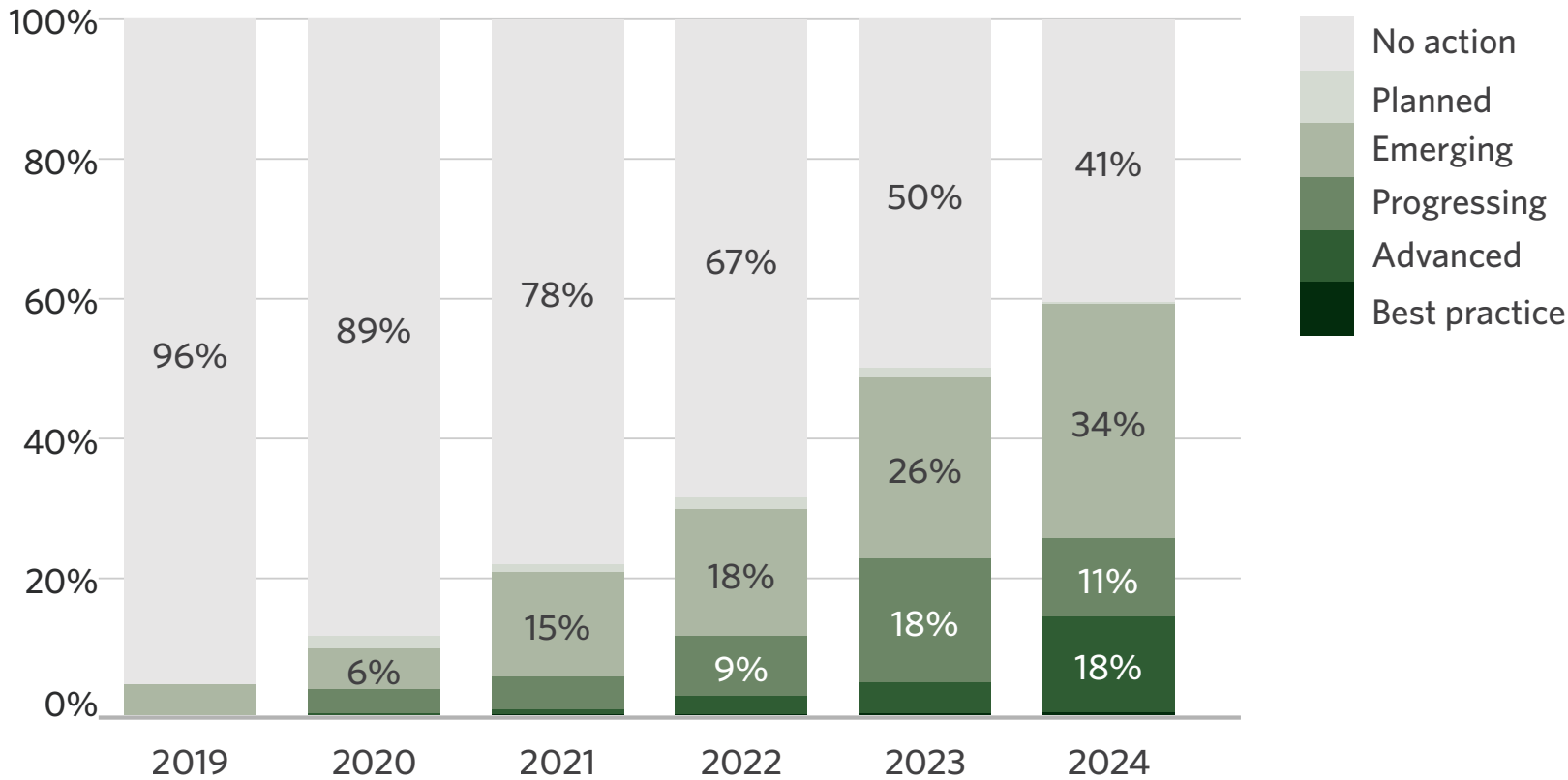
By FI type, asset managers and banks lead on mitigation targets, each accounting for around 40% of total AUM/O covered by targets scored as *Emerging* or above. However, target quality varies; insurers have the highest share of AUM/O (35% of total insurer AUM/O) covered by more developed targets (*Progressing* or *Advanced*), while the mitigation targets of asset owners and PE/venture capital/hedge funds tend toward the *Emerging* stage.

Much of the target-setting for mitigation has been driven by membership of climate coalitions. As of December 2024, 58% of banks (104 of 180 NZFT-covered banks) had some level of mitigation target as NZBA members, as did 37% of asset managers (171 of 458 NZFT-covered asset managers) as members of the Net Zero Asset Managers initiative (NZAM). As noted, at least 11 banks had left the NZBA ahead of its disbanding in October 2025 (Reuters, 2025c). Leading asset managers, including Baillie Gifford (UK) and BlackRock (US), have also left NZAM (Responsible Investor, 2025b). NZAM has suspended its activities until January 2026, and revised its requirements to allow members to set net-zero targets later than 2050, if they deem necessary (NZAM, 2025a). This raises doubts over the durability of existing mitigation commitments in the near future.

High target-setting is not matched by target quality in all countries. Although the US and China represent the largest amounts of AUM/O covered by mitigation targets—reflecting the size of their financial markets—their FIs’ targets are largely scored as *Emerging*. In contrast, countries such as the UK, France, and Australia have more than 50% of the FIs by AUM/O with targets scored as *Progressing* or *Advanced*.



Figure 5. FIs’ fossil fuel phase-out/exclusion scores, by % of AUM/O



Source: 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.

Note: Less than 1% scored ‘Best practice’ on the entire time period.

No action: No evidence of target
Planned: Commitment to adopt a target
Emerging: Has weak or undefined FF restrictions
Progressing: Has a phase -out policy for only some fossil fuels (on either oil and gas, or coal), or an incomplete divestment target
Advanced: Has a full FF divestment policy or has a phase-out policy but coverage/scope is incomplete
Best practice: No FF assets or a credible FF phase-out policy including comprehensive restrictions on new FF development*

* The fossil-fuel phase-out indicator awards the highest score to FIs with a credible FF phase-out policy with a timeline aligned with the IEA Net Zero Emissions (NZE) by 2050 scenario (IEA, 2023) including comprehensive restrictions on all new FF development (IEA, 2021), and on holding FF assets.

Just 14% of FIs by AUM/O had advanced or best practice fossil fuel exclusion policies in 2024

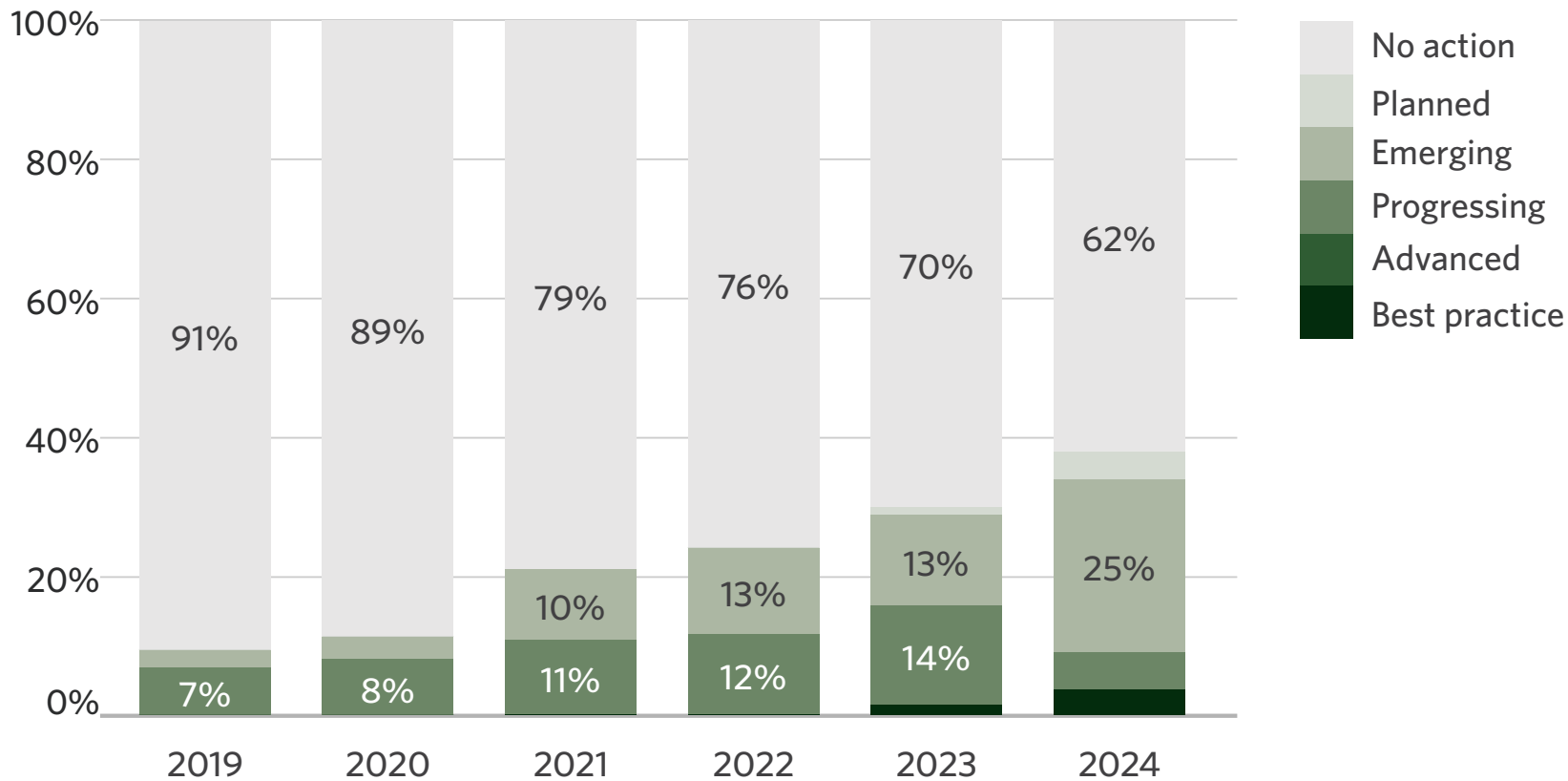
As of 2024, 481 FIs representing 59% of AUM/O in the NZFT sample had a policy to phase out fossil-fuel (FF) investment, up from 4% in 2019. 11% of FIs (in terms of AUM/O) had policies addressing all FFs, 17% had coal-only policies, and 5% had policies excluding only oil and gas.

However, only a quarter of FIs by AUM/O had scored above *Emerging* for their FF policies. Another 34% (in terms of AUM/O) scored *Emerging*. Many had fragmented disclosure on policy coverage or divestment targets, while only 6% (in terms of AUM/O) had a defined timeline for their FF phase-out/exclusion.

Further, only 142 FIs, representing just 14% of AUM/O, had aligned these policies with the SBTi’s FIs Net-Zero Standard as of July. This is necessary for achieving an *Advanced* or above rating. The new SBTI guidance requires FIs to commit to the immediate cessation of new finance for coal expansion and new project finance for oil and gas expansion.

Strengthening the FF phase-out and exclusion can reduce FIs’ exposure to stranded asset risks. In the NZFT sample, 1,358 FIs with USD 246 trillion in AUM/O lack credible FF phase-out/exclusion policies. Broader economy-wide estimates suggest that by 2050, USD 577 trillion in FF assets could be stranded if current investment trajectories continue (Morrison, 2024). One reason for FIs’ slow adoption of FF policies is the lack of clear direction from governments, which in many cases continue to support or expand FF industries. Policymakers must set clear expectations that signal a definitive end to FF expansion and provide a stable regulatory environment.

Figure 6. FIs’ climate investment target score, by % of AUM/O



Source: CDP, CIC, CPI, Net-Zero Donut, NZAOA, Private Equity Energy Tracker, Reclaim Finance, ShareAction, TPI, WRI Green Targets.

Note: Given that there is no shared definition of climate finance across private FIs, our assessment does not prescribe what constitutes climate finance. Our ‘Best practice’ benchmark requires FIs to have a quantified, time-bound target with a transparent methodology for how climate finance is defined and measured.

No action: No evidence of target.
Planned: Commitment to adopt a target.
Emerging: Target adopted but information is incomplete.
Progressing: Quantified target disclosed, with timeline.
Advanced: NA—an ‘Advanced’ score is not available for this indicator.
Best practice: Quantified target disclosed, with timeline and methodology.

FIs covering just 34% of AUM/O had climate investment targets in 2024

The climate investment indicator assesses if FIs have set and disclosed clear, accountable, and measurable targets to mobilize financial services or investments for climate action.

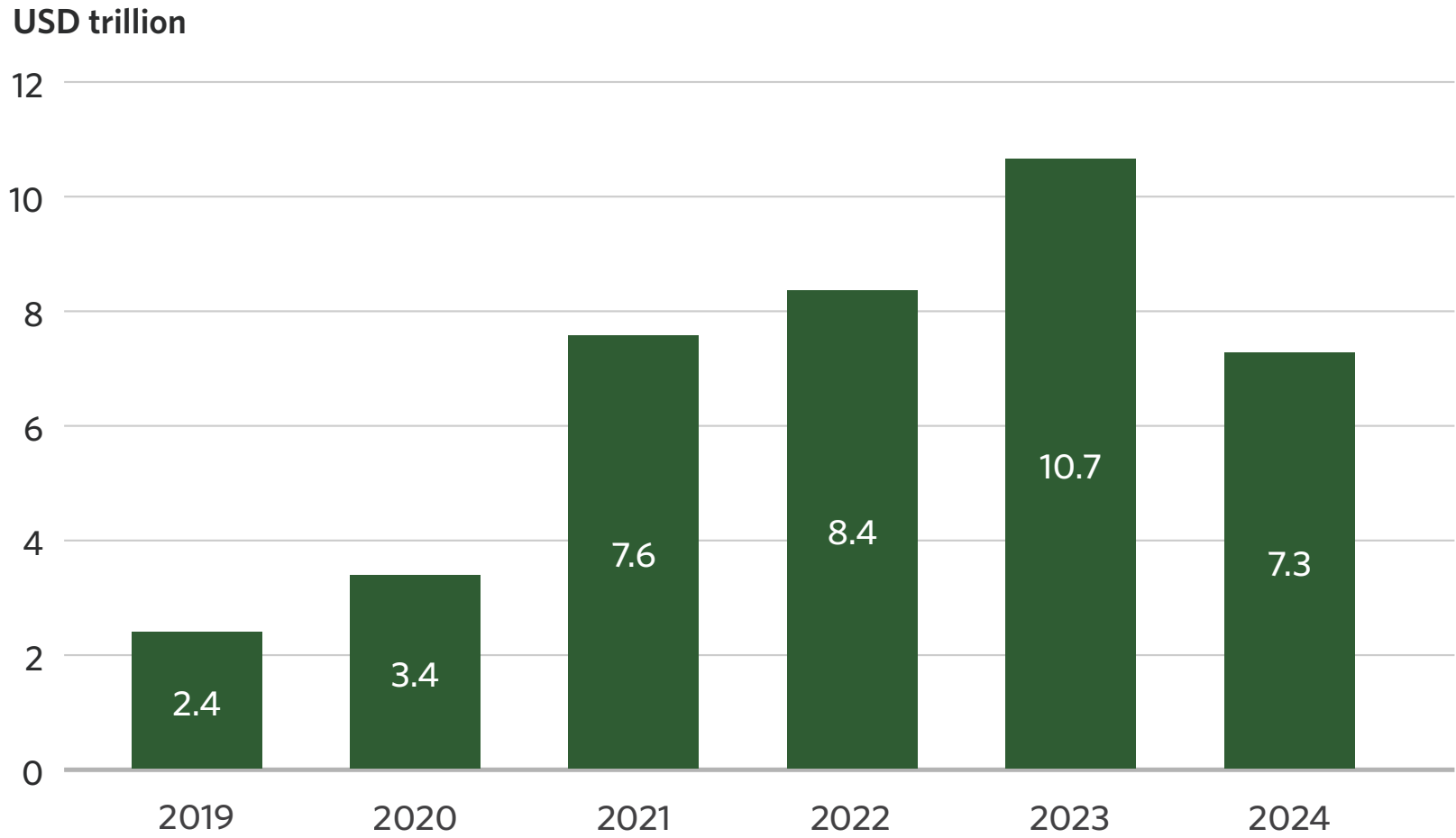
Climate investment targets have expanded rapidly from a low base. In 2019, 37 FIs representing only 9% of AUM/O had disclosed a target; by 2024, this had increased to 296 FIs, or 34% in AUM/O.

Targets are still weak. Of those with investment targets scoring *Emerging* and above in 2024, only 44% of AUM/O (91 FIs) had set quantified investment targets.

One way to improve FI climate finance targets is to set clear timelines. In 2024, among the FIs which scored *Emerging* (representing 25% of total AUM/O), 78% (in terms of AUM/O) lacked clear timelines for their targets, preventing them from achieving a *Progressing* score. Disclosure of a transparent climate finance methodology sets a higher bar for *Best Practice*, currently only met by 28 FIs representing just 4% of AUM/O.

FIs whose activities are mostly in the secondary market, such as asset managers, may also prefer portfolio alignment metrics to climate investment targets, which could explain their relatively low adoption.

Figure 7. Volume of commitments made in climate finance Targets, USD trillion



Source: CDP, CIC, CPI, Net-Zero Donut, NZAOA, Private Equity Energy Tracker, Reclaim Finance, ShareAction, TPI, WRI Green Targets.

Note: The figure reflects CPI’s aggregation of FIs’ explicit commitments to new clean, green, climate, or climate solutions investments (e.g. flows). Such financial flows are only part of the total of committed climate finance. Disclosures are not standardized, and the diversity of reporting metrics limits comparability and our coverage, e.g., some FIs report financial flows, while others report stocks or targets; some disclose only portfolio alignment percentages without specifying amounts, and definitions of “climate solutions” vary. This fragmentation may lead to a misestimation of progress.

Climate investment commitments show limited growth and quality

Cumulative climate finance commitments by NZFT FIs rose from USD 2.4 trillion in 2019 to USD 10.7 trillion in 2023, but declined to USD 7.3 trillion in 2024.

This drop may partly be due to the expiration of older public commitments without renewal (e.g., 2023 targets not renewed in 2024). FIs with 9% of AUM/O that had previously disclosed a quantified target had not renewed these in 2024, signalling backsliding risks.

This decline in total commitments occurred even as the share of AUM/O with climate investment targets increased (see previous page). This suggests that targets lacking clear, ambitious, publicly disclosed financial amounts are unlikely to drive tangible impact.

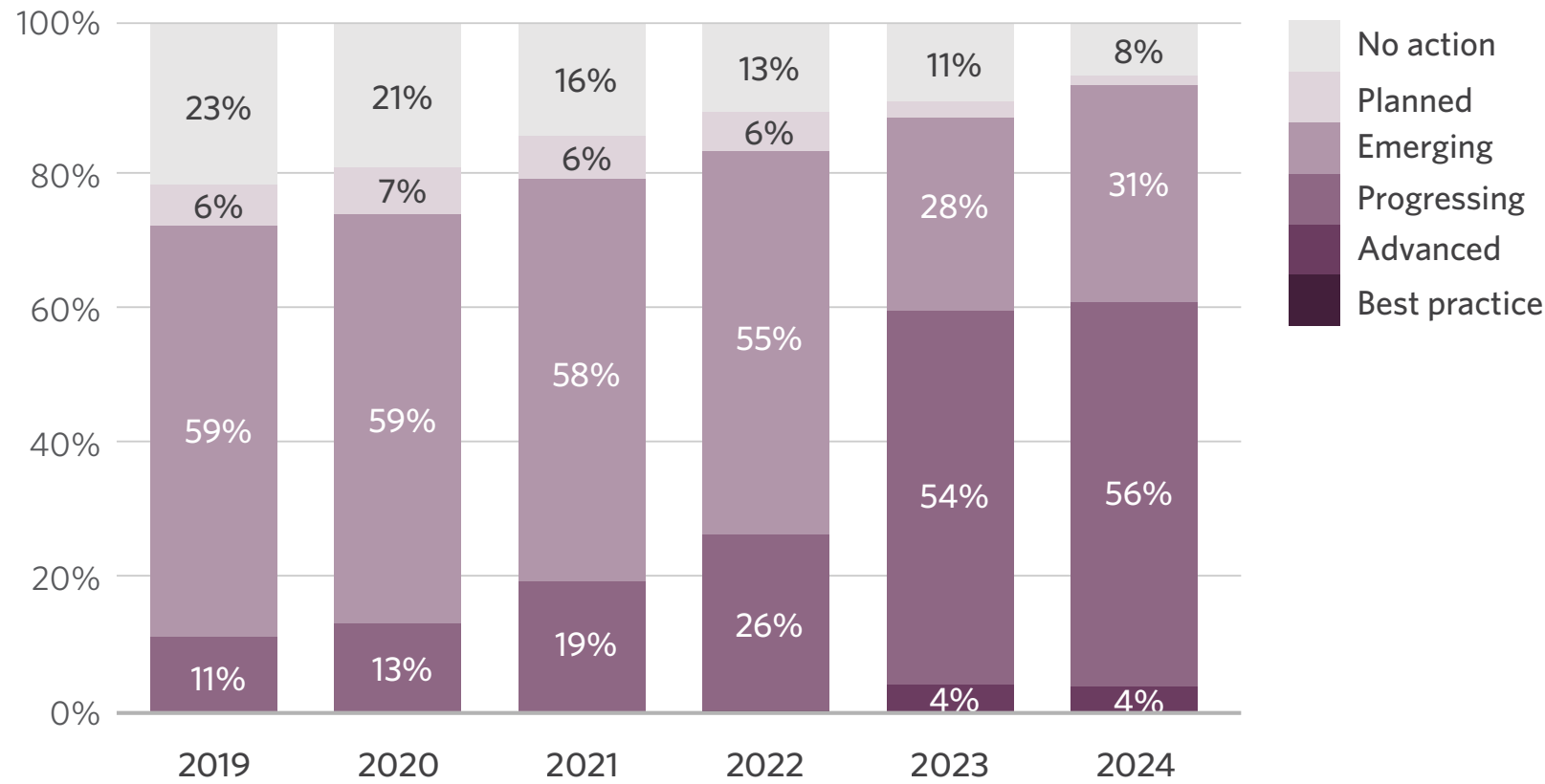
Climate investment commitments are heavily concentrated in advanced economies.

Five countries—Canada, the US, the UK, France, and Japan—account for 82% of the total from 2019 to 2024. This dominance is largely due to the size and number of FIs from these countries. Indeed, only 19% of all NZFT-covered US FIs by AUM/O have an *Emerging* score or above on this indicator, while in France, 76% of FIs by AUM/O are at this level.

2.2 Implementation

Measuring whether climate considerations are factored into decision-making processes

Figure 8. FIs' aggregated score across Implementation indicators, by % of AUM/O



No action: No action is observed across all indicators
Planned: ≥1 indicator is 'Planned'
Emerging: ≥1 indicator is 'Emerging' or above
Progressing: ≥50% of indicators are 'Progressing' or above
Advanced: ≥50% of indicators are 'Advanced' or above
Best practice: All indicators in dimension scored as 'Best practice'

The nine NZFT *Implementation* indicators capture FIs' tangible steps taken to deliver on climate goals. The figure shows the aggregate scores across all nine indicators: 1) Internal Accountability Frameworks, 2) Shareholder Engagement, 3) Policy Engagement, 4) Climate Risk Strategy, 5) Climate Risk Management, 6) Disclosure of Climate Risk, 7) Disclosure of Investment Data, 8) Disclosure of Emissions, and 9) Net Zero without Offsets.

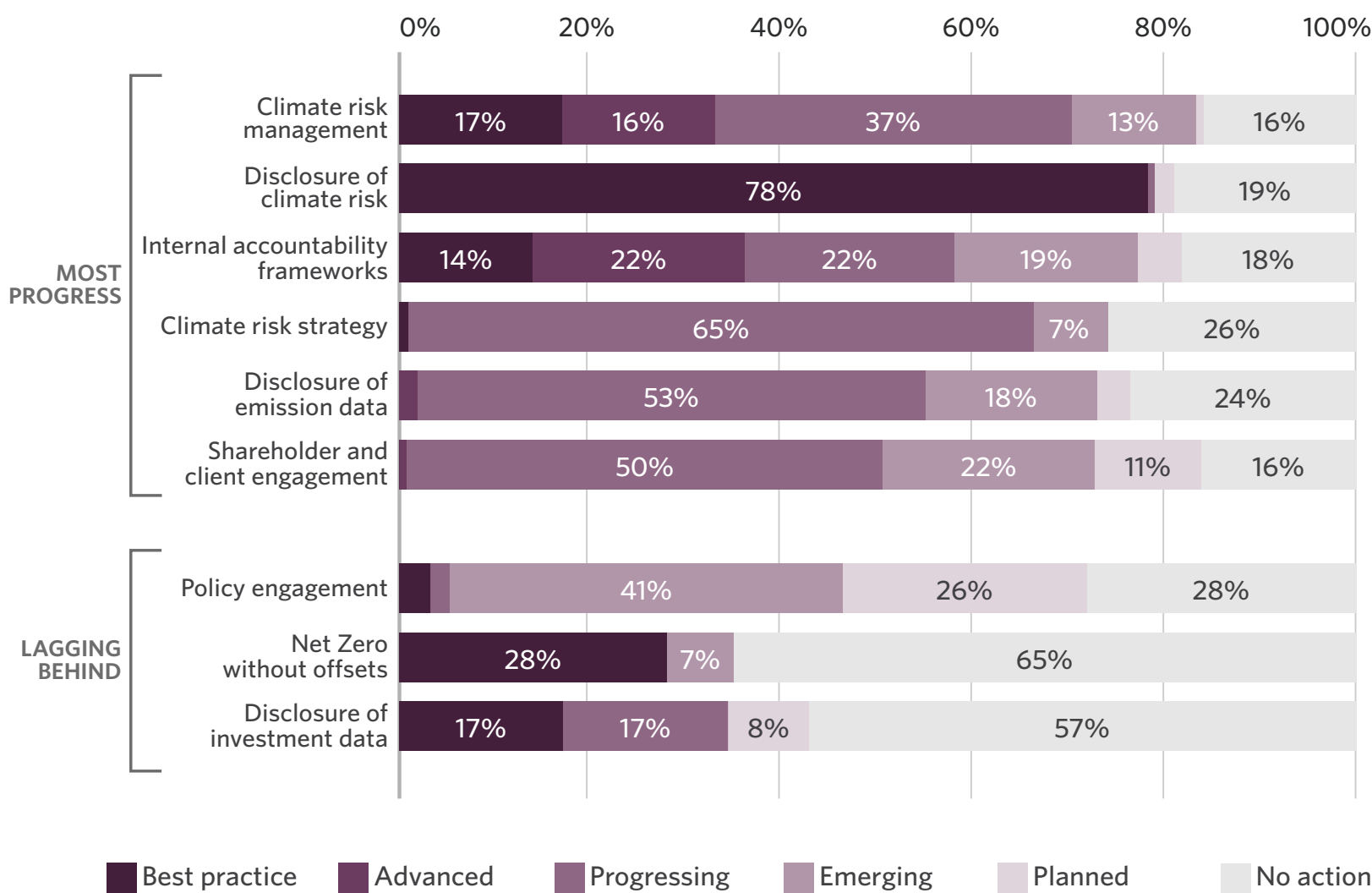
Higher-quality implementation since 2019, but best practices remain elusive

Many FIs are moving beyond symbolic commitments or initial steps to more tangible climate action. The percentage of AUM/O covered by higher implementation scores has increased, with the largest year-on-year rise from 2022 to 2023, when many credible transition plan frameworks were published, including GFANZ's Financial Institution Net-zero Transition Plans (2022).

The share of FIs by AUM/O achieving an implementation score of *Progressing* or above increased from 11% in 2019 (44 FIs) to 60%, in 2024 (534 FIs), now representing over USD 170 trillion in AUM/O.

However, comprehensive implementation remains rare. No FI met the threshold for *Best Practice* for overall implementation, and only 24 FIs representing USD 11 trillion in AUM/O reached an advanced implementation response. While the vast majority of banks, asset managers, and insurers by AUM/O received *Progressing* or *Advanced* scores for Implementation in 2024, only around a third of asset owners reached this level (see Section 3.3 for analysis by actor type).

Figure 9. FIs' scores across Implementation indicators, by % of AUM/O, 2024



Note: The scoring criteria for each indicator can be found in the [NZFT Scoring Criteria 2025](#). Implementation indicators are ranked by the percentage of AUM/O with scores that are 'Emerging' or higher.

All Implementation indicators, except policy engagement, saw improvement in 2024

The highest performance was on climate risk disclosure, reflecting the uptake of related guidelines, including from the TCFD, ISSB, and CSRD. Action largely focuses on climate risk response and governance/accountability, as well as the adoption of related systems for disclosure and reporting. Progress was also made on internal accountability, the disclosure of emissions data, and shareholder and client engagement.

Despite some gains, the largest room for improvement remains for policy engagement, disclosure of investment data, and the pursuit of net-zero targets without the use of carbon offsets.

Western Europe leads in implementation globally. Its high proportion of *Advanced* and *Progressing* scores and minimal *No action* scores reflects stronger regulatory frameworks, investor expectations, and established market practices.

Implementation indicators are explored in more detail in the following pages.

FIs are progressing most on climate risk disclosure and response, internal accountability, and shareholder engagement

CLIMATE RISK DISCLOSURE, MANAGEMENT, AND STRATEGY

Integrating climate considerations into business and financial decisions is essential for effectively managing climate-related risks. Physical climate risks and transition risks have material impacts for FIs, and acknowledging these impacts is critical to ensuring stability, resilience, and the ability to adapt to climate change.

- **More FIs are publishing climate risk disclosures** aligned with key international guidelines (covering 78% of FIs by AUM/O) or are urging external managers to do so (1%). Such action has increased from covering 47% of FIs by AUM/O (268 institutions) in 2019 to 79% in 2024 (801 institutions). There has been robust growth in publishing climate risk disclosures in the past two years, driven by the development of disclosure frameworks such as the TCFD, ISSB, and CSRD.
- **FIs have also improved on climate risk management.** As of 2024, 70% of FIs (by AUM/O) scored as *Progressing* or above on this indicator. Notable improvements include expanded application of tools to manage climate-related risks to most or all assets (up from 15% of AUM/O in 2019 to 36% in 2024), driving the share of FIs rated *Advanced* and *Best Practice* up from 13% in 2019 to 33% in 2024 (by AUM/O).
- **FIs have strengthened their climate risk strategies**, going from no provision of temperature trajectories for examined scenarios in 2019 to 47% of FIs by AUM/O in 2024. Use of reputable energy transition scenarios like those provided by the IEA, NGFS, and BNEF rose from 9% in 2019 to 53% in 2024. The use of physical climate risk scenarios also expanded from 5% in 2019 to 14% of AUM/O in 2024.

DISCLOSURE OF EMISSIONS DATA

More entities are now reporting portfolio emissions. The share of FIs rated *Progressing* and above for this indicator rose from 33% in 2019 to 55% in 2024 (by AUM/O). However, only 19 FIs covering just 2% of AUM/O achieved *Advanced* or above. To enable further progress, FIs could expand the coverage of their portfolio emissions; in 2024, only 6% of FIs (by AUM/O), corresponding to 94 institutions, reported emissions across all or most assets. Another key area is external verification; only 12% of FIs (by AUM/O) had evidence of seeking third-party verification of their emissions data in 2024.

Disclosure of emissions data and shareholder engagement have also improved

INTERNAL ACCOUNTABILITY

Entities have steadily increased their adoption of robust internal accountability frameworks. The share of FIs by AUM/O rated as *Progressing* and above rose from 9% in 2019 (99 institutions) to 58% in 2024 (671 institutions). From 2019 to 2024, progress was driven by:

- **Hiring of staff related to responsible investment**, up from 9% to 59% of FIs by AUM/O.
- **Linking management compensation to climate/sustainability performance**, up from 25% to 54%.
- **Reporting on the climate-related expertise of management**, up from 0% to 31%.

A further key enabler will be continually improving climate-related competency at the management level, which could move 22% of FIs by AUM/O scoring *Advanced* (221 institutions) to a *Best Practice* score.

SHAREHOLDER AND CLIENT ENGAGEMENT

Entities have made moderate progress on engagement, driven by stronger engagement with investees. Strong engagement with portfolio companies is a key opportunity for FIs to influence sustainable business practices and push companies to align their activities with climate goals. A strong response in this area includes voting for pro-climate shareholder resolutions, demonstrating positive engagement, setting engagement targets, such as engaging a certain number of high-emitting companies, and establishing an escalation strategy intended for use if investee companies do not respond to initial engagement.

- **Shareholder and climate engagement has risen dramatically.** Just one institution achieved a *Progressing* score or higher in 2019, while 51% of FIs by AUM/O (444 institutions) did so in 2024.
- **Significant progress was also made in climate voting/engagement policy and escalation strategy.** Available data shows that no institution had these in place in 2019, but 51% of FIs by AUM/O had climate voting/engagement policies and 46% had escalation strategies by 2024.
- **Active engagement among investees to drive climate action also rose modestly from 47% to 64% FIs by AUM/O.** Climate engagement targets, one criterion measured in this indicator, improved modestly from 0.3% to 9%. The slower progress may reflect the fact that shareholder engagement targets are a less common and more granular KPI in target-setting guidance than mitigation targets, introduced by a few organizations such as the NZAOA (2024a).

As shareholder and client engagement is a key way for FIs to influence the real economy, we provide detailed discussion of tools such as voting at the end of this section.

FIs are lagging on policy engagement, disclosure of investment data, and achieving net zero without offsets

DISCLOSURE OF INVESTMENT DATA

Performance in disclosing investment data remains more limited than other implementation indicators. The share of FIs by AUM/O reporting such data rose from 3% in 2019 to 34% (319 institutions) in 2024:

- 17% (115 institutions) disclosed both climate investment data and exposure to high-emitting assets.
- 10% (143 institutions) reported only climate investment data.
- 7% (61 institutions) reported solely on high-emitting assets.

To bring more FIs by AUM/O under climate and sustainable investment reporting, it is important to address the complex and often contradictory definitions of sustainable finance across geographies. New sustainable finance taxonomies and disclosure rules being released across different jurisdictions do not always agree on what constitutes a “climate-aligned” activity. Another issue is incomplete data on corporate business activities, calling for targeted policy action to address data gaps. Regulators, standard-setters, and international initiatives should work to harmonize their definitions of sustainable finance to ensure consistency and comparability across geographies.

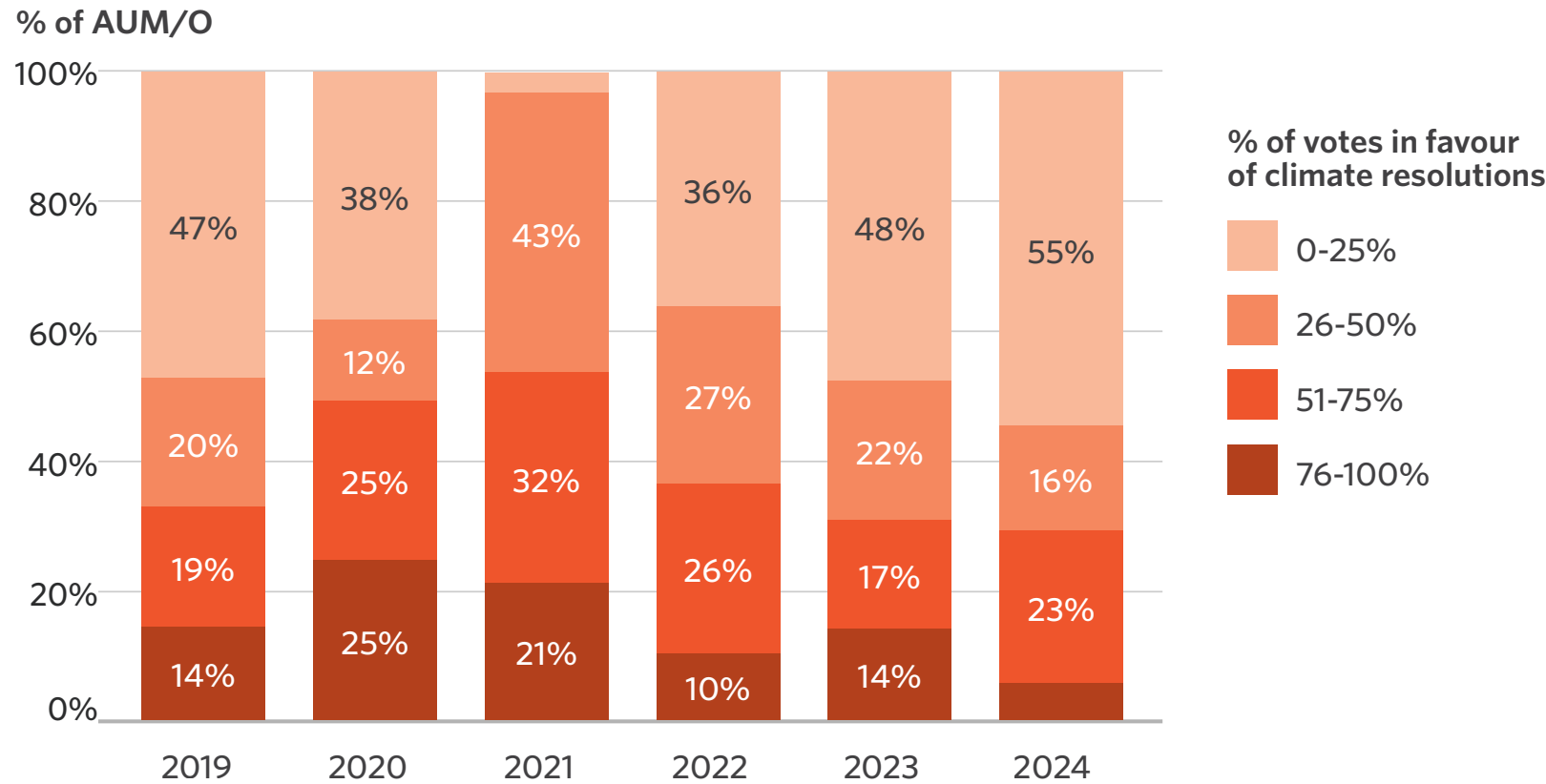
ACHIEVING NET ZERO WITHOUT OFFSETS

If FIs are to drive real-world reductions in financed emissions, they cannot rely on external carbon offsets to achieve their mitigation targets. Less than 1% of FIs by AUM/O had committed to achieving net zero without offsets in 2019. By 2024, 28% had reached *Best Practice* by explicitly excluding carbon credits from their mitigation targets, and 7% had disclosed their reliance on credits. This suggests that many FIs continue to view offsets as necessary to meet their mitigation targets, despite key net-zero frameworks, such as those set by SBTi, stating that mitigation should derive from deep emissions reductions.

POLICY ENGAGEMENT

FIs made progress in policy engagement from 2019 to 2023, participating in processes related to climate and sustainable finance reforms and regulation. However, a large share of FIs by AUM/O shifted from *Progressing* to lower scores in 2024. The dip is partly explained by incomplete 2024 data from key sources at the time of analysis. In addition, the broader political context may also play a role, as growing anti-ESG sentiment in several geographies hinders FIs’ proactive policy engagement (Investment Monitor, 2025).

Figure 10. Percentage of votes cast in favour of pro-climate shareholder resolutions, by % of AUM/O



Source: CPI, Center for Active Stewardship, Diligent, ShareAction

Note: This figure shows FIs' voting record on pro-climate shareholder resolutions. Voting FIs are grouped according to the % of climate resolutions they voted in favour of, weighted by the share of total AUM/O.

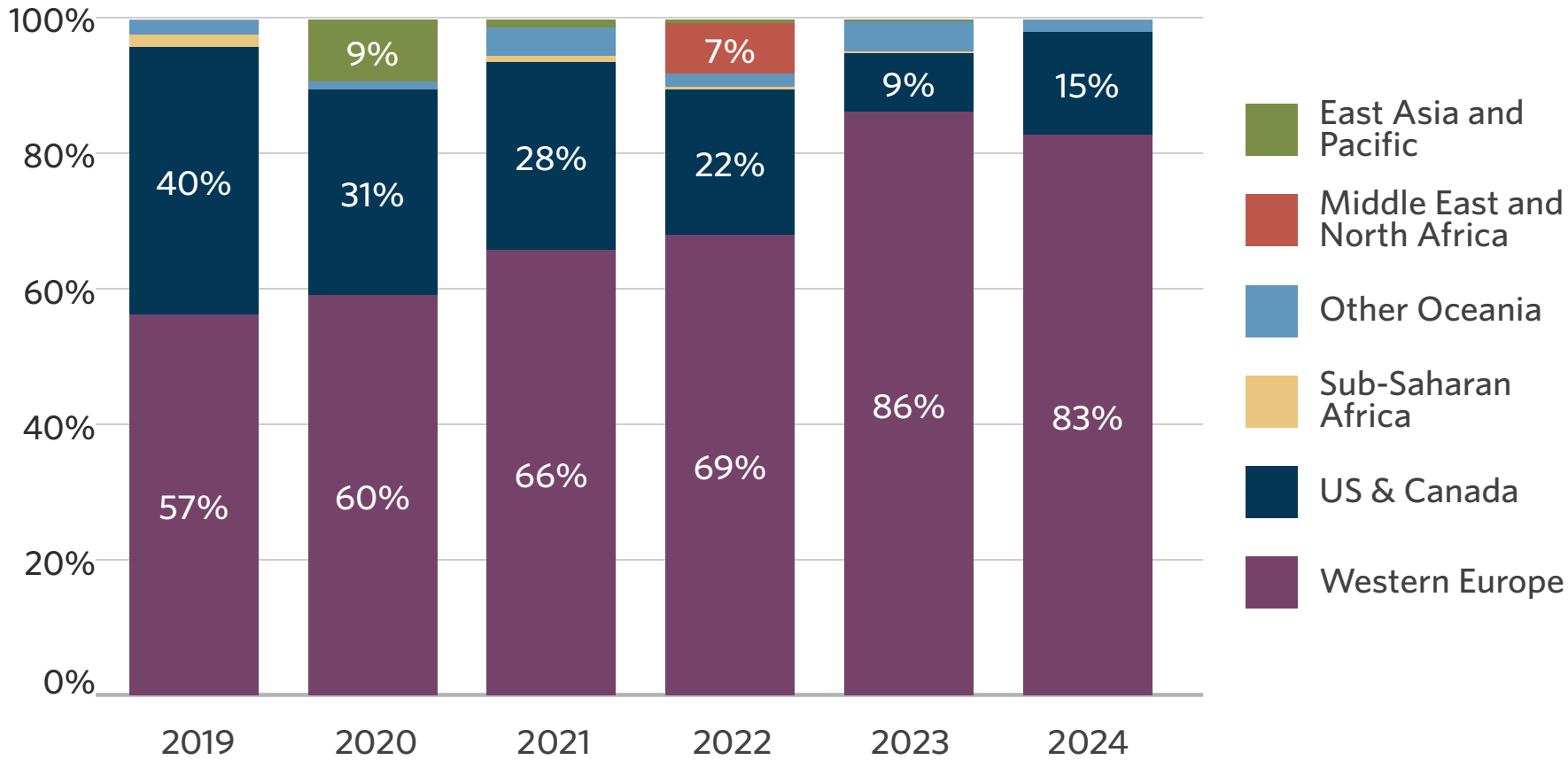
Shareholder engagement remains a key decarbonization lever but investor support for climate resolutions has declined since 2021

Shareholder engagement is one of the most direct levers available to investors to drive real-world decarbonization (NZAOA, 2022b). Climate-related engagement aims to encourage real-economy firms to strengthen their climate action, shift capital from high-carbon activities, and align business strategies with net-zero pathways. Many FIs have adopted stewardship and proxy voting in their investment processes (Amundi, 2023).

NZFT data shows that voting for pro-climate shareholder resolutions grew from 2019 to peak in 2021, before declining through 2024. This pattern is consistent with other studies: Harvard's *Proxy Season Preview* (Tonello, 2025a) finds that in 2024 only 2% of climate and natural-capital proposals and 4% of all environmental and social proposals received support from asset managers, down from 6.7% in 2023 and 47% in 2021. Similarly, InfluenceMap (2023) reported that average support for climate resolutions rose from 35% in 2019 to 61% in 2021, but fell to 50% in 2022. ShareAction (2025) observed an even larger decline in average support: from 43% in 2021 to 23% in 2024.

One potential reason for this reversal is the US SEC's Staff Legal Bulletin (SLB) 14L in 2021, which gave shareholders greater freedom to table resolutions based on a company's broader societal impacts (Tonello, 2025b). While this led to a surge in environmental resolutions, many institutional investors began voting against them more frequently, arguing that they were too prescriptive and not always aligned with business realities. For example, in 2024, BlackRock and Vanguard backed fewer environmental and social proposals, with BlackRock stating that most "were over-reaching, lacked economic merit, or sought outcomes unlikely to promote long-term shareholder value" (Tonello, 2025a).

Figure 11. Regional distribution of FIs voting in favour of pro-climate shareholder resolutions at least 70% of the time, by % of AUM/O



Regulatory changes and shifting institutional attitudes reshape shareholder voting, underscoring the importance of diverse engagement strategies

Changes in US policy and regulation—and rising anti-ESG sentiment—help to explain regional differences among FIs. The rollback has been driven largely by US institutions, while action among Western European FIs has stayed strong.

This trend looks set to continue in 2025 data. Going beyond the current NZFT time series, the US updated guidance on the exclusion of shareholder proposals in February 2025 via SEC SLB 14M (SEC, 2025). This bulletin highlights the “economic relevance” exclusion, which allows a company to reject a shareholder proposal if it is deemed not economically significant enough (Vinson & Elkins, 2025; PRI, 2025a), thereby facilitating the exclusion of environmental proposals, among others. This change is expected to further shape the landscape of shareholder voting—early data indicates that the number of shareholder proposals filed in the US has decreased in 2025 (PRI, 2025a).

Nevertheless, other stewardship strategies exist to drive engagement. Escalation strategies, such as voting against director elections, threatening divestment or exclusion, or mobilizing stakeholder pressure, are often more effective on climate-related topics than shareholder resolutions alone, though they are less commonly used (Quigley, 2023). FIs seeking effective net-zero stewardship can incorporate a more diverse and strategic mix of engagement tools to maintain influence.

2.3 Impact

Creating real economy impact by supporting investment in climate solutions and phase-out of fossil fuels

With no single metric to track FIs’ real-economy impact, CPI uses multiple indicators that should be interpreted together

Figure 12. Impact metrics overview



Key terms

Clean energy: Solar, wind, geothermal, green hydrogen, marine, energy storage, and estimated power grids relevant to clean energy

Transition: Power grids (agnostic of clean/FF energy source), bioenergy, and nuclear

Fossil fuels (and other high-emissions activities): Coal, oil, gas (waste-to-energy and grey hydrogen). The bracketed items are only tracked in the project finance indicator, together accounting for <10% of the tracked project high emissions data, and are thus included under the "fossil fuels" category for simplicity.

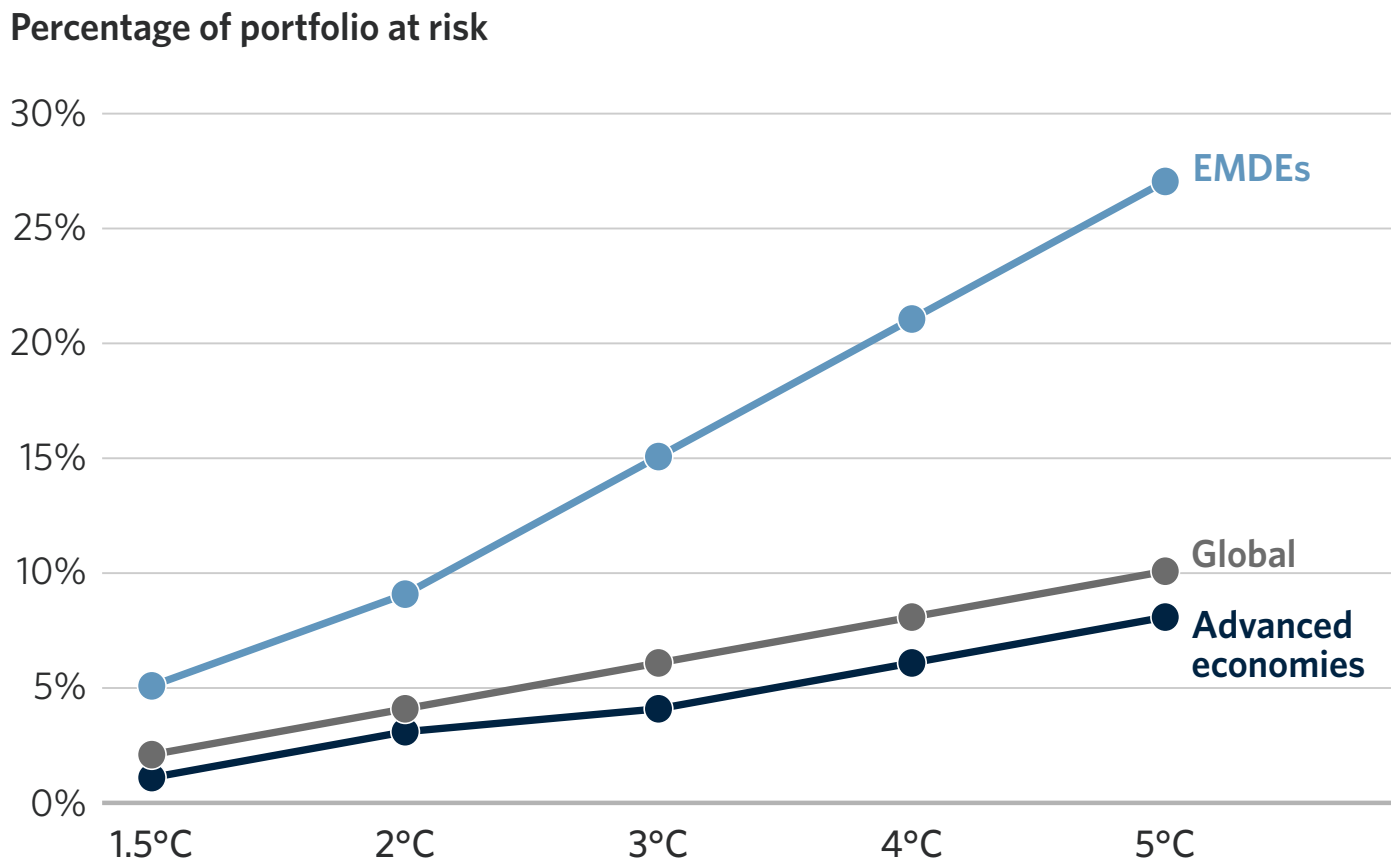
Fossil fuel expansionist: Corporates expanding in areas including FF extraction (e.g., new oil and gas field development), transportation and processing (e.g., new pipelines or LNG terminals), and energy production (e.g., expanding gas- and oil-fired power plants).

2.3.1 Risk indicator

Physical climate value at risk: FIs' exposure to physical risks across holdings of the largest 500 global companies

FIs face heightened physical climate risks in vulnerable regions

Figure 13. Physical CVAR for FIs (top 500 corporates) by development status



Source: CPI based on MSCI and Bloomberg.

Note: This indicator estimates the physical climate value at risk of financial institutions in different temperature scenarios, based on their equity investments in the largest 500 global corporates. Aggregate figures are calculated based on the combined investments across all FIs. Regions refer to the location where the FIs are headquartered, rather than where the losses might occur.

Understanding how the physical impacts of climate change will affect FIs' portfolios is essential for assessing the resilience of the financial system to climate-related shocks. This understanding forms a critical foundation for climate stress testing conducted by central banks and is equally important for FIs themselves to evaluate how physical climate impacts could affect their portfolios. Such impacts will occur regardless of future policy actions.

FIs in climate-vulnerable regions where EMDEs are concentrated—such as South Asia, EAP, and MENA—have higher physical climate value at risk (CVAR) than others. For example, Figure 13 shows that projected portfolio losses escalate to 10-15% for EMDEs under +2°C to +3°C warming scenarios, compared to 5% estimated globally. FIs often allocate significant shares of their portfolios to local corporates (National Bureau of Economic Research, 2011; Mordor Intelligence, 2025), which, in the case of EMDEs, operate in climate hazard areas (MET, 2025) and are concentrated in high-risk, physical-asset-intensive sectors, such as energy, mining, and heavy manufacturing. In addition, FIs' management of climate-related risks remains relatively weak in regions where climate policy frameworks or awareness of climate risks are less developed.

The above also likely holds true for entities in South Asia and Africa, regions where 32 of the world's 48 least developed countries are located and that are most vulnerable to change. However, they capture less of FI investments in these geographies (UN, 2021), given that few of the top 500 listed corporates (used to assess how physical risk transmits to FIs via their equity holdings) are based there.

Similarly, given our analysis covers only the top 500 companies, it captures fewer investments from FIs with significant exposure to smaller businesses, private companies, and other asset types. **As a result, actual portfolio losses could be considerably larger, particularly under high-temperature scenarios.**

FI investments can shape real-economy resilience by integrating and addressing climate risks

Table 2: Adaption roles and opportunities for different financial actors

Financial actor	Roles in adaptation & resilience
Insurers	Support resilience before and after climate events via payouts, anticipatory and parametric insurance, risk-adjusted premiums, and “build-back-better” incentives. As institutional investors, allocate to long-term adaptation assets such as resilience bonds.
Banks	Provide loans and co-financing for adaptation projects, and structure bonds and share credit for resilience solutions.
Asset Managers	Allocate and oversee large pools of capital; influence investee companies on adaptation; invest directly in adaptation via private equity, debt, and large infrastructure projects.
Venture Capital	Fund early-stage, high-risk adaptation solution providers, helping innovations reach commercial scale.
Private Equity	Use influence and longer investment horizons to finance adaptation in leveraged buyouts and smaller, earlier-stage companies.
Pension Funds	Deploy large, long-term capital for major resilience projects, including resilient infrastructure and resilience bonds.

Source: based on CPI’s [Global Landscape of Climate Finance](#), (2025)

FIs often face challenges in assessing climate risks. Many struggle to consistently quantify and integrate them into models, relying instead on expert judgment and limited scenario analysis (UNEP FI, 2025a). Data-driven platforms that deliver granular analysis are needed to help institutions grasp both the severity of the risks they face and the scale of climate action required.

Recognizing climate risk need not be a reason to exit sectors and geographies. Targeted investment in resilience and adaptation can safeguard asset values, protect communities, and preserve long-term market viability. Adaptation delivers immediate benefits, including reduced costs, saved lives, and protected ecosystems. Without it, climate hazards such as crop failures, rising food prices, and trade disruptions will intensify, as existing emissions will continue to drive decades of warming, regardless of future cuts.

Unlike companies managing physical assets, FIs addressing physical climate risk in their portfolios must change their capital allocations by:

- **Investing in adaptation** infrastructure, technologies, and services to raise portfolio companies’ resilience to physical climate risks (see Table 2).
- **Diverting capital from FF-related companies** that exacerbate climate change.
- **Investing in mitigation solutions** (e.g., renewable energy and enabling infrastructures such as grids and storage), thereby lowering the probability of severe warming and helping to reduce system-wide climate risk over time.
- **Adopting climate-resilient investment plans** such as the [Climate Resilience Investment Framework \(CRIF\)](#) (IIGCC, 2025a), which can help FIs integrate resilience goals into portfolio governance and asset alignment.

The next slides explore how FIs’ financial flows are impacting the real economy activities that mitigate or drive such climate risks.

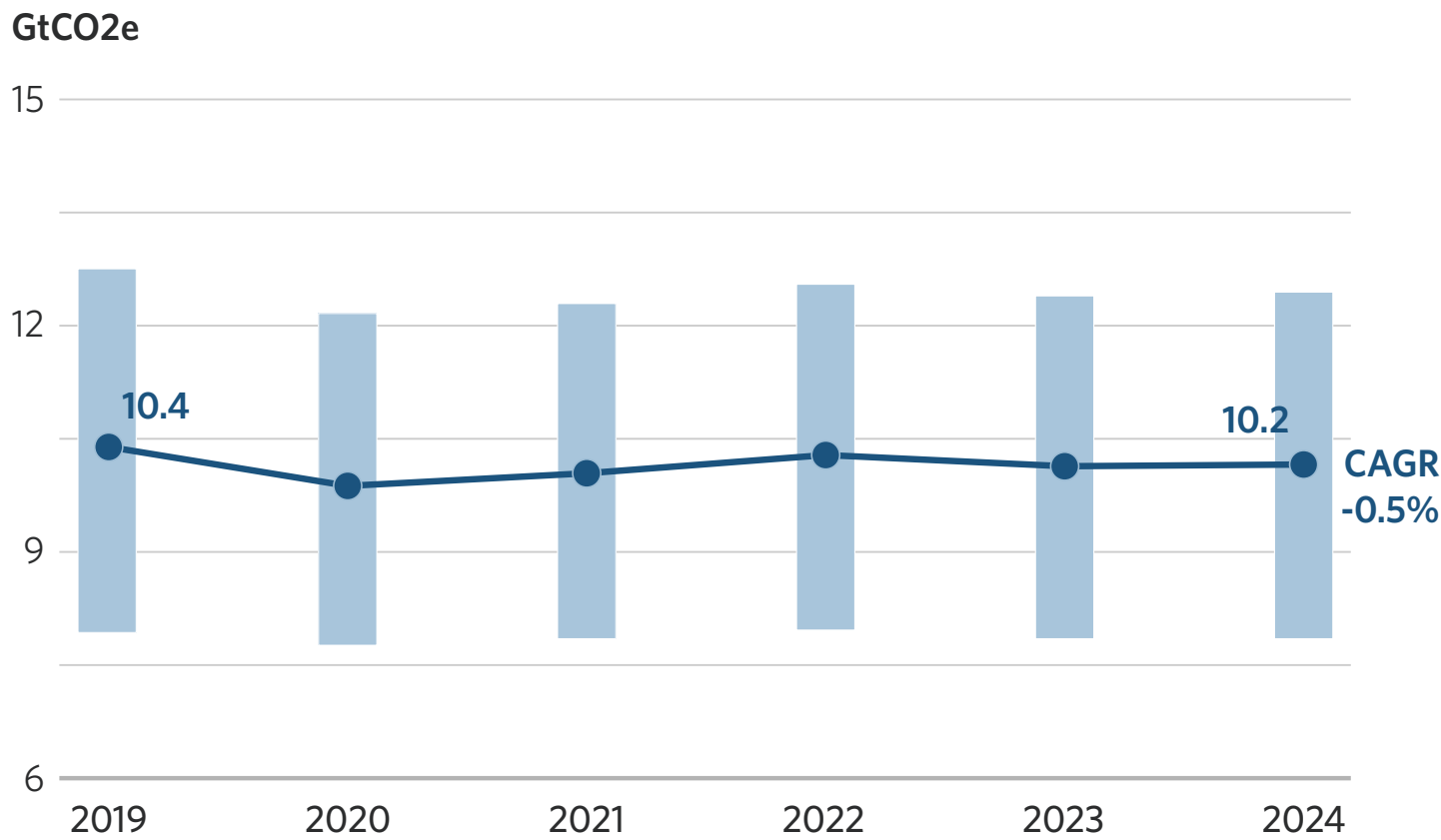
2.3.2 Stock indicators

Holdings in companies showing long-term ownership and influence

- Portfolio/financed emissions
- Energy portfolio exposure

FIs have yet to make meaningful progress on reducing emissions in their portfolios

Figure 14. Aggregate estimated portfolio emissions



Source: CPI based on Asset Impact, MSCI, COGEM, and Bloomberg

Note: Estimated portfolio emissions represent the portfolio emissions of 558 FIs and are calculated from FIs’ equity investments in the world’s 500 largest listed emitters, ranked by scope 1 and 2 emissions from the MSCI ACWI universe. This graph shows emissions from equity only due to the limited coverage of debt data. Emissions data for the 500 companies is captured from three sources: CPI based on COGEM, MSCI, Asset Impact, and Bloomberg. The ranges shown in the figure reflect differences in corporate emissions estimates coming from these databases. Scopes 1, 2 and 3 of corporate emissions are included where available. Attribution of emissions over time is based on equity ownership at the end of 2024. As a result, it reflects improvements achieved by investee companies, and not decarbonization resulting from the sale of assets (e.g. portfolio decarbonization).

The portfolio/financed emissions indicator measures financed emissions of FIs to understand the climate impact of their investments.

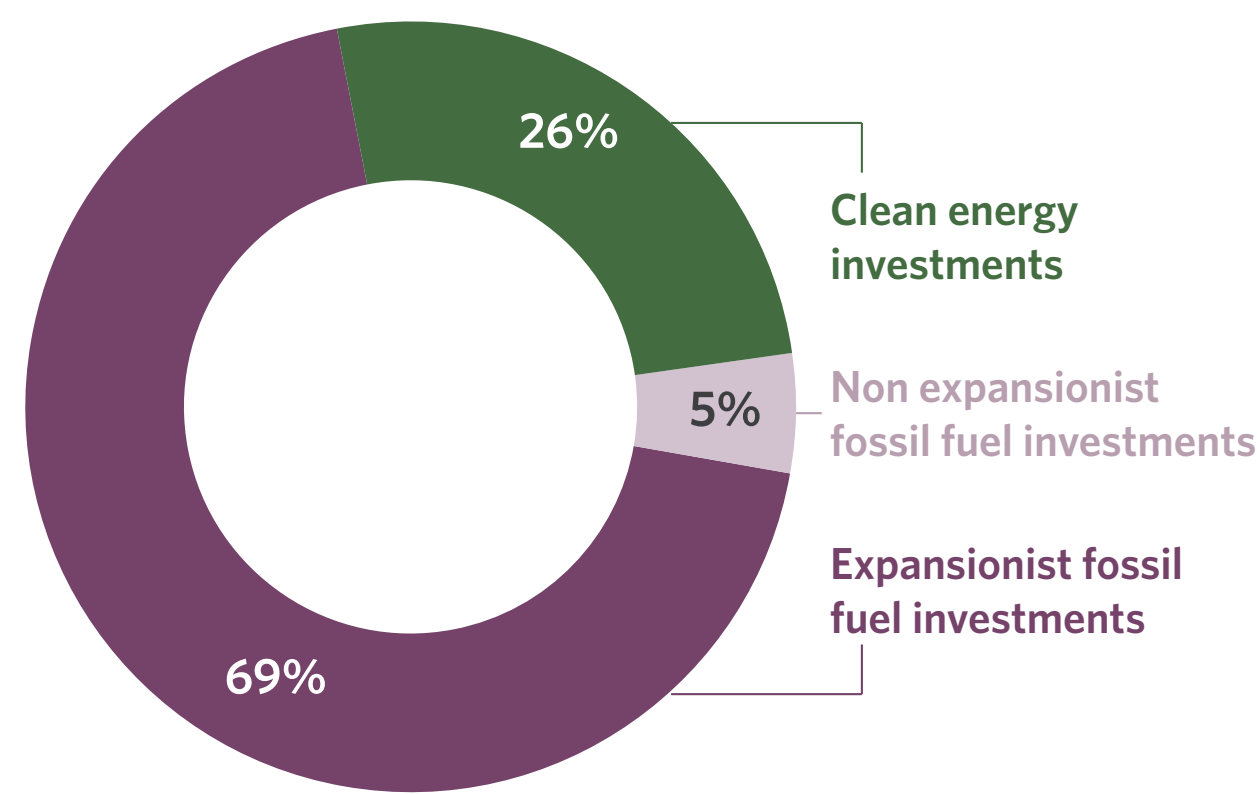
Our analysis indicates that aggregated financed emissions in NZFT FIs’ portfolios decreased slightly with a CAGR of -0.5% between 2019 and 2024. This limited movement is unsurprising, given that FIs’ diversified holdings tend to closely mirror the global economy. Over the same period, global CO2 emissions increased by a CAGR of 0.6%, with 2024 being the highest on record (Forbes 2025; Tiseo, 2025). To effectively reduce portfolio emissions, FIs must increase their climate-related engagement with shareholders and clients (see page 32). To avoid disincentivizing transition finance, portfolio emissions should be considered alongside other indicators that capture investment in low-carbon solutions and real-economy decarbonization.

FIs in South Asia, Latin America and the Caribbean, Central Asia and Eastern Europe, and East Asia and the Pacific all recorded rising financed emissions, likely reflecting these regions’ overall economic growth and related higher emissions (see Section 3.1 for analysis of differences across countries).

In addition to estimating portfolio emissions, CPI analyzed self-reported emissions from 117 NZFT FIs, which showed a CAGR of 5% from 2019 to 2024. Although the difference in the scope of sampled FIs prohibits direct comparison, the increase in self-reported emissions may, in part, reflect improved disclosures over time. Although CPI estimates are intended to be conservative, they exceeded self-reported figures for over a third of FIs for which our samples overlapped in 2024, suggesting potential omissions or methodological inconsistencies, such as asset class exclusions or narrower boundary definitions (see the [NZFT Methodology 2025](#) for details).

93% of fossil fuel investment holdings are in companies expanding their fossil fuel operations

Figure 15. Energy portfolio exposure (bonds and equity), 2024



Source: CPI based on Urgewald and CPI with Profundo’s support

Note: The energy portfolio exposure indicator measures the share of FIs’ corporate bonds and equity holdings invested in FFs vs. clean energy. To more accurately capture underlying exposure, investments are adjusted to reflect the approximate share of each company’s business activities attributable to FF or clean energy. This stock measure does not track new investment but highlights transition risks and opportunities by revealing the balance of FF/clean energy assets. See the [NZFT methodology 2025](#) for details on the calculations on this page. See page 35 for NZFT categorization of energy types.

Of the USD 3.4 trillion energy investments tracked across the NZFT in 2024, just 26% (USD 870 billion) was allocated to clean energy, broadly mirroring the shares by technology in global power generation capacity.

It is concerning from both an environmental and an investor standpoint that of the USD 2.5 trillion directed to FFs, 93% supported companies expanding their fossil fuel operations. Such expansion encompasses increased extraction (e.g., new oil and gas field development), transportation and processing (e.g., new pipelines and LNG terminals), and energy production (e.g., expanding gas- and oil-fired power plants). This clearly breaches guidance from the IEA that no new FF energy investments are needed to reach net zero if clean energy is deployed at pace (IEA 2023), raising questions about the credibility and effectiveness of FIs’ net-zero strategies. Ending expansion concerns the entire FF value chain, up-, mid-, and downstream.

As a stock metric, exposure to expansionist FF companies does not reveal FIs’ new capital flows. However, it indicates that they have not integrated the need to end FF expansion into exclusion and phase-out policies, or conducted effective climate stewardship. FIs should also factor FF expansion into their risk methodologies, given related transition risks: FF assets may become unviable in transitioning economies, reputational risk amid public scrutiny of FF financing, and regulatory risk, as taxonomy-aligned definitions increasingly exclude FF expansion (e.g., EU Taxonomy).

While exposure is similar across equities and bonds (69% vs. 65% for expansionist companies), the implications differ. Equity holdings are often defended on the grounds that FIs can engage companies through them. Corporate bonds—especially in the primary market—directly fund expansion and should be prioritized for exclusion. Some FIs, therefore, follow an "engage in equity, deny debt" approach.

Pages 45-47 explore how investment in expansionist companies is enabling new FF projects on the ground.

There are regional disparities in clean energy portfolio holdings, especially between advanced economies and EMDEs

Table 3. Share of energy investments held by FIs in each region, and percentage going to clean energy, 2024*

Region	Share of NZFT- tracked energy investments	% allocated to clean energy
US & Canada	60%	25%
Western Europe	19%	38%
MENA	12%	4%
East Asia and Pacific	7%	35%
Latin America and the Caribbean	<1%	51%

*Some geographies (e.g., China, MENA) have limited transparency on holdings disclosure and prevalent state- or privately-owned FF companies for which we cannot track ownership, meaning that FF exposure may be underrepresented (BNEF, 2025a).

FIs demonstrate significant regional disparities in terms of overall energy share and the portion of finance allocated to clean energy, as shown in the table. Western Europe’s share of clean energy investment was the highest in 2024 (38%). Although FIs in North America accounted for around 60% of total tracked investment, their clean energy share (25%) was lower. In contrast, FIs in MENA allocated only 4% of their investments to clean energy, the lowest among all regions. However, the NZFT includes fewer FIs in EMDEs than in advanced economies, as it captures the largest institutions in each region. This means that results may reflect the direction of these major players.

Asset managers held the largest share of investments in energy companies, accounting for 51% of the total, followed by asset owners (22%) and banks (19%).

When it comes to clean energy allocation, banks lead with 31% of their energy investments directed to clean projects. Asset managers and insurers followed at 27%, trailed by asset owners at 19%. There is significant variation within the asset owner category, which is dominated by sovereign wealth funds (SWFs). Pension funds allocate 38% of their energy investments to clean energy, compared with just 5% for SWFs—making pension funds the most proactive among all FI types in supporting clean energy. See Section 3.3 for further details.

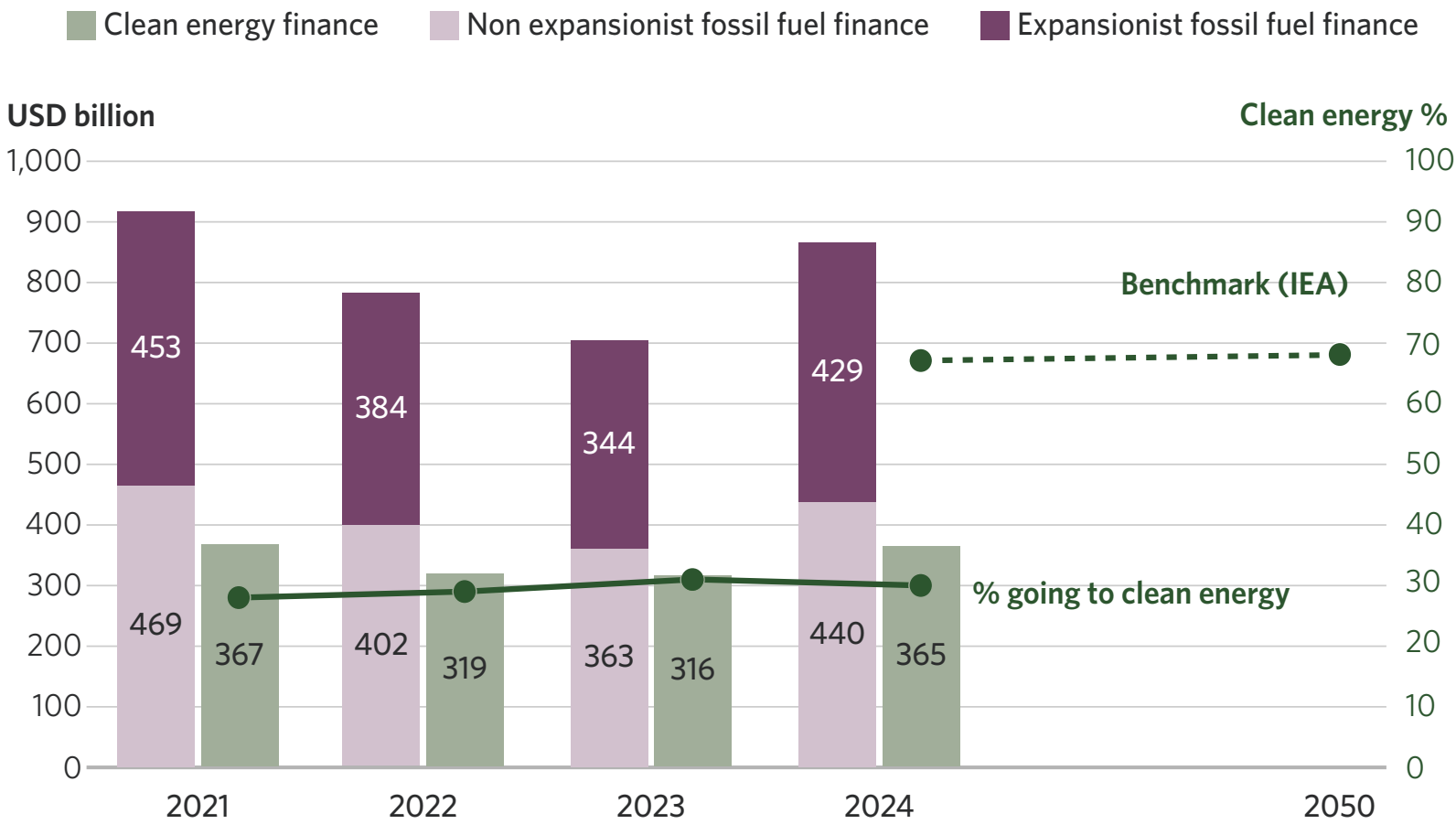
The majority of clean energy investments were held in corporates headquartered in advanced economies (88%), compared to just 12% in EMDEs. While FIs in Western Europe held 60% of their Europe-based investments in clean energy, at least half of their holdings in other regions were in FFs.

2.3.3 Flow indicators

Tracking new financial flows to energy activities

- Banks' credit finance (corporate level)
- Project-level finance (direct and indirect) from all FIs

Figure 16. Energy credit finance and % going to clean energy



Source: CPI based on data from RAN, Reclaim Finance and IEA (2024a)

Note: The credit finance indicator tracks new lending as well as debt and equity underwriting provided by the world's 65 largest banks to around 2,730 FF companies and 2,322 clean energy companies. Transactions are adjusted to reflect the approximate share of each company's business activities attributable to FFs or clean energy. See the [NZFT Methodology 2025](#) for more information. See page 35 for definitions of energy project types.

CPI's estimates for this indicator differ from others, such as BNEF's ESBIE, due to variations in technologies counted as clean (BNEF includes fossil-based hydrogen, CCUS, bioenergy, and nuclear) as well as financial activities (BNEF includes tax equity and credit transfers) (Reclaim Finance, 2025).

CPI has calculated a benchmark for this indicator using climate scenario data from the IEA. Displayed in the figure above, this benchmark represents the ratio of clean energy finance as a proportion of total financing to clean energy and FFs. It is used to indicate the relative alignment of FIs' investments with net zero scenarios across different time horizons.

Banks' increasing clean energy credit financing to companies is still outstripped by fossil fuel growth, undermining the climate transition

Credit finance captures new financial flows to energy companies through lending and underwriting activities. This indicator focuses on credit financing from banks, which are the primary undertakers of these activities. Similar to energy portfolio exposure, it is critical to understand which entities sustain energy companies' balance sheets, their broader activities, and their ability to cover refinancing, general operations, and working capital.

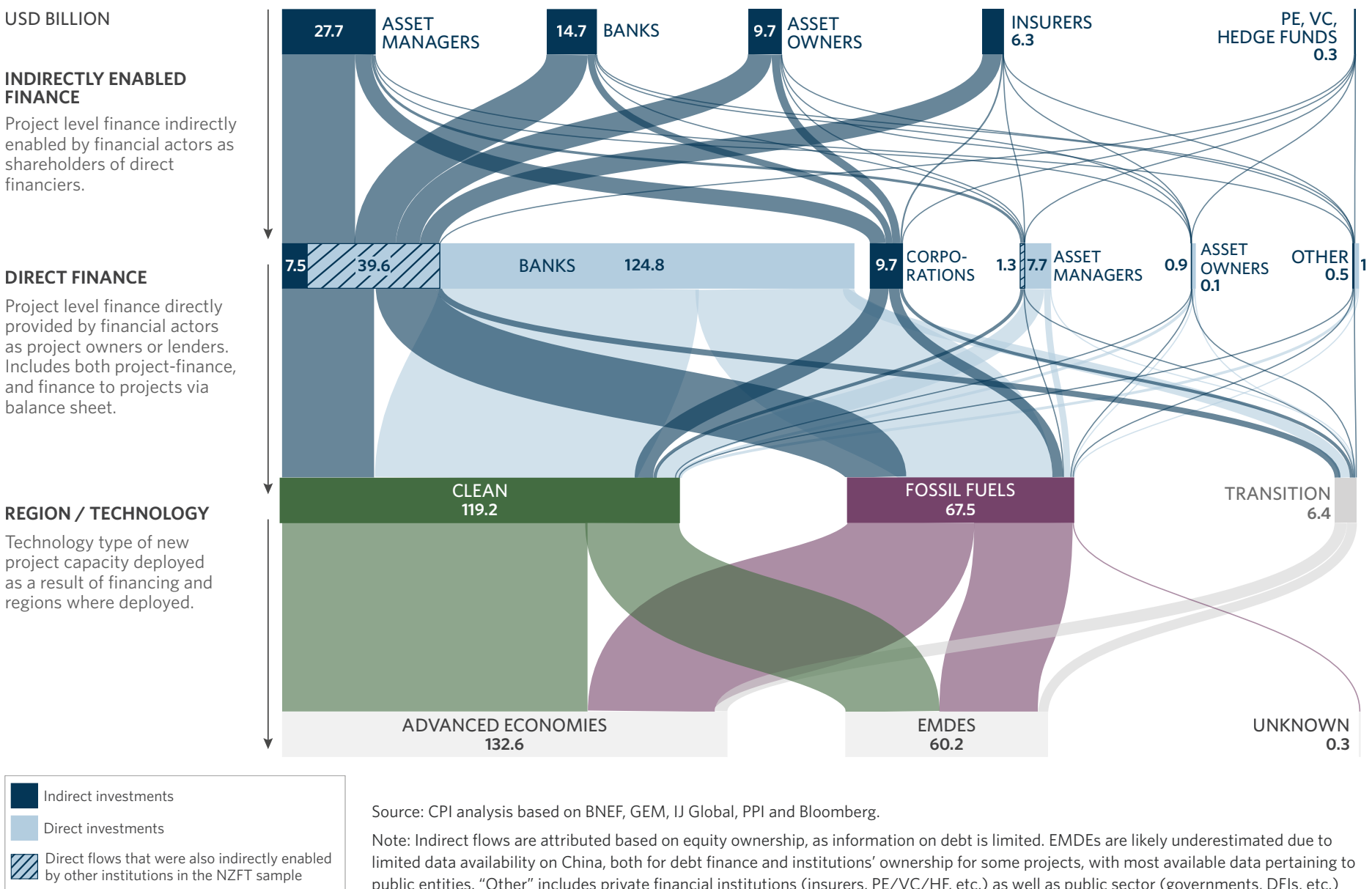
In 2024, banks tracked in this indicator provided just USD 365 billion in credit finance to clean energy versus USD 869 billion to FF energy. The FF financing included USD 429 billion to companies expanding their operations, in direct contradiction to net-zero pathways.

Credit finance for clean energy fell from 2021 to 2023. While it increased by 16% from 2023 to 2024, it has not recovered to 2021 levels, remaining insufficient to close the gap with FF investment. The trend of clean energy finance appears to track the fluctuations of FF financing, suggesting that banks' support for clean energy is still reactive and closely tied to broader energy finance trends, rather than reflecting a proactive shift toward decarbonization. Accounting for only 30% of tracked credit financing in 2024, the percentage going to clean energy is far below the benchmark of at least 64% calculated by CPI based on the IEA NZE scenario, which presents a path to achieving this goal.*

FF finance grew faster than clean energy from 2023 to 2024 (23%), with financing to expansionist companies increasing by 25%. Nearly half of all FF financing in 2024 went to companies planning to expand supply. Of the 65 banks tracked, 48 increased credit for FF expansionist companies. Similar to holdings, covered on page 40, credit to expansionist FF companies can also enable new fossil fuel capacity on the ground, covered in pages 45-47.

* The IAE NZE scenario involves cutting FF investments by 60%, while doubling clean energy investments (Reclaim Finance, 2025). We note that FF finance included in this benchmark refers only to flows supporting existing facilities, thus alignment should also exclude new FF expansion.

Figure 17. Project Financing (direct and indirect) to energy projects, 2024



Focusing on what is deployed on the ground, clean and transition finance in the energy sector surpassed fossil fuels in 2024, with almost USD 126 bn of direct and indirect finance

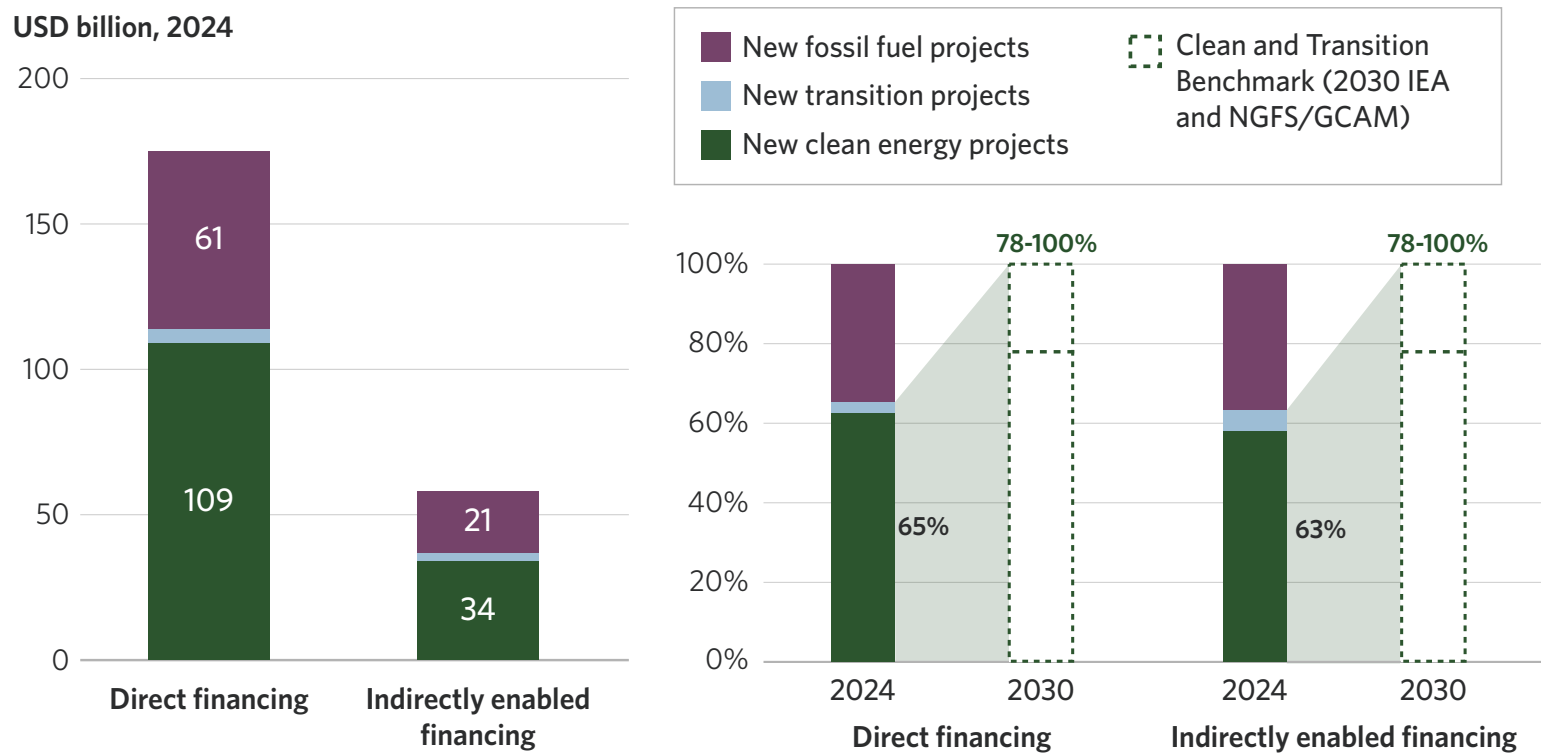
It is key to examine how energy holdings and credit finance translate into the construction of new projects or the expansion of existing ones, in order to understand the real-world impact of capital. For example, while credit finance is larger in scale than new-project financing, it supports companies' broader activities (see page 44). Meanwhile, new project finance has a direct effect in terms of financing the assets that specifically lock in future emission reductions or increases.

We investigated both direct project investment and project finance enabled indirectly by FIs as shareholders, who provide equity to companies that invest in energy assets. In 2024, total investment in new clean and transition projects reached USD 125.6 billion, compared to USD 67.5 billion for new FF activity. Most financing was directed to advanced economies.

Banks dominated direct project finance, contributing to 94% of the total (USD 164 billion). Asset managers enabled 47% of all indirect investment (USD 27.7 billion), confirming their influential, systemic role as capital allocators, followed by banks (25%) and asset owners (17%). The latter are not typically direct investors in project as they sit higher up in the capital allocation chain.

Despite growth, clean and transition finance rates in the energy sector are still insufficient according to net zero alignment scenarios

Figure 18. New project-level financing, 2024



Source: CPI analysis based on BNEF, GEM, IJ Global, PPI and Bloomberg

Note: The NZFT project finance indicator tracks financing for clean energy, transition, and FF projects.

This covers both direct project financing (primary investment) and financing indirectly enabled by FIs as shareholders (where FIs support the primary investors). Direct project finance refers to funding dedicated to a specific asset or infrastructure, e.g., a gas pipeline or solar installation. It includes both balance sheet finance to projects and project-finance contractually tied to the project and ring-fenced from other company activities (e.g., SPVs). This approach excludes refinancing for existing projects, capturing only new project flows. Alignment of investment flows is measured against clean energy and transition finance benchmark ratios using IEA’s Net Zero by 2050 scenario—recalculated to reflect rates for new capacity developed—and NGFS/GCAM’s scenario (CPI, 2025c).

See page 35 for details on the technology classification adopted.

In recent years, direct clean energy and transition investment have consistently outstripped FF investment. This mirrors global trends, where newly added energy capacity on the ground is increasingly predominantly clean (IEA, 2024b, 2024c).

This growth was driven by a 20% CAGR in tracked direct flows to clean energy projects from 2019 to 2024, reaching USD 109 billion in 2024, mostly in the form of debt (92%). Progress was driven primarily by solar energy (47% of the total in 2024) and wind energy (28%). In contrast, direct finance for energy transition projects fluctuated between USD 4–10 billion annually, accounting for only 3% of tracked direct project finance for energy in 2024. Mobilizing more investors is key to easing grid congestion (IEA, 2025a). Similar opportunities exist in other transition sectors, such as bioenergy, which must grow 8% annually through 2030 (IEA, 2024d) but saw investment fall 50% from 2023 to 2024.

Thanks to the growth in clean energy project finance, the combined share of direct investment for new clean energy and transition projects increased from 43% in 2019 to 65% in 2024 (62% clean, 3% transition), or USD 114 billion in total.

Indirect financing through equity ownership of companies developing or directly financing new energy projects showed a similar pattern, with a share of 63% (59% clean, 4% transition), or a total of USD 37 billion in new clean and transition projects enabled by 651 FIs.

Despite the share of clean/transition new energy investment in 2024 being higher than that observed for holdings (26%) and credit finance (30%), this remained below what is required. CPI calculates that for new projects, the share needs to be 78–100%, based on net zero scenario data from NGFS/GCAM and the IEA (CPI, 2025c). According to the IEA NZE, no new fossil fuel projects are needed, while clean energy requires expansion.

EMDEs see slower clean energy growth, with domestic investment skewed toward fossil fuels

FIs’ direct investment in clean energy and transition projects reached around USD 114 billion in 2024, with 23% of this going to EMDEs. While this financing increased across all regions from 2019 to 2024, the CAGR was 22% in advanced economies, and just 10% in EMDEs.* Increasing clean energy investment in EMDEs is essential to meet their growing energy needs and avoid locking in high-emission infrastructure. Such investment is hindered by the fact that EMDEs have some of the highest borrowing costs for clean energy projects (CCSI 2025).

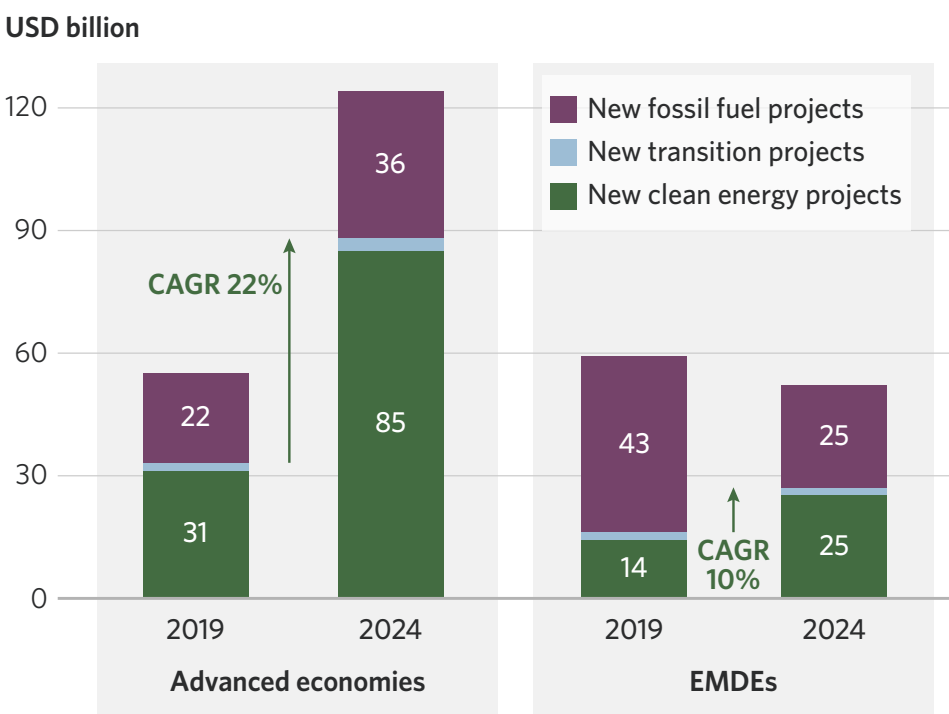
Growth in clean energy and transition finance in EMDEs was accompanied by a decline in new FF project investment—a positive shift. However, clean and transition finance rates are still lower than in advanced economies. Further, total EMDE energy finance (clean, transition, and FF) in 2024 was lower than in 2019. With energy demand rising (IEA, 2025b), there is an urgent need to scale clean energy investment to meet development and climate goals in these countries.

NZFT FIs in advanced economies dominate energy financing to EMDEs, directly financing 72% of tracked clean/transition projects and 68% of FF projects in 2024. Their influence is even stronger for indirect flows, financing 73% of clean/transition projects and 83% for FFs—revealing a persistent misalignment in EMDE indirect financing patterns.

The smaller share of EMDE-based project finance captured by the NZFT may partly reflect the smaller number (and AUM/O) of EMDE-based FIs in the NZFT sample, given its focus on the world’s largest institutions. Regardless, FIs in EMDEs must also scale up support for clean and transition projects by setting and implementing transition targets. Their current low scores on NZFT indicators underscore a need and opportunity to strengthen their capacity to integrate transition activities and align their financing with net-zero goals. Improving local FIs’ ability to invest in the climate transition will help EMDEs to secure a larger share of value creation in the global clean energy transition as advanced economies increasingly seek to control future clean energy supply chains through investment and industrial policy (ITC, 2024).

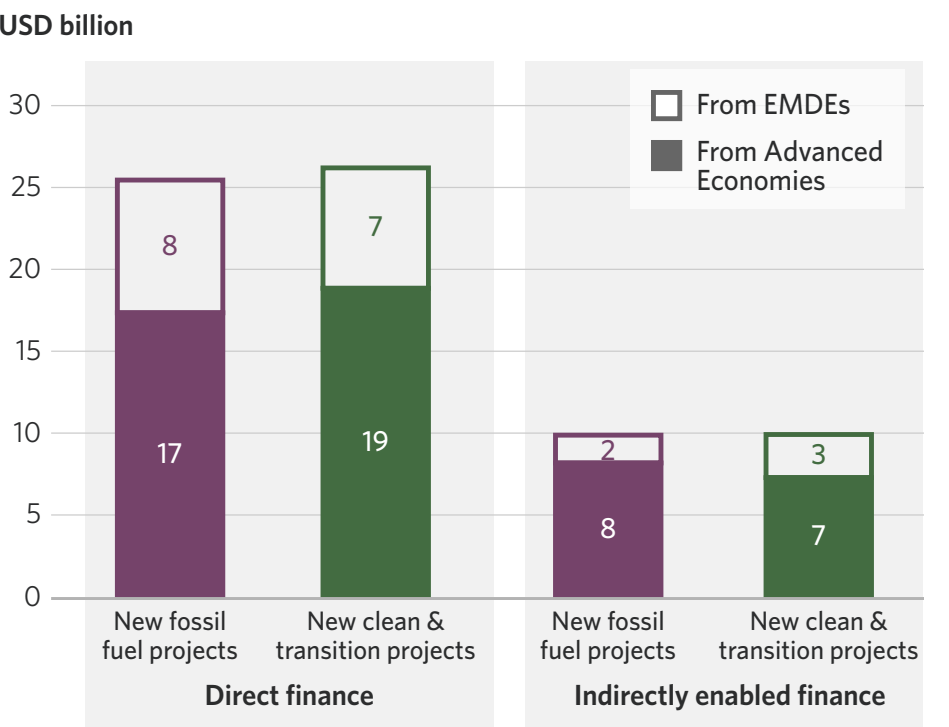
*Note: this analysis is only for direct investment as comparable indirect data for prior years is not available.

Figure 19. Direct new project finance in EMDEs and advanced economies, 2019 vs 2024



Source: CPI analysis based on BNEF, GEM, IJ Global, PPI and Bloomberg.

Figure 20. Source of project finance going to EMDEs, 2024



Source: CPI analysis based on BNEF, GEM, IJ Global, PPI and Bloomberg.



3. Influencing factors

Exploration of actors potentially influencing FI action

3.1 Policy and regulation

Policy and regulation appear to shape FIs’ climate performance

Figure 21. Countries relative performance within the NZFT sample across Targets, Implementation, and Impact

		Climate-relevant Policy Assessment			Targets		Implementation		Impact											
Country	% AUM/O in NZFT	Mandatory Climate Disclosure	Green Central Banking Scorecard	Country Climate Target Legally Binding	Weighted average by AUM/O		Weighted average by AUM/O		Clean Energy Credit Finance				Project Finance to Clean Energy + Transition				% Energy Portfolio to Clean Energy		Est. Portfolio Emissions CAGR	
									CAGR		% Finance		CAGR		% Direct					
France	6%	Yes	B+	Yes		2.9		2.9		10%	47%		20%	73%	67%	38%		-2.0%		
Germany	4%	Yes	B+	Yes		2.4		2.5		3%	38%		15%	62%	58%	39%		-2.1%		
Netherlands	2%	Yes	B	Yes		2.2		2.8		14%	49%		19%	76%	68%	55%		-1.8%		
UK	8%	Yes	C	Yes		2.2		2.8		6%	33%		18%	57%	63%	27%		-0.8%		
Canada	5%	Partial	D	Yes		1.9		2.5		1%	17%		26%	62%	56%	26%		0.3%		
Switzerland	4%	Partial	not assessed	Yes		2		3.2		-34%	29%		-10%	60%	65%	41%		-1.5%		
China	15%	No	C+	No		1.5		1.9		-8%	35%		-8%	39%	45%	64%		5.4%		
Australia	2%	No	D	Yes		2		2.6		2%	52%		26%	84%	73%	28%		-0.2%		
Japan	6%	No	C-	No		2.1		2.8		1%	27%		9%	63%	61%	33%		-0.4%		
USA	33%	No	D-	No		1.6		2.5		-2%	19%		26%	64%	63%	25%		-0.7%		
		2024 FY	A+ to F		2024 Score 1-5		2024 Score 1-5		2021 - 2024		2024		2019 - 2024		2024		2024		2019 - 2024	
		Comparatively low Comparatively high																		

FIs’ performance is shaped not only by their individual strategies but also by the legislative and structural contexts in which they operate. The matrix shows how institutions in the ten countries representing the largest share of FIs by AUM/O in our sample perform on different climate-related indicators. The variation across jurisdictions suggests that policy frameworks, regulations, and structural market factors play important roles in shaping FI actions on the climate transition.

Note: Together, the ten countries listed in the matrix are home to FIs representing 86% of the AUM/O covered in the NZFT sample. They are ordered based on the strength of their climate finance policy environments. This is assessed based on the presence of mandatory climate disclosure, green central banking scores, and legally binding national climate targets (as of 2024). We augment this with assessments from the Global Financial Regulation, Transparency, and Compliance Index (GFRTCI, 2024), and the Country Net Zero Target Assessment (Climate Action Tracker, 2023).

Target and implementation scores were calculated using aggregated indicator quality scores for the dimension, and multiplying each score (no action = 0, ..., best practice = 5) by the relative AUM/O weight, before summing up the final score. The same approach is applied to other matrices in this section.

Stronger policies appear to generally correlate with stronger performance

FIs in jurisdictions with stronger sustainable finance policies and comprehensive mandatory climate disclosure requirements tend to perform better on NZFT indicators than their peers. For example, the EU—which has more developed climate policy frameworks, binding sustainable finance regulations, and climate targets enshrined in law—has higher-performing FIs across multiple indicators compared to the US and China. The geographic distribution of AUM/O held by FIs with at least one climate target broadly reflects the distribution of global financial assets; 32% is held by FIs in the US, 13% in China, and 10% in the UK. However, AUM/O linked to FIs with multiple high-quality targets rated *Progressing* or above is heavily concentrated in Western Europe, which hosts over two-thirds of these targets.

European institutions led across all indicators. France topped target-setting, followed by Germany and the Netherlands, with this trio also strong on Implementation. The UK followed these EU countries on target setting, and Switzerland and Japan also performed moderately on Targets and strong on Implementation.

EU FIs have also had strong FF policies, which translated into larger allocations of finance to clean energy than other regions, though FFs still received substantial support. *Best Practice/Advanced* scores on FF exclusion policies were led by France, where 89% of FIs by AUM/O achieved these rankings in 2024. Other European countries typically had 30%-60% of FIs by AUM/O at this level, with most non-EU countries substantially below this. Likely due to stronger policy signals from EU regulations and legally binding domestic climate targets, French and Dutch FIs channeled nearly half of their credit finance and almost three-quarters of their direct project finance to clean energy. The EU Taxonomy provided a common definition of economic activities that can be considered environmentally sustainable in 2020, with capital investment for aligned activities increasing in 2024 (European Commission, 2024).

Where FFs remain politically protected, finance lags. Decades of FF subsidies and an absence of binding climate legislation have left a dearth of incentives for banks to accelerate the transition in countries such as the US and Canada (Oil Change International, 2023). The shares of credit finance going to clean energy in 2024 in the US (19%) and Canada (17%) fall far short of the global average (30%).

A more complex picture emerges in Australia and China, where FIs score lower on Targets and Implementation, but higher on certain Impact indicators, such as credit finance, direct finance, and energy portfolio exposure.

- While Australia lacks a comprehensive disclosure regime and has weak policy scores, the government is close to launching its sustainable finance taxonomy (ASFI, 2024), which will place the country among the few with a detailed green taxonomy framework to channel investment.
- In China, state strategies drive strong clean energy finance, but a high domestic concentration of investments creates vulnerabilities. Chinese institutions show the highest physical climate risk among the ten most-represented countries in the NZFT, with portfolio CVaR at 9% under a 2°C scenario. Almost all exposure (98%) is to domestic corporates, with many in the energy sector. This domestic and sectoral concentration heightens risks, underscoring the value of diversification.

3.2 Industry climate coalition membership

Coalition membership is a clear differentiator for FI Targets, Implementation, and Impact

Since early 2025, several major FI climate coalitions have shed members, while the NZAM has changed its membership rules, and the NZBA has disbanded. This follows signs of strain already evident in 2024, with mounting political and regulatory pushback against sustainable finance and climate action in the US in particular. The remaining climate alliances—and industry associations more generally—need to continue to support their members to strengthen their climate risks—both from the physical impacts of climate change and a disordered low-carbon transition. As the NZFT data covers developments only up to 2024, and most coalition departures commenced only in December of that year, it does not capture the substantial number of net-zero coalition withdrawals that took place in 2025.

Figure 22. Performance of coalition and non-coalition members across Targets, Implementation, and Impact

	Targets		Implementation		Impact													
Coalition Membership	Weighted average by AUM/O		Weighted average by AUM/O		Clean Energy Credit Finance		Project Finance to Clean Energy + Transition				% Energy Portfolio to Clean Energy		Est. Portfolio Emissions CAGR					
					CAGR	% Finance	CAGR	% Direct		% Indirect								
Coalition Members		2.1		2.7		1%		32%		18%		66%		64%		26%		-0.7%
Non Coalition Members		1.3		1.7		-5%		25%		20%		57%		61%		33%		0.1%
	2024 Score 1-5		2024 Score 1-5		2021 - 2024		2024		2019 - 2024		2024		2024		2024		2019 - 2024	

Comparatively low Comparatively high

FIs that have joined climate coalitions outperformed non-members across NZFT indicators.* Scores are shown as quantitative measures in the matrix.

- **On targets, members scored almost twice as high as non-members, particularly for mitigation and FF phase-out/exclusion targets.** There is a smaller difference for climate finance targets, an area where fewer coalitions have stringent guidelines.
- **A similar pattern emerges for Implementation.** Members often score more than double on coalitions’ focus topics of internal accountability structures, shareholder and policy engagement, climate risk management, and risk disclosure. Members and non-members are closer on less-addressed areas, such as disclosure of investment data or use of carbon credits.
- **Membership also broadly correlates with impact results,** suggesting that commitments accelerate the integration of sustainability into financing decisions. Member banks direct more credit finance to clean energy (32%) than non-members (25%). Coalition member FIs also send more direct project finance to clean energy/transition projects (66%) than non-members (57%). However, the trend is reversed on energy stock/bond holdings: coalition members have a smaller share of clean energy in their portfolios than non-members (26% and 33%, respectively).
- **Coalition members not only started from a stronger position than peers on Targets and Implementation, but also progressed faster on quality.** From 2019 to 2024, the AUM/O covered by Targets of coalition-member FIs increased at almost twice the rate as non-members. Coalition FIs’ Implementation score coverage increased from 80% to almost 100%, while non-members’ rose from 44% to around 70%.

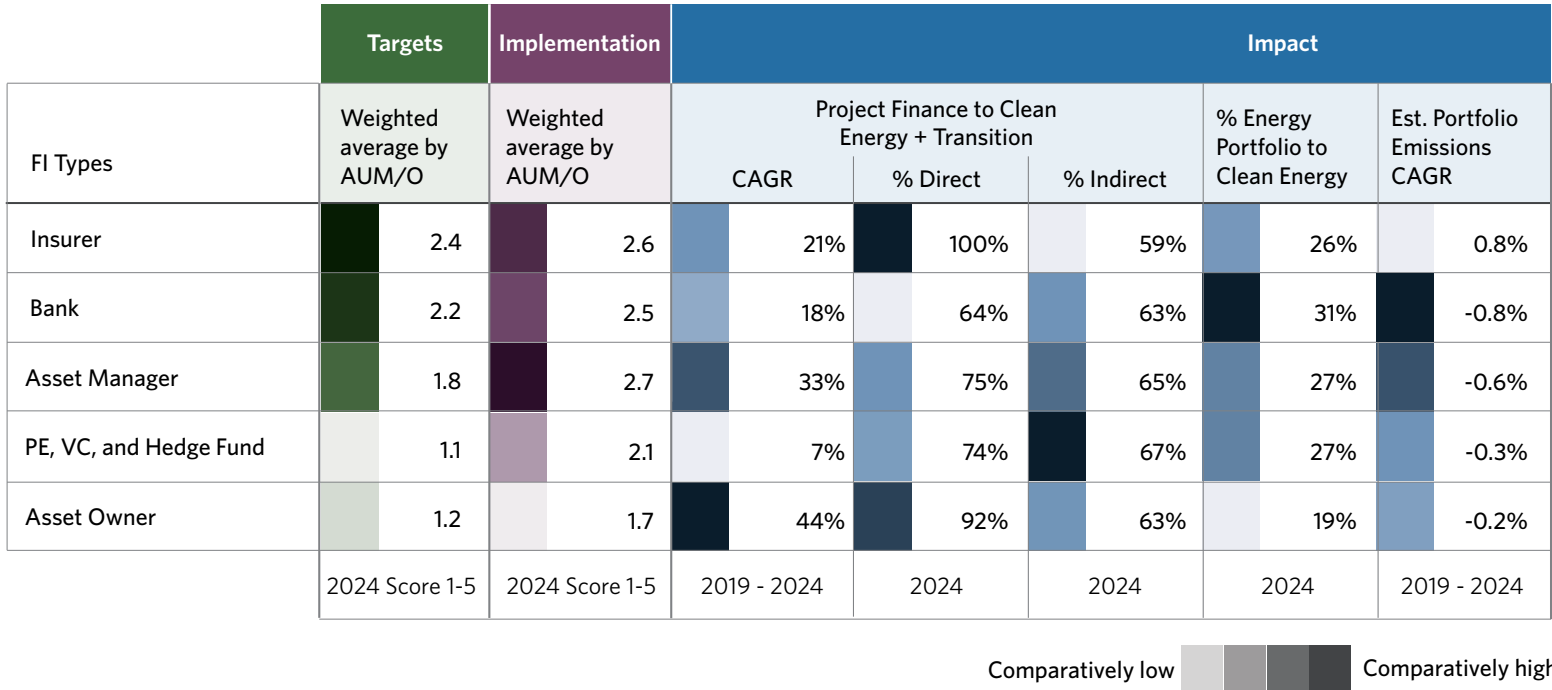
As some coalitions deprioritize rigid targets/commitments, prescriptive exclusions, and uniform voluntary disclosures, they can focus more on best practices, innovation, regulatory engagement, and the adoption of credible transition pathways supported by verifiable, meaningful metrics.

Note: Coalition members refers to active net zero coalitions members as of December 31 2024: A4S, CA100+, CIC, CPLC, IFRS, NZAM, NZAOA, NZBA, OPSC, PAAO, PCAF, PPCA, PRB, PRI, PSI, RTZ, and VCA.

3.3 Influencing factors by FI type

Financial institutions' regulation, mandates, and risk models shape climate performance across FI categories

Figure 23. Performance of different FI types across Targets, Implementation, and Impact



Note: unlike other tables in this section, this does not include credit finance indicators (CAGR and clean energy share), as this data is only available for banks. In addition, this table assesses actor groups independently of their coalition membership; the response should not be taken as an assessment of coalition performance (see Section 3.2).

Variations in size, mandate, and risk appetite, as well as sectoral regulations, affect the climate response of different types of FIs.

Banks and insurers are the most regulated FIs, particularly in Europe, helping to drive their stronger target setting. Basel II/III regulations subject banks to capital adequacy rules, stress tests, and increasingly granular supervisory expectations on climate risk. The Solvency II directive embeds climate risk into insurers’ risk management frameworks, explicitly integrating long-term catastrophe and climate risks (EIOPA, 2022). In addition, modeling long-term risks is core to insurers’ business, partly explaining their stronger Implementation. Their exposure to physical climate risk through underwriting, though not captured in our CVAR indicator, is likely to incentivize them to incorporate climate considerations into their governance and risk management.

This regulatory and risk-driven environment has translated into strong target adoption. By AUM/O, 90% of banks and 87% of insurers had at least one climate-related target. Insurers showed the highest target quality: nearly 50% by AUM/O had multiple targets rated as *Progressing* or above. Banks performed strongly on climate investment targets, with 64% by AUM/O (89) having set one. Insurers led on FF phase-out/exclusion targets, with 37% of these FIs by AUM/O rated *Advanced* or above and a further 27% rated *Progressing*. Insurers and banks are also among the strongest performers on Implementation, together with asset managers.



Despite leadership on Targets and Implementation, insurers and banks lag when it comes to impact in the real economy

Areas most relevant to insurers and banks include energy portfolios—where insurers typically hold significant investments—and indirect project-level finance. Insurers have the second-lowest exposure to clean energy (26%), highlighting a disconnect between governance commitments and portfolio alignment. Similarly, their share of indirect project-level financing is the lowest among FIs. The NZFT does not currently capture insurers' climate impact through underwriting and insurance activities, partly due to limited metrics for assessing these instruments. Beyond investments, insurers can play a unique role in strengthening climate resilience by supporting adaptation measures through insurance products (EIOPA, 2023). The NZFT aims to track these activities in the future to better assess impact and alignment.

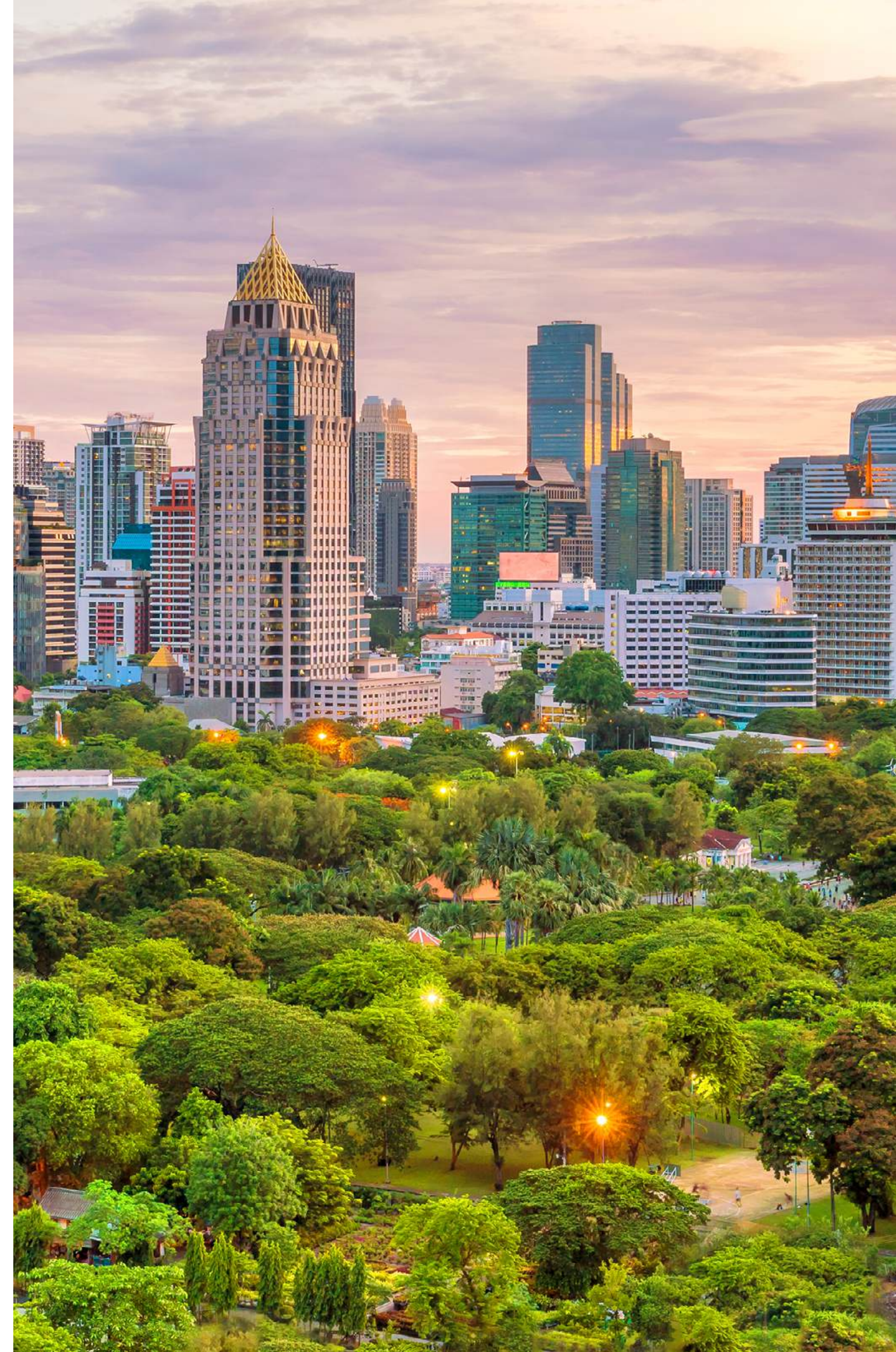
Banks are critical providers of capital to the real economy. They follow insurers in having robust Targets and Implementation but do not always transform these into aligned real economy action. Banks perform relatively well on portfolio emissions, and portfolio exposure to clean energy, driven by robust FF phase-out/exclusion policies (with 22% by AUM/O having policies rated as *Advanced* or above and 7% as *Progressing*). However, they showed the lowest clean and transition energy direct project financing rates among FI types (64%). This is significant given that banks account for USD 164 billion or over 94% of the direct project finance to energy companies. Banks also have a crucial role in providing credit financing to energy companies, but only about 30% of bank credit currently goes to clean energy, highlighting a significant misalignment with climate goals.

Asset managers, asset owners and PE, VC, and hedge funds show relatively weak performance across several Target, Implementation, and Impact metrics

Asset managers play a key role as capital allocators and in engaging with investee companies. However, they underperform relative to banks and insurers across most indicators. One commonly cited reason for this is that asset managers bear the full cost of engagement, while the benefits of stewardship are spread across many actors, including competitors, reducing their incentive to invest in the climate (Quigley, 2025). Instead, commercial pressure to maximize returns reinforces a bias toward short-term performance. In indirect project financing, where asset managers dominate, they allocated just 65% of finance to clean and transition activities, falling far short of the 100% benchmark. They also allocated just 27% of their energy portfolios to clean energy, highlighting significant under-investment in clean energy companies despite their global growth.

Asset owners are top-level capital allocators. While being less involved in direct investment decisions, they have a role in shaping market behavior by establishing climate-aligned mandates. However, they rank among the weakest performers across most indicators, albeit with substantial differences. Results within the category are skewed downward by the 51 large sovereign wealth funds (SWFs) tracked by the NZFT (accounting for one-third of asset owner AUM/O), which performed relatively poorly. This masks the stronger performance of the 605 tracked smaller pension funds (accounting for the remaining two-thirds of asset owner AUM/O). Across all target-setting and implementation indicators, a greater share of pension funds' AUM/O was scored as *Progressing* or above than for SWFs. For Impact indicators, although SWFs accounted for less AUM/O than pension funds, their data availability is much more comprehensive, which further contributed to the bias SWFs exert on the asset owners category. When disaggregated, pension funds allocate a far larger share of their investment stocks (equity and bonds) to clean energy—38%, compared with just 5% for SWFs. This represents a higher share of clean energy stocks than any other FI type. Pension funds also allocate indirect financing to clean and transition activities than SWFs (66% compared to 61%). This suggests that while asset owners as a whole lag, the leadership of pension funds points to a pathway for stronger climate alignment within the category.

PE, VC, and hedge funds' poor performance is partly due to lower data availability for these FI types. It also reflects lighter regulation and lower transparency that prioritize short-term returns over long-term climate risks. While they perform relatively well on clean energy project finance, this is not a significant financial activity for them.



3.4 Transition plans

Transition plans are emerging as a promising lever for change

Transition plans are emerging as a critical tool for aligning the financial system with climate objectives. They are increasingly required by regulators and encouraged by civil society to ensure that FIs demonstrate not only climate commitments but also credible pathways to achieve them. The NZFT tracks whether FIs have adopted such plans and assesses their early-stage impact, while transition plan frameworks, such as those developed by GFANZ and the SBTI, also provide detailed guidance on most of the implementation actions tracked by the NZFT.

Figure 24. Performance of FIs with and without transition plans across target, implementation and impact

	Targets		Implementation		Impact													
Publication of Transition Plan	Weighted average by AUM/O		Weighted average by AUM/O		Clean Energy Credit Finance		Project Finance to Clean Energy + Transition			% Energy Portfolio to Clean Energy		Est. Portfolio Emissions CAGR						
					CAGR	% Finance	CAGR	% Direct	% Indirect									
Transition Plan		2.4		2.9		3%		31%		18%		67%		63%		33%		-0.7%
No Transition Plan		1.6		2.2		-7%		26%		18%		59%		64%		24%		-0.3%
	2024 Score 1-5		2024 Score 1-5		2021 - 2024		2024		2019 - 2024		2024		2024		2019 - 2024			

Comparatively low

Comparatively high

The data suggests that having a transition plan makes a clear difference in Targets and Implementation, core components across all transition frameworks. Specifically, entities that have published a transition plan scored 50% higher on target-setting and 30% higher on Implementation than those that had not.

These plans are starting to marginally contribute to shifts in climate impact. Overall, we found that FIs with transition plans directed only slightly more of their energy finance to clean/transition solutions than to FF energy, with the main difference being in the rate of deployment of clean energy finance over the past three years. FIs with transition plans also showed little differentiation in terms of portfolio emissions. This may be expected, given the recent adoption of transition plans and the time required for such commitments to influence investment practices.

At their full potential, transition plans could raise sector standards by requiring FIs to disclose their strategies for managing climate-related risks and for aligning portfolios with the transition to a low-emission economy. They could also contribute to systemic stability by forcing forward-looking risk assessments, enabling a more orderly transition. Finally, they could lead to climate-aligned capital allocation across sectors by requiring FIs to outline how they will redirect finance toward sustainable activities. To achieve these benefits, policymakers should set out common standards and evaluation mechanisms for transition plans and improve the data quality that currently constrains their effectiveness.

Ultimately, however, transition plans are only as valuable as their effective implementation, with real value coming from concrete steps to align portfolios with net-zero pathways.

3.5 Other factors

- Financial performance
- Other factors influencing capital allocation

Table 4. Other factors influencing the level of response

Factors: Internal External

Factors	Influence	Examples of action
Investment mandates for utilities	Renewable energy targets or purchase obligations are critical for demand creation and certainty, reducing investment risk and driving investment. These may include binding national targets for renewables or mandates that utilities purchase a set percentage of electricity from renewable sources.	The EU's revised Renewable Energy Directive raises the binding renewable target for 2030 to 42.5%, up from 32% (EU, 2023). California has increased its renewables portfolio standards to 60% by 2030 and requires all of the state's electricity to be from carbon-free resources by 2045 (CPCU, 2018).
Country grid structure	Alleviating grid congestion can enable energy transitions by avoiding delays in renewable energy projects becoming operational and generating cash flows, thereby facilitating investment.	In the Netherlands, grid congestion has become a major barrier to the energy transition, posing risks to achieving climate targets and ensuring energy security and affordability (IEA, 2025a).
Economic market drivers	Technology competitiveness and profitability are shaped by market factors such as carbon pricing, FF costs, and broader macroeconomic conditions, including inflation and interest rates and the supportive green incentives. These dynamics can significantly affect the attractiveness of investments.	In the US, investments in renewable energy technologies and infrastructure totaled USD 493 billion in the two years following the Inflation Reduction Act's passage, a 71% increase compared to the preceding two years (PRI, 2025b).
Political risk	Appropriate risk-mitigation measures are needed to address political instability, policy reversals, as seen in the US, and the weak rule of law, all of which can reduce investment attractiveness, particularly for foreign investors.	In sub-Saharan Africa, the Multilateral Investment Guarantee Agency (MIGA) issues guarantees covering currency inconvertibility and transfer restriction risks for up to 15 years, benefiting fragile or conflict-affected countries to support over 100 energy projects in up to 20 African countries (World Bank, 2025).
FI climate action	Strong net-zero targets provide FIs with clear direction, motivation, and accountability, aiding strategic planning and resource allocation to achieve them. NZFT data shows that climate Targets drive Implementation actions and are positively correlated with credit financing. However, this has not yet translated into large-scale impact, which may reflect both the time lag between target setting and impact, and the extent to which FIs integrate targets into portfolio allocation. The only exception concerns strong phase-out and exclusion targets, and strong climate risk management practices, associated with a higher ratio of credit that banks provide to companies in the clean energy supply chain, although this is observed in a limited sample of 65 banks.	Targets - Implementation: NZFT data shows a positive correlation between setting Targets and taking Implementation actions. Targets - Credit Financing: FIs with Advanced or Best-practice climate investment targets allocated 22% more of their credit financing to clean energy compared to those with No or Emerging targets. Similarly, institutions with Advanced FF phase-out/exclusion targets allocated 14% more to clean energy than those with No or Emerging targets.
Size of FI	Larger FIs are more likely to have the resources and expertise for climate action. This includes greater internal capacity to integrate climate considerations into business decisions and performance measures. In addition, larger ownership stakes in companies bring greater influence over company behavior.	The New York City Comptroller, acting on behalf of three major pension funds, filed several resolutions during the 2025 proxy season at banks, calling for the adoption of an energy supply financing ratio. The Comptroller used the significant assets held in these pension funds to give additional weight and influence to the proposals (Responsible Investor, 2025c).



4. Conclusion

Next steps and recommendations

FIs at a turning point: Putting capital at risk or seizing opportunities of the climate transition?

The private financial system is both integral to the success of the climate transition and dependent on it for sustainability and growth. As stewards of vast amounts of capital, they hold the power to accelerate decarbonization and climate resilience, but also face mounting risks if they continue to finance high-carbon pathways.

NZFT tracking of FIs covering around 60% of global financial assets shows that progress has been made, but remains uneven, insufficient, and fragile. All FI types score higher for Implementation than Targets, showing that entities are acting even without the most ambitious targets. Nevertheless, consistently maintaining and strengthening climate targets can ensure the accountability and transparency needed for a net-zero pathway.

While this report presents data up to 2024, we acknowledge that 2025 has seen particular headwinds. Political pushback against net-zero commitments in the US and beyond, heightened legal scrutiny, and shifting regulatory priorities have created uncertainty and slowed collective action. Nevertheless, progressive FIs operating in supportive or neutral political contexts can continue to gain momentum and insights from prevailing climate coalitions. FIs that have withdrawn from such groupings will still be acutely aware of physical climate and transition risks. With the recent disbandment of the NZBA, independent initiatives such as the NZFT will be even more crucial to point the way.

Ultimately, all FIs, policymakers, and regulators can benefit from lessons learned from the NZFT, regardless of their current progress and approach. The following page lays out some of these lessons in the form of recommended actions across actors.



Polymakers and regulators can catalyze ambition through clearer rules, aligned frameworks, and targeted incentives, including to direct capital toward EMDEs

RECOMMENDATIONS FOR POLICYMAKERS AND REGULATORS:

Catalyze voluntary ambition by providing clearer regulatory expectations and legal clarity while reducing political risks that can destabilize private FIs' climate commitments.

- **Safeguarding good-faith collaboration**, for example, by emphasizing that climate coalitions have the main purpose working toward "environmental alignment"—rather than coordination on market or business practices. In 2023, the EU's Horizontal Cooperation Guidelines added a new chapter clarifying that antitrust rules do not preclude agreements between competitors pursuing sustainability objectives. These rules also provide a soft safe harbor for sustainability agreements that meet certain conditions (European Commission, 2023a).

Focus financial supervision on simpler, more practical, and outcome-oriented metrics for FIs.

- **These metrics should focus on actions that directly influence real economy outcomes** and allow for measurable progress in areas such as active shareholder engagement on sustainability issues, the adoption of credible fossil fuel phase-out policies, and the implementation of robust climate risk management practices.
- **Outcome metrics should also focus on indicators that can track FIs' contributions to new clean and high-emission projects**, given their direct impact on emissions mitigation.

Regulators in developed countries should continue to align prudential and sustainable finance frameworks/regulations (e.g., disclosure regimes and the EU Green Deal) with net-zero scenarios. This can be done by:

- **Restricting FF expansion finance**, incentivizing clean energy lending, and directing flows to EMDEs.
- **Amending regulatory and legislative frameworks** (e.g. Basel, Solvency) to allow greater capital allocation to EMDEs (IIGCC, 2025) and prevent new fossil fuel lock-ins.
- **Integrating climate considerations into capital adequacy, risk assessment, and transparency mechanisms can help ensure that FIs manage physical and transition risks effectively.** For example, in 2025, the European Banking Authority published its final Guidelines on the management of ESG risks, setting out requirements for institutions for the identification, measurement, management and monitoring of ESG risks and specifying requirements regarding ESG risk management in accordance with the Capital Requirements Directive (CRD6) (EBA, 2025).

In order to increase low-carbon investment in EMDEs, currently struggling to attract new investments at sufficient rates (see page 47), regulators should strengthen local enabling environments.

- **This includes developing local FIs' capacity to decarbonize** by aligning with more established disclosure frameworks and gradually moving from voluntary to mandatory disclosures.

The financial industry and coalitions can strengthen accountability and accelerate capital reallocation toward clean and transition energy projects

RECOMMENDATIONS FOR THE FINANCIAL INDUSTRY AND COALITIONS:

Given recent FI exits and coalition closures, remaining climate coalitions such as the NZAOA, as well as broader industry coalitions, should maintain focus and avoid losing momentum. Coalitions have so far helped drive stronger responses by FIs, as shown in Section 3.2. They should continue, where possible, to influence the industry by:

- **Encouraging and supporting members to strengthen weak or partial commitments and protect their portfolio from climate risks**, while spotlighting FIs' best practices that align with net-zero frameworks to incentivize members to continually improve target quality.
- **Helping to enhance member reviews** with regular progress checks and creating stronger incentives for members to move from early-stage to higher-quality targets. For example, under the NZAOA's review process, review groups provide suggestions for improvement to members (NZAOA, 2022a)
- **Providing technical support and peer learning** to help members advance lagging indicators such as policy engagement, investment data disclosure, and credible targets to reach net zero without the use of carbon offsets. Such guidelines have already been developed by groups like the IIGCC (IIGCC, 2024).

Governments remain a fundamental driver of change. In this context, the financial industry and coalitions are critical to engaging systemically with policymakers and regulators. Policy advocacy to achieve regulatory change can be an impactful tool (see Section 3.3). Pension funds, in particular, are long-term investors with strong connections to government and industry, although most engagement remains local within their own jurisdictions. Coalitions can generate sufficient response to incentivize other parties to change their behavior and commitments (CPI, 2024b). Achieving this, however, requires adopting ad hoc approaches that take into account the limitations and potential backlash of the political environment in specific jurisdictions.

The financial industry and coalitions can support the reallocation of capital decisively toward clean energy (see Section 3.2) by:

- **Setting expectations for clean energy allocation**, by introducing stronger commitments on clean energy investment and FF engagement and phase-out where feasible (SBTi, 2025), while allowing flexibility across jurisdictions given differing political and

regulatory contexts and developing guidance to address data quality and reporting gaps across members.

- **Monitoring how FIs contribute to activities that affect emissions through the deployment of new climate solutions or new high-emissions assets.** For example, the NZAOA's annual progress report is tracking the growth in the members' investments in climate solutions (NZAOA, 2024b):
 - **This should include not only direct finance to these projects but also look into projects indirectly enabled by FIs as shareholders or corporate lenders**, e.g., by investing in real economy entities that invest in projects. These metrics are particularly important for capital allocators such as asset managers and asset owners with limited direct presence in the real economy, who want to adopt more material metrics to assess their impacts (see page 45). Stock metrics, such as exposure to companies with expanding high-emission activities, can also help summarize the impact of capital allocators in the real economy (see page 41).
- **Helping with the design of new investment vehicles.** For example, GFANZ is supporting the World Bank Private Sector Investment Lab to develop financial solutions, including guarantees and securitization (GFANZ, 2024). This can help to scale up clean energy investment, particularly for institutional investors. Coalition-led initiatives like the NZAOA are helping to develop blended finance structures, transition funds, and de-risking mechanisms to mobilize private capital at scale, in particular in EMDEs (UNEP FI, 2025b).
- **Building the capacity of local FIs in EMDEs to strengthen their internal governance, help them in their transition journey, and increase clean capital allocation.** Initiatives like UNEP's Climate Mitigation Journey (UNEP FI, 2024), or IKI's Green Banking Capacity Building (IKI, 2025) offer training programs to banks in developing and emerging economies.

Potential future areas of research

The [NZFT platform](#) and its methodology are updated and enhanced annually, with preliminary data shared as input to progress reports across the industry, and our data approaches continue to be refined. We are deepening our partnerships, including those with data providers. We are also seeking to harmonize efforts among actors doing similar tracking work in the space and working to educate and disseminate our findings among key stakeholders.

The following topics are potential areas for future research:

1. **Analysis of Net Zero transition progress for specific FI categories**, such as the insurance sector's progress on the transition and how strengthened transition governance and actions link to real economy impact, e.g. translating into insurance products targeting climate resilience and/or clean solutions.
2. **Analysis of the climate transition for the largest financial centres** (e.g., Singapore) to understand how they are progressing in their efforts to become climate/sustainable finance centres/hubs, and identify and scale up best-practices that they can learn from their peers.
3. **Analysis of the climate transition of FIs in EMDE regions** (e.g., in South-East Asia), including how the global financial system is supporting deployment of climate-aligned capital. Analysis could help to identify what regulations can strengthen the response of FIs locally and abroad, what initiatives financial industry associations can implement to spur innovation and mobilize capital. CPI could further support this by:
 - Helping development finance institutions build the **capacity of client FIs** on the ground.
 - Helping the design of **innovative financial structures** that can mobilize international capital, particularly from institutional investors, where CPI has developed substantial expertise through initiatives like the [Global Climate Finance Lab](#).
4. **Strengthen the NZFT methodology to:**
 - **Include additional mitigation sectors beyond energy (e.g., transport)** to further understand how the financial system is enabling real-world decarbonization.
 - Look beyond physical climate risk exposure to understand the **strength of FIs' resilience plans**, and how these are being implemented on the ground.





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