Net Zero Finance Tracker Scoring Methodology 2026

Targets, Implementation, and Impact

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CLIMATE POLICY INITIATIVE



NETZERO FINANCE TRACKER
BY CLIMATE POLICY INITIATIVE

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1. TARGETS AND OBJECTIVES

1.A ADOPTION OF A MITIGATION TARGET

This indicator describes whether financial institutions have clear and comprehensive emissions reduction targets across their portfolios, whether those targets are quantitative targets, and whether they are disclosed transparently. A clear, measurable and ambitious portfolio target is also an essential component of a transition plan.[1] Ambition is demonstrated through actions such as ensuring targets are based on 1.5°C pathways and cover at least some Scope 3 emissions of portfolio companies.[2] Financial institutions must also demonstrate accountability by updating their target year and externally validating their targets.

The indicator aligns with the following commonly identified transition plan requirements: a) a year for reaching net zero is set at 2050 or earlier, b) emission reduction targets are set in absolute values, c) mitigation targets are validated, d) mitigation targets include near- and long-term commitments, and e) emission reduction targets are based on 1.5°C pathways.[3] Best practices for this indicator are aligned with frameworks such as Task Force on Climate-Related Financial Disclosures (TCFD),[4] Science Based Targets initiative (SBTi),[5] European Sustainability Reporting Standards (ESRS) E1,[6] United Nations Environment Programme Finance Initiative (UNEP FI) Guidelines for Climate Target Setting,[7] Glasgow Financial Alliance for Net Zero (GFANZ) Financial Institution Net-zero Transition Plans,[8] OECD Guidance on Transition Finance,[9] United Nations High-Level Expert Group (HLEG) Recommendation,[10] International Organization for Standardization (ISO) Net Zero Guidelines,[11] World Wide Fund for Nature

[1] CBI. 2023. Guidance to assess transition plan. https://www.climatebonds.net/files/reports/guidance_to_assess_transition_plans.pdf
[2] We reflect the level of ambition by assessing whether targets are aligned with a 1.5°C scenario, with the assumption that this entails an ambitious reduction, such as the 45%-50% reduction by 2030 from 2019 levels, as recommended by many frameworks. Future NZFT iterations will explore a more quantitative approach to assess percentage reductions. Such an approach is currently limited by the variation in baseline years across targets, which makes direct comparisons challenging.
[3] CPI. 2026. From Frameworks to Action: Assessing Financial Institutions' Transition Plans with the NZFT. https://www.climatepolicyinitiative.org/wp-content/uploads/2026/10/NZFT-Transition-Plans-Factsheet.pdf
[4] TCFD. 2021. Recommendation on Metrics and Targets and Supplemental Guidance for the Financial Sector. https://www.tcfdhub.org/metrics-and-targets/
[5] "FI-C14 – Requirement to Set Target(s) on Investment and Lending Activities: All FIs shall set targets for their investment and lending activities as required by FI-C15, irrespective of the share of quantified scope 3 portfolio emissions as compared to the FI's total scope 1, 2 and 3 emissions." SBTi. 2024. Near-Term Financial Sector Science-based Target Guidance Version 2.0. https://files.sciencebasedtargets.org/production/files/Financial-Institutions-Near-Term-Criteria.pdf
[6] European Commission. 2023. Metrics and Targets. ESRS E1: Climate Change. https://ec.europa.eu/info/publications/european-sustainability-reporting-standards_en
[7] "Banks shall set a 2050 target to support meeting the temperature goals of the Paris Agreement. Banks shall set an interim target for 2030 or sooner and may set further interim targets prior to that date". UNEP FI. 2024. Guidelines for Climate Target Setting for Banks Version 2. https://www.unepfi.org/wordpress/wp-content/uploads/2024/03/Guidelines-for-Climate-Target-Setting-for-Banks-Version-2.pdf
[8] "Metrics and Targets: Establish a suite of metrics and targets to drive execution of the net-zero transition plan and monitor progress of results in the near, medium, and long term. Include metrics and targets focused on aligning financial activity in support of the real-economy net-zero transition; on executing the transition plan; and on measuring changes in client and portfolio GHG emissions". GFANZ. 2022. Financial Institution Net-zero Transition Plan. https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf
[9] "Element 1: Setting temperature goals, net-zero, and interim targets." OECD. 2022. OECD Guidance on Transition Finance: Ensuring Credibility of Corporate Climate Transition Plans. https://doi.org/10.1787/cdf8d357-en.
[10] "2: Setting Net-zero Target: Non-state actors must have short-, medium- and long-term absolute emissions reduction targets and, where appropriate, relative emissions reduction targets across their value chain that are at least consistent with the latest IPCC net zero greenhouse gas emissions modelled pathways that limit warming to 1.5°C with no or limited overshoot, and where global emissions decline at least 50% below 2020 levels by 2030, reaching net zero by 2050 or sooner". UN HLEG. 2022. Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities, and Regions. https://www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf
[11] "Interim targets should be based on the organization's baseline and can include: — a minimum target to halve all types of GHG emissions every decade, if possible (justification should be provided for GHG emissions reductions at a lower rate), with a plan provided on how net zero GHG emissions will be achieved no later than 2050; — sectoral targets to be achieved by 2030, if appropriate, including any international commitments to reduce GHG emissions". ISO. 2022. Net Zero Guidelines. https://www.iso.org/obp/ui/en/#iso:std:iso:iwa:42:ed-1:v1:en

Criteria for credible climate and nature transition plans for financial institutions,[12] Principles for Responsible Banking (PRB)'s Responsible Banking Blueprint,[13] ACT Finance,[14] and the Transition Plan Taskforce (TPT).[15]

Data Sources: Accounting for Sustainability, BankTrack, CDP, CPI, Diligent Stewardship Data, ECIU, ESG Book, MSCI, NZAM, NZAOA, NZBA, NZIA, Net-Zero Donut, Observatoire de la Finance Durable, PAAO, PRB, PRI, Private Equity Energy Tracker, RTZ, SBTi, ShareAction, Tracenable, TPI, WRI.

[12] "A credible transition plan will: • Commit to the strategic ambition of reaching net-zero emissions by 2050 or sooner, aligned with multiple science-based 1.5°C (no/low overshoot) scenarios that limit reliance on carbon dioxide removals and are guided by the concept of mitigation hierarchy. • Set quantitative targets that encompass all business and financing activity (e.g. financed and facilitated emissions), including: • Commitment to Scope 1, 2 and 3 greenhouse gas emissions reduction across all business activities and across all group entities; • Consistently disclose absolute emission reduction measurements (always) and economic intensity approaches (where relevant) • Time-bound interim (near-term) targets with 5 year intervals, derived from 1.5°C aligned scenario analysis. • Identify decarbonization levers or actions by sector which have the greatest potential for rapid real-economy impact and/or facilitate systemic change, while clearly disclosing assumptions (including the underlying climate scenario) and uncertainties associated and decision making." WWF. 2022. Criteria for credible climate and nature transition plans for financial institutions. https://wwfint.awsassets.panda.org/downloads/wwf_credible_transition_final.pdf

[13] "Has set science-based net zero emissions reductions targets in line with a 1.5°C pathway, with the goal of reaching net zero by 2050 at the latest, including interim targets." Principles for Responsible Banking. 2024. Responsible Banking Blueprint. https://www.unepfi.org/wordpress/wp-content/uploads/2024/10/PRB_Responsible-Banking-Blueprint.pdf

[14] Module 1: Alignment of scope 3 (category 15) emissions reduction targets. ACT. 2024. ACT Finance Investing Methodology. https://actinitiative.org/wp-content/uploads/documents/act-4-finance_investors_20230112_public_consultation.pdf

[15] 4.3 GHG metrics and targets. Transition Plan Taskforce. 2023. TPT Disclosure Framework. https://transitiontaskforce.net/wp-content/uploads/2023/10/TPT_Disclosure-framework-2023.pdf

ASSESSMENT APPROACH		
Best Practice	Externally validated aligned long-term and near-term portfolio targets, covering ≥90% of the relevant portfolio. The target ambition, scope and methodology reflect the need to reach net zero by 2050, with targets set in absolute values, 1.5°C scenario used, and portfolio companies' Scope 3 emissions covered by the target.	**Block 1: The target encompasses at least 90% of all assets in the institution's portfolio** ["A. Types of assets concerned by the target" = "All assets"] **AND** ["B. Percentage of relevant portfolio covered" >= 90%] **AND** **Block 2: A near-term and a long-term portfolio target are both adopted and externally validated** ["C. Validated long-term (2030-2050) Target" =/= ""] **AND** ["D. Validated near-term (2025-2030) target" =/= ""] **AND** **Block 3: The ambition, scope and methodology of the targets reflect the need to reach net zero by 2050** ["E. Baseline year for the target" >= first reporting target year - 3] **AND** ["F. Targets are set in absolute values" = True] **AND** ["G. Portfolio companies' Scope 3 emissions covered by the target" = True] **AND** ["H. Specifies scenario used for net-zero target" = "1.5 degrees"]

ASSESSMENT APPROACH		
Advanced	Externally validated aligned near-term portfolio targets, covering a significant portion of the relevant portfolio, as well as a transparent long-term target.	**<u>Block 1: The target encompasses a significant portion of the assets in the institution's portfolio</u>** ["A. Types of assets concerned by the target" =/= ""] **AND** ["B. Percentage of relevant portfolio covered" >= 50%] **AND** **<u>Block 2: A long-term net-zero portfolio target has been adopted</u>** ["C. Validated long-term (2030-2050) Target" =/= ""] **OR** ["J. Net-zero target or long-term target adopted" = True] **AND** **<u>Block 3: A near-term portfolio target is both adopted and externally validated</u>** ["D. Validated near-term (2025-2030) target" =/= ""] **AND** **<u>Block 4: The scenario used for the target is disclosed or some degree of portfolio companies' scope 3 emissions are covered</u>** ["G. Portfolio companies' Scope 3 emissions covered by the target" = True] **OR** ["H. Specifies scenario used for net-zero target" = True]

ASSESSMENT APPROACH		
Progressing	Transparent long-term and near-term portfolio targets, covering a portion of the institution's relevant portfolio.	**<u>Block 1: There are details on the target's coverage of portfolio emissions</u>** ["A. Types of assets concerned by the target" =/= ""] **OR** ["B. Percentage of relevant portfolio covered" > 0%] **OR** ["I. Sector concerned by the target" =/= ""] **AND** **<u>Block 2: A long-term net-zero portfolio target has been adopted</u>** ["C. Validated long-term (2030-2050) Target" =/= ""] **OR** ["J. Net-zero target or long-term target adopted" = True] **AND** **<u>Block 3: An intermediate net-zero portfolio target has been adopted</u>** ["D. Validated near-term (2025-2030) target" =/= ""] **OR** ["K. Intermediate Net-Zero target adopted" = True] **AND** **<u>Block 4: The scenario used for the target is disclosed or some degree of portfolio companies' scope 3 emissions are covered</u>** ["G. Portfolio companies' Scope 3 emissions covered by the target" = True] **OR** ["H. Specifies scenario used for net-zero target" = True]

ASSESSMENT APPROACH		
Emerging	Long-term or near-term portfolio targets, covering a portion of the institution's relevant portfolio.	**<u>Block 1: There are details on the target's coverage of portfolio emissions</u>** {["A. Types of assets concerned by the target" =/= ""] **OR** ["B. Percentage of relevant portfolio covered" > 0%] **OR** ["I. Sector concerned by the target" =/= ""]} **AND** **<u>Block 2: A long-term or intermediate net-zero portfolio target has been adopted</u>** {["C. Validated long-term (2030-2050) Target" =/= ""] **OR** ["J. Net-zero target or long-term target adopted" = True] **OR** ["D. Validated near-term (2025-2030) target" =/= ""] **OR** ["K. Intermediate Net-Zero target adopted" = True]}

ASSESSMENT APPROACH		
Initial	Portfolio target adopted, but it is partial, or information is incomplete.	[“A. Types of assets concerned by the target” =/= “”] **OR** [“B. Percentage of relevant portfolio covered” > 0%] **OR** [“C. Validated long-term (2030-2050) target” =/= “”] **OR** [“D. Validated near-term (2025-2030) target” =/= “”] **OR** [“E. Baseline year for the target is disclosed” = True] **OR** [“F. Targets are set in absolute values” = True] **OR** [“G. Portfolio companies’ Scope 3 emissions covered by the target” = True] **OR** [“H. Specifies scenario used for net-zero target” = True] **OR** [“I. Sector concerned by the target” =/= “”] **OR** [“J. Net-zero target or long-term target adopted” = True] **OR** [“K. Intermediate net-zero target adopted” = True] **OR** [“L. Has carbon neutrality target” = True] **OR** [“M. Has active portfolio emission target” = True] **OR** [“N. Has other active climate-related portfolio targets” = True]
Planned	Has committed to adopt a target.	[“O. Commits to adopt a mitigation target” = True] **OR** [“P. Commits to adopt an intermediate target” = True] **OR** [“Q. Commits to adopt Paris-aligned targets” = True] **OR** [“R. Commits to adopt short-term, long-term, and intermediate targets” = True]

ASSESSMENT APPROACH		
No action	No evidence of action	N/A

1.B ADOPTION OF CLIMATE INVESTMENT TARGETS

Financing climate solutions is a critical part of financial institutions' transition plans and strategies.[16] This indicator assesses whether financial institutions have established and disclosed clear, accountable, and measurable financial services and investment targets dedicated to climate action.

We consider two main types of climate investment targets.

- **Climate-specific** investment targets, which refer to investments that are explicitly directed towards climate activities or outcomes. This includes investment targets for low-carbon or decarbonisation solutions, such as renewable energy, as well as investment targets for adaptation and resilience, and other explicitly climate-focused investments.
- **Climate-relevant** investment targets are broader targets that are not exclusively directed towards climate action but explicitly include climate-related investments within their scope. For example, a combined environmental and social investment target may qualify where climate-related or environmental investments form part of the target but the amount allocated specifically to climate cannot be separated. Similarly, a sustainable finance or sustainable investment target may qualify where its definition explicitly includes climate-related activities alongside other sustainability objectives. Broad ESG investment targets are excluded, as ESG encompasses environmental, social and governance considerations and does not, by itself, demonstrate that the targeted investment contributes to climate-related activities or outcomes.

There are various ways a financial institution can set a climate investment target. [17] Amongst the multiple frameworks and standards, there is little consensus on which target-setting approach is considered best practice. This assessment attempts to prioritise quantifying the capital flow from the financial institution to climate solutions, as this shows the direct capital being channelled by financial institutions into decarbonising the real economy rather than tracking passive shifts in portfolio composition. [18,19]

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[16] "Target-Financing target: This indicator assesses the financial institution's roadmap on climate solutions financing real economy as introduced in Part B and include financing and related services to enable and support 1) climate solutions; 2) companies already aligned to net zero; 3) the transition of companies committed to aligning; and 4) the managed phaseout of high-emitting physical assets". GFANZ. 2022. Financial Institution Net-zero Transition Plans. https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf

[17] "NZAOA recognizes different metrics for these targets, as long as they are applied consistently, such as: "Invest $ x million in [subset of] climate solutions between 202X and 202X", "Invest $ x million cumulatively by 202X", "Invest x % of AuM in CSI in line with XX Taxonomy by 202X". The metrics outlined above are intended to be indicative rather than exhaustive. It is within the discretion of the signatory which target metrics it chooses." NZAOA. 2026. Target-Setting Protocol Fifth edition. https://www.unepfi.org/wordpress/wp-content/uploads/2026/03/60-AOA-Target-Setting-Protocol-5.pdf

[18] "Equity portfolios constructed with no or low carbon-intensive assets may have lower exposure to climate risk than a portfolio with high-emitting assets, but they have no climate effect in the real economy, as the outstanding shares already sold by fossil fuel companies are simply held by other owners. A focus on decarbonizing portfolios may also incentivize a fund to spin or sell off high-carbon assets, decarbonizing the seller's portfolio by shifting asset ownership to the buyer, with no impact on real economy emissions." Sachs et al. 2023. Finance For Zero: Redefining Financial-Sector Action to Achieve Global Climate Goals. https://dx.doi.org/10.2139/ssrn.4512376

[19] "Ambitious targets and commitments should translate into tangible climate-related outcomes. This requires effective stewardship and ownership activities that influence the real economy through investments in projects rather than just the movement of funds within the financial system." CPI. 2024. CPI Ownership Methodology. https://www.climatepolicyinitiative.org/wp-content/uploads/2024/09/NZFT-Ownership-methodology.pdf

However, there is great ambiguity in what constitutes FIs' investment commitments.[20] As a result of such ambiguities, this assessment takes *Best Practice* to be any absolute investment target, or any target from which an absolute investment amount can be derived.

Below the *Best Practice* scoring tier, this assessment also recognises the use of other metrics when setting climate investment targets, such as:

- Direct portfolio exposure to climate solutions, set as a share of AUM aligned with a climate solutions taxonomy or the total stocks allocated to climate solutions.[21,22,23] While this metric provides valuable insights, it does not guarantee the injection of capital into the deployment of new climate solutions. For example, improved portfolio performance could be achieved simply by selling non-climate-aligned assets to those with weaker climate commitments and thus creating no positive climate impact in the real economy.[24,25,26]
- Indirect portfolio exposure to climate-solution activities, measured by the share of portfolio companies' revenues generated from climate solutions (green revenues) and, where data are available, the share of their capital expenditure allocated to qualifying climate-solution activities (green CAPEX).[27,28]
- Physical target. Financing targets expressed in terms of real-world outcomes, such as installed renewable energy capacity (e.g., megawatts) or other tangible climate solutions,[29] but missing a conversion in investment value.

On top of defining the nature of financial flows within the target scope, transition plan frameworks identify two additional common requirements for a robust target: a) a time-bound target to increase investment in climate solutions is defined, and b) a methodology/taxonomy for climate solutions and/or low-carbon activities has been provided.[30]

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[20] E.g. in terms of whether the monetary value stated refers to the stock value, or the flow value. For example, 'ABC Bank commits to investing $X billion in climate solutions by 2030' could refer to channeling $X billion worth of new additional investments, or it could mean that the proportion of their investment portfolio in climate solutions is to be worth $X billion in climate solutions by 2030.

[21] "T78. NZAOA signatories that decide to set a climate solutions investments target shall: Set a quantitative target on climate solutions investments in absolute terms or as a percentage of total AuM." NZAOA. 2026. Target-Setting Protocol Fifth edition. https://www.unepfi.org/wordpress/wp-content/uploads/2026/03/60-AOA-Target-Setting-Protocol-5.pdf

[22] The SBTi Financial Institutions Net Zero Standard (FINZ) recommends setting a portfolio-alignment target setting approach, of which the FI performs an assessment of the share of portfolio counterparties that are in transition, are climate solutions, or are already operating at performance levels consistent with net-zero. SBTi. 2025. Financial Institutions Net Zero Standard. https://files.sciencebasedtargets.org/production/files/Financial-Institutions-Net-Zero-Standard.pdf?dm=1756997162

[23] Indicator INV 4.1 Financial Flows Trend under Module 4: Portfolio Climate Performance has 3 dimensions. Dimensions 1 and 2 look at new investments into coal and oil and gas while dimension 3 looks at the share of the portfolio dedicated to low-carbon and/or transitioning assets and companies, through both a static vision ("position score") at the end of the reporting year and a dynamic vision by looking at the evolution of this share through the last three years. ACT Finance. 2024. ACT Finance Investing Methodology V2.2. https://actinitiative.org/wp-content/uploads/pdf/act_finance_investing_methodology_20240222.pdf

[24] CPI. 2024. CPI Ownership Methodology. https://www.climatepolicyinitiative.org/wp-content/uploads/2024/09/NZFT-Ownership-methodology.pdf

[25] Environmental Defense Fund. 2022. Transferred Emissions: How Risks in Oil and Gas M&A Could Hamper the Energy Transition. https://library.edf.org/AssetLink/137s2m12k5k336yavk615r64461inpto.pdf

[26] Gözlügöl and Ringe. 2025. Private Companies: The Missing Link on The Path to Net Zero. https://www.fmg.ac.uk/sites/default/files/2025-03/DP924.pdf

[27] "Section 4: Climate solutions objective" of the IIGCC's Net Zero Investment Framework 2.0 (NZIF) recommends aggregating corporate green activity (green revenues or green CAPEX) up to the portfolio and fund level. The priority metrics are green revenue ratio and financed green revenues. IIGCC. 2024. Net Zero Investment Framework: Implementation Guidance for Objectives and Targets. https://www.iigcc.org/hubfs/nzif/pdf/NZIF%20Implementation%20Guidance%20for%20Objectives%20and%20Targets.pdf#page=3

[28] Reclaim Finance recommends that a CAPEX alignment target "should be especially considered". Reclaim Finance. 2024. Financial Institutions' Transition Plans: How to drive real-economy decarbonization. https://reclaimfinance.org/site/wp-content/uploads/2024/12/Financial-institutions-transition-plans-how-to-drive-real-economy-decarbonization-report.pdf

[29] TPI notes that a higher volume of deployed capital does not inherently equal greater decarbonization in the real economy, and suggests that financial institutions can also use impact-based metrics to track their climate solution financing. TPI Global Climate Transition Centre. 2025. State of the Banking Transition 2025. https://www.transitionpathwayinitiative.org/publications/uploads/2025-state-of-the-banking-transition-2025.pdf

[30] CPI. 2026. From Frameworks to Action: Assessing Financial Institutions' Transition Plans with the NZFT. https://www.climatepolicyinitiative.org/wp-content/uploads/2026/10/NZFT-Transition-Plans-Factsheet.pdf

Best Practice under this indicator is in line with frameworks such as Science Based Targets initiative (SBTi),[31] ACT Finance,[32] CDP Technical Note on Financial Services Transition Plans and Net Zero Commitments,[33] European Sustainability Reporting Standards (ESRS) E1,[34] UN-convened Net-Zero Asset Owner Alliance (NZAOA) Target Setting Protocol,[35] Transition Plan Taskforce (TPT),[36] PRB's Responsible Banking Blueprint,[37] IIGCC's NZIF 2.0,[38] Reclaim Finance's guidance on financial institutions' transition plans,[39] TPI's Net Zero Banking Assessment Framework,[40] as well as Glasgow Financial Alliance for Net Zero (GFANZ)'s Scaling Transition Finance and Real-economy Decarbonization.[41] The Task Force on Climate-Related Financial Disclosures (TCFD)'s capital deployment metrics also serve as a progress indicator for climate-related opportunities.[42]

Data sources: CDP, CIC, CPI, Net-Zero Donut, NZAOA, Private Equity Energy Tracker, Reclaim Finance, ShareAction, TPI, NZAM, WBA, and WRI Green Targets

[31] Financial Institutions Net-Zero Standard Version 1.0. 2025. https://files.sciencebasedtargets.org/production/files/Financial-Institutions-Net-Zero-Standard.pdf?dm=1756997162
[32] INV 1.5 Financing Targets assesses "the financial institution's roadmap on climate solutions financing" including the framework used. ACT. 2024. Methodology ACT Finance / Investing. https://actinitiative.org/wp-content/uploads/pdf/act_finance_investing_methodology_20240222.pdf
[33] CDP Technical Note: Financial Services Transition Plans and Net Zero Commitments. Version 3.0. 2026. https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/004/618/original/CDP-Technical-Note-FS-Transition-Plans-and-Net-Zero-Commitments.pdf?1685624752
[34] 29 "The undertaking shall disclose its climate change mitigation and adaptation actions and the resources allocated for their implementation. The objective of this Disclosure Requirement is to provide an understanding of the key actions taken and planned to achieve climate-related policy objectives and targets. The information on the market size may be put in perspective to the current taxonomy-aligned revenue disclosed under the provisions of Regulation (EU) 2020/852" European Commission. 2023. ESRS E1 Climate Change. https://www.efrag.org/sites/default/files/sites/webpublishing/SiteAssets/ESRS%20E1%20Delegated-act-2023-5303-annex-1_en.pdf
[35] NZAOA Target-Setting Protocol Fifth Edition. 2026. https://www.unepfi.org/industries/nzaoa-target-setting-protocol-fifth-edition/
[36] "Entities are encouraged to consider any targets it has set to increase the proportion of financed and/or facilitated emissions that are covered by engagement activities (see DF 4.1.c), and detail of any underlying methodology used to prioritize engagement activities (see DF 4.1.e)". Transition Plan Taskforce. 2023. https://transitiontaskforce.net/wp-content/uploads/2023/10/TPT_Disclosure-framework-2023.pdf
[37] "allocates funds towards a low-carbon transition, including low-carbon clients as well as specifically defining financing to support the transition of high-emitting clients, and the climate resilience of clients, projects and products. Lending and investment volumes in green assets, transition finance and adaptation finance are disclosed, including definitions used for each of these, using available taxonomies and reflecting the highest and most effective standards, and demonstrate a significant and steady increase over time." UNEP FI. 2024. UN Principles for Responsible Banking. Vision for a Sustainable Banking Sector. https://www.unepfi.org/wordpress/wp-content/uploads/2024/10/PRB_Responsible-Banking-Blueprint.pdf
[38] Section 4 Allocation to climate solutions objective. IIGCC Net Zero Investment Framework 2.0. https://www.iigcc.org/hubfs/nzif/pdf/NZIF%20Implementation%20Guidance%20for%20Objectives%20and%20Targets.pdf
[39] FINANCIAL INSTITUTIONS' TRANSITION PLANS: How to drive real-economy decarbonization. 2024. https://reclaimfinance.org/site/wp-content/uploads/2024/12/Financial-institutions-transition-plans-how-to-drive-real-economy-decarbonization-report.pdf
[40] TPI. 2025. Net Zero Banking Assessment Framework: methodology note v1.1 https://www.transitionpathwayinitiative.org/publications/uploads/2025-v1-1-net-zero-banking-assessment-framework-methodology-note.pdf
[41] GFANZ. 2023. Scaling Transition Finance and Real-economy Decarbonization. https://assets.bbhub.io/company/sites/63/2023/11/TransitionFinance-and-Real-Economy-Decarbonization-December-2023.pdf
[42] "Capital deployment metrics includes climate related opportunities by Capex and Revenues". TCFD. 2021. Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures Table A2.1. https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf

METHODOLOGY NOTE: TRACKING ABSOLUTE CLIMATE INVESTMENT TARGETS

In addition to scoring the robustness of investment goals, CPI is tracking the absolute climate finance targets committed by all tracked institutions.[43] For each year, CPI tracks the total cumulative climate investment targets that are active in a specific year.

Target amounts are categorized into 3 different types:

- (i) absolute additional cumulative climate investment flows set over a defined period.[44]
- (ii) absolute climate investment flows to reach by a date (e.g. USD 200 million by 2030)
- (iii) absolute climate investment stocks to reach by a date (e.g. USD 200 million in holdings by 2030)

Within each target type, commitments are further disaggregated into climate-specific and climate-relevant investment.

Careful review is undertaken to avoid double-counting commitments made by individual FIs.[45]

[43] This refers to targets captured under standard action A ("Discloses a climate investment target from which an absolute investment commitment can be derived")
[44] This value can also be annualised by dividing total flow value by the defined number of years (e.g. USD 200 million between 2025 and 2030, annualised as 33 million per year from 2025 to 2030)
[45] This involves tracking targets that have been renewed or updated, as well as identifying overlapping targets where a smaller commitment is already included within a larger one. Some targets were excluded from the analysis of absolute targets under standard action A to correct classification errors or reflect scope considerations. These exclusions included targets with stock or flow classifications inconsistent with the relevant sub-target definitions, target formats with very limited representation among FIs, and targets for which the stock or flow status could not be clearly determined.

ASSESSMENT APPROACH		
Best Practice	Quantified absolute climate investment target disclosed, with timeline disclosed and methodology transparency.	**<u>Block 1: Quantified absolute climate investment target is disclosed</u>** {["A. Discloses a climate investment target from which an absolute investment commitment can be derived" = True]} **AND** **<u>Block 2: Specifies timeline and transparently discloses methodologies or taxonomies</u>** {["D. Timeline specified" = True] **AND** ["E. Climate finance methodology or taxonomy disclosed" = True]}
Advanced	Any quantified climate investment target disclosed, with timeline disclosed and methodology transparency.	**<u>Block 1: Any quantified climate investment target is disclosed</u>** {["A. Discloses a climate investment target from which an absolute investment commitment can be derived" = True] **OR** ["B. Discloses a climate investment target that is quantified, but from which an absolute investment commitment cannot be derived" = True] **OR** ["C. Discloses a climate investment target quantified using another metric type other than the size of the institution's investment commitment" = True]} **AND** **<u>Block 2: Specifies timeline and transparently discloses methodologies or taxonomies</u>** {["D. Timeline specified" = True] **AND** ["E. Climate finance methodology or taxonomy disclosed" = True]}
Progressing	Any quantified climate investment target disclosed, with a timeline or methodology disclosed.	**<u>Block 1: Any quantified climate investment target is disclosed</u>** {["A. Discloses a climate investment target from which an absolute investment commitment can be derived" = True] **OR** ["B. Discloses a climate investment target that is quantified, but from which an absolute investment commitment cannot be derived" = True] **OR** ["C. Discloses a climate investment target quantified using another metric type other than the size of the institution's investment commitment" = True]}

		AND **<u>Block 2: Specifies timeline, or transparently discloses methodologies or taxonomies</u>** {["D. Timeline specified" = True] **OR** ["E. Climate finance methodology or taxonomy disclosed" = True]}
Emerging	Target adopted but information is incomplete.	**<u>Block 1: Any climate investment target is disclosed</u>** {["A. Discloses a climate investment target from which an absolute investment commitment can be derived" = True] **OR** ["B. Discloses a climate investment target that is quantified, but from which an absolute investment commitment cannot be derived" = True] **OR** ["C. Discloses a climate investment target quantified using another metric type other than the size of the institution's investment commitment" = True] **OR** ["F. Investment target adopted" = True]}
Initial	At least one element of a target is present.	["A. Discloses a climate investment target from which an absolute investment commitment can be derived" = True] **OR** ["B. Discloses a climate investment target that is quantified, but from which an absolute investment commitment cannot be derived" = True] **OR** ["C. Discloses a climate investment target quantified using another metric type other than the size of the institution's investment commitment" = True] **OR** ["D. Timeline specified" = True] **OR** ["E. Climate finance methodology or taxonomy disclosed" = True] **OR** ["F. Investment target adopted" = True]
Planned	Commits to adopt a target.	["G. Commits to finance climate solutions" = True]
No action	No evidence of target.	N/A

1.C ADOPTION OF FOSSIL FUEL PHASE-OUT AND EXCLUSION TARGETS

The deployment of clean solutions alone is insufficient to deliver the transition; it must be accompanied by the progressive replacement and retirement of high-emissions assets to ensure that clean alternatives displace, rather than simply supplement, carbon-intensive activities. This indicator assesses financial institutions' fossil fuel policies, and what strategies are implemented for exclusions, fossil fuel phase out and divestment. The indicator awards the highest score to those with no fossil fuel assets, or those that have a comprehensive phase-out plan—a structured, time-bound strategy for gradually reducing and ultimately ending financial support for fossil fuels in line with a 1.5°C pathway. The strategies assessed by this indicator include:

- **Phase out**: A commitment to end relevant financial activities to specified fossil fuel projects and companies by a defined future date, in line with science-based decarbonization pathways. For example, for coal companies, SBTi requires financial institutions to phase out relevant financial activities related to coal projects and coal companies by the end of 2030 for OECD countries, and by the end of 2040 globally. Exceptions are allowed for new financial activities dedicated to the permanent decommissioning of fossil fuel production activities and capacity, although this cannot be captured with current data.
- **Exclusion (no new investments)**: The immediate cessation of new financial activities related to specific fossil fuel projects or companies. For example, for coal companies, it requires the immediate end of finance to companies participating in the coal value chain. As with phase-out targets, exceptions to financing fossil fuel activities are allowed only for financing dedicated to decommissioning.[46]
- **Divestment**: Exiting existing financial exposure to fossil fuel companies or activities, for example by selling securities, allowing loans to run off, or terminating/declining renewal of financial relationships. Unlike exclusion, which generally applies to new financing or investment, divestment applies to existing exposure. Once implemented, it typically reduces the FI's ability to influence the company through ongoing engagement.
- **Transition**: Ongoing engagement with fossil fuel companies to encourage alignment with a 1.5°C pathway. Transition/engagement is compatible with phase-out and exclusion policies, given that they focus on new financial flows and so allow for continued engagement with fossil fuel companies with which they have existing financial relationships.

[46] The need to finance the decommissioning of fossil fuel assets is a key feature of GFANZ's definition of *managed phaseout*. This emphasizes the importance of enabling the early, planned retirement of high-emitting assets, such as coal-fired power plants, through targeted financial interventions—rather than simply withdrawing financing. There is not yet sufficient data to systematically identify or assess targets that explicitly refer to managed phaseout strategies. However, CPI takes care not to penalize institutions where such elements appear in targets or policies. Both SBTi and CPI acknowledge in their definitions of exclusion and phaseout that financing can continue when it is directly linked to the permanent decommissioning of fossil fuel infrastructure.
In future analysis, CPI plans to positively recognize financial institutions that include explicit and credible managed phaseout strategies in their targets or financing policies. This may involve developing new metrics to assess whether institutions are integrating managed phaseout in a structured, transparent, and climate-aligned way. To do this effectively, CPI will need to assess whether institutions' policies are robust enough to distinguish between credible fossil fuel transition strategies and the misuse of terms like "transition plans" or "managed phaseout" as loopholes for continued fossil fuel financing. For a financial institution's policy to be scored positively, it must clearly demonstrate that it has conducted a rigorous credibility assessment of any referenced fossil fuel transition plans—ensuring their integrity, ambition, and alignment with a 1.5°C pathway. At present, CPI does not yet have sufficient data to evaluate whether institutions are consistently applying such credibility checks. Addressing this gap will be a key priority in future iterations of the analysis. GFANZ. 2022. The Managed Phaseout of High-emitting Assets.
https://assets.bbhub.io/company/sites/63/2022/06/GFANZ_-Managed-Phaseout-of-High-emitting-Assets_June2022.pdf

There are various definitions and understandings of these terms. A well-thought-through and effective fossil fuel strategy should combine multiple approaches. Following guidance from SBTi,[47] Reclaim Finance,[48] Rainforest Action Network,[49] and the UN HLEG,[50] CPI **recognizes the importance of focusing on halting fossil fuel expansion as key to ensuring alignment with a Net Zero Scenario**.[51] As such, CPI awards the highest score to financial institutions that present a combination of exclusion and phase-out policies. Specifically:

- Setting long-term, credible fossil fuel phase-out targets (e.g., coal by 2030 for OECD and 2040 globally,[52] and oil and gas globally by 2050).
- Placing immediate restrictions on fossil fuel expansion with no conditions.
- Adopting exclusion policies targeting non-expansionist companies/projects.[53]
- Applying policies across all financial activities.

Full exclusions are treated as fulfilling the above criteria since they ensure that financing ends by the stated deadlines and, in restricting finance to all fossil fuel companies, necessarily restrict financing to expansionist companies.

Restrictions on high-emitting assets are a common transition plan requirement. Exclusion and phase-out policies are part of ACT framework's engagement targets,[54] World Wide Fund for Nature Criteria for credible climate and nature transition plans for financial institutions,[55] The

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[47] "Financial institutions shall implement the immediate cessation of new financial flows via a public commitment. This includes the cessation of all: • New financial flows to the coal value chain for both companies and projects, with the exception of new financing for permanent decommissioning of production activities and capacity. • New financial flows to all unabated oil and gas value chain-associated activities at the project level; plus, new financial flows provided to companies that are involved in expanding production and/or adding capacity to any applicable oil and gas value chain associated activities." The SBTi Fossil Fuel Finance Position Paper. 2023. https://sciencebasedtargets.org/resources/files/The-SBTi-Fossil-Fuel-Finance-Position-Paper-Consultation-Draft.pdf

[48] "New projects are planned or already in construction in every single gas and oil subsector. If they are realized, they will destroy our chances of keeping warming below 1.5°C. These projects are aberrations, given that our remaining carbon budget to keep heating below 1.5°C already prevents us from exploiting the entirety of prospected fossil fuel reserves. The real test of financial institutions' climate commitments will be ascertained in light of one simple thing: are they financing and insuring new fossil fuel production projects, and do they continue to finance, insure and invest in the companies carrying them out?" Reclaim Finance. Nd. Stop the Expansion of Fossil Fuels. https://reclaimfinance.org/site/en/stop-expansion-fossil-fuels/

[49] Banking on Climate Chaos. 2024. Rainforest Action Network. https://www.bankingonclimatechaos.org/wp-content/uploads/2024/07/BOCC_2024_vF3.pdf

[50] "On coal for power generation, net zero targets and transition plans of all financial institutions must include an immediate end of: (i) lending, (ii) underwriting, and (iii) investments in any company planning new coal infrastructure, power plants, and mines. Coal phase out policies from financial institutions must include a commitment to end all financial and advisory services and phase out exposure, including passive funds, to the entire coal value chain no later than 2030 in OECD countries and by 2040 in non-OECD countries. Coal investments that remain in the portfolios of financial institutions must adopt phase out plans with facility-by-facility closure dates that include just transition plans for workers. • On oil and gas, oil and gas phase-out policies from financial institutions must include a commitment to end financing and investing in support of: (i) exploration for new oil and gas fields, (ii) expansion of oil and gas reserves, and (iii) oil and gas production" UN. 2022 Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities, and Regions. https://www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf

[51] The IEA Net Zero Scenario states that no new fossil fuel investments are allowed in a net-zero pathway. See IEA. 2023. Net Zero Roadmap a global pathway to keep the 1.5°C goal in reach. https://www.iea.org/reports/net-zero-roadmap-a-global-pathway-to-keep-the-15-0c-goal-in-reach

[52] "The IEA's Net Zero Emissions by 2050 Scenario envisions that all unabated coal generation ends by 2040". IEA. 2025. https://www.iea.org/energy-system/fossil-fuels/coal

[53] Recommendations are put forward by frameworks to extend the exclusion of fossil fuels beyond the criteria of new projects / expansion of existing projects. In their joint publication Net Zero Standard for Banks, TPI and IIGCC support the exclusion of certain categories of unconventional sources of oil and gas (including ultra-deep-water oil, heavy oil and tar sands). Similarly, the label ISR recommends the exclusion of any companies for which more than 5% of their oil & gas fuels production is from unconventional fuels. It also requests the exclusion of companies with more than 5% of their activity linked to exploration, extraction and refinery of thermal coal including services dedicated to those activities such as transport and storage. Scoring systems such as the Coal Policy Tracker from Reclaim Finance or ACT Finance's assessment grid for coal have dedicated separate indicators on exclusion using relative and absolute thresholds and assign a score of 0 -for this indicator- to financial institutions that would not exclude companies based on their exposure to coal. ACT Finance's assessment grid for oil & gas uses a similar approach by giving low scores to financial institutions that would not have exclusion policies for unconventional sectors (arctic, fracking, tar sands, ultra deep water). To reflect literature's standards regarding the exclusion of non-expansionist activities, Climate Policy Initiative has implemented two standard actions (each derived for coal and for oil & gas): i) "[Fuel type] exclusion policy applies to non-expansionist companies/projects with conditions" to capture any financial institution using conditional criteria (exploitation of deep-water oil & gas or tar sands, exposure to coal or oil & gas above a certain threshold, or any other limited scope of exclusion) when excluding companies beyond the expansionist criteria and ii) "[Fuel type] exclusion policy applies to non-expansionist companies/projects unconditionally" to encompass financial institutions that would exceed frameworks' expectations regarding the strictness of the exclusion of non-expansionist companies/projects by adopting an absolute approach of exclusion without conditions (no threshold, all oil & gas both unconventional and conventional, no use of further conditions, etc.).

[54] ACT. 2024. Finance. https://actinitiative.org/wp-content/uploads/pdf/act_finance_investing_methodology_20240222.pdf

[55] "Adopt robust policies for all on and off balance sheet assets and activities that align with sectoral science-based pathways to cover the most material sectors, including the explicit commitment to phase-out emissions from coal, oil and gas production and use in accordance with a 1.5°C warming threshold" World Wide Fund for Nature. 2022. Criteria for credible climate and nature transition plans for financial institutions. https://wwfint.awsassets.panda.org/downloads/wwf_credible_transition_final.pdf

Investor Agenda[56] and NZAOA[57] – in addition to the previously mentioned frameworks used to define best practice for exclusion and phase-out, including SBTi,[47] Reclaim Finance[48] and High-Level Expert Group (HLEG) Recommendations.[50]

Exclusion policies, whether they target expansionist or non-expansionist projects/ companies, can either be absolute (unconditional) or conditional (see box below). While exclusion and phase-out do not require active shareholder or corporate engagement, engagement to influence companies' transition strategies is still necessary.[58]

NOTES ON EXCLUSION POLICIES

In SBTi's Guidance definitions, the core difference between phase-out and exclusion lies in the timing of the financing restriction:

- Exclusion: An immediate stop to new financial activities.
- Phase-out: A planned exit over time, ending by a defined date in line with 1.5°C (e.g., 2030 for OECD, 2040 globally for coal).

This distinction is also aligned with organizations such as BankTrack, which defines an exclusion as the prohibition of financing to certain companies, and a phase-out as the phasing out of financing along a 1.5°C-aligned timeline.

While engagement is not a formal requirement under exclusion or phaseout definitions, it is a central component of the broader SBTi strategy and is compatible with both.

While exclusion and phaseout under the SBTi definition do not explicitly require engagement, they both: a) make space for engagement within their implementation, and b) are intended to be used in combination with engagement strategies, as encouraged in SBTi guidance.

The SBTi recommends: a) an exclusion should apply to new financial flows to fossil fuel expansion projects and companies, with exceptions for permanent decommissioning activities, and b) engagement with companies for existing finance to align them with 1.5°C pathways such as by setting 2030-aligned company-level targets (absolute, intensity, and capex-based) and moving toward a 9:1 ratio of clean to transitional fossil energy investments and c) phasing out financial flows to fossil fuel companies or projects that fail to transition. This could happen, for example,

[56] The Investor Agenda. 2021. Investor Climate Action Plans: Expectations Ladder. https://theinvestoragenda.org/wp-content/uploads/2021/05/expectations-ladder.pdf.
[57] NZAOA. 2020. Thermal Coal Position. https://www.unepfi.org/wordpress/wp-content/uploads/2020/11/Net-Zero-Asset-Owner-Alliance-Thermal-Coal-Position.pdf.
NZAOA. 2023. Position on the Oil & Gas Sector. https://www.unepfi.org/wordpress/wp-content/uploads/2023/03/NZAOA-Position-on-the-Oil-and-Gas-Sector.pdf
[58] Divestment is not rated as highly as fossil fuel exclusion or phaseout in transition frameworks. While divestment may reduce a financial institution's exposure to fossil fuels, it does not necessarily contribute to real-world decarbonization. Divestment typically involves selling existing holdings in fossil fuel companies, which can simply shift those assets to less responsible investors and reduce the seller's ability to influence company behavior through engagement.
These limitations do not apply in the same way to exclusion or phaseout strategies. Unlike divestment, these approaches focus on restricting new investments in fossil fuel activities, while allowing institutions to retain existing exposure—which can be paired with active engagement strategies. By targeting future capital flows, exclusion and phaseout can systematically redirect financing away from fossil fuel expansion and toward the managed decline of high-emitting sectors. This approach aligns more directly with efforts to limit global warming to 1.5°C and supports a just and orderly transition.

after a two-year engagement window, and must follow a clear, time-bound trajectory (typically by 2030 in OECD countries and 2040 globally).

Nuances in exclusion policies and what data allows

Our data allows for the distinction between exclusion policies targeting expansionist and non-expansionist fossil fuel projects and companies. "Expansionist" refers to all new projects and expansion of existing projects or companies developing new or expanding existing fossil fuel activities. The exclusion of this category of actors and projects is considered a priority by most frameworks[59] and aligns with the trajectories defined by recognized Net Zero scenarios.[60] "Non-expansionist" extends exclusions also to companies and projects that are not expanding their activities. Such policies are expected to be set by the most progressive financial institutions to complement the exclusion of expansionist projects/companies.[53] Our data also allows for the distinction between financial institutions that set unconditional (absolute) or conditional exclusion policies for non-expansionist fossil fuel companies. They are considered conditional if the scope of application is limited, which is the case when they apply only to specific regions, to unconventional types of fuels and practices (e.g. non-arctic extraction, conventional oil & gas, non-tar-sands extraction, etc.), use revenue or production thresholds, or are stated to accept significant exceptions.

Current data does not allow us to make a distinction of the exclusion policy based on the fuel production chain (upstream, midstream or downstream) that it aims to cover. As a result, an FI can adopt simultaneously a conditional exclusion policy for one production chain (e.g., upstream) and an unconditional exclusion policy for another (e.g., downstream). In addition, a financial institution can have both conditional and unconditional exclusion policies where one applies to projects and one to companies.[61]

Data sources: BankTrack, Coal Policy Tracker, CDP, CPI, Diligent, 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

[59] The Coal Policy Tracker and the Oil and Gas Policy Tracker have indicators dedicated to expanding companies and assess if projects are new as a criterion within the project indicator, placing the full exclusion (new and any other projects) at a higher score level than exclusion of new projects alone. Similarly, NZAOA set expectations regarding the exclusion of investments in greenfield projects for oil & gas (see Position on the Oil & Gas sector) and for coal (see the Thermal Coal Position); ACT also assesses financial institutions' exclusion policies on coal that target expansionist companies separately from exclusions based on thresholds (hence not specific to expansionists). For the scoring, more weight is given to policies on expansionist companies/projects than to policies based on thresholds, showing the priority given to exclusion of such companies.

[60] According to IPCC analysis, emissions already committed from existing coal fired power plants and plants planned or under construction would themselves consume the remaining carbon budget to limit global warming to 1.5°C, highlighting the requirement to exclude expansionist projects and companies. In addition, the International Energy Agency, in its Net Zero Emissions scenario, states that no new coal, oil and gas upstream projects are necessary besides the ones already planned or under construction.

[61] CPI aims, in the future, to categorize more specifically the conditions attached to an exclusion policy, to separate the fuel production chain, and to differentiate between policies targeting projects and policies targeting companies.

ASSESSMENT APPROACH		
Best Practice	Does not hold fossil fuel investments or has strong, comprehensive exclusion policies and a comprehensive phase-out target with an ambitious timeline, for all fossil fuels	**<u>Block 1: Does not hold any coal assets in its portfolio, or has strong and comprehensive coal exclusion policies and a comprehensive coal phase-out target with an ambitious timeline</u>** {["A. Coal-free portfolio" = True] **OR** {{["H. Coal Exclusion policy applies to non-expansionist companies/projects unconditionally" = True] **OR** ["L. Coal Exclusion policy applies to non-expansionist companies/projects with conditions" = True]} **AND** ["F. Coal Exclusion policy applies to expansionist companies/projects" = True] **AND** ["J. Coal Exclusion policy applies to expansionist companies/projects with conditions" =/= True] **AND** ["C. Coal Phase out target date in OECD countries is 2030 or earlier" = True] **AND** ["D. Coal Phase out target date globally is 2040 or earlier"= True] **AND** ["N. Fossil fuel policy coverage" = "All assets"]}} **AND** **<u>Block 2: Does not hold any Oil & Gas assets in its portfolio, or has strong and comprehensive unconditional Oil & Gas exclusion policies and a comprehensive Oil & Gas phase-out target with an ambitious timeline</u>** {["B. Oil & Gas-free portfolio" = True] **OR** {{["I. Oil & Gas Exclusion policy applies to non-expansionist companies/projects unconditionally" = True] **OR** ["M. Oil & Gas Exclusion policy applies to non-expansionist companies/projects with conditions" = True]} **AND** ["G. Oil & Gas Exclusion policy applies to expansionist companies/projects" = True] **AND** ["K. Oil & Gas Exclusion policy applies to expansionist companies/projects with conditions" =/= True] **AND** ["E. Oil & Gas Phase out target date is 2050 or earlier" = True] **AND** ["N. Fossil fuel policy coverage" = "All assets"]}}
Advanced	Has, for all fossil fuels, an exclusion policy on expansionist companies/projects and a comprehensive phase-out policy with a clear set timeline	**<u>Block 1: Does not hold any coal assets in its portfolio, or has a coal exclusion policy for expansionist companies/projects, and a coal phase-out target with a clear set timeline</u>** {["A. Coal-free portfolio" = True]

ASSESSMENT APPROACH		
		OR {{["F. Coal Exclusion policy applies to expansionist companies/projects" = True] **OR** ["J. Coal Exclusion policy applies to expansionist companies/projects with conditions" = True]} **AND** ["C. Coal Phase out target date in OECD countries is 2030 or earlier" = True] **AND** ["D. Coal Phase out target date globally is 2040 or earlier"= True] **AND** ["N. Fossil fuel policy coverage" =/= ""]}} **AND** **<u>Block 2: Does not hold any Oil & Gas assets in its portfolio, or has an Oil & Gas exclusion policy for expansionist companies/projects, and an Oil & Gas phase-out target with a clear set timeline</u>** {["B. Oil & Gas-free portfolio" = True] **OR** {{["G. Oil & Gas Exclusion policy applies to expansionist companies/projects" = True] **OR** ["K. Oil & Gas Exclusion policy applies to expansionist companies/projects with conditions" = True]} **AND** ["E. Oil & Gas Phase out target date is 2050 or earlier" = True] **AND** ["N. Fossil fuel policy coverage" =/= ""]}}
Progressing	Has a partial exclusion policy, and a partial phase-out policy with a clear set timeline, but only for some fossil fuels, or a divestment policy covering all assets	**<u>Block 1: Does not hold any coal assets in its portfolio, or has a partial coal exclusion policy and coal phase-out target with a clearly set timeline</u>** {["A. Coal-free portfolio" = True] **OR** {{["H. Coal Exclusion policy applies to non-expansionist companies/projects unconditionally" = True] **OR** ["L. Coal Exclusion policy applies to non-expansionist companies/projects with conditions" = True] **OR** ["F. Coal Exclusion policy applies to expansionist companies/projects" = True] **OR** ["J. Coal Exclusion policy applies to expansionist companies/projects with conditions" = True]} **AND** {["C. Coal Phase out target date in OECD countries is 2030 or earlier" = True] **OR** ["D. Coal Phase out target date globally is 2040 or earlier"= True]} **AND** ["N. Fossil fuel policy coverage" =/= ""]}}

ASSESSMENT APPROACH		
		OR **<u>Block 2: Does not hold any Oil & Gas assets in its portfolio, or has a partial Oil & Gas exclusion policy and Oil & Gas phase-out target with a clearly set timeline</u>** {["B. Oil & Gas-free portfolio" = True] **OR** {{["I. Oil & Gas Exclusion policy applies to non-expansionist companies/projects unconditionally" = True] **OR** ["M. Oil & Gas Exclusion policy applies to non-expansionist companies/projects with conditions" = True] **OR** ["G. Oil & Gas Exclusion policy applies to expansionist companies/projects" = True] **OR** ["K. Oil & Gas Exclusion policy applies to expansionist companies/projects with conditions" = True]} **AND** ["E. Oil & Gas Phase out target date is 2050 or earlier" = True] **AND** ["N. Fossil fuel policy coverage" =/= ""]}} **OR** **<u>Block 3: Has a divestment target covering all assets</u>** [“O. Fossil Fuel divestment target coverage” contains "All assets"; "Full"; "All fossil fuels”]
Emerging	Has a partial exclusion policy or has a phase-out policy with a stated coverage for coal or for oil & gas, or has a divestment coverage policy covering some assets	**<u>Block 1: Does not hold any coal assets in its portfolio, or has a partial coal exclusion policy or coal phase-out target with a clearly set timeline</u>** {["A. Coal-free portfolio" = True] **OR** {{["H. Coal Exclusion policy applies to non-expansionist companies/projects unconditionally" = True] **OR** ["L. Coal Exclusion policy applies to non-expansionist companies/projects with conditions" = True] **OR** ["F. Coal Exclusion policy applies to expansionist companies/projects" = True] **OR** ["J. Coal Exclusion policy applies to expansionist companies/projects with conditions" = True] **OR** [“P. Undefined Coal Phase-out policy adopted” = True] **OR** [“R. Undefined Coal Exclusion policy adopted” = True] **OR** ["C. Coal Phase out target date in OECD countries is 2030 or earlier" = True] **OR** ["D. Coal Phase out target date globally is 2040 or earlier"= True]} **AND** ["N. Fossil fuel policy coverage" =/= ""]}

ASSESSMENT APPROACH		
		OR **<u>Block 2: Does not hold any Oil & Gas assets in its portfolio, or has a partial Oil & Gas exclusion policy or Oil & Gas phase-out target with a clearly set timeline</u>** {["B. Oil & Gas-free portfolio" = True] **OR** {{["I. Oil & Gas Exclusion policy applies to non-expansionist companies/projects unconditionally" = True] **OR** ["M. Oil & Gas Exclusion policy applies to non-expansionist companies/projects with conditions" = True] **OR** ["G. Oil & Gas Exclusion policy applies to expansionist companies/projects" = True] **OR** ["K. Oil & Gas Exclusion policy applies to expansionist companies/projects with conditions" = True] **OR** [“Q. Undefined Oil & Gas Phase-out policy adopted” = True] **OR** [“S. Undefined Oil & Gas Exclusion policy adopted” = True] **OR** ["E. Oil & Gas Phase out target date is 2050 or earlier " = True]} **AND** ["N. Fossil fuel policy coverage" =/= ""]} **OR** **<u>Block 3: Has a divestment target covering some assets</u>** [“O. Fossil Fuel divestment target coverage” =/= “”]
Initial	Has weak or undefined fossil fuel restrictions.	[“A. Coal-free portfolio” = True] **OR** [“B. Oil & Gas-free portfolio” = True] **OR** [“C. Coal Phase-out target date in OECD countries is 2030 or earlier” = True] **OR** [“D. Coal Phase-out target date globally is 2040 or earlier” = True] **OR** [“E. Oil & Gas Phase-out target date is 2050 or earlier” = True] **OR** [“F. Coal Exclusion policy applies to expansionist companies/projects” = True] **OR** [“G. Oil & Gas Exclusion policy applies to expansionist companies/projects” = True] **OR** [“H. Coal Exclusion policy applies to non-expansionist companies/projects unconditionally” = True]

ASSESSMENT APPROACH		
		OR [“I. Oil & Gas Exclusion policy applies to non-expansionist companies/projects unconditionally” = True] **OR** [“J. Coal Exclusion policy applies to expansionist companies/projects with conditions” = True] **OR** [“K. Oil & Gas Exclusion policy applies to expansionist companies/projects with conditions” = True] **OR** [“L. Coal Exclusion policy applies to non-expansionist companies/projects with conditions” = True] **OR** [“M. Oil & Gas Exclusion policy applies to non-expansionist companies/projects with conditions” = True] **OR** [“N. Fossil fuel policy coverage” =/= “”] **OR** [“O. Fossil fuel divestment target coverage” =/= “”] **OR** [“P. Undefined Coal Phase-out policy adopted” = True] **OR** [“Q. Undefined Oil & Gas Phase-out policy adopted” = True] **OR** [“R. Undefined Coal Exclusion policy adopted” = True] **OR** [“S. Undefined Oil & Gas Exclusion policy adopted” = True] **OR** [“T. Undefined Fossil Fuel Policy” = True]
Planned	Commits to adopt a target	[“U. Commits to exclude/phase out thermal coal” = True]
No action	No evidence of target	N/A

2. IMPLEMENTATION ACTIONS

2.A INTERNAL ACCOUNTABILITY FRAMEWORKS

The indicator measures to what extent climate accountability and responsibilities are allocated to chief- and operations-level staff, whether dedicated person(s) responsible for climate change exist in the financial institution to coordinate climate action, as well as whether measures have been adopted to integrate climate-related skills and introduce incentives at the executive level.[62]

Crucially, as the climate crisis is inherently a long-term problem, incentive structures should be on a multi-year timeline to ensure that long-term growth trajectories embed climate-related considerations. Long-term incentives (LTIs) operate on a 3-5 year timeline, whereby the reward mechanism is typically in the form of stock options or performance-contingent shares. In contrast, short-term incentives (STIs) like annual cash bonuses operate on a 12-month time horizon. Frameworks suggest that STIs alone are insufficient in galvanizing leadership to ensure that financial institutions are dealing with climate change on a long-term basis.

This indicator aligns with the following commonly identified transition plan requirements: a) board/executive staff has oversight and responsibility for climate change, b) executive remuneration is linked to climate targets and c) board/executive staff have climate-related expertise.[63] Glasgow Financial Alliance for Net Zero (GFANZ) Transition Plan has Governance covering roles, responsibility, and remuneration as one of the themes in financial institutions' transition plans.[64] Full response under this indicator is aligned with frameworks such as Task Force on Climate-Related Financial Disclosures (TCFD),[65] Ceres Blueprint for Implementing a Leading Climate Transition Action Plan, [66] CDP Technical Note: Financial Services Transition

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[62] This indicator combines data points that reflect both responsibility and accountability. For example, some data points focus on board inclusion in decision-making processes, while others address board responsibility through mechanisms like remuneration. While these concepts are interconnected, they are distinct and should not be treated as one and the same. As many frameworks point out, by linking executive and management incentives to clear, climate-related KPIs, institutions can ensure that their personnel are aligned with both short- and long-term transition goals. It encourages senior management to prioritize sustainable, climate-conscious practices over short-term profits. This can involve tools such as deferred compensation, clawbacks, and variable remuneration tied to environmental objectives. This is backed up by frameworks and organizations such as:

- The Investor Agenda (2024). Guidance on Using the Investor Expectations Ladder. https://theinvestoragenda.org/wp-content/uploads/2021/05/guidance.pdf
- Finance Watch. 2024. Transition Planning for Insurers. Report-Transition-Planning-for-Insurers-Finance-Watch.pdf,
- ACT. 2024. Methodology. act_finance_investing_methodology_20240222.pdf
- GFANZ. 2022. Financial Institution Net-zero Transition Plans. https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf
- European Commission. 2023 ESRS E1. https://www.efrag.org/sites/default/files/sites/webpublishing/SiteAssets/ESRS%20E1%20Delegated-act-2023-5303-annex-1_en.pdf

As such, a full response requires executives to be included in climate decisions as well as held accountable through changes to remuneration—an essential step in holding executives truly responsible.

[63] CPI. 2026. From Frameworks to Action: Assessing Financial Institutions' Transition Plans with the NZFT. https://www.climatepolicyinitiative.org/publication/assessing-financial-institutions-transition-plans-with-the-nzft/

[64] GFANZ. 2022. Financial Institution Net-zero Transition Plans. https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf

[65] Governance Section Recommended Disclosures a) and b). TCFD Recommendation. 2021. https://www.fsb.org/uploads/P141021-4.pdf

[66] "Define roles, responsibilities, and accountability at various levels within and across the organization (including board and executive) that are tasked with implementing the company's just transition strategy. Define metrics to measure progress and ensure organizational and individual accountability." Ceres. 2024. Blueprint for implementing a leading climate transition plan. https://www.ceres.org/resources/reports/blueprint-for-implementing-a-leading-climate-transition-action-plan

Plans and Net Zero Commitments,[67] Transition Plan Taskforce (TPT),[68] International Sustainability Standards Board (ISSB).[69] Best practice recommendations also draw on the European Central Bank,[70] Glasgow Financial Alliance for Net Zero (GFANZ) Financial Institution Net-zero Transition Plans,[71] WWF Criteria,[72] Network for Greening the Financial System (NGFS),[73] OECD Guidance on Transition Finance: Ensuring Credibility of Corporate Transition Plans,[74] ACT Finance,[75] Net Zero Investment Framework 2.0 by IIGCC, [76] Center for Climate and Energy Solutions (C2ES), [77] and the Corporate Sustainability Reporting Directive (CSRD). [78]

Data Sources: CDP, CPI, Diligent, ECIU, ESG Book, FinanceMap, MSCI, Net-Zero Donut, PRB, PRI, TPI, WRI, WBA.

[67] "Demonstrates board-level oversight of the climate transition plan and defined governance mechanisms in place to ensure implementation of the plan." CDP Technical Note: Financial Services Transition Plans and Net Zero Commitments. 2026. https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/004/618/original/CDP-Technical-Note-FS-Transition-Plans-and-Net-Zero-Commitments.pdf?1685624752

[68] "5.1 Board oversight and reporting An entity shall disclose information about the governance body(s) (which can include a board, committee, or equivalent body charged with governance) or individual(s) responsible for oversight of the transition plan." Transition Plan Taskforce. 2024. Banks Sector Guidance. https://www.ifrs.org/content/dam/ifrs/knowledge-hub/resources/tpt/banks-sector-guidance-apr-2024.pdf

[69] Requires that an organization has board-level oversight of the climate transition plan and that there are defined governance mechanisms in place to ensure implementation of the plan. Relevant action for assessment: 1) Board level oversight, 2) Board expertise on climate-related issues, 3) Executive management accountability & feedback mechanism, 4) Executive management incentives linked to climate performance indicators. ISSB. 2023. https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s2-climate-related-disclosures.pdf?bypass=on

[70] "Governance structure should allow for top-down and bottom-up discussions involving all relevant functions, including the business lines." ECB. 2022. "Good Practice for Climate-related and Environmental Risk Management". https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.thematicreviewcercompendiumgoodpractices112022~b474fb8ed0.en.pdf

[71] "Governance- Roles, responsibilities, and remuneration Define roles for the Board or strategy oversight body and senior management ensuring they have ownership, oversight, and responsibility for the net-zero targets. Assign appropriate individuals and teams to all aspects of both design and delivery of the transition plan. Use remuneration incentives for all roles, where possible. Review the transition plan regularly to ensure material updates/developments are incorporated; challenges are reviewed as an opportunity to correct course; and implementation risks are properly managed." GFANZ. 2022. Financial Institution Net-zero Transition Plans. https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf

[72] "Establish clear governance structures for holding organizations to account for progress towards net zero and nature-positive targets, including clearly defined roles for board and senior management and dedicated staff responsible for overseeing delivery." WWF. 2022. Criteria for credible climate and nature transition plans for financial institutions. https://wwfint.awsassets.panda.org/downloads/wwf_credible_transition_final.pdf

[73] "Appropriate governance: articulation of executive boards' responsibility and accountability (including remuneration considerations) in the development, implementation, and monitoring of transition plan." Network for Greening the Financial System. 2024. Credible Transition Plans: The Micro-Prudential Perspective. https://www.ngfs.net/sites/default/files/media/2024/04/17/ngfs_credible_transition_plans.pdf

[74] "4.2.9 Element 9: Ensuring sound governance and accountability". OECD. 2022. OECD Guidance on Transition Finance: Ensuring Credibility of Corporate Climate Transition Plans. https://doi.org/10.1787/cdf8d357-en

[75] "The financial institution discloses that responsibility for climate change mitigation within the financial institution lies at the highest level of decision making within the financial institution structure." ACT. 2024. Methodology ACT Finance: Investing. https://actinitiative.org/wp-content/uploads/pdf/act_finance_investing_methodology_20240222.pdf

[76] "Establish an internal system to periodically monitor implementation of the net zero strategy in its ability to deliver net zero objectives (including reviewing and updating net zero objectives, strategy, and targets)." IIGCC. 2024. Net Zero Investment Framework 2.0. https://www.iigcc.org/hubfs/NZIF%202.0%20Report%20PDF.pdf

[77] "Accountability and transparency are central to effective climate governance in banks. To drive progress and reinforce responsibility, an increasing number of banks are linking executive compensation to climate-related KPIs such as financed emissions reductions, net-zero alignment of loan portfolios, or delivery of green financing targets. This alignment is recognized as a mechanism to enhance accountability and support long-term performance." C2ES. 2025. Navigating the Finance Sector Net Zero Transition. https://www.c2es.org/wp-content/uploads/2025/05/Navigating-the%E2%80%93Finance%E2%80%93Sector%E2%80%93Net-Zero-Transition-Levers-for-Decarbonizing-in-a-Complex-Landscape.pdf.

[78] "The undertaking shall disclose whether and how climate-related considerations are factored into the remuneration of members of the administrative, management and supervisory bodies, including if their performance has been assessed against the GHG emission reduction targets reported under Disclosure Requirement E1-4 and the percentage of the remuneration recognized in the current period that is linked to climate related considerations, with an explanation of what the climate considerations are". CSRD. 2023. ESRS E1. https://www.efrag.org/sites/default/files/sites/webpublishing/SiteAssets/ESRS%20E1%20Delegated-act-2023-5303-annex-1_en.pdf.

ASSESSMENT APPROACH		
Best Practice	Hired dedicated responsible investment staff, and there is evidence that the organization is accountable for climate change or transition at all levels, including climate-aligned incentives and measures to ensure competency on climate issues at the executive level.	**<u>Block 1: All levels of staff, including chief-level, are accountable for CC or transition</u>** {["A. Has dedicated responsible investment staff" = True] **AND** ["B. Board is accountable for CC or transition" = True] **AND** ["C. Chief-level staff is accountable for CC or transition" = True] **AND** ["D. Business-level staff is accountable for CC or transition" = True]} **AND** **<u>Block 2: Remuneration of chief-level staff is tied to long-term and short-term climate-specific KPIs</u>** {["E. Chief-level staff have a long-term incentive plan tied to climate or transition KPIs" = True] **AND** ["F. Chief-level staff have a short-term incentive plan tied to climate or transition KPIs" = True]} **AND** **<u>Block 3: There is climate competency at the board level, and evidence of climate-related capacity building throughout the organisation</u>** {["H. Board members have climate-related expertise or competency" = True] **OR** ["I. Has provided responsible investment training for staff and/or board-level members" = True]}
Advanced	Hired dedicated, responsible investment staff, and there is evidence that the organization is accountable for climate change at all levels, including climate-aligned incentives and some measures to ensure competency on climate issues at the executive level.	**<u>Block 1: All levels of staff, including chief-level, are accountable for CC or transition</u>** {["A. Has dedicated responsible investment staff" = True] **AND** ["B. Board is accountable for CC or transition" = True] **AND** ["C. Chief-level staff is accountable for CC or transition" = True] **AND** ["D. Business-level staff is accountable for CC or transition" = True]}

ASSESSMENT APPROACH		
		AND **<u>Block 2: Remuneration of chief-level staff is tied to climate or responsible investment incentive plans</u>** {[“E. Chief-level staff have a long-term incentive plan tied to climate or transition KPIs” = True] **OR** [“F. Chief-level staff have a short-term incentive plan tied to climate or transition KPIs” = True] **OR** [“G. Chief-level staff’s executive compensation is linked to responsible investment” = True]} **AND** **<u>Block 3: there is climate competency at the board level, or evidence of climate-related capacity building throughout the organisation</u>** {[“H. Board members have climate-related expertise or competency” = True] **OR** [“I. Has provided responsible investment training for staff and/or board-level members” = True]}
Progressing	Hired dedicated responsible investment staff, some levels of staff are accountable for CC and there is some evidence of remuneration being linked to CC or responsible investment.	**<u>Block 1: There is dedicated responsible investment staff and some levels of staff are accountable for CC or transition</u>** [“A. Has dedicated responsible investment staff” = True] **AND** {[“B. Board is accountable for CC or transition plan” = True] **OR** [“C. Chief-level and management-level staff is accountable for CC or transition plan” = True] **OR** [“D. Business-level staff is accountable for CC or transition plan” = True]} **AND** **<u>Block 2: Remuneration of chief-level staff is tied to climate or responsible investment incentive plans</u>** {[“E. Chief-level staff have a long-term incentive plan tied to climate or transition KPIs” = True] **OR** [“F. Chief-level staff have a short-term incentive plan tied to climate or transition KPIs” = True] **OR**

ASSESSMENT APPROACH		
		["G. Chief-level staff's executive compensation is linked to responsible investment" = True]}
Emerging	Hired dedicated, responsible investment staff, and there is evidence that part of the organization is accountable for climate change, has climate-aligned incentives, or has climate-related competency.	**<u>Block 1: There is dedicated responsible investment staff</u>** ["A. Has dedicated responsible investment staff" = True] **AND** **<u>There is some accountability or incentives or competency for CC or transition at various staff levels</u>** {["B. Board is accountable for CC or transition plan" = True] **OR** ["C. Chief-level staff is accountable for CC or transition plan" = True] **OR** ["D. Business-level staff is accountable for CC or transition plan" = True] **OR** ["E. Chief-level staff have a long-term incentive plan tied to climate or transition KPIs" = True] **OR** ["F. Chief-level staff have a short-term incentive plan tied to climate or transition KPIs" = True] **OR** ["G. Chief-level staff's executive compensation is linked to responsible investment" = True] **OR** ["H. Board members have climate-related expertise or competency" = True] **OR** ["I. Has provided responsible investment training for staff and/or board-level members" = True]}
Initial	First measures introduced to increase accountability	["A. Has dedicated responsible investment staff" = True] **OR** ["B. Board is accountable for CC or transition plan" = True] **OR** ["C. Chief-level staff is accountable for CC or transition plan" = True] **OR** ["D. Business-level staff is accountable for CC or transition plan" = True] **OR** ["E. Chief-level staff have a long-term incentive plan tied to climate or transition KPIs"] **OR** ["F. Chief-level staff have a short-term incentive plan tied to climate or transition KPIs" = True]

ASSESSMENT APPROACH		
		OR [“G. Chief-level staff's executive compensation is linked to responsible investment” = True] **OR** [“H. Board members have climate-related expertise or competency” = True] **OR** [“I. Has provided responsible investment training for staff and/or board-level members” = True]
Planned	Commits to adopt measures to increase accountability	[“J. Commits to integrate sustainability principles in governance” = True]
No action	No evidence of action	N/A

2.B SHAREHOLDER AND CLIENT ENGAGEMENT

Ownership of shares or debt obligations comes with a certain amount of alleged control or at least with a platform that can be used to convince or help management to decarbonize.[79] This indicator measures whether the financial institution engages portfolio companies or clients on climate action.

Positive engagement activities are measured by evidence of exercising shareholder authority and voting rights.[80] For this assessment, we have applied sector-specific scoring rules to recognize that banks do not typically have shareholder voting rights and are therefore unable to engage and escalate via voting. All other types of financial institutions in the NZFT database are assumed to possess voting rights and are therefore assessed on whether they have conducted climate-positive voting.

Firstly, votes cast in favor of pro-climate proposals are categorized as positive climate action.[81] A pro-climate shareholder proposal seeks to strengthen or preserve climate action, disclosure or accountability—for example, through emissions targets, transition plans or climate-lobbying disclosure; an anti-climate request seeks to weaken, delay or reverse these measures. The pro-climate voting percentage is aggregated and displayed as a bar chart on the Net Zero Finance Tracker dashboard.

Beyond shareholder proposals, votes cast against inadequate Say on Climate management proposals and management items like director elections are increasingly important channels for investors to signal their views on a company's steps towards decarbonization.[82] These two voting metrics are especially crucial to consider due to the evolving shareholder landscape in jurisdictions where shareholder proposals are more likely to be excluded from proxy ballots due to regulations allowing corporates to exclude shareholder proposals without regulatory approval and unless financially material for the organization. In addition, this indicator looks at the pre-disclosure of voting intentions prior to AGMs and the disclosure of voting rationales as these are powerful tools to amplify investor influence.

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[79] Täger M., K. Dittrich, J. Kob. "A call for clarity: what is finance's theory of (climate) change?" Blog: The Climate Finance Dispatch. https://warwick.ac.uk/fac/soc/wbs/research/ikon/research/climate-finance/blog/#issue8

[80] For financial institutions which split their votes for a specific proposal across funds, their overall position on the specific proposal is determined by taking the simple majority of their votes. A 50/50 split receives no pro-climate credit. If the majority of an investor's funds have opposed a proposal, this will be taken as their overall position.

[81] We identify all shareholder proposals in three Diligent Market Intelligence (DMI) categories: "SHP Regarding Climate Change [S]", "Adopt Say on Climate Vote [S]", and "SHP Regarding Climate Lobbying [S]". Investors' published voting rationales, their written explanations for why they voted a particular way, for shareholder proposals are screened to identify pro-climate versus anti-climate resolutions. The keyword search employed to screen rationales includes terms such as "climate change," "greenhouse gases," "emissions," "net zero," "transition plan," "fossil fuels," "climate risk" and "climate lobbying," alongside multilingual variants and wording opposing climate action. For the final shareholder voting metric, we apply the curated anti-climate/bad-faith exclusion list to the three DMI categories. All available fund-vote records for that investor/proposal are equally weighted, excluding explicit "did not vote" records. Split, blank, and unrecognized votes remain included in the total list of relevant votes. For these selected proposals, the qualifying vote is FOR.

[82] Management proposals may include votes on company climate plans, director elections or other management matters. Voting rationales are similarly screened using the same keyword search as for shareholder proposals. For management proposals, a qualifying fund record must combine: a vote of AGAINST, ABSTAIN or WITHHOLD; and a rationale showing that climate concern is the main reason, or one substantive reason, for that same vote. A large language model assesses whether the voting rationale clearly identifies and references shortcomings in climate action, targets, disclosure, oversight, transition plans or climate-risk management. The assessment must be supported by the wording of the rationale. Simple climate references are not enough; there must be a causality between the vote and a climate concern. The list of specific management proposals that shareholders are expected to vote against for climate-positive reasons was curated by identifying investor consensus on when a management proposal was opposed for climate-positive reasons using a combination of the number of investors opposing and their AUM. Consensus is assumed to exist if any of these thresholds are met: 3 investors with at least USD 5tn combined AUM, 5 with at least USD 1tn combined AUM, or 10 with at least USD 500bn combined AUM. This allows for either a few big investors to oppose, or many smaller ones.

Crucially, voting is not the only form of engagement in a shareholder's capacity.[83] Voting is typically seen as a strong escalation mechanism when dialogue has been unsuccessful. Therefore, this indicator captures evidence of dialogue prior to voting. Moreover, in the case of most banks, for which voting is not a viable engagement channel, assessing the disclosure of engagement efforts such as direct dialogue through meetings, letters with management or boards about climate strategy, or setting financing/lending conditions linked to climate KPIs ensures a more holistic assessment.

This indicator aligns with the following commonly identified transition plan requirements: a) engagement with clients and portfolio companies, b) engagement targets are set, c) engagement strategies contain escalation policies, and d) voting and shareholder rights are leveraged to support engagement objectives.[84]

Best practice under this indicator is aligned with frameworks including GFANZ Financial Institution Net-zero Transition Plans,[85] UN HLEG Recommendation,[86] ACT Finance,[87] NZAM,[88] CDP Technical Note on Financial Services Transition Plans and Net Zero Commitments,[89] CSRD ESRS E1 Climate Change,[90] OECD Guidance on Transition Finance,[91] Ceres Blueprint for Implementing a Leading Climate Transition Action Plan,[92] WWF Criteria for credible climate and nature transition plans for financial institutions,[93] PRB's Responsible Banking Blueprint,[94] PRI

[83] It is crucial for financial institutions to establish and demonstrate a clear, ambitious engagement strategy. This can be evidenced through an engagement policy that includes an escalation process or by setting specific engagement targets. An escalation strategy enhances accountability by setting clear expectations, milestones, and practical consequences if targets are not met. Frameworks like that of the WWF emphasize the importance of escalation strategies that outline progressively restrictive sanctions, up to and including ending financial relationships, along with clear timelines and criteria for each step. The WWF recommends milestone reviews at 6, 12, and 24 months, culminating in divestment if progress is insufficient. Similarly, the PRI emphasizes criteria-based engagement strategies and escalation policies for non-aligned assets. The NZIF recommends targeting at least 70% of financed emissions in material sectors for engagement, with this threshold increasing to 90% by 2030. The NZAOA reports that 81 out of 88 members have already set engagement targets, demonstrating a structured and strategic shareholder engagement approach. Incorporating these elements ensures that financial institutions adopt meaningful, measurable, and accountable engagement strategies, enhancing their alignment with net-zero goals and their ability to drive tangible change.

[84] CPI. 2026. From Frameworks to Action: Assessing Financial Institutions' Transition Plans with the NZFT. https://www.climatepolicyinitiative.org/publication/assessing-financial-institutions-transition-plans-with-the-nzft/

[85] "Engagement strategy - Engagement with clients and portfolio companies: Proactively and constructively provide feedback and support to clients and portfolio companies to encourage net zero-aligned transition strategies, plans, and progress with an escalation framework with consequences when engagement is ineffective." GFANZ Financial Institution Net-zero Transition Plans. 2022. https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf

[86] "Recommendation 4: Include voting (especially proxy) strategies in line with decarbonization and escalation policies". UN HLEG. 2022. Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions. https://www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf

[87] "Module 7: Investee engagement: The financial institution has an engagement strategy, ideally governed by policy and integrated into financial attribution and climate strategy, to influence, enable, or otherwise shift investee companies' strategy, business model and activities in order to reduce GHG emissions". ACT Finance-Investing. 2024. https://actinitiative.org/wp-content/uploads/pdf/act_finance_investing_methodology_20240222.pdf

[88] NZAM. 2026. The Net Zero Asset Managers Commitment. https://www.netzeroassetmanagers.org/commitment/

[89] "Value chain engagement plays a significant role in realizing a climate transition plan. Value chain engagement should include time-bound KPIs," CDP. 2023. CDP Technical Note on Financial Services Transition Plans and Net Zero Commitments. https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/004/782/original/CDP-Technical-Note-FS-Transition-Plans-and-Net-Zero-Commitments.pdf

[90] Disclosure Requirement SBM-2 – Interests and views of stakeholders

[91] "Moreover, the transition plan will be linked to the company's purchasing plan for engagement with suppliers, the marketing/sales plan for the engagement with customers, as well as be linked to the policy/advocacy plan, for the engagement with trade unions, industry associations, and policymakers". OECD Guidance on Transition Finance: Ensuring Credibility of Corporate Climate Transition Plans. 2022. https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/10/oecd-guidance-on-transition-finance_ac701a44/7c68a1ee-en.pdf

[92] "Integration of climate risks and opportunities into core business strategy and external engagement" with "meaningful metrics for measuring and communicating the results of engagement efforts". Ceres. 2024. Blueprint for Implementing a Leading Climate Transition Action Plan. https://www.ceres.org/resources/reports/blueprint-for-implementing-a-leading-climate-transition-action-plan

[93] "Develop credible and publicly disclosed engagement strategies." WWF. 2022. Criteria for credible climate and nature transition plans for financial institutions https://wwfint.awsassets.panda.org/downloads/wwf_credible_transition_final.pdf

[94] "Has been engaging corporate clients on their targets, action and transition plans, initially focusing on key clients in key sectors and over time expanding to all clients in relevant sectors, following an overarching client engagement strategy that has sustainability topics integrated. Supports its clients in identifying and materializing circular opportunities in its business and value chain". UNEP FI. 2024. UN Principles for Responsible Banking. Vision for a Sustainable Banking Sector. https://www.unepfi.org/wordpress/wp-content/uploads/2024/10/PRB_Responsible-Banking-Blueprint.pdf

Stewardship for Sustainability,[95] TPT,[96] NZIF 2.0,[97] TCFD [98], Rezonanz Stewardship Field Guide, [99] IIGCC Net Zero Stewardship Toolkit,[100] IIGCC Net Zero Voting Guidance,[101] European Central Bank Good practices for climate-related and environmental risk management,[102] TPI Net Zero Banking Assessment Framework, [103] The University of Cambridge Institute for Sustainability Leadership's (CISL) Banking Environment Initiative's guide to bank-client engagement, [104] Reclaim Finance: Financial Institutions' transition plans: How to drive real-economy decarbonization,[105] Finance Watch Safe Transition Planning for Banks[106] and Insurers, [107] and the UK Stewardship Code 2026.[108]

Data Sources: CDP, Climate Action 100+, CPI, FinanceMap, Diligent, MSCI, Net Zero Donut, NZAM, NZAOA, NZIA, PAAO, PRB, PRI, PSI, SBTi, ShareAction, TPI, WBA

[95] "For the Investee stewardship, the advanced level is: Some priority investees have made progress against the milestones communicated by the strategy, and the strategy can demonstrate that it has engaged in stewardship activities to contribute to this progress. For any priority investees that did not meet their milestones, the strategy either used escalation measures within one year of the milestone being missed, or explained why it did not do so". PRI Stewardship for Sustainability Evaluation Tool. 2023. https://www.unpri.org/download?ac=19336

[96] "For financial services entities this may include engagement and, where relevant, other stewardship activities, with investee companies". TPT Disclosure Framework. 2023. https://transitiontaskforce.net/wp-content/uploads/2023/10/TPT_Disclosure-framework-2023.pdf

[97] "Engage with existing and potential clients to encourage uptake of net zero investment strategies and products, provide research and analysis to support climate risk assessment and net zero investing". IIGCC. 2024. NZIF 2.0. https://www.iigcc.org/hubfs/2024%20resources%20uploads/IIGCC_NZIF%202.0_consultation_2024.pdf

[98] TCFD suggests that institutions should describe "engagement activity with investee companies to encourage better disclosure and practices related to climate-related risks in order to improve data availability and asset managers' ability to assess climate-related risks". TCFD. 2021. "Supplemental Guidance for the Financial Sector." https://www.fsb.org/uploads/P141021-4.pdf

[99] This guide presents a list of 19 solutions that investors can adopt to exert their influence on portfolio companies, pertaining to voting and escalation strategies. Rezonanz, 2025. The Stewardship Field Guide. https://cdn.prod.website-files.com/66f2c0b2b4727c2b8cb16473/68e63bd8855a08b882190648_rezonanz_StewardshipFieldGuide_2025-Edition_Octoberfinal.pdf

[100] This toolkit provides detailed guidance on voting policy and escalation practices. IIGCC. 2022. Net Zero Stewardship Toolkit. https://www.iigcc.org/hubfs/Past%20resource%20uploads/IIGCC%20Net%20Zero%20Stewardship%20Toolkit.pdf

[101] IIGCC. 2024. Net Zero Voting Guidance. https://www.iigcc.org/hubfs/2024%20resources%20uploads/IIGCC%2001%202024%20Net%20Zero%20Voting%20v5.pdf

[102] "3.2 Strategic steering tools: Institutions use client engagement as a steering tool to implement their strategic approaches to managing transition risk. They enter into a structured dialogue with clients subject to elevated transition risks to steer them towards a trajectory that is aligned with the institution's envisaged portfolio pathways. To this end, institutions take clients' transition plans into account. 3.2.1 Good practice for client engagement". European Central Bank. 2022. Good practices for climate related and environmental risk management: Observations from the 2022 thematic review. https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.thematicreviewcercompendiumgoodpractices112022~b474fb8ed0.en.pdf

[103] Indicator 5.1.1 Financing conditions for high-emission sectors: Has the bank disclosed actions taken to ensure that financing conditions and/or covenants are enforced (e.g., developing a watch list, suspending loan disbursement, risk-weighted pricing incentives)? Indicator 5.1.3 Asset management strategy to increase portfolio alignment: Have the bank's asset management and/or wealth management divisions disclosed their strategy to increase portfolio alignment? a. Has the bank's asset management division disclosed a criteria-based escalation policy for voting and engagement with non-aligned assets? TPI. 2025. Net Zero Banking Assessment Framework. https://www.transitionpathwayinitiative.org/publications/uploads/2024-tpi-centre-banking-assessment-framework-methodology-note.pdf

[104] Guidance on bank-client engagement. The University of Cambridge Institute for Sustainability Leadership's (CISL) Banking Environment Initiative. 2021. Let's Discuss Climate: The essential guide to bank-client engagement. https://www.cisl.cam.ac.uk/resources/sustainable-finance-publications/lets-discuss-climate-the-essential-guide-to-bank-client-engagement

[105] "Step 3: Public and private engagement strategy. Engagement strategies are a prominent part of the decarbonization strategy of financial institutions. While engagement has long been used by investors, it is also relevant to banks and insurers." (p16). Reclaim Finance. 2024. Financial Institutions' Transition Plans: How to drive real-economy decarbonization. https://reclaimfinance.org/site/wp-content/uploads/2024/12/Financial-institutions-transition-plans-how-to-drive-real-economy-decarbonization-report.pdf

[106] "Engagement actions for shareholders would, for example, consist of using voting rights to push investee companies toward more sustainable behaviors while lenders, insurers and private investors can influence companies by imposing conditions and covenants in the financing agreements". Finance Watch. 2024. Safe transition planning for banks. https://www.finance-watch.org/wp-content/uploads/2024/10/20241017_Policy-Brief_Safe-transition-planning-for-banks_Final.pdf

[107] "Formulate transparent investment and underwriting policies that encompass engagement procedures and are subject to identifiable milestones against which progress can be measured, alongside short (1–3 years), medium (3–5 years), and long term (5–10 years and beyond) targets. .... Disclosure on engagement efforts should provide a clear overview of the scope of engagement, the types of engagement, sectors and asset classes engaged with, and the outcomes, if measurable, of the engagement with the counterparties." FinanceWatch. 2024. Safe transition planning for insurers. https://www.finance-watch.org/wp-content/uploads/2024/03/Report-Transition-Planning-for-Insurers-Finance-Watch.pdf

[108] The UK Stewardship Code 2026. 2025. https://media.frc.org.uk/documents/UK_Stewardship_Code_2026.pdf

ASSESSMENT APPROACH		
Best Practice	Strong evidence of pro-climate voting across various channels and engagement on climate for all tracked activities. A clear and ambitious engagement strategy is disclosed.	**<u>Block 1 (For the relevant FIs): there is a lot of evidence of pro-climate voting using various channels, with pre-disclosures or voting rationales disclosed</u>** {["A. Percentage of votes cast in favor of pro-climate shareholder resolutions" > 90%] **AND** ["B. Percentage of votes against inadequate say on climate management proposals out of relevant votes" > 50%] **AND** ["C. Percentage of votes against management items/directors for climate-related reasons out of relevant votes" > 50%] **AND** {["D. Has disclosed pro-climate voting rationale" = True] **OR** ["E. Has made a pre-disclosure of voting intention" = True] **OR** ["F. Number of filings/co-filings of pro-climate shareholder proposals" >= 1]}} **AND** **<u>Block 2 (For the relevant FIs): the organization transparently discloses voting and voting policy</u>** ["G. Discloses voting records annually" = True] **AND** ["H. Adopts and discloses a voting policy linked to climate stewardship objectives" = True] **AND** **<u>Block 3: the organization has an ambitious and clear engagement and escalation strategy, with evidence of deploying it</u>** ["I. Engagement strategy includes engagement target/focus" = True] **AND** ["J. Engagement strategy includes objective/intended outcome" = True] **AND** ["L. Engagement strategy contains escalation strategy" = True] **AND**

ASSESSMENT APPROACH		
		["M. Discloses number of companies that have been engaged with/number of engagement meetings that have been held" = True] **AND** ["N. Discloses engagement mechanisms/ escalation tools deployed within past year" = True] **AND** ["P. Engages collaboratively" = True] **AND** **<u>Block 4 (For the relevant FIs): the organization discloses use of proxy advisor</u>** ["Q. Discloses use of proxy advisor" = True]
Advanced	Indications of some pro-climate voting and indications of positive engagement. Aspects of a credible engagement strategy are present.	**<u>Block 1 (For the relevant FIs): there's some evidence of pro-climate voting with stakeholders/clients regarding business practices</u>** {["A. Percentage of votes cast in favor of pro-climate shareholder resolutions" > 75%] **AND** {["B. Percentage of votes against inadequate say on climate management proposals out of relevant votes" > 50%] **OR** ["C. Percentage of votes against management items/directors for climate-related reasons out of relevant votes" > 50%]} **AND** {["D. Has disclosed pro-climate voting rationale" = True] **OR** ["E. Has made a pre-disclosure of voting intention" = True] **OR** ["F. Number of filings/co-filings of pro-climate shareholder proposals" >= 1]}} **AND** **<u>Block 2 (For the relevant FIs): the organization transparently discloses voting or voting policy</u>** {["G. Discloses voting records annually" = True] **OR** ["H. Adopts and discloses a voting policy linked to climate stewardship objectives" = True]}

ASSESSMENT APPROACH		
		AND **<u>Block 3: the organization has aspects of an ambitious engagement strategy</u>** {["I. Engagement strategy includes engagement target/focus" = True] **OR** ["J. Engagement strategy includes objective/intended outcome" = True] **OR** ["L. Engagement strategy contains escalation strategy" = True]} **AND** **<u>Block 4: there's evidence of positive engagement with stakeholders/clients regarding business practices</u>** ["M. Discloses number of companies that have been engaged with/number of engagement meetings that have been held" = True] **AND** {["N. Discloses engagement mechanisms/ escalation tools deployed within past year" = True] **OR** ["P. Engages collaboratively" = True]} **AND** **<u>Block 5 (For the relevant FIs): the organization discloses outsourcing of voting</u>** ["Q. Discloses use of proxy advisor" = True]
Progressing	Indications of some pro-climate voting for tracked activities and indications of positive engagement for tracked activities. An engagement strategy is present and possible evidence of positive engagement.	**<u>Block 1 (For the relevant FIs): evidence of pro-climate voting using various channels or pre-disclosures or voting rationales disclosed or filing of pro-climate shareholder proposals</u>** {["A. Percentage of votes cast in favor of pro-climate shareholder resolutions" > 50%] **OR** ["B. Percentage of votes against inadequate say on climate management proposals out of relevant votes" > 25%] **OR**

ASSESSMENT APPROACH		
		["C. Percentage of votes against management items/directors for climate-related reasons out of relevant votes" > 25%] **OR** ["D. Has disclosed pro-climate voting rationale" = True] **OR** ["E. Has made a pre-disclosure of voting intention" = True] **OR** ["F. Number of filings/co-filings of pro-climate shareholder proposals" >= 1]} **AND** **<u>Block 2 (For the relevant FIs): the organization transparently discloses voting or voting policy</u>** {["G. Discloses voting records annually" = True] **OR** ["H. Adopts and discloses a voting policy linked to climate stewardship objectives" = True]} **AND** **<u>Block 3: the organization has set out an engagement strategy</u>** {["I. Engagement strategy includes engagement target/focus" = True] **OR** ["J. Engagement strategy includes objective/intended outcome" = True] **OR** ["K. Has an engagement policy" = True] **OR** ["L. Engagement policy contains escalation strategy" = True]} **AND** **<u>Block 4: there is some evidence of engagement/escalation</u>** {["M. Discloses number of companies that have been engaged with/number of engagement meetings that have been held" = True] **OR** ["N. Discloses engagement mechanisms/ escalation tools deployed within past year" = True]

ASSESSMENT APPROACH		
		OR [“O. Engaged to drive climate-related behavior in investees/clients” = True] **OR** [“P. Engages collaboratively” = True]} **AND** **<u>Block 5 (For the relevant FIs): the organization discloses use of proxy advisor</u>** [“Q. Discloses use of proxy advisor” = True]
Emerging	Indications of some pro-climate voting for tracked activities. An engagement strategy is present.	**<u>Block 1 (For the relevant FIs): evidence of pro-climate voting using various channels or pre-disclosures or voting rationales disclosed or filing of pro-climate shareholder proposals</u>** {[“A. Percentage of votes cast in favor of pro-climate shareholder resolutions” > 25%] **OR** [“B. Percentage of votes against inadequate say on climate management proposals out of relevant votes” > 0%] **OR** [“C. Percentage of votes against management items/directors for climate-related reasons out of relevant votes” > 0%] **OR** [“D. Has disclosed pro-climate voting rationale” = True] **OR** [“E. Has made a pre-disclosure of voting intention” = True] **OR** [“F. Number of filings/co-filings of pro-climate shareholder proposals” >= 1]} **AND** **<u>Block 2 (For the relevant FIs): the organization transparently discloses voting or voting policy</u>** {[“G. Discloses voting records annually” = True] **OR** [“H. Adopts and discloses a voting policy linked to climate stewardship objectives” = True]} **AND**

ASSESSMENT APPROACH		
		<u>Block 3: the organization has set out an engagement strategy or conducted engagement</u> {[“I. Engagement strategy includes engagement target/focus” = True] **OR** [“J. Engagement strategy includes objective/intended outcome” = True] **OR** [“K. Has an engagement policy” = True] **OR** [“L. Engagement policy contains escalation strategy” = True]} **OR** [“M. Discloses number of companies that have been engaged with/number of engagement meetings that have been held” = True] **OR** [“N. Discloses engagement mechanisms/ escalation tools deployed within past year” = True] **OR** [“O. Engaged to drive climate-related behavior in investees/clients” = True] **OR** [“P. Engages collaboratively” = True]}
Initial	Has taken first steps at pro-climate voting or engagement, or has set out the terms of their voting/engagement policy.	[“A. Percentage of votes cast in favor of pro-climate shareholder resolutions” > 0%] **OR** [“B. Percentage of votes against inadequate say on climate management proposals out of relevant votes” > 0%] **OR** [“C. Percentage of votes against management items/directors for climate-related reasons out of relevant votes” > 0%] **OR** [“D. Has disclosed pro-climate voting rationale” = True] **OR** [“E. Has made a pre-disclosure of voting intention” = True] **OR** [“F. Number of filings/co-filings of pro-climate shareholder proposals” >= 1] **OR** [“G. Discloses voting records annually” = True] **OR** [“H. Adopts and discloses a voting policy linked to climate stewardship objectives” = True] **OR**

ASSESSMENT APPROACH		
		["I. Engagement strategy includes engagement target/focus" = True] **OR** ["J. Engagement strategy includes objective/intended outcome" = True] **OR** ["K. Has an engagement policy" = True] **OR** ["L. Engagement policy contains escalation strategy" = True] **OR** ["M. Discloses number of companies that have been engaged with/number of engagement meetings that have been held" = True] **OR** ["N. Discloses engagement mechanisms/ escalation tools deployed within past year" = True] **OR** ["O. Engaged to drive climate-related behavior in investees/clients" = True] **OR** ["P. Engages collaboratively" = True] **OR** ["Q. Discloses use of proxy advisor" = True]
Planned	Commits to engage	["R. Commits to engage on CC or sustainable practices" = True]
No action	No evidence of action	N/A

2.C POLICY ENGAGEMENT

This indicator describes the commitment to and level of engagement/lobbying by financial institutions with government and industry representatives on climate change in a way that encourages, and does not oppose, the climate transition. This requires regulators and supervisors to approve laws and policies that help align profitability with climate goals and remove barriers to climate-friendly investment.[109]

Positive engagement activities are measured by evidence of engagement with governments or regulators on climate-related policies via different channels of engagement, with no evidence of negative actions that oppose the transition.[110] The first channel involves financial institutions directly engaging with policymakers by responding to consultations, participating in working groups organised by policymakers and submitting written inquiries. The second channel involves engaging with policymakers indirectly – by participating in collective engagement efforts organised by trade associations or coalitions, or via other intermediary organisations or individuals, for example by funding thinktanks or NGOs.

This indicator tracks whether financial institutions show support for two key climate-related policy themes. Firstly, finance sector focused regulations, including the use of reporting standards and taxonomies, as well as prudential regulation. Secondly, real economy focused policies such as those related to carbon tax, emissions trading, carbon technologies, and more.

Additionally, to ensure full accountability, financial institutions must implement robust oversight of their direct and/or indirect policy engagement. This requires systematic alignment audits of trade associations and coalitions. Best practice entails not only identifying potential policy misalignments but also having a strategy or showing evidence of the specific escalation and corrective actions taken to resolve these misalignments.

Based on CPI's review of transition plans, this indicator aligns with the following commonly identified transition plan requirements: a) directly engages with policy makers, b) collectively engages through collaborative initiatives.[111]

Best practice under this indicator is aligned with frameworks such as ACT,[112] United Nations High-Level Expert Group (HLEG) Recommendation,[113] Glasgow Financial Alliance for Net Zero

[109] Täger M, Dittrich K, Kob J. 2023. "A call for clarity: what is finance's theory of (climate) change?" Blog: The Climate Finance Dispatch. https://warwick.ac.uk/fac/soc/wbs/research/ikon/research/climate-finance/blog/#issue8

[110] If an FI shows evidence of both positive and negative engagement action, it is classified as showing 'Mixed Action'.

[111] CPI. 2026. From Frameworks to Action: Assessing Financial Institutions' Transition Plans with the NZFT. https://www.climatepolicyinitiative.org/publication/assessing-financial-institutions-transition-plans-with-the-nzft/

[112] "Module 8.1 -8.3: The financial institution has a policy on what action to take when associations, alliances, coalitions or thinktanks of which it is a member or to which it provides support are found to be opposing "climate-friendly" policies… The financial institution is not on the Board of, providing funding beyond membership to, or otherwise supporting any associations, alliances, coalitions or thinktanks that have climate-negative activities or positions. The financial institution is not opposed to any significant climate relevant policy and/or supports climate-friendly policies. The financial does not lobby for policies detrimental to climate." ACT Finance - Investing. 2024. https://actinitiative.org/wp-content/uploads/pdf/act_finance_investing_methodology_20240222.pdf

[113] "Recommendation 6: Aligning Lobby and Advocacy: Non-state actors must align their external policy and engagement efforts, including membership in trade associations, to the goal of reducing global emissions by at least 50% by 2030 and reaching net zero by 2050. This means lobbying for positive climate action and not lobbying against it". United Nations High-Level Expert Group. 2022. Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions. https://www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf

(GFANZ) Financial Institution Net-zero Transition Plans,[114] Transition Plan Taskforce (TPT),[115] World Wide Fund for Nature (WWF),[116] Principles for Responsible Banking (PRB),[117] CDP Technical Note on Financial Services Transition Plans and Net Zero Commitments,[118] OECD Guidance on Transition Finance,[119] Ceres Guidance on Transition Blueprint for Implementing a Leading Climate Transition Action Plan,[120] ISO Net Zero Guidelines,[121] Net Zero Investment Framework (NZIF) 2.0,[122] TPI,[123] and The Global Standard on Responsible Climate Lobbying.[124]

Data Sources: BEI, CDP, CPI, FinanceMap, Investor Agenda, Occupational Pensions Stewardship Council, Net Zero Donut, NZAM, NZAOA, NZIA, PAAO, PRI, PSI, WMB, ShareAction: Asset Manager

[114] "Engagement strategy - Direct and indirect lobbying and public-sector engagement should, in a consistent manner, support an orderly transition to net zero, and as appropriate, encourage consistency of clients' and portfolio companies' lobbying and advocacy eff-orts with the institution's own net-zero objectives". GFANZ Financial Institution Net-zero Transition Plans. 2022. https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf

[115] "Engagement with industry/Engagement with government, public sector, communities, and civil society". TPT Disclosure Framework. 2023. https://transitiontaskforce.net/wp-content/uploads/2023/10/TPT_Disclosure-framework-2023.pdf

[116] "Develop credible and publicly disclosed engagement strategies as one of the predominant avenues to achieving (sub)portfolio targets, across all affected stakeholder groups, including clients and portfolio companies, policy makers, industry peers and service providers." WWF. Criteria for credible climate and nature transition plans for financial institutions. 2022. https://wwfint.awsassets.panda.org/downloads/wwf_credible_transition_final.pdf

[117] "has been advocating for an enabling sustainable finance policy environment and has been following a uniform policy approach in line with the bank's sustainability commitment across all advocacy activities the bank is involved in, including lobbying groups and trade associations." PRB Responsible Banking Blueprint. 2024. https://www.unepfi.org/wordpress/wp-content/uploads/2024/10/PRB_Responsible-Banking-Blueprint.pdf

[118] "Demonstrates that an organization's public policy engagement aligns with its climate commitments and strategy, including direct policy engagement and lobbying." CDP Technical Note: Financial Services Transition Plans and Net Zero Commitments. Version 3.0. 2026. https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/004/618/original/CDP-Technical-Note-FS-Transition-Plans-and-Net-Zero-Commitments.pdf?1685624752

[119] "Moreover, the transition plan will be linked to the company's purchasing plan for engagement with suppliers, the marketing/sales plan for the engagement with customers as well as be linked to the policy/advocacy plan, for the engagement with trade unions, industry associations, and policymakers." OECD Guidance on Transition Finance. 2022. https://www.oecd.org/en/publications/oecd-guidance-on-transition-finance_7c68alee-en.html

[120] "Integration of climate risks and opportunities into core business strategy and external engagement". Ceres. 2024. Blueprint for Implementing a Leading Climate Transition Action Plan. https://www.ceres.org/resources/reports/blueprint-for-implementing-a-leading-climate-transition-action-plan

[121] "Advocate and support climate policy and legislation and take action to ensure it is not involved (directly or indirectly) in lobbying against climate ambition" ISO Net Zero Guidelines. 2022. https://www.iso.org/obp/ui/en/#iso:std:iso:iwa:42:ed-1:v1:en

[122] "Participate in policy advocacy (directly or collectively) to international, national and sub-national policymakers for the economic policies and regulations required to achieve net zero objectives. Participate in regulator-industry initiatives to develop voluntary and mandatory standards of transition plans and other disclosures, such as Paris-aligned accounts". The Institutional Investors Group on Climate Change. 2024. NZIF 2.0. https://www.iigcc.org/hubfs/2024%20resources%20uploads/IIGCC_NZIF%202.0_consultation_2024.pdf

[123] "7.1: Has the bank disclosed a 1.5°C-aligned climate lobbying position, with governance and review measures to enforce this position? 7.2: Has the bank disclosed a 1.5°C-aligned climate lobbying position related to its trade association memberships, with governance and review measures to enforce this position?" TPI online tool – Bank. 2025. https://www.transitionpathwayinitiative.org/banks

[124] The Global Standard on Responsible Climate Lobbying. 2022. https://climate-lobbying.com/the-global-standard/

ASSESSMENT APPROACH		
Best Practice	Evidence of positive and extensive direct and indirect engagement on climate change and financial reforms and no negative action. Policy engagement strategy and oversight are fully transparent.	**<u>Block 1: There is evidence of both direct and indirect pro-climate policy engagement</u>** ["A. Directly engages with policymakers independently" = "Positive Action"] **AND** ["B. Carries out indirect climate policy advocacy, via collective action of trade associations or coalitions, or other intermediaries" = "Positive Action"] **AND** **<u>Block 2: There is evidence of full support for specific climate-related financial regulations and real economy policies</u>** ["C. Positions itself in favor of specific finance sector focused regulation, including the use of reporting standards and taxonomies, as well as prudential regulation" = "Positive Action"] **AND** ["D. Positions itself in favor of climate-related real economy policies" = "Positive Action"] **AND** **<u>Block 3: There is no evidence of any negative action</u>** ["A. Directly engages with policymakers independently" =/= "Negative Action" **AND** =/= "Mixed Action"] **AND** ["B. Carries out indirect climate policy advocacy, via collective action of trade associations or coalitions, or other intermediaries" =/= "Negative Action" **AND** =/= "Mixed Action"] **AND** ["C. Positions itself in favor of specific finance sector focused regulation, including the use of reporting standards and taxonomies, as well as prudential regulation" =/= "Negative Action" **AND** =/= "Mixed Action"] **AND** ["D. Positions itself in favor of climate-related real economy policies" =/= "Negative Action" **AND** =/= "Mixed Action"] **AND**

ASSESSMENT APPROACH		
		<u>Block 4: There is full oversight over its policy engagement, and strategy or senior oversight to ensure climate-alignment</u> ["E. Has oversight over the climate-alignment of its own direct lobbying activities, or of its indirect engagement via intermediaries" = True] **AND** ["F. Has oversight over the strategy or taken steps to influence lobbying intermediaries that are misaligned with its internal lobbying position" = True] **AND** ["G. Has board-level or senior oversight of climate policy engagement" = True]
Advanced	Evidence of positive direct or indirect engagement and of positive support for climate change policies and no negative action. Policy engagement strategy and oversight are, in part, transparent.	**<u>Block 1: There is evidence of either direct or indirect pro-climate policy engagement</u>** {["A. Directly engages with policymakers independently" = "Positive Action"] **OR** ["B. Carries out indirect climate policy advocacy, via collective action of trade associations or coalitions, or other intermediaries" = "Positive Action"]} **AND** **<u>Block 2: There is evidence of some support for specific climate-related policies</u>** {["C. Positions itself in favor of specific finance sector focused regulation, including the use of reporting standards and taxonomies, as well as prudential regulation" = "Positive Action"] **OR** ["D. Positions itself in favor of climate-related real economy policies" = "Positive Action"]} **AND** **<u>Block 3: There is no evidence of any negative action</u>** ["A. Directly engages with policymakers independently" =/= "Negative Action" **AND** =/= "Mixed Action"] **AND** ["B. Carries out indirect climate policy advocacy, via collective action of trade associations or coalitions, or other intermediaries" =/= "Negative Action" **AND** =/= "Mixed Action"] **AND**

ASSESSMENT APPROACH		
		["C. Positions itself in favor of specific finance sector focused regulation, including the use of reporting standards and taxonomies, as well as prudential regulation" =/= "Negative Action" **AND** =/= "Mixed Action"] **AND** ["D. Positions itself in favor of climate-related real economy policies" =/= "Negative Action" **AND** =/= "Mixed Action"] **AND** **<u>Block 4: There is some transparency over its policy engagement, and strategy or senior oversight to ensure climate-alignment</u>** {["E. Has oversight over the climate-alignment of its own direct lobbying activities, or of its indirect engagement via intermediaries" = True] **OR** ["F. Has oversight over the strategy or taken steps to influence lobbying intermediaries that are misaligned with its internal lobbying position" = True] **OR** ["G. Has board-level or senior oversight of climate policy engagement" = True]}
Progressing	Indications of general support and no negative action	**<u>Block 1: There is evidence of either direct or indirect pro-climate policy engagement</u>** {["A. Directly engages with policymakers independently" = "Positive Action"] **OR** ["B. Carries out indirect climate policy advocacy, via collective action of trade associations or coalitions, or other intermediaries" = "Positive Action"]} **AND** **<u>Block 2: There is evidence of some support for specific climate-related policies</u>** {["C. Positions itself in favor of specific finance sector focused regulation, including the use of reporting standards and taxonomies, as well as prudential regulation" = "Positive Action"] **OR** ["D. Positions itself in favor of climate-related real economy policies" = "Positive Action"]} **AND**

ASSESSMENT APPROACH		
		<u>Block 3: There is no evidence of any negative action</u> ["A. Directly engages with policymakers independently" =/= "Negative Action" **AND** =/= "Mixed Action"] **AND** ["B. Carries out indirect climate policy advocacy, via collective action of trade associations or coalitions, or other intermediaries" =/= "Negative Action" **AND** =/= "Mixed Action"] **AND** ["C. Positions itself in favor of specific finance sector focused regulation, including the use of reporting standards and taxonomies, as well as prudential regulation" =/= "Negative Action" **AND** =/= "Mixed Action"] **AND** ["D. Positions itself in favor of climate-related real economy policies" =/= "Negative Action" **AND** =/= "Mixed Action"]
Emerging	Indications of some general support and no negative action.	**<u>Block 1: There is some evidence of pro-climate policy engagement or support for specific climate-related policies</u>** {["A. Directly engages with policymakers independently" = "Positive Action"] **OR** ["B. Carries out indirect climate policy advocacy, via collective action of trade associations or coalitions, or other intermediaries" = "Positive Action"] **OR** ["C. Positions itself in favor of specific finance sector focused regulation, including the use of reporting standards and taxonomies, as well as prudential regulation" = "Positive Action"] **OR** ["D. Positions itself in favor of climate-related real economy policies" = "Positive Action"]} **AND** **<u>Block 2: There is no evidence of any negative action</u>** ["A. Directly engages with policymakers independently" =/= "Negative action" AND =/= "Mixed Action"] **AND** ["B. Carries out indirect climate policy advocacy, via collective action of trade associations or coalitions, or other intermediaries" =/= "Negative action" AND =/= "Mixed Action"] **AND** ["C. Positions itself in favor of specific finance sector focused regulation, including the use of reporting standards and taxonomies, as well as prudential regulation" =/= "Negative Action" AND =/= "Mixed Action"]

ASSESSMENT APPROACH		
		AND ["D. Positions itself in favor of climate-related real economy policies" =/= "Negative Action" AND =/= "Mixed Action"]
Initial	First steps at engaging, but possible presence of negative engagement, too.	["A. Directly engages with policymakers independently" = "Positive Action" **OR** "Mixed Action"] **OR** ["B. Carries out indirect climate policy advocacy, via collective action of trade associations or coalitions, or other intermediaries" = "Positive Action" **OR** "Mixed Action"] **OR** ["C. Positions itself in favor of specific finance sector focused regulation, including the use of reporting standards and taxonomies, as well as prudential regulation" = "Positive Action" **OR** "Mixed Action"] **OR** ["D. Positions itself in favor of climate-related real economy policies" = "Positive Action" **OR** "Mixed Action"] **OR** ["E. Has oversight over the climate-alignment of its own direct lobbying activities, or of its indirect engagement via intermediaries" = True] **OR** ["F. Has oversight over the strategy or taken steps to influence lobbying intermediaries that are misaligned with its internal lobbying position" = True] **OR** ["G. Has board-level or senior oversight of climate policy engagement" = True]
Planned	Commits to engage	["H. Commits to engage with policymakers, business partners, and industry on climate" = True]
No action	No evidence of action	N/A

2.D CLIMATE RISK STRATEGY

This indicator is based on Pillar Two of the Task Force on Climate-Related Financial Disclosures (TCFD) framework, which assesses the actual and potential impacts of climate-related risks and opportunities on a financial institution's business, strategy, and financial planning under different scenarios and time horizons, where such information is material. The net-zero transition planning will be informed by financial institutions' efforts to identify climate-related risks and opportunities.[125]

The indicator aligns with the following commonly identified transition plan requirements: a) Assesses the anticipated effects of climate risks/opportunities on financial position, b) Uses climate scenario analysis as a key tool to understand climate-related risks and opportunities, c) Performs materiality assessment, and d) Reviews and assesses climate strategy regularly.[126] The Best practice of this indicator is aligned with frameworks and literature such as Task Force on Climate-Related Financial Disclosures (TCFD),[127] International Sustainability Standards Board (ISSB),[128] Glasgow Financial Alliance for Net Zero (GFANZ) Financial Institution Net-zero Transition Plans,[129] United Nations High-Level Expert Group (HLEG) Recommendation,[130] Net Zero Investment Framework (NZIF) 2.0,[131] World Economic Forum (WEF),[132] International Organization for Standardization (ISO) Net Zero Guidelines,[133] Principles for Responsible Banking's (PRB) Blueprint for Responsible Banking,[134] Ceres Blueprint for Implementing a Leading Climate Transition Action Plan,[135] European Sustainability Reporting Standards (ESRS)

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[125] GFANZ, 2022. GFANZ Financial Institution Net-zero Transition Plans. https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf

[126] CPI. 2026. From Frameworks to Action: Assessing Financial Institutions' Transition Plans with the NZFT. https://www.climatepolicyinitiative.org/publication/assessing-financial-institutions-transition-plans-with-the-nzft/

[127] "Strategy: Organizations should describe how resilient their strategies are to climate-related risks and opportunities, taking into consideration a transition to a low-carbon economy consistent with a 2°C or lower scenario and, where relevant to the organization, scenarios consistent with increased physical climate-related risks". Task Force on Climate-Related Financial Disclosures. 2022. TCFD Recommendation for Financial Sector. https://www.tcfdhub.org/strategy/

[128] "The objective of climate-related financial disclosures on risk management is to enable users of general purpose financial reports to understand an entity's processes to identify, assess, prioritize and monitor climate-related risks and opportunities, including whether and how those processes are integrated into and inform the entity's overall risk management process". International Sustainability Standards Board. 2023. IFRS S2. https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s2-climate-related-disclosures.pdf?bypass=on

[129] GFANZ suggest that FIs' transition plans should be in line with credible transition scenarios or pathways. Glasgow Financial Alliance for Net Zero. 2022. GFANZ Financial Institution Net-zero Transition Plans. https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf

[130] "Reference credible sector pathways consistent with limiting warming to 1.5°C with no or limited overshoot (e.g. IPCC, IEA, Network for Greening the Financial System (NGFS), One Earth Climate Model (OECM)) and explain any material difference between the non-state actor's transition plan and sector pathways". United Nations High-Level Expert Group. 2022. Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions. https://www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf

[131] "Integrate climate considerations into the process for selecting a portfolio/ fund custodian". The Institutional Investors Group on Climate Change. 2024. NZIF 2.0. https://www.iigcc.org/hubfs/2024%20resources%20uploads/IIGCC_NZIF%202.0_consultation_2024.pdf

[132] "Integrating risk and opportunity into business process: company risk factor disclosures should clearly identify the principal risks facing the company specifically (as opposed to generic sector risks), the Board appetite in respect of these risks, how these risks have moved over time and the response to those changes". World Economic Forum. 2020. Measuring Stakeholder Capitalism. https://www3.weforum.org/docs/WEF_IBC_Measuring_Stakeholder_Capitalism_Report_2020.pdf

[133] "The organization should report: a) climate risks and opportunities relevant to its boundaries". International Organization for Standardization. 2022. Net Zero Guidelines. https://www.iso.org/obp/ui/en/#iso:std:iso:iwa:42:ed-1:v1:en:ref:28

[134] "has a strategy that is based on the results of a holistic portfolio analysis to assess impacts, risks and opportunities related to sustainability, including but not limited to the four core priorities and covering all portfolios (including corporate, business, investment and consumer banking)" Principles for Responsible Banking. 2024. Blueprint for Responsible Banking. https://www.unepfi.org/wordpress/wp-content/uploads/2024/10/PRB_Responsible-Banking-Blueprint.pdf

[135] "Conduct climate-based risk assessments to identify relevant emissions sources using well-established principles (see box below) and include the results of this scenario analysis in the company's transition plan. Scenario analysis is familiar to companies that have reported according to TCFD. 2. Use risk assessment to identify material transition risks and opportunities tied to core business strategy. Companies will need to disclose these risks as part of their financial disclosures. This provides an opportunity for sustainability teams to make the case to business leaders that climate action is not an add on, it is core business." Ceres. 2024. Blueprint for Implementing a Leading Climate Transition Action Plan. https://www.ceres.org/resources/reports/blueprint-for-implementing-a-leading-climate-transition-action-plan

E1,[136] CDP Technical Note on Financial Services Transition Plans and Net Zero Commitments,[137] OECD Guidance on Transition Finance,[138] Transition Plan Taskforce (TPT),[139] and S&P Global Corporate Sustainability.[140]

Data Sources: CAFI, CDP, CPI, FinanceMap, IFRS Sustainability Alliance, PRI, Private Equity Energy Tracker, ShareAction, MSCI and TCFD.

[136] "Disclosure requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material climate-related impacts, risks and opportunities" European Commission. 2023. ESRS E1: Climate Change. https://ec.europa.eu/info/publications/european-sustainability-reporting-standards_en

[137] "Financial institutions can explain how climate-related risks and opportunities have informed their strategy and transition plan, and how implementation is reflected through policies and changes to lending, investment, underwriting, insurance, advisory activities, products and services" CDP. 2026. CDP Technical Note: Financial Services Transition Plans and Net Zero Commitments. https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/004/618/original/CDP-Technical-Note-FS-Transition-Plans-and-Net-Zero-Commitments.pdf?1685624752

[138] "A credible transition plan will set out a clear strategy on the path the company intends to take to achieve its targets. The strategy will articulate the transition risks and opportunities that the company expects to face in the short-, medium- and long-term," OECD. 2022. OECD Guidance on Transition Finance https://www.oecd.org/en/publications/oecd-guidance-on-transition-finance_7c68a1ee-en.html

[139] "the entity's exposure to transition risks (e.g., anticipated future financial impacts based on results from scenario analysis) and to physical risks (e.g., assets vulnerable to acute and chronic physical risks)." Transition Plan Taskforce. 2024. Asset Owners Sector Guidance. https://www.ifrs.org/content/dam/ifrs/knowledge-hub/resources/tpt/asset-owners-sector-guidance-apr-2024.pdf

[140] In the S&P Global Corporate Sustainability Assessment, under climate strategy, organizations should assess financial risk and opportunities arising from climate change, climate-related scenario analysis and physical climate risk adaptation. S&P. 2023. S&P CSA Handbook - Global Corporate Sustainability Assessment. https://www.spglobal.com/esg/csa/methodology/

ASSESSMENT APPROACH		
Best Practice	Assesses whether the institution identifies and evaluates material climate risks and opportunities, applies robust and transparent scenario analysis using reputable climate scenarios with high granularity, assesses financial impacts, and integrates these into strategy.	**<u>Block 1: Climate risk, opportunities and scenario related impacts integrated in financial figures or in the organization's strategy</u>** ["A. Integrates the current and potential impact of material climate risks and opportunities in financial planning or strategy" = True] **AND** ["B. Uses climate scenario analysis to inform strategy" = True] **AND** ["C. Reviews and assesses climate risk strategy regularly" = True] **AND** **<u>Block 2: Scenario analysis used in strategy is transparent and reliable with very high granularity</u>** ["D. Provides temperature trajectories for the scenarios examined" = True] **AND** ["E. Uses reputable physical climate risk scenarios[141]" = True] **AND** ["F. Uses reputable energy transition scenarios[142]" = True] **AND** ["G. Coverage of the scenario analysis is disclosed" = True] **AND** ["H. Reviews climate risks and opportunities and scenario analysis in different time horizons" = True] **AND** **<u>Block 3: Climate risk and opportunities are prioritized through materiality assessment and its methodology disclosed</u>** ["I. Assesses the materiality or substantive effect of climate risk and opportunities" = True] **AND** ["J. Defines the methodology and/or thresholds used to assess the materiality or substantive effect" = True]

[141] The scenarios include Representative Concentration Pathways (RCP) 2.6, RCP 3.4, RCP 4.5, RCP 6.0, RCP 7.0, RCP 8.5, IPCC Shared Socioeconomic Pathways (SSPs) 1-1.9, SSP1-2.6, SSP2-4.5, SSP3-7.0, and SSP5-8.5.
[142] The scenarios include IEA NZE 2050, IEA B2DS, IEA 2DS, IEA 450, IEA ETP, IEA SDS, IEA APS, IEA STEPS (previously IEA NPS), IEA CPS, UN PRI IPR FPS, UN PRI IPR RPS, One Earth Climate Model scenario, CMIP5, CMIP6, General Circulation Models, IRENA, BNEF NEO, and the NGFS scenarios framework.

ASSESSMENT APPROACH		
Advanced	Assesses whether the institution identifies and evaluates the material climate risks and opportunities, applies robust scenario analysis using reputable climate scenarios, assesses financial impacts, and integrates these into strategy.	**<u>Block 1: Climate risk, opportunities and scenario related impact assessed in financial figures or in the organization's strategy</u>** ["A. Integrates the current and potential impact of material climate risks and opportunities in financial planning or strategy" = True] **AND** ["B. Uses climate scenario analysis to inform strategy" = True] **AND** ["C. Reviews and assesses climate risk strategy regularly" = True] **AND** **<u>Block 2: Scenario analysis is transparent and reliable with high granularity</u>** ["D. Provides temperature trajectories for the scenarios examined" = True] **AND** {["E. Uses reputable Physical climate risk scenarios" = True] **OR** ["F. Uses reputable Energy Transition scenarios" = True]} **AND** {["G. Coverage of the scenario analysis is disclosed" = True] **OR** ["H. Reviews climate risks and opportunities and scenario analysis in different time horizons" = True]} **AND** **<u>Block 3: Identified climate risk and opportunities are prioritized through materiality assessment and its methodology disclosed</u>** ["I. Assesses the materiality or substantive effect of climate risk and opportunities" = True] **AND** ["J. Defines the methodology and/or thresholds used to assess the materiality or substantive effect" = True]
Progressing	Assesses whether the institution integrates climate risks and opportunities into strategy to some extent, applies scenario analysis with	**<u>Block 1: Climate risk, opportunities and scenario related impact assessed in financial figures OR integrated in the organization's strategy</u>**

ASSESSMENT APPROACH		
	moderate granularity, and assesses materiality.	["A. Integrates the current and potential impact of material climate risks and opportunities in financial planning or strategy" = True] **OR** ["B. Uses climate scenario analysis to inform strategy" = True] **OR** ["C. Reviews and assesses climate risk strategy regularly" = True] **AND** **<u>Block 2: Scenario analysis is transparent and reliable with moderate granularity</u>** {["D. Provides temperature trajectories for the scenarios examined" = True] **OR** ["E. Uses reputable Physical climate risk scenarios" = True] **OR** ["F. Uses reputable Energy Transition scenarios" = True]} **AND** {["G. Coverage of the scenario analysis is disclosed" = True] **OR** ["H. Reviews climate risks and opportunities and scenario analysis in different time horizons" = True]} **AND** **<u>Block 3: Identified climate risk and opportunities are prioritized through materiality assessment</u>** ["I. Assesses the materiality or substantive effect of climate risk and opportunities" = True] **OR** ["J. Defines the methodology and/or thresholds used to assess the materiality or substantive effect" = True]
Emerging	Assesses whether the institution integrates material climate risks and opportunities in the strategy to some extent, applies scenario analysis with some granularity.	**<u>Block 1: Climate risk, opportunities and scenario related impact assessed in financial figures OR integrated in the organization's strategy</u>** ["A. Integrates the current and potential impact of material climate risks and opportunities in financial planning or strategy" = True] **OR** ["B. Uses climate scenario analysis to inform strategy" = True] **OR**

ASSESSMENT APPROACH		
		["C. Reviews and assesses climate risk strategy regularly" = True] **AND** **<u>Block 2: Scenario analysis is transparent and reliable with some granularity</u>** ["D. Provides temperature trajectories for the scenarios examined" = True **OR** ["E. Uses reputable Physical climate risk scenarios" = True] **OR** ["F. Uses reputable Energy Transition scenarios" = True] **OR** ["G. Coverage of the scenario analysis is disclosed" = True] **OR** ["H. Reviews climate risks and opportunities and scenario analysis in different time horizons" = True]
Initial	First steps at developing a climate risk strategy have been taken.	**Compliance with any one of the following actions is considered a first step** ["A. Integrates the current and potential impact of material climate risks and opportunities in financial planning or strategy" = True] **OR** ["B. Uses climate scenario analysis to inform strategy" = True] **OR** ["C. Reviews and assesses climate risk strategy regularly" = True] **OR** ["D. Provides temperature trajectories for the scenarios examined" = True] **OR** ["E. Uses reputable Physical climate risk scenarios" = True] **OR** ["F. Uses reputable Energy Transition scenarios" = True] **OR** ["G. Coverage of the scenario analysis is disclosed" = True] **OR** ["H. Reviews climate risks and opportunities and scenario analysis in different time horizons" = True] **OR** ["I. Assesses the materiality or substantive effect of climate risk and opportunities" = True] **OR** ["J. Defines the methodology and/or thresholds used to assess the materiality or substantive effect" = True]

ASSESSMENT APPROACH		
Planned	Commits to adopt and report a climate risk strategy.	[“K. Commits to identify, assess and manage climate risks” = True] **OR** [“L. Commits to TCFD/ISSB/CSRD reporting” = True]
No action	No evidence of action	N/A

2.E CLIMATE RISK MANAGEMENT

The indicator is based on pillar three of the Task Force on Climate-Related Financial Disclosures (TCFD) framework: disclosure of how the financial institution identifies, assesses, and manages climate-related risks, including how these processes are integrated into and inform the financial institution's overall risk management procedures, such as internal climate risk due diligence. These are key requirements under both the European Sustainability Reporting Standards (ESRS) and International Sustainability Standards Board (ISSB) guidelines. Risk management practices will help financial institutions identify the need for transition plans and help achieve net-zero goals.[143]

This indicator aligns with the commonly identified transition plan requirement of integrating climate into entity-level risk management.[144] Best practice under this indicator is aligned with frameworks such as ACT Finance,[145] European Sustainability Reporting Standards (ESRS) E1,[146] CDP Technical Note on Financial Services Transition Plans and Net Zero Commitments,[147] Ceres Blueprint for Implementing a Leading Climate Transition Action Plan,[148] GFANZ Financial Institutions Net-zero Transition Plans,[149] PRI,[150] TCFD,[151] and ISSB.[152]

Data Sources: CAFI, CDP, CPI, CPLC, GCAP, ESG Book, FinanceMap, IFRS Sustainability Alliance, Net Zero Donut, MSCI, PRI, Private Equity Energy Tracker, TCFD, and We Mean Business Coalition

[143] GFANZ Financial Institution Net-zero Transition Plans. 2022. https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf
[144] CPI, 2026. From Frameworks to Action: Assessing Financial Institutions' Transition Plans with the NZFT. https://www.climatepolicyinitiative.org/publication/assessing-financial-institutions-transition-plans-with-the-nzft/
[145] "5.5: Risk Management: The financial institution should fully consider climate as a systemic risk. As a result, integrating climate in its own risk management process, informing its global strategy, and impacting its financing conditions". ACT. 2024. ACT Finance - Investing. https://actinitiative.org/wp-content/uploads/pdf/act_finance_investing_methodology_20240222.pdf
[146] Impact, risk and opportunity management- Disclosure requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material climate-related impacts, risks and opportunities. European Commission. 2023. ESRS E1: Climate Change. https://ec.europa.eu/info/publications/european-sustainability-reporting-standards_en
[147] A financial institution's transition plan outlines a forward-looking process for identifying and responding to climate-related risks and opportunities, with particular consideration of risks and opportunities arising through its core financial activities and portfolios. CDP Technical Note: Financial Services Transition Plans and Net Zero Commitments. 2026. https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/004/618/original/CDP-Technical-Note-FS-Transition-Plans-and-Net-Zero-Commitments.pdf?1685624752
[148] Ceres notes that risk analysis should be integrated into management in its 2024 Blueprint for a Leading Climate Transition Plan. https://www.ceres.org/resources/reports/blueprint-for-implementing-a-leading-climate-transition-action-plan
[149] "Climate-related risk management focuses on the integration of climate-related financial risks into risk governance, processes, and strategies". GFANZ Financial Institution Net-zero Transition Plans. 2022. https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf
[150] "Investors must consider climate risk at the portfolio, sector, asset class, and individual security level, while also integrating climate issues into a broader risk assessment process". PRI, 2022. Climate risk: An investor resource guide. https://www.unpri.org/climate-change/climate-risk-an-investor-resource-guide/9329.article
[151] "Risk Management: A) Describe the organization's processes for identifying and assessing climate-related risks. B) Describe the organization's processes for managing climate related risks. C) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management." TCFD Recommendation. 2017. https://www.tcfdhub.org/risk-management/
[152] "The objective of climate-related financial disclosures on risk management is to enable users of general purpose financial reports to understand an entity's processes to identify, assess, prioritize and monitor climate-related risks and opportunities, including whether and how those processes are integrated into and inform the entity's overall risk management process". ISSB. 2023. IFRS S2. https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s2-climate-related disclosures.pdf?bypass=on

ASSESSMENT APPROACH		
Best Practice	Assesses and manages climate-related risks and opportunities, comprehensively using internal carbon pricing and other appropriate tools. Integrates climate risk management into broader enterprise risk management.	**Block 1: Existence of processes for the identification, assessment and management of climate risks and opportunities** ["A. Has process(es) to Identify, assess and manage climate-related risks and opportunities" = True] **OR** {["B. Has process(es) to identify and assess climate-related risks and opportunities" = True] **AND** ["C. Has process(es) to manage climate-related risks and opportunities" = True]} **AND** **Block 2: Evidence of integration into broader enterprise risk management** ["D. Integrates climate into enterprise risk management" = True] **AND** **Block 3: Comprehensive use of internal carbon pricing and appropriate tools and metrics to assess and manage climate risks and opportunities** {["E. Uses internal carbon pricing as a tool to manage climate risk and opportunities" = True] **OR** ["F. Uses other tools and metrics to manage climate risk and opportunities" = True]} **AND** ["G. Portfolio coverage in the assessment and management of climate risk and opportunities" = "All assets"]
Advanced	Assesses, manages and discloses climate-related risks and opportunities, **or** integrates them in broader enterprise risk management, using appropriate risk management tools for a majority of assets.	**Block 1: Existence or integration of processes for the identification, assessment and management of climate risks and opportunities** ["A. Has process(es) to Identify, assess and manage climate-related risks and opportunities" = True] **OR** {["B. Has process(es) to identify and assess climate-related risks and opportunities" = True] **AND** ["C. Has process(es) to manage climate-related risks and opportunities" = True]}

ASSESSMENT APPROACH		
		AND {[“D. Integrates climate into enterprise risk management” = True]} **AND** **<u>Block 2: Use of appropriate tools and metrics to assess and manage climate risks and opportunities for a majority of assets</u>** {[“E. Uses internal carbon pricing as tool to manage climate risk and opportunities” = True] **OR** [“F. Uses other tools and metrics to manage climate risk and opportunities” = True]} **AND** [“G. Portfolio coverage in the assessment and management of climate risk and opportunities” = “All Assets” or “Majority of assets”]
Progressing	Assesses, manages and discloses climate-related risks and opportunities, **or** integrates them in broader enterprise risk management, using appropriate risk management tools or disclosed assessment coverage.	**<u>Block 1: Existence or integration of processes for the identification, assessment and management of climate risks and opportunities</u>** [“A. Has process(es) to Identify, assess and manage climate-related risks and opportunities” = True] **OR** {[“B. Has process(es) to identify and assess climate-related risks and opportunities” = True] **AND** [“C. Has process(es) to manage climate-related risks and opportunities” = True]} **OR** [“D. Integrates climate into enterprise risk management” = True] **AND** **<u>Block 2: Use of appropriate tools and metrics to assess and manage climate risks and opportunities</u>** {[“E. Uses internal carbon pricing as tool to manage climate risk and opportunities” = True] **OR** [“F. Uses other tools and metrics to manage climate risk and opportunities” = True] **OR** [“G. Portfolio coverage in the assessment and management of climate risk and opportunities” =/= “”]}

ASSESSMENT APPROACH		
Emerging	Assesses, manages and discloses climate-related risks and opportunities, **or** integrates them in broader enterprise risk management.	**<u>Block 1: Existence or integration of processes for the identification, assessment and management of climate risks and opportunities</u>** [“A. Has process(es) to Identify, assess and manage climate-related risks and opportunities” = True] **OR** {[“B. Has process(es) to identify and assess climate-related risks and opportunities” = True] **AND** [“C. Has process(es) to manage climate-related risks and opportunities” = True]} **OR** [“D. Integrates climate into enterprise risk management” = True]
Initial	Initial steps on managing climate risk have been observed.	[“A. Has process(es) to Identify, assess and manage climate-related risks and opportunities” = True] **OR** [“B. Has process(es) to identify and assess climate-related risks and opportunities” = True] **OR** [“C. Has process(es) to manage climate-related risks and opportunities” = True] **OR** [“D. Integrates climate into enterprise risk management” = True] **OR** [“E. Uses internal carbon pricing to manage climate risk and opportunities” = True] **OR** [“F. Uses other tools and metrics to manage climate risk and opportunities” = True] **OR** [“G. Portfolio coverage in the assessment and management of climate risk and opportunities” =/= “”]
Planned	Commits to manage climate risk	[“H. Commits to manage climate risks” = True] **OR** [“I. Commits to adopt a carbon price” = True] **OR** [“J. Commits to TCFD reporting” = True]
No action	No evidence of action	N/A

2.F DISCLOSURE OF INVESTMENT DATA

This indicator assesses whether the financial institution discloses investments in climate-related activities and high-emitting activities (e.g., fossil fuels), and provides transparent information on how these investments are classified. It evaluates whether the institution reports the taxonomy or methodology used to determine alignment, and the level of detail of the disclosure. The transparency of information on actors' progress toward net zero (such as investment data) is critical for tracking whether they are meeting their commitments in their transition plans.[153]

This indicator aligns with the following commonly identified transition plan requirements: a) Discloses financing toward climate solutions, and b) Discloses financing toward carbon-intensive activities.[154] Best practice under this indicator is aligned with frameworks such as ACT Finance,[155] CDP Technical Note on Financial Services Transition Plans and Net Zero Commitments,[156] Glasgow Financial Alliance for Net Zero (GFANZ) Financial Institution Net-zero Transition Plans,[157] United Nations High-Level Expert Group (HLEG),[158] International Sustainability Standards Board (ISSB),[159] European Sustainability Reporting Standard (ESRS) E1: Climate Change,[160] Net Zero Investment Framework (NZIF) 2.0,[161] Transition Plan Taskforce (TPT) Disclosure Framework[162] and Task Force on Climate-Related Financial Disclosures (TCFD).[163]

Data Sources: CAFI, CDP, CIC, CPI, MSCI, Net Zero Donut, Reclaim Finance, ShareAction, TPI, and WRI.

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[153] "Recommendation 8: Currently, much of the information about the transition plans of non-state actors and their progress toward net zero is limited in its availability and depth. This makes it difficult to know if non-state actors are on track to meet their net zero commitments". UN HLEG. 2022. Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions. https://www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf

[154] CPI, 2026. From Frameworks to Action: Assessing Financial Institutions' Transition Plans with the NZFT. https://www.climatepolicyinitiative.org/publication/assessing-financial-institutions-transition-plans-with-the-nzft/

[155] ACT. 2024. ACT Finance Investing Module 4: Portfolio Climate Performance. https://actinitiative.org/wp-content/uploads/pdf/act_finance_investing_methodology_20240222.pdf

[156] "Investment in climate solutions and aligning financial activities and investment portfolios with climate mitigation and net-zero objectives." CDP Technical Note: Financial Services Transition Plans and Net Zero Commitments. 2026. https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/004/618/original/CDP-Technical-Note-FS-Transition-Plans-and-Net-Zero-Commitments.pdf?1685624752

[157] "GFANZ believes financial institutions should be transparent about key elements of their transition plan in a clear, consistent, and comparable way. GFANZ recommends that financial institutions disclose their net-zero transition plans, including interim targets, to stakeholders and disclose progress against their plans with their climate disclosures at least annually". GFANZ Financial Institution Net-zero Transition Plans. 2022. https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf

[158] Recommendation 4: Creating a Transition Plan "Demonstrate alignment to funding and enabling real-world decarbonization (e.g. green taxonomies)". United Nations High-Level Expert Group. Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions. 2022. https://www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf

[159] Entities are encouraged to disclose capital deployment—the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities. ISSB. 2023. IFRS S2. https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s2-climate-related-disclosures.pdf?bypass=on

[160] ESRS requires undertakings to disclose and quantify the investments and funding supporting the implementation of their climate transition plans and transition-related capital expenditure plans. The disclosed investment amounts are expected to be consistent with taxonomy-aligned financial metrics, with explanations provided for any material differences. European Commission. 2023. ESRS E1: Climate Change. https://ec.europa.eu/info/publications/european-sustainability-reporting-standards_en

[161] NZIF recommends that financial institutions disclose portfolio-level climate solutions investment metrics, including green revenue and, where data availability permits, green ratios, capital expenditure and financed green revenues, supported by transparent methodologies, assumptions, and standardized disclosure approaches. The Institutional Investors Group on Climate Change. 2024. NZIF 2.0. https://www.iigcc.org/hubfs/2024%20resources%20uploads/IIGCC_NZIF%202.0_consultation_2024.pdf

[162] TPT recommends that financial institutions disclose qualitative and quantitative information on how transition plans are being resourced, including current and planned investments, financing, disposals, innovation, and capital allocation activities supporting implementation of the transition plan, as well as the expected financial impacts over the short, medium, and long term. TPT Disclosure Framework. 2023. https://transitiontaskforce.net/wp-content/uploads/2023/10/TPT_Disclosure-framework-2023.pdf

[163] "Metrics and Targets for Financial Sector: 1) Bank, insurance company, asset owner and asset manager should describe the extent to which their lending and other financial intermediary business activities, where relevant, are aligned with a well below 2°C scenario 2) bank should also provide the amount and percentage of carbon-related assets relative to total assets as well as the amount of lending and other financing connected with climate-related opportunities". TCFD Recommendation for the Financial Sector. 2022. https://www.tcfdhub.org/metrics-and-targets/#:~:text=Banks%20should%20also%20provide%20the,connected%20with%20climate%2Drelated%20opportunities.

ASSESSMENT APPROACH		
Best Practice	Evidence of robust and detailed disclosure of climate-aligned and taxonomy-aligned investments, as well as high-emitting investments, including the disclosure of methodologies and investment asset class.	**<u>Block 1: Discloses climate and taxonomy-aligned investments</u>** {["A. Climate solutions investment amounts and/or ratios are disclosed"= True] **AND** ["B. Taxonomy alignment of investment amounts and/or ratios are disclosed" = True]} **AND** **<u>Block 2: Discloses high-emissions investments</u>** ["C. Investment amounts and/or financial exposure to high-emitting assets are disclosed" = True] **AND** **Block 3: Discloses methodologies and underlying asset classes** {["D. Discloses taxonomy/methodology/definition used to classify climate solutions investments" = True] **AND** ["E. Discloses the asset class of the climate solutions investments" = True]}
Advanced	Evidence of disclosure of climate-aligned or taxonomy-aligned investments, as well as high-emitting investments, including some disclosure of methodologies or investment asset class.	**<u>Block 1: Discloses climate or taxonomy-aligned investments</u>** {["A. Climate solutions investment amounts and/or ratios are disclosed"= True] **OR** ["B. Taxonomy alignment of investment amounts and/or ratios are disclosed" = True]} **AND** **<u>Block 2: Discloses high-emissions investments</u>** ["C. Investment amounts and/or financial exposure to high-emitting assets are disclosed" = True] **AND** **<u>Block 3: Discloses methodologies or underlying asset classes</u>** {["D. Discloses taxonomy/methodology/definition used to classify climate solutions investments" = True] **OR** ["E. Discloses the asset class of the climate solutions investments" = True]}

ASSESSMENT APPROACH		
Progressing	Evidence of disclosure of climate-aligned or taxonomy-aligned investments, as well as high-emitting investments.	**<u>Block 1: Discloses climate or taxonomy-aligned investments</u>** {[“A. The climate solutions investment (amounts or ratios) is disclosed” = True] **OR** [“B. Discloses taxonomy alignment of investment (amounts or ratios)” = True]} **AND** **<u>Block 2: Discloses high-emissions investments</u>** [“C. The investment (amounts or ratios) to high-emitting assets is disclosed” = True]
Emerging	Evidence of disclosure of climate-aligned or taxonomy-aligned investments.	{[“A. The climate solutions investment (amounts or ratios) is disclosed” = True] **OR** [“B. Discloses taxonomy alignment of investment (amounts or ratios)” = True]}
Initial	Evidence of first step of disclosing investment in climate solutions and high-emitting assets has been noted.	[“A. The climate solutions investment (amounts or ratios) is disclosed” = True] **OR** [“B. Discloses taxonomy alignment of investment (amounts or ratios)” = True] **OR** [“C. The investment (amounts or ratios) to high-emitting assets is disclosed” = True] **OR** ["D. Discloses taxonomy/methodology/definition used to classify climate solutions investments” = True] **OR** [“E. Discloses the asset class of the climate solutions investments” = True]
Planned	Commits to disclose climate investment data.	[“F. Plans to disclose investment data” = True]
No action	No evidence of action.	N/A

2.G DISCLOSURE OF EMISSIONS DATA

This indicator assesses whether financial institutions measure and/or disclose emissions from both financial activities (e.g., financed,[164] facilitated,[165] and insurance-associated emissions[166]) and operational activities, including the level of granularity and completeness of such disclosures. While operational emissions are typically less material for financial institutions, their disclosure is considered part of demonstrating transparency and leading practice.

The indicator further evaluates the quality of financial activity emissions disclosure, including coverage, use of established methodologies, and the extent to which key elements—such as data quality, external verification, progress against targets and factors that impact material emissions changes—are reported.

Financial institutions should provide a clear explanation of the factors driving material emissions changes, with the impact of each factor quantified, and state whether any changes triggered a baseline recalculation. Understanding and articulating these underlying drivers is arguably even more important than verified emissions. Even when the same standard is used (e.g., PCAF), results can vary significantly, so what truly matters is internal consistency and the ability to track changes over time.[167] The transparency of information on actors' progress (such as emissions data) toward zero is critical for tracking whether they are meeting their net-zero commitments in their transition plans.[168]

This indicator aligns with the following commonly identified transition plan requirements: a) Discloses financial activity-related emissions (e.g., financed, facilitated, insurance-related), b) Discloses financed/portfolio emissions reduction progress against mitigation target, c) Encourages external verification of reported emissions, and d) Discloses the emission calculation methodology and recalculation policy.[169] Best practice under this indicator is aligned with frameworks from the CDP,[170] United Nations High-Level Expert Group (HLEG),[171]

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[164] Absolute emissions that banks and investors finance through their loans and investments, including those associated with assets held in structured products. Partnership for Carbon Accounting Financials. 2025. Financed Emissions – The Global GHG Accounting & Reporting Standard Part A. https://carbonaccountingfinancials.com/standard

[165] Facilitated emissions are the emissions associated with financial services where a financial institution enables or facilitates a transaction but does not provide the capital itself. Partnership for Carbon Accounting Financials. 2023. Facilitated Emissions – The Global GHG Accounting & Reporting Standard Part B. https://carbonaccountingfinancials.com/standard

[166] GHG emissions in the real economy, which are associated with specific re/insurance policies aggregated in the re/insurance portfolio. This definition is for accounting purposes only. It is not intended, and should not be interpreted as, an admission of liability by any re/insurer for any emissions caused, or contributed to, by an insured or an insured activity. 2025. Insurance-related Emissions – The Global GHG Accounting & Reporting Standard Part C. https://carbonaccountingfinancials.com/standard

[167] The UN HLEG and NZIF 2.0 underscore the importance of transparency in attributing emissions reductions to specific factors. Similarly, the ESRS E1 emphasizes the need for clarity in distinguishing between reductions resulting from portfolio shifts and actual emission reductions, ensuring that progress is accurately tracked and comparable.

[168] Recommendation 8: UN HLEG. 2022. Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions. https://www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf

[169] CPI, 2026. From Frameworks to Action: Assessing Financial Institutions' Transition Plans with the NZFT. https://www.climatepolicyinitiative.org/publication/assessing-financial-institutions-transition-plans-with-the-nzft/

[170] "A credible FI transition plan should be accompanied by an annual, complete, accurate, transparent, consistent and relevant Scope 1, 2 and 3 emissions inventories. For financial institutions, this should include financed, facilitated and insurance-associated emissions, where applicable, alongside broader portfolio metrics used to monitor transition-plan progress. Third-party verification is encouraged where possible" CDP Technical Note: Financial Services Transition Plans and Net Zero Commitments. 2026. https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/004/618/original/CDP-Technical-Note-FS-Transition-Plans-and-Net-Zero-Commitments.pdf?1685624752

[171] "Recommendation 8: Non-state actors must annually disclose their greenhouse gas data, net zero targets and the plans for, and progress towards, meeting those targets, and other relevant information against their baseline, along with comparable data to enable effective tracking of progress toward their net zero targets." UN HLEG. 2022. Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions. https://www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf

PCAF,[172] GFANZ Financial Institution Net-zero Transition Plans,[173] OECD Guidance on Transition Finance,[174] NZIF 2.0,[175] ESRS E1,[176] ISO Net Zero Guidelines,[177] and ISSB.[178]

Data Sources: CAFI, CDP, CPI, ESG Book, FinanceMap, MSCI, Net Zero Donut, NZBA, NZAOA, PCAF, PRI, Private Equity Energy Tracker, Tracenable, WBA and WRI

[172] "Reporting requirements and recommendations: All financial institutions that commit to using this Financed Emissions Standard shall fulfil certain requirements when disclosing their financed emissions publicly. All financed emissions shall be accounted for in their scope 3 category 15 reporting". Partnership for Carbon Accounting Financials. 2022. Financed Emissions – The Global GHG Accounting & Reporting Standard. https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf

[173] "GFANZ recommends that all scopes of GHG emissions should be actively managed and disclosed". Glasgow Financial Alliance for Net Zero. 2022. GFANZ Financial Institution Net-zero Transition Plans. https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf

[174] "Metrics and KPIs cover lifecycle GHG emissions, are measurable and externally verifiable. Targets and reporting include scope 3 emissions (omissions are limited and clearly justified and explained)." OECD. 2022. Guidance on Transition Finance. https://www.oecd.org/en/publications/oecd-guidance-on-transition-finance_7c68a1ee-en.html

[175] "NZIF recommends the following actions for investors using the framework and considers them essential: Disclose baseline portfolio scope 1 and 2 financed emissions, with portfolio scope 3 emissions disclosed separately". The Institutional Investors Group on Climate Change. 2024. NZIF 2.0. https://www.iigcc.org/hubfs/2024%20resources%20uploads/IIGCC_NZIF%202.0_consultation_2024.pdf

[176] "The undertaking shall disclose in metric tons of CO2eq its: (a) gross Scope 1 GHG emissions; (b) gross Scope 2 GHG emissions; (c) gross Scope 3 GHG emissions; and (d) total GHG emissions. The disclosure of gross Scope 3 GHG emissions required by paragraph 44 (c) shall include GHG emissions in metric tons of CO2eq from each significant Scope 3 category (i.e., each Scope 3 category that is a priority for the undertaking)". European Financial Reporting Advisory Group. 2023. ESRS E1. https://www.efrag.org/sites/default/files/sites/webpublishing/SiteAssets/ESRS%20E1%20Delegated-act-2023-5303-annex-1_en.pdf

[177] "Details of Scope 1, Scope 2 and Scope 3 emissions (Clause 8), including: — separate GHG emissions data by GHG gas or activity for Scope 1, Scope 2 and Scope 3; — breakdown of GHG emission data for Scope 1; — separate data for the different categories of GHG emissions in Scope 3; — what is included in the organization's Scope 3 commitment, any exclusions and the justification for those exclusions" ISO. 2022. Net Zero Guidelines. https://www.iso.org/obp/ui/en/#iso:std:iso:iwa:42:ed-1:v1:en

[178] "An entity shall disclose information relevant to the cross-industry metric categories of Scope 1, Scope 2 and Scope 3." IFRS S2. 2023. https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s2-climate-related-disclosures.pdf?bypass=on

ASSESSMENT APPROACH		
Best Practice	Financial activity related emissions and operational emissions are comprehensively measured and/or disclosed and externally verified. Disclosures describe methodologies and related changes, and progress against targets.	**<u>Block 1: Measures and/or discloses financial activity-related emissions and emission intensities</u>** {["A. Investment activity related financed and/or portfolio absolute emissions are measured and/or disclosed" = True] **OR** ["B. Capital markets issuance related facilitated absolute emissions are measured and/or disclosed" = True] **OR** ["C. Underwriting related insurance-associated absolute emissions are measured and/or disclosed" = True]} **AND** ["D. Financing activity related emission intensity is measured and/or disclosed" = True] **AND** **<u>Block 2: Measures and/or discloses operational activity emissions</u>** ["E. Scope 1 and/or Scope 2, and/or relevant operational Scope 3 absolute emissions (excluding Category 15) are measured or disclosed" = True] **AND** **<u>Block 3: Methodologies to calculate emissions are disclosed and changes reported</u>** ["F. Assesses and discloses the materiality of changes in emissions, including drivers of change and any recalculations to baseline" = True] **AND** ["G. The methodology and/or standards used to calculate financial activity emissions is disclosed" = True] **AND** **<u>Block 4: Discloses baseline emissions and progress against targets</u>** ["H. Baseline emissions are disclosed" = True] **AND** ["I. Progress against target is disclosed" = True] **AND**

ASSESSMENT APPROACH		
		<u>Block 5: Financial activity emissions are externally verified</u> ["J. Disclosed financial activity related emissions are verified externally" = True] **AND** **<u>Block 6: There is evidence that all assets are covered</u>** ["L. Coverage of portfolio emissions is tracked" = "All assets"]
Advanced	A majority of investment-related emissions, or other financial activity-related emissions are measured and/or disclosed. Disclosures describe methodologies and related changes, some level of baseline emissions or progress against the target and report on potential external verification or data quality.	**<u>Block 1: Measures and/or discloses financial activity-related emissions and emission intensities</u>** {["A. Investment activity related financed and/or portfolio absolute emissions are measured and/or disclosed" = True] **OR** ["B. Capital markets issuance related facilitated absolute emissions are measured and/or disclosed" = True] **OR** ["C. Underwriting related insurance-associated absolute emissions are measured and/or disclosed" = True]} **AND** ["D. Financing activity related emission intensity is measured and/or disclosed" = True] **AND** **<u>Block 2: Methodologies to calculate emissions are disclosed and changes reported</u>** ["F. Assesses and discloses the materiality of changes in emissions, including drivers of change and any recalculations to baseline" = True] **AND** ["G. The methodology and/or standards used to calculate financial activity emissions is disclosed" = True] **AND** **<u>Block 3: Discloses baseline emissions and progress against targets</u>** ["H. Baseline emissions are disclosed" = True] **OR** ["I. Progress against target is disclosed" = True]

ASSESSMENT APPROACH		
		AND **<u>Block 4: Financial activity emissions are verified or the quality of the emission disclosures is reported</u>** [“J. Disclosed financial activity related emissions are verified externally” = True] **OR** [“K. Disclosed emission data quality” = True] **AND** **<u>Block 5: There is evidence that most assets are covered</u>** [“L. Coverage of portfolio emissions tracked” = “All assets” or “Majority of assets”]
Progressing	Financial activity-related emissions are disclosed for at least a minority of the portfolio, along with baseline emissions or progress against the target, and the methodology used.	**<u>Block 1: Measures and/or discloses financial activity-related emissions or emission intensities</u>** [“A. Investment activity related financed and/or portfolio absolute emissions are measured and/or disclosed” = True] **OR** [“B. Capital markets issuance related facilitated absolute emissions are measured and/or disclosed” = True] **OR** [“C. Underwriting related insurance-associated absolute emissions are measured and/or disclosed” = True] **OR** [“D. Financing activity related emission intensity is measured and/or disclosed” = True] **AND** **<u>Block 2: Methodologies to calculate emissions are disclosed or changes reported</u>** [“F. Assesses and discloses the materiality of changes in emissions, including drivers of change and any recalculations to baseline” = True] **OR** [“G. The methodology and/or standards used to calculate financial activity emissions is disclosed” = True] **AND** **<u>Block 3: Discloses baseline emissions or progress against targets</u>** [“H. Baseline emissions are disclosed” = True]

ASSESSMENT APPROACH		
		OR [“I. Progress against target is disclosed” = True] **AND** **<u>Block 4: Coverage of the emission calculation is disclosed</u>** [“L. Coverage of portfolio emissions tracked” =/= “”]
Emerging	Emissions are disclosed on financial or operational activity.	[“A. Investment activity related financed and/or portfolio absolute emissions are measured and/or disclosed” = True] **OR** [“B. Capital markets issuance related facilitated absolute emissions are measured and/or disclosed” = True] **OR** [“C. Underwriting related insurance-associated absolute emissions are measured and/or disclosed” = True] **OR** [“D. Financing activity related emission intensity is measured and/or disclosed” = True] **OR** [“E. Absolute Scope 1, Scope 2, and/or relevant operational Scope 3 emissions (excluding Category 15) are measured and/or disclosed” = True]
Initial	First observable steps taken toward emissions disclosure.	[“A. Investment activity related financed and/or portfolio absolute emissions are measured and/or disclosed” = True] **OR** [“B. Capital markets issuance related facilitated absolute emissions are measured and/or disclosed” = True] **OR** [“C. Underwriting related insurance-associated absolute emissions are disclosed” = True] **OR** [“D. Financing activity related emission intensity is measured and/or disclosed” = True] **OR** [“E. Absolute Scope 1, Scope 2, and/or relevant operational Scope 3 emissions (excluding Category 15) are measured and/or disclosed” = True] **OR** [“F. Assesses and discloses the materiality of changes in emissions, including drivers of change and any recalculations to baseline” = True] **OR** [“G. The methodology and/or standards used to calculate financial activity emissions is disclosed” = True]

ASSESSMENT APPROACH		
		OR [“H. Baseline emissions are disclosed” = True] **OR** [“I. Progress against target is disclosed” = True] **OR** [“J. Disclosed financial activity related emissions are verified externally” = True] **OR** [“K. Disclosed emission data quality” = True] **OR** [“L. Coverage of portfolio emissions tracked” =/= “”]
Planned	Commits to disclose emissions	[“M. Institution commits to track and disclose emissions” = True]
No action	No evidence of action	N/A

2.H CARBON REDUCTION WITHOUT OFFSETS

The indicator assesses the level of dependency on the use of voluntary carbon credits, whether or not a financial institution plans to use carbon credits for the residual emissions only to achieve their net-zero targets or relies on the carbon credits beyond the residual emissions. The extent of the use of carbon credits is a key consideration in assessing the credibility of transition strategies, ensuring that such offsets do not replace institutions' real emissions reductions in achieving their gross reduction targets, but are instead limited to the use of high-quality carbon removal credits to neutralize residual emissions closer to the net-zero target date.

This indicator aligns with the commonly identified transition plan requirement of disclosing the use of carbon credits.[179] Best practice under this indicator aligns with frameworks such as The Science Based Targets initiative (SBTi),[180],[181] Oxford Principles for Net Zero Aligned Carbon Offsetting,[182] the United Nations High-Level Expert Group (HLEG) recommendations,[183] European Sustainability Reporting Standard (ESRS) E1: Climate Change,[184] International Sustainability Standards Board (ISSB),[185] OECD guidelines,[186] and the Glasgow Financial Alliance for Net Zero (GFANZ).[187]

Data sources: CDP, ECIU, MSCI, ShareAction, TPI, Observatoire de la Finance Durable, and WRI

[179] CPI, 2026. From Frameworks to Action: Assessing Financial Institutions' Transition Plans with the NZFT. https://www.climatepolicyinitiative.org/publication/assessing-financial-institutions-transition-plans-with-the-nzft/

[180] 2.4.1: "Annual GHG emissions inventories shall be based on gross emissions in the portfolio without deducting or netting emissions from the use of carbon credits." The Science Based Targets initiative. 2025. Financial Institutions Net-Zero Standard V 1.0 https://files.sciencebasedtargets.org/production/files/Financial-Institutions-Net-Zero-Standard.pdf

[181] Carbon credits are not considered emissions reductions toward progress against near-term or long-term science-based targets. They may only be used for neutralizing residual emissions or financing additional climate mitigation beyond science-based emissions reduction targets. The Science Based Targets initiative. 2026. Financial institutions: How to apply relevant corporate net zero standard V1.3. https://files.sciencebasedtargets.org/production/files/FIs-how-to-apply-relevant-SBTi-CNZS-V1.3-criteria.pdf

[182] Prioritize reducing direct and indirect emissions and transition to carbon removal offsetting for any residual emissions by the net zero target date. University of Oxford. 2024. Oxford Principles for Net Zero Aligned Carbon Offsetting https://www.smithschool.ox.ac.uk/sites/default/files/2024-02/Oxford-Principles-for-Net-Zero-Aligned-Carbon-Offsetting-revised-2024.pdf

[183] "Credits cannot be used to meet non-state actors' interim decarbonization targets." United Nations High-Level Expert Group. 2022. Integrity Matters. https://www.un.org/sites/un2.un.org/files/high-levelexpertgroupupdate7.pdf

[184] ESRS requires GHG emission reduction targets to be set as gross targets, meaning that undertakings shall not include GHG removals, carbon credits, avoided emissions, or purchased, sold, or transferred carbon credits or GHG allowances as a means of achieving or calculating their GHG emission reduction targets. ESRS further requires undertakings to disclose separately whether carbon credits are used, including the extent of their use and the quality criteria applied to such credits. European Commission. 2023. ESRS E1: Climate Change. https://ec.europa.eu/info/publications/european-sustainability-reporting-standards_en

[185] ISSB clarifies that gross greenhouse gas emissions targets reflect the total planned reductions in greenhouse gas emissions within an entity's value chain. Net greenhouse gas emissions targets represent the entity's targeted gross greenhouse gas emissions after accounting for planned offsetting efforts, such as the use of carbon credits to offset emissions. ISSB also requires entities to disclose the planned use of carbon credits in achieving their net greenhouse gas emissions targets.
International Sustainability Standards Board. 2023. https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s2-climate-related-disclosures.pdf?bypass=on

186 "Element 4: Providing clarity on use of carbon credits and offsets". OECD. 2022. Guidance on Transition Plans. https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/10/oecd-guidance-on-transition-finance_ac701a44/7c68a1ee-en.pdf
"Given the risk that carbon credits and offsets can pose to the credibility of transition plans, their use is limited and carefully explained". OECD. 2024. OECD Work on Transition Plans and Links to NTP Concept. https://www.financeministersforclimate.org/sites/cape/files/inline-files/OECD%20for%20CFMCA%20workshop%20national%20transition%20plans_0.pdf

[187] "Where carbon credits are used by financial institutions or their clients, financial institutions should monitor how credits are used and the type and quality of credits. The use of credits should be monitored alongside but separate from portfolio emissions" Recommendations and Guidance on Financial Institution Net Zero Transition Plans. Glasgow Financial Alliance for Net Zero 2022. https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf

ASSESSMENT APPROACH		
Best Practice	Exclusion of carbon credits for its gross mitigation target and plan to use permanent carbon removal on residual emissions only	["A. Plans to use **permanent** carbon removal credits only for residual emissions abatement **in net zero target**" = True] **AND** ["B. Excludes using carbon credits to measure gross mitigation targets" = True]
Advanced	Exclusion of carbon credits for its gross mitigation target	["B. Excludes using carbon credits to measure gross mitigation targets" = True]
Initial	Evidence of certain reliance on carbon credits beyond its residual emissions	["C. Has a carbon neutrality target" = True] **OR** ["D. Used/cancelled carbon credits for the current year" = True]
No action	No evidence of disclosure about targets or disclosure about using carbon credits.	N/A

3. IMPACT

3.A PROJECT-LEVEL FINANCING TO THE ENERGY SECTOR (DIRECT/INDIRECTLY ENABLED)

1. INTRODUCTION

This indicator assesses how financial institutions contribute to the financing of new energy projects. It measures the value of primary investment directly associated with each financial institution and, in a separate view, financing indirectly enabled through financial institutions' shareholdings in, or corporate lending to, companies that invest in energy projects. Financing is reported in USD millions and classified as clean energy, transition, or fossil fuel/high-emissions finance.

Project-level financing is relevant because investment in new assets and infrastructure influences the future composition of the energy system. Unlike portfolio-exposure indicators, which assess financial institutions' holdings in companies or securities, this indicator focuses on identifiable project investments and therefore provides a more direct view of where capital is supporting the expansion of the energy system.

- Financing for clean energy and transition projects can support the deployment of low- and lower-carbon technologies and enabling infrastructure.
- Financing for high-emissions projects may, by contrast, add or extend carbon-intensive capacity and increase the risk of long-term carbon lock-in.

A project-level indicator therefore complements portfolio-exposure and financed-emissions metrics by linking financial activity to identifiable assets, infrastructure and technologies.

The indicator focuses on financing for new projects.

- Direct project financing includes both balance-sheet financing dedicated to a new specific asset and project financing contractually tied to a project or ring-fenced project vehicle. Refinancing of existing projects is excluded.
- Indirectly enabled financing captures financing attributed to financial institutions through their shareholdings in, or corporate lending to, companies that invest in energy projects. Indirectly enabled financing is estimated separately and should not be interpreted as project financing directly provided by the financial institution.

The two measures are reported separately because they represent different financing relationships.

The indicator also calculates the share of assessed financing directed to clean energy projects and to clean energy plus transition projects. These shares can be compared with investment ratios derived from the NGFS Net Zero 2050 scenario. The comparison indicates whether the composition of tracked financing is broadly consistent with the investment mix in the selected scenarios; it does not certify that a financial institution is aligned with net zero.

KEY FOCUS OF THIS INDICATOR

- How much financing for new clean energy, transition and fossil fuel/high-emissions projects is directly associated with each financial institution, and how much financing is indirectly enabled through its corporate equity and lending relationships?
- Where is this financing concentrated across technologies, capital types, regions and development status groups, and how do the shares directed to clean energy and clean energy plus transition projects compare with selected net-zero investment benchmarks?

2. MEASURING PROJECT-LEVEL ENERGY FINANCING

Project-level energy financing captures the financing associated with the development of new energy assets and infrastructure.

PROJECT-LEVEL ASSESSMENT

Each covered project is assigned to a standardized technology category and classified as **clean energy, transition, or fossil fuel/high-emissions** finance using CPI's project-level transition-finance classification framework.

The project classifications used in the indicator are summarized below.

PROJECT CLASSIFICATION	DESCRIPTION	INCLUDED PROJECT GROUPS
Clean energy projects	New projects classified as zero- or near-zero-emissions activities aligned with a net-zero pathway under CPI's operational framework.	Energy storage; geothermal; green hydrogen; hydropower; marine energy; other renewable energy; power grid activities classified as clean; solar; wind.
Transition projects	New projects that are not classified as clean energy but are assessed as having a potential role in a credible and timebound transition pathway.	Bioenergy; nuclear; power grid activities classified as transition.
Fossil fuel/high-emissions projects	New projects involving carbon-intensive activities that do not currently demonstrate alignment with a net-zero pathway under the operational framework.	Blue or grey hydrogen; CCS/CCUS at fossil fuel plants; coal-fired plants; coal supply chain projects; fossil fuel distribution; unspecified fossil fuel plants; gas-fired plants; gas supply chain projects; oil-fired plants; oil supply chain projects; waste-to-energy plants.

More detailed definitions, technical screening approach, and technology-level classifications are set out in CPI (2025), *Developing an Operational Transition Finance Definition for Project-Level Financing*.

FROM PROJECT TRANSACTIONS TO FINANCIAL INSTITUTION FINANCING

Project and transaction records from the underlying data sources are standardized across technology, capital type, geography, and development status classification. Duplicate project records are removed, and the available transaction values and participating financial entities are used to associate financing with individual financial institutions. Financing is then aggregated by institution and project category to show both the amount of capital directed to different types of energy projects and the composition of that financing.

The indicator also places this financing mix in the context of investment pathways from the NGFS Net Zero 2050 scenario. This comparison is intended to provide a benchmark for the relative balance of clean, transition, and high-emissions investment rather than to certify that a financial institution or individual project is aligned with a net-zero pathway.

SOURCES

The quantitative assessment combines project- and transaction-level information from BNEF, Global Energy Monitor, Green Street and the World Bank Private Participation in Infrastructure database. The sources provide information on project identity, technology, location, transaction value, capital type and participating financial entities to varying degrees.

Financing data were retrieved in May 2026. Subsequent corrections or additions made by the data providers are therefore not reflected in the current assessment. Duplicate projects are identified through fuzzy matching of project names. Where the same project appears in more than one source, the duplicate entry containing less information—for example, on the identity of the financial institution or the project location—is removed.

For indirectly enabled financing, the standardized project dataset is supplemented by the financial institution ownership and financing information, primarily based on Bloomberg data. The resulting direct and indirectly enabled financing measures are maintained as separate views.

3. MODELLING AND ASSESSMENT STEPS

Step 1 – Retrieve and standardize project transactions

Project-level financing data are retrieved from the underlying data sources and standardized across project technology, transaction value, capital type, geography, and financial institution. Duplicate projects identified across sources are removed.

Step 2 – Assign project classification

Each project is mapped to a standardized technology and classified as clean energy, transition, or high-emissions, using CPI's project-level transition finance framework.

Step 3 – Calculate direct project financing

For each financial institution, financing associated with projects in which it participates directly through primary investment is identified and summed.

Direct Project Financing = Σ Financing directly associated with covered projects

Step 4 – Calculate indirectly enabled financing

Project financing indirectly enabled through a financial institution's shareholdings in, or corporate lending to, companies investing in energy projects is attributed using CPI's indirect financing methodology and summed separately.

Indirectly Enabled Financing = Σ Attributed financing associated with covered projects

Step 5 – Aggregate financing by project classification

For each financing channel, project financing is grouped into clean energy, transition and high-emissions projects and summed.

Total Assessed Project Financing = Clean Energy Financing + Transition Financing + High-Emissions Financing

Step 6 – Calculate financing shares

The composition of assessed financing is expressed as the share directed to clean energy projects and to clean energy plus transition projects. These shares can then be compared with the selected NGFS investment benchmarks.

Clean Energy Share (%) = 100 × Clean Energy Financing / Total Assessed Project Financing

Clean Energy + Transition Share (%) = 100 × (Clean Energy Financing + Transition Financing) / Total Assessed Project Financing

4. BENCHMARKS

The project-level financing indicator compares the composition of assessed financing with a scenario-based investment benchmark developed by CPI. The benchmark provides a reference point for assessing whether the share of financing directed to clean energy, and to clean energy plus transition activities, is broadly consistent with investment patterns in selected net-zero pathways. It is intended as a comparative alignment signal rather than as a forecast, mandatory allocation target, or certification that a financial institution is aligned with net zero. CPI currently derives the project finance benchmarks from the NGFS Net Zero 2050 Scenario, a 1.5°C-aligned scenario source.

The benchmark comparison is based on two measures:

- **Clean energy benchmark:** the share of total scenario investment classified as clean energy.
- **Clean energy + transition benchmark:** the share of total scenario investment classified as either clean energy or transition finance.

The detailed benchmark methodology, including scenario selection, technology mapping, treatment of fossil-fuel investment, model-specific assumptions and calculated benchmark values, is set out in Section 3.2 of CPI's Developing an Operational Transition Finance Definition for Project-Level Financing and is not reproduced here.

Benchmark values are updated annually for each iteration of the NZFT to reflect the latest available scenario data and applicable assessment year.

5. BREAKDOWNS

Project-level energy financing can be decomposed across several dimensions to show where financial institutions' financing of clean energy, transition, and fossil fuel/high-emissions projects is concentrated.

ALIGNMENT BREAKDOWN DIMENSIONS			
Breakdown	**What it measures**	**Why it matters**	**Possible values**
Technology	Groups financing by the standardized technology or project group assigned to the underlying project.	Identifies the technologies receiving financing and shows which activities drive the institution's clean, transition, and high-emissions financing totals.	Energy storage; Geothermal; Green hydrogen; Hydropower; Marine energy; Other renewable energy; Power grids; Solar; Wind; Bioenergy; Nuclear; Blue/grey hydrogen; Fossil-fuel CCS/CCUS; Coal-fired plants; Coal supply chain; Fossil fuel distribution; Unspecified fossil fuel plants; Gas-fired plants; Gas supply chain; Oil-fired plants; Oil supply chain; Waste-to-energy.
Destination region	Groups financing according to the CPI destination region of the project location.	Shows where new energy project financing is geographically concentrated and supports interpretation in the context of different policy environments, energy systems, and transition pathways.	Western Europe; Central Asia and Eastern Europe; US & Canada; Latin America & Caribbean; Middle East & North Africa; Sub-Saharan Africa; South Asia; East Asia & Pacific; Oceania.
Destination development status	Groups financing according to the economic classification of the project location.	Shows how financing is distributed across development contexts with differing infrastructure needs, financing constraints, transition pathways, and access to capital.	Advanced Economies; EMDEs.
Capital type	Groups financing according to the form of capital recorded for the project transaction.	Shows how financial institutions support new energy projects through different financing instruments and risk positions.	Debt; Equity; Other/Unknown.

7. LIMITATIONS

Financing data were retrieved in May 2026, so subsequent revisions by the providers are not reflected. Fuzzy matching reduces duplication across sources, but it may not eliminate every possible duplicate or incorrect match.

The source datasets do not consistently provide the same level of information on transaction values or financial institution participation. Some source processing is based on disclosed transaction value or total investment value. The granularity of the results therefore depends on

the transaction attribution rules used to associate project values with individual financial institutions, particularly for transactions involving multiple sponsors, investors, or lenders.

The technology classification framework applies a conservative, predominantly country agnostic classification because asset-level information on lifecycle emissions, feedstocks, operating conditions and other technical criteria is not consistently available.

Indirectly enabled financing is an attribution estimate. It identifies financing relationships that may enable companies to undertake project investment.

The indicator measures financing flows, not the subsequent construction, operation, or emissions performance of the financed projects.

The NGFS comparison is a scenario-based benchmark rather than a forecast or mandatory allocation target. Results depend on the scenario assumptions and modelling choices underpinning the NGFS scenarios and should therefore be interpreted as a comparative signal rather than a definitive measure of alignment.

3.B CREDIT FINANCING TO THE ENERGY SECTOR

1. INTRODUCTION

This indicator assesses how financial institutions provide new credit financing to fossil fuel and clean energy companies. It measures annual financing through loans and debt and equity underwriting, including syndicated finance and, where available, bilateral finance. Bilateral transactions are less likely to be publicly reported and are therefore less consistently captured.

Comparing financing to fossil fuels and clean energy shows how bank credit flows are distributed across different parts of the energy system. Within fossil fuel financing, the indicator distinguishes between companies with fossil fuel expansion plans and companies without such plans. This provides additional information on whether fossil fuel financing is directed toward companies planning to expand fossil fuel production or capacity.

The indicator is an annual financial flow measure. It therefore captures loans and underwriting provided during the reporting year rather than the value of outstanding loans, securities, or other balance-sheet exposures. Financing amounts are adjusted, where relevant, to reflect the proportion of a diversified company's activities associated with fossil fuels or clean energy.

KEY FOCUS OF THIS INDICATOR

- How much credit financing do assessed banks provide to fossil fuel companies without expansion plans, fossil fuel companies with expansion plans, and clean energy companies?

This indicator will be incorporated into the NZFT and methodology once the relevant data and final methodological guidance from our partners become available.

3.C PORTFOLIO EXPOSURE TO THE ENERGY SECTOR (BETA)

Beta indicator – methodology is subject to revision.

1. INTRODUCTION

This indicator measures the percentage share of a financial institution's energy portfolio exposed to companies with production assets in the power, coal, and upstream and downstream oil & gas sectors. The analysis focuses on the exposure of corporate bonds and equity to companies in these sectors. Exposures are adjusted to reflect the proportion of a company's involvement in each energy sector. By quantifying exposure to fossil fuel and clean energy investments, the indicator reveals energy-related transition risks and opportunities. It helps evaluate the progress of financial institutions toward cleaner energy portfolios, promoting accountability, transparency, and alignment with decarbonization goals.

This information can be used to assess a financial institution's commitment to the climate transition. While it is a stock metric rather than a flow metric and therefore does not assess new financial flows to clean energy or fossil fuel companies, a higher proportion of energy investments in clean activities could signal a commitment to contribute to environmental causes, while a higher proportion of exposure to expansionist fossil fuel companies may signal a greater risk of new fossil fuel capacity being financed in the future. The indicator can also provide insight into the climate-related risks and opportunities available to the financial institution. Greater exposure to fossil fuel investments indicates an elevated transition risk, including stranded assets due to legislative changes, and should be accompanied by a strong stewardship strategy. Conversely, a higher clean energy exposure could indicate a more resilient investment strategy with greater scope for capitalizing on environmentally related opportunities in the energy sector.

This indicator is published as a beta product. Coverage is currently limited to companies for which asset-level production data is available. Methodology may be updated as data availability and scientific guidance develop.

KEY FOCUS OF THIS INDICATOR

- What share of the assessed energy portfolio is exposed to companies expanding, maintaining or contracting clean energy activities?
- What share is exposed to companies expanding, maintaining or contracting fossil fuel activities?
- Where is this exposure concentrated across sectors, geographies, and instruments, and how much of the financial institution's overall portfolio is represented by the assessment?

2. TRACKING COMPANIES' ENERGY EXPANSION AND CONTRACTION PLANS AT THE PORTFOLIO LEVEL

Many companies operate across more than one energy activity. A single company may have clean energy production, fossil fuel production, fossil power capacity, or several fossil fuel segments at the same time. The methodology therefore classifies clean energy and fossil fuel activities separately and adjusts portfolio exposure by the estimated share of each company's activity in each segment, predominantly based on revenue, which follows industry standards as applied by Reclaim Finance, BNEF, and many other organisations.[188]

CLASSIFICATION OF CLEAN ENERGY AND FOSSIL FUEL EXPANSION AND CONTRACTION PLANS

The classification helps identify whether a company's clean energy or fossil fuel activities are expanding, stable, or contracting. The classification is based on changes in absolute production capacity over three years. The three-year time horizon is chosen to capture the longer-term strategy and direction of companies. Companies active in the supply chains of clean energy or fossil fuels are excluded, as this indicator focuses on asset-based capacity figures in the sectors below:

CLASSIFICATION OF CLEAN ENERGY AND FOSSIL FUEL EXPANSION AND CONTRACTION PLANS		
Energy segment	**Included sector/technologies**	**Unit**
Clean energy	Renewable power capacity and generation	MW
Fossil fuels	Coal-, gas-, and oil-fired power capacity	MW
Fossil fuels	Coal production	Tonnes of coal
Fossil fuels	Upstream and downstream oil and gas activity, combined	GJ

Six bands are defined for both clean energy and fossil fuels: three for expanding production capacity, one for stable capacity and two for contracting production capacity. See table below for an overview of the thresholds used for this classification.

CLASSIFICATION OF CLEAN ENERGY AND FOSSIL FUEL EXPANSION AND CONTRACTION PLANS		
SEGMENT	**CATEGORY**	**ANNUAL CAGR BANDS INCLUDED IN BREAKDOWN**
Clean energy	Expanding clean energy production capacity	≥15% over the next 3 yrs.
		Between 5% and 15% over the next 3 yrs.
		Between 1% and 5% over the next 3 yrs.

[188] Segment adjusters are applied to reflect the fact that some companies engage in multiple lines of business. These adjusters are attempts to quantify the percentage of a company's valuation coming from fossil fuel or clean energy. They are applied to individual portfolio holdings so that the financial institution is only attributed the proportion of the valuation that can be expected to come from the relevant activity. For example, if 10% of a company's valuation comes from fossil fuels, only 10% of a corporate bond to that company is counted as fossil fuel exposure.

CLASSIFICATION OF CLEAN ENERGY AND FOSSIL FUEL EXPANSION AND CONTRACTION PLANS		
SEGMENT	**CATEGORY**	**ANNUAL CAGR BANDS INCLUDED IN BREAKDOWN**
	Stable clean energy production capacity	Between -1% and 1% over the next 3 yrs.
	Contracting clean energy production capacity	Between -1% and -5% over the next 3 yrs.
		≤-5% over the next 3 yrs.
Fossil fuels	Contracting fossil fuel production capacity/extraction	≤-5% over the next 3 yrs.
		Between -1% and -5% over the next 3 yrs.
	Stable fossil fuel production capacity/extraction	Between -1% and 1% over the next 3 yrs.
	Expanding fossil fuel production capacity/extraction	Between 1% and 5% over the next 3 yrs.
		Between 5% and 15% over the next 3 yrs.
		≥15% over the next 3 yrs.

FROM COMPANY ACTIVITY TO PORTFOLIO EXPOSURE

A company's classification is translated into financial institution exposure by applying an energy adjuster to each relevant portfolio position. The adjuster estimates the share of the position associated with clean energy or fossil fuel activity (see footnote 188). This approach allows diversified issuers to contribute to both the clean energy and fossil fuel results without attributing their entire market value to either segment.

SOURCES

The assessed universe covers listed companies within the MSCI ACWI IMI for which asset-level production data is available from Asset Impact for the coal, oil & gas, and power sectors. This data requirement is the primary constraint on coverage: companies are included only where production output can be measured and tracked over time, which is necessary to classify their expansion and contraction of fossil fuels and clean energy.

The company reference universe is based on MSCI ACWI companies because this is the broad listed-company universe used to build the corporate matching layer in the workflow. In practice, assessed exposure is limited to companies that can be matched consistently across Bloomberg holdings data and the CPI/MSCI corporate universe. For this specific indicator, data is available for 1,193 companies and their subsidiaries.

Segment adjusters were based on research by Urgewald, RAN, Reclaim Finance, Profundo, and CPI, using revenue as the main adjuster when possible, or production, asset, and income data as fallback options. The data was gathered from dedicated databases, annual reports, sustainability reports, and other available publications as well as desk research. Adjusters were applied to the data by the CPI team. Where it was not possible to estimate an adjuster, financing was excluded.

3. MODELLING AND ASSESSMENT STEPS

Step 1 – Retrieve and calculate company energy expansion and contraction CAGR

For each company and year, physical activity data is retrieved from Asset Impact for four energy activities: i) clean-power capacity, ii) fossil-power capacity, iii) coal production, and iv) oil and gas activity.

For each activity, the company's compound annual growth rate (CAGR) over the following three years is calculated.

Three-year CAGR = (Activity in year y+3 / Activity in year y)^(1/3) - 1

Step 2 – Classify clean and fossil energy CAGRs into categories

In each year, company energy activities are classified into the categories described in Section 2 according to the CAGR band into which they fall.

Clean energy is classified based on the three-year CAGR of the company's clean-power capacity.

For fossil fuels, coal production, oil and gas activity, and fossil-power capacity are first assessed separately. Where a company is active in more than one fossil sector, the activity growth rates calculated in each FF category are combined into a single "net" growth rate using the company's Scope 1–3 emissions in each active fossil sector as weights.[189]

Company Fossil Growth = Sum of fossil sector growth rates weighted by sector Scope 1–3 emissions

Where current activity is zero and becomes positive over the following three years, the activity is assigned to the highest expansion category. Where no relevant activity is available over the assessment period, no category is assigned.

The resulting clean energy and fossil fuel growth rates are then assigned to the relevant growth category based on the bands defined in Section 2.

Step 3 – Retrieve holdings from Bloomberg LP

For each financial institution, company, and year, the market value of listed equity and corporate debt holdings is retrieved from Bloomberg LP. Where a financial institution holds multiple securities issued by the same company, these are aggregated to a single company-level exposure before attribution.

Step 4 – Allocate exposure between segments

For each portfolio position, market value is allocated between the clean energy and fossil fuel segments using energy adjusters that estimate the share of the company associated with each segment.

- Clean energy exposure = total exposure × clean energy activity share
- Fossil fuel exposure = total exposure × fossil fuel activity share

[189] For example, if a company is active in coal, oil & gas, and fossil-power generation, with three-year CAGRs of +20%, −5%, and +10%, respectively, and those sectors account for 50%, 30%, and 20% of the company's Scope 1–3 emissions across its fossil activities, the combined fossil growth rate is calculated as: (20% × 50%) + (−5% × 30%) + (10% × 20%) = 10.5%. The company would therefore be classified in the 5%–15% fossil fuel expansion category.

Activity shares reflect the proportion of a company's operations attributable to each segment (see Section 2 on adjusters). Where activity shares sum to less than 100%, the remainder is treated as non-energy exposure and excluded from this indicator.

Step 5 – Aggregate to portfolio level

For each financial institution and year, the adjusted clean energy and fossil fuel exposures are assigned to the corresponding company growth categories and summed across all portfolio positions within each category.

Category Exposure = Sum of adjusted market value for all positions assigned to the category

The share of assessed energy exposure represented by each category is then calculated.

Category Share (%) = 100 × Category Exposure / Total Assessed Energy Exposure

Total assessed energy exposure is the sum of all clean energy and fossil fuel adjusted market values included in the assessment. It is therefore not the financial institution's total portfolio or total assets under management.

4. BREAKDOWNS

The portfolio energy exposure can be examined across several dimensions, which can be used to identify where the portfolio's exposure is concentrated.

ENERGY EXPOSURE BREAKDOWN DIMENSIONS			
Breakdown	**What it measures**	**Why it matters**	**Possible values**
Destination region	Groups energy exposure by CPI destination region, based on issuer domicile.	Shows how exposure is distributed between different regions of issuers, where energy transition pathways and financing constraints may differ.	Central Asia and Eastern Europe; East Asia and Pacific; Latin America & Caribbean; Middle East and North Africa; Other Oceania; South Asia; Sub-Saharan Africa; US & Canada; Western Europe
Destination development status	Groups energy exposure by CPI development status category, based on issuer domicile.	Shows how exposure is distributed between advanced economies and emerging market and developing economies, where energy transition pathways and financing constraints may differ.	Advanced; EMDE

5. LIMITATIONS

Coverage is limited to listed corporate equity and debt positions that can be mapped by ISIN to the company energy assessment universe and for which both a material activity classification and a usable energy adjuster are available. Private assets, sovereign exposures, project finance, and unmapped holdings are not captured. As a result, the indicator describes the assessed energy portfolio and should not be interpreted as an analysis of the institution's total assets.

The assessment of investee companies' expansion plans is based exclusively on physical power capacity, coal production, and oil and gas activity. It should not be interpreted as an assessment of investee companies' transition plan credibility, planned capital expenditure, technology quality, or achieved emissions reductions, which are captured through other indicators in the NZFT.

The company-level fossil classification is an emissions-weighted average across active fossil sectors. It may therefore mask differing trajectories within a diversified company—for example, contraction in one fossil sector alongside expansion in another. The company-level category should not be interpreted as evidence that every fossil activity of the issuer follows the same trajectory.

Energy adjusters are estimates and may rely on different underlying data sources and years. Where a same-year adjuster is unavailable, the latest available factor may be used. Results can therefore be affected by missing information, changes in company structure, estimation choices and the treatment of diversified operations.

The indicator is sensitive to market prices and portfolio composition as well as changes in company activity. It does not measure new financial flows, stewardship effectiveness, causality, financial loss, or the institution's contribution to real-economy decarbonization. As a beta indicator, the methodology and thresholds may be updated as the underlying data and analytical approach develop. Data for this indicator was accessed in May 2026, so any updates or revisions to data after May 2026 are not included in this year's report.

3.D PORTFOLIO/FINANCED EMISSIONS (BETA)

Beta indicator – methodology is subject to revision.

1. INTRODUCTION

The indicator measures the level of financed emissions (CO_2e) of a financial institution's portfolio. Specifically, we track information on Scope 3 – Category 15 (investment) emissions, portfolio emissions, or financed emissions. Tracking financed emissions is crucial to understanding the climate impact of financial flows. It provides visibility into how financial institutions are contributing to—or helping reduce—emissions in the real economy.

This metric supports two key objectives: a) monitoring progress on financial institutions' portfolio emissions trends over time, and b) comparing reported financed emissions (as disclosed by financial institutions) with estimated values from CPI, allowing users to uncover methodological inconsistencies, data gaps, and better understand the variability in reporting practices.

Financed emissions are a stock metric and should be interpreted with care. They are not a direct measure of a financial institution's climate impact. Double-counting risks arise when corporate Scope 3 emissions are included, or when multiple institutions claim ownership of the same asset. Large, diversified portfolios will mirror broad global or regional emissions trends, so significant divergence from those trends is more informative than the absolute level alone. A lower financed emissions number may reflect genuine decarbonization by investee companies, but it can equally reflect divestment, valuation changes, or shifts in data coverage—a dynamic called paper decarbonization.

To guard against paper decarbonization, this indicator should always be read alongside CPI's energy portfolio exposure and project and corporate finance indicators, which capture whether financial flows are moving toward or away from fossil fuels and clean energy.

KEY FOCUS OF THIS INDICATOR

- What are the estimated Scope 1+2 and Scope 1+2+3 financed emissions of the assessed listed equity and corporate debt portfolio, and how have they changed over 2019-2025?
- How much of the observed change is associated with investee company emissions, and how much with portfolio composition?
- How do CPI's modelled estimates compare with self-reported and disclosed financed emissions figures at aggregate level?
- Where are financed emissions concentrated across issuers, emissions change buckets, sectors, transition categories, regions, and development status groups?

TWO TRACKS

1. **Estimated portfolio emissions** are calculated by combining financial institution holdings with corporate emissions data and a PCAF-style attribution factor. They support comparison across institutions, years, sectors, and geographies. Uncertainty bands are shown alongside the central estimate to reflect differences across data sources.
2. **Self-reported and disclosed portfolio emissions** are drawn from financial institutions' own public disclosures, where available. These are presented at aggregate level alongside the modelled estimates to show how institutions' own reported figures compare with CPI's. They are not substituted into the modelling formula and may differ from modelled values due to differences in scope, methodology, and asset class coverage.

CPI presents self-reported figures alongside modelled estimates to allow users to observe these differences, not to substitute one for the other.

2. ESTIMATED PORTFOLIO EMISSIONS

Financed emissions attribute a share of an investee company's greenhouse gas emissions to a financial institution based on its financing or ownership exposure to that company. The resulting estimate depends both on the emissions boundary selected and on the attribution method used to determine the financial institution's share of the issuer.

For this indicator, CPI estimates financed emissions for listed equity and corporate debt holdings. Corporate emissions are first retrieved and standardized at company level before financial institution holdings are attributed. This provides a consistent basis for comparing financed emissions across institutions, years, and portfolio characteristics.

Users can select between two emissions scopes:

- **Scope 1+2:** includes direct emissions from company operations and indirect emissions from purchased energy.
- **Scope 1+2+3:** additionally includes value chain emissions. This provides a broader view of the emissions associated with investee companies but introduces greater uncertainty, comparability challenges, and double-counting risk.

Results from the two emissions scope selections should therefore be interpreted separately.

The indicator also provides three attribution approaches. The Equity approach is the default methodology used for emissions attribution, while PCAF + Debt and Equity provide alternative attribution options based on debt and equity exposure. These approaches are described in the modelling section below.

SOURCES

The modelled assessment combines Bloomberg LP year-end holdings for listed equity and corporate debt with issuer-level corporate emissions and financial denominators. The current corporate universe contains approximately 8,165 listed companies. The portfolio emissions time series covers 2019-2025 and uses the latest available company emissions at or before

each portfolio year. Corporate emissions are drawn from three sources: Cogem provides data for 6,940 companies, MSCI for 7,966 and Asset Impact for 1,500 companies.

Where multiple sources provide emissions data for the same company and year, CPI calculates the arithmetic mean for Scope 1, Scope 2, Scope 1+2 and Scope 1+2+3. Where only one source is available, that observation is used. Where no emissions source is available, the company is excluded from the portfolio emissions calculation for that year.

The minimum and maximum emissions observations across available sources are also retained. These provide the basis for the uncertainty range shown around the central portfolio emissions estimate.

2.1 MODELLING AND ASSESSMENT STEPS

Step 1 - Retrieve and standardize issuer-level emissions

For each company and year, corporate emissions are retrieved from the available emissions sources and standardized to the relevant emissions scope. Where several sources are available, their arithmetic mean provides the central emissions estimate.

Corporate Emissions = Mean of available source emissions

Step 2 - Retrieve holdings from Bloomberg LP

For each financial institution, company, and year, the market value of listed equity and corporate debt holdings is retrieved from Bloomberg LP. Where a financial institution holds multiple securities issued by the same company, these are aggregated to a single company-level exposure before attribution. The ownership lens, as described in Section 2.3, is applied at this stage.

Step 3 - Calculate the attribution factor

The attribution factor determines the share of an issuer's emissions attributed to the financial institution. Three approaches are calculated and available to select on the dashboard:[190]

- **Equity only**: This view limits the calculation to equity holdings. The financial institution's equity exposure is divided by the issuer's total equity market value.

  Equity Only Attribution Factor = Equity exposure / Issuer equity market value
- **PCAF (primary)**: The market value of the financial institution's listed equity and corporate debt holdings is divided by the issuer's Enterprise Value Including Cash (EVIC). EVIC is used where available from Bloomberg LP; where it is unavailable or does not pass the required quality checks, total equity market value plus debt book value is used as the denominator.

  PCAF Attribution Factor = (Equity exposure + Debt exposure) / EVIC

[190] Consistency note: CPI tested PCAF/EVIC attribution against the Equity + Debt approach across a sample of portfolios and companies to understand differences in practice. Both are available as dashboard selections so users can assess sensitivity to the attribution denominator. Within the PCAF approach, where EVIC is unavailable or does not pass quality checks, total equity market value plus debt book value is used as the denominator.

- **Equity + Debt**: The market value of equity and debt holdings is divided by the issuer's total equity market value plus debt book value.

  Equity + Debt Attribution Factor = (Equity exposure + Debt exposure) / (Issuer equity market value + Issuer debt book value)

Providing all three approaches allows users to assess the sensitivity of financed emissions estimates to the choice of financial attribution denominator.

Step 4 - Calculate holding-level financed emissions

For each matched company, the selected attribution factor is applied to the corresponding corporate emissions estimate. This translates company-level emissions into the share attributed to the financial institution.

Holding-level Financed Emissions = Attribution Factor × Corporate Emissions

Step 5 - Calculate uncertainty bands

Because the central corporate emissions estimate may combine several data sources, the spread across those sources provides an indication of uncertainty in the underlying emissions data. For each company, the minimum and maximum available emissions values are propagated through the same attribution calculation:

Lower Holding Estimate = Attribution Factor × Minimum Corporate Emissions

Upper Holding Estimate = Attribution Factor × Maximum Corporate Emissions

Step 6 - Aggregate to portfolio level

For each financial institution and year, holding-level financed emissions are summed across all matched companies.

Portfolio Financed Emissions = Σ Holding-level Financed Emissions across all matched companies

The result is reported in tCO_2e. Users can toggle between Scope 1+2 and Scope 1+2+3 and between the three attribution approaches described above.

OWNERSHIP LENSES

Two ownership lenses help separate changes in portfolio construction from changes in investee-company emissions and offer complementary counterfactual views. These ownership lenses are integrated in Step 2 of the modelling.

LENS	WHAT IT MEASURES	WHY IT MATTERS
Historical portfolio	Financed emissions using each year's observed holdings and attribution factors.	Provides the main observed portfolio trend, showing how financed emissions changed through the combined effect of portfolio composition, market values, and investee company emissions.

2025 ownership & market values	Financed emissions using the latest holdings applied backwards and forwards.	Shows the emissions trajectory associated with the current portfolio composition, helping assess whether today's holdings are concentrated in companies with improving or worsening emissions trends.

2.2. BREAKDOWNS

The portfolio modelled emissions can be decomposed using several dimensions which can be used to identify where the portfolio's emissions are concentrated.

BREAKDOWNS AVAILABLE FOR PORTFOLIO EMISSIONS			
BREAKDOWN	**WHAT IT MEASURES**	**WHY IT MATTERS**	**CURRENT VALUES**
Emissions Trends	Groups holding-level emissions by the issuer decarbonization trends.	Shows whether financed emissions are concentrated in companies reducing or increasing their emissions, helping assess whether portfolio exposure is associated with real-economy decarbonization.	Reduction >10%; Reduction >5% to 10%; Reduction 0% to 5%; Flat; Increase 0% to 5%; Increase 5% to 10%; Increase >10%; Missing
Alignment[191]	Groups holding-level emissions by the issuer transition status.	Shows whether financed emissions are associated with aligned, aligning, or unaligned companies, helping distinguish financing of high-emitting companies that are transitioning from exposure to companies without credible transition progress.[192]	Aligned; Aligning; Committed; Missing; Not Aligning
Sector[193]	Groups holding-level emissions by sectors.	Identifies the sectors driving financed emissions, helping users focus analysis, engagement and capital-allocation decisions on sectors where decarbonization is most material.	Agriculture, forestry, and fishing; Food Producers; Industrials; Airlines; Banking; Cement; Chemicals; Coal & Diversified Mining; Oil and gas (plus distribution); Steel; Consumer goods; Electric Utilities; Other; Missing

[191] The labels are based on the same values as for the Portfolio Exposure: Corporate Transition indicator. Please refer to this indicator for background information.

[192] Breaking total financed emissions down by transition alignment helps assess whether an investor is "financing reduced emissions" rather than merely "reducing financed emissions." NZIF 2.0 explicitly allows asset alignment to be measured as the share of financed emissions associated with assets that are aligned or aligning to net zero, focusing attention on high-emitting assets whose transition is important for real-economy decarbonization. PCAF similarly recommends optional disaggregation of absolute financed emissions by transition or net-zero-alignment characteristics to clarify the underlying drivers of emissions, while NZAOA measures transition coverage as the share of total financed emissions associated with assets that have credible transition plans. Together, these approaches make a breakdown by alignment useful for distinguishing high emissions linked to credible transition from emissions linked to unaligned assets, rather than treating all financed emissions as equivalent or interpreting divestment-driven reductions as real-economy progress.

[193] Sector definitions follow MSCI's indicative mapping of NZIF 2.0 high-impact sectors to GICS sub-industries, based on the IIGCC Net Zero Investment Framework (NZIF 2.0). https://www.msci.com/downloads/web/msci-com/legal/sustainability-and-climate-resources-and-disclosures/Net%20Zero%20Investment%20Framework%202.0%20%28NZIF%202.0%29%20-%20An%20Indicative%20Mapping.pdf?utm.

Destination region	Groups holding-level emissions by CPI destination region, based on issuer domicile.	Shows where financed emissions are geographically concentrated, helping users relate portfolio emissions to differences in regional emissions profiles and transition pathways.	East Asia and Pacific; US & Canada; Western Europe; South Asia; Middle East and North Africa; Other Oceania; Latin America & Caribbean; Central Asia and Eastern Europe; Sub-Saharan Africa
Destination development status	Groups holding-level emissions by CPI development status categories, based on issuer domicile.	Shows how financed emissions are distributed between advanced economies and EMDEs, supporting analysis of differing development contexts, transition pathways, and financing needs.	Advanced; EMDE

2.3. LIMITATIONS

For each entity, and at a system level, NZFT reports the market value and number of companies in the financial institution's listed equity and debt portfolio included in the calculation. The data was retrieved in May 2026, so subsequent revisions by the providers are not reflected. Coverage is limited to holdings that can be mapped across Bloomberg LP portfolio data and issuer emissions data. The assessed exposure can be compared with the institution's overall assets under management (AUM) to provide context on how representative the result is of its wider portfolio.

Modelled financed emissions are attribution estimates rather than measures of causal climate impact. Results depend on corporate emissions data, emissions scope, attribution methodology and financial denominators, and may also change because of portfolio reallocation, valuation effects or data coverage rather than changes in investee company emissions. Scope 3 additionally introduces greater uncertainty and double-counting risk. Results should therefore be interpreted alongside portfolio coverage, ownership lenses and breakdowns rather than as a standalone measure of real-economy decarbonization.

3. SELF-REPORTED AND DISCLOSED PORTFOLIO EMISSIONS

Self-reported portfolio emissions are taken from financial institutions' own public disclosures. These are presented at aggregate level, where they are most useful for understanding how the sector as a whole reports financed emissions. At entity level, CPI focuses on modelled estimates, which provide a more consistent and comparable basis.

SOURCES

CDP collects financial institution self-disclosures on financed emissions through its climate questionnaire. CPI uses CDP data for aggregate-level analysis only, not for displaying raw individual institution figures.

INTERPOLATION

Where self-reported emissions are missing for a year within the 2019–2025 period, CPI applies the following rules:

- Single-year gap: the missing year is filled with the average of the flanking values.
- Gap at the start of the series: the first available value is applied to all preceding years.
- Gap at the end of the series: the last available value is applied to all subsequent years.
- Single reported value only: that value is applied across all years.

OUTLIER IDENTIFICATION

Where a significant change in methodology or scope is identified within a source, only figures from after the methodological change are used. Outliers (implausible year-on-year changes, such as a fourfold increase or decrease) are flagged and, where possible, corrected against other available disclosure sources.

3.1. LIMITATIONS

Self-reported financed emissions are not standardized across financial institutions or years. Differences in portfolio boundaries, asset class coverage, emissions scope, attribution methods, data providers, and restatements can limit direct comparability.

Reporting may also contain gaps, methodological breaks or errors, and there are limited independent checks of institutions' own financed emissions calculations. CPI applies data processing and amendments where necessary to improve consistency, but processed values are not equivalent to directly observed or independently verified emissions. Data was obtained in May 2026, so any updates beyond that date are not captured in this year's analysis.

Self-reported figures should therefore be treated as a complementary disclosure view rather than substituted for CPI's harmonized modelled estimates. Comparing the two can help identify how differences in coverage, assumptions, and estimation methods affect reported results.

4. BENCHMARK

The benchmark provides a common reference trajectory against which both CPI-modelled and self-reported financed emissions can be assessed, where a sufficiently comparable 2019 baseline is available.

CPI applies a constant annual decarbonization trajectory based on the UN-convened Net-Zero Asset Owner Alliance (NZAOA) target range of a 40–60% reduction in portfolio emissions by 2029 relative to a 2019 baseline. This corresponds to approximately 5.0–8.8% annual compounded reductions and defines the lower and upper bounds of the benchmark range.

The benchmark is intentionally agnostic to changes in portfolio composition and does not represent a forecast of expected emissions. It provides a simple reference pathway for assessing whether modelled or self-reported financed emissions are declining at a pace broadly consistent with the NZAOA target range.

The benchmark is applied separately to the modelled and self-reported series and only where 2019 coverage is sufficient and the baseline is sufficiently comparable with subsequent years. Differences in portfolio boundary, emissions scope, and methodology should therefore be considered when interpreting performance against the benchmark.

3.E PORTFOLIO EXPOSURE: CORPORATE TRANSITION (BETA)

Beta indicator – methodology is subject to revision.

1. INTRODUCTION

This indicator assesses how financial institutions' listed corporate equity and debt holdings are distributed across companies at different stages of the transition to net zero. It measures market value exposure to corporate transition categories derived from a standardized issuer-level assessment. These categories also provide an indication of companies' alignment maturity by showing how far they have progressed towards alignment with a net-zero pathway.

Corporate transition plans are relevant because they connect long-term climate goals with near- and medium-term targets, governance, investment decisions, and implementation. At the portfolio level, company transition and alignment evidence can inform risk management, due diligence, capital allocation, product development, stewardship, and target monitoring. It can also help investors track changes in the alignment profile of their holdings and monitor progress towards their own net-zero investment objectives. The indicator therefore complements backward-looking emissions metrics and scenario-based transition risk measures by showing whether exposure is concentrated in companies with stronger or weaker evidence of transition preparation and delivery.

Transition status, alignment, and transition risk are related but distinct. A company may face material transition risk while also having a comparatively developed plan or being assessed at a more advanced stage of alignment, and a weak or missing assessment may reflect either limited action or limited disclosure. A disclosed plan or more advanced alignment classification also does not guarantee implementation. Results should therefore be interpreted alongside emissions trends, sector pathways, capital expenditure, policy engagement, climate solutions exposure and portfolio Climate Value at Risk (CVaR), where those data are available.

KEY FOCUS OF THIS INDICATOR

- How is the assessed listed equity and corporate debt portfolio distributed across companies at different stages of the net-zero transition?
- Where is exposure to more- and less-advanced corporate transition categories concentrated across sectors, geographies, and instruments?

2. MEASURING THE CORPORATE CLIMATE TRANSITION

Corporate transition describes how a company adapts its strategy, business model, operations, and capital allocation in response to the shift towards a low-carbon, resilient economy. Corporate transition plans provide forward-looking evidence of how companies intend to manage this process by translating their climate objectives into actions, investments, and accountability mechanisms. Assessing corporate transition can also involve measuring the extent to which a company's ambition, targets, implementation strategy, and emissions performance are aligned with a net-zero pathway. Alignment assessments translate this evidence into a comparable view of how advanced a company is in its transition, while depending on the methodology, data, and sector pathway applied.

Transition plans are increasingly used by financial institutions as an input into risk management, due diligence, stewardship, and capital allocation decisions. They can help investors distinguish between companies that have only stated a long-term ambition and those that have begun to establish the targets, implementation measures, and financial commitments needed to support that ambition. They may also reveal gaps between a company's stated objectives and its operational or financial decisions. When applied consistently across companies, alignment assessments can also help investors monitor the alignment profile of their holdings and track progress against their own net-zero investment objectives.

Several frameworks provide guidance on corporate transition planning or the assessment of corporate transition, including the International Transition Plan Network, ISSB, GFANZ, CDP, Ceres, the UN High-Level Expert Group, the Center for Climate and Energy Solutions and the Net Zero Investment Framework. These frameworks have different purposes: some focus primarily on disclosure, while others emphasize plan design, implementation, investor assessment or the credibility of net-zero commitments. Some also translate company-level evidence into alignment categories or maturity scales that can be used for investor assessment and portfolio monitoring. Nevertheless, they broadly converge around a common set of elements.

CORPORATE-LEVEL ASSESSMENT

The recurring elements of corporate transition planning can be grouped into six broad areas:

- **Ambition and targets:** a clearly defined transition ambition, supported by near-, medium- and long-term emissions-reduction targets and appropriate baselines.
- **Emissions disclosure and performance:** transparent disclosure of Scope 1, Scope 2 and material Scope 3 emissions, together with evidence of progress against targets and relevant sector pathways.
- **Implementation strategy:** quantified actions explaining how the company intends to reduce emissions, transform operations, develop lower-carbon products or services, and address material transition risks and opportunities.

- **Financial planning and capital allocation:** evidence that capital expenditure, operating expenditure, financing and other financial decisions support the stated transition strategy.
- **Governance and accountability:** board oversight, management responsibility, internal controls, incentives, and processes for reviewing and updating the transition plan.
- **Engagement and enabling conditions:** engagement with suppliers, customers, policymakers, industry associations, and other stakeholders whose actions may affect implementation.

Corporate assessment involves considering the quality and consistency of this evidence. The existence of a transition plan or net-zero commitment is not sufficient on its own. A stronger assessment examines whether the company's ambition is supported by appropriately timed targets, whether those targets are connected to quantified actions, whether financial decisions are consistent with the proposed actions, and whether reported emissions performance indicates progress. Where the purpose is to measure alignment, these dimensions can be translated into criteria or maturity categories that indicate the company's stage of progress towards alignment with a net-zero pathway.

Existing corporate assessment methodologies place different weight on these dimensions. For example, the Transition Pathway Initiative distinguishes between Management Quality—which assesses corporate governance and management of emissions and transition-related risks—and Carbon Performance, which compares company emissions pathways with climate scenarios. CDP, Climate Action 100+ and the World Benchmarking Alliance use different combinations of disclosure, targets, implementation measures, capital expenditure, policy engagement, and emissions performance.

No individual assessment should therefore be understood as a complete certification of a company's transition plan. Results depend on the methodology applied, the information available, the assessment date, and the treatment of missing or estimated data.

In addition, a detailed plan does not provide assurance that it will be delivered, while incomplete disclosure does not necessarily demonstrate an absence of action. Sector context is also important because transition pathways, technological options, and capital requirements differ substantially across industries.

FROM COMPANY-LEVEL EVIDENCE TO PORTFOLIO EXPOSURE

Company-level transition assessments can be aggregated to show how a financial institution's portfolio is distributed across different stages of corporate transition. In this indicator, each covered company is assigned to a transition category and the financial institution's exposure to that company is weighted by the market value of the relevant holding. The resulting portfolio-level distribution shows the share of assessed exposure associated with companies at more and less advanced stages of transition. Tracking this distribution over time can help investors monitor changes in the alignment profile of their portfolios, assess progress against portfolio-level net-zero objectives, and identify sectors or holdings where further engagement or action may be required.

SOURCES

The quantitative assessment combines financial institution holdings data from Bloomberg LP with data from MSCI assessing companies against the Net Zero Investment Framework (NZIF) developed by IIGCC.[194] NZIF provides an asset-level alignment maturity scale that organizes company-level transition evidence into categories that can support investor assessment, engagement, target setting, and portfolio monitoring. Bloomberg LP provides the market-value exposure of financial institutions to listed corporate equity and debt securities, while MSCI[195] provides the corresponding company-level classifications used to assess the distribution of corporate transition exposure.

The MSCI data source provides an indicative mapping of company-level information to the Net Zero Investment Framework 2.0 criteria for listed equity and corporate fixed income, with data being available for 7,251 companies for the years 2020 and 2025.

TRANSITION STATUS	DESCRIPTION
Achieving Net Zero	Company is assessed as having reached a net-zero-consistent emissions state that is expected to continue.
Aligned	Companies assessed as aligned to a net-zero pathway under the operational MSCI methodology used in the CPI data pipeline.
Aligning	Companies that are moving toward alignment and have forward-looking transition evidence but are not yet fully aligned on current performance.
Committed	Companies with a net-zero-oriented commitment or long-term direction, but with less complete present alignment evidence than the aligning and aligned categories.
Not Aligning	Companies without sufficient evidence that they are decarbonizing in a way consistent with a net-zero pathway.
Missing	Companies without a usable alignment assessment in the current operational dataset.

The NZFT plans to assess and, where methodologically appropriate, incorporate additional corporate transition data sources in future iterations to reflect the heterogeneous landscape of corporate transition assessment methodologies (see section 2). Additional sources could expand company coverage and provide complementary evidence on governance, transition planning, implementation, and emissions performance.

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[194] NZIF 2.0 was developed through the Paris Aligned Investment Initiative as a voluntary framework to support investors in developing and implementing net-zero investment strategies. For listed equity and corporate fixed income, it establishes an asset-level alignment maturity scale that can support company assessment, engagement, target setting and portfolio monitoring. IIGCC. 2024. Net Zero Investment Framework 2.0. https://www.iigcc.org/hubfs/NZIF 2.0 Report PDF.pdf.

[195] MSCI's methodology maps MSCI company data to the NZIF 2.0 maturity scale using indicators covering net-zero status, ambition, targets, emissions performance, disclosure and decarbonization strategy. MSCI does not currently have a usable data point for the NZIF 2.0 capital allocation alignment criterion and therefore does not directly assess this criterion; for higher-impact companies, the criterion may be assumed to be met where the other relevant Aligned criteria are satisfied. MSCI characterizes the methodology as an indicative, non-regulatory mapping rather than a binding interpretation or certification of compliance with NZIF. MSCI Sustainability & Climate. IIGCC. 2026. Net Zero Investment Framework 2.0 (NZIF 2.0) An Indicative Mapping. https://www.msci.com/downloads/web/msci-com/legal/sustainability-and-climate-resources-and-disclosures/msci-sustainability-and-climate-methodologies/Net Zero Investment Framework 20 %28NZIF 20%29 - An Indicative Mapping.pdf

3. MODELLING AND ASSESSMENT STEPS

Step 1 – Retrieve issuer transition category

For each company and year, MSCI provides the latest available transition category. The categories are Achieving Net Zero, Aligned, Aligning, Committed, Not Aligning, and Missing.

Step 2 – Calculate company-level exposure

Equity and debt market value exposure for each financial institution to each company is retrieved and mapped to the relevant MSCI issuer universe.

Step 3 – Aggregate portfolio exposure by transition category

Company-level exposures are grouped according to their assigned transition category and summed.

Portfolio Category Exposure = Σ Company Exposure for companies assigned to the category

Step 4 – Calculate total in-scope portfolio exposure

Total in-scope exposure is calculated by summing exposure across all transition categories, including Missing.

Total In-Scope Exposure = Σ Category Exposure across all categories

Step 5 – Calculate portfolio exposure shares

The share of the portfolio assigned to each transition category is calculated by dividing category exposure by total in-scope exposure.

Category Share (%) = 100 × Category Exposure / Total In-Scope Exposure

4. BREAKDOWNS

The portfolio exposure to the corporate transition can be decomposed across several dimensions to show where financial institutions' exposure to companies at different stages of the transition is concentrated.

ALIGNMENT BREAKDOWN DIMENSIONS			
Breakdown	**What it measures**	**Why it matters**	**Possible values**
Sector[196]	Groups holding-level transition classifications by sectors.	Shows where exposure to the corporate transition is concentrated across the economy. Sectoral analysis is particularly important because transition pathways, emissions profiles, technologies,	Sector names: Agriculture, forestry, and fishing; Airlines; Banking; Cement; Chemicals; Coal & Diversified Mining; Consumer goods; Electric Utilities; Food Producers;

[196] Sector definitions follow MSCI's indicative mapping of NZIF 2.0 high-impact sectors to GICS sub-industries, based on the IIGCC Net Zero Investment Framework (NZIF 2.0). https://www.msci.com/downloads/web/msci-com/legal/sustainability-and-climate-resources-and-disclosures/Net%20Zero%20Investment%20Framework%202.0%20%28NZIF%202.0%29%20-%20An%20Indicative%20Mapping.pdf?utm.

		and capital requirements differ substantially across sectors, and progress in high-impact sectors is especially important for real-economy decarbonization.	Industrials; Oil and gas (plus distribution); Other; Paper; Real Estate; Shipping; Steel; Transportation; Missing
Destination region	Groups holding-level transition classification by CPI destination region, based on issuer domicile.	Shows the geographic distribution of exposure to companies at different stages of the transition. This supports interpretation in the context of differing policy environments, economic structures, and regional transition pathways.	Central Asia and Eastern Europe; East Asia and Pacific; Latin America & Caribbean; Middle East and North Africa; Other Oceania; South Asia; Sub-Saharan Africa; US & Canada; Western Europe
Destination development status	Groups holding-level transition classification by CPI development status categories, based on issuer domicile.	Shows how exposure to companies at different stages of the transition is distributed between advanced economies and emerging market and developing economies (EMDEs). This supports interpretation of transition progress in the context of differing economic structures, development priorities, financing constraints, and transition pathways.	Advanced; EMDE.

5. LIMITATIONS

For each entity and at system level, the NZFT reports the market value and number of companies included in the calculation. Coverage is limited to listed equity and corporate debt holdings that can be mapped between Bloomberg LP portfolio data and the MSCI corporate transition classifications. Unmapped holdings and other asset classes, including private assets and sovereign exposures, are not captured. Assessed exposure can be compared with the institution's overall assets under management to provide context on the representativeness of the results. The data were obtained in May 2026, so any further updates are not included in the 2026 report.

The MSCI classifications provide standardized signals of corporate transition based on the selected methodology and available reported or estimated data. They do not constitute an independent NZFT assessment, verification of company disclosures or assurance that a transition plan will be implemented successfully. Results may also be affected by differences in disclosure quality, assessment timing, sector context, and the treatment of missing data.

The indicator measures portfolio exposure to companies at different stages of transition; it does not measure the financial institution's contribution to those companies' progress, nor does it directly estimate transition risk or potential financial loss. Results should therefore be interpreted alongside portfolio coverage, sector composition, emissions performance, transition risk analysis, and evidence of stewardship or engagement, rather than as a standalone basis for investment decisions.

3.F PORTFOLIO EXPOSURE TO TRANSITION RISK (CVAR)

1. INTRODUCTION

Transition climate risk captures the potential financial consequences of the economic transition toward a lower-carbon economy. Changes in climate policy, regulation, technology, markets, legal requirements, and stakeholder expectations can affect companies through multiple channels, including carbon prices, shifts in product demand, technology substitution, capital expenditure requirements, operating costs, litigation exposure, and access to finance. For financial institutions, these effects can translate into changes in the value of the companies and securities they finance or invest in.

Understanding this risk is important because the financial effects of the transition may not be evenly distributed across a portfolio. Companies operating in emissions-intensive sectors, facing higher transition costs, or adapting more slowly to changing policy and technology conditions may experience greater valuation pressure. At the same time, companies positioned to benefit from low-carbon technologies, products and services may experience transition-related opportunities. A portfolio-level indicator can therefore help identify both the overall potential financial effect of different transition pathways and where those effects are concentrated.

This indicator estimates the potential valuation impact of transition climate risk on assessed listed corporate equity and debt holdings using Climate Value at Risk (CVaR). CVaR is a forward-looking, scenario-based measure that expresses the present-value effect of modelled future climate-related costs and opportunities on company or security value. By applying a consistent set of transition scenarios across holdings, the indicator provides a comparable measure of potential valuation losses or opportunities and supports analysis of how these effects vary across companies, sectors, geographies, and other portfolio characteristics.

KEY FOCUS OF THIS INDICATOR

- What is the estimated transition CVaR of the assessed listed equity and debt portfolio under selected transition pathways?
- Where are potential valuation losses or opportunities concentrated across sectors, aligned companies, geographies, and development-status groups?

2. ESTIMATING TRANSITION CLIMATE RISK

CVaR provides a forward-looking approach to estimating how climate-related transition developments could affect the value of a company or financial security under different scenarios. Rather than forecasting realized financial losses, the approach models potential future transition-related costs and opportunities and translates them into an estimated valuation effect.

At a high level, the methodology estimates the future net financial effects associated with a given transition pathway, discounts those effects to their present value, and assesses the resulting change in company or security value. The resulting CVaR is expressed as a percentage of value. Negative values indicate potential valuation losses under the modelled scenario, while positive values indicate potential valuation gains or opportunities.

TRANSITION RISK AND TECHNOLOGY OPPORTUNITY ELEMENTS

Transition CVaR can capture both the potential costs of adjusting to a lower-carbon economy and the opportunities associated with that transition. The cost component reflects factors such as emissions-related policy exposure and the financial implications of decarbonization requirements. The opportunity component reflects the potential benefits associated with technologies, products, or activities that may gain value as the transition progresses.

Relevant model inputs can therefore include company emissions, electricity consumption, company value, and sector characteristics, together with scenario assumptions such as future carbon prices. Measures of companies' exposure to transition-related opportunities, including revenues or technologies associated with lower-carbon activities, may also be incorporated.

EQUITY AND DEBT TREATMENT

The financial effect of a transition-related cost shock can differ across the capital structure. Debt investors may be affected where a deterioration in company financial performance increases credit or default risk, while equity holders absorb the residual effect on company value. For this reason, the indicator applies instrument-specific CVaR estimates to equity and debt exposures where these are available.

SOURCES

The quantitative assessment combines financial institution holdings data from Bloomberg LP with MSCI Transition Climate VaR data[197]. Bloomberg LP provides the market value exposure of financial institutions to listed corporate equity and debt securities, while MSCI provides the corresponding issuer- and instrument-level transition CVaR estimates used to assess their potential valuation response under the selected scenarios.

The assessed universe consists of listed corporate equity and debt holdings that can be mapped between the Bloomberg LP holdings data and the MSCI transition CVaR universe. The transition-risk dataset used for the analysis contains 8,126 issuers with Transition Climate VaR coverage in the MSCI ACWI IMI transition CVaR dataset. Equity exposures are matched to MSCI equity CVaR outputs and debt exposures to the corresponding debt CVaR outputs.

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[197] This indicator draws primarily on *MSCI Climate Value-at-Risk (VaR) Methodology* (June 2024), which sets out the overarching Climate VaR framework, including scenario-based valuation, discounting of future climate-related costs and opportunities, and separate equity and debt treatment. For transition risk, MSCI combines policy risk and technology opportunity components, using inputs including company emissions, decarbonization pathways, carbon price assumptions, green revenues, and low-carbon technologies. Further detail is provided in MSCI's *Understanding the Drivers of Transition-Risk Climate VaR*.
https://www.msci.com/documents/1296102/39141520/Updated_PUBLIC_CVaR_Meth+doc_EEC.pdf;
https://www.msci.com/research-and-insights/blog-post/understanding-the-drivers-of-transition-risk-climate-var

3. SCENARIO SELECTION

The selected transition risk scenarios are 1.5°C – 1DEG Low Demand / REMIND NGFS Low Demand, 2°C – SSP1-2.6 / REMIND NGFS Orderly, and 3°C – SSP2-4.5 / REMIND NGFS NDC. They are selected because they provide a compact set of transition policy narratives: an ambitious low-demand pathway, an orderly below 2°C pathway and a current pledge-like pathway. Transition CVaR is organized around policy transition narratives rather than high-warming physical concentration pathways, so the headline transition risk indicator does not use the 4°C or 5°C physical risk scenario set.[198]

4. MODELLING AND ASSESSMENT STEPS

Step 1 – Retrieve issuer-level CVaR data from MSCI

For each company and scenario, MSCI provides instrument-specific Transition Climate VaR outputs for equity and debt, expressed as a percentage of company or security value. The relevant equity and debt CVaR values are selected for each of the transition scenarios included in the assessment.

Step 2 – Retrieve financial institution holdings from Bloomberg LP

Equity and debt market value exposure for each financial institution to each company is retrieved and mapped to the MSCI transition CVaR issuer universe. This links each mapped holding to the corresponding issuer- and instrument-specific CVaR value.

Step 3 – Calculate holding-level transition risk valuation impact

The relevant equity or debt CVaR percentage is applied to the market value of each holding, translating the percentage CVaR into an estimated monetary valuation effect.

Holding Transition CVaR Valuation Effect = (Equity exposure × Transition equity CVaR%) + (Debt exposure × Transition debt CVaR%)

Step 4 – Aggregate to financial institution level

Holding-level valuation effects are summed across all mapped companies to estimate the total potential transition-related valuation effect for the assessed portfolio.

Total Transition CVaR Valuation Effect = Σ Holding-level Transition CVaR Valuation Effect across all mapped companies.

[198] Scenario and disclosure context sources: NGFS Scenarios Portal, https://www.ngfs.net/ngfs-scenarios-portal/explore/ ; IFRS S2 Climate-related Disclosures, https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s2-climate-related-disclosures/ ; GFANZ Financial Institution Net-zero Transition Plans, https://www.gfanzero.com/our-work/financial-institution-net-zero-transition-plans/ ; IPCC AR6 Working Group III: Mitigation of Climate Change, https://www.ipcc.ch/report/ar6/wg3/.

Step 5 – Calculate total assessed exposure

The market value of all mapped equity and debt holdings is summed to establish the portfolio exposure covered by the calculation.

Total Assessed Exposure = Σ (Equity exposure + Debt exposure) across all mapped companies.

Step 6 – Calculate portfolio-level weighted CVaR

The total valuation effect is divided by total assessed exposure to express the result as a portfolio-level percentage. Negative values indicate potential valuation losses, while positive values indicate potential valuation gains or opportunities.

Portfolio Transition CVaR (%) = 100 × (Total Transition CVaR Valuation Effect / Total Assessed Exposure)

5. BREAKDOWNS

The portfolio CVaR result can be decomposed using several dimensions which can be used to identify where the portfolio's potential discounted valuation losses or opportunities are concentrated.

CVaR BREAKDOWN DIMENSIONS			
Breakdown	**What it measures**	**Why it matters**	**Possible values**
Transition level	Groups holding-level CVaR impact by issuer transition status.	Shows whether potential valuation losses are concentrated in companies that are not aligned with the transition, helping assess whether portfolio transition risk corresponds with issuer transition progress.	Aligned; Aligning; Committed; Not Aligning; Missing
Sectors[199]	Groups holding-level CVaR impact by sectors.	Identifies the sectors driving portfolio transition risk, helping users locate exposures most sensitive to policy, technology and market shifts and prioritize further analysis or engagement.	Sector names: Agriculture, forestry, and fishing; Airlines; Banking; Cement; Chemicals; Coal & Diversified Mining; Consumer goods; Electric Utilities; Food Producers; Industrials; Oil and gas (plus distribution); Other; Paper; Real Estate; Shipping; Steel; Transportation; Missing
Destination region	Groups holding-level CVaR impact by CPI destination	Shows where transition risk impacts are geographically concentrated, helping users relate portfolio exposure to	Central Asia and Eastern Europe; East Asia and Pacific; Latin America & Caribbean; Middle East and North Africa;

[199] Sector definitions follow MSCI's indicative mapping of NZIF 2.0 high-impact sectors to GICS sub-industries, based on the IIGCC Net Zero Investment Framework (NZIF 2.0). https://www.msci.com/downloads/web/msci-com/legal/sustainability-and-climate-resources-and-disclosures/Net%20Zero%20Investment%20Framework%202.0%20%28NZIF%202.0%29%20-%20An%20Indicative%20Mapping.pdf?utm.

	region, based on issuer domicile.	differences in regional policy pathways, technology deployment, and transition conditions.	Other Oceania; South Asia; Sub-Saharan Africa; US & Canada; Western Europe
Destination development status	Groups holding-level CVaR impact by CPI development status categories, based on issuer domicile.	Shows how transition risk impacts are distributed between advanced economies and EMDEs, supporting analysis of differing transition pathways, financing needs, and constraints across development contexts.	Advanced; EMDE

6. LIMITATIONS

For each entity, and at a system level, NZFT reports the market value and number of companies in the financial institution's listed equity and debt portfolio included in the calculation. Coverage is limited to holdings that can be mapped across Bloomberg LP portfolio data and MSCI Transition Climate VaR data. The assessed exposure can be compared with the institution's overall assets under management (AUM) to provide context on how representative the result is of its wider portfolio. Data was accessed in May 2026, so any updates or revisions are not captured in the 2026 NZFT reporting.

Transition Climate VaR is a scenario-based valuation estimate rather than a forecast of actual future losses. Results depend on the selected transition pathways and on modelling assumptions regarding factors such as future climate policy, carbon prices, emissions, technology development, and transition-related opportunities. They are also subject to uncertainty in issuer-level data, financial transmission mechanisms, security valuation, and holdings-to-issuer mapping.

The indicator covers mapped listed corporate equity and debt and therefore does not capture unmapped holdings or other asset classes, such as private assets or sovereign exposures. Results should consequently be interpreted as a comparable estimate of potential transition-related valuation effects under the selected scenarios, alongside portfolio coverage and other contextual information, rather than as a prediction of realized financial performance or a standalone basis for investment decisions.

3.G PORTFOLIO EXPOSURE TO PHYSICAL RISK (CVAR)

1. INTRODUCTION

Physical climate risk captures the potential financial consequences of acute and chronic climate hazards and the broader economic effects of a changing climate. Rising temperatures and changes in the frequency or severity of hazards can affect companies through physical damage to assets, business interruption, supply chain disruption, reduced productivity, shifts in demand, higher operating and capital costs, adaptation and reconstruction needs, migration and labour-market effects, and changing access to finance. For financial institutions, these effects can translate into changes in the value of the companies and securities they finance or invest in.

Understanding this risk is important because exposure to physical climate impacts is not evenly distributed across companies, sectors, or geographies. The financial consequences can depend both on the location and vulnerability of a company's physical assets and on its exposure to broader economic effects transmitted through supply chains, labour markets, infrastructure, demand, and financial conditions. A portfolio-level indicator can therefore help identify the overall potential financial effect of different warming pathways as well as where those effects are concentrated.

This indicator estimates the potential valuation impact of physical climate risk on assessed listed corporate equity and debt holdings using Climate Value at Risk (CVaR). CVaR is a forward-looking, scenario-based measure that expresses the present value effect of modelled future climate-related costs on company or security value.

The indicator combines two complementary risk components:

- **Direct physical risk:** asset-level valuation impacts from company facilities and physical assets exposed to acute and chronic climate hazards.
- **Macroeconomic physical risk**: broader economy-wide valuation impacts transmitted through productivity, supply chains, demand, credit conditions, cost of capital, labour markets, and adaptation or reconstruction.

Considering both provides a more comprehensive view of how physical climate change may affect financial portfolios under different warming pathways. By applying a consistent set of warming scenarios across holdings, the indicator provides a comparable measure of potential valuation losses or opportunities and supports analysis of how these effects vary across companies, sectors, geographies, and other portfolio characteristics.

KEY FOCUS OF THIS INDICATOR

- What is the estimated physical CVaR of the assessed listed equity and debt portfolio under selected warming pathways?
- How much of a portfolio’s physical risk comes from direct physical risk and how much from macroeconomic physical risk?
- Where are potential discounted valuation losses concentrated across issuers, sectors, geographies, and development status groups?

2. ESTIMATING PHYSICAL CLIMATE RISK

CVaR provides a forward-looking approach to estimating how the physical consequences of climate change could affect the value of a company or financial security under different warming scenarios. Rather than forecasting realized financial losses, the approach models potential future climate-related financial effects and translates them into an estimated valuation impact.

At a high level, the methodology estimates a time series of future climate-related costs, discounts those effects to their present value, and assesses the resulting change in company or security value. The resulting CVaR is expressed as a percentage of value. Negative values indicate potential valuation losses under the modelled scenario, while positive values may arise where modelled climate-related financial effects result in an increase in value.

DIRECT PHYSICAL RISK COMPONENT

Direct physical risk captures the potential financial effects arising from the exposure and vulnerability of a company's assets and operations to acute and chronic climate hazards. Estimation typically combines information on the location and characteristics of physical assets with projections of future hazard intensity and frequency and assumptions about vulnerability, damage, and business interruption.

Relevant hazards can include both chronic effects, such as changes in temperature or precipitation patterns, and acute events, such as flooding, tropical cyclones, or wildfires. The resulting estimates translate changes in physical hazard exposure into potential financial costs and valuation effects.

MACROECONOMIC PHYSICAL RISK COMPONENT

Macroeconomic physical risk captures broader economic consequences of climate change that may affect companies beyond direct damage to their own assets. These effects can be transmitted through channels such as productivity, supply chains, demand, labour markets, infrastructure, capital expenditure, the cost of capital, migration, and adaptation or reconstruction needs.

This component complements direct physical risk assessment by capturing economy-wide effects that can influence company performance and valuation even where direct physical damage to a company's own assets is limited. Combining the two components therefore provides a broader assessment of the potential financial consequences of physical climate change.

EQUITY AND DEBT TREATMENT

The financial effect of a physical climate-related cost shock can differ across the capital structure. Debt investors may be affected where a deterioration in company financial performance increases credit or default risk, while equity holders absorb the residual effect on company value. For this reason, the indicator applies instrument-specific CVaR estimates to equity and debt exposures where these are available.

SOURCES

The quantitative assessment combines financial institution holdings data from Bloomberg LP with MSCI CVaR data[200]. Bloomberg LP provides the market value exposure of financial institutions to listed corporate equity and debt securities, while MSCI provides the corresponding issuer- and instrument-level physical CVaR estimates used to assess their potential valuation response under the selected warming scenarios.

Two MSCI datasets are used to construct the physical risk indicator. The direct physical risk component relies primarily on MSCI data covering 8,165 companies from the MSCI ACWI IMI company universe. The macroeconomic physical risk component relies on MSCI data covering 8,126 issuers with macroeconomic physical CVaR coverage in the MSCI ACWI IMI macroeconomic CVaR dataset.

3. SCENARIO SELECTION

The selected scenarios are the same for the direct and macroeconomic physical risk components: 1.5°C – 1DEG Low Demand / REMIND NGFS Low Demand, 2°C – SSP1-2.6 / REMIND NGFS Orderly, 3°C – SSP2-4.5 / REMIND NGFS NDC, and 4°C – SSP3-7.0. They are selected because they use the Low Demand/SSP physical scenario family, span a transparent progression from Paris-aligned to high physical risk warming, and avoid duplicate transition policy labelled variants.

The 5°C / SSP5-8.5 / RCP8.5-style pathway is no longer considered in this methodology. Updated scenario-plausibility literature has moved away from treating SSP5-8.5/RCP8.5 as an appropriate core pathway for this century; WCRP's CMIP7 scenario materials state that the highest pathway is now lower than in previous scenario sets, and the NGFS Current Policies pathway reaches about 3°C around 2100.[201]

[200] This indicator draws on *MSCI Climate Value-at-Risk (VaR) Methodology* (June 2024) and MSCI's physical risk documentation. Direct physical risk combines asset locations, projected hazard intensity and frequency, and vulnerability and damage functions to estimate asset damage and business interruption. MSCI's macroeconomic physical risk methodology complements this by capturing broader economy-wide transmission channels, including productivity, supply chains, demand, labour markets, capital costs, and adaptation or reconstruction effects. https://www.msci.com/documents/1296102/39141520/Updated_PUBLIC_CVaR_Meth+doc_EEC.pdf; https://www.msci.com/research-and-insights/blog-post/the-macroeconomic-side-of-physical-risk

[201] Scenario rationale sources: WCRP CMIP7 scenarios explainer, https://www.wcrp-climate.org/news/science-highlights/2413-cmip7-scenarios-explainer-2026 ; CMIP7 ScenarioMIP, https://gmd.copernicus.org/articles/19/2627/2026/ ; NGFS Scenarios Portal, https://www.ngfs.net/ngfs-scenarios-portal/explore/.

4. MODELLING AND ASSESSMENT STEPS

Step 1 – Retrieve issuer-level CVaR data from MSCI

For each company and scenario, MSCI provides instrument-specific direct and macroeconomic physical CVaR outputs for equity and debt, expressed as a percentage of company or security value. The two physical risk components are retained separately before being combined later in the calculation.

Step 2 – Retrieve financial institution holdings from Bloomberg LP

Equity and debt market value exposure for each financial institution to each company is retrieved and mapped to the relevant MSCI physical CVaR issuer universe. This links each mapped holding to the corresponding direct and macroeconomic CVaR values.

Step 3 – Calculate holding-level direct physical risk valuation impact

The direct physical CVaR is applied separately to equity and debt exposure to estimate the potential valuation effect associated with asset-level physical climate impacts.

Holding Direct CVaR Valuation Effect = (Equity exposure × Direct equity CVaR%) + (Debt exposure × Direct debt CVaR%)

Step 4 – Calculate holding-level macroeconomic physical risk valuation impact

The macroeconomic physical CVaR is applied in the same way to estimate the potential valuation effect associated with broader economy-wide physical risk transmission.

Holding Macroeconomic CVaR Valuation Effect = (Equity exposure × Macroeconomic equity CVaR%) + (Debt exposure × Macroeconomic debt CVaR%)

Step 5 – Aggregate to financial institution level

Total holding-level valuation effects are summed across all mapped companies to estimate the total physical climate-related valuation effect for the assessed portfolio separately for direct and macroeconomic physical risk.

Total Direct Physical CVaR Valuation Effect = Σ Holding Direct Physical CVaR Valuation Effect across all mapped companies

Total Macroeconomic Physical CVaR Valuation Effect = Σ Holding Macroeconomic Physical CVaR Valuation Effect across all mapped companies

Step 6 – Calculate total assessed exposure

The market value of all mapped equity and debt holdings is summed to establish the portfolio exposure covered by the calculation.

Total Assessed Exposure = Σ (Equity exposure + Debt exposure) across all mapped companies

Step 7 – Calculate portfolio-level weighted CVaR

The direct and macroeconomic physical risk valuation effects are each divided by total assessed exposure to express the result as a portfolio-level percentage. Negative values indicate potential valuation losses, while positive values indicate potential valuation gains.

Portfolio Direct Physical CVaR (%) = 100 × (Total Direct Physical CVaR Valuation Effect / Total Assessed Exposure)

Portfolio Macroeconomic Physical CVaR (%) = 100 × (Total Macroeconomic Physical CVaR Valuation Effect / Total Assessed Exposure)

5. BREAKDOWNS

The portfolio CVaR result can be decomposed using several dimensions which can be used to identify where the portfolio's potential discounted valuation losses or opportunities are concentrated.

CVaR Breakdown Dimensions			
Breakdown	**What it measures**	**Why it matters**	**Possible values**
Sectors[202]	Groups holding-level CVaR impact by sectors.	Identifies the sectors driving portfolio physical risk, helping users locate exposures that are particularly sensitive to climate hazards, business interruption or wider economic disruption.	Sector names: Agriculture, forestry, and fishing; Airlines; Banking; Cement; Chemicals; Coal & Diversified Mining; Consumer goods; Electric Utilities; Food Producers; Industrials; Oil and gas (plus distribution); Other; Paper; Real Estate; Shipping; Steel; Transportation; Missing.
Destination region	Groups holding-level CVaR impact by CPI destination region, based on issuer domicile.	Shows where physical risk impacts are geographically concentrated, helping users identify portfolio exposure to regions with different hazard profiles, vulnerability, and adaptation needs.	Central Asia and Eastern Europe; East Asia and Pacific; Latin America & Caribbean; Middle East and North Africa; Other Oceania; South Asia; Sub-Saharan Africa; US & Canada; Western Europe.
Destination development status	Groups holding-level CVaR impact by CPI development status categories, based on issuer domicile.	Shows how physical risk impacts are distributed between advanced economies and EMDEs, supporting analysis of differing climate vulnerability, resilience, and adaptation finance needs.	Advanced; EMDE.

[202] Sector definitions follow MSCI's indicative mapping of NZIF 2.0 high-impact sectors to GICS sub-industries, based on the IIGCC Net Zero Investment Framework (NZIF 2.0). Source: https://www.msci.com/downloads/web/msci-com/legal/sustainability-and-climate-resources-and-disclosures/Net%20Zero%20Investment%20Framework%202.0%20%28NZIF%202.0%29%20-%20An%20Indicative%20Mapping.pdf?utm.

6. LIMITATIONS

For each entity, and at a system level, NZFT reports the market value and number of companies in the financial institution's listed equity and debt portfolio included in the calculation. Coverage is limited to holdings that can be mapped across Bloomberg LP portfolio data and the relevant MSCI physical CVaR datasets. Financing data were retrieved in May 2026, so subsequent revisions by the providers are not reflected. The assessed exposure can be compared with the institution's overall assets under management (AUM) to provide context on how representative the result is of its wider portfolio.

Physical CVaR is a scenario-based valuation estimate rather than a forecast of actual future losses. Results depend on the selected warming pathways and on modelling assumptions regarding factors such as future hazard intensity and frequency, asset exposure and vulnerability, damage functions, business interruption, macroeconomic transmission channels, and adaptation or reconstruction costs. They are also subject to uncertainty in issuer- and asset-level data, security valuation and holdings-to-issuer mapping.

The indicator covers mapped listed corporate equity and debt and therefore does not capture unmapped holdings or other asset classes, such as private assets or sovereign exposures. It may also not capture insurance arrangements, adaptation measures or institution-specific risk management. Results should consequently be interpreted as a comparable estimate of potential physical climate-related valuation effects under the selected scenarios, alongside portfolio coverage and other contextual information, rather than as a prediction of realised financial performance or a standalone basis for investment decisions.

TRANSITION PLAN ADOPTED

The ticker tracks whether financial institutions have put in place a climate-related transition plan. Transition plans outline how institutions will adapt their business models, investment strategies, and risk management practices to support the shift to a low-carbon economy. Having a structured plan helps institutions mitigate climate-related financial risks and align with net-zero targets.

Data sources: CDP, CPI, ECIU, ShareAction, SustainabilityReports.com, World Benchmarking Alliance

ASSESSMENT APPROACH		
Published	Climate Transition Plan is adopted.	["A. The organization's strategy includes a climate transition plan to achieve the target" = True]
Not published	No evidence of climate transition plan.	N/A

PUBLISHES TCFD/ISSB/CSRD DISCLOSURE

The ticker tracks whether financial institutions report climate-related information in accordance with TCFD, ISSB, or CSRD requirements. In June 2023, the TCFD disbanded and the recommendations are fully incorporated into ISSB standards (IFRS S1 and S2).[203] ISSB standards have been endorsed by the G7, G20, IOSCO, and the Financial Stability Board, among others, and it is expected that they will be adopted by various jurisdictions as sustainability-related legislation is reviewed. In Europe, a limited number of large public entities have started reporting on the CSRD as of the 2024 fiscal year (published in 2025), which incorporates the four core pillars of the TCFD. These frameworks provide a structured approach for disclosing climate-related governance, strategy, risk management, targets, metrics, impacts, risks, opportunities, and transition planning. Reporting in line with these frameworks enhances transparency and enables stakeholders to assess an institution's climate-related performance, resilience, and preparedness for the transition to a low-carbon economy. Frameworks and literature are TCFD,[204] Bloomberg Law's The Essential ESG Toolkit,[205] PRI analysis,[206] NZIF 2.0,[207] UN HLEG Recommendation,[208] ESRS E1,[209] and ISSB.[203]

Data sources: CDP, PRI, ECIU, Sustainability Reporting Navigator, TCFD Resource Hub, and CPI

ASSESSMENT APPROACH		
Published	TCFD or ISSB or CSRD reporting is available.	["A. Publishes TCFD/ISSB/CSRD disclosures" = True]
Not published	No evidence of TCFD/ISSB/CSRD disclosures.	N/A

[203] From 2024—as the ISSB Standards start being applied around the world—the IFRS Foundation will take over these responsibilities from the TCFD. IFRS. 2023. https://www.ifrs.org/sustainability/tcfd/

[204] Based on TCFD, Which Organizations Should Implement the TCFD Recommendations? To promote more informed investing, lending, and insurance underwriting decisions, the Task Force recommends all organizations with public debt or equity implement its recommendations. Because climate-related issues are relevant for other types of organizations as well, all organizations are encouraged to implement these recommendations. In particular, implementation by asset managers and asset owners, including public- and private-sector pension plans, endowments, and foundations, will help their clients and beneficiaries better understand the performance of their assets, consider the risks of their investments, and make more informed investment choices. TCFD. 2022. Task Force on Climate-related Financial Disclosures. https://assets.bbhub.io/company/sites/60/2022/12/tcfd-2022-overview-booklet.pdf

[205] Bloomberg compared the current major ESG frameworks—GRI standards, SASB, UNGC, and TCFD—and showed that TCFD can help organizations prepare more consistent and comparable disclosures of their material, climate-related risks and opportunities, and how they manage them. Importantly, the TCFD Recommendations framework was also developed in alignment with other existing reporting frameworks (e.g., CDP, SASB, CDSB, GRI, and IIRC). Therefore, organizations reporting under those frameworks may already have tools that would be useful for the collection and reporting of climate-related information under the TCFD framework. Bloomberg Law. 2022. The Essential ESG Toolkit. https://assets.bbhub.io/bna/sites/7/2022/07/ESG_General_Report_BLAW_V4.pdf

[206] In the PRI's paper presenting a comparative analysis of several then-forthcoming mainstream climate disclosure rules and standards, including SEC Proposed Rule, the IFRS S1 and S2 exposure drafts, and ESRS, the assessment indicates that each draft standard has considerably leveraged the TCFD recommendations and guidance across each pillar, although with varying degrees of alignment. PRI. 2022. Briefing Paper-Draft Climate Disclosure Rules and Standards Comparative Analysis. https://www.unpri.org/download?ac=17147

[207] "Assess and disclose climate financial risk assessment in line with legal obligations, fiduciary duties, and industry best practice (e.g. TCFD and ISSB)". IIGCC. 2024. NZIF 2.0. https://www.iigcc.org/hubfs/2024%20resources%20uploads/IIGCC_NZIF%202.0_consultation_2024.pdf

[208] "Recommendation 10. Accelerating the Road to Regulation - International standards must continue to draw on these norms to lay out broadly agreed ground rules for mass adoption, particularly across borders (e.g. International Sustainability Standards Board (ISSB), ISO), while also drawing on third-party verification to ensure integrity". UN HLEG. 2022. INTEGRITY MATTERS: NET ZERO COMMITMENTS BY BUSINESSES, FINANCIAL INSTITUTIONS, CITIES AND REGIONS. https://www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf

[209] Disclosure Requirement. ESRS E1. 2023. CSRD. https://www.efrag.org/sites/default/files/sites/webpublishing/SiteAssets/ESRS%20E1%20Delegated-act-2023-5303-annex-1_en.pdf