

Tracking the Climate Transition of the Global Financial System

Insights from the Net Zero Finance Tracker

November 2026

CLIMATE POLICY INITIATIVE

NET ZERO FINANCE TRACKER
BY CLIMATE POLICY INITIATIVE

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CPI's data science team, Nikita Marini, Tinglu Zhang, and Christina Lee supported with the data in this report and played a key role in the development of the Net Zero Finance Tracker. We thank Pauline Baudry and Elana Fortin for support on design, and Kirsty Taylor for editing.

ACKNOWLEDGMENTS

The authors would like to thank CPI colleagues Baysa Naran, Chavi Meattle, Dharshan Wignarajah, and Shengzi Li for internal inputs and review.

We are also grateful for the expert external review from the following people (in alphabetical order by organization): Ray Stanislas (Ademe), Manveer Gill (CDP), Kaede Kawauchi and Unwanna Etuk (Ceres), Katrina Pirner (City of London Corporation), David Carlin (David Carlin Company), Ben Gilbey (E3G), Ronan Hodge (GFANZ), Matteo Gasparini (Oxford University), Rémi Hermant (Reclaim Finance), Anja Ludzweit, Orestis Valentzas, and Sarah Kemmitt (UNEP FI).

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

ABOUT CLIMATE POLICY INITIATIVE

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

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RECOMMENDED CITATION

CPI. 2026. Tracking the Climate Transition of the Global Financial System: Insights from the Net Zero Finance Tracker. Available at: www.climatepolicyinitiative.org/publication/tracking-the-climate-transition-of-the-global-financial-system-insights-from-the-net-zero-finance-tracker



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Net Zero Finance Tracker: Assessing the financial system's climate transition

CPI's Net Zero Finance Tracker (NZFT) provides an independent view of how the financial sector is progressing toward a low-carbon, climate-resilient economy. It examines three connected questions: what climate targets financial institutions (FIs) set, how they put those commitments into practice, and whether their financing and portfolios show evidence of change in the real economy.

The dataset's breadth and consistency enable a comprehensive assessment of FIs' climate action against comparable criteria, supporting the identification of progress and remaining gaps across FIs, categories and regions. This evidence can inform decision-making by civil society, regulators and investors, supporting the strengthening of climate policies, strategies and actions where needed.

This report's analysis is based on aggregated NZFT data. Entity-level information is available via the interactive NZFT dashboard. For more information, including considerations for using NZFT data, see the NZFT Methodology 2026.

The 2026 edition tracks 1,500 FIs worldwide, primarily large private institutions representing around 63% of global financial assets (FSB, 2025b). Of this, FIs based in developed markets held 80% of tracked AUM/O, with the remaining 20% being held by FIs in emerging markets. By focusing on the largest entities, the NZFT captures the greatest influence on capital allocation for the transition to a net-zero and climate-resilient economy. The sample includes five investor categories: asset owners, asset managers, insurers, banks, PE/VC/hedge funds.

Figure 1: NZFT in numbers

Harmonizing data to track progress against key indicators

52 Data providers

>650 Variables

13 Data agreements:

1,500 Global financial institutions

~$315 tn (~63% of global financial assets)

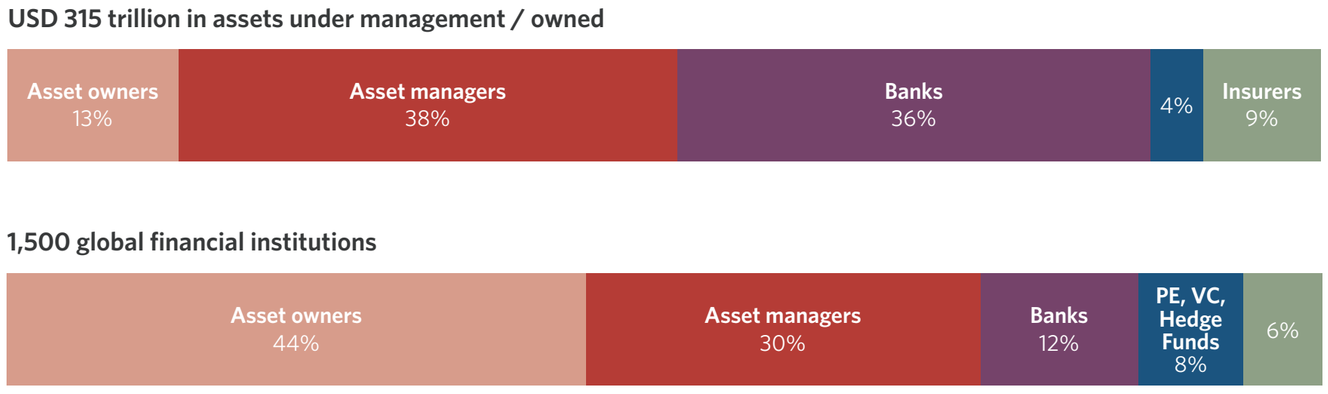
5 investor categories:
Asset Owners **Asset Managers** **Insurance**
PE, VC, Hedge Funds **Banks**

+11 sub-investor categories

Three dimensions, **18** indicators:
Targets (3) **Implementation (8)** **Impact (7)**

~170 Actions captured

Figure 2: NZFT sample composition



Source: NZFT 2026 entity sample. Percentages calculated from unrounded values; AUM/O total = USD 315.29 tn.

Executive Summary

The financial sector has advanced on climate, but delivery is losing momentum

Financial institutions (FIs) increasingly recognize how climate change is reshaping economies, energy systems, livelihoods, and human security. They are responding by setting objectives and building internal capabilities. The next challenge is to turn those foundations into sustained changes in investment and corporate behavior. The analysis of data from the NZFT points to a financial system increasingly equipped to understand the transition and its risks, yet struggling to drive it at the scale and pace required to safeguard its own growth and stability, as well as those of the broader economy and society.

Targets have expanded, but still leave the direction of progress unclear. FIs' climate targets are substantially stronger than in 2019, but progress stalled in 2025 amid backtracking on commitments and the dissolution of financial-sector climate alliances. FIs representing only around a quarter of assessed assets under management/owned tracked by the NZFT scored Progressing or above on their climate-related target setting. Most assets remain associated with institutions whose targets are not yet comprehensively adopted, ambitious, or robust.

The central weakness is the incomplete connection between emissions goals and financing objectives. Mitigation targets are more developed than quantified climate investment commitments and comprehensive restrictions on fossil-fuel expansion. FIs must specify how much of their finance will support climate solutions, the activities they will restrict, and how this supports their targets.

Figure ES1 shows the aggregate scores for FIs' climate targets across adoption of a mitigation target, a fossil fuel exclusion and phase-out target, and a climate investment target. Figure ES2 shows the aggregate scores across all eight indicators: 1) Internal Accountability Frameworks, 2) Shareholder and Client Engagement, 3) Policy Engagement, 4) Climate Risk Strategy, 5) Climate Risk Management, 6) Disclosure of Investment Data, 7) Disclosure of Emissions, and 8) Carbon Reduction without Offsets. Aggregate scores are weighted by each FI's AUM/O.

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

Figure ES1: Overall Target scores, 2019-2025

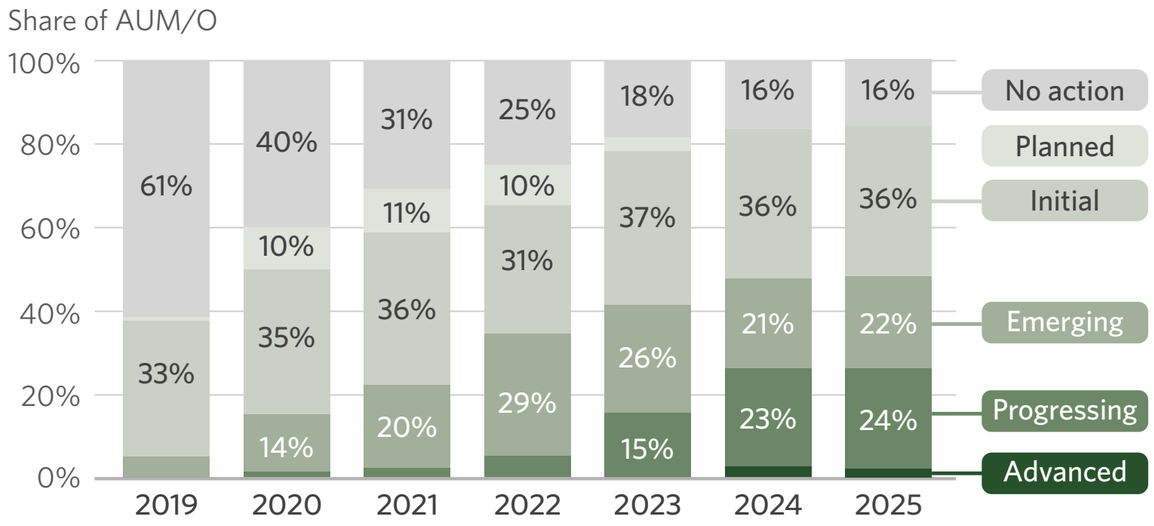
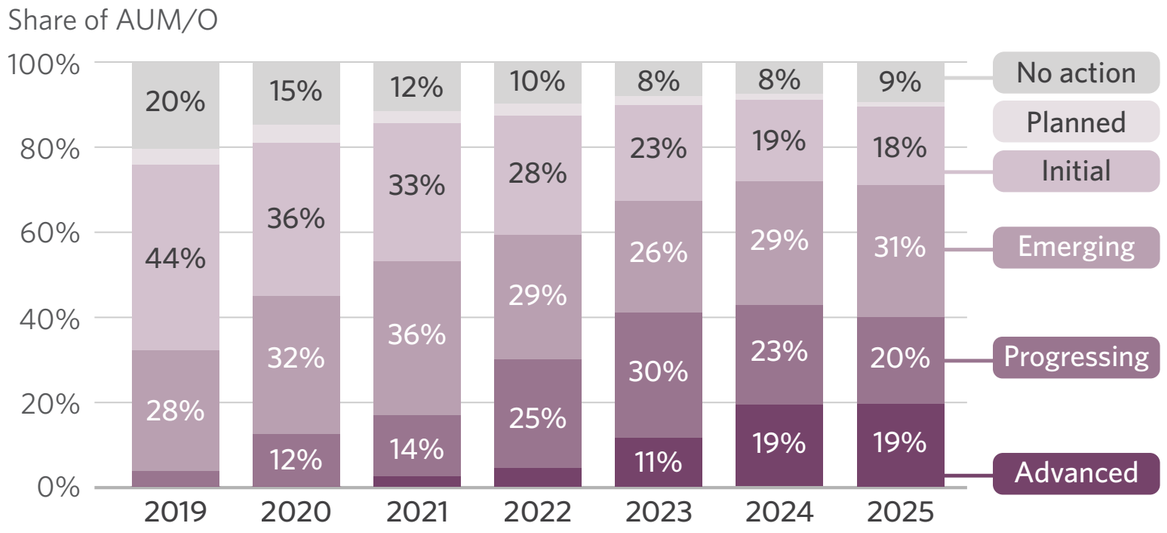


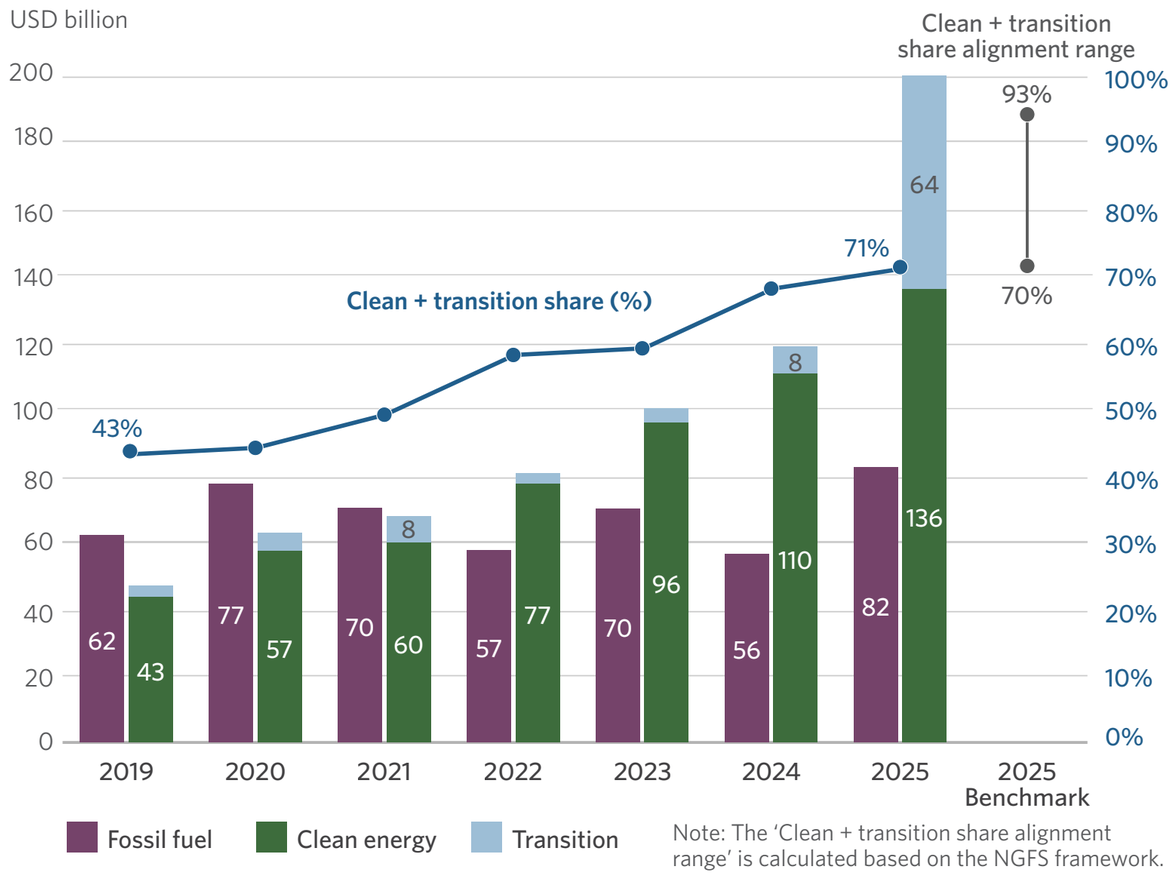
Figure ES2: Overall Implementation scores, 2019-2025



Note: No 'Best practice' scores were recorded for these indicators.

Source: *CPI. See the NZFT Methodology 2026 for sources used to assess underlying indicators. The NZFT Dashboard provides data by number of FIs, institution type, regions, and coalition participation.*

Figure ES3: Direct finance to new energy projects, 2019-2025



Note: The 'Clean + transition share alignment range' is calculated based on the NGFS framework.

Methodology note

This indicator measures direct primary financing of new energy projects. Projects are classified as clean energy, transition, or fossil fuel/high-emissions using CPI's transition finance taxonomy, with results broken down by technology, capital type, region, and development status; the financing mix can also be compared with the NGFS net-zero investment benchmarks. The analysis combines various datasets tracking a total of 59,299 unique projects, summing to USD 5.6 trillion of investments. Duplicate project records across sources were removed through fuzzy matching. See the NZFT Scoring Methodology 2026 for details.

To view trends by FI sector, region, and coalition, as well as breakdowns of project finance by technologies, type of capital, and location of projects, see the NZFT Dashboard.

Implementation in 2025 was substantially stronger than in 2019, but latest results show a partial reversal in progress as the share of FIs by AUM/O scoring Progressing or above declined in the latest year.

Implementation is stronger on risk oversight than on engaging to drive change. Action on integrating climate into internal decision-making processes and disclosure improved markedly from 2019 to 2024, but slipped in 2025. FIs with two-fifths of assessed AUM/O scored Progressing or above on Implementation in 2025. Climate risk increasingly features in enterprise risk management systems, financial strategy, and board oversight. However, comprehensive portfolio coverage and incentives linked to delivery remain less developed.

The implementation gap is especially visible in climate stewardship and public policy engagement. Engagement policies are more common, but clear objectives and effective escalation remain limited. FIs have built processes for recognizing climate issues more consistently than for engaging with the companies and policies that shape them. Progress now depends on connecting responsibility to incentives, effective engagement, and oversight over financing decisions.

Clean energy dominates finance flows for new energy projects, but existing energy portfolios are predominantly tied to fossil fuel companies expanding their production. New clean and transition financing has increased by more than 25% every year since 2019, reaching 71% of tracked direct energy project finance in 2025. Absolute fossil-fuel project finance remained above its 2019 level, with gas and other fossil projects dominating these flows. Broader investment across clean technology and infrastructure is essential.

However, existing energy portfolio exposure contrasts with the progress of new energy projects. On the one hand, more portfolio exposure has shifted to clean energy, reaching 23% in 2025. On the other hand, significantly more fossil fuel exposure is tied to companies planning expansion. Increasing clean and transition investment addresses only part of the challenge: FIs also need to examine the production and investment plans embedded in their existing portfolios and support credible pathways for reducing fossil-fuel activity.

Corporate commitments are widening, but emissions reductions remain insufficient. 35% of assessed portfolio value is invested in companies that are aligned or aligning, but growth in the share of portfolio meeting stronger alignment has largely stagnated since 2021. In addition, while the estimated Scope 1 and 2 emissions attributed to assessed equity holdings fell in 2025, they remained far from a pathway consistent with limiting warming to 1.5°C.

The concentration of emissions explains why broad improvements in portfolio indicators are insufficient. Most financed emissions come from companies that are not aligned with a 1.5°C pathway. Financing and engagement must focus on the investment decisions and operational changes of these high-emitting companies.

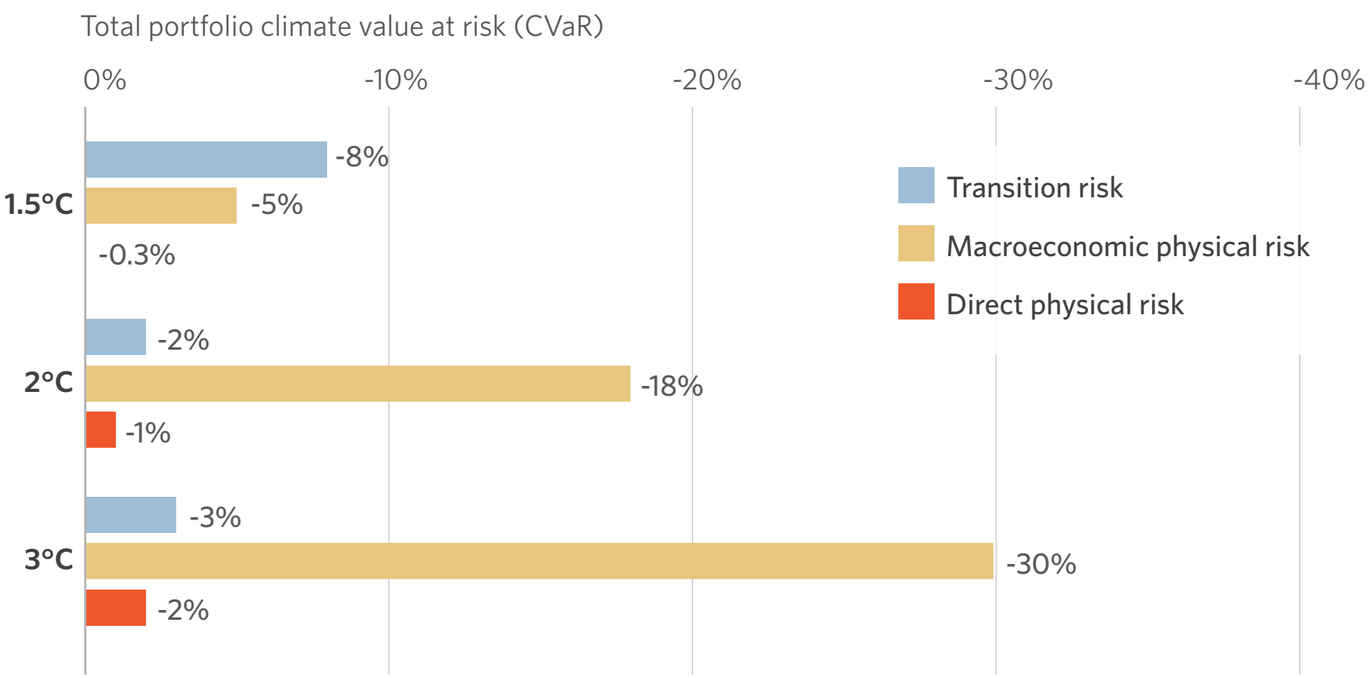
Climate risks intensify and shift as warming increases, reinforcing the importance of an orderly transition and stronger economic resilience. Under a 1.5°C warming scenario, transition risk dominates, with more than 7% losses concentrated among companies that are not aligned with a low-carbon transition. An orderly 2°C transition scenario significantly reduces transition risk compared with the 3°C pathway based on nationally determined contributions (NDCs), highlighting the value of coordinated climate policies and stronger corporate transitions.

At 3°C, the picture changes fundamentally. Economy-wide physical impacts become the dominant source of portfolio losses, about 30% of the value of examined portfolios, far exceeding direct damage to individual assets. FIs must look beyond asset-level exposure, combining investment and stewardship strategies that drive corporate alignment with stronger adaptation planning, engagement, and resilience financing.

Emerging markets and developing economies (EMDEs) need transition pathways backed by finance and resilience. Projects and companies in EMDEs show slower growth in clean and transition project finance, weaker corporate alignment, and greater physical vulnerability than those in advanced economies, at least for the portfolios of the 1,500 FIs covered by this report. These findings place financing conditions and development needs at the center of the transition agenda.

High financing costs, currency risks, and limited institutional capacity constrain investment in EMDEs, which often have the greatest demand for resilient infrastructure. Effective responses require country and sector pathways that reflect local energy systems and development priorities while remaining aligned with global climate goals. Project preparation, local-currency finance, and targeted public support can help translate those pathways into investable opportunities.

Figure ES4: Financial system exposure to transition, direct, and macroeconomic physical risks at different warming scenarios, 2025



Methodology note

This indicator estimates the potential valuation impact of physical climate risk on listed equity and corporate debt holdings under four warming scenarios: 1.5°C Low Demand, 2°C Orderly, 3°C NDC pathways and 4°C SSP3-7.0. The assessment covers 8,165 companies mapped to the MSCI ACWI IMI universe. For transition risk, the methodology combines policy-related transition costs with technology opportunities and applies instrument-specific CVaR estimates to portfolio holdings. For physical risk, the methodology combines separately modeled direct physical risk, reflecting asset-level exposure to acute and chronic hazards, with macroeconomic physical risk, capturing broader economy-wide transmission channels; results are expressed as a percentage of assessed portfolio value. These scenario-based estimates depend on model and scenario assumptions. See the NZFT Scoring Methodology 2026 for details. To view trends by FI sector, region, and coalition, as well as breakdowns of exposure by alignment, sectors and location of companies, see the NZFT Dashboard.

Figure ES5: Performance of FIs with transition plans against those without, 2025

	Transition plan	
Overall scores (Mean 0–6)	Published	Not published
Overall targets score	3.1 n=305	1.2 n=1,195
Overall implementation score	3.6 n=305	1.6 n=1,195
TPs & disclosures (% of sample)		
FIs with TCFD/ISSB/CSRD disclosure (%)	91% n=305	39% n=1,195
Financing flows (Median)		
Clean + transition direct project-finance CAGR (%/year)	21% n=71	15% n=24
Clean + transition direct-finance share (%)	90% n=97	100% n=61
Portfolio exposure (Median)		
Contracting fossil exposure of total fossil exposure (%)	15% n=102	12% n=146
Clean exposure of total energy exposure (%)	26% n=109	22% n=169
Aligned company exposure of total portfolio (%)	23% n=150	22% n=299
Aligned-company exposure of total high-impact portfolio (%)	20% n=147	18% n=276
Emissions (Median)		
Scope 1-2 emission change 2019-2025 (%, fixed 2025 ownership, equity attribution)	-8% n=148	-6% n=296
Scope 1-2 emissions from aligned companies (%)	6% n=148	4% n=294
Climate risk (Median)		
Transition cVaR loss, 1.5°C Low Demand (%)	7% n=150	7% n=298
Direct physical cVaR loss, 3°C NDC (%)	2% n=150	2% n=298
Macroeconomic physical cVaR, 3°C NDC (%)	29% n=150	30% n=298
Sample totals	USD 127.3 tn n=305	USD 188 tn n=1,195

Relative performance: Similar or weaker performance; Stronger performance; Much stronger performance

Stronger climate practices translate into better real-economy outcomes. This report demonstrates that stronger targets and implementation actions, the adoption of transition plans, and risk disclosures are associated with better financing and portfolio outcomes. These are not simply reporting or compliance exercises: when embedded in institutional decision-making, they shape where capital flows, how FIs engage with companies, and ultimately how the real economy transitions.

Their impact is the result of turning ambition into action. Transition plans set targets and translate ambition into financing priorities, and implementation actions embed these priorities in investment decisions, client engagement, and resource allocation. Disclosure provides the transparency needed to assess progress and drive accountability. Together, these practices can shift institutional behavior from setting climate commitments to actively delivering them, directing finance toward decarbonization and resilience.

Policy must connect expectations for financial sector action with viable investment opportunities. This report shows that the EU and UK combine relatively strong policy frameworks with stronger institutional practices, resulting in the FIs in these jurisdictions showing strong performance across financing and portfolio metrics. The wider variation across jurisdictions highlights the importance of policies that drive decarbonization in the wider economy, alongside financial-sector regulation.

FIs need credible sectoral decarbonization plans, predictable incentives, and infrastructure that make transition investments commercially viable. Reporting requirements improve visibility; sector policies and public investment help create opportunities to act. Policymakers should connect these functions so that stronger financial-sector expectations are matched by projects and corporate investments capable of attracting capital.

Signatories of coalitions show robust climate practices. Coalition signatories demonstrate stronger targets, implementation, and reporting, while their edge is less consistent when looking at the real economy metrics, for example, across portfolio emissions and climate risk. The clearest difference associated with participation therefore lies in target setting and integrating climate into decision-making processes.

Coalitions should build on this foundation and continue to provide common assessment methods, practical support, and accountability for translating commitments into portfolio outcomes. Signatories' progress should now focus on achieving changes in financing, stewardship, and company transition milestones.

Financial performance and transition progress need to be assessed together. Financial performance can influence institutions' capacity to support the transition, while climate risks and transition opportunities can shape commercial outcomes. The report finds that the relationship varies across financial indicators: revenue and share-price growth accompany favorable climate indicators more consistently than profitability or growth in total assets and assets under management.



RECOMMENDATIONS FOR POLICYMAKERS AND REGULATORS

Policymakers and regulators shape both the financial sector and the wider economy in which it operates. Clear policies, public investment and effective oversight are essential to turn climate commitments into investment, lower emissions and greater resilience.

1. Make the transition investable.

Set out how major sectors will meet national climate goals, backed by predictable policies and public investment. Finance ministries and development banks should help viable projects attract private capital by addressing specific financing barriers. Project preparation, guarantees and local-currency financing can help, particularly in emerging markets and developing economies.

2. Require transition plans that demonstrate delivery.

Require larger FIs to publish board-approved plans explaining how climate targets will guide lending, investment, underwriting and engagement with companies. Plans should name responsible executives and set measurable milestones. Regulators should require comparable reporting, check whether decisions support public commitments and hold institutions accountable for misleading claims.

3. Give long-term investors clear responsibilities and oversight tools.

Clarify how pension funds, insurers and other long-term investors should address climate risks over the periods that matter to their beneficiaries. Require them to reflect these risks and their climate objectives in manager selection, mandates and performance reviews. Managers should report investment, engagement and voting outcomes so owners can act when delivery falls short.

RECOMMENDATIONS FOR THE FINANCIAL SECTOR

FIs influence the transition through the activities they finance, invest in and insure, and the expectations they set for companies. Their priority should be to make these decisions consistent with their climate commitments and demonstrate progress in the businesses they support.

1. Send clear, consistent signals to companies and policymakers.

Explain which transition activities the institution will finance or insure, what it expects from companies and which policy changes would enable further investment. Boards should ensure that lobbying and trade-association positions support these commitments. Companies will need to understand how progress on their transition plans will affect financing, investment and insurance decisions.

2. Make stewardship accountable for corporate progress.

Prioritize high-emitting companies with weak transition plans. Set clear objectives for changes in investment and emissions, agree deadlines and escalate when progress is insufficient. Asset owners and managers should align mandates, incentives and voting responsibilities, then use the results to revise engagement strategies, investments or manager appointments where needed.

3. Make climate targets guide financial decisions.

Connect emissions targets to clear financing commitments for climate solutions and corporate transitions, alongside policies on fossil-fuel expansion and phase-out. Ensure lending, investment, underwriting and staff incentives support these commitments, with named executives responsible for delivery. Track changes in company investment and emissions, and take corrective action when progress falls short.

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1. Introduction

Assessing progress of FIs' climate action

Climate change is reshaping economies, energy, livelihoods, and human security. In turn, these shifts are changing the businesses, assets, and communities that private FIs finance. Climate change is also financially material for FIs, requiring them to manage transition and physical climate risks, affecting the companies, infrastructure, and economies they invest in. Yet current emissions trajectories and adaptation investment remain insufficient to meet Paris Agreement goals (UNFCCC, 2015; UNEP, 2025; UNEP, 2026). The challenge for FIs is to turn their climate objectives into decisions that influence investment, corporate behavior, and resilience across the economy.

Climate-related investment is growing rapidly. CPI estimates that global climate finance nearly doubled from USD 1 trillion in 2019 to above USD 2 trillion in 2024, including USD 582 billion from private FIs, while clean-energy investment continues to expand (CPI, 2026b; IEA, 2026). This growth is financing new technologies, infrastructure, and the transformation of existing industries. However, it does not, by itself, show that financial activity is aligning with climate goals. Across most asset classes, fossil-fuel finance exceeds low-carbon finance, in both new flows and existing stocks (OECD, 2026b). In addition, uncertainties around the environmental integrity and credibility of investment opportunities, alongside political and regulatory shifts around environmental, social, and governance in some jurisdictions, can make it harder for FIs to finance assets and companies that support the low-carbon transition.

Different types of FIs drive the transition through their distinct roles in the investment chain. Banks shape lending terms and access to capital markets. Asset owners set objectives and mandates, while asset managers allocate delegated capital and exercise stewardship. Insurers make both investment and underwriting decisions. Private equity can influence portfolio-company strategy through ownership and governance; venture capital can finance innovation and shape company practices (TPT, 2024; UNEP FI, 2012; PRI, 2022). These levers are defined by each FI's obligations to its clients and beneficiaries, as well as by risk-return considerations.

FINANCIAL INSTITUTION TRANSITION PLANS

Credible transition plans connect long-term ambition to decisions an FI can make now. They set out how climate objectives affect strategy, governance, incentives, products, client relationships, and capital allocation, together with milestones and responsibility for delivery (GFANZ, 2022; TPT, 2023; CPI, 2025d). Plans need to explain how an institution will work with emissions-intensive clients and investees: financing their transformation requires credible pathways and safeguards against locking in high emissions (OECD, 2022). Managing climate-related financial risk is important, but this alone does not show that financing supports decarbonization (BCBS, 2022; OECD, 2026b).

TARGET SETTING

Targets make a plan testable by specifying a baseline, near-term milestones, portfolio and sector coverage, relevant metrics, and the pathway used to judge progress. The SBTi, Net-Zero Asset Owner Alliance, and NZIF 2.0 and UNEP FI frameworks offer distinct approaches to setting such objectives (NZAOA, 2026; SBTi, 2025; UNEP FI, 2025a; IIGCC, 2024). The distinction between reducing portfolio emissions, increasing investment in climate solutions, and changing fossil-fuel financing matters: improvement in one does not equal progress in the others. Credible plans should pair emissions targets with objectives for financing and investment volumes, making it possible to assess if the FI is shifting capital to climate solutions (UN HLEG, 2022).

INTEGRATING CLIMATE INTO INTERNAL DECISION-MAKING

Delivery depends on how climate objectives move through an FI. Asset owners' mandates, manager selection, and oversight affect whether objectives reach portfolio construction and voting; client preferences and fiduciary obligations shape managers' discretion (PRI, 2021; CPI, 2025c; PRI, UNEP FI and Generation Foundation, 2024). FIs must decide how climate considerations affect onboarding, credit approval and renewals, underwriting, investment committees, incentives, and the terms offered to counterparties. Public commitments reveal little about implementation unless these decision points change.

Stewardship provides another route from intent to action. Engagement, voting, escalation, and policy advocacy can influence company behavior, but the effects depend on clear objectives, investor influence, and follow-through (Dimson et al., 2015; Kölbel et al., 2020). Counting engagements or recording a policy says less than examining whether companies alter investment plans, operations, or public-policy positions.



POLICY AND INDUSTRY INITIATIVES SHAPE MARKETS

Institutions make decisions within markets shaped by public policy. Carbon pricing, sector standards, infrastructure, public investment, and credible national pathways affect which projects and corporate investments are commercially viable. Public policy incentives and the implementation of NDCs can direct investment toward national climate objectives. Financial disclosure and supervision can improve information and preparedness, but their effects depend on the wider policy setting (OECD, 2026b).

Voluntary financial industry climate initiatives are changing too. The Net-Zero Banking Alliance ceased operations in 2025, while the Net Zero Asset Managers initiative revised its commitments in 2026 (NZAM, 2026). As voluntary frameworks evolve, consistent tracking provides a stable basis for assessing FIs' actions over time, and reinforces the need to interpret performance in the context of changing rules, incentives, and market opportunities.

GLOBAL DIFFERENCES IN TRANSITION FINANCE

Geography affects both the need for transition finance and the conditions under which FIs can provide it. In emerging markets and developing economies, high financing costs, currency risk, limited project preparation, and institutional capacity can constrain investment (IEA, 2024a; IEA and IFC, 2023). The COP29 finance decision set a goal of at least USD 300 billion a year for developing countries by 2035, with developed countries taking the lead, and called on all actors to scale finance from public and private sources to at least USD 1.3 trillion a year by then (UNFCCC, 2024). The Baku–Belém Roadmap places private mobilization within a wider agenda of public finance, development priorities, and enabling conditions (COP29 and COP30 Presidencies, 2025).

BEYOND MITIGATION: ADAPTATION, JUST TRANSITION, AND NATURE

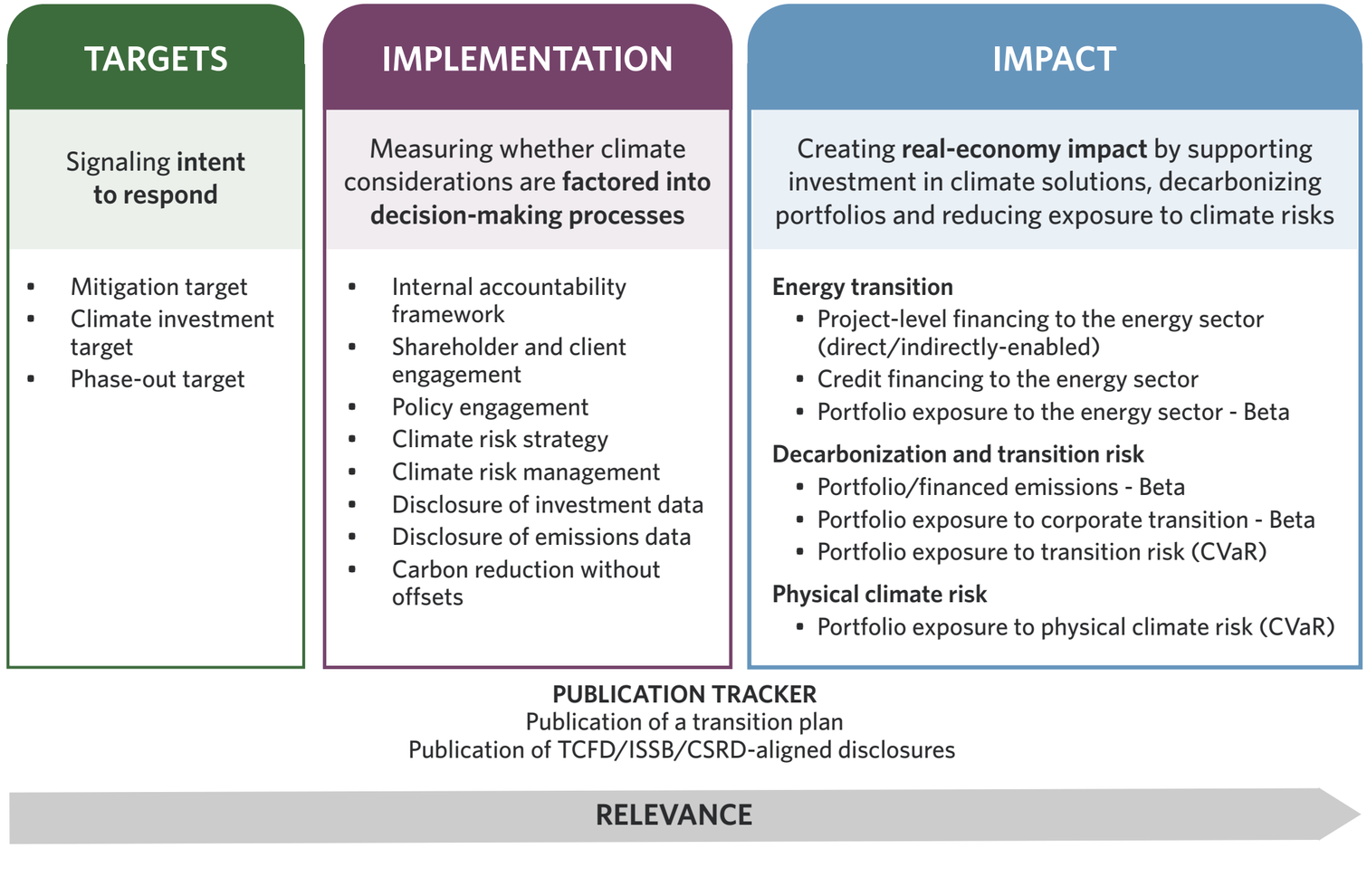
A durable transition must reduce emissions while strengthening resilience and attending to nature and social outcomes. Physical hazards affect borrowers, investments, insurance, and interconnected markets, making adaptation and resilience integral to FIs' transition planning and its links with real-economy plans (FSB, 2025a; CPI, 2026c). Nature-related guidance highlights dependencies and impacts that emissions metrics do not capture, while just-transition guidance highlights workers, communities, affordability, and participation (TNFD, 2023; TNFD, 2024; ILO and UNEP FI, 2023). These outcomes affect whether decarbonization is viable and lasting, even where comparable institutional data remains limited.

THE IMPORTANCE OF ASSESSING THE FINANCIAL SECTOR'S TRANSITION

Measuring the financial sector's transition matters because commitments, financing activity, and real-world outcomes can move in different directions. Assessing the integrity of the transition tests whether plans and targets are credible, tracking progress shows whether decisions and portfolios change, and evaluating policy effectiveness helps identify which rules and incentives support those changes. Used consistently and in context, this data reveals gaps between ambition and delivery, and gives supervisors, asset owners, and policymakers a basis to hold the financial sector to account for its role in the transition (CPI, 2025d; OECD, 2026b).

Overview of NZFT indicators

Figure 3: Overview of the Net Zero Finance Tracker's 18 indicators



The NZFT assesses FIs' progress in climate finance and their alignment with the goals of the Paris Agreement through indicators structured around three dimensions:

1. **Targets:** The climate objectives set by FIs, including emissions-reduction, climate investment, and fossil-fuel phase-out targets.
2. **Implementation:** The actions taken to deliver these targets, including their integration into governance, internal processes, stewardship, and disclosure.
3. **Real-economy impact:** The extent to which these actions translate into changes in financing, portfolios, and climate-related outcomes.

Indicators are selected for their relevance to each stage of the transition, their grounding in established frameworks and guidance, and the availability of data to assess them consistently across FIs. The selection and scoring criteria are reviewed as guidance develops and data improves, allowing indicators to be refined, expanded or added. The 2026 Methodology includes 18 indicators, assessed through approximately 170 standardized actions and data points for Targets, Implementation, and Real-Economy Impact. In addition, two publication flags indicate whether FIs have published a transition plan or a climate disclosure aligned with the Task Force on Climate-related Financial Disclosures (TCFD), the International Sustainability Standards Board (ISSB), and the Corporate Sustainability Reporting Directive (CSRD).

A comprehensive set of indicators to measure the financial system's progress toward Net Zero

Target and Implementation indicators show the extent to which FIs have undertaken credible, net-zero-aligned actions, drawing on best practices from more than 45[1] transition plans and net-zero frameworks like ACT, IIGCC's NZIF, and EU CSRD, all mapped in detail in the NZFT's 2026 Methodology and report From Frameworks to Action: Assessing Financial Institutions' Transition Plans with the NZFT (CPI, 2026a). Each of the 11 indicators across these two dimensions is scored on a scale ranging from No Action to Best Practice (see Table 1), reflecting the transparency, concreteness, comprehensiveness and ambition of FIs' actions on the climate transition. Scores are reported for each of the 11 indicators and are also aggregated into separate scores for Targets and Implementation. Across FIs, scores are aggregated based on FIs' assets under management/owned (AUM/O), reflecting institutions' relative scale within the global financial system.

Table 1: Scoring dimensions for Targets and Implementation

Score	Interpretation for an individual indicator
Best practice	Fulfills the indicator's highest standard, with evidence that is comprehensive, credible and ambitious where relevant.
Advanced	Demonstrates strong action against the indicator's main requirements, with limited gaps in ambition, coverage or transparency.
Progressing	Shows meaningful action and meets several core requirements, but gaps in scope or detail remain.
Emerging	Shows a developing response beyond the first steps, although the action remains partial or limited in scope.
Initial	Shows the first observable steps relevant to the indicator, with limited evidence of how far the response has developed.
Planned	States an intention or commitment to act, without evidence that the relevant target or measure has been adopted.
No Action	No evidence of a relevant commitment or action is observed for the indicator.

1 See Annex 1 for the full list of frameworks that have been integrated into the NZFT methodology.



Impact indicators examine whether FIs' Targets and Implementation actions are accompanied by changes in financing, portfolio holdings, and real-economy emissions. They bring together three perspectives: the flow of capital toward clean and transition activities, the decarbonization and transition readiness of financed companies, and portfolios' exposure to transition and physical climate risks, as described in the NZFT's 2026 Methodology. This report uses the metrics below to assess the financial system's impact on the real economy and uses them as a comparable set of indicators to assess potential drivers of change in Chapter 5.

Table 2: Overview of the NZFT Impact Indicators and key metrics

Category	Indicator	Key metrics and interpretation
ENERGY TRANSITION Steering capital toward aligned pathways	**New Energy Project Finance**	**Clean and transition direct project-finance CAGR:** Annualized growth in directly financed clean and transition projects from 2019–2025.
		Clean and transition direct-finance share: Clean and transition finance as a share of all classified direct project finance in 2025.
	Energy Portfolio Exposure	**Contracting fossil exposure share:** Portfolio exposure to energy companies contracting fossil fuels divided by total fossil fuel exposure in 2025.
		Clean portfolio share: Portfolio exposure to clean energy companies divided by total energy portfolio in 2025.
DECARBONIZATION & TRANSITION Financing emissions, the wider corporate transition and assessing transition risk	**Portfolio Exposure: Corporate Transition**	**Aligned portfolio share:** Exposure to aligned companies divided by total portfolio in 2025.
		High-impact aligned portfolio share: Exposure to aligned companies in climate-relevant sectors divided by total portfolio value in climate-relevant sectors in 2025.
	Portfolio Emissions	**Portfolio emissions change:** Percentage change in Scope 1–2 portfolio emissions from 2019–2025 based on the 2025 portfolio structure.
		Aligned-emissions share: Scope 1–2 portfolio emissions from aligned and aligning companies divided by total portfolio emissions in 2025.
	Transition Risk	**Transition Climate Value at Risk (CVaR):** Potential transition climate risk-related portfolio-value loss under a 1.5°C Low Demand scenario in 2025.
PHYSICAL CLIMATE RISK Measuring exposure to physical climate risk	**Direct Physical Risk**	**Direct Physical Climate Value at Risk (CVaR):** Potential portfolio-value loss from direct physical climate impacts under a 3°C NDC scenario in 2025.
	Macroeconomic Physical Risk	**Direct Physical Climate Value at Risk (CVaR):** Potential standalone portfolio-value loss from the wider economic effects of physical climate change under a 3°C NDC scenario in 2025.

REPORT STRUCTURE

Section 1: Introduction — Summarizes the role of the financial system in supporting the transition to a low-carbon, climate-resilient economy. It introduces the scope, methodology, and coverage of the NZFT, including its three assessment dimensions: Targets, Implementation, and Real-Economy Impact.

Section 2: Targets — Assesses the ambition, credibility, and comprehensiveness of FIs' climate targets, covering emissions mitigation, climate investment, and fossil-fuel phase-out and exclusion. It examines the evolution of target-setting practices from 2019 to 2025 and evaluates progress against established best-practice criteria, including a detailed analysis of climate investment targets.

Section 3: Implementation — Examines how FIs integrate climate commitments into their operations and decision-making through internal accountability, climate risk management, shareholder and policy engagement, disclosure, and approaches to carbon offsets. It assesses changes in implementation practices over time, including analysis of investor voting behavior.

Section 4: Real-Economy Impact — Evaluates FIs' financing and portfolio outcomes through indicators covering energy project finance, portfolio exposure, financed emissions, corporate transition alignment, and climate-related financial risks. It tracks developments over time and examines differences between advanced and emerging economies.

Section 5: Influencing Factors — Investigates the relationships between FIs' climate practices and observed financing and portfolio outcomes. It examines the associations of target-setting, implementation, transition planning, and disclosure with real-economy indicators, alongside the potential influence of policy and regulatory frameworks, industry coalition participation, and financial performance.

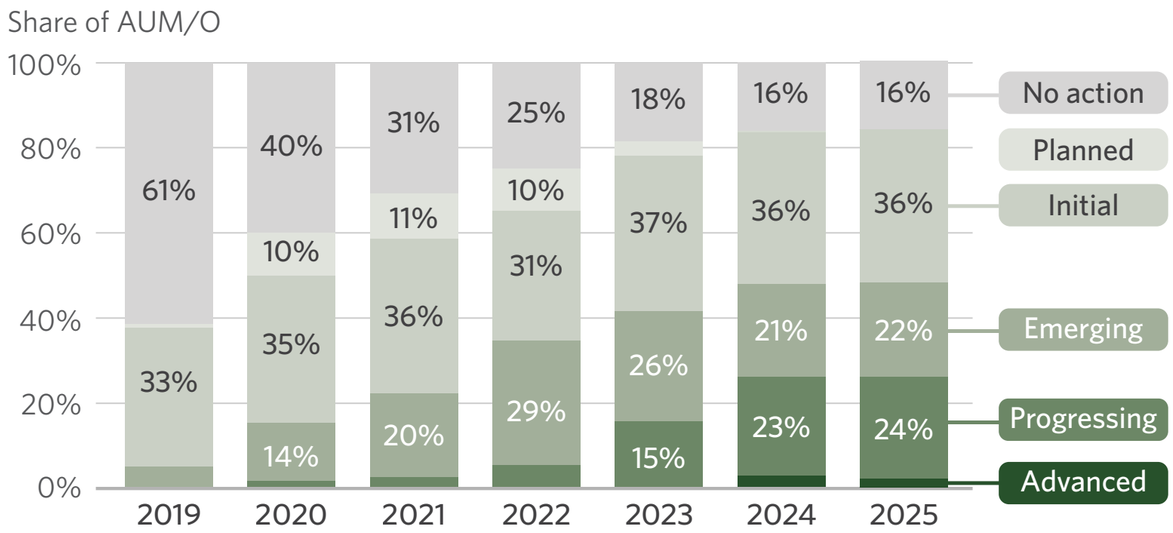
Section 6: Conclusion — Synthesizes the report's principal findings and their implications for the financial sector's climate transition. It presents recommendations for policymakers, regulators, FIs, and industry coalitions. It also outlines priorities for future NZFT research and development.

2. Targets

Assessing the ambition, credibility, and coverage of FIs' climate targets, and tracking progress in target-setting over time.

2.1 Target-setting trends

Figure 4: Overall Target scores, 2019-2025



Source: *CPI. See the NZFT Methodology 2026 for sources used to assess underlying indicators. The NZFT Dashboard provides data by number of FIs, institution type, regions, and coalition participation.*

Figure 4 shows the aggregate scores for FIs' climate targets across adoption of a mitigation target, a fossil fuel exclusion and phase-out target, and a climate investment target. Aggregate scores are weighted by each FI's AUM/O.

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

TARGET SCORES IMPROVED OVER SIX YEARS BUT PLATEAUED IN 2025

Targets bring together three indicators that assess the objectives that FIs set for their climate transition.

- **Mitigation targets** define the emissions reductions sought across portfolios, guiding decarbonization efforts.
- **Climate investment targets** set the scale of finance intended for climate solutions, linking ambition to capital allocation.
- **Fossil fuel phase-out and exclusion targets** define how exposure to fossil fuels will be restricted and reduced.

Together, these indicators address the emissions outcome sought, the finance committed to solutions, and the limits placed on fossil fuel exposure.

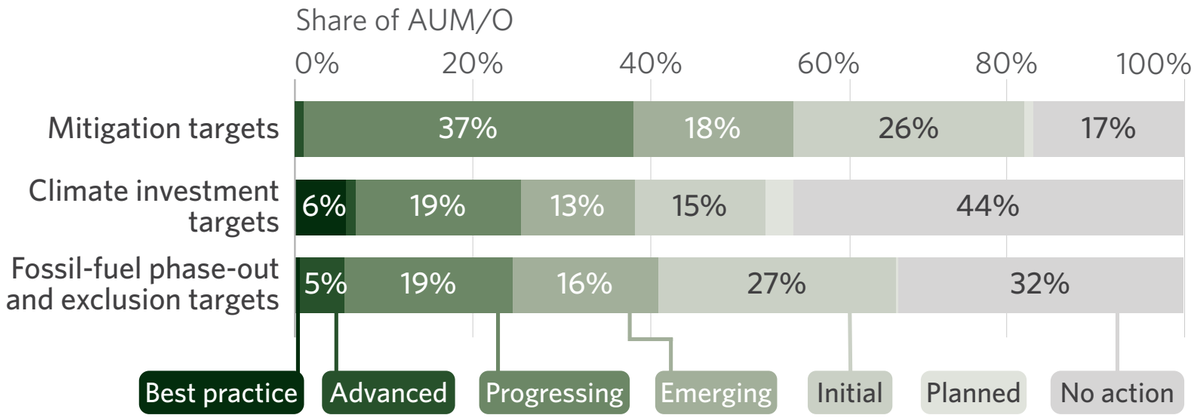
Climate investment and fossil fuel targets complement mitigation objectives by specifying where finance should grow and where exposure should contract. Assessing all three provides a holistic account of an FI's intended transition.

Despite substantial progress since 2019, there was a slight contraction in the share of AUM/O held by FIs scoring Progressing or above, from 27% in 2024 to 26% in 2025. The share of AUM/O held by FIs scoring Progressing or above for Targets rose from less than 1% in 2019 to 26% in 2025, and No Action fell from 61% to 16%. However, progress weakened in the latest year, particularly for Advanced scores from entities adopting at least two well-developed targets, falling from 4% to 2%. Most AUM/O remained associated with scores below Progressing (74%).

Individual indicators also weakened or stalled in 2025. Scores of Progressing or above fell for mitigation and climate investment targets, while they remained close to one-quarter of AUM/O for fossil fuel targets. Best Practice scores for climate investment targets fell from 10% to 6%. No FI reached Best Practice for mitigation targets or on the overall Targets dimension. Despite improvement since 2019, progress across indicators is scarce, reflecting a trend of alliances closing and FIs backtracking on commitments.

2.2 Key findings across Target indicators

Figure 5: Target indicator scores, 2025



Target indicators are ranked by the percentage of AUM/O represented by FIs with scores of Progressing or higher. For scoring criteria for each indicator, see the NZFT Scoring Methodology 2026. The NZFT Dashboard provides data by number of FIs, institution type, region, and coalition participation.

MITIGATION TARGET ADOPTION HAS BROADENED, BUT EXTERNAL VALIDATION AND COMPREHENSIVE PORTFOLIO COVERAGE REMAIN LIMITED

FIs scoring Progressing or above on mitigation targets rose from zero in 2019 to FIs representing 38% of AUM/O in our sample by 2025. This marked a slight dip from 39% in 2024, despite the number of FIs in this scoring band increasing by five to 314. This reflects the relatively smaller size of the higher-performing institutions and a few large FIs whose scores declined. Advanced scores remained broadly flat at 1%, and no FI reached Best Practice. The progress slowdown coincides with uncertainty around voluntary climate commitments: the Net-Zero Banking Alliance ceased operations in 2025, while the Net Zero Asset Managers initiative paused implementation tracking and reporting for a strategic review in 2025 (Segal, 2025; NZAM, 2025).

ASSESSED ACTIONS

The most widely adopted action in 2025 was setting an undefined climate-related portfolio target (64% of AUM/O), followed by intermediate targets (57%) and long-term or net-zero targets (56%).

To reach Best Practice, FIs need not only to set targets at different time horizons but also to have them externally validated. In 2025, only 1% of AUM/O was held by FIs with validated targets at near- and long-term horizons. **Another key requirement is for mitigation targets to cover at least 90% of an FI's financial portfolio, yet only 10% of AUM/O in 2025 met this standard.** This gap may reflect the tendency of FIs to prioritize emissions-intensive sectors when setting targets.

Progress toward other Best Practice requirements is more encouraging. In 2025, FIs representing 55% of AUM/O **disclosed a target baseline year** against which emissions reductions are measured, up from 50% in 2024. Meanwhile, 19% of AUM/O in 2025 was held by FIs setting targets **aligned with a 1.5°C scenario**, and 18% of AUM/O in 2025 by FIs whose targets **covered all asset class types**. Overall, these findings suggest that while FIs are increasingly establishing the foundations for credible mitigation targets, substantial progress is still needed to strengthen their financial portfolio coverage and external validation to meet Best Practice standards.



MORE FIS ARE EXPLAINING WHAT COUNTS AS CLIMATE INVESTMENT, BUT FEW ARE QUANTIFYING DIRECT COMMITMENTS IN ABSOLUTE TERMS

Climate investment targets expanded considerably since 2019 but weakened slightly in 2025. The share of AUM/O represented by FIs scoring Progressing or above rose from 10% in 2019 to 26% in 2025, down from 28% in 2024. The share reaching Best Practice fell from 10% in 2024 to 6% in 2025, below the 2019 level of 7%.

ASSESSED ACTIONS

Climate investment targets accompanied by disclosure of a recognized climate finance methodology or taxonomy rose from 8% of AUM/O in 2019 to 38% in 2025, making this the most widely adopted action in 2025. The next leading driver of the 2025 score is the **disclosure of targets from which an absolute investment commitment can be derived**, demonstrated by 25% of FIs by AUM/O in 2025.

The decline in the adoption of absolute investment targets coincided with the growing use of other quantified target formats. FIs that disclosed a quantified target but without a derivable absolute commitment (e.g., portfolio exposure to climate solutions) increased from below 1% by AUM/O in 2019 to 11% by AUM/O in 2025. FIs that disclosed a climate investment target quantified using a metric type other than the size of the institution's investment commitment (e.g., physical clean energy capacity) increased from below 1% by AUM/O in 2019 to 9% by AUM/O in 2025.

FIs are increasingly disclosing what constitutes climate finance, but to achieve Best Practice, more must specify how much they will invest directly in absolute terms and disclose target timelines. The share of AUM/O held by FIs disclosing targets from which an absolute investment commitment can be derived declined from 29% in 2024 to 25% in 2025. Similarly, the share held by FIs specifying a target timeline fell from 14% to 9% over the same period. These declines highlight persistent gaps in the quantification and time-bound nature of climate investment commitments, despite improvements in methodological transparency.

FOSSIL FUEL PHASE-OUT TARGETS HAVE INCREASED, BUT RESTRICTIONS ON OIL AND GAS EXPANSION REMAIN RARE

FIs scoring Progressing or above on fossil fuel phase-out and exclusion targets represented 24% of AUM/O in 2025, broadly unchanged from 2024 but up from less than 1% in 2019. However, less than 1%—just 13 FIs—achieved Best Practice. Despite stable scores in 2024-2025, fossil fuel project financing and exposure to expanding fossil fuel companies increased (see Sections 4.1 and 4.2).

ASSESSED ACTIONS

The main driving actions of the 2025 score are the adoption of an undefined fossil fuel policy (49% of FIs by AUM/O) and disclosure of the financial portfolio coverage of the fossil fuel policy (48% of FIs by AUM/O).

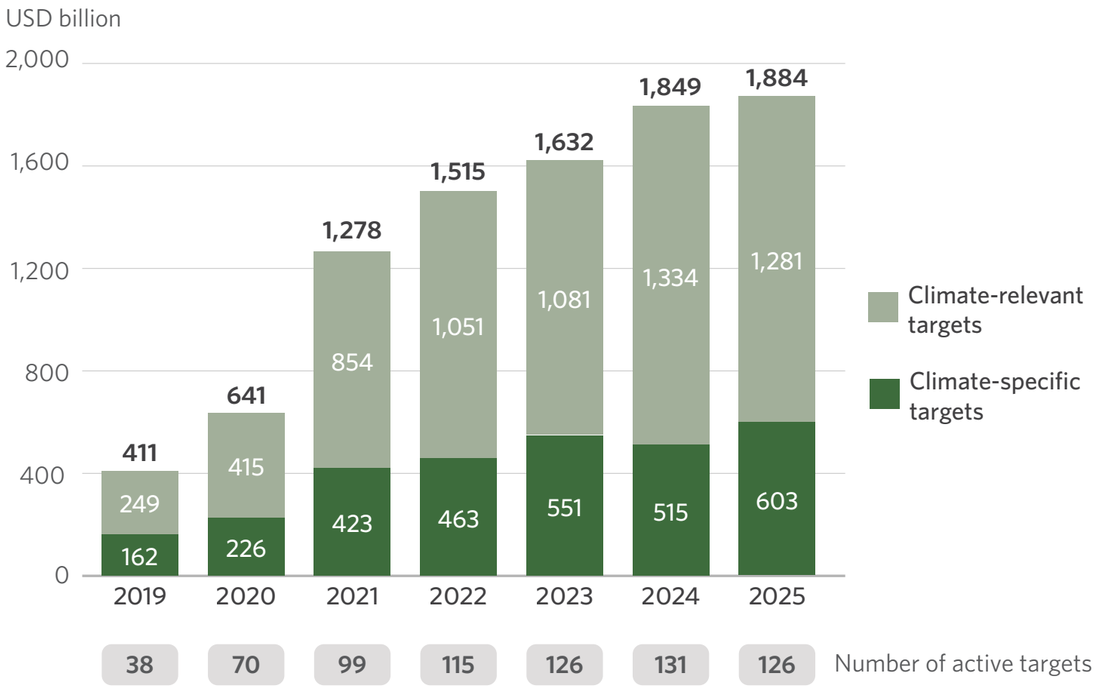
Best Practice requires ambitious phase-out timelines (Coal by 2030 in OECD countries and 2040 globally; Oil and gas by 2050) and comprehensive investment restrictions on fossil fuel expansion activities. Alternatively, FIs can have zero exposure to both coal and oil and gas. FIs that satisfied this represented less than 1% of AUM/O in 2025.

While phase-out targets have become more common, comprehensive restrictions on fossil fuel expansion lagged. Global coal phase-out targets for 2040 rose from 3% of AUM/O in 2019 to 23% in 2025 (up from 22% in 2024). Coal phase-out for 2030 in OECD countries increased from 2% in 2019 to 21% in 2025 (up from 20% in 2024). Oil and gas phase-out targets for 2050 or earlier rose from less than 1% to 18%, remaining flat from 2024 to 2025.

These deadlines provide an endpoint for exposure, but Best Practice requires comprehensive restrictions on the activities financed before that endpoint. **Only 7% of FIs by AUM/O had exclusions for oil and gas expansion in 2025, down from 8% in 2024; none were recorded in 2019.** Legal and political pressures may partly explain this limited adoption, particularly in the US, where some states have introduced anti-ESG laws that can penalize FIs deemed to boycott fossil fuel companies (Davis Polk, 2025; Malone et al., 2023).

2.3 Deep Dive: Climate investment targets

Figure 6: Additional Annualized Climate Investment Targets, 2019-2025



Methodology Note

This chart displays the additional annualized investment flows over a defined period (e.g., USD 200 million between 2025 and 2030, annualized as 33 million per year from 2025 to 2030). Commitments remain valid for five years from their most recent reporting, with the validity period resetting upon target updates or renewals. The target amount is divided into climate-specific commitments (e.g., climate solutions or mitigation) and climate-relevant commitments (broader sustainable investment targets with an identifiable climate component but no separately quantified climate amount).

Beyond this target type (additional annualized investment flows over a defined period), CPI tracks cumulative investment flows to be achieved by a target date (e.g. USD 200 million by 2030), and investment stocks to be reached by a target date (e.g. USD 200 million in holdings by 2030). For more detail, see the NZFT Scoring Methodology 2026.

CLIMATE INVESTMENT COMMITMENTS HAVE GROWN SUBSTANTIALLY, BUT DIVERSE TARGET-SETTING APPROACHES LIMIT TRANSPARENCY AND COMPARABILITY

FIs adopt different types of targets for climate-specific and climate-relevant investment. Quantitative targets, for example, may relate to additional investment flows over a defined period, or overall investment flows to be achieved by a target date, or investment stock allocations to be reached by a target date. This analysis focuses on additional finance flow targets, which specify additional investment flows over a defined period, as these are the most common and comprehensive type of investment target reported by FIs. To facilitate comparability, commitments are annualized by dividing the total committed amount by the number of years over which the target is to be implemented.

The number of committing institutions and tracked climate investment commitments increased between 2019 and 2025. Over this period, the number of active targets in each year rose from 38 to 126, while the number of financial institutions adopting them increased from 34 to 101 unique FIs. The total additional annualized finance flow commitments more than quadrupled from USD 411 billion in 2019 to USD 1,884 billion in 2025.

In 2025, tracked FIs committed a total of USD 603 billion in active annualized additional climate-specific finance flows. This is more than one third of current USD 2 trillion total climate finance flows (CPI, 2026b). Mitigation investment needs are estimated at USD 7,795 billion annually on average over 2025-2030,, including all public and private sources (CPI, 2026d). It is therefore imperative that FIs continue to scale up their climate investment commitments to close this gap.

The weight of climate investment commitments over the total assets of the analyzed FIs is significant. Across FIs with active climate investment targets in 2025, the median ratio between total climate commitments over time and their AUM or total assets was 11%.

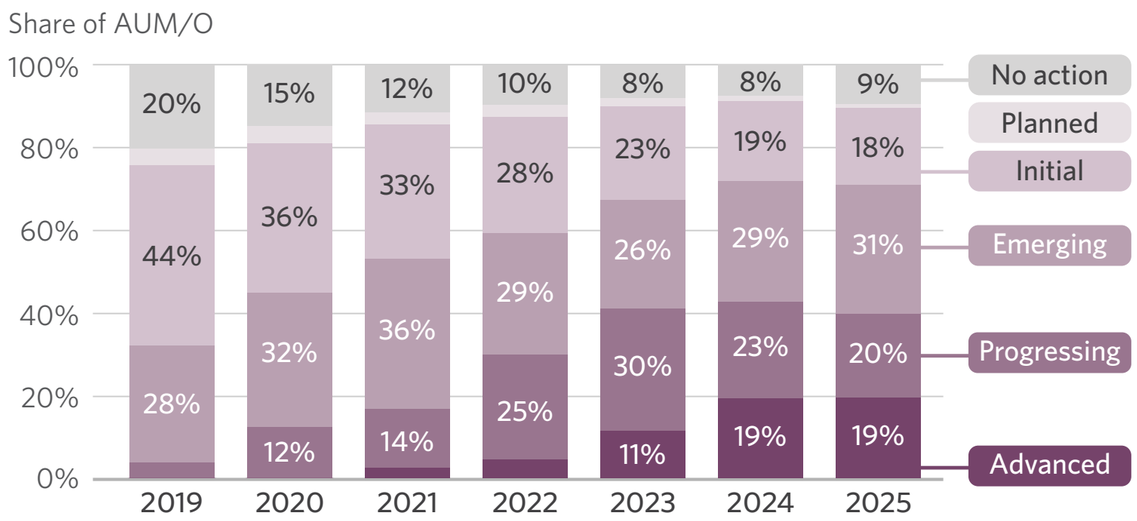
Climate-relevant investment commitments substantially outweigh climate-specific commitments (see Methodology note). On average over the 2019-2025 period, climate-relevant commitments were twice as large as climate-specific targets. This trend has become more pronounced over time as climate-relevant commitments grew faster, at 1.5 times the overall growth rate of climate-specific commitments. This disparity partly reflects the inherently broader scope of climate-relevant commitments, which encompass climate investments alongside other sustainability objectives. This also highlights the diversity of investment scopes covered by the targets adopted.

3. Implementation

Examining how FIs translate climate commitments into action through governance, risk management, engagement, disclosure, and internal decision-making.

3.1 Implementation trends

Figure 7: Overall Implementation scores, 2019-2025



Note: No 'Best practice' scores were recorded for these indicators.

Source: *CPI. See the NZFT Methodology 2026 for sources used to assess underlying indicators. The NZFT Dashboard provides data by number of FIs, institution type, regions, and coalition participation.*

Figure 7 shows the aggregate scores across all eight indicators: 1) Internal Accountability Frameworks, 2) Shareholder and Client Engagement, 3) Policy Engagement, 4) Climate Risk Strategy, 5) Climate Risk Management, 6) Disclosure of Investment Data, 7) Disclosure of Emissions, and 8) Carbon Reduction without Offsets. Aggregate scores are weighted by each FI's AUM/O.

Scoring key:

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

IMPLEMENTATION IN 2025 WAS SUBSTANTIALLY STRONGER THAN IN 2019, BUT THE LATEST RESULTS SHOW A PARTIAL REVERSAL OF PROGRESS

Implementation assesses how FIs put climate commitments into practice through eight linked indicators. Internal accountability establishes who is responsible and how decision makers are equipped and motivated to act. Shareholder and client engagement assesses how FIs seek change in the companies they invest in or finance, while policy engagement considers their influence on the rules shaping the transition. Climate risk strategy examines how risks and opportunities inform business direction. Climate risk management addresses how FIs assess and manage these risks across financial activities.

Investment data disclosure makes allocations to climate solutions and high-emitting activities visible. Emissions data disclosure enables scrutiny of the institution's emissions and progress toward its targets. Carbon reduction without offsets assesses how FIs distinguish emissions cuts from carbon credit use.

The share of AUM/O represented by FIs scoring Progressing or above rose to 40% in 2025, up from 4% in 2019, but down from 43% in 2024. The same trend is noted when the data is represented by the institution-weighted figure. Advanced scoring remained flat at 19% in 2025, while No Action increased from 8% in 2024 to 9% in 2025. No FI has reached Best Practice for the Implementation dimension.

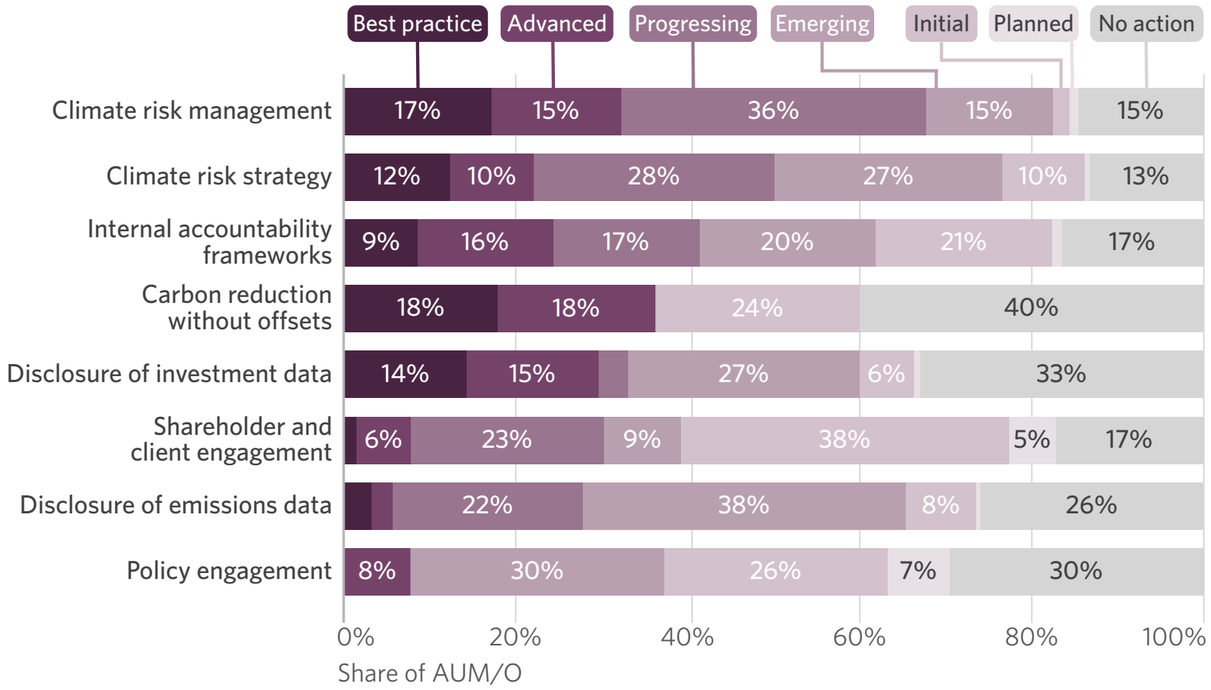
Political and regulatory shifts in climate topics are reflected in the Policy Engagement indicator, which recorded the sharpest decline in the share of FIs scoring Progressing or above, with no FIs achieving Best Practice. The shareholder and client engagement indicator also declined, returning closer to 2023 levels.

Meanwhile, as climate initiatives shifted their operations, transparency indicators for FIs' investments and emissions data disclosure declined by 2–4 percentage points across FIs in terms of represented AUM/O.

Despite these shifts, climate risks remain material to FIs, and internal governance and resilience indicators have strengthened. Internal Accountability and Climate Risk Strategy both saw improvements of 3–4 percentage points in the share of AUM/O scoring Progressing or above.

3.2 Key findings across Implementation indicators

Figure 8: Implementation indicator scores, 2025



For scoring criteria for each indicator, see the NZFT Scoring Methodology 2026. The NZFT Dashboard provides data by number of FIs, institution type, regions, and coalition participation.

Implementation indicators are ranked by the percentage of AUM/O with scores that are Progressing or higher.

CLIMATE RISK IS COMMONLY INTEGRATED INTO ENTERPRISE RISK MANAGEMENT SYSTEMS, BUT RARELY COVERS THE FULL PORTFOLIO

The climate risk management indicator had the highest share concentrated on Progressing or above. The share of AUM/O held by FIs scoring Progressing or above fell from 76% to 68%. Of these, best practice reached 17%, remaining stable since 2023. One of the key components of the best practice, climate integration into enterprise risk management, continued to increase, reaching a 79% share of AUM/O. Another main driver was having processes to identify, assess, and manage climate-related risks and opportunities within the internal risk management systems, which reached 64% but slightly dropped from 68% in 2024.

Best practice dictates that assessment and management of climate risks must cover portfolios comprehensively using internal carbon pricing and other tools and metrics. Such comprehensive coverage was less common, with 2025 results showing 20%, and only 17% of AUM/O covered the majority of assets.

CLIMATE RISK STRATEGY IMPROVED, WHILE MATERIALITY ASSESSMENT AND APPLICATION OF PHYSICAL CLIMATE RISK SCENARIOS LAG

FIs representing 50% of AUM/O scored Progressing or above for climate risk strategy in 2025, up from 46% in 2024. While the shares of FIs in the best practice and advanced tiers remained stable, progress was evident across the middle tiers, with a 6% increase in the progressing tier.

Limited availability of reliable, granular physical risk data remains a key barrier to assessing climate exposure at the asset level. The performance was strong in climate scenario analysis and its attributes, and integration of climate risks and opportunities into strategy and financial planning, with AUM/O shares ranging from 60%-68%. However, in the scenario analysis practice, the use of reputable physical climate risk scenarios remained limited, accounting for only 22% of AUM/O.

Materiality assessment remains a key gap, despite continued improvements. The share of AUM/O meeting this practice increased from 46% in 2024 to 53% in 2025. This sustained progress may partly reflect the growing adoption of climate-related disclosure requirements and frameworks, including the ISSB standards and CSRD.



INTERNAL ACCOUNTABILITY FRAMEWORKS BECAME WIDESPREAD, BUT EXPLICIT CLIMATE INCENTIVES REMAIN LIMITED

FIs scoring Progressing or above on internal accountability frameworks represented 41% of AUM/O in 2025. This marked an increase from 38% in 2024 and from 2% in 2019. Best practice scores reached 9%, starting from zero in 2019.

Actions assessed under this indicator show that the main drivers for the 2025 score are business-level staff and board-level accountability for climate issues, which increased to 76% in 2025 from 44% in 2019, and 68% in 2025 from 45% in 2019, respectively.

Best Practice requires staff dedicated to climate, climate-aligned long- and short-term incentives, and measures to ensure executive climate competency. FIs with both long- and short-term plans connecting executive rewards to progress on climate or transition performance increased to 14% of AUM/O in 2025, up from less than 1% in 2019 but flatlined from 2024. Setting board-level responsibility was more prevalent than these explicit incentives. This broader accountability needs to be paired with remuneration arrangements that reward climate performance, along with staff and executive capabilities to achieve Best Practice.

MORE FIS EXCLUDED CARBON CREDIT USE FROM MITIGATION TARGETS, BUT FEWER PLAN TO USE THEM FOR RESIDUAL EMISSIONS

An Advanced score requires excluding carbon credits from gross mitigation targets. In 2025, FIs representing 36% of AUM/O met this criterion, up from 32% in 2024, making this the main driver of higher tier scores.

Best Practice additionally requires plans to use high-quality permanent carbon removals, and only for residual emissions. FIs with such plans accounted for 20% of AUM/O in 2025. Disclosure of carbon credit use increased among the largest FIs, with the share of AUM/O rising to 41% in 2025, up from 38% in 2024.

INVESTMENT AND FINANCING DISCLOSURE IMPROVED, BUT TRANSPARENT TAXONOMY REPORTING LAGS

Best Practice has improved in recent years, reaching 14% of AUM/O in 2025. However, the share scoring Progressing or above declined from 37% in 2024 to 33% in 2025. A further 2% increase in the No Action category was observed, a unique trend among the Implementation indicators.

The main driver of progress was more widespread disclosure of climate solutions investment, reaching 57% of AUM/O in 2025, followed by disclosure of high-emitting assets investment and disclosure of climate investment by asset class, both at around 37%.

Best Practice requires detailed disclosure of climate- and taxonomy-aligned investments, including classification methodologies and asset classes, as well as investments in high-emitting assets. The taxonomy alignment disclosure is observed as a lagging action, leaving a crucial part of investment transparency unmet, despite the increase over the past three years, reaching 25% of AUM/O in 2025.

SHAREHOLDER AND CLIENT ENGAGEMENT POLICIES SPREAD, BUT CLEAR OBJECTIVES LOST GROUND

Shareholder and client engagement rose to 30% of AUM/O at Progressing or above in 2025 from 7% in 2019, after reaching 34% in 2024. Best practice fell to 1% in 2025 from 3% in 2024.

Key drivers of the 2025 score include the adoption of an engagement policy, which became more common, increasing from 17% in 2019 to 58% in 2025, including further growth in the latest year.

Evidence of engagement to drive climate-related behavior in investees or clients also grew to 58% in 2025, up from 42% in 2019.

Only 10 FIs in 2025 scored Best Practice, which requires a clear, ambitious engagement strategy that includes escalation, strong pro-climate voting across shareholder and management voting items, collaborative engagement, and climate engagement across all tracked activities. The share of engagement strategies stating an objective or intended outcome was 52% in 2025, down from 55% in 2024, but up from 18% in 2019. A stated objective is a necessary foundation for that strategy. With explicit intended outcomes still absent across almost half of AUM/O, the spread of policies leaves a substantial gap in the strategic direction required for Best Practice.

REPORTING OF PORTFOLIO EMISSIONS HAS EXPANDED, BUT FULL COVERAGE AND EXTERNAL VERIFICATION REMAIN RARE

Portfolio emissions disclosure declined slightly, with the share of AUM/O scoring Progressing or above falling from 30% in 2024 to 28% in 2025. The driving actions under this indicator showed little change, with around 47% of AUM/O disclosing financed emissions and their drivers of change, emissions calculation methodologies, baselines, and progress against targets.

Best Practice requires comprehensive disclosure of operational and financing activity-related emissions, and of baselines and progress against targets. This disclosure should include methodologies and external verification where possible. Among these actions, emissions coverage remained limited, with 30% of FIs by AUM/O disclosing coverage and scope, but only 6% reporting full coverage. External verification also lagged, with results stagnant in recent years at 24% of AUM/O, requiring attention from the standard-setting bodies.

PUBLIC POLICY ENGAGEMENT RETREATED DESPITE CONTINUED OVERSIGHT

Scores for public policy engagement ended below their 2019 position. FIs with a score of Progressing or above represented 8% of the sample by AUM/O in 2025, down from 9% in 2019, following a sharp reversal from 20% in 2024. No FI reached Best Practice in 2025.

The most widely adopted actions in 2025 related to support for climate-aligned financial regulation and oversight of lobbying activities. FIs representing 29% of AUM/O supported specific financial-sector regulations, including reporting standards, taxonomies, and prudential requirements. Meanwhile, FIs representing 40% of AUM/O demonstrated oversight of the climate alignment of their direct lobbying or indirect engagement through intermediaries.

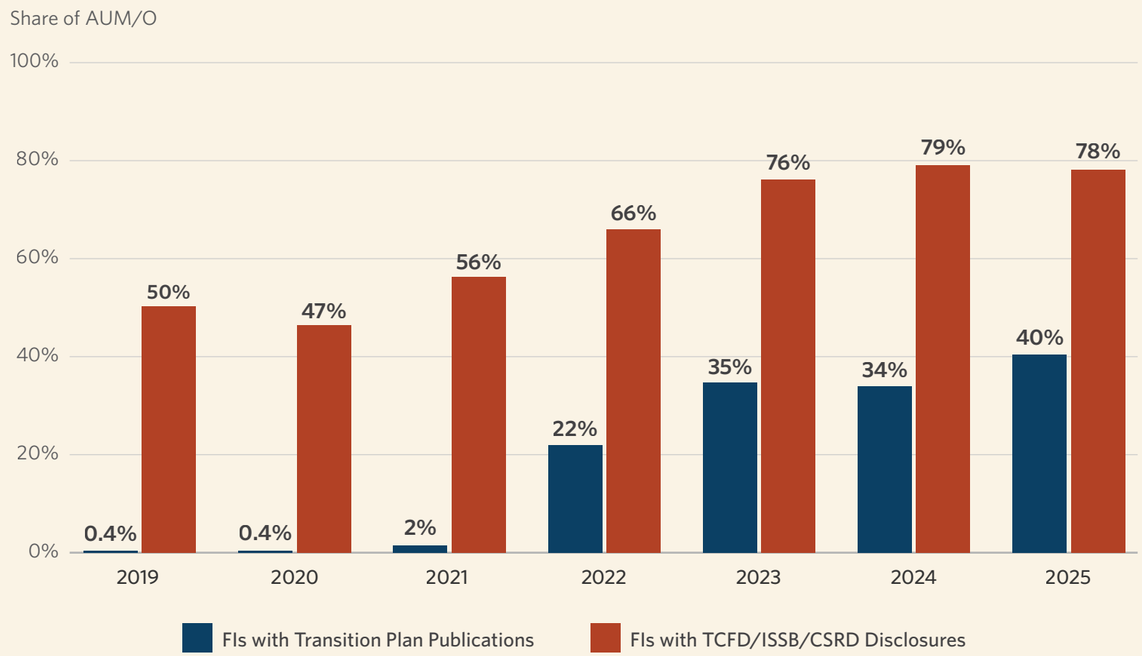
Best Practice requires positive, extensive engagement on climate change and financial reforms through both direct and indirect routes. It also requires no negative action and a fully transparent strategy and oversight.

Evidence of anti-climate lobbying has increased over the years. For an FI to score Emerging or above, it must not conduct any anti-climate lobbying. From 2024 to 2025, anti-climate positions on real-economy policies rose from 1% to 6%. The share undertaking both direct and indirect policy engagement fell from 23% in 2019 to 14% in 2025, after reaching 32% in 2024. The contraction in combined direct and indirect engagement leaves most AUM/O without the breadth of activity required, even as oversight arrangements remain more widely established.

PUBLICATION OF TRANSITION PLANS AND CLIMATE-RELATED DISCLOSURES HAS GROWN MATERIALLY OVER TIME

Credible transition plans set out financing actions, client engagement, and milestones for meeting climate goals, as described by the Transition Plan Taskforce. Transition plans can strengthen risk management and inform investment decisions while also creating more scope for accountability. From 2019 to 2025, published transition plans expanded to 305 of the 1,500 tracked institutions, 40% of tracked AUM/O. Climate-related disclosure under TCFD/ISSB/CSRD also broadened, from 297 to 744 institutions, representing 50% to 78% of tracked AUM/O.

Figure 9: Publication of transition plans and climate-related disclosures, 2019-2025



3.3 Deep dive: Investor voting metrics

US investor support for climate resolutions declined, while pro-climate opposition to management proposals remained concentrated in Europe, where it increased slightly. Supporting pro-climate shareholder resolutions, opposing inadequate Say-on-Climate plans, and voting against directors or other management proposals are complementary stewardship tools. They signal expectations to companies and the wider market. Clear voting rationales are essential: they explain decisions, link votes to engagement objectives, and make investors' expectations transparent to companies and markets.

US investor support for pro-climate shareholder resolutions fell sharply, widening the gap with European FIs. Among the 264 FIs with data for both 2024 and 2025, 165 dropped their pro-climate support rates. Of these, 77 were in the US, 59 in Western Europe, and 29 elsewhere. Average US pro-climate support dropped from 34% to 14% of resolutions, compared with a smaller decline in average support from 79% to 71% in Western Europe. Applying an AUM-weighted average reveals that support dropped especially among the largest investors: the weighted US rate fell from 16% to 4%, versus 82% to 71% in Western Europe. In 2025, 93 of 272 FIs did not support any eligible resolution, including 63 in the US. In contrast, 51 of the 63 FIs with a pro-climate support rate of at least 90% were Western European.

Pro-climate opposition to inadequate Say-on-Climate/Transition Plan proposals has decreased. This refers to votes against a company's climate strategy or transition plan because the investor deems the company's climate progress or actions inadequate. The number of FIs opposing at least one proposal, alongside a clear rationale identifying shortfalls in the company's transition plan, fell from 48 of 223 assessed in 2024 to 36 of 214 in 2025.

Opposition to general management proposals referencing inadequate climate progress of a company, while still niche and led by Western European FIs, increased in 2025. Institutions opposing management proposals, including director elections, accompanied by a rationale referencing climate, rose from 55 of 281 in 2024 to 58 of 288 in 2025. Western Europe accounted for 44 in each year; the US fell from five to three, while other regions rose from six to 11.

Methodology note

Pro-climate shareholder support is the percentage of eligible pro-climate proposals an FI supported out of those on which it could have voted.

Climate-related opposition to Say-on-Climate or management proposals is the percentage of eligible proposals with a qualifying pro-climate rationale on which an FI voted Against, Abstain, or Withhold out of those on which it could have voted. Eligible proposals were those for which a qualifying minimum number of investors expressed pro-climate concern in their rationales.

Climate rationales were classified using a large language model which identified investor voting rationales that specified shortcomings in climate action, targets, disclosure, oversight, transition planning or climate-risk management that caused or substantially contributed to the voting decision. Votes without this evidence were excluded. See the NZFT Scoring Methodology 2026 for details.

Figure 10: Climate-related shareholder voting, 2024-2025



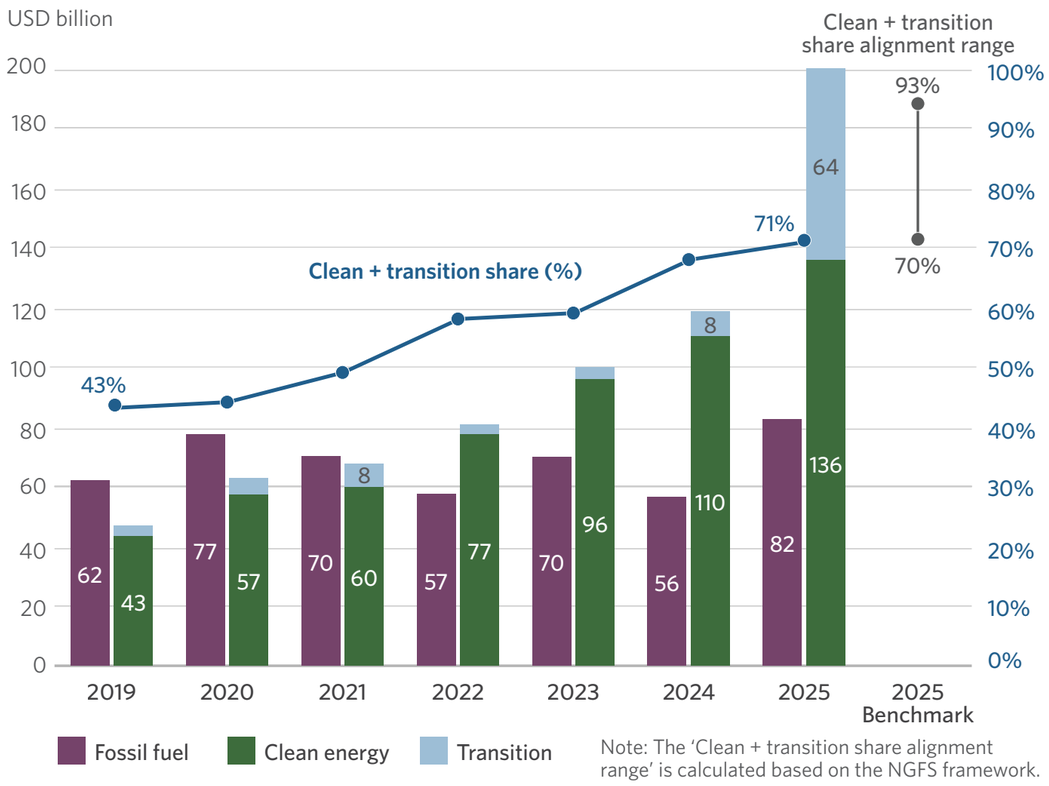
Note: The chart only includes the 264 FIs with voting data available in both 2024 and 2025.

4. Real-economy impact

Tracking changes in financial flows, portfolio exposure, corporate transition, financed emissions, and climate risks to assess progress toward real-economy decarbonization and resilience.

4.1 Direct and indirect finance of new energy projects

Figure 11: Direct finance to new energy projects, 2019-2025



Note: The 'Clean + transition share alignment range' is calculated based on the NGFS framework.

Methodology note

This indicator measures direct primary financing of new energy projects. Projects are classified as clean energy, transition, or fossil fuel/high-emissions using CPI's transition finance taxonomy, with results broken down by technology, capital type, region, and development status; the financing mix can also be compared with the NGFS net-zero investment benchmarks. The analysis combines various datasets tracking a total of 59,299 unique projects, summing to USD 5.6 trillion of investments. Duplicate project records across sources were removed through fuzzy matching. See the NZFT Scoring Methodology 2026 for details.

To view trends by FI sector, region, and coalition, as well as breakdowns of project finance by technologies, type of capital, and location of projects, see the NZFT Dashboard.

FINANCE TO NEW CLEAN AND TRANSITION PROJECTS REACHED BENCHMARK RANGE, BOOSTED BY NUCLEAR POWER

Clean and transition energy projects accounted for 71% of tracked direct project finance in 2025, entering the 70–93% range derived from three NGFS Net Zero 2050 pathways for the first time (see Methodology note).

Total direct project finance rose to USD 282 billion in 2025 from USD 109 billion in 2019. Within this, clean and transition finance more than quadrupled, from USD 47 billion to USD 200 billion, while fossil finance increased by 33%, from USD 62 billion to USD 82 billion**.**

The combined clean and transition share rose from 68% in 2024 to 71% in 2025, crossing into the range derived from NGFS Net Zero pathways. The increase came mainly from financing for one nuclear project (the UK's Sizewell C plant), raising transition financing from USD 8 billion in 2024 to USD 64 billion in 2025. Broader, diversified growth will be required to stay within the range outlined in NGFS scenarios.

GROWTH SPANS CLEAN GENERATION AND GRIDS, BUT FOSSIL FINANCE PERSISTS

Four technologies accounted for about 95% of the increase in clean and transition finance since 2019: Solar finance grew more than 4x to USD 47 billion, wind finance more than 2x to USD 48 billion, and grid finance almost 5x to USD 36 billion. Nuclear investment totaled USD 57 billion since 2019, with USD 55 billion in 2025.

Fossil finance shifted rather than declined overall. Coal and oil fell sharply as fossil finance shares, while gas finance nearly doubled from its 2019 level to USD 34 billion in 2025. Finance to other new unspecified fossil projects reached USD 43 billion. Together, gas and unspecified fossil projects represented 94% of fossil finance in 2025. This sustained financing in gas is reflected in the comparably poorer coverage of banks with comprehensive oil and gas exclusion policies: while 19% of banks by AUM/O in 2025 had unconditional exclusion policies for expansionist coal companies, only 12% had the same for expansionist oil and gas companies (see Section 2.2). Sustained progress will require investment across clean technologies and grids, alongside a durable decline in the absolute amount of fossil financing.

INDIRECTLY ENABLED PROJECT FINANCE SHIFTED TOWARD CLEAN AND TRANSITION ENERGY, BUT FOSSIL FINANCING REBOUNDED IN 2025.

Indirect finance estimates project investment attributable to FIs through their holdings in entities that finance projects directly. It highlights both the potential influence of indirect investors through engagement with direct financiers and their exposure to transition risks, particularly when those financiers invest heavily in fossil fuel projects.

Between 2019 and 2025, indirect clean and transition finance rose from USD 11 billion to USD 24 billion, recording a compound annual growth rate (CAGR) of 14%, compared with 27% for direct finance. The indirect clean and transition investment ratio (CTIR)—their combined share of total indirect financing—rose from 42% to 63%, remaining outside the 70–93% range derived from three NGFS Net Zero 2050 pathways (see Figure 12).

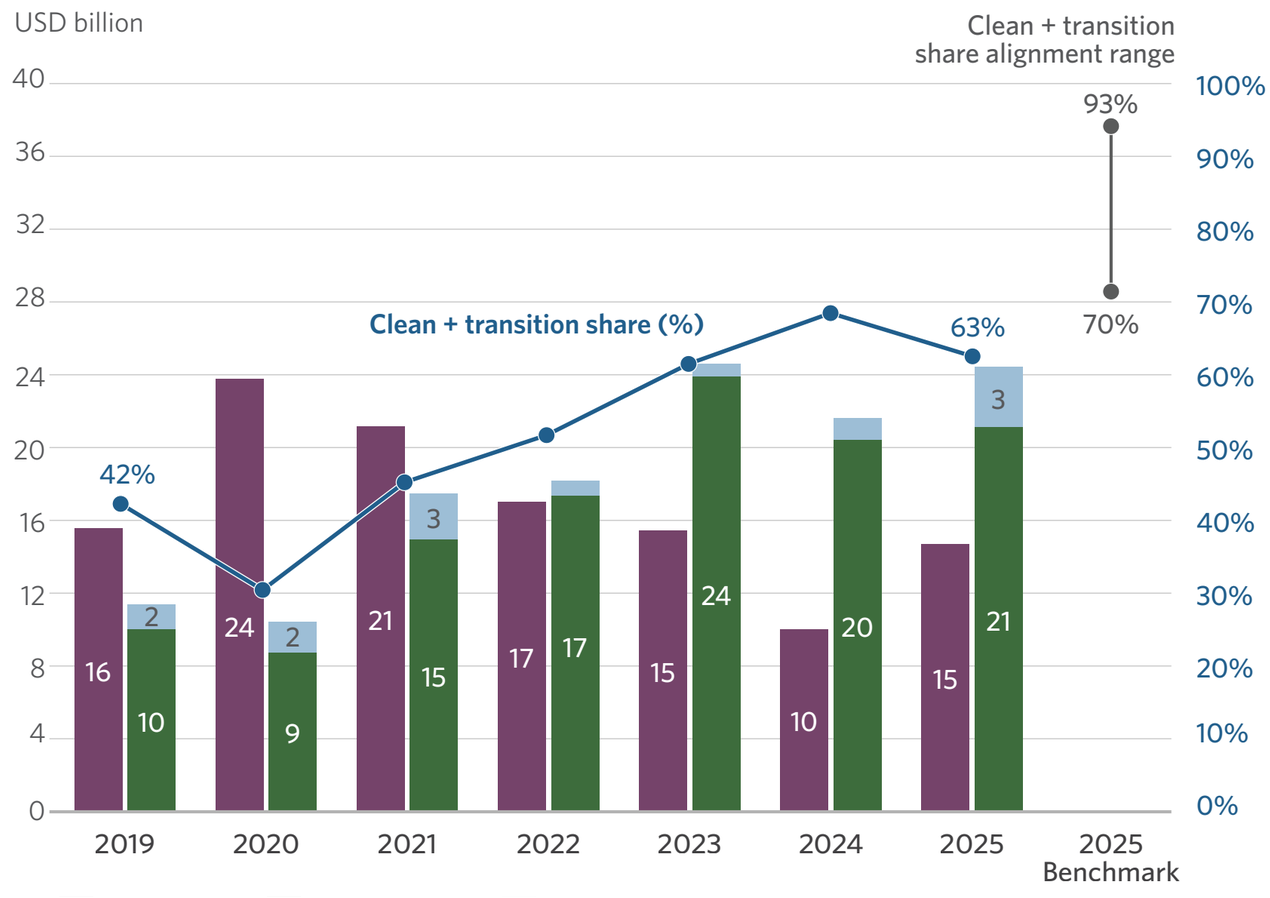
Their trajectories diverged in 2025. Indirect CTIR fell from 68% in 2024 as fossil financing rebounded from USD 10 billion to USD 15 billion, while the direct ratio continued rising. Indirect finance had a larger clean energy share (54% vs. 48%), but a smaller transition share (8% vs. 23%).

BANKS PROVIDED USD 220 BILLION IN DIRECT FINANCE IN 2025, WHILE ASSET MANAGERS PROVIDED USD 20 BILLION.

Banks' indirect CTIR increased from 41% in 2019 to 60% in 2025, below their direct ratio of 64%. Clean energy accounted for USD 126 billion directly versus USD 6 billion indirectly, while fossil finance was USD 79 billion versus USD 5 billion.

Asset managers' indirect CTIR rose from 46% in 2019 to 64% in 2025, below their direct ratio of 69%. Clean energy accounted for USD 6 billion directly versus USD 11 billion indirectly, while fossil finance was USD 3 billion versus USD 7 billion. Transition finance totaled USD 237 million directly versus USD 2 billion indirectly.

Figure 12: Indirectly enabled finance to new energy projects, 2019-2025



Note: The 'Clean + transition share alignment range' is calculated based on the NGFS framework.

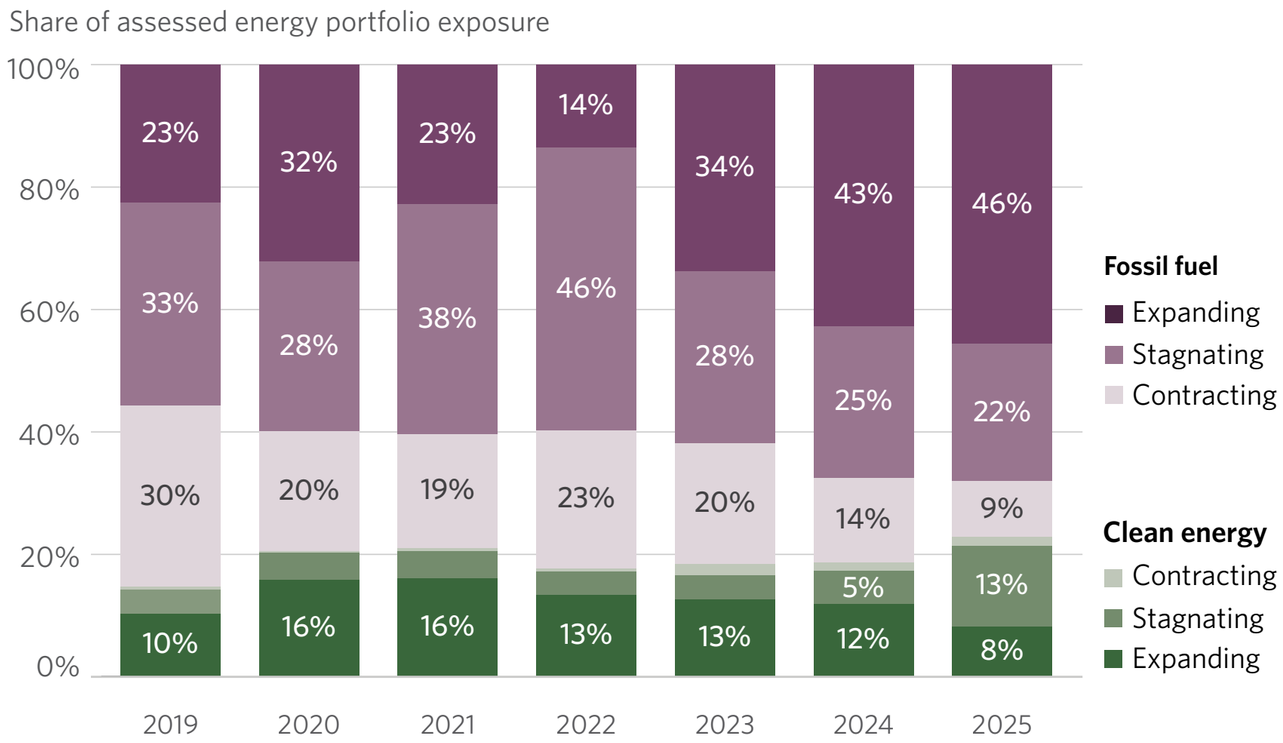
Methodology note

This indicator estimates the share of direct project investment attributable to upstream FIs through their equity holdings in, and lending to, direct investors. Projects are classified using the same categories as direct investments in the previous section. For more information on the methodology, scope and limitations, please refer to the NZFT Scoring Methodology 2026.

To view trends by FI sector, region, and coalition, as well as breakdowns of project finance by technologies, type of capital, and location of projects, see the NZFT Dashboard.

4.2 Energy portfolio exposure

Figure 13: Energy portfolio exposure to Fossil Fuels and Clean Energy, 2019-2025



Methodology note

This indicator measures the share of a FI's assessed listed equity and corporate debt energy portfolio exposed to companies expanding, maintaining or contracting clean-energy and fossil fuel activities. Company forward-looking 3-year CAGRs are derived from changes in asset-level production or capacity, while portfolio exposures are adjusted for each company's share of the relevant energy segment and can be analyzed by sector, geography and instrument. The analysis currently draws on around 1,200 companies and their subsidiaries with Asset Impact production data within the MSCI ACWI universe. The indicator is currently a beta, with coverage limited by the availability of asset-level production data and adjusters. For more information on the methodology, scope and limitations, please refer to our NZFT Scoring Methodology 2026. To view trends by FI sector, region, and coalition, as well as breakdowns of exposure by location of companies, see the NZFT Dashboard.

PORTFOLIO EXPOSURE TO FOSSIL FUEL EXPANSION ROSE, WHILE EXPOSURE TO PHASE-OUT AND CLEAN ENERGY BUILD-OUT DECLINED.

Beyond direct project finance, FIs hold equity and debt issued by companies active in fossil fuels and clean energy. The portfolio exposure to energy indicator estimates the portfolio value tied to each clean and fossil energy production of companies. In addition, it classifies holdings by the three-year CAGR of planned capacity of clean and fossil energy production, which then shows how much portfolio value is tied to clean build-out and fossil contraction and how much remains with companies planning fossil expansion (see Methodology note), and also captures changes in the underlying CAPEX plans of companies.

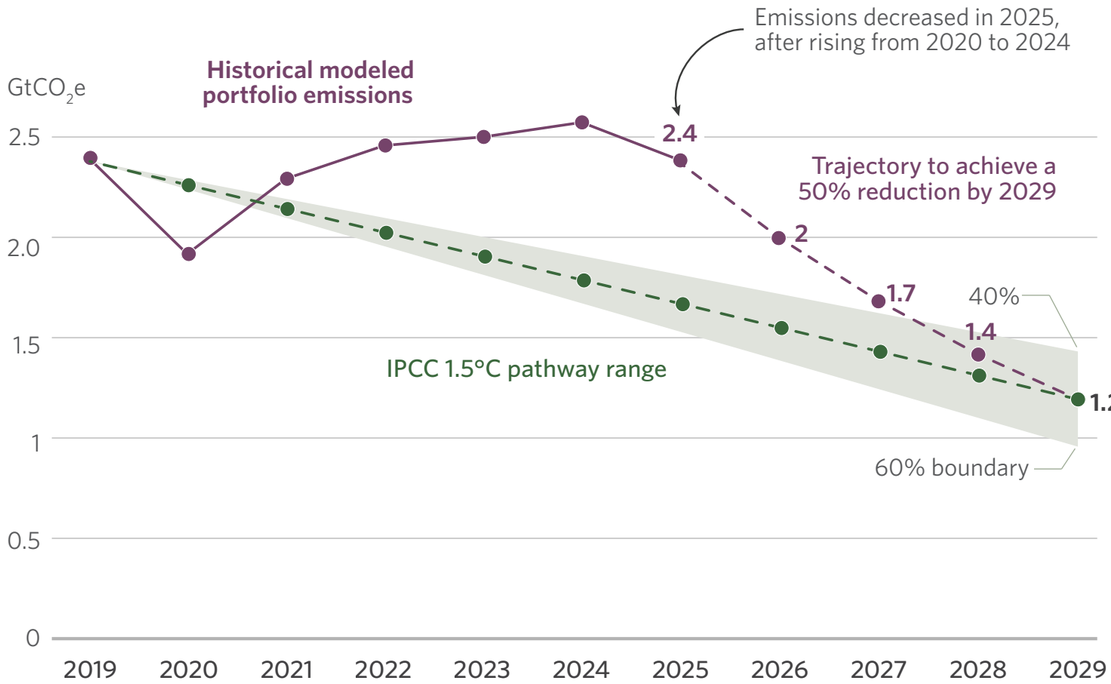
In 2025, assessed portfolio exposure totaled USD 2.93 trillion: USD 2.26 trillion in fossil fuels and USD 0.67 trillion in clean energy. Clean energy's share reached 23%, up from 15% in 2019, but investment in fossil fuel companies still dominated.

The exposure to companies planning to expand their clean energy capacity fell from 10% in 2019 to 8% in 2025. By 2025, 13% was tied to companies not further expanding or contracting their production, and 1% was even tied to companies planning to reduce their clean energy capacity. Compared with the growth in clean and transition project finance described in Section 4.1, this suggests a divergence between new project investment and the expansion plans of companies in FI portfolios, potentially reflecting differences in financing channels and the types of companies driving new capacity deployment.

The exposure to expanding fossil fuel companies rose from 23% in 2019 to 46% in 2025. The share in companies planning a contraction fell from 30% to 9%, while 22% was tied to stable capacity. Most fossil exposure is now linked to expansion, increasing transition risk in the global financial system. FIs should assess companies' clean build-out and fossil phase-out plans against their own climate policies, then use targeted stewardship to increase the share of fossil exposure in their portfolios that is linked to credible phase-out plans.

4.3 Portfolio emissions

Figure 14: Portfolio emissions and 1.5°C reduction pathways, 2019-2029



FINANCED EMISSIONS ARE FAR OFF TRACK FOR 1.5°C

Across the USD 48 trillion of FI equity holdings tracked, estimated Scope 1–2 emissions fell by around 7%—from 2.6 $GtCO_2e$ in 2024 to 2.4 $GtCO_2e$ in 2025. However, this decline largely reversed earlier increases between 2020 and 2024.

Portfolio emissions reductions fall far short of a 1.5°C-aligned benchmark. The Net-Zero Asset Owner Alliance (NZAOA) specifies a 40–60% sub-portfolio emissions reduction between end-2019 and end-2029, based on the IPCC AR6 scenarios that limit warming to 1.5°C (NZAOA, 2026). Based on CPI data, an illustrative linear path to the 50% midpoint would have implied total portfolio emissions of 1.7 $GtCO_2e$ by 2025 (compared to 2.4 $GtCO_2e$ in 2025). From here, reaching the 2029 midpoint of 1.20 $GtCO_2e$ would require a 50% reduction, equivalent to 16% annually compounded. However, as the total carbon budget assumed under this pathway has now been partly consumed in prior years, much sharper annual reductions are now needed, along with potential updates to scenario targets (UNEP, 2026).

Methodology note

This indicator measures portfolio emissions associated with a FI's listed equity. Estimated emissions draw on a combined corporate emissions dataset covering 8,165 companies across MSCI, COGEM, and Asset Impact. While this report focuses on modeled emissions, the NZFT dashboard also aggregates FIs' self-disclosed portfolio emissions. However, significant variations in data availability and methodological consistency highlight the need for stronger disclosure requirements and coordinated efforts by policymakers, standard setters, and data providers to support FIs in improving their emissions reporting. See the NZFT Scoring Methodology 2026 for details. To view trends by FI sector, region, and coalition, as well as breakdowns of exposure by corporate alignment, sector and emission trends and location of companies, see the NZFT Dashboard.



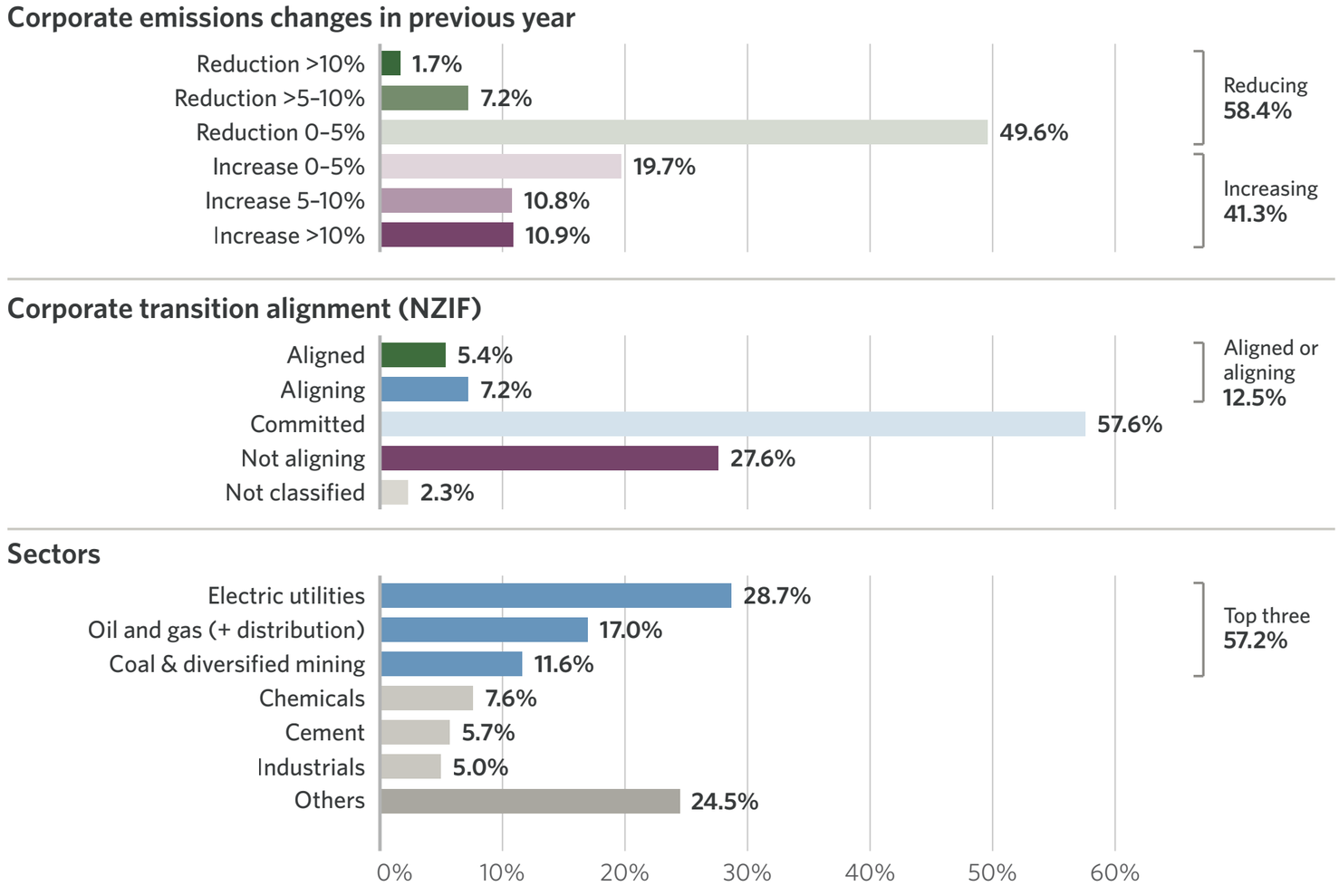
EMISSIONS ARE CONCENTRATED IN THE ENERGY SECTORS AND UNALIGNED COMPANIES

In 2025, 58% of emissions came from companies recording annual reductions (see Figure 15). However, reductions were not necessarily large—only 9% stemmed from companies reducing emissions by more than 5%. In addition, 41% of emissions stemmed from companies with rising emissions, with 22% from those that had increased their emissions by more than 5% in the previous year.

The challenge is converting large emitters from commitments to credible alignment. The Net Zero Investment Framework (NZIF 2.0) recommends measuring the share of financed emissions from Aligning or Aligned companies for an overview of how much of the emissions base meets credible transition criteria (see the methodology note in Section 4.4).

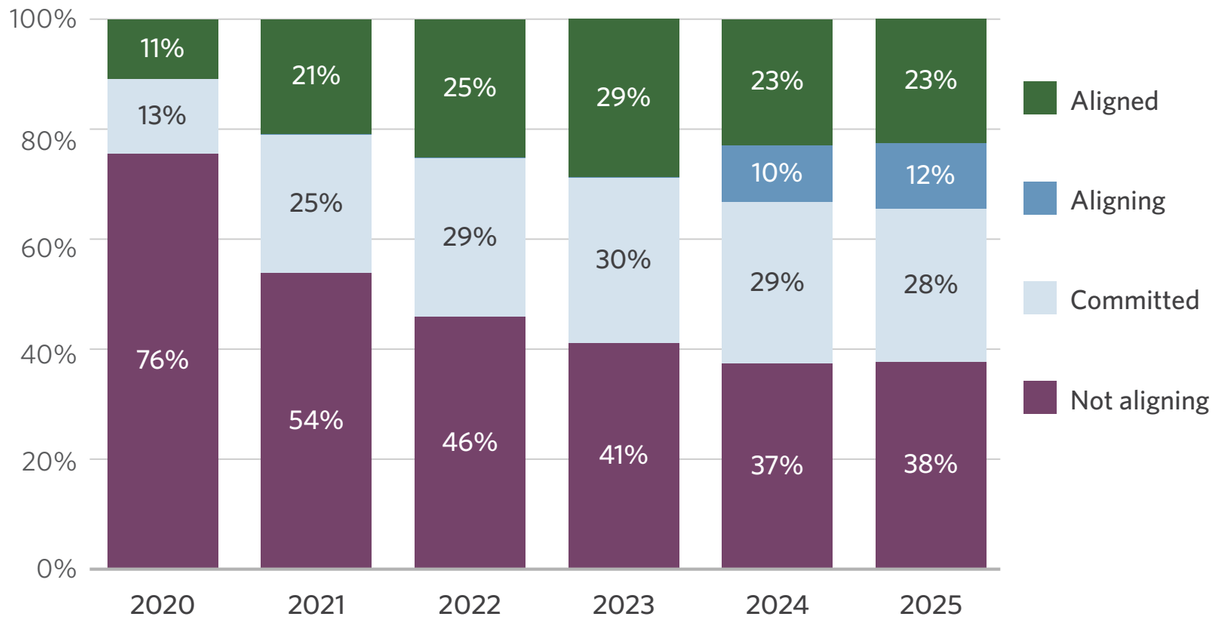
Only 5% of emissions came from Aligned companies and 7% from Aligning companies, while 58% came from Committed and 28% from Not Aligning companies. This means that most emissions in FI portfolios are unmanaged, particularly in electric utilities, oil and gas, and coal/diversified mining (see next section), which generate 57% of emissions. FIs should engage the largest non-aligned emitters in these sectors, press for credible plans and emissions cuts to bring companies on aligned pathways, and track progress (IIGCC, 2024; NZAOA, 2026).

Figure 15: Sectors, trends and NZIF alignment of portfolio emissions, 2025



4.4 Portfolio exposure to corporate transition

Figure 16: Portfolio exposure to corporate transition (NZIF), 2020-2025



PORTFOLIO ALIGNMENT HAS IMPROVED, BUT TRANSITION PROGRESS FALLS SHORT ACROSS HIGH-EMITTING SECTORS

Assessing companies' transition progress helps FIs understand portfolio exposure to transition risks and identify priorities for engagement and financing. The Net Zero Investment Framework (NZIF) defines five alignment categories: Not Aligning, Committed, Aligning, Aligned, and Achieving Net Zero. These reflect progressively stronger requirements for net-zero commitments, science-based targets, emissions disclosure, decarbonization plans, and emissions performance (IIGCC, 2024; MSCI, 2026).

Overall exposure to transitioning companies increased, but the Aligned share stagnated. Among assessed portfolio holdings, Not Aligning fell from 76% in 2020 to 38% in 2025, while Aligned or Aligning rose from 11% to 35%. Aligned exposure has changed little since 2021, standing at 23% in 2025. More exposure has declined to Aligning since 2023. The pattern echoes the Transition Pathway Initiative's assessment of corporates: long-term 1.5°C alignment rose from 9% in 2020 to 28% in 2022 and 30% in the latest cycle (Amin et al., 2025).

SBTi's Financial Institutions Net-Zero Standard (2025) sets 2040 climate-alignment milestones for major portfolio segments of at least 95% in developed and 85% in developing economies. FIs should prioritize engagement and financing that links commitments to credible plans, aligned investment, and measurable emissions reductions.

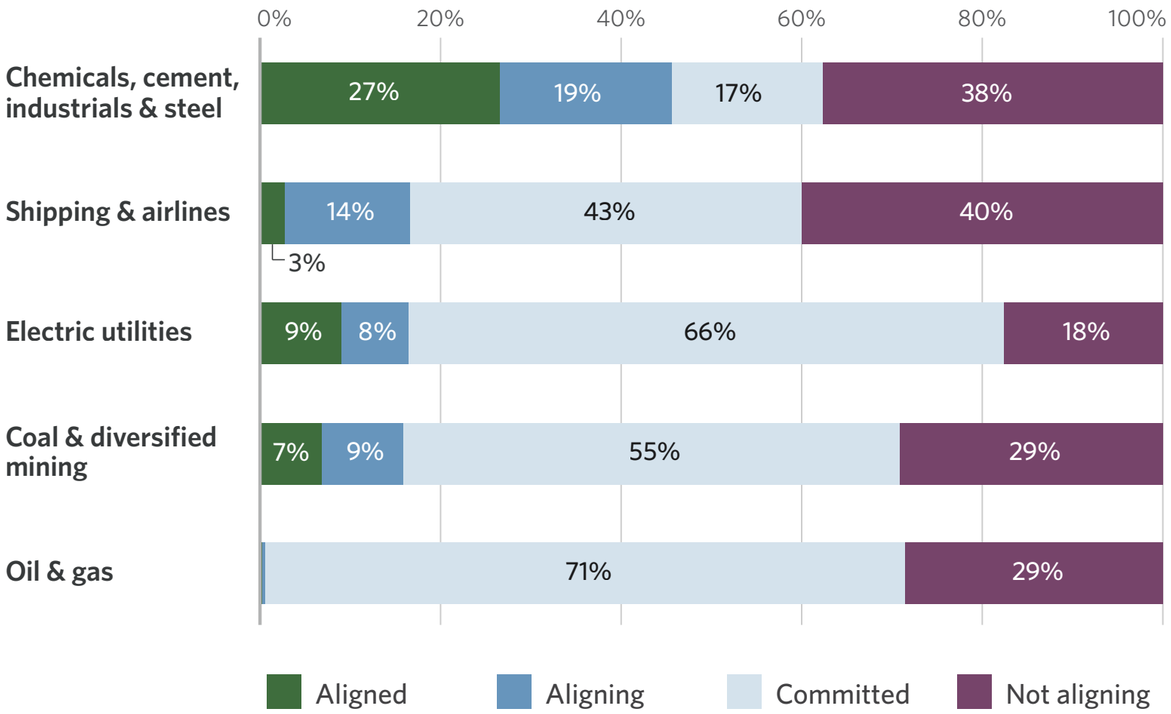
Methodology note

This indicator measures the share of a FI's assessed listed equity and corporate debt portfolio exposed to companies at different stages of the net-zero transition, from Aligned to Not Aligning. The assessment covers 8,165 mapped companies in the MSCI ACWI IMI universe. Company status is based on NZIF 2.0 criteria covering ambition, targets, emissions performance, disclosure, and decarbonization strategy, with results broken down by sector, region, development status and instrument. While the NZIF requires net-zero-aligned capital expenditure for high-impact companies to qualify as Aligned, MSCI's implementation does not assess this criterion due to data limitations. For more information, see the NZFT Scoring Methodology 2026. To view trends by FI sector, region, and coalition, as well as breakdowns of exposure by sectors and location of companies, see the NZFT Dashboard.

LESS THAN 1% OF OIL AND GAS EXPOSURE IS CLASSED AS ALIGNING OR ALIGNED

The oil and gas sector shows the widest gap between commitments and alignment: 71% of assessed portfolio exposure to the sector is classed as Committed, and just 0.6% is Aligned or Aligning. By comparison, 46% of assessed exposure across chemicals, cement, industry, and steel is classed as Aligned or Aligning, which are also industries for which low-carbon solutions and alternatives exist. These gaps highlight the need for FIs to turn engagement with high-emitting companies into credible transition plans, aligned investment and measurable emissions reductions.

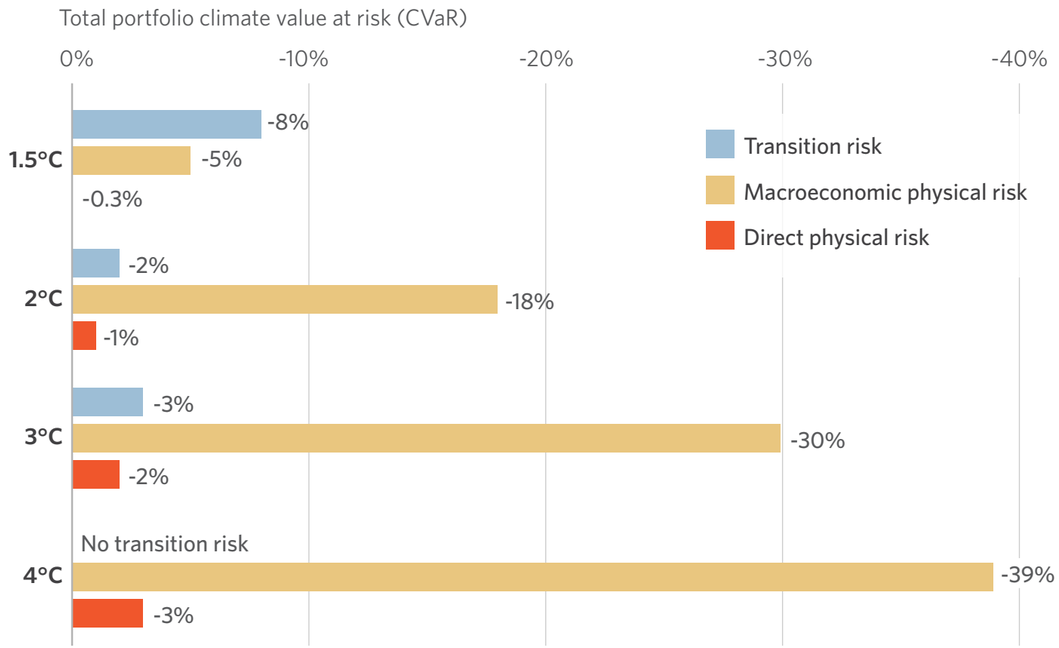
Figure 17: Portfolio Exposure by sector, 2025





4.5 Transition and physical risk

Figure 18: Financial system's exposure to transition risk and direct and macroeconomic physical risk, 2025



Methodology note

This indicator estimates the potential valuation impact of physical climate risk on listed equity and corporate debt holdings under four warming scenarios: 1.5°C Low Demand, 2°C Orderly, 3°C NDC pathways and 4°C SSP3-7.0. The assessment covers 8,165 companies mapped to the MSCI ACWI IMI universe. For transition risk, the methodology combines policy-related transition costs with technology opportunities and applies instrument-specific CVaR estimates to portfolio holdings. For physical risk, the methodology combines separately modeled direct physical risk, reflecting asset-level exposure to acute and chronic hazards, with macroeconomic physical risk, capturing broader economy-wide transmission channels; results are expressed as a percentage of assessed portfolio value. These scenario-based estimates depend on model and scenario assumptions. See the NZFT Scoring Methodology 2026 for details. To view trends by FI sector, region, and coalition, as well as breakdowns of exposure by alignment, sectors and location of companies, see the NZFT Dashboard.

HIGHER WARMING INCREASES EXPOSURE TO CLIMATE RISKS, WITH ECONOMY-WIDE PHYSICAL IMPACTS BECOMING THE DOMINANT RISK

Climate risk materializes in portfolios through three main channels: Transition risk reflects changes in policy, technology, and markets as economies reduce emissions. Direct physical risk captures damage and disruption from hazards such as heat, floods, and drought. Macroeconomic physical risk captures the wider effects of those hazards across the economy. Figure 18 shows modeled climate value at risk (CVaR) for each component as a share of the USD 49.8 trillion in portfolio exposure that CPI assessed for FIs in 2025.

TRANSITION RISK IS CONCENTRATED AMONG UNALIGNED COMPANIES

Closer analysis of the risk distribution shows that while Committed and Not Aligning companies represent 65% of assessed exposure, under a 1.5°C scenario, they would represent 80% of total transition risk. By contrast, Aligned companies account for 22% of exposure but only 7% of total transition risk, which indicates that increasing the exposure to aligned companies can reduce transition risk and be reflected in FIs' investment and stewardship strategies.

RISK VARIES ACROSS WARMING SCENARIOS

- **Under the 1.5°C scenario,** transition risk is the largest component, with a modeled loss of 8% of assessed exposure. Macroeconomic physical risk accounts for 5%, while direct physical risk accounts for 0.3%.
- **Under the 2°C** orderly-transition scenario, transition risk is almost half of that under the 3°C scenario based on nationally determined contributions (NDCs), highlighting the importance of well-timed and coordinated policy action.
- **Under the 3°C NDC pathways scenario,** macroeconomic physical risk alone rises to 30% of assessed exposure. The change shows how strongly wider economic effects can shape real-economy outcomes for portfolios as warming increases. Damage to individual assets remains relevant, but the larger modeled exposure comes through effects across the economy.

Assessing physical risk requires FIs to look beyond the locations of the assets they hold and consider how climate impacts could affect companies through the wider economy. FIs should support companies to align with climate goals while financing adaptation and climate-resilient development. CPI's *Responding to Risk* report (2026) identifies adaptation planning, engagement with exposed companies, and adaptation finance targets as priorities.

4.6 Comparing impact indicators across EMDEs and Advanced Economies

EMDEs are central to the global climate transition. Their rising demand for energy and infrastructure creates opportunities to finance clean power, grids, and industrial modernization, supporting development and limiting future fossil dependence. However, high financing costs and investment barriers constrain delivery.

FINANCE IS GROWING, BUT ALIGNMENT AND RESILIENCE GAPS REMAIN

Assessing FIs' financing activities and portfolio exposures to EMDEs and advanced economies separately reveals weaker performance on key climate-related indicators for investments in EMDE companies and projects (see Figure 19). Clean and transition activities represent 55% of classified direct project finance in EMDEs, compared with 77% elsewhere. Financing grew more slowly in EMDEs in 2019–2025 (by 19% annually vs. 31% elsewhere). Similarly, Advanced Economies have a higher share of contracting fossil fuel companies (12%) and clean energy companies in their portfolio (23%).

This gap is pronounced in corporate alignment. Exposure assessed for alignment totals USD 4.1 trillion in EMDEs, compared with USD 45.4 trillion elsewhere. Aligned companies account for 2% of assessed high-impact exposure, versus 22% outside EMDEs.

Physical climate risk is higher in EMDEs. Under the 3°C scenario, estimated macroeconomic physical CVaR reaches 46% of portfolio value in EMDEs, versus 28% elsewhere, reinforcing the need for resilience alongside decarbonization.

DIFFERENT STARTING POINTS REQUIRE DIFFERENT TRANSITION PATHWAYS, BUT HIGHER EXPOSURE TO RISKS CALLS FOR A PROMPT RESPONSE

These results should be interpreted against different development needs, energy systems, and decarbonization capacities. Applying the same pathways and expectations across EMDEs and Advanced Economies can ignore historic and local contexts and misrepresent progress. Decarbonization pathways should reflect clear, country- and sector-specific science-based milestones consistent with global climate goals.

Nevertheless, the higher exposure of EMDEs to physical climate risks makes climate action financially material for FIs financing projects and companies in these regions, and they should support financing for credible transition plans and resilient infrastructure, supported where needed by public finance and measures to address investment barriers.

Figure 19: EMDE and Advanced Economies portfolio metrics, 2025

	Regional portfolio impact indicator metrics		Amount assessed in 2025 and share of total	
	EMDEs	Advanced economies	EMDEs	Advanced economies
Financing flows (Pooled across FIs' portfolios)				
Clean + transition direct project-finance CAGR (%/year)	19% n=87	31% n=126	USD 40 bn 20%	USD 160 bn 80%
Clean + transition direct-finance share (%)	55% n=87	77% n=126	USD 74 bn 26%	USD 209 bn 74%
Portfolio exposure (Pooled across FIs' portfolios)				
Contracting fossil exposure of total fossil exposure (%)	8% n=261	12% n=461	USD 269 bn 12%	USD 2 tn 88%
Clean exposure of total energy exposure (%)	19% n=278	23% n=473	USD 334 bn 11%	USD 3 tn 89%
Aligned company exposure of total portfolio (%)	6% n=419	24% n=572	USD 4 tn 8%	USD 45 tn 92%
Aligned company exposure of total high-impact portfolio (%)	2% n=412	22% n=563	USD 3 tn 9%	USD 31 tn 91%
Emissions (Pooled across FIs' portfolios)				
Scope 1-2 emission change 2019-2025 (%, fixed 2025 ownership, equity attribution)	-5% n=417	-9% n=570	424 $MtCO_2e$ 18%	2 $GtCO_2e$ 82%
Scope 1-2 emissions from aligned companies (%)	6% n=416	14% n=569	421 $MtCO_2e$ 18%	2 $GtCO_2e$ 82%
Climate risk (Pooled across FIs' portfolios)				
Transition CVaR loss, 1.5°C Low Demand (%)	10% n=419	7% n=573	USD 4 tn 8%	USD 46 tn 92%
Direct physical CVaR loss, 3°C NDC (%)	4% n=419	2% n=573	USD 4 tn 8%	USD 46 tn 92%
Macroeconomic physical CVaR, 3°C NDC (%)	46% n=419	28% n=573	USD 4 tn 8%	USD 46 tn 92%

Relative performance: Similar or weaker performance; Stronger performance; Much stronger performance

Methodology note

Results are grouped by the location of financed projects or invested companies, not by FI headquarters. The amount columns show the 2025 total for each indicator and each group's share of the combined EMDE and non-EMDE total. In addition, in each cell, *n* shows the number of FIs in the assessed sample. N varies depending on data availability.

5. Influencing factors

Exploring how institutional climate practices, policy and regulation, coalition participation, and financial performance are associated with FIs' transition outcomes.

5.1 Targets, implementation, transition planning, and disclosure

FIs with stronger climate targets and implementation practices, and those publishing transition plans and climate-related disclosures, perform better on portfolio transition measures than those without. These dimensions are connected: transition plans and risk disclosures specify actions, resources, and milestones to be implemented by FIs; targets measure the strength of goals and intended outcomes; and implementation assesses how they are incorporated into financing and investment decisions.

Methodology note

The chart compares three score bands for Targets and Implementation, as well as groups with and without published transition plans or climate-related disclosure. The table only shows results for the overall Targets and Implementation indicator while the text also refers to individual indicator performance. Results include average scores, percentage of FIs with plans and disclosures, and median financing and real-economy outcomes. If there are less than 20 institutions for a given combination, the results are not shown as they might not be representative. In addition, in each cell, n shows the number of FIs in the assessed sample. N varies depending on data availability.

Figure 20: FI climate performance across scoring tiers, transition plan adoption, and climate-related disclosures, 2025

	Targets (Scores)			Implementation (Scores)			Transition plan		TCFD disclosure	
Overall scores (Mean 0–6)	Progressing, advanced and best practice	Emerging, initial and planned	No action	Progressing, advanced and best practice	Emerging, initial and planned	No action	Published	Not published	Disclosed	Not disclosed
Overall targets score				3.4 n=271	1.8 n=771	0.1 n=458	3.1 n=305	1.2 n=1,195	2.6 n=744	0.6 n=756
Overall implementation score	3.9 n=198	2.7 n=665	0.7 n=637				3.6 n=305	1.6 n=1,195	3.2 n=744	0.9 n=756
TPs & disclosures (% of sample)										
FIs with transition plans (%)	64% n=198	25% n=665	2% n=637	63% n=271	16% n=771	2% n=458			37% n=744	4% n=756
FIs with TCFD/ISSB/CSRD disclosure (%)	95% n=198	71% n=665	13% n=637	97% n=271	60% n=771	4% n=458	91% n=305	39% n=1,195		
Financing flows (Median)										
Clean + transition direct project-finance CAGR (%/year)	19% n=49	18% n=42	— n=4	22% n=62	12% n=33	— n=0	21% n=71	15% n=24	18% n=89	— n=6
Clean + transition direct-finance share (%)	93% n=78	100% n=70	— n=10	92% n=94	100% n=61	— n=3	90% n=97	100% n=61	95% n=140	— n=18
Portfolio exposure (Median)										
Contracting fossil exposure of total fossil exposure (%)	16% n=73	13% n=113	10% n=62	15% n=110	12% n=116	11% n=22	15% n=102	12% n=146	14% n=178	10% n=70
Clean exposure of total energy exposure (%)	27% n=78	23% n=127	21% n=73	26% n=118	22% n=134	21% n=26	26% n=109	22% n=169	26% n=198	21% n=80
Aligned company exposure of total portfolio (%)	25% n=102	23% n=204	19% n=143	23% n=143	22% n=244	20% n=62	23% n=150	22% n=299	23% n=293	21% n=156
Aligned-company exposure of total high-impact portfolio (%)	22% n=101	20% n=193	16% n=129	21% n=143	19% n=228	15% n=52	20% n=147	18% n=276	20% n=284	17% n=139
Emissions (Median)										
Scope 1-2 emission change 2019-2025 (%, fixed 2025 ownership, equity attribution)	-8% n=101	-7% n=200	-3% n=143	-7% n=141	-6% n=241	-5% n=62	-8% n=148	-6% n=296	-7% n=290	-6% n=154
Scope 1-2 emissions from aligned companies (%)	16% n=101	15% n=200	9% n=141	15% n=141	13% n=240	11% n=61	6% n=148	4% n=294	6% n=289	4% n=153
Climate risk (Median)										
Transition cVaR loss, 1.5°C Low Demand (%)	7% n=102	7% n=203	7% n=143	7% n=143	7% n=244	7% n=61	7% n=150	7% n=298	7% n=293	7% n=155
Direct physical cVaR loss, 3°C NDC (%)	2% n=102	2% n=203	2% n=143	2% n=143	2% n=244	2% n=61	2% n=150	2% n=298	2% n=293	2% n=155
Macroeconomic physical cVaR, 3°C NDC (%)	29% n=102	30% n=203	29% n=143	29% n=143	30% n=244	31% n=61	29% n=150	30% n=298	30% n=293	30% n=155
Sample totals (AUM/O, number of FIs)	USD 80.5 tn n=198	USD 183.9 tn n=665	USD 50.8 tn n=637	USD 125.5 tn n=271	USD 160 tn n=771	USD 29.8 tn n=458	USD 127.3 tn n=305	USD 188 tn n=1,195	USD 246.6 tn n=744	USD 68.7 tn n=756
Relative performance:	Similar or weaker performance; Stronger performance; Much stronger performance			Similar or weaker performance; Stronger performance; Much stronger performance			Similar or weaker performance; Stronger performance; Much stronger performance		Similar or weaker performance; Stronger performance; Much stronger performance	

STRONGER TARGETS, IMPLEMENTATION, TRANSITION PLANNING, AND DISCLOSURE ARE CONSISTENTLY ASSOCIATED WITH BETTER REAL-ECONOMY RESULTS

CLIMATE TARGETS

Targets set the direction for capital allocation and establish expectations for financed companies. They connect portfolio objectives with investment and client decisions. In 2025, FIs rated Progressing or above on Targets, compared to those with No Action, had higher mean Implementation scores than those with poorer targets (3.98 vs. 0.7 on a 0–6 scale). Publication of transition plans (64% vs. 2%) and climate-related disclosures (95% vs. 13%) was also more common, showing how ambition accompanies delivery and reporting practices. Their clean share of assessed energy exposure was higher (27% vs. 21%), as was the share of assessed fossil exposure to companies reducing fossil activity (16% vs. 10%). Their median aligned-company share of assessed high-impact portfolio exposure was also higher (22% vs. 16%).

Fossil fuel phase-out and exclusion targets show a clear association with the direction of fossil activity among financed companies. FIs with stronger scores held a larger share of their assessed fossil exposure in companies reducing fossil activity (17% vs. 11%), linking phase-out commitments with contraction in the underlying portfolio.

Mitigation targets also reveal a meaningful pattern. Stronger-scoring FIs recorded larger emissions declines of portfolio companies over 2019–2025 (8% vs. 4%). A greater share of their assessed emissions came from aligned and aligning companies (17% vs. 10%), consistent with the indicator's focus on portfolio decarbonization. A separate historical-ownership comparison showed a 9% decline versus a 2% increase, although this measure also captures changes in portfolio ownership.

The connection is less evident for **climate investment targets**. Clean and transition direct project-finance growth was similar across the two groups (22.1% vs. 21.7% annually).

IMPLEMENTATION

Implementation gives targets operational force through accountability, client engagement, and investment criteria. It connects ambition with the routines through which FIs assess and finance opportunities. Using the same score bands, FIs with stronger Implementation had higher mean Targets scores (3.4 vs. 0.13), more published plans (63% vs. 2%), and more climate-related disclosure (97% vs. 4%). The clean share of assessed energy exposure was 26% vs. 21%. They also recorded a larger median decline in attributed emissions of portfolio holdings between 2019 and 2025: 7% vs. 5%.

Shareholder and client engagement has a particularly strong relationship with company alignment. Stronger-scoring FIs had a higher aligned-company share of assessed high-impact portfolio exposure (21% vs. 15%). This outcome closely matches engagement's purpose: encouraging credible transition progress among investees and clients.

For emissions-data disclosure, greater transparency accompanies more favorable emissions outcomes. Stronger-scoring FIs recorded larger portfolio emissions declines (8% vs. 5%) and a higher emissions share from aligned and aligning companies (16% vs. 12%). Disclosure provides the information needed to track such changes and assess progress against commitments.

The largest differences in planning and reporting appear alongside **internal accountability**. Stronger-scoring FIs were much more likely to publish transition plans (34% vs. 4%) and provide TCFD/ISSB/CSRD disclosure (84% vs. 14%). Clear responsibilities and oversight provide a plausible organizational foundation for turning climate commitments into formal plans and regular reporting.

TRANSITION PLANS

Transition plans organize targets and implementation around financing priorities, client actions, and milestones. Scheduled reviews provide a basis for assessing delivery and adjusting decisions. When effectively implemented, transition plans can support FIs to manage exposure to fossil fuel price volatility and transition risks, limiting vulnerabilities to shifts in energy prices, climate policies, technology, and demand, including the risk of asset repricing and stranded assets (IEA, 2024b; FSB, 2025c; BCBS, 2021). Across the 1,500 institutions, 20% published a plan. Publishers had higher mean Targets scores (3.1 vs. 1.2) and Implementation scores (3.58 vs. 1.63) than non-publishers; 91% provided climate-related disclosure, vs. 39%. They recorded more favorable outcomes on several of the real-economy indicators, indicating that FIs publishing transition plans have more sophisticated climate-related implementation practices, contributing to climate progress in the wider economy. Clean and transition direct project finance grew by a median 21% annually over 2019–2025, vs. 15%, while emissions of underlying portfolio companies declined by 8% between 2019-2025, vs. 6%. Their median share of assessed fossil exposure to companies reducing fossil activity was also higher, at 15% vs. 12%.

TCFD/ISSB/CSRD DISCLOSURE

Disclosure makes targets and implementation progress visible. Regular reporting gives management, investors, and other stakeholders a basis for assessing whether financing activities follow stated priorities. Across the sample, 50% disclosed. Disclosers had higher mean Implementation scores (3.2 vs. 0.9), and 37% published transition plans, compared with 4% of non-disclosers, illustrating the connection between transparency and formal planning. Their clean share of assessed energy exposure was higher (26% vs. 21%), as was the share of assessed fossil exposure to companies reducing fossil activity (14% vs. 10%). Their median aligned-company share of assessed high-impact portfolio exposure was also higher, at 20% vs. 17%.

5.2 Policy and regulation

Policy frameworks help shape FIs' climate targets, implementation efforts, and transition plans, guiding financing and investment decisions that can support real-economy decarbonization. This section examines differences across jurisdictions using the policy assessments outlined below. Figure 21 brings these assessments together with Targets and Implementation scores, transition plans, disclosure adoption, and impact indicators, comparing jurisdictions.

Methodology note

The figure compares policy assessments and FI results across jurisdictions. Results include average scores, percentage of FIs with plans and disclosures, and median financing and real-economy outcomes. If there are less than 20 institutions for a given combination, the results are not shown as they might not be representative. In addition, in each cell, n shows the number of FIs in the assessed sample. N varies depending on data availability. It is important to note that these comparisons reflect different eligible samples and portfolio structures.

Figure 21: Climate policy and financial sector performance across jurisdictions, 2025

Policy assessment (%)	EU (27)	UK	Switzerland	China	Canada	Japan	USA	Global average
SUSREG banking fulfilment	88%	66%	53%	65%	54%	42%	9%	
SUSREG insurance fulfilment	70%	60%	47%	50%	45%	38%	11%	
SUSREG asset management fulfilment	95%	75%	—	35%	—	40%	20%	
Oxford Policy Monitor: transition planning (4-dimension mean)	66%	66%	—	67%	51%	54%	—	
Oxford Policy Monitor: green prudential (4-dimension mean)	62%	61%	—	48%	74%	26%	—	
Regulatory status								
ITPN transition plan	In place	Voluntary guidance	In place	In progress	Voluntary guidance	In progress	In progress	
ITPN ISSB	In place	In place	In progress	In progress	In place	In place	In progress	
Overall scores (Mean 0-6)								
Overall targets score	2.3 n=351	2.0 n=202	2.0 n=73	1.0 n=58	1.4 n=92	2.2 n=47	0.7 n=421	1.6 n=1,500
Overall implementation score	2.4 n=351	2.6 n=202	2.2 n=73	1.7 n=58	1.9 n=92	3.0 n=47	1.4 n=421	2.0 n=1,500
TPs & disclosures (% of sample)								
FIs with transition plans (%)	27% n=351	30% n=202	23% n=73	9% n=58	17% n=92	47% n=47	8% n=421	20% n=1,500
FIs with TCFD/ISSB/CSRD disclosure (%)	56% n=351	83% n=202	40% n=73	45% n=58	44% n=92	77% n=47	29% n=421	50% n=1,500
Financing flows (Median)								
Clean + transition direct project-finance CAGR (%/year)	28% n=31	— n=8	— n=1	— n=14	— n=7	— n=6	— n=12	18% n=95
Clean + transition direct-finance share (%)	100% n=48	— n=15	— n=1	100% n=21	— n=9	— n=8	83% n=22	100% n=158
Portfolio exposure (Median)								
Contracting fossil exposure of total fossil exposure (%)	20% n=51	— n=19	— n=13	— n=6	9% n=22	— n=13	10% n=97	13% n=248
Clean exposure of total energy exposure (%)	40% n=59	27% n=22	— n=14	— n=15	17% n=23	— n=16	20% n=99	25% n=278
Aligned company exposure of total portfolio (%)	27% n=90	26% n=50	— n=15	4% n=25	18% n=31	12% n=20	24% n=154	23% n=449
Aligned-company exposure of total high-impact portfolio (%)	25% n=85	22% n=45	— n=15	1% n=23	16% n=30	— n=19	21% n=144	19% n=423
Emissions (Median)								
Scope 1-2 emission change 2019-2025 (%, fixed 2025 ownership, equity attribution)	-7% n=89	-9% n=50	— n=15	26% n=24	2% n=29	-7% n=20	-8% n=153	-7% n=444
Scope 1-2 emissions from aligned companies (%)	27% n=89	20% n=50	— n=15	1% n=24	9% n=29	9% n=20	12% n=151	14% n=442
Climate risk (Median)								
Transition cVaR loss, 1.5°C Low Demand (%)	5% n=90	7% n=50	— n=15	6% n=24	9% n=31	12% n=20	7% n=154	7% n=448
Direct physical cVaR loss, 3°C NDC (%)	2% n=90	2% n=50	— n=15	3% n=24	2% n=31	5% n=20	2% n=154	2% n=448
Macroeconomic physical cVaR, 3°C NDC (%)	28% n=90	32% n=50	— n=15	35% n=24	23% n=31	33% n=20	29% n=154	30% n=448

Relative performance: Similar or weaker performance; Stronger performance; Much stronger performance

WWF's Sustainable Financial Regulations and Central Bank Activities (SUSREG) assesses supervisory expectations by sector. The tracker assesses how public authorities incorporate climate considerations into financial regulation and supervision. Its banking, insurance and asset-management scores show how fully a jurisdiction's publicly documented measures meet WWF's sector-specific criteria. A higher fulfillment value indicates closer alignment with WWF's benchmark.

The Oxford Climate Policy Monitor documents approved climate policy instruments and evaluates their design across jurisdictions. The table draws on two of its categories: *transition planning*, which addresses targets and plans, and *green prudential rules*, which address the treatment of climate risk in financial supervision. Within each category, it averages four dimensions: ambition (the policy's intended contribution), stringency (the force of its obligations), implementation (evidence of application and enforcement), and comprehensiveness (the entities covered). The table then averages the two category results.

The International Transition Plan Network (ITPN) addresses the status of planning and reporting measures. It maintains a jurisdiction-level map of transition-planning measures and adoption of standards issued by the ISSB. The table's two ITPN rows identify the status of mandatory transition-plan measures and ISSB or ISSB-aligned standards.

STRONGER CLIMATE POLICIES IN JURISDICTIONS ALIGN WITH BETTER TARGET SETTING, IMPLEMENTATION, AND ADOPTION OF TRANSITION PLANS AND DISCLOSURES. WHILE REAL-ECONOMY OUTCOMES VARY, STRONG POLICY JURISDICTIONS TEND TO OUTPERFORM GLOBAL AVERAGES.

STRONG POLICY FRAMEWORKS ACCOMPANY LEADING CLIMATE PRACTICES IN THE EU AND UK

The EU and UK lead on sustainable-finance policy among the jurisdictions assessed, with the strongest assessments across banking, insurance, and asset management. Their frameworks combine disclosures with supervisory expectations on governance and climate-risk management. In the EU, in-scope companies report under CSRD/ESRS, while banks and insurers face requirements to plan for sustainability-related financial risks (European Commission, 2026; EBA, 2025; European Parliament and Council, 2025). However, the 2026 Omnibus narrowed CSRD coverage and removed the Corporate Sustainability Due Diligence Directive's (CSDDD) climate-transition-plan obligation (European Parliament and Council, 2026). In the UK, FCA disclosure rules and PRA expectations apply to relevant FIs (FCA, 2021; PRA, 2025). New UK Sustainability Reporting Standards (SRS) rules apply to specified listed issuers' accounting periods from 2027, with first reports in 2028 (FCA, 2026).

Both jurisdictions exceed global average Target and Implementation scores, outperforming the US, Canada, and China. Transition plans and climate disclosures are also more widespread than the global average, though Japan leads on Implementation and transition plan publication. UK climate-related disclosure is particularly striking: 83% of FIs report, compared with 50% globally. While these results suggest established governance and reporting practices, there is still considerable room for broader transition plan adoption.

Across Impact metrics, FIs had greater shares of assessed exposure to contracting fossil businesses, clean energy, and aligned companies, including in high-impact sectors. Both the EU and UK outperform global medians and several major peers on these measures. Aligned companies also account for a substantially greater share of attributed emissions, while Scope 1–2 portfolio emissions of portfolio companies fell more than the global median over 2019–2025. The EU records stronger growth in clean and transition project finance than globally. Climate-risk outcomes are less consistent: estimated transition and physical losses of EU FIs are below global medians, while UK FIs' losses remain above them.

DIFFERENT STRENGTHS EMERGE ACROSS CLIMATE PRACTICES AND REAL-ECONOMY OUTCOMES

Japan, China, and Canada show gaps between FI practice and real-economy outcomes. Japan has the highest Implementation score and transition plan adoption of the assessed jurisdictions, with FIs' climate-related disclosures also exceeding the global average. Yet Japanese FIs' alignment remains below global medians, and their transition risk exposure is highest among all jurisdictions. Despite a strong performance on the Oxford Policy Monitor Transition Planning metric, Chinese FIs' scores, plans, disclosure, and alignment lag global levels, while portfolio emissions of underlying companies have risen significantly.

Swiss FIs' Targets and Implementation are above global averages, though disclosure rates are below the global rate. Canada shows the strongest green prudential policy score, but targets, implementation, clean energy exposure, and portfolio exposure to aligned companies trail global benchmarks. Yet physical and macroeconomic losses are the lowest among peers.

US CLIMATE PRACTICES LAG WHILE REAL-ECONOMY OUTCOMES REMAIN MIXED

The US has the weakest policies among the jurisdictions assessed. Banking regulators withdrew their climate-risk principles for large FIs in 2025 (FDIC, 2025), and the US SEC proposed rescinding its stayed climate-disclosure rules in 2026 (SEC, 2026). US FIs have the lowest Target and Implementation scores, and the lowest plan publication and disclosure rates. Only 8% of US-based FIs publish transition plans, compared with 20% globally. Real-economy outcomes in portfolios are more mixed. Clean energy and contracting fossil shares trail global medians, as does the clean and transition share of direct finance. Portfolio alignment lags compared to EU peers but exceeds global medians, including in high-impact sectors. Portfolio emissions also fall below the global median.

Across the findings, stronger climate policy is generally associated with more developed FI practices on target setting, implementation, disclosures, and transition plan adoption. This has also been demonstrated in other studies (Acosta-Smith et al., 2023; Elderson, 2025). Real-economy impacts do not always move in lockstep with stronger policy (Covi et al., 2025), and country-specific circumstances, including legacy exposures to emissions-intensive activities, may also explain why stronger FI practices do not always translate into better real-economy outcomes. In addition, differences in samples and portfolio composition across jurisdictions should be considered as potential drivers of these results (OECD, 2026b).

5.3 Industry climate coalition participation

Coalition signatories lead on climate practices, but real-economy outcomes remain mixed. Financial-sector climate coalitions can help FIs turn their climate commitments into action through common methods, practical guidance, and expectations for reporting progress. These frameworks connect target setting and transition planning with financing decisions and engagement that can support real-economy decarbonization.

The clearest advantage appears to be institutional climate practices. Signatories average 2.4 out of a score of 6 on Targets, compared with 0.8 for non-signatories, and 3.1 on Implementation, compared with 1.0. Transition-plan publication is more than four times as common among signatories (34% vs. 7%). Climate-related disclosure reaches 76%, compared with 24%.

Portfolio differences are less pronounced. Signatories have higher median clean-energy exposure and stronger alignment in high-impact sectors. Their assessed fossil exposure includes a greater share of contracting businesses (14% vs. 11%), while aligned and aligning companies account for 15% of portfolio emissions, compared with 11%. However, portfolio alignment and climate-risk losses differ little. Signatories' emissions of portfolio companies fell by 6% over 2019–2025, slightly less than the 7% reduction among non-signatories.

Individual coalitions show distinct strengths. Principles for Responsible Banking signatories combine relatively widespread transition-plan publication (63% vs. 7% of non-signatories) with a higher median clean-energy share of assessed energy exposure (35% vs. 21%). Among Net Zero Asset Managers initiative signatories, aligned companies accounted for a higher share of portfolio emissions (21% vs. 11%). Meanwhile, Climate Action 100+ signatories had a higher exposure linked to fossil fuel contracting companies (19% vs. 11%).

The findings suggest that participating in coalitions and initiatives is associated with stronger target setting and implementation. However, real-economy outcomes are less pronounced. Independent research also provides mixed results: Coalition progress reports document advances in target setting, transition planning, climate solutions investment, and portfolio emissions reductions (UNEP FI, 2025b), while independent publications find limited evidence that voluntary commitments consistently translate into changes in banks' lending or underlying companies' emissions (Hale et al., 2026; Hastreiter, 2025). There is an opportunity for coalitions to strengthen accountability by linking targets and plans to measurable financing and company transition milestones, and emissions outcomes (GFANZ, 2023) to help assess whether stronger processes translate into real-economy progress.

Methodology note

The chart compares coalition signatories with non-signatories, with results for individual coalitions. Results include average scores, percentage of FIs with plans and disclosures, and median financing and real-economy outcomes. If there are fewer than 20 institutions for a given combination, the results are not shown as they might not be representative. In addition, in each cell, n shows the number of FIs in the assessed sample. N varies depending on data availability. To view performance of individual coalitions and initiatives, see the NZFT Dashboard.

Figure 22: Climate performance of coalition signatories and non-signatories, 2025

	Coalition membership	
Overall scores (Mean 0–6)	Member	Non-member
Overall targets score	2.4 n=739	0.8 n=761
Overall implementation score	3.1 n=739	1 n=761
TPs & disclosures (% of sample)		
FIs with transition plans (%)	34% n=739	7% n=761
FIs with TCFD/ISSB/CSRD disclosure (%)	76% n=739	24% n=761
Financing flows (Median)		
Clean + transition direct project-finance CAGR (%/year)	18% n=77	— n=18
Clean + transition direct-finance share (%)	100% n=123	100% n=35
Portfolio exposure (Median)		
Contracting fossil exposure of total fossil exposure (%)	14% n=173	11% n=75
Clean exposure of total energy exposure (%)	25% n=197	21% n=81
Aligned company exposure of total portfolio (%)	23% n=294	22% n=155
Aligned-company exposure of total high-impact portfolio (%)	20% n=283	17% n=140
Emissions (Median)		
Scope 1-2 emission change 2019-2025 (%, fixed 2025 ownership, equity attribution)	-6% n=289	-7% n=155
Scope 1-2 emissions from aligned companies (%)	15% n=289	11% n=153
Climate risk (Median)		
Transition CVaR loss, 1.5°C Low Demand (%)	7% n=294	7% n=154
Direct physical CVaR loss, 3°C NDC (%)	2% n=294	2% n=154
Macroeconomic physical CVaR, 3°C NDC (%)	30% n=294	30% n=154

Relative performance: Similar or weaker performance; Stronger performance; Much stronger performance

5.4 Financial performance

Higher share price and revenue growth are associated with stronger climate performance, while asset growth and profitability show mixed signals. Financial and climate performance can influence each other through income, risk, and capital allocation. Stronger revenue and profitability can fund climate action, while asset growth increases the scale of financing decisions. Conversely, transition financing can generate revenue and grow total assets, while credible climate strategies may help asset managers attract capital from asset owners and expand assets under management. Climate risk management may also protect profit margins and returns on equity, influencing investor expectations and share prices. Research identifies opportunities through lending growth, profitability, and changing risk exposures (Morse and Sastry, 2025), though outcomes depend on how capital is deployed.

BUSINESS PERFORMANCE: SHARE-PRICE AND REVENUE GROWTH

The chart groups FIs separately by annualized share price and revenue growth over 2021–2025, comparing those at or above each median with those below. Figure 23 shows that higher share price growth generally accompanies stronger climate practices, greater portfolio alignment, and lower climate risk exposure. Higher revenue growth coincides with more transition planning and disclosure, stronger clean energy exposure and alignment. Median annual growth in clean and transition direct project finance was 26% for the higher revenue growth group, versus 15% for the lower group over 2019–2025.

ASSET GROWTH AND PROFITABILITY PRESENT MIXED SIGNALS

Four metrics show mixed signals: total assets growth, assets under management growth, net profit margin, and return on equity. Faster growth and higher profitability do not consistently accompany stronger climate performance, though higher return on equity coincides with faster clean and transition project finance growth and lower modeled climate losses. Sustainability preferences influence fund flows, while stronger sustainability ratings do not necessarily indicate higher returns (Hartzmark and Sussman, 2019). Business models, risk exposures, and outcome selection complicate interpretation (Earnhart, 2018). Further research is needed to isolate these influences and establish whether financial performance drives climate progress or reflects underlying factors.

Methodology note

For each financial measure, the chart compares FIs above and below the median growth rate. Results include average scores, percentage of FIs with plans and disclosures, and median financing and real-economy outcomes. If there are fewer than 20 institutions for a given combination, the results are not shown as they might not be representative. In addition, in each cell, "n" shows the number of FIs in the assessed sample, and varies depending on data availability.

Figure 23: Climate performance by share-price and revenue growth, 2025

	Share-price growth Median 9.9 %/year		Revenue growth Median 6.3 %/year	
Overall scores (Mean 0–6)	At or above median	Below median	At or above median	Below median
Overall targets score	3.0 n=130	2.6 n=129	2.8 n=126	2.5 n=125
Overall implementation score	3.7 n=130	3.4 n=129	3.2 n=126	3.2 n=125
TPs & disclosures (% of sample)				
FIs with transition plans (%)	61% n=130	44% n=129	52% n=126	41% n=125
FIs with TCFD/ISSB/CSRD disclosure (%)	84% n=130	85% n=129	81% n=126	74% n=125
Financing flows (Median)				
Clean + transition direct project-finance CAGR (%/year)	21% n=49	14% n=27	26% n=38	15% n=44
Clean + transition direct-finance share (%)	82% n=61	100% n=50	87% n=53	90% n=61
Portfolio exposure (Median)				
Contracting fossil exposure of total fossil exposure (%)	16% n=69	12% n=40	15% n=43	15% n=48
Clean exposure of total energy exposure (%)	25% n=72	24% n=46	28% n=46	25% n=52
Aligned company exposure of total portfolio (%)	21% n=84	20% n=62	24% n=64	21% n=66
Aligned-company exposure of total high-impact portfolio (%)	19% n=84	17% n=61	21% n=64	19% n=62
Emissions (Median)				
Scope 1-2 emission change 2019-2025 (%, fixed 2025 ownership, equity attribution)	-7% n=82	-6% n=61	-6% n=63	-8% n=65
Scope 1-2 emissions from aligned companies (%)	13% n=82	11% n=61	13% n=63	11% n=65
Climate risk (Median)				
Transition cVaR loss, 1.5°C Low Demand (%)	7% n=84	7% n=62	7% n=64	7% n=65
Direct physical cVaR loss, 3°C NDC (%)	2% n=84	2% n=62	2% n=64	2% n=65
Macroeconomic physical cVaR, 3°C NDC (%)	27% n=84	29% n=62	27% n=64	30% n=65
Sample totals (USD tn)	81.2 n=130	80.5 n=129	40.2 n=126	108 n=125

Relative performance: Similar or weaker performance; Stronger performance; Much stronger performance

6. Conclusion

6.1 Synthesis of findings

TARGETS AND IMPLEMENTATION

Assessed FIs have strengthened their climate targets and implementation since 2019, establishing a foundation for transition across the financial system (Sections 2–3). However, progress is losing momentum before comprehensive action has become widespread.

In 2025, FIs scoring Progressing or above represented 26% of assessed AUM/O for Targets and 40% for Implementation, down from 27% and 43% respectively in 2024. Most assets remain below Progressing, with recent declines raising doubts about whether commitments will translate into sustained delivery.

Imbalances within both targets and implementation help explain this challenge. Mitigation targets are more developed than climate investment and fossil-fuel targets. As a consequence, emissions objectives are insufficiently supported by quantified financing commitments and restrictions on expansion (Section 2.2). Implementation similarly prioritizes risk management over shareholder, client and policy engagement (Section 3.2), which shows that FIs are consequently better prepared to assess climate risks than to influence their underlying drivers.

No institution achieved aggregate Best Practice in either dimension. More robust and actionable targets will require combining validated near- and long-term targets with comprehensive coverage, absolute climate investment commitments and comprehensive fossil-fuel exclusions. On the implementation side, these must shape financing and stewardship, supported by incentives, transparent reporting and accountability. The next phase depends on closing these gaps together and demonstrating consistent delivery.

IMPACT INDICATORS

Direct financing to new clean and transition projects more than quadrupled over 2019-2025, with the relative share of clean and transition finance among all tracked energy project finance reaching 71% of classified direct financing (see Section 4.1). However, within fossil exposure, the share linked to expanding companies rose from 26% to 59%, while the share linked to contracting companies fell from 35% to 12%. Clean energy exposure grew, but companies planning capacity growth represented a shrinking share of these holdings (see Section 4.2). Growing clean energy investment therefore coexists with a portfolio mix that is increasingly weighted toward fossil expansion rather than contraction.

Estimated Scope 1 and 2 emissions were at the same level in 2025 as in 2019. Around 85% originated from companies classified as Committed or Not Aligning (see Section 4.3). Persistent alignment gaps in high-impact sectors—particularly oil and gas, utilities, and mining—constrain progress where emissions reductions matter most (see Section 4.4). Financing and engagement must accelerate these companies' operational transition.

Meanwhile, climate risk exposures increase with warming, and EMDEs face greater physical vulnerability (see Sections 4.5–4.6). Under a 1.5°C scenario, transition risk accounts for 8% of climate risk, while at 3°C, macroeconomic physical risk alone reaches 30%. These conditional scenarios reinforce the need to mainstream adaptation alongside decarbonization.

INFLUENCING FACTORS

We also examined how FIs' actions contribute to these results and how external factors influence them. Stronger targets and implementation actions, and the formal adoption of transition plans, and climate-related disclosures consistently go hand-in-hand with better real-economy metrics (see Section 5.1). These practices tend to occur together, supporting an integrated approach to climate action. However, the analysis does not yet establish whether transition planning causes better outcomes.

Policy shapes whether FIs can translate these capabilities into investment. Stronger performance in the EU and UK is consistent with supportive disclosure and supervisory frameworks, but differences remain across all jurisdictions assessed (see Section 5.2). Financial regulation also needs credible sector policies and investable projects to support transition.

Industry climate coalition signatories demonstrate stronger practices; however, signals for real-economy metrics are more mixed (see Section 5.3). Coalitions can support by providing common methods, information sharing, and accountability, as well as signaling transition commitments across markets.

The relationship with financial performance is mixed. Revenue and share-price growth often coincide with stronger climate indicators, while profitability and asset growth show weaker relationships (see Section 5.4). More data and longer observation periods can support further assessment of the impact of transition planning on financial performance.

6.2 Recommendations for policymakers and regulators

Policymakers and regulators shape the rules, incentives and wider economic conditions in which financial institutions operate, influencing how finance flows through the economy. They therefore play a central role in the financial sector's transition: setting credible sector pathways, enabling investable opportunities, requiring comparable information and coordinating effective oversight.

1. MAKE REAL-ECONOMY TRANSITIONS INVESTABLE FOR FIS

Clean and transition technologies now account for a larger share of new energy project finance, and their share of financial portfolios has grown. But progress remains uneven: most real-economy activity is still not aligned with climate goals, and emissions pathways remain off track. Policies should accelerate investment in climate solutions while shifting incentives and finance towards credible transitions across high-emitting sectors (Sections 4.1–4.4).

Finance ministries and relevant sector ministries should **translate national climate objectives into credible sector-specific industrial roadmaps** backed by predictable policies, public investment and clear implementation milestones (IEA, 2025).

Policymakers should also **address the specific barriers that prevent projects from attracting finance**. In emerging markets and developing economies (EMDEs), for example, policymakers can work with development banks to expand local-currency financing and use guarantees or concessional capital where identifiable risks prevent otherwise viable investment (OECD, 2023; OECD, 2025c).

Governments and development finance institutions (DFIs) should also **support wider publication of realized risk and performance data**, including evidence developed through the Global Emerging Markets Risk Database (GEMs). They should encourage greater uptake of these data by private FIs and integration into investment decisions. Better risk information can help private investors finance projects in emerging markets that they might otherwise reject or price too cautiously.

2. REQUIRE FIS TO PROVIDE CREDIBLE TRANSITION PLANS AND DECISION-USEFUL DISCLOSURE

Transition planning and disclosure tend to accompany stronger FI practices and better portfolio outcomes. Yet transition plans are not yet widely adopted, and detailed disclosure of FIs' targets, emissions and investment activities remains rare (Sections 3.2 and 5.1).

Governments should **require larger banks, insurers, asset managers and asset owners to publish board-approved transition plans connecting interim sector targets to lending, investment, underwriting and client engagement**. Plans should specify coverage, baselines, financing objectives, fossil-fuel policies, accountable executives, policy dependencies and milestones. Annual reporting should explain progress in delivery and any adjustments (GFANZ, 2022).

Securities regulators, prudential supervisors and reporting authorities should **require machine-readable disclosure of financed emissions, climate investments and high-emitting exposures**, including methodologies, coverage, limitations and verification status. Conduct regulators should test whether public claims match observable financing and stewardship decisions and address misleading disclosure or non-compliance (IFRS Foundation, 2023; OECD, 2026a).

3. EQUIP LONG-TERM INVESTORS TO OVERSEE MANDATES AND STEWARDSHIP

Long-term portfolio outcomes depend on transition pathways, yet most FIs focus more on internal risk management than on influencing these pathways through shareholder, client and policy engagement. Governments and pension, insurance and securities regulators should clarify how fiduciary duties apply to financially material climate risks, including economy-wide risks over time horizons relevant to beneficiaries (Commonwealth Climate and Law Initiative, 2026; CPI, 2025a).

Pension and insurance supervisors should **require trustees, insurer boards and regulated asset owners to reflect these risks and stated climate objectives in investment mandates, manager selection, performance assessment and stewardship**. Expectations should include measurable engagement objectives, milestones and escalation procedures.

Securities and conduct regulators should **require managers to report investment, engagement and voting decisions and outcomes**, enabling owners to revise mandates or appointments where misalignment persists (The Investment Association, 2026).

4. STRENGTHEN INTERNATIONAL COORDINATION ACROSS THE FINANCIAL SYSTEM

Stronger policy frameworks are associated with stronger FI practices, but variation across jurisdictions creates uneven conditions. Fragmented requirements weaken comparability, leave oversight gaps and raise costs for institutions operating and investing across borders (Section 5.2).

Finance ministries, regulators and international standard setters should **align definitions, data fields and reporting methods so that national regimes are interoperable**, while allowing jurisdictions to set more ambitious requirements. Supervisors should share information on cross-border exposures, transition-plan dependencies and emerging vulnerabilities (NGFS, 2021; Khanolkar, 2026).

Governments can work through public development banks to **complement project financing with support for the institutional capacity of partner FIs in EMDEs**. This should help partner FIs embed climate objectives into governance, risk management, client engagement, product development, data systems and portfolio allocation decisions.

5. SUPERVISE CLIMATE RISKS AS CONNECTED, SYSTEM-WIDE RISKS

The climate risk chapter shows that an orderly transition reduces transition risk, while economy-wide physical impacts can far exceed direct asset damage at higher levels of warming. Supervision focused only on individual institutions or asset locations would miss important channels through which these risks spread (Section 4.5).

Central banks and financial-stability authorities should work with banking, insurance and securities supervisors to **assess transition risks, direct physical risks and macroeconomic physical risks together**. Scenarios should test orderly and delayed transitions, abrupt policy changes and severe hazards, while making uncertainty explicit (FSB, 2025a). Reporting authorities, statistical agencies, supervisors and data providers should improve asset-location, counterparty-emissions and financial-exposure data (NGFS, 2021; BCBS, 2022).

6. INTEGRATE ADAPTATION, NATURE AND A JUST TRANSITION INTO FINANCIAL POLICY

Physical risks rise significantly at higher levels of warming, especially in EMDEs, and macroeconomic impacts can exceed direct asset losses. The report shows that portfolios remain more exposed to companies expanding fossil-fuel production than to those reducing it. Lower-warming scenarios require greater reductions in production capacity, raising just transition considerations. Adaptation, nature and social considerations are therefore central to a durable transition (Sections 4.2, 4.5 and 4.6).

Finance and environment ministries should **embed adaptation and material nature-related priorities in financial policy**, public-finance mandates and investment incentives. Regulators should require FIs to assess physical risks and nature-related dependencies and impacts (NGFS, 2025; TNFD, 2024).

Energy and industry ministries should **link asset-retirement pathways with financing mechanisms that support their implementation**, while labour ministries and local authorities should ensure worker and community participation in transition planning, provide skills and income support, protect affordability and support local economic development. Authorities should set measurable resilience, ecosystem and social outcomes and use them, alongside emissions reductions, to guide public financing and evaluate its effectiveness (ILO, 2022).



6.3 Recommendations for FIs and coalitions

Financial institutions influence the transition through financing, investment, underwriting and stewardship. The central challenge is to ensure that climate commitments guide decisions and translate into measurable outcomes.

1. SEND CONSISTENT SIGNALS TO MARKETS AND POLICYMAKERS

Supportive policy frameworks matter for FI practices, yet public-policy engagement has weakened. Institutions cannot credibly depend on enabling policy while allowing their advocacy or trade-association positions to work against it. Similarly, companies need clear and consistent signals from their shareholders to commit fully to the transition (Sections 3.2 and 5.2).

Banks, insurers, asset owners and managers should state which transition activities they will finance or insure, under what conditions, and which policy barriers prevent further action. Boards should oversee direct lobbying and trade-association positions, require inconsistencies with published commitments to be addressed, and ensure public positions match operational decisions (The Global Standard, 2022; ACT Initiative, 2024a, 2024b).

Asset owners should review managers' policy engagement, managers should explain the implications of regulation for client strategies, and coalition secretariats should coordinate forward-looking policy analysis while preserving independent investment decisions.

FIs should also communicate clear, consistent expectations to companies on transition plans, capital expenditure and delivery milestones, and explain how progress will inform financing, investment, underwriting and stewardship decisions.

2. MAKE STEWARDSHIP AND OWNER-MANAGER RELATIONSHIPS ACCOUNTABLE

Engagement policies have become more widespread, but clear objectives, escalation procedures and consistent voting practices have not kept pace. This reflects a wider imbalance: FIs are generally better equipped to identify climate risks than to influence their underlying drivers (Sections 3.2–3.3).

Asset owners, including pension funds and insurers, should make climate objectives, voting responsibilities, reporting requirements and escalation procedures explicit in manager selection and mandates, with investment horizons that support delivery (CPI, 2025a; OECD, 2025a).

Banks, insurers and investors should prioritize engagement with high-emitting companies with weak transition plans, set time-bound objectives linked to capital expenditure and operational emissions, and escalate where progress is insufficient.

Owners and managers should review investment decisions, voting rationales, engagement outcomes and policy advocacy against agreed objectives. Persistent misalignment should lead to changes in implementation, mandates or appointments, rather than continued engagement without consequences (PRI, 2023; Reclaim Finance, 2025).

3. MAKE CLIMATE TARGETS GOVERN CAPITAL ALLOCATION AND ACCOUNTABILITY

Targets and implementation have strengthened, but progress has stalled before comprehensive action became widespread. Mitigation objectives remain more developed than quantified climate-investment commitments and restrictions on fossil-fuel expansion, leaving the intended direction of finance unclear (Sections 2–3).

FI boards should approve sector-specific interim targets linked to quantified financing objectives and policies on fossil-fuel expansion, asset retirement and offsets. Banks should embed these in credit approval and client review, insurers in underwriting and investment criteria, asset owners in mandates and allocation, and managers in portfolio construction and stewardship (Ceres, 2024; NGFS, 2024). Boards should name accountable executives, align remuneration with delivery and require corrective action when milestones are missed.

Portfolio and client teams should track climate-solution finance alongside counterparties' capital expenditure, production plans and emissions. They should distinguish operational decarbonization from changes in reported portfolio emissions caused by portfolio turnover or changes in valuation or methodology.

4. USE COALITIONS TO TURN STRONGER PRACTICES INTO MEASURABLE OUTCOMES

Coalition signatories demonstrate stronger targets, implementation and transition-plan adoption, but their advantage is less consistent in portfolio emissions, alignment and climate-risk outcomes. Coalitions should therefore assess whether and how stronger targets and transition plans lead to measurable progress in financing and at company level (Section 5.3).

Secretariats should provide common methods, implementation tools, technical assistance and peer exchanges that help signatories apply targets and plans to financing, underwriting and stewardship (GFANZ, 2022; NZAOA, 2026).

Signatories should report comparable measures covering capital allocation, high-emitting exposures, company milestones, engagement escalation, voting and emissions outcomes. Governing bodies should use these results in reviews, identify delivery gaps and agree time-bound corrective action. Repeated failure should have transparent consequences. Support can be tailored for smaller and emerging-market FIs without weakening common expectations (UN HLEG, 2022).

5. DEVELOP INVESTABLE TRANSITION MARKETS, ESPECIALLY IN EMDES

Clean and transition finance has grown more slowly in emerging markets and developing economies (EMDEs), while many FIs also act as indirect financiers and shareholders. This creates both a market-development opportunity and a channel for stewardship (Sections 4.1 and 4.6).

Banks' project-finance teams should work with development banks, local FIs and developers to build pipelines spanning established solutions, enabling infrastructure and emerging technologies. Financing structures should combine local expertise with project preparation, targeted guarantees and local-currency financing to address identified barriers (IIGCC, 2025; OECD, 2025b).

Asset owners should define capital allocations, acceptable risk exposures and investment timeframes for EMDE transition investments. Asset managers should develop investment vehicles aligned with these parameters and engage banks and other direct financiers in which they invest through shareholder or bondholder dialogue, disclosure requests and, where applicable, voting. Such engagement should focus on the composition of project-finance portfolios, fossil-fuel exposure and the financing of credible transition plans.

6. INTEGRATE RESILIENCE, NATURE AND A JUST TRANSITION INTO DECISIONS

Climate risk is transmitted through companies, supply chains, infrastructure and the wider economy, with particularly high vulnerability in EMDEs. Limited progress towards managed fossil-fuel contraction also heightens the need to prepare for the consequences of the phase-outs required to achieve climate targets (Sections 4.2 and 4.5–4.6).

Risk teams should assess direct hazards, wider economic transmission channels and material nature-related dependencies and impacts, incorporating the results into transition plans and client or investee assessments (NGFS, 2025). Lending, investment and underwriting teams should prioritize adaptation and resilience alongside decarbonization, particularly in vulnerable sectors and regions.

When financing asset closures or land-use change, banks and investors should require clients and investees to assess impacts and agree measures with workers, communities and local authorities to protect livelihoods, affordability and ecosystem integrity (ILO and UNEP FI, 2023). Management should set measurable objectives for emissions, resilience, ecosystems and social outcomes, track financing and results, and adjust capital allocation and engagement accordingly.



6.4 Use cases of the NZFT and future research

HOW STAKEHOLDERS CAN USE THE NZFT

CPI's Net Zero Finance Tracker (NZFT) combines guidance on best practice with data and a dashboard for assessing progress. Its methodology sets out what credible targets, implementation, and impact look like. In addition, its transition-plan mapping shows how these expectations relate to leading frameworks. The data and dashboard make that guidance practical: users can examine FIs' actions, compare performance and track changes over time.

Regulators and policymakers: the NZFT provides a reference for judging where current financial-sector practice meets, falls short of or goes beyond existing transition-planning expectations. Policymakers can use the mapping of plan elements to identify gaps or ambiguities in disclosure requirements and inform new policy design. Regulators can use the methodology to understand what stronger implementation entails, then use aggregated dashboard results to examine patterns across institution types and markets. Indicators of financing, portfolio alignment, emissions and risk add context to disclosed plans, helping them identify where commitments are accompanied by observable change and where better data or clearer expectations may be needed.

FIs, asset owners, asset managers, associations and coalitions: Institutions can use the NZFT's best-practice criteria to scrutinize their own plans, shape internal strategy, and identify actions or disclosures that need strengthening. The dashboard lets them compare performance with peers and assess whether targets and implementation are reflected in real-economy outcomes. Asset owners can apply the same criteria and data to oversee external managers, focus engagement, and monitor progress. Asset managers can review their own strategies and provide evidence in discussions with clients. Industry associations and net-zero coalitions can use the shared framework to guide signatories, identify common weaknesses, and develop support where it is most needed.

Across both groups, the NZFT connects a clear account of best practices with comparable evidence. This helps users move from asking whether a plan exists to examining how it is implemented and what results are visible.

FUTURE RESEARCH AND DATA PRIORITIES

CPI updates the NZFT methodology annually, strengthens partnerships with data providers, and aligns definitions with other tracking initiatives. A key research priority is to examine whether FIs' targets and transition plans are followed by changes in financial activity and real-economy outcomes. We will compare target ambition and implementation over time with capital allocation, portfolio-company alignment and emissions performance. This work will distinguish reductions achieved by financed companies from apparent progress caused by changes in holdings or valuations.

We continue to broaden coverage across institution types, sectors, and geographies. Beyond energy, we aim to strengthen indicators for transport, buildings, industry, and agriculture, alongside data on indirect corporate finance and private markets. Comparative studies of major financial centers and EMDEs will examine cross-border capital flows and whether global FIs are financing local transition needs. Validated AI-assisted extraction of public disclosures could help scale global coverage and source traceability.

CPI also plans to gradually develop a systematic just transition lens. This would assess how FIs account for workers, communities, affordability, and access to finance in their strategies, engagement, and capital allocation. Research will need to reflect differences between sectors and regions, particularly where economies depend heavily on fossil-fuel activity or face constraints on transition investment.

For adaptation and resilience, the NZFT plans to extend the current physical risk lens to track FIs' plans, targets, client engagement, adaptation finance, and implemented measures. Linking baseline hazards and vulnerability to subsequent responses could support new indicators of reduced disruption, expected losses and residual risk. Across these areas, we will test innovative metrics for changes in financing, underwriting, and stewardship, while making their assumptions, coverage, and limits clear.

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8. Annexes

Annex 1: Transition plan frameworks and guidance

The NZFT methodology draws on a review of 45 net-zero/ transition frameworks and guidelines, ensuring it remains robust, credible, and aligned with global best practices and the latest industry developments.

For details on how CPI has integrated transition plans, see: From Frameworks to Action: Assessing Financial Institutions' Transition Plans with the NZFT (2026). In NZFT's transition plan analysis, we leveraged 13 frameworks to identify the key elements of credible financial institution transition plans and inform our assessment criteria.

Framework	Year
CDP Technical Note on Climate Transition Plans (CDP)	2026
Financial Institutions Net-Zero Standard 1.0 (SBTi FINZ)	2025
ACT Finance Banking Methodology v2.2 (ACT)	2024
ACT Finance Investing Methodology v2.2 (ACT)	
Blueprint Climate Transition Action Plan (Ceres)	2024
IIGCC NZIF - Net Zero Investment Framework 2.0 (NZIF 2.0)	2024
TPI Centre Net Zero Banking Assessment Framework: methodology note (TPI)	2024
Climate-related Disclosures (ISSB IFRS S2)	2023
EU CSRD - European Sustainability Reporting Standard E1 (CSRD-ESRS E1)	2023
The Investor Agenda - Investor Climate Action Plans (ICAPS) Expectations Ladder	2023
Transition Plan Taskforce - Disclosure Framework (TPT)	2023
Financial Institution Net-zero Transition Plans (GFANZ)	2022
OECD Guidance on Transition Finance (OECD)	2022
UN High-Level Expert Group - Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions (UN HLEG)	2022

In addition to the 13 transition plan frameworks, the NZFT is informed by a further 32 frameworks and guidance documents:

Framework	Year
Net Zero Asset Managers (NZAM) – Commitment	2026
Net-Zero Asset Owner Alliance (NZAOA) – Target-Setting Protocol, Fifth Edition	2026
UK Stewardship Code	2026
C2ES – Navigating the Finance Sector Net-Zero Transition: Levers for Decarbonizing in a Complex Landscape	2025
Rezonanz – Stewardship Field Guide	2025
Banking on Climate Chaos – Fossil Fuel Finance Report	2024
BloombergNEF (BNEF) – Tracking Climate Transition Plans in the Financial Sector	2024
Finance Watch – Transition Planning for Banks and Insurers	2024
Institutional Investors Group on Climate Change (IIGCC) – Net Zero Voting Guidance	2024
Network for Greening the Financial System (NGFS) – Climate Scenarios: Net Zero / Divergent Net Zero Pathways	2024
Network for Greening the Financial System (NGFS) – Credible Transition Plans: The Micro-Prudential Perspective	2024
Net-Zero Asset Owner Alliance (NZAOA) – Thermal Coal Position	2020, edited in 2024
Principles for Responsible Banking (PRB) – Responsible Banking Blueprint	2024
Reclaim Finance – Financial Institutions' Transition Plans: How to Drive Real-Economy Decarbonization	2024
SBTi – Near-Term Financial Sector Science-Based Targets Guidance, Version 2.0	2024
UNEP FI – Guidelines for Climate Target Setting for Banks, Version 2 and Supporting Note	2024

Framework	Year
University of Oxford – Principles for Net Zero Aligned Carbon Offsetting, revised version	2024
Glasgow Financial Alliance for Net Zero (GFANZ) – Scaling Transition Finance and Real-Economy Decarbonization	2023
International Energy Agency (IEA) – Net Zero Emissions by 2050 (NZE) Scenario and Sectoral Investment Pathways	2023
International Energy Agency (IEA) – Net Zero Roadmap: A Global Pathway to Keep the 1.5°C Goal in Reach	2023
Net-Zero Asset Owner Alliance (NZAOA) – Position on the Oil and Gas Sector	2023
Principles for Responsible Investment (PRI) – Stewardship for Sustainability Evaluation Tool	2023
SBTi – Fossil Fuel Position Paper	2023
S&P Global – Corporate Sustainability Assessment	2023
European Central Bank (ECB) – Good Practice for Climate-Related and Environmental Risk Management	2022
Institutional Investors Group on Climate Change (IIGCC) – Net Zero Stewardship Toolkit	2022
ISO – Net Zero Guidelines	2022
Partnership for Carbon Accounting Financials (PCAF) – Global GHG Accounting and Reporting Standard for the Financial Industry	2022
The Global Standard on Responsible Climate Lobbying	2022
WWF – Criteria for Credible Climate and Nature Transition Plans for Financial Institutions	2022
Task Force on Climate-related Financial Disclosures (TCFD) – Recommendations	2021
University of Cambridge Institute for Sustainability Leadership (CISL) / Banking Environment Initiative – Let's Discuss Climate: The Essential Guide to Bank-Client Engagement	2021

Annex 2: Limitations

This report aims to assess the financial sector's progress towards a low-carbon, climate-resilient economy by examining climate targets, implementation, and changes in financing and portfolios. Its coverage of 1,500 financial institutions provides a broad view of major private financial actors, but its findings are dependent on the sample and available data. Tracked assets are concentrated in larger institutions and developed markets, and AUM/O-weighted results reflect institutions' relative scale, while reported AUM/O may overlap across the investment chain.

CPI combines partner datasets and public disclosures, standardizing data, matching entities, validating observations, and filling gaps where feasible to improve consistency across sources and years. These efforts, detailed in the NZFT Methodology 2026, support an integrated assessment despite differences in underlying information. Remaining gaps, reporting lags, and variations in source coverage can nevertheless affect results. An absence of documented action does not necessarily establish an absence of action, and observed trends may partly reflect improved disclosure or data availability.

The report uses common indicators and provides breakdowns by institution type and geography to make comparisons more informative. These comparisons should nevertheless account for differences in business models, investment mandates, portfolio composition, and development contexts. Eligible samples and assessed activities vary across indicators, so percentages may refer to different populations or portions of institutional activity. Aggregate findings should therefore be considered alongside coverage information and detailed results.

The analysis of financing and portfolio outcomes involves substantial modeling. CPI combines multiple sources, standardizes data, and applies consistent estimation methods to improve coverage and comparability. Nevertheless, results depend on the availability, quality, and detail of underlying data, particularly information on financing relationships, portfolio holdings, and ownership structures. Data gaps, differing reporting periods, and difficulties linking institutions to companies and assets can affect which activities are captured and how they are attributed. Estimates also depend on assumptions used to fill missing information and allocate financing and ownership shares.

Finally, the report compares climate practices, policy frameworks, coalition participation, and financial performance with financing and portfolio outcomes to identify patterns and inform further research. These comparisons provide evidence of associations but do not establish causality or isolate individual influences. Institutional characteristics, market conditions, and the time needed for policies and practices to affect outcomes may also shape the relationships observed.

