

An aerial photograph of a river with a waterfall, surrounded by dense forest. The image is split diagonally, with the top half showing the natural landscape and the bottom half being a solid dark blue background where the text is located.

From Plans
to Capital:

Unlocking Credible Transition Finance at Scale

November 2025



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Executive summary

Scaling transition finance from US\$2 trillion to US\$6.7 trillion annually by 2030 requires confidence that capital is flowing to companies that are genuinely transitioning. Transition planning data is the cornerstone of this confidence: it provides coherence, comparability, and accountability over time.

The data exists – and it's actionable today

This report shows that the data already exists to influence credible capital allocation and explains how financial institutions (FIs) and policymakers can use it. We surface insights on climate transition planning KPIs disclosed by nearly 12,000 companies through CDP in 2024, aligned with established

global initiatives. FIs are using this intelligence to allocate capital, manage risk, and engage clients today. Policymakers can leverage it to identify system-wide barriers and design enabling environments. This is no longer theoretical – it is already being implemented and provides the foundation for scaling action.

11,700 
companies disclosed at least one climate transition planning KPI through CDP in 2024

Transition finance in action

FIs can deploy transition planning data across four immediate applications:

-  Design transition-themed sustainable finance products and identify opportunities
-  Manage exposure to portfolio risks and protect capital from climate-related losses
-  Targeted engagement with portfolio companies
-  Track and enhance portfolio coverage in line with climate-related commitments and targets

The data is operational:

544 
FIs representing over...

US\$145tn 
in assets disclosed through CDP with the majority currently integrating transition plan data in their due diligence processes.

As financial institutions refine climate risk modelling and pricing methodologies, the quality of transition planning is fast becoming a differentiator for risk-adjusted returns. Alongside the data, we highlight case studies from asset managers, banks, and a central bank to highlight these applications in practice.

Case studies in this report

Degroef Petercam AM

Climate risk assessment for actively managed portfolios

Major ASEAN investor

A major Southeast Asian investor's approach to assessing transition plans

Cathay United Bank

Partnering to scale disclosure and finance for SMEs

NatWest

Transition finance framework

Banque de France

Transition plan assessment and corporate engagement

Japan GX Acceleration Agency

Integrating policy and practice in transition finance

Fonds Objectif Biodiversité

Listed fund construction



A blueprint for policymakers to accelerate transition

For policymakers, transition planning data reveals where intervention can have the greatest impact.

We've delivered the world's first aggregated picture of the dependencies underpinning real economy transition plans –

revealing what companies need to succeed, and where systemic barriers could stall progress if not addressed. Among companies with transition plans, 94% disclose dependencies critical to achieving

them – averaging five out of ten dependency categories. Technology developments, infrastructure and logistics, and regulatory frameworks are most frequently cited, revealing where policy must

94% 

of companies with transition plans disclose dependencies critical to achieving them

address implementation bottlenecks and accelerate market readiness. Governments can scale credible transition finance by embedding the cycle of disclosure, policy design and market action into national transition planning. Transition planning data provides policymakers with a new level of intelligence: where companies are well-prepared, where bottlenecks are emerging, and how public policy, market design, and investment can de-risk and mobilize private capital.

Insights from the real economy

Our analysis of 2024 disclosures shows transition plans are already generating actionable intelligence



Closing the financing and delivery gap

Implementation financing is emerging but remains insufficient. While 72% of companies report emissions reduction initiatives, only 11% disclose having any transition-aligned capital expenditures (CapEx). Among those quantifying, the median share of transition-aligned CapEx is 14%, rising to a planned 26% by 2030. These figures underscore the need to bridge the gap between ambition and allocation—ensuring reported plans and initiatives are backed by tangible investment in R&D and CapEx to deliver the transition.

11%

of companies disclose having any CapEx aligned with their climate transition plans



Transition plans drive value

Transition plans are not compliance exercises—they are strategic tools delivering measurable business value. Companies with such plans identify significantly more opportunities across all time horizons than those without—51% versus 28% for short-term opportunities—and reported US\$54.4 billion in annual cost savings in 2024, primarily from energy efficiency and low-carbon generation.

\$54.4bn

in annual cost savings in 2024 by companies with transition plans



Ambition correlates with performance

Companies with Paris-aligned targets (1.5–2.0°C) are nearly twice as likely to be ahead of schedule or on track to meet their targets compared to peers with higher-temperature goals (46% vs. 28%). Pairing target and performance data enables FIs to pinpoint leaders in their portfolios—and identify where urgent intervention is needed.

46%

of companies with Paris-aligned targets are ahead of schedule or on track to meet their targets



Integrating resilience and nature

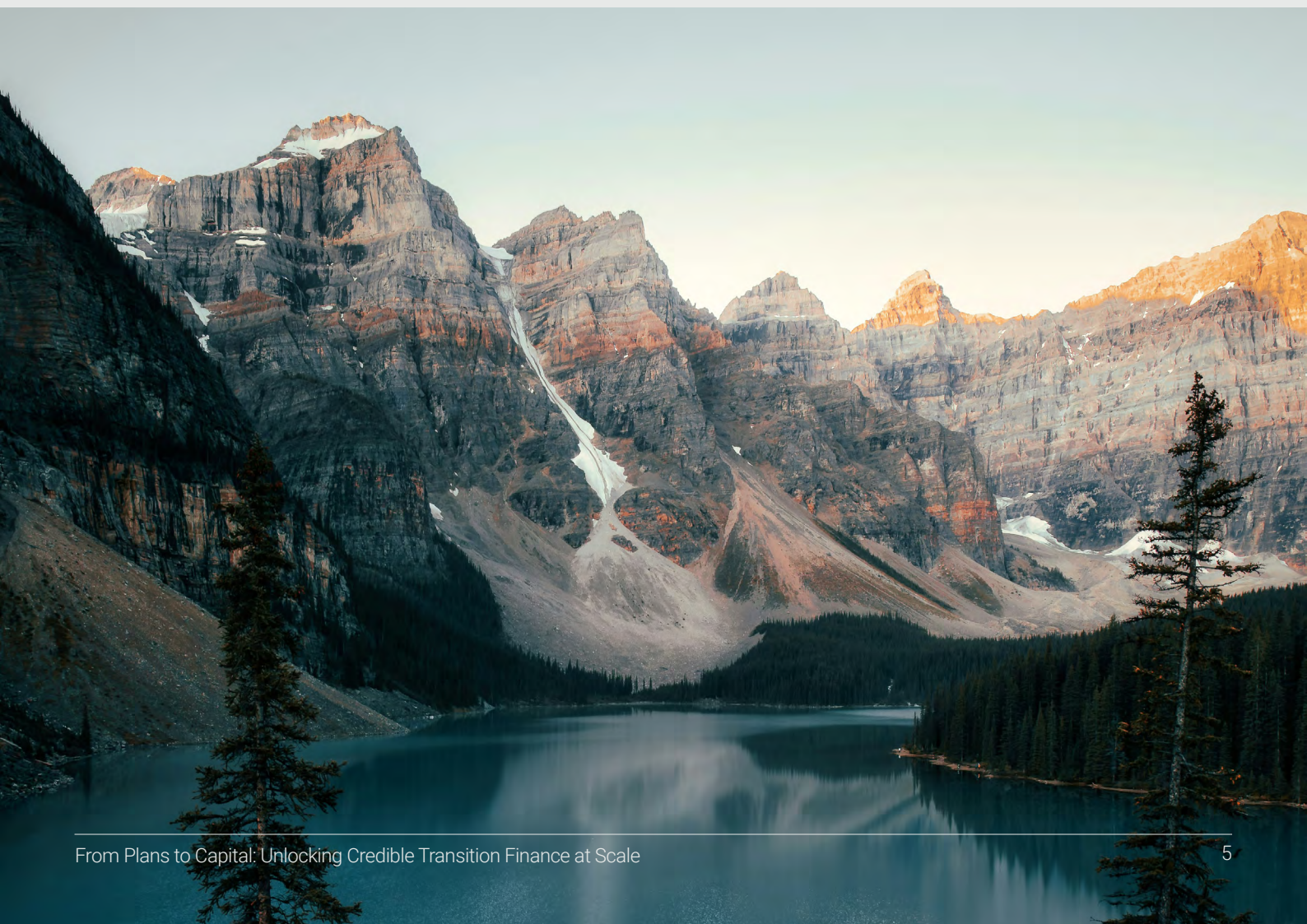
A credible transition is one that endures. Achieving a net-zero, nature-positive future requires adaptation-inclusive transition planning that leverages existing data on physical climate risks and nature, including through frameworks like the Taskforce on Nature-related Financial Disclosures (TNFD). This report highlights practical entry points, including deforestation-free supply chains and the establishment of a nature transition fund that illustrate how this approach can be operationalized.

This represents **an evolved understanding of transition finance—one that advances mitigation, adaptation and nature in parallel**, using existing data and frameworks as they continue to develop over time.

From readiness to scale

The value of this report lies in demonstrating readiness through evidence. CDP outlines the architecture for standardized, comparable transition planning data and showcases how FIs and policymakers are already using it to operationalize the transition.

Data exists, assessment methodologies have converged, and implementation is underway across multiple geographies and institutions. **What remains is to scale coordination and capital deployment—using this intelligence to move from readiness to systemic action.**





Context

1





The challenge

Global investment in the transition reached US\$2 trillion in 2024, yet a stark reality undermines this milestone: only 7% flows to emerging technologies, including in the hard-to-abate sectors that represent the bulk of global emissions and the greatest financing opportunity.ⁱ

Meanwhile, global estimates quantify the actual need at up to US\$6.7 trillion annually by 2030 to achieve net-zero by 2050.ⁱⁱ The gap is not just one of scale—it's a fundamental misallocation of capital away from where transformation is most needed. The challenge of redirecting these flows, tracking them accurately, and ensuring they genuinely finance the transition, remains.

\$6.7tn 
in financing is needed annually by 2030 to achieve net-zero by 2050

The transition finance challenge is threefold:

Scale

Climate finance must be rapidly scaled to an estimated US\$4-6 trillion annually by 2030 to achieve net-zero by 2050ⁱⁱ. The lion's share of this must come from blended and private capital. This requires mobilizing finance at unprecedented speed, demanding clear investment frameworks and policy environments that enable confident capital allocation.

Scope

Financing must extend well beyond clean power and electric vehicles, into cement, steel, chemicals, aviation, shipping and agriculture – hard-to-abate sectors that currently receive only 7% of transition investment despite representing the bulk of emissions and transformation potential.ⁱ Financial institutions must expand beyond familiar clean energy territories into sectors where transition pathways vary across jurisdictions and capital needs are immense. To do this, financing strategies must evolve from climate mitigation alone to encompass a broader definition of nature and resilience, with physical climate risks and ecosystem dependencies directly impacting the resilience of the transition and long-term returns.

Credibility

Financial institutions face mounting pressure to demonstrate that their sustainable finance commitments translate into real-world impact, not portfolio reallocation or greenwashing. Capital must flow to entities genuinely transitioning along Paris-aligned pathways (and Rio, more broadly, see below), not just to activities with green labels. This requires robust assessment frameworks to identify which companies are implementing credible strategies, managing dependencies, and building resilience to climate and nature-related risks that could materially impact asset values and portfolio performance.

This report focuses on climate transition planning as the foundation available today to address the credibility challenge, while acknowledging that the evolving definition of a credible transition must encompass nature and adaptation. We analyze climate transition plan data not as the complete assessment of credible transition finance in its broadest sense, but as the essential starting point—the data and frameworks for climate are mature, yet climate transition finance is not being scaled at the required pace. By demonstrating how this foundation works in practice, we establish the basis that can evolve to encompass broader resilience considerations in future assessments.



The focus: entity-level finance

Entity-level finance refers here to financial flows directed to companies as a whole—through instruments like general purpose corporate bonds, listed equities, and bank lending—rather than to specific projects or activities. This distinction matters because global financial flows operate predominantly at the entity level – in some markets this is even more pronounced than others – encompassing trillions in corporate bonds, equities, and general-purpose lending facilities. Throughout this report, we will interchangeably refer to entities as companies or businesses.

Achieving economy-wide alignment with environmental goals cannot rely solely on financing specific projects. If these companies are not transitioning in a resilient manner, neither is the global economy.

Figure 1. The Transition Finance Classification System

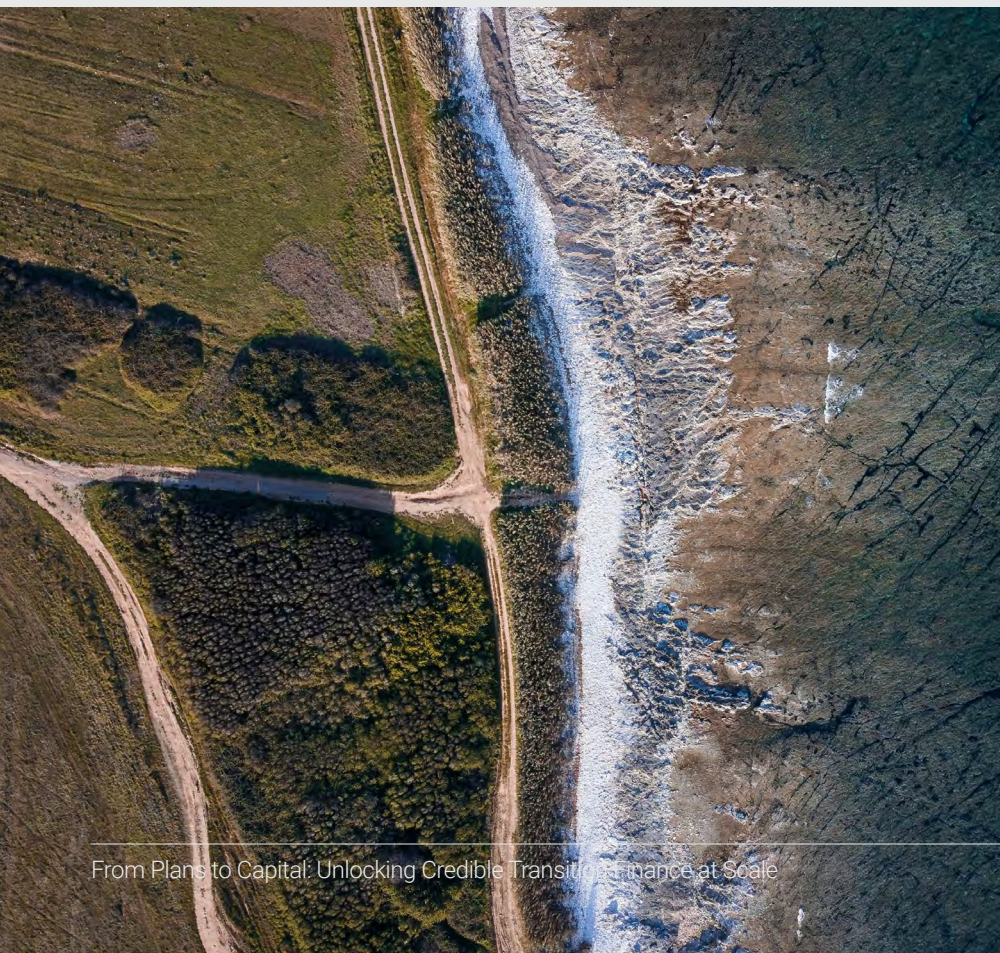
Categories of transition finance	Activity-Level	Entity-Level
Climate solutions and enablers	Category 1 Financing climate solutions activities and activities that enable climate solutions	Category 2 Financing 'pure play' companies with a minimum expected threshold* of revenue or assets within a portfolio are derived from climate solutions and enabling activities
Aligning and aligned	Category 3 Financing activities which support an entity aligning to a credible decarbonisation pathway	Category 4 Financing entities that are aligning/aligned and result in abatement in line with a credible transition strategy
Early retirement of high-emitting assets	Category 5 Financing activities which lead to early retirement of high-emitting assets which would otherwise continue to produce emissions	

Source: UK Transition Finance Councilⁱⁱⁱ

Transition finance is defined broadly by the UK Transition Finance Council (TFC) as the financial flows, products, and services that facilitate an economy-wide transition to net-zero. Using the UK TFC's categories of transition finance, this report has a particular focus on Category 4: financing for entities often in hard-to-

abate sectors that are neither pure-play solution providers, enabling technology companies, nor fossil fuel enterprises. These businesses construct our buildings, power our grids, produce our food, and manufacture our goods - and their transition is essential for achieving climate goals.

We note that recent developments guiding transition-themed activity level instruments recognize the importance of alignment with the issuer/borrower's transition strategy at entity-level. For instance, the exposure draft of the Transition Loan Principles recommends that borrowers evidence a credible entity-level transition strategy through transition planning or a robust set of relevant indicators, as a core component of transition loans. Hence, whilst the focus of this report is on entity-level finance, the findings and indicators have wider applications.





Definitions

CDP builds on the definition above, seeing **credible transition finance** as the financial flows, products and services that facilitate an economy-wide transition to a resilient net-zero and nature-positive economy. It should:

- Support Paris-aligned decarbonization pathways, while recognizing that progress occurs in stages and contexts vary by jurisdiction¹.
- Account for dependencies and resilience: recognizing that successful transitions depend on external conditions including resilience to the impacts of climate change, ecosystem integrity, policy support, and technology availability.
- Phase integration across environmental objectives: acknowledging that climate and nature crises are inseparable, though practical implementation may proceed in phases as frameworks and data mature, towards the Rio Goals.
- Build capacity for transition: supporting entities as they develop and implement strategies even where full alignment has not yet been achieved.
- Enable local implementation of global goals: directing flows toward solutions appropriate for specific contexts while maintaining scientific rigor.

This definition establishes the aspiration for transition finance. This report focuses on the foundation of climate transition plan data available to address credibility today, while identifying how this foundation can evolve to encompass nature and adaptation systematically—a scope expansion discussed further in **Sections 3 and 7**.



Transition planning refers to the process companies undertake to develop, review and update their strategies for transitioning to net-zero. **Transition plans** are the documented, periodic outputs of that planning, with their data enabling stakeholders to understand and assess the steps taken across companies to ensure that their business models will remain relevant in a net-zero economy.



The Rio Goals encompass the interconnected environmental objectives established through the three Rio Conventions: climate action (operationalized through the Paris Agreement, including NDCs and National Adaptation Plans), biodiversity conservation (the Kunming-Montreal Global Biodiversity Framework) and combating land degradation. Financial institutions depend on coherent, stable policy environments for long-term transition investments. The Rio Goals provide an integrated framework ensuring that national and local policies address climate mitigation, adaptation, and biodiversity together, creating the enabling conditions for credible transition finance at scale.



Resilience in this context refers to a company's capacity to maintain transition progress and business viability in the face of physical climate impacts and ecosystem dependencies. Integrating adaptation into transition plans ensures strategies remain credible and deliverable as environmental conditions change—particularly for entities with long-lived assets or operations in high-risk regions. Ensuring a transition is resilient requires both addressing localised risks (such as protecting physical assets from environmental hazards), and systemic dependencies (such as ecosystem integrity, labour availability, government strategies) that determine whether transition pathways can succeed over time.



¹ We note that the UK Transition Finance Council's definition of "credible pathways" uses the phrasing "Paris compatible" to allow entities in emerging markets and sectors where alignment to 1.5°C is not yet possible or practical to still qualify for transition finance in certain circumstances.



Transition planning and transition plans: The data layer for credible transition finance

How do we assess whether these entity-level flows are genuinely financing the transition and, as a result, providing longer term confidence and stability? Market consensus has converged on climate transition planning as the foundation for this confidence^v. This convergence reflects recognition that transition plans provide critical business intelligence and structured data for assessing credibility, even when there is no single route to achieving a resilient transition. This data, in turn, generates confidence in investment and lending decisions.

There is growing recognition that transition planning must evolve to encompass broader resilience. Both the Climate Financial Risk Forum and the Network for Greening the Financial System (NGFS) emphasize

integrating adaptation into transition plans, acknowledging that transition strategies must be viable in the face of physical climate impacts and ecosystem dependencies.^{viii}

Leading frameworks including from GFANZ, ICMA, OECD, the UK Transition Finance Council, the EU Platform on Sustainable Finance, the International Transition Plan Network and the G20 Sustainable Finance Working Group have all identified transition planning as foundational to credible transition finance in providing confidence that capital will flow to entities that are genuinely transitioning. Transition plans provide the data infrastructure and intelligence that supports financial institutions across four critical use cases:

Use case 1

Capital Allocation & Product Development:

Identifying and structuring transition finance opportunities across asset classes, from sustainability-linked loans to transition bonds, by establishing clear eligibility criteria based on plan credibility.

Use case 2

Risk Management & Portfolio Monitoring:

Quantifying and managing exposure to stranded assets and transition risks—informing credit underwriting, collateral valuations, and stress testing while protecting against greenwashing.

Use case 3

Active Engagement: Stewardship & Relationship Management:

Providing the basis for targeted engagement with portfolio companies and borrowers, enabling FIs to identify gaps, prioritize resources, and support clients in strengthening their transition strategies.

Use case 4

Sustainable Finance Tracking & Target Setting:

Using transition plan maturity categories to measure portfolio coverage against net-zero commitments and report sustainable finance flows with credibility.

Section 4 explores these use cases in detail with case studies demonstrating implementation across a range of institutions.





The questions this report addresses

Which harmonized pathway would enable transition finance to grow into its needed form? This raises several key questions:

- What role should financial institutions and policymakers play to scale credible transition finance globally?
- How can this foundation evolve to encompass adaptation and nature systematically?
- And critically, what can the data already disclosed tell practitioners and policymakers about corporate readiness, implementation gaps, and opportunities?

This report addresses these questions, acknowledging that, while challenges remain, credible transition finance requires assessment of transition planning. We use the data and frameworks available now, while aligning with the evolving definition of credible transition that encompasses resilience across climate and nature. The task ahead is scaling the integration of corporate transition plans by financial institutions, whilst working in parallel to include broader resilience considerations as frameworks mature and data becomes available—without letting perfect become the enemy of the necessary.





Defining Credibility: How Transition Finance Frameworks Converge on Transition Plans

2





The ecosystem of transition plans and finance

A convergence has emerged across the transition finance ecosystem:

credible transition finance requires credible transition planning.

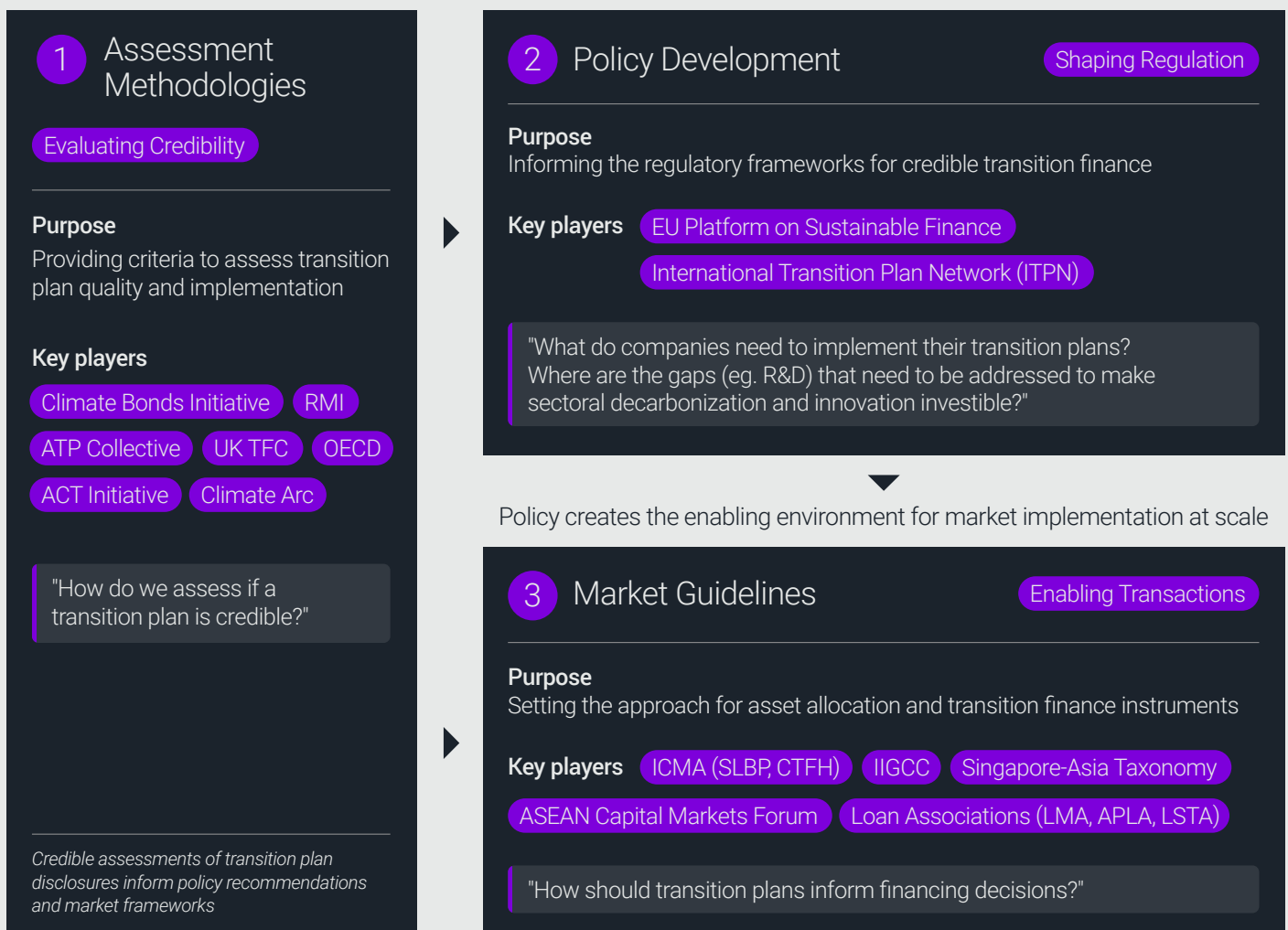
Transition plans provide a scalable mechanism to assess whether trillions in corporate finance flows support companies genuinely transitioning to a resilient, net-zero and nature positive future. This consensus has been established by global and regional policy actors, and industry bodies, including those in Figure 2 below.

Transparent, comprehensive and comparable transition plan disclosures support financial institutions when aligning financial flows with the opportunities presented by the climate transition. That said, companies can be at different stages of their transition, and as such they may not yet have a formalized transition plan. The core elements of a transition plan can still start to be evidenced by companies as they mature on their journey and used by data users within their assessments.

The ecosystem has evolved to elaborate on the use of transition plan data in two critical capacities: informing and being informed by policy recommendations in certain jurisdictions and enabling market uptake through general private sector applications. Assessment methodologies are therefore foundational to informing enabling policy environments as well as market practice.

Figure 2. Categorizing the ecosystem of transition plans informing transition finance.

Mapping categories of resources and frameworks at the intersection of transition plans and transition finance.



Note: Organizations may operate across multiple categories; primary categorization shown reflects our interpretation of their core function.



Proposing the disclosure indicators for transition finance

Since 2020, CDP has supported efforts to drive consensus on the definition of credible climate transition plans and associated implementation guidance, including through formal roles on the UK Transition Plan Taskforce. CDP has mapped the suite of indicators associated with this definition to key standards and frameworks through annual publications, driving improved data density through awareness and capacity building. Using this structured data, CDP can derive insights on the adoption of key indicators of credible transition planning and early-stage examples of transition finance applications.

The table below builds on CDP's credible climate transition plan indicators based on recent publications from actors in the ecosystem map above. These **CDP Climate Transition Plan Key Indicators** build on and converge with CDP's existing transition plan framework while including indicators relevant for transition finance assessments. Some indicators represent areas where data quality and application require improvement; we include these as a foundation for discussion.



CDP has mapped the suite of indicators associated with this definition to key standards and frameworks through annual publications, driving improved data density through awareness and capacity building.

Furthermore, in keeping with the maturing definition of a credible transition, the table identifies the indicators associated with managing physical risks. This represents step 1 towards adaptation-inclusive transition plans, as identified by the Climate Financial Risk Forum, so businesses can ensure that their transition strategies are resilient and viable in the long-term.

The foundation established here provides the data that climate transition finance requires today, while identifying crucial pathways for expanding its scope. As transition planning frameworks mature, the integration of local contexts, adaptation and nature will be essential. The extension to nature is discussed further and exemplified in Section 7.

Table 1. CDP Climate Transition Plan Assessment Indicators mapped to select frameworks



Full coverage

There is at least full coverage between disclosures from the CDP questionnaire included in the key indicators and the disclosure requirements set by the framework/standard - including where CDP exceeds the requirements of the standard/framework/initiative.

Partial coverage

The disclosure requirements of the standard/framework/initiative exceed the disclosures from the CDP questionnaire included in the key indicators.

Standard does not cover

The mapped standard/framework/initiative does not require the disclosure of this information - whereas CDP's questionnaire does.

Data available

Physical risk-related data that can be considered as part of the suite of credible transition plans.

CDP Climate Transition Plan Element	CDP Climate Transition Plan Key Indicators	Indicators that relate to managing the physical impacts of climate change	Disclosure Standard	Select transition finance frameworks ^{viii}						
			IFRS S2	GFANZ ^{ix}	NZIF 2.0 ^x	UK TF Council ⁱⁱⁱ	EU PSF ^{xi}	ASEAN CMF ^{xii}	LMA, APLA, LSTA ^{xiii}	ICMA ^{xxxi}
Governance	Board-level oversight									
	Board-level competency on climate change									
	Executive incentives linked to climate performance indicators									
Scenario Analysis	Details of scenario analysis									
Risks & Opportunities	Details of climate-related risks – potential financial impact and response strategy									
	Details of climate-related opportunities – potential financial impact and response strategy									
Strategy ^{xiv}	Link between identified (and potential) climate-related risks, opportunities & company strategy									
	Presence of a 1.5°C world-aligned transition plan within business strategy	^{xv}								

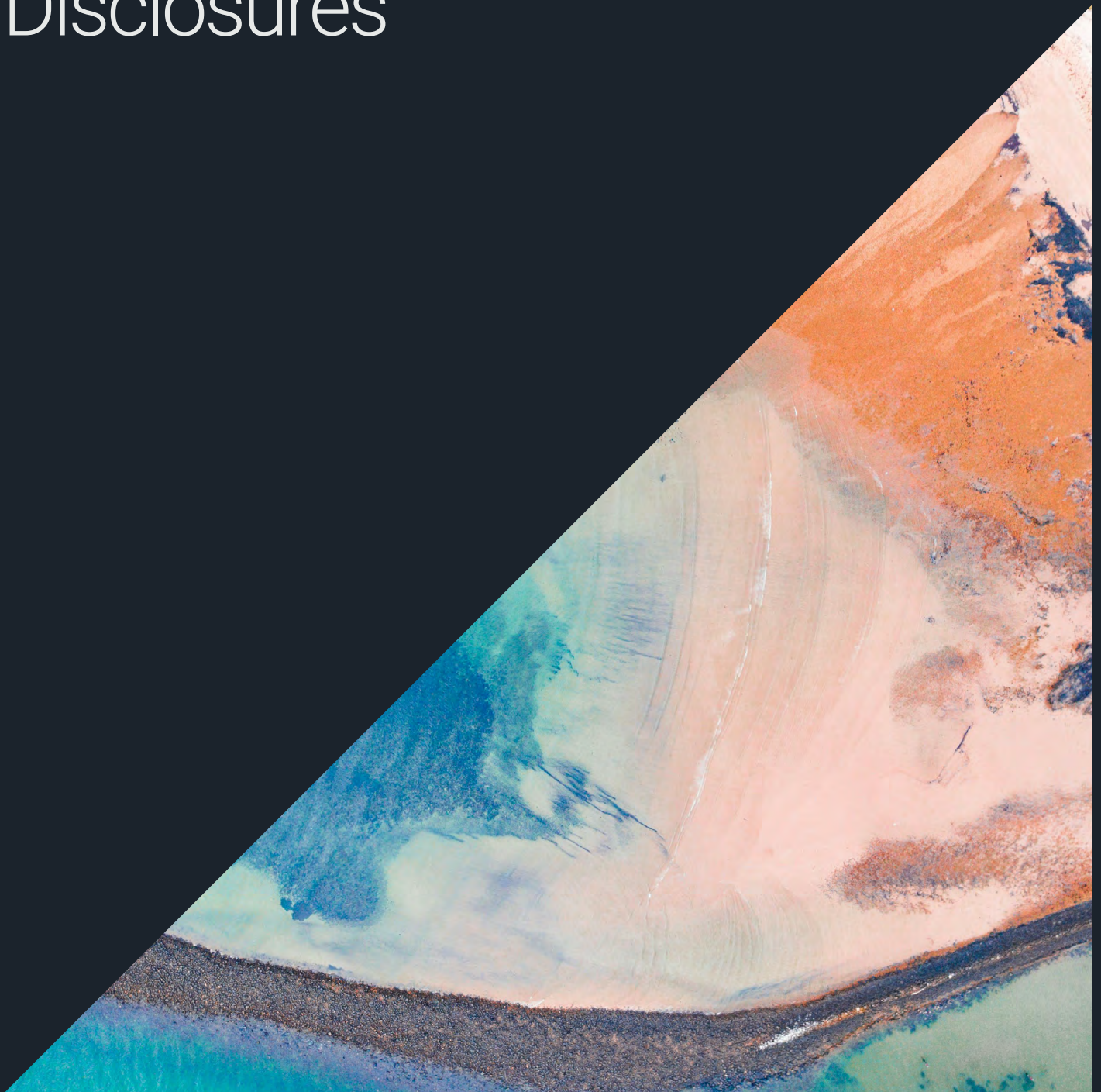


CDP Climate Transition Plan Element	CDP Climate Transition Plan Key Indicators	Indicators that relate to managing the physical impacts of climate change	Disclosure Standard	Select transition finance frameworks ^{viii}						
			IFRS S2	GFANZ ^{ix}	NZIF 2.0 ^x	UK TF Council ⁱⁱⁱ	EU PSF ^{xi}	ASEAN CMF ^{xii}	LMA, APLA, LSTA ^{xiii}	ICMA ^{xxxi}
Strategy ^{xiv}	Details of assumptions and dependencies									
Financial planning	Link between identified (and potential) climate-related risks, opportunities & financial planning									
	Financial planning details associated with a 1.5°C world									
Implementation of decarbonization levers	Low-carbon R&D & emissions reduction initiatives ^{xvi}									
	Details of low-carbon products and/or services									
Targets	Emissions reduction targets – absolute and/or intensity ^{xvii}									
	Net-zero targets									
Emissions accounting with verification	Comprehensive and third-party verified emissions accounting									
Policy engagement	Alignment of public policy engagement with climate ambition & strategy									
Supply chain engagement	Supply chain engagement									



What the Data Reveals: Insights From Climate Transition Plan Disclosures

3



Assessing climate transition plan disclosures



This section examines how companies performed against climate transition plan disclosure thresholds in 2024. Analysis across geographies, industries, and transition plan elements reveals where readiness is advancing and where critical gaps remain—providing the building blocks for credibility that enable confident capital allocation.

A challenge to scaling transition finance is bridging the gap between global climate goals and local implementation realities. All geographies and sectors require capital, yet each follows different pathways shaped by distinct regulatory environments, institutional capacities, and economic contexts. CDP collects data against standardized elements—governance, strategy, targets, financial planning, and implementation—enabling like-for-like comparison across diverse contexts. The geographic and sectoral analysis below reveals performance differences while demonstrating how element-based assessment identifies where political support or capacity-building is needed at local or sectoral levels.

There is no single route to achieving resilient transition, yet there must be a single set of criteria to assess credibility across different routes. As evidenced by the figure below, Japan's and Taiwan's mandates for annual TCFD-aligned reporting and ESG reporting have created strong incentives for companies that have supercharged their respective disclosure capacities.

Similar outcomes could be achieved through supply chain standards in emerging markets or administrative frameworks aligned with the Rio Goals. Regardless of the pathway, credibility can be evaluated through the same collection of elements, with application remaining comparable at sectoral and geographic levels.



Table 2. CDP Credible Climate Transition Plan Disclosure Tier Thresholds

Tier	% of key indicators disclosed against	# of key indicators disclosed against
Few	0-33%	0-7
Some	34-66%	8-14
Many	67-99%	15-21
All	100%	22

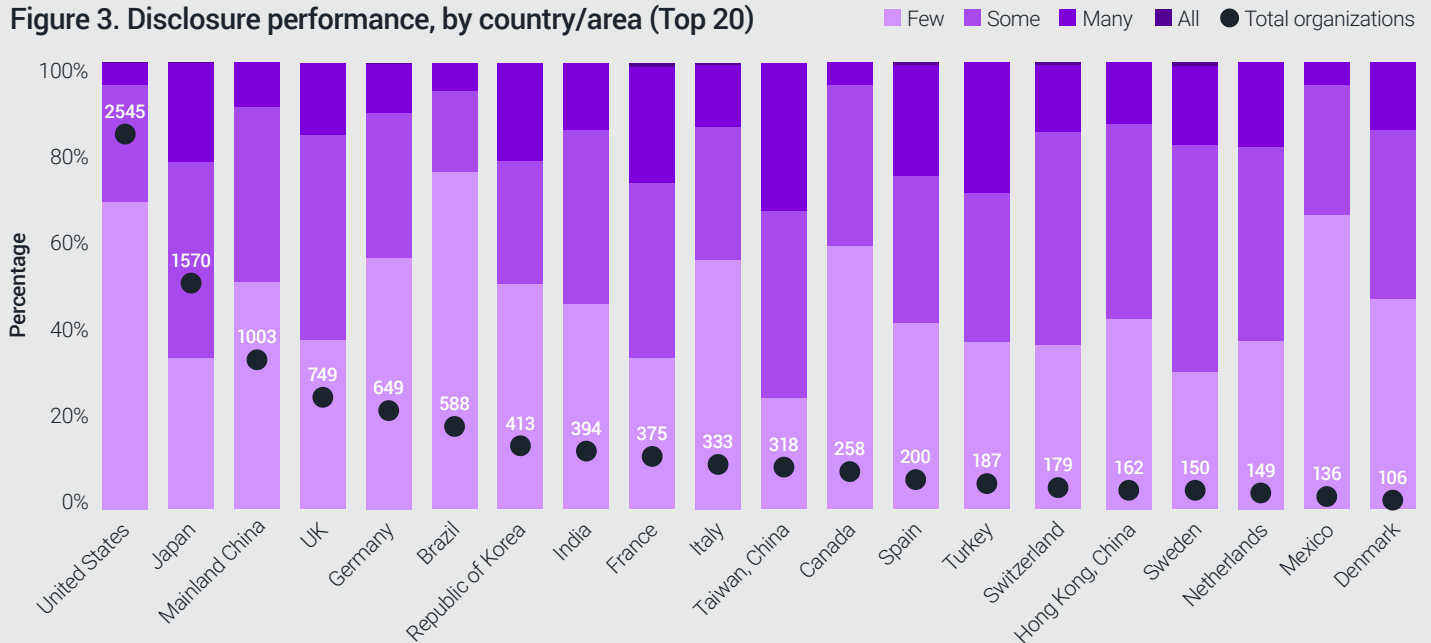
This analysis signposts connections to the UK Transition Finance Council's Guidelines where relevant, showing how the disclosed data informs assessment against the Principles and Factors that underscore the credibility of entity-level transition finance.



Market breakdowns

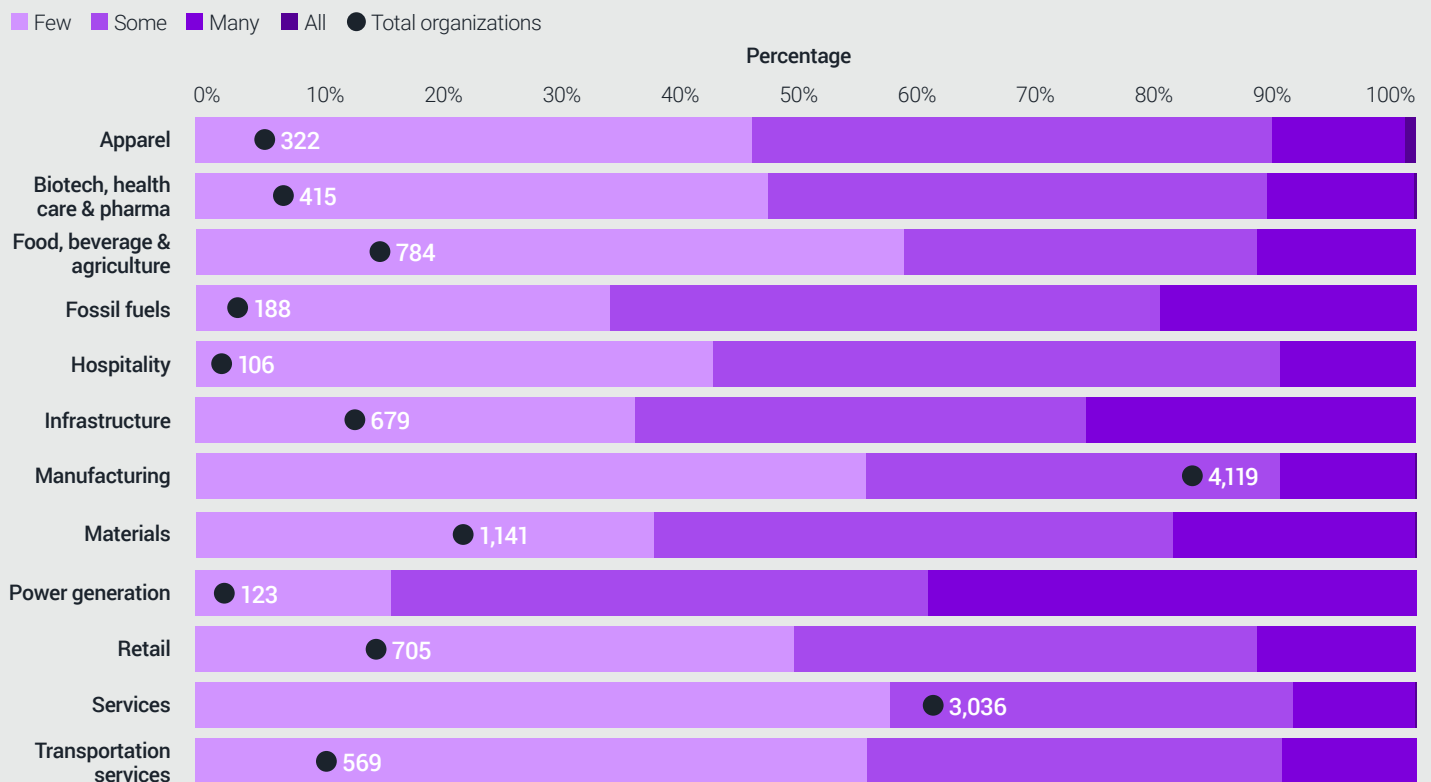
Geographical performance

Figure 3. Disclosure performance, by country/area (Top 20)



Industry-level performance

Figure 4. Credible climate transition disclosure performance, by industry





Element-level trends

Element-level disclosure reveals uneven progress across the components of credible transition plans. Risk and opportunity assessment shows the strongest performance, with 67% of companies meeting all criteria—reflecting widespread adoption of TCFD-aligned disclosure frameworks and investor expectations for climate risk management.

Targets and value chain engagement represent areas requiring substantial development, with only 4% and 5% respectively meeting all criteria. The targets gap is particularly concerning given their foundational role in defining transition ambition and enabling performance tracking. Limited value chain engagement disclosure suggests companies are not yet systematically addressing Scope 3 emissions and supply chain transformation—a critical barrier to comprehensive transition planning, especially for sectors where value chain emissions dominate carbon footprints. These gaps highlight priority areas for enhanced disclosure guidance and financial institution engagement to strengthen transition plan credibility.

67% 

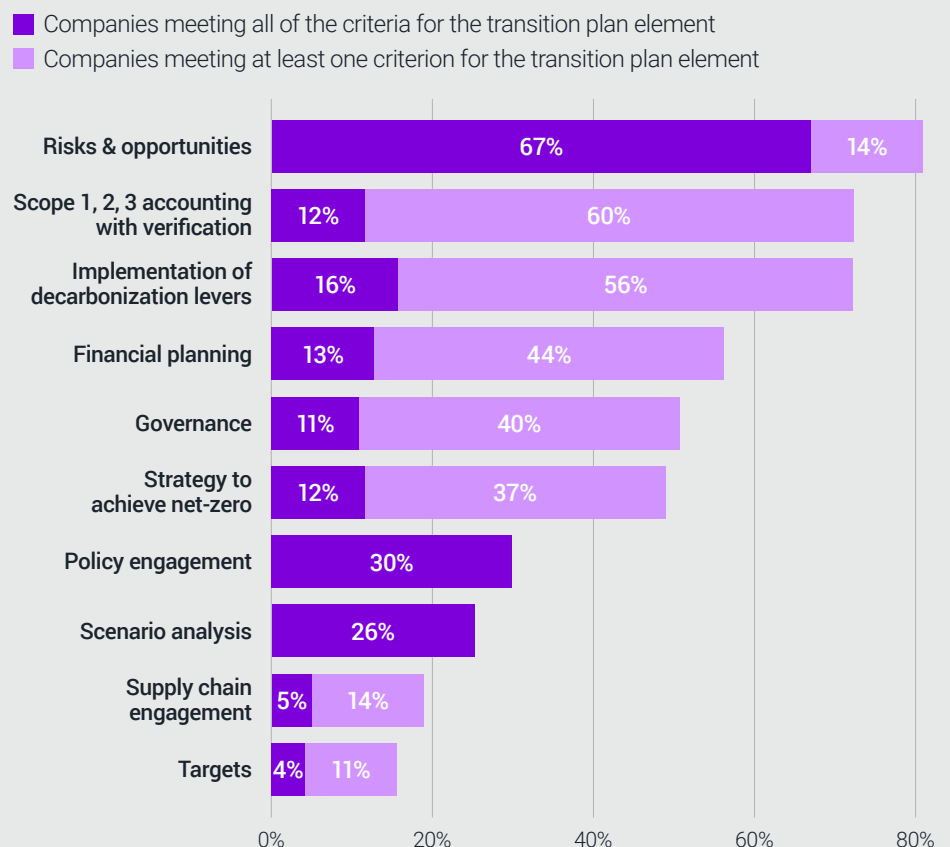
of companies meeting all criteria of risk and opportunity assessment

Forward-looking strategy and financial planning show more modest but encouraging performance. While only 12% and 13% of companies meet all criteria for strategy to achieve net-zero and financial planning respectively, approximately half of companies meet at least one criterion for these elements (37% and 44% respectively). **This suggests baseline data availability exists for assessing strategic direction and financial planning**—even where full disclosure maturity has not been achieved. Financial institutions can begin utilizing this partial

data to inform transition finance assessments while engaging companies to strengthen disclosure over time.

Implementation of decarbonization levers emerges as a critical area showing both progress and gaps. With 16% meeting all criteria but 56% meeting at least one, companies are beginning to disclose emission reduction initiatives and operational changes that evidence transition momentum. However, the critical question remains: are these initiatives backed by financial commitments?

Figure 5. Percentage of organizations that disclosed sufficient details to each element of a credible climate transition plan in 2024



Implementation indicators: Following the money

This section provides further insights that relate to the UK Transition Finance Council's Universal Factor: Financial Viability

Forward-looking implementation indicators are critical for assessing whether companies are genuinely investing in the transition. Data users need to understand how implementing the transition plan will affect the company's financial position and how companies will resource their plans. For hard-to-abate sectors especially, innovation is vital to the path to decarbonization. Together, these elements reveal whether stated ambitions are backed by numbers, which will underpin scale for the technologies needed to decarbonize.

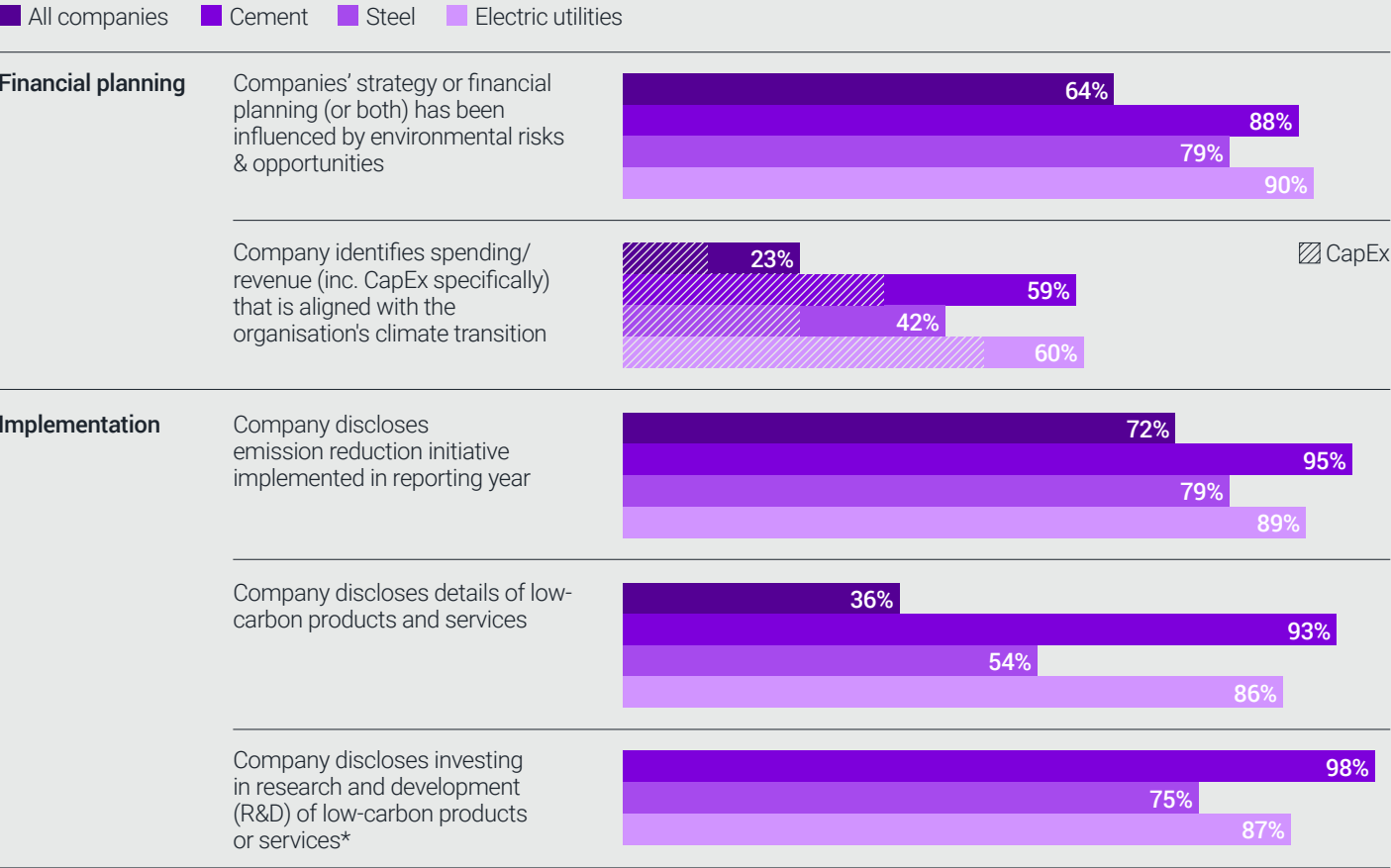
The data reveals a significant implementation gap. While 72% of companies report having emission reduction initiatives, only 11% disclose having CapEx specifically aligned with climate transition, with significant variation between companies in the percentage of current and planned transition-aligned CapEx. The median share of transition-aligned CapEx among reporting companies that quantified their share was 14%, rising to a planned 26% by 2030 (Figure 7). This disconnect between stated actions and financial backing raises questions about credibility,

and is vital for financial institutions assessing whether companies have integrated transition plans into core business and financial planning processes.

72% 

of companies report having emissions reduction initiatives, only 11% disclose having CapEx specifically aligned with climate transition

Figure 6. Financial Planning & Implementation Indicators (2024)



Notes: N= 12,203 for all companies, N= 41, 126 and 213 for companies that disclosed against the cement, steel and electric utilities sector-specific questionnaires. *Low-carbon R&D questions are not shown in CDP's general questionnaire and are only seen by companies in specific sectors. Source: CDP 2024 disclosure data.



Hard-to-abate sectors are reporting transition-aligned CapEx. Cement, steel, and electric utilities—sectors facing the most significant decarbonization challenges—demonstrate notably higher disclosure rates across all implementation indicators. Electric utilities lead with 90% integrating climate considerations into strategy and financial planning, and 47% reporting that they identify transition-aligned CapEx. Cement follows closely with 88% strategic integration and 34% transition-aligned. Steel shows 79% and 23% respectively.

These sectors' stronger performance likely reflects that established decarbonization pathways require significant capital deployment. The high rates of R&D disclosure—98% for cement, 87% for electric utilities, and 75% for steel—provide critical visibility into innovation pipelines.

Cement, steel, and electric utilities—sectors facing the most significant decarbonization challenges—demonstrate notably higher disclosure rates across all implementation indicators.

This enables investors to assess whether companies are positioning themselves to access emerging technologies like hydrogen-based steelmaking, or alternative cement formulations that will enable their transition plans.

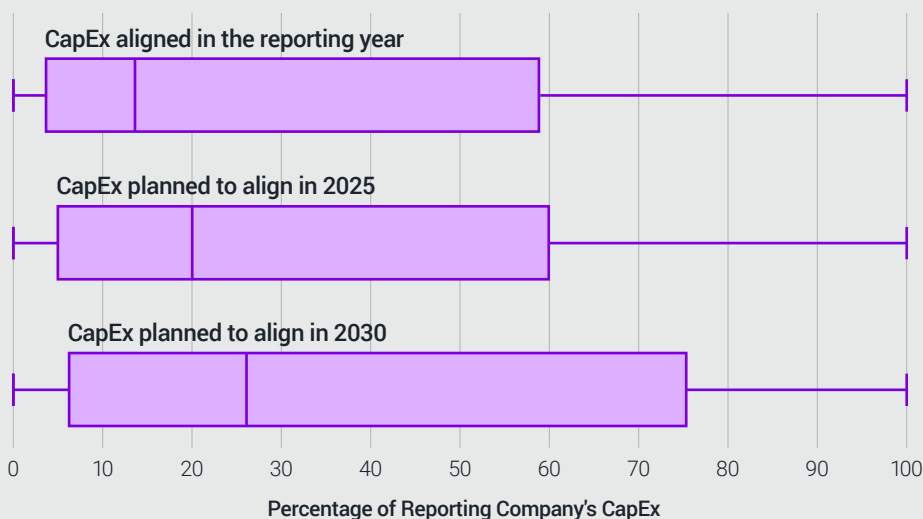
However, even in these relatively advanced sectors, gaps remain. The steel sector is less likely to identify transition-aligned CapEx in its disclosures (23%), compared to cement (34%) and utilities (47%), suggesting continued challenges in converting transition strategies into capital allocation plans.

An area for questionnaire and framework development

For certain datapoints, such as low-carbon R&D, further work is needed to standardize these disclosures in line with the latest developments of IEA scenarios and jurisdiction-specific sectoral pathways and guidance. This would enable a deeper assessment of whether the R&D is aligned with expected technological pathways for the company. More fundamentally, companies need to close the gap between reporting initiatives and disclosing the resources—both capital expenditure and R&D investment—that will deliver them. This integration of ambition with financial commitment is essential for credible transition planning.^{xxviii}

Figure 7. Transition-aligned CapEx

N = 355, companies that reported values for the share of transition-aligned CapEx in the reporting period and plans to align in 2025 and 2030.



90%



of electric utilities companies are integrating climate considerations into strategy and financial planning

The ambition-performance paradox

This section provides further insights that relate to the UK Transition Finance Council's Principle of Credible Ambition, and Universal Factor of Interim Targets and Metrics

Paris-aligned targets show stronger performance: As Figure 4 demonstrates, 46% of companies with 1.5-2.0°C aligned targets are ahead of schedule or on track to meet their targets, compared to 28% of those with targets >2.5°C.

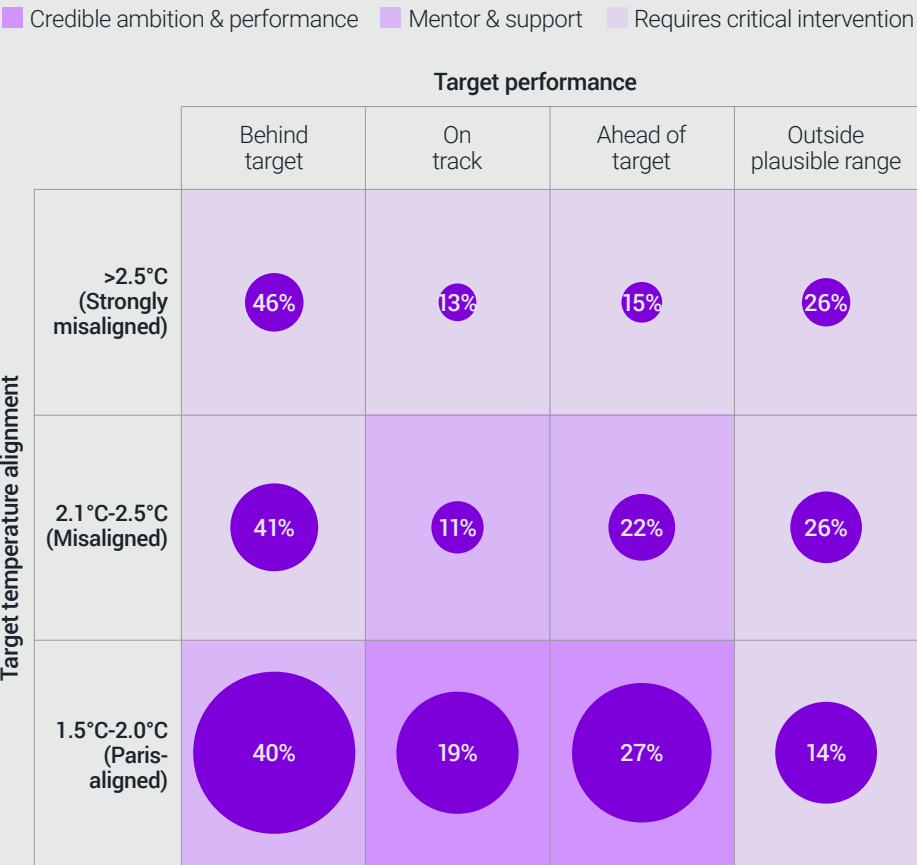
Target ambition is not just a rhetorical commitment – it correlates with real-world performance. Moreover it is an indication of preparedness for future changes, given global targets and their localised translations. Companies with Paris-aligned targets demonstrate materially better track records of achieving their commitments. This finding challenges the perception that ambitious targets are merely aspirational for companies.

For financial institutions, this assessment identifies which companies are credible and on track. Companies with strongly misaligned targets and emission reductions that are behind schedule or outside plausible ranges may require urgent interventions and escalations. Those closer to alignment may need closer monitoring and support.

46% 

of companies with 1.5-2.0°C aligned targets are ahead of schedule or on track to meet their targets

Figure 8. Target ambition vs Performance



Total companies analyzed:	5,106
Paris-aligned (1.5°C-2.0°C):	3,847 companies (75%)
Misaligned (2.1°C-2.5°C):	990 companies (19%)
Strongly misaligned (>2.5°C):	269 companies (5%)

Note: Percentages shown in bubbles represent the proportion of companies within each temperature alignment category. Bubble size reflects the absolute number of companies in each cell.

Source: CDP Net Zero Alignment Dataset, 2025, which calculates temperature scores for corporate targets and evaluates progress to date based on companies' self-reported performance against the assumptions of their stated targets.

Governance and accountability

This section provides further insights that relate to the UK Transition Finance Council’s Principle of Transparency Accountability and the Universal Factor of Governance

Governance structures signal whether transition plans are integrated into core business operations or exist as standalone commitments. This integration provides capital providers with confidence that transition plans will be executed with appropriate oversight and accountability.

Only 11% of companies demonstrate comprehensive governance by meeting all three criteria—board oversight of transition plans, climate competency at board level, and climate-linked incentives. This comprehensive governance matters for transition finance because it evidences that transition planning has moved from aspiration to accountability, with senior leadership personally invested in delivery.

11%



of companies demonstrate comprehensive governance by meeting all three criteria—board oversight of transition plans, climate competency at board level, and climate-linked incentives



Table 3. Performance against governance indicators

Governance indicator	Companies meeting criterion
Detailing board-level oversight of transition plan	30%
Board-level competency on climate change	40%
Board-level monetary incentives tied to climate-related performance	19%
Meeting all three criteria for this element	11%

Board-level climate competency shows the strongest individual performance at 40%, suggesting growing recognition that boards require specific expertise to oversee transition strategies effectively. However, the governance-incentive gap is stark—while 30% detail board oversight structures, only 19% link monetary incentives to climate performance. This disconnect raises questions about whether

stated commitments translate into accountability mechanisms that drive execution.

Without accountability mechanisms that make executives personally invested in delivery, stated commitments remain aspirational rather than operational—a critical distinction for capital providers directing finance toward entities capable of executing their plans.

Dependencies and assumptions: The conditions for success

This section provides further insights that relate to the UK Transition Finance Council's Principle: Addressing Dependencies

Identifying dependencies

94% of companies with transition plans in 2024 disclosed information about the assumptions and dependencies their plans rely on. This disclosure is critical for stakeholders:

- For financial institutions:** Understanding company assumptions about technology development, policy evolution, and market conditions helps assess the robustness of company transition plans, including the proposed approaches to address dependencies to achieve the plans.
- For policymakers:** Aggregated dependency data can provide critical intelligence on economy-wide barriers and bottlenecks for priority sectors. This evidence base can inform policy design and signal where public investment or regulatory intervention would be most catalytic^{xix}.

An initial analysis of the assumptions and dependencies within public English-language transition plan disclosures reveals that companies are identifying an average of 5.3 out of 10 possible dependency types. Technology, infrastructure and regulatory framework dependencies are most frequently cited by companies, with 83% of companies relying on technology availability and developments. Despite this, global investment in emerging climate mitigation technologies reached only US\$155bn in 2024, a 23% decline since 2023, representing a massive shortfall from the trillions needed annually to achieve net-zero by 2050.ⁱ

Table 4. Rate of dependencies identified by companies with transition plans

Physical dependencies

Rank	Dependency type	Estimated % of responses	Themes disclosed more frequently
1	Technology	83.3%	- Carbon capture and storage (CCS/CCUS) - Renewable energy technologies - Digital transformation and AI
2	Regulatory Framework and Policy Instruments	66.9%	- Carbon pricing mechanisms - Environmental regulations and standards - Reporting requirements (TCFD, CSRD) - Subsidies and incentives
3	Infrastructure and Logistics	66.8%	- Grid capacity and renewable integration - EV charging networks - Transportation infrastructure - Storage facilities
4	Market and Economics	60.5%	- Capital requirements - Investment needs - Commercial viability concerns
5	Policy Strategy	60.3%	- Government strategies - Paris Agreement alignment - Policy support
6	Resource Availability	58.0%	- Supply chains - Raw materials - Critical minerals for transition
7	Environmental Impacts and Ecosystem Services	57.9%	- Physical climate risks to company operations - Biodiversity - Ecosystem services considerations
8	Consumer and Client Behaviour	37.4%	- Customer acceptance - Demand shifts - Willingness to pay premiums
9	Labor Availability	22.3%	- Skills gaps - Workforce training - Reskilling needs
10	Public Acceptance	21.3%	- Community engagement - Just transition - Social license to operate

Note: Rate of topics being mentioned within dependencies disclosures. Using a natural language processing model on English-language disclosures made public through CDP (N=2018)^{xx}. Dependency types sourced from Rose, et al (2025), and keyword libraries for the model were developed additionally using WBCSD's 2025 paper: A practical guide on transition plan dependencies. Results should not be generalized to non-English markets.

Meanwhile, companies' thinking about social factors is still nascent, with public acceptance and labor availability being the least cited. Companies may face unexpected barriers to implementing their

transition plans from factors that are neglected, and policymakers may need to intervene to ensure access to sufficient levels of skilled labor, for example.



Addressing dependencies

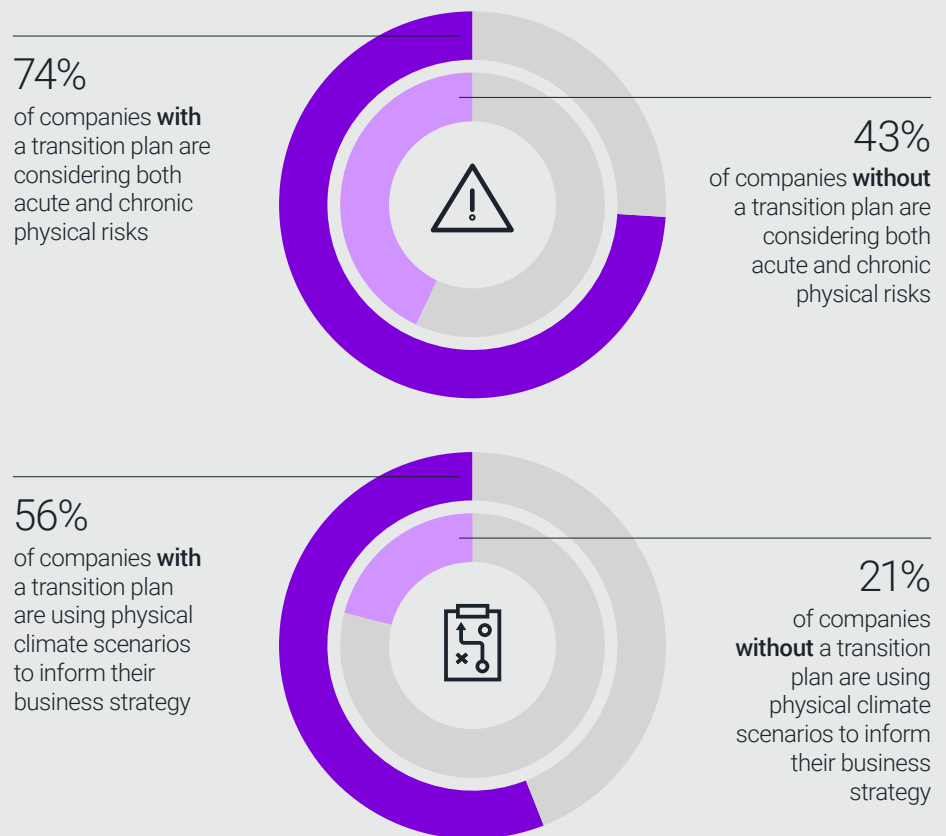
Identifying dependencies and risks are long-standing features of valuing a company, regardless of environmental considerations. Given that dependencies exist for all companies, data users need to see that companies have a robust process to identify them, an integration of these within transition planning to address them, and the governance mechanisms to update and track progress iteratively.

In many cases dependencies present themselves as physical or transition risks to the organization. Companies disclosing to risk types in line with the ISSB and TNFD – including policy and legal risks, technology risks, market risks, reputational risks and physical environmental risks due to climate change and nature loss – are providing valuable information on their level of awareness and approach to managing key dependency types.

Looking into one example of the dependency of environmental impacts and ecosystem services, disclosures enable an assessment of whether companies are considering physical risks within their planning. Given 74% of companies with a transition plan are considering acute and chronic physical risks in their risk assessments, this suggests that the environmental impacts of climate change are increasingly being considered, but for some it remains a blind spot that threatens to undermine the long-term resilience of their transition strategy.

Companies that recognize and begin to address the full spectrum of dependencies are better positioned

Figure 9. Companies taking proactive measures to identify and manage physical risks



for successful transition plan implementation. Incorporating robust stakeholder engagement and an iterative process to do so will ensure consistency with local contexts as well as the stability and predictability of the implementation in the long term.

An area for disclosure evolution:

Thinking around transition plan dependencies has evolved rapidly. Recent work has culminated in typologies for categorizing dependencies and guidance for addressing them systematically^{xxi}. While standardized dependency data has been limited, the connection between dependencies

and risk management frameworks provides the starting point. The dependency typology complements existing risk disclosures by making explicit the external factors that companies rely on for successful transition plan implementation. This structured approach enables more meaningful comparisons across companies and sectors, helping financial institutions assess transition plan credibility and policymakers identify system-wide barriers. CDP is exploring how to incorporate these developments within structured disclosure templates, creating more decision-useful data for transition finance assessments.^{xxii}

The opportunity lens: Transition as value creation



Companies with transition plans are identifying more business opportunities than their peers. This data shows that companies adopting transition plans as strategic business tools go beyond pure risk mitigation and unlock new opportunities for value and growth.

Financially material opportunities: Disclosure rates

Table 5. Percentage of companies identifying climate-related opportunities across time horizons, split by those with and without a transition plan

Time horizon	Companies with a transition plan	Companies without a transition plan
Short-term opportunities	51%	28%
Medium-term opportunities	63%	38%
Long-term opportunities	45%	28%

In the short term, transition opportunities are driven by cost reduction and consumer demand for enhanced environmental performance. As the time horizon extends, an increasing number of companies are identifying opportunities for revenue by accessing new markets, as well as getting return on investments in low-emissions technology.

Table 6. Drivers of climate-related opportunities identified by companies across time horizons

Most frequent opportunity drivers	% identifying short-term opportunities (N=4367)	% identifying medium-term opportunities (N=5655)	% identifying long-term opportunities (N=4104)
Increased revenues resulting from increased demand for products and services	42%	52%	46%
Reduced direct costs	31%	26%	25%
Reduced indirect (operating) costs	30%	25%	24%
Increased revenues through access to new and emerging markets	14%	19%	19%
Returns on investment in low-emission technology	6%	8%	9%

Cost savings driving emission reductions

Certain companies are already realizing these opportunities through implementation. Companies that implemented emission reduction initiatives in 2024 identified significant cost reductions: a total of US\$54.4 billion in annual cost savings driven by the transition, largely relating to energy-related costs. US\$20.9bn of those annual savings are expected within the next 3 years to offset the initial investments made to foot the initiatives, rising to US\$37.2bn within 10 years. Following payback these initiatives will continue generating cost savings.

\$54.4bn
in reported annual cost savings by companies that implemented emission reduction initiatives in 2024



Scaling Credible Transition Finance: Use Cases for Financial Institutions

4



Financial institutions' transition planning



Financial institutions (FIs) operate within the scope of evolving regulatory requirements while simultaneously assessing climate-related portfolio risks and responding to client-led financing requirements. In 2024, 544 financial institutions with US\$145 trillion in combined assets disclosed to CDP, demonstrating active engagement with relevant transition finance use cases. Approximately 50% of these FIs disclosed having transition

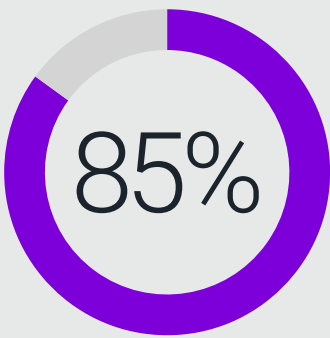
plans in 2024. Financing reduced emissions in the real economy must be the ultimate objective, which necessitates credible transition plans.

The following section outlines four core use cases where transition plan assessment directly supports financial institutions' commercial objectives, risk management mandates and fiduciary responsibilities.

Each use case addresses specific institutional requirements: generating sustainable finance revenues, protecting portfolio value or strengthening client relationships. This is supplemented by case studies demonstrating how institutions are operationalizing transition plan assessments across their operations.

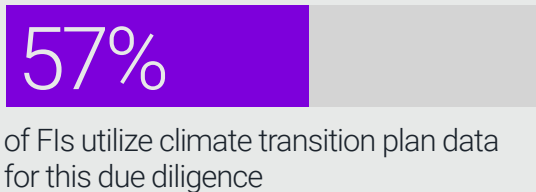
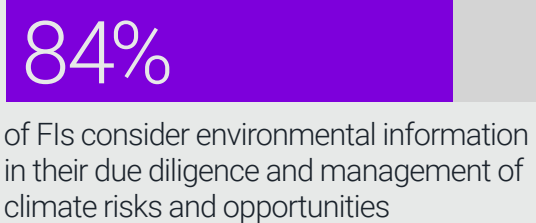
544 
FIs with over...
\$145tn
in combined assets to disclosed to CDP in 2024

50% 
of these disclosing FIs have transition plans



of disclosing FIs reported providing products and services that enable clients to mitigate and/or adapt to environmental effects

Financial institutions are using transition plan data for risk management purposes:



Financial institutions are engaging on transition plans:

84% 
of FIs are engaging on climate issues

▶ 25% 
of FIs are engaging their clients

▶ 43% 
of institutional investors are engaging their investees respectively on transition plans



48%
of disclosing FIs have portfolio targets on climate change

Use cases for transition plan assessments



Use case 1. Capital Allocation & Product Development

Transition plan assessments enable financial institutions to identify and structure transition finance opportunities across asset classes—from sustainability-linked loans to transition bonds and dedicated investment products. By establishing clear eligibility criteria based on plan credibility (targets, implementation actions, governance), institutions can confidently deploy capital to transitioning entities while differentiating their product offerings and capturing market share in the growing transition finance segment.

See Case Study 3:
[Cathay United Bank](#)

Use case 2. Risk Management & Portfolio Monitoring

Assessing transition plans allows financial institutions to quantify and manage exposure to stranded assets, carbon lock-in and transition risks that could materially impact portfolio performance. As institutions develop more sophisticated portfolio climate risk modelling and pricing methodologies, transition plan quality and execution become critical differentiators—companies with credible plans present stronger risk-adjusted returns. Plan assessment informs credit underwriting, collateral valuations, concentration limits and stress testing—helping institutions meet prudential requirements while protecting capital from climate-related losses and greenwashing risks.

See case study 1:
[Degroof Petercam AM](#)

See case study 2:
[Major ASEAN investor](#)

Use case 3. Active Engagement: Stewardship & Relationship Management

Transition plan assessments provide the basis for targeted engagement with portfolio companies and borrowers. By identifying specific gaps—missing Scope 3 targets, inadequate capital allocation, weak governance—institutions can prioritize engagement resources, inform proxy voting decisions, and support clients in strengthening their plans and managing dependencies, thereby improving portfolio alignment and reducing transition risk exposure.

For banks, transition plan intelligence equips relationship managers with insights to inform client conversations, anticipate financing needs and structure solutions aligned with client transition journeys. This deeper understanding of client strategies and dependencies strengthens advisory capabilities, differentiates the institution's value proposition and creates opportunities for products and services around transition planning and implementation.

See Case Study 3:
[Cathay United Bank](#)

See case study 1:
[Degroof Petercam AM](#)

See case study 5:
[Banque de France](#)

Use case 4. Sustainable Finance Tracking & Target Setting

Target setting protocols have evolved to focus on enabling reduced emissions in the real economy, rather than reducing financed emissions on paper. Target setting protocols have evolved to focus on enabling reduced emissions in the real economy, rather than reducing financed emissions through portfolio reallocation.

Financial institutions can use transition plan maturity categories as outlined in the Net-zero Investment Framework (aligned/aligning/committed) to measure portfolio coverage against net-zero commitments and report sustainable finance flows with greater credibility. This approach enables tracking of how clients move through transition stages over time, providing transparency to regulators, investors, and stakeholders while demonstrating progress toward institutional environmental targets.

See Case Study 4:
[NatWest](#)

Transition plan use extends beyond commercial financial institutions to development finance institutions and central banks, demonstrating the versatility and systemic importance of this approach.

See Case Study 5: [Banque de France](#)



Degroof Petercam Asset Management

Climate risk assessment for actively managed portfolios

DPAM's approach to managing climate risks across all its corporate AUM includes a **Climate Dashboard**, covering all actively managed portfolios, that captures climate risks and transition plan-related information including datapoints from CDP.

The dashboard focuses on the biggest exposures by financed emissions and by ownership positions. Using CDP's Net Zero Alignment Dataset, the dashboard includes a transition plan disclosure quality score, near-term target credibility ratings, as well as performance (trend) data on emission reductions.

In addition, for detailed issuer level monitoring, DPAM has set up a **dedicated climate risk and opportunities assessment sheet**,

structured around the four TCFD pillars, which captures transition plan-related information at issuer level, including datapoints from CDP. DPAM focuses on the top holdings within each of its actively managed portfolios, based on emissions intensity, next to the top positions from the Climate Dashboard referenced above.

Using CDP's Net Zero Alignment Dataset, the dashboard includes a transition plan disclosure quality score, near-term target credibility ratings, as well as performance (trend) data on emission reductions.

Features of the TCFD-aligned assessment include:



Identifying potential reputational and financial risks, as well as the strategic positioning and opportunities for the company's transition.



Categorizing companies according to whether they are aligned, aligning and whether there are implications for portfolio managers' engagements (dialogue, escalation, among others).



Integration of transition plan information, including whether decarbonization plans have been costed and implemented, and whether the dependencies of these plans have been fully outlined and actioned.





The TCFD-aligned assessments, as well as the dashboard monitoring ultimately feed dialogue and engagement with investees. This could range from informal analyst-investee meetings discussing transition planning in relation to climate risks and opportunities, to formal engagement, or voting activities (supporting the assessment of Say on Climate votes or guiding voting decisions on other, material corporate governance resolutions).

For DPAM, assessing climate performance and risks of investees is required from a climate and transition alignment perspective. For this, DPAM relies on material risks directly reported by our investees to CDP, next to target credibility ratings and emission reduction performance trends sourced among others from CDP.



Various benefits noted from using entity-level disclosure data and associated data products:



Standardization enables comparison and 'challenging' investees

When comparing companies within industries using CDP data, it is easier for DPAM to identify gaps in companies' risk disclosure, whether due to a lack of capacity or understanding, or potentially identifying misstatements. Datapoints evolving with regulation and/or international best practices and directly reported by corporates makes it user-friendly (no interpretation easier to discuss with companies, etc.).



Demonstrating strong governance

During discussions with management, CFOs on several occasions were able to speak in detail to what they have reported through their CDP disclosure demonstrating strong ownership and governance of material climate issues.



Portfolio analysis and target-setting capabilities

Enabling an assessment of financed emissions, historical emissions reduction trends, and portfolio target setting methods using both portfolio coverage and portfolio alignment methods, using the scientific and transparent basis of the CDP-WWF Temperature Scoring Methodology.



Anonymous ASEAN Investor

A major Southeast Asian investor's approach to assessing transition plans

One Southeast Asian investor has been taking steps to assess the credibility of transition plans to inform their decision to invest in transitioning companies and identify opportunities across the investment universe.

Their approach prioritizes several key dimensions, including the following questions:



Targets

Has the company set specific, meaningful, yet achievable targets to reduce its emissions?

Does this include interim milestones to achieve the target?



Governance

Has the company established clear governance measures for their transition strategy?

This includes setting the roles and responsibilities of management for the company's transition strategy as well as establishing KPIs to measure progress.



Alignment with business strategy

Is there alignment between transition-related objectives and the overall business strategy?

This would provide greater conviction in the transition plan and can also help companies better execute their decarbonization ambitions by unlocking further value. For example, by reducing costs through energy efficiency or enhancing revenues through new green product lines.



Reporting

Is the company disclosing information on its progress?

Transparency enables accountability and creates avenues for further dialogue with stakeholders, including investors, to enhance the robustness and credibility of the transition strategy.



Use of CDP data in assessments

CDP's questionnaire captures information on transition plans, targets and governance which informs this transition assessment. The standardized questionnaire enables comparability of responses and datapoints, in some instances providing information that is more detailed than what is available in company reports, to enable more effective assessments.

Enhancing due diligence and fundamental analysis

The assessment of transition plans can be integrated into different stages of the investment process. The investor has incorporated transition plan assessment into due diligence for some transition themed investments. By outlining the dimensions to assess credibility, it has enabled a more objective comparison of climate transition considerations between companies and across the firm, as a supplement to fundamental bottom-up analysis.

The success of the company's transition is enabled through strong alignment with national decarbonization commitments made in the key jurisdictions that it operates in.

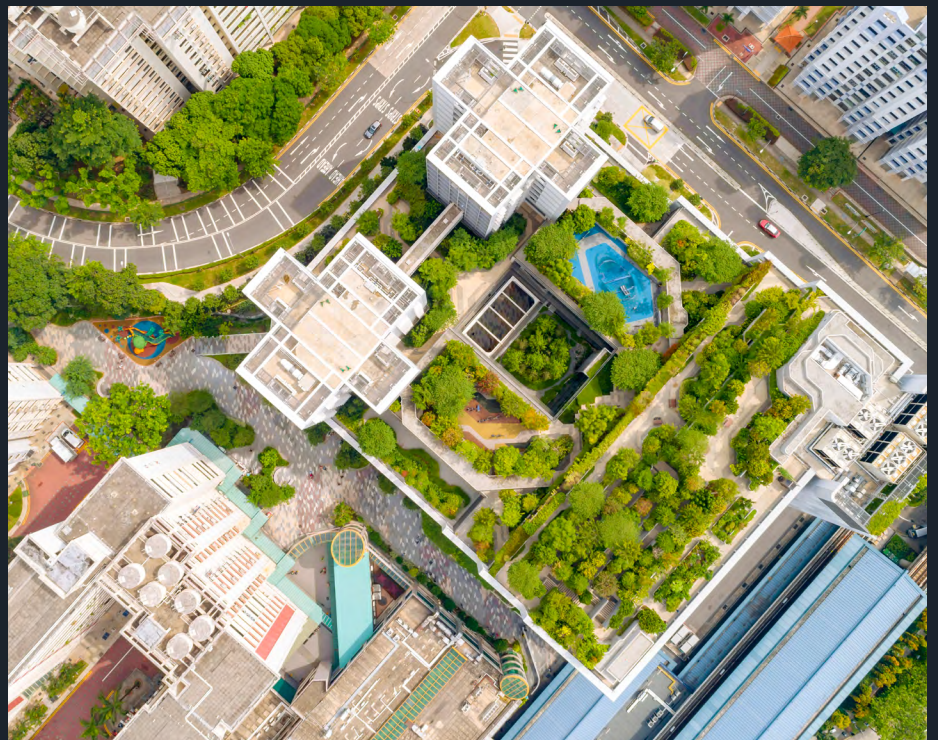
In action: The investor's assessment of an Asian utility company's transition plan

The investor is invested in an Asian electric utility company that has established a long-term net-zero target and has defined interim emissions reduction goals.

A central pillar of the company's transition strategy is the commitment to phase out its heavy coal power plants; a move that is expected to drive down emissions by more than half by 2040. This commitment is supported by the company's investment roadmap for the next 5 years, which prioritizes renewable energy infrastructure, power transmission, distribution and retail assets, while also progressively working towards reducing dependence on fossil fuels. The success of the company's transition is enabled through strong alignment with national

decarbonization commitments made in the key jurisdictions that it operates in, meeting criteria for the alignment of business strategy with the evolving policy landscape. The transition plan is overseen by a board-level sustainability committee and steered by a management-level Executive Committee. The board plays an active role in ensuring that climate change, social impact and wider sustainability considerations remain integral to the company's business strategy.

By looking holistically at its climate goals, capital investments, and strong governance, the investor believes that the company demonstrates a credible plan towards its goal of achieving net-zero commitment and contributing to the broader energy transition.





Cathay United Bank

Partnering to scale disclosure and finance for SMEs

Impact

121 

businesses successfully completed the CDP questionnaire in 2024.

30 

companies reported active climate-related targets, with Cathay United Bank's support.

19 

companies reported that they were implementing emission reduction initiatives.

22,000 

tCO2e reduced by these companies.

110 

companies were first time participants, highlighting the program's ability to expand disclosure capacity in new markets and clients.

80% 

of clients encouraged by Cathay United Bank disclosed to CDP in 2024, compared to the global sustainable supply chain average of 66%.

This was bolstered by including incentives for relationship managers to encourage clients to disclose to CDP, by including successful referrals as a KPI in their performance evaluations.

Background

SMEs form a critical part of the global economy, underpinning global supply chains. Yet many SMEs face barriers engaging in disclosure and tracking their transition progress, due to limited resources, technical thresholds, and reporting expertise. Recognizing this gap and the need for greater implementation, CDP launched its [Corporate Banking Program](#) to empower banks to act as disclosure multipliers, identifying opportunities to support their clients to transition in practice.

Partnership with Cathay United Bank

Cathay United Bank was the first financial institution in Asia to join CDP's Corporate Banking Program. Leveraging its reach across the Asia region, the bank has played a pioneering role in supporting its clients—particularly SMEs—to strengthen environmental disclosure and position themselves within global sustainable supply chains.

A critical enabler of this progress was CDP's tailored capacity building for Cathay United Bank's clients, including CDP's dedicated SME questionnaire—equipping them with training, technical resources, and access to global expertise. By establishing a dedicated support channel, CDP ensured timely consultation and efficient problem-solving—contributing to Cathay United Bank's high completion rate and strong client engagement.





From Disclosure to Transition Finance

To further accelerate this journey, Cathay United Bank launched the “Cathay One” transition finance platform in 2025. The platform draws on the Bank’s practical ESG engagement experience to provide comprehensive resources for businesses navigating low-carbon transition. By leveraging disclosure insights from the CDP program, the platform identifies enterprise needs and matches them with appropriate resources—ensuring that companies move from disclosure to dialogue, financial support, and ultimately, transition implementation.

Through strategic partnerships across industry, government, and academia, Cathay One connects businesses—regardless of size or sector—with expert solutions including carbon accounting tools, emission reduction technologies, carbon neutrality consulting, ESG disclosure guidance, and third-party verification. Transparency serves as the cornerstone of the platform, enabling tangible transition actions.

Cathay United Bank aims to support its clients—including SMEs—by enabling access to the capital required for their transition. Through green and sustainability-linked loans, as well as tailored solutions such as cash flow services, foreign

exchange, and preferential credit rates, the Bank helps companies secure funding for decarbonization and manage transition risks. These efforts are further strengthened by integrating sustainable finance offerings within the Cathay One platform, enabling the alignment of funding and action to lower transition barriers and accelerate progress toward sustainability goals.

Moreover, Cathay One hosts thematic ESG dialogue sessions and industry workshops to help businesses clarify their transition needs, connect with technical partners, and co-develop actionable solutions. These engagements foster cross-sector collaboration and knowledge sharing, amplifying sustainable impact.

Outcomes and Impact

The collaboration between CDP and Cathay United Bank demonstrates how financial institutions can accelerate climate action by embedding disclosure into client relationships. By enabling transparency and lowering barriers for SMEs, the program has created new pathways for SMEs to access sustainable finance and global supply chains.

Cathay United Bank CRO Sean Chang noted, “Carbon emissions are becoming a business cost. By investing in staff and working with CDP, we help clients understand risks, seize opportunities, and commit to environmental responsibility.”

“Linking disclosure with sustainability-linked finance ensures transparency translates into real transition action. Finance must be an enabler of decarbonization, not a barrier.”



Transition finance framework

During Q1 2025, NatWest Group exceeded its target to provide £100 billion in Climate and Sustainable Funding and Financing (CSFF) between 1 July 2021 and the end of 2025. To reflect progress to date, NatWest has announced a new target to provide £200 billion in Climate and Transition Finance (CTF) between 1 July 2025 and the end of 2030.

The CTF Framework has been developed to expand, enhance and replace CSFF to include what NatWest has identified as Climate Finance and Transition Finance. This evolution recognises that supporting the real economy alignment and transition towards net-zero will require vast investment not only in those industries delivering climate solutions, but across a broader spectrum of industries, including hard-to-abate and emission intensive sectors such as iron & steel, cement and aviation.

£200bn

target announced by NatWest in Climate and Transition Finance (CTF) between 1 July 2025 and the end of 2030

NWG's Climate and Transition Finance Framework is intended to support their net-zero ambition by providing financing and facilitation options that may help their customers to achieve their climate and/or transition ambitions.

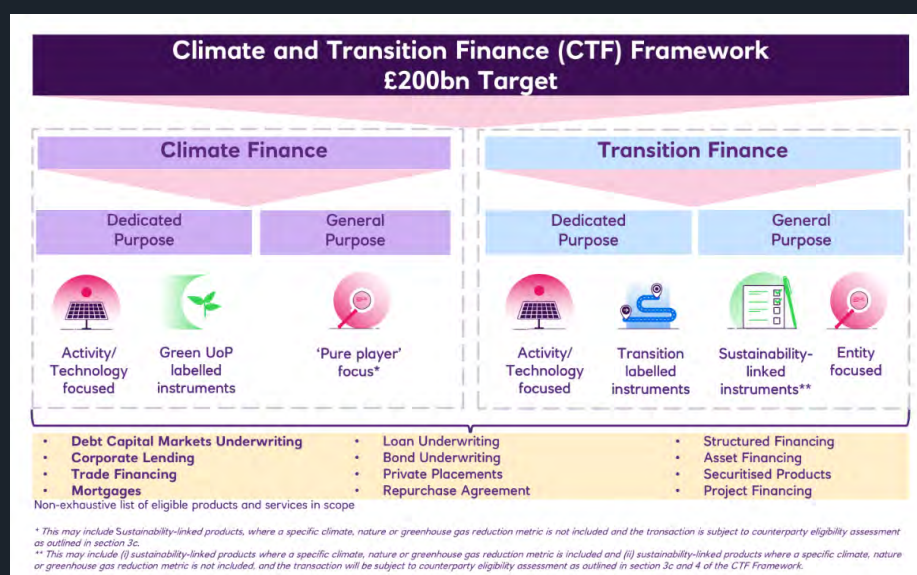
NWG recognise the breadth of their customer base and the need to remain inclusive and supportive of the transition for as many businesses as possible. Accordingly, they plan to take a measured and proportionate approach to transition finance eligibility and customer assessment.

The CTF Framework consists of two categories: 'Climate Finance' and 'Transition Finance'. A financing or facilitation may be eligible to be submitted towards the CTF Target, if it falls within the requirements as outlined in the CTF Framework, under either:

1. activity eligibility – dedicated purpose financing (section 3a) or
2. market labelled transaction eligibility (section 3b) or
3. counterparty eligibility – general purpose financing (section 3c)

The below table provides a non-exhaustive overview of the products and services in scope for the CTF Framework:

Figure 10. Non-exhaustive list of eligible products and services in scope for the CTF Framework



Source: NatWest Group, Climate and Transition Finance (CTF) Framework Version 1.0



To assess customer eligibility for general purpose transition finance transactions, NWG may consider, amongst other matters:

- whether the customer (other than a fund counterparty) has 90% or more of revenue and/or capital expenditure and/or research & development, derived from, or dedicated to, activities outlined in the Transition Finance activities criteria or a combination of the Transition Finance and Climate Finance activities
- whether the customer has committed emissions reduction targets in line with the Science Based Targets Initiative or equivalent;
- whether the customer has a transition plan to reach net zero by 2050;
- the customer's CDP score or Transition Pathway Initiative score;



- in the case of a fund counterparty, whether:
 - a) the customer has 90% or more of its portfolio of assets under management invested in, or, as evidenced by the fund strategy (as stated in the fund's prospectus or analogous document), are expected to be invested in, activities outlined in the Transition Finance activities criteria or a combination of the Transition Finance and Climate Finance activities criteria at the time of assessment; or
 - b) its portfolio of assets under management is being managed in line with the Net Zero Investment Framework (NZIF), Private Markets Decarbonisation Roadmap (PMDR) or equivalent industry aligned transition methodologies.

Transactions identified as potentially eligible will then be subject to further internal assessment. This assessment will be dependent on factors including, but not limited to, company size, sector and jurisdiction. In time, NWG will aim to incorporate their Customer Transition Plan Assessment (CTPA) tool into this process, where possible, as they continue to enhance its capabilities, with dependency on standardization of market frameworks and reporting ([see here for more details on NWG's CTPA tool](#)).



Banque de France

Transition plan assessment and corporate engagement

Climate risks pose serious threats to economic and financial stability. To fulfil its central bank mandate, Banque de France has developed an approach to assess and manage these risks across French corporations.

The Approach

Building on strategic planning and its climate indicator project initiated in 2021, Banque de France created a bespoke methodology derived from ACT¹, to evaluate companies' climate-related risks through their transition plans.

A dedicated climate team within the bank's national network works directly with companies, identifying where they deviate from net-zero pathways and supporting course correction.

How It Works

Companies complete a comprehensive questionnaire that enables assessment across three key metrics:



1. Pathway Alignment

The deviation of their emissions and emissions intensity from sector-specific net-zero pathways, using one year of historical data and two to five years of projected metrics.



2. Transition Speed

The pace of their transition plan based on four years of metrics, aligned with the sectoral decarbonization approach.



3. Sector-Specific Indicators

Where appropriate, targeted metrics for five priority sectors: real estate, transport, electricity production, cement, and house builders.

A Public Service for Economic Transition

Banque de France positions the climate indicator as a public service, enabling French corporates to plan their transition and adaptation strategies. The indicator provides a neutral, common reference point for companies, financial institutions, and all actors across their supply chains.

The program continues to develop, with plans to expand coverage to 11 sectors by 2027.

Broader Applications for Central Banks

This initiative demonstrates how transition plan data can be used by central banks. Further possible applications across central banking and supervision include:

Financial stability: Supporting commercial banks' financial evaluation methodologies and monitoring the transition and adaptation of the French private sector.

Monetary policy: Informing climate-related considerations in policy tools, such as corporate bond haircuts for GHG-intensive sectors. Banque de France continues to assess if and how the climate indicator workstream can be used for such purposes.

¹ Accelerate Climate Transition (ACT), founded in 2015 by ADEME, the French Agency for Ecological Transition, and developed in partnership with CDP.



Enabling Scale Through Policy Design

5





Creating enabling environments

Policy actors hold the authority to create enabling environments, direct financial flows and align incentives at the pace and scale required for companies to transition and support the achievement of national and global environmental goals.

Governments must build the conditions for transition finance to flow. Clear and predictable policy signals reduce uncertainty for firms, attract private capital and help companies implement credible, science-aligned transition plans. This process requires governments to provide the direction of travel while allowing for differentiation in pathways—reflecting the principle of common but differentiated responsibilities and respective capabilities under the Paris Agreement and the Kunming-Montreal Global Biodiversity Framework.

However, designing effective enabling environments depends on understanding what barriers companies face and where interventions will have the greatest impact. Credible, comparable and decision-useful data is essential.

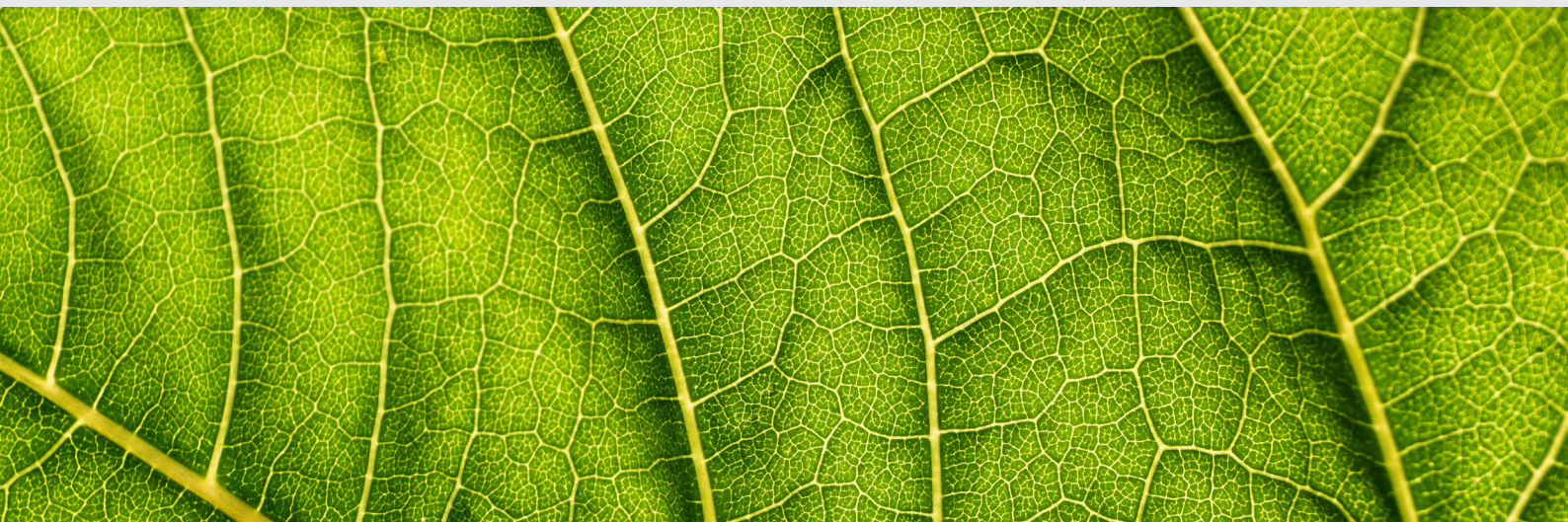
Governments must build the conditions for transition finance to flow. Clear and predictable policy signals reduce uncertainty for firms, crowd in private capital, and help companies implement credible, science-aligned transition plans.

Transition plans as the data layer

Transition plan data is foundational for credible transition finance; however, its full potential depends on how governments integrate this data to inform the enabling environments they create. To ensure high-quality data is available, governments should adopt disclosure guidance aligned with global standards and frameworks such as the ISSB, GRI and TNFD. Credible and comparable transition plan disclosures, such as those informed by the TPT's recommendations, which is now connected to IFRS S2 climate-related disclosures, provide policymakers with the intelligence needed to design effective interventions, as well as unlocking financial institutions to deploy credible transition finance.

Transition plan disclosures surface for policymakers:

- **Investment gap analysis**, identifying where companies in specific sectors report insufficient access to transition finance.
- **Technology barriers**, highlighting which technologies are critical but not yet commercially viable.
- **Supply chain bottlenecks**, surfacing shortages in key materials or components.
- **Skills gaps**, mapping workforce capabilities companies see as barriers.
- **Policy dependencies**, clarifying where unclear or inconsistent policy creates transition risk.





National transition planning

Using transition plans in policymaking

Governments can use these insights, including the data already disclosed through CDP, to refine policy instruments, target incentives and channel public finance to unlock viable transition pathways. This integration allows policymakers to identify system-wide barriers, target interventions effectively and align public and private capital flows—turning disclosure into actionable intelligence that shapes the conditions firms need to transition successfully. This benefits policymakers by providing empirical evidence of system-wide barriers, enabling more precise and effective policy design and reducing the risk of policy failure through better understanding of real-world implementation challenges.

These policies then provide the clarity and market signals that drive more ambitious and better-aligned corporate transition plans—closing the feedback loop from disclosure to policy and back again. This loop between disclosure and national policy that enables transition finance to scale also necessitates that governments establish coordination mechanisms that support structured dialogue between governments and the private sector for co-creation of pathways that can steer the entire economy toward Paris goals.^{xxiii}

The imperative: National transition planning

Bringing these elements together—enabling environments, data-driven policy design and market action—requires a unified and coordinated government-led approach. This connection between disclosure, policy design and market action forms the backbone of an effective transition, and **national transition planning institutionalizes this cycle.**

This circular model is increasingly recognized globally. Under Pillar 4 the G20 Sustainable Finance Working Group's (SFWG) Transition Finance Framework, members highlighted that transition plans

and their indicators should be central not only to financial instruments but to policymaking itself, and in 2025 the link between corporate transition plans and national transition planning was further reinforced through integration of adaptation considerations. The Financial Stability Board (FSB) has similarly acknowledged the role of transition plans in supporting authorities' macro-monitoring of transition and physical risks for financial stability^{xxiv}. Several jurisdictions are now operationalizing this approach, such as Australia and the United Kingdom^{xxvxxvi}.

National transition planning is a cyclical, government-led process that promotes policy coherence by aligning a country's Nationally Determined Contributions, National Biodiversity Strategies and Action Plans, National Adaptation Plans, and Long-Term Strategies and by implementing them in a cohesive way to mobilize finance and drive system-wide change

It requires a whole of government and whole of economy approach to ensure input and participation from different ministries, levels of government, and sectors of the economy. It also requires alignment between public policy and business strategies, especially regarding transition planning and plans, and credible, comparable, and decision-useful data to inform policymaking, unlock finance and monitor progress. This process creates the essential feedback loop between entity-level disclosure and national policy that enables transition finance to scale.

A companion paper, CDP's National Transition Planning Report, Data as the Catalyst: Powering National Transition Planning Across Climate and Nature Goals, establishes how governments can institutionalize this process—linking disclosure platforms, sector pathways, and investment platforms into coherent national strategies that encompass climate, nature, and adaptation. The report demonstrates how entity-level environmental disclosure (including from corporates, financial institutions, and subnational governments) can power national data mechanisms, inform international reporting requirements (such as BTRs under the Paris Agreement), and direct capital flows through country platforms.

Considerations for the public sector



The imperative is clear: Transition finance and national transition planning are inseparable. The next phase of action requires governments to embed disclosure-based insights into policy design—strengthening the enabling environment, aligning public and private capital flows and ensuring continuous feedback between markets and policy. This cycle of “disclosure to action” is the foundation for delivering credible, data-driven national transitions.

ITPN Transition finance considerations for public sector

CDP endorses the priority considerations for public sector actors set out by the International Transition Plan Network (ITPN)^{xxiv}, noting that these considerations support the broader process of national transition planning by strengthening the connections between disclosure, policy design, and transition finance.

These considerations are:



Provide supportive policy signals that highlight to market actors that they support transition planning.



Strengthen the broader transition finance policy framework and enabling environment.



Adopt or align with IFRS S1 and IFRS S2 standards as a global baseline to ensure consistent, decision-useful, disclosure.



Build market capacity for plan development, particularly for firms in EMDEs and SMEs.



Go beyond disclosure requirements to require transition plans by systemically important or high-impact entities.



Ensure cross-government coordination to transition plan requirements across different jurisdictional authorities to ensure that requests of market actors are streamlined.



Develop jurisdiction-specific guidance on what constitutes a credible transition plan.



Japan GX Acceleration Agency

Integrating policy and practice in transition finance

Japan's Green Transformation (GX) initiative represents a structured national effort within the G7's varied efforts to scale transition finance and align decarbonization with industrial competitiveness. Central to this is the GX Acceleration Agency (GXA) - a dedicated public body designed to translate national climate strategy into actionable financing mechanisms. Japan's leadership on disclosure reflects not only regulatory momentum but also sustained collaboration with international platforms such as CDP.

The model is gaining international recognition. Recent academic analysis by Ben Caldecott, Director of the Sustainable Finance Group at the University of Oxford ('Making Japan's GX a model for the world'), and an Op-Ed in the Japan Times by Mary Schapiro, Vice Chair of Global Public Policy at Bloomberg L.P., both highlight Japan's GX initiative as a leading example of policy coherence and public-private alignment.

Policy foundations: Japan's transition finance architecture

National Strategy and Guidelines

Japan's transition finance approach is anchored in its Basic Guidelines on Climate Transition Finance, developed jointly by the Ministry of Economy, Trade and Industry (METI), the Ministry of Environment, and the Financial Services Agency (FSA) and revised in March 2025. The guidelines align with the ICMA Climate Transition Finance Handbook while providing Japan-specific implementation guidance that national companies reference when issuing transition bonds.

Implementation Tools and Finance Mechanisms

Technology roadmaps were issued for ten high-emitting sectors, with METI aiming to revise roadmaps for eight sectors — including iron and steel, chemicals, power, gas, oil, pulp and paper, cement, and automotive — by March 2026. These roadmaps guide companies in aligning their transition strategies with national decarbonization pathways.

The government has backed transition finance with concrete financial commitments, issuing the world's first sovereign transition bonds—Japan Climate Transition Bonds—worth 1.6 trillion yen for its first tranche, publishing Japan Climate Transition Bond Framework, as part of public sector investment worth 20 trillion yen over ten years, with additional private sector mobilization targeted at 130 trillion yen.

Recognizing that financing alone is insufficient, Japan has developed Transition Finance Follow-up Guidance for financial institutions to engage with issuers post-issuance. The guidance outlines three elements that financiers must confirm: transition strategies aligned with science-based targets, specific emission reduction targets and progress monitoring, and detailed tracking of decarbonization efforts for use-of-proceeds instruments. This guidance builds on existing disclosure expectations for issuers rather than creating new requirements.

Japan's leadership on disclosure reflects not only regulatory momentum but also sustained collaboration with international platforms such as CDP.



GX Acceleration Agency: Operationalizing transition finance

The GX Acceleration Agency (GXA) operationalizes Japan's transition finance vision. Its mandate spans three core functions:



Providing financial support, through credit guarantees and equity investment in mid- and late-stage climate tech ventures.



Administration of Japan's forthcoming emissions trading scheme (ETS), set to become compliance-based by 2026.



Market-building and stakeholder engagement, acting as a GX Hub between government, finance and industry.



Investment Principles in Practice

GXA's investment decisions follow the Japan Climate Transition Bond Framework and apply clear additionality tests, funding only projects that would not proceed on purely commercial terms. This includes infrastructure, industrial decarbonization, and technologies nearing commercialization.

In July 2025, GXA made its first equity investment in a startup developing transition-aligned technology that required public backing to reach commercial viability, demonstrating its catalytic role.

Market Infrastructure and Disclosure Ecosystem

GXA also helps integrate transition planning with market infrastructure. Under forthcoming ETS rules, large emitters producing over 100,000 tons of CO₂ annually will be required to submit transition plans to the government. This statutory requirement complements Japan's commitment to ISSB standards (S1 and S2), which FSA is incorporating into domestic disclosure frameworks starting with the largest companies in 2027.

The agency is also set to support reporting and capacity building as part of its GX Hub activities including through management of the TCFD Consortium, which GXA plans to take over, continuing to provide guidance and convening dialogues between financial institutions and the real economy.



Governance and Strategic Coordination

These activities position GXA not only as a financial actor but as a convenor of the transition finance ecosystem, linking policy, capital and corporate action. At the highest level, Japan's GX Implementation Council, chaired by the Prime Minister, aims to drive whole-of-government alignment across METI, FSA, Ministry of Finance, and Ministry of Environment. GXA's organizational structure reflects this integration, with staff seconded from various ministries working alongside private sector professionals. GXA established a regional liaison office in 2024 and has actively engaged with over 20 regional banks to support GX projects in various regions. Furthermore, GXA operationalizes Japan's transition finance vision informed by both domestic stakeholders and international expertise.

CDP, through the appointment of CEO Sherry Madera to GXA's Global Advisory Council, contributes key perspectives and strategic advice in relation to Japan's GX policy initiatives. This connection underscores the alignment between the GX agenda and global best practices on transition planning and disclosure, areas where CDP continues to provide technical expertise and benchmarking.



Lessons for Entity-Level Transition Finance

Japan's approach demonstrates how policy coherence, institutional design and market mechanisms can work together to seek decarbonization and economic growth through industrial competitiveness. Key innovations include: statutory requirements linking transition planning with emissions trading; public private cooperation for climate financial disclosures linked to established disclosure frameworks and transition plans; and institutional architecture that brings together public policy expertise with private sector knowledge.

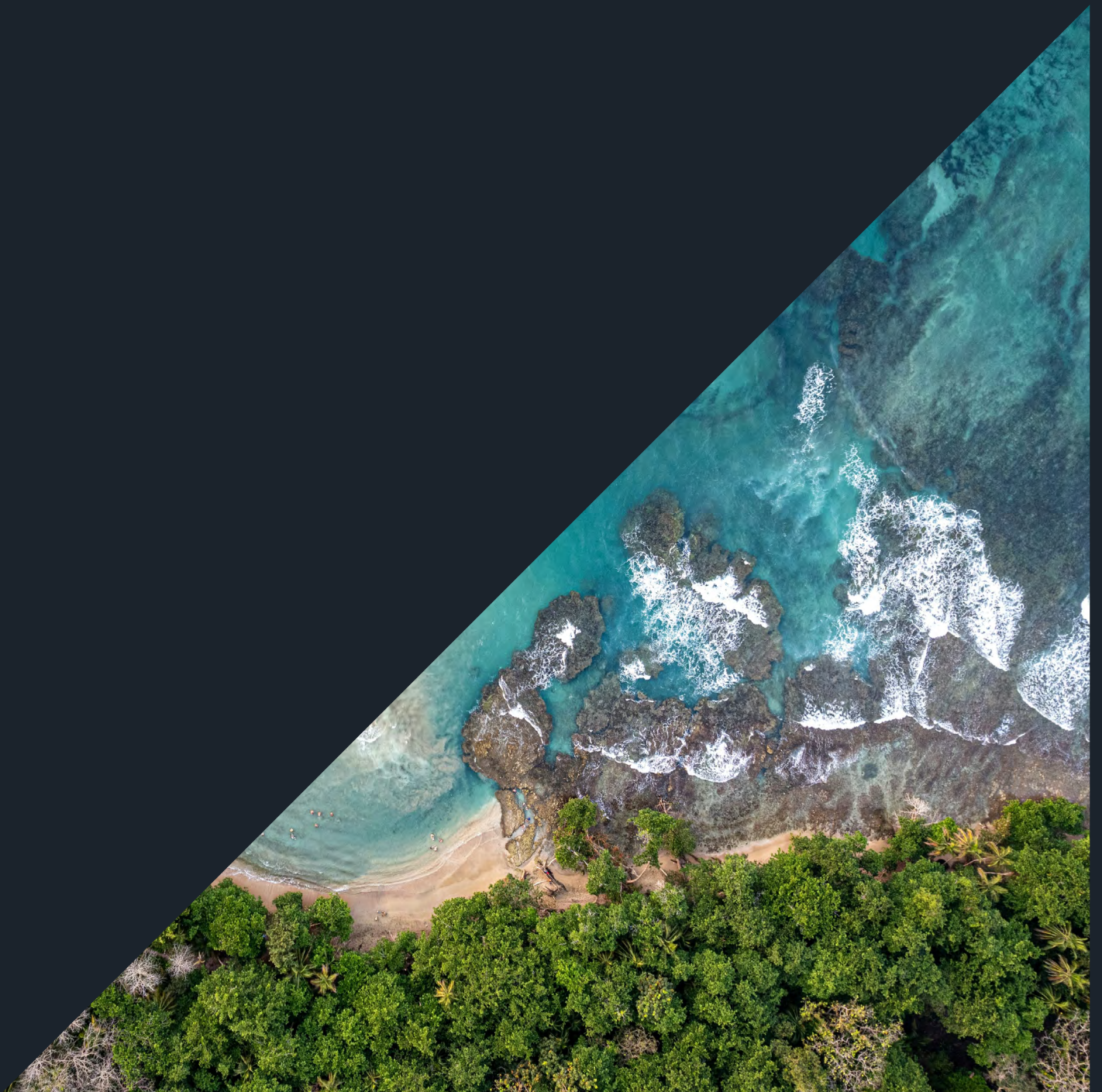
GXA's unique positioning as the public organization dedicated to GX activities, combined with its integrated responsibilities spanning financial support, carbon pricing administration, and stakeholder coordination, offers a model for how governments can move beyond fragmented policy approaches to create comprehensive transition finance approaches that drive real economy decarbonization at scale.

CDP, through the appointment of CEO Sherry Madera to GXA's Global Advisory Council, contributes key perspectives and strategic advice in relation to Japan's GX policy initiatives.



Re-defining Scope: From Climate to Nature in Transition Finance

6





Nature in transition finance

Climate transition finance has made significant progress, but the transition to net-zero cannot be achieved without addressing nature loss. The trajectories of many existing frameworks already recognize this inherent connection—the UK Transition Finance Council and Australian Treasury both explicitly require contextual nature considerations in their guidance consultations, while ICMA has released thematic guidance on nature-focused bonds and sustainability-linked bonds with nature-related KPIs.

Guidance on nature transition planning and assessment continues to advance following recent publications.^{xxvii} The Taskforce on Nature-related Financial Disclosures proposed two types of nature-related transition finance: (a) financing activities or entities to help in reduction of negative impacts and enhancement of positive impacts on nature, and (b) financing activities or entities that intentionally deliver or enable such reduction of negative impacts and enhancement of positive impacts. For financial institutions with existing climate transition plans, it is critical to consider potential synergies and trade-offs



The case for immediate action

between climate- and nature-related objectives in the deployment of credible transition finance.^{xxviii}

Waiting for fully developed nature transition plans or integrated environmental transition plans would mean missing critical opportunities. Companies are already pursuing nature-related initiatives that directly support their net-zero transition efforts. These include transitions to sustainable

water footprints and deforestation-free commodity supply chains—initiatives that need capital investment today.

A UK study on nature-related financial risks found that degrading nature at least doubles the scale of physical climate-related risks through feedback loops and compounding effects, based on NGFS scenarios^{xxix}. This suggests that existing physical climate risk metrics reported by corporates, such as those on hazards like floods and heat stress, can inform resilience-linked lending terms and sovereign risk-transfer instruments.

Nature-linked transition finance is already happening. Further mainstreaming will enable markets to support both a low carbon and nature-positive economy.

Waiting for fully developed nature transition plans or integrated environmental transition plans would mean missing critical opportunities. Companies are already pursuing nature-related initiatives that directly support their net-zero transition efforts.



Fonds Objectif Biodiversité

Listed fund construction and performance assessment

In 2024, France's main institutional investors launched 'Objectif Biodiversité', to develop innovative and effective methods to address biodiversity through financial management^{xxx}. The investors decided to partner with CDP, using data and insights from CDP to determine the listed fund universe, as well as aspects of the fund's investment strategy.

With an initial duration of five years, the listed equity fund will primarily target small and medium-sized European companies, aiming to both **support the transition to sustainable business models** and invest in innovative solutions that reduce pressures on biodiversity.

Assessing nature transition maturity and engaging with companies

The strategy behind the fund's transition tranche involves the creation of dedicated methodologies to assess corporates' nature transition maturity. To address deforestation, Mirova, the selected fund manager selected by investors, uses CDP's Forests datapoints and KPIs to evaluate companies on deforestation issues. They look at two key factors:

- a. Companies' revenue dependence on commodities that drive deforestation, as a proxy for impact and financial materiality, and
- b. Corporate progress in the transition to deforestation- and conversion-free supply chains with a focus on commitments and policies, risk assessments, governance, targets, supply chain and landscape engagement, and implementation actions including ecosystem restoration.

This use of corporate disclosure data builds on established frameworks, as a quantitative assessment of companies on a maturity scale similar to that of the Net Zero Investment Framework (NZIF) by IIGCC, as well as centering the assessment around the TNFD's pillars of nature transition plans. It is complementary to collaborative engagement efforts on deforestation (eg. PRI Spring), water stewardship and pollution.

One potential opportunity being explored is how to link the fund manager's corporate engagement with the adoption of measures to reduce pressures on nature and their subsequent progress along the maturity scale.

A dedicated scientific committee comprising biodiversity and sustainable finance experts, including CDP, advises the investors throughout the fund monitoring process. They provide guidance on the theory of change, methodological strategy, materiality assessment, development of impact indicators and corporate engagement principles, which will help evaluate the biodiversity performance of the portfolio.

The Initiative "Objectif Biodiversité" aims to stand as a model for integrating environmental data—beyond data that is focused on climate change—within sustainable finance.



Deforestation-free supply chains: A practical entry point



The relationship between deforestation and climate change remains at the forefront of discourse on the climate-nature nexus. Deforestation driven by agricultural and forestry commodities represents both a mature area for guidance and real economy action, and an accessible entry point for identifying financial opportunities as companies eliminate their exposure to deforestation.

Noting NZIF's widespread use in guiding investors to transition portfolios in alignment with net-zero, the table below illustrates how CDP's portfolio of KPIs and their underlying criteria can be applied along a no-deforestation maturity scale adapted from NZIF, selecting KPIs most relevant to alignment assessment categories. This demonstrates that nature-related KPIs can already be embedded within transition

assessment frameworks, and investors can utilize corporate data from existing real economy disclosures on forests to assess maturity along the transition to deforestation- and conversion-free commodity supply chains.

Table 7. No-Deforestation Maturity Framework

■ Basic KPI level. Includes partial criteria used in the KPI, reflecting initial steps.

■ Full KPI level. Includes all criteria used in the KPI, reflecting good practice in line with the Accountability Framework Initiative.

Criteria Category	Commodity KPIs	Committed to aligning	Aligning to a no-deforestation/conversion pathway	Aligned to a no-deforestation/conversion pathway	Achieving no-deforestation/conversion
Implementation	DF/DCF Status		●		●
	Ecosystem restoration and protection	●		●	
	Landscape engagement	●		●	
Plan actions and strategy	Value Chain engagement		●	●	
	Policy Engagement	●		●	
Governance	Board-level oversight	●	●		
Target/ambition setting	Forest-related policies	●	●		
	Targets	●			
Assessment	DIRO Assessment	●	●		
	Commodity disclosures	●			
	Third-party verification of commodity disclosures	●			
	Integration of forest issues into strategy and financial planning				



The Path Forward: Acting Now, Building Tomorrow

7



Conclusion and recommendations



This report demonstrates that transition plan data enables credible transition finance today. Climate mitigation indicators have converged across frameworks, disclosure is happening at scale, and assessment tools are already operational. Companies with Paris-aligned targets outperform peers, those with transition plans identify more opportunities, and implementation strategies are generating billions in cost savings. Financial institutions are already putting this intelligence to use across capital allocation, risk management and stewardship. The foundation exists—the challenge is scaling action.

Equipped with this evidence, each stakeholder must act:



Policymakers should mandate or incentivize transition plan disclosure aligned with global standards (ISSB, TPT) for systemically important entities, then utilize aggregated corporate data to inform enabling environments through national transition planning processes that connect disclosure insights to sectoral pathways and investment platforms. See page 42 for the full suite of considerations for policymakers.



Financial institutions must utilize existing climate transition plan data immediately across lending, investment, and engagement decisions—integrating transition plan assessments into credit underwriting, product eligibility criteria, portfolio monitoring and stewardship priorities without waiting for framework perfection.



Companies should close the implementation gap by disclosing the financial commitments backing stated ambitions—particularly CapEx aligned with transition plans and R&D investment in breakthrough technologies—while systematically identifying and addressing the full spectrum of dependencies their plans rely upon.

Moving forward requires acknowledging both strengths and gaps

Climate mitigation data has achieved convergence, flexibility across contexts and global scale. Yet critical development areas remain, including but not limited to:

- sector specific pathways for all regions
- connecting entity-level data with asset-level and geospatial data standardizing implementation-related data
- systematic evaluation of carbon lock-in within risk assessments

Looking ahead: Adaptation and nature



Integration across environmental objectives represents the next frontier

This report focuses deliberately on climate mitigation as the foundation for demonstrating how transition plan intelligence enables finance today. We have established an entry point for nature through deforestation-free supply chains, showing how CDP's forest-related indicators can be embedded within transition assessment frameworks. However, comprehensive nature integration demands the development of transition plan indicators across all ecosystems and assessment methodologies accounting for diverse dependencies and impacts, and data availability comparable to climate disclosures.

Adaptation integration is equally critical. Dependencies on physical climate resilience affect transition plan viability, yet comprehensive frameworks require linking physical risk management to credibility assessment, metrics for avoided losses and resilience-building, and adaptation considerations within financing eligibility criteria.



The vision ahead

Credible transition finance at scale requires parallel advancement on three fronts.

First, deploy climate mitigation transition plan data immediately across lending, investment, and engagement—the tools are operational to begin closing the transition finance gap.

Second, extend systematically to adaptation and nature as frameworks and data mature, building on the practical pathways this report identifies.

Third, institutionalize the feedback loop between entity-level disclosure and national policy through transition planning that connects data insights to sectoral pathways and investment platforms.

This is not sequential development—all three must advance simultaneously. The urgency of interconnected climate and nature crises demands we act on what we have while building what we need for comprehensive, resilient transition finance that delivers a net-zero, nature-positive economy.



Appendix: Assessment Methodologies

8



Annex 1: Transition Plan KPIs Assessment Methodology



Each year, CDP updates its assessment methodology for key climate transition plan indicators to reflect the evolution of its questionnaire and emerging best practice as defined by leading standards, guidelines, frameworks, and market behaviours. In 2024, CDP's assessment methodology underwent a more significant update to enhance alignment with leading practice. As a result, the continuity and comparability of data between 2023 and 2024 has decreased.

In addition, CDP's credible climate transition plan assessment has only been applied to organizations disclosing via the full corporate questionnaire, and not the SME questionnaire. Accordingly, the 2024 sample size has decreased to n = 12,271. CDP will develop dedicated SME climate transition plan indicators going forward to enable more robust assessment and interpretation of SME transition planning progress.

Table: Transition Plan KPIs – Assessment Methodology

CDP climate transition plan element	CDP climate transition plan key indicator	CDP 2024 question	Assessment methodology	Methodology change from 2023
Governance	Board-level oversight	4.1.2	Organization discloses the frequency with which transition plan-related issues are a scheduled agenda item, such as monitoring the implementation of a transition plan, and the mechanism into which these issues are integrated and elaborates with a comment.	No
	Board-level competencies	4.2	Organization discloses details of transition-relevant board-level competencies and mechanisms in place to main them.	Yes
	Executive incentives linked to climate performance indicators	4.5.1	Organization discloses at least one member of the management team who is entitled to incentives that are tied to transition-related performance indicators and elaborates with a comment.	No
Scenario analysis	Details of scenario analysis	5.1.1	The organization discloses its use of at least one 1.5°C-aligned or lower climate-related scenario analysis, including details on its coverage, parameters, assumptions, and analytical choices.	Yes
Risk & opportunities	Details of climate-related risks - potential financial impact and response strategy	3.1; 3.1.1	The organization discloses details of at least one climate-related risk identified, including the potential financial impact and cost to respond to the risk. If an organisation has not disclosed to 3.1.1, it must have disclosed to 3.1, by providing an explanation of why it does not consider itself to be exposed to climate-related risks with the potential to have a substantive financial or strategic impact on its business.	No
	Details of climate-related opportunities - potential financial impact and response strategy	3.1; 3.6	The organization discloses details of at least one climate-related opportunity identified, including the potential financial impact and cost to respond to the risk. If an organisation has not disclosed to 3.6, it must have disclosed to 3.1, by providing an explanation of why it does not consider itself to be exposed to climate-related opportunities with the potential to have a substantive financial or strategic impact on its business.	No
Strategy	Link between identified (and potential) climate-related risks, opportunities & company strategy	5.3.1	Organization describes how climate has influenced or has not influenced, or how they are considering climate's influence to their strategy regarding products and services, investment in R&D, operations, and supply/value chain.	No
	Presence of a 1.5°C world-aligned transition plan within business strategy	5.2	Organization discloses that it has a publicly available 1.5°C climate transition plan with a well-defined feedback mechanism in place to track progress and details of any underlying assumptions or dependencies.	Yes
	Details of assumptions and dependencies	5.2	Organization provides any detail about its assumptions and/or dependencies	New

CDP climate transition plan element	CDP climate transition plan key indicator	CDP 2024 question	Assessment methodology	Methodology change from 2023
Financial Planning	Link between identified (and potential) climate-related risks, opportunities & financial planning	5.3.2	Where climate-related risks and or opportunities were identified, organization reports on at least one area of its financial planning that has been influenced by climate and describes its influences.	No
	Financial planning details associated with a 1.5°C world	5.4.1	Organization must select at least one financial metric and disclose the percentage share of the selected financial metric which is aligned with a 1.5°C world in the reporting year, 2025, 2030 and description of methodology used to identify spending/revenue that is aligned with a 1.5°C world.	No
Implementation of decarbonization levers	Low-carbon R&D & emission reduction initiatives	(5.5;) 7.55	Organisation disclosed that they have emission reduction initiatives in the reporting year	New
	Details of low-carbon products and services	7.74.1	Organisation discloses details of its low carbon products and services, as well as a non-zero figure for the % revenue from that product in the reporting year and elaborate with a comment.	No
Targets	Details of near- and long-term science-based targets	7.53.1; 7.53.2	The criteria for credible targets disclosure within a credible climate transition plan require an organization to disclose: 1. is target to have a science-based status; 2. details on intensity or absolute emissions targets; 3. that it has a 1.5°C-aligned target.	No
	Details of net-zero science-based targets	7.54.3	Organization reports on whether it is reporting a net-zero target, whether it is science based – and if so, it also reports details on its net-zero target.	No
Emissions accounting with verification	Scope 1 emissions accounting	7.6	Organization discloses a figure for its Scope 1 emissions.	No
	Scope 2 emissions accounting	7.7	Organization discloses a figure for its Scope 2 location-based and market-based emissions	Yes
	Scope 3 emissions accounting	7.8	For each category of Scope 3 emissions, the organization discloses a figure for any “relevant, calculated” or “not relevant, calculated” categories, or provides an explanation for any categories “not relevant, explanation provided”.	No
	Emissions verification	7.9	Organization reports verification is in place for its Scope 1, 2, and 3 emissions.	No
Policy engagement	Details of policy engagement	4.11	Organization discloses whether it has direct and/or indirect engagement that could influence climate-related policy, law, or regulation, confirms that it has a publicly available Paris Agreement-aligned commitment governing its engagement activities, specifies that this commitment is aligned with the Paris Agreement, attaches or references the commitment or position statement, and states whether a formal process is in place to ensure all engagement activities are consistent with its overall climate strategy.	Yes
Supply chain engagement	Details of supplier environmental requirements	5.11.6	The organization discloses its environmental requirements for suppliers, including the mechanisms used to monitor compliance, the actions taken in cases of non-compliance, and the proportion of procurement spend and supplier-related Scope 3 emissions covered by these requirements.	Yes
	Details of supplier engagement	5.11.7	Organization discloses the type of supplier engagement, details of the engagement, a description of the impact of the engagement, including measures of success, a figure in both the % of suppliers by number, and % of procurement spend across.	Yes



Annex 2: Approach for natural language data processing of dependencies identified within transition plan disclosures

1. **Sample Size:** 3105 company transition plan responses (made publicly via CDP in 2024) analyzed. Approximately 65%, or 2018 companies were English language responses, which has been used for the denominator.

2. **Text Processing:** All responses converted to lowercase for consistent keyword matching

3. **Keyword Libraries:** 20-30 specific keywords and phrases defined for each dependency type, using synonyms and industry terminology, British and American English spelling variants, and based on the Rose et al. (2025) framework definitions.

4. **Matching Algorithm:** Responses were scanned for presence of dependency-related keywords

5. **Counting Method:** Each response counted once per dependency type (binary classification)





Annex 3: Criteria in the No-Deforestation Maturity Framework

Criteria Category	Commodity KPIs	Committed to aligning	Aligning to a no-deforestation/conversion pathway	Aligned to a no-deforestation/conversion pathway	Achieving no-deforestation/conversion
Implementation	DF/DCF Status		Assesses DF/DCF status and provides the percentage of their disclosure volume determined as DF/DCF.		Has over 90% of its disclosure volume determined as DF/DCF in a robust way in the reporting year (no more than 5% is excluded unless a suitable exclusion).
	Ecosystem restoration and protection	Is supporting or implementing projects focused on ecosystem restoration and long-term protection.		Is supporting or implementing projects focused on ecosystem restoration and long-term protection with specified benefits monitored at least every 2 years and discloses project location.	
	Landscape engagement	Engages in landscape/jurisdictional initiatives.		Engages in landscape/jurisdictional initiatives that have multiple goals and multiple partners, of which progress is collectively monitored using a shared external framework and the initiative area is disclosed	
Plan actions and strategy	Value Chain engagement		Engages with suppliers (if applicable) and smallholders on deforestation and conversion of other natural ecosystems, includes forest-related requirements in supplier contracts and has a non-compliance policy.	Has robust forest-related supplier requirements for tier 1 suppliers, a process in place for addressing non-compliance, and technical support or financial incentives for at least 50% of tier 1 suppliers (if applicable) and smallholders to assist with compliance	
	Policy Engagement	Assesses or conducts external engagement activities that could directly or indirectly influence policy, law, or regulation that may impact the environment.		Assesses or conducts external engagement activities that could directly or indirectly influence policy, law, or regulation that may impact the environment, has a public commitment to conduct engagement activities in line with the GBF and aligns direct and indirect engagement if it occurs.	
Governance	Board-level oversight	Has board-level oversight (where applicable) and management-level responsibility of forest-related issues with at least annual management reporting to the board on forest-related issues.	Has competent board-level oversight and management-level responsibility of forest-related issues by key positions/committees and has established governance mechanisms and incentive plans to support action on deforestation and conversion of other natural ecosystems.		



Criteria Category	Commodity KPIs	Committed to aligning	Aligning to a no-deforestation/ conversion pathway	Aligned to a no-deforestation/ conversion pathway	Achieving no-deforestation/ conversion
Target/ ambition setting	Forest-related policies		Has an organization-wide, publicly available no-deforestation/ no-conversion policy with a 2025 (or earlier) target date, that applies to direct operations and upstream value chain and includes FPIC and ILO commitments.		
		Has an organization-wide publicly available no-deforestation / no-conversion policy that applies to direct operations if producer only otherwise direct operations and upstream value chain.			
	Targets	Has a no-deforestation or no-conversion target that is organization-wide with a cutoff date of at least 2020 and target date of 2025 (or earlier).			
Assessment	DIRO Assessment		Maps its value chain and has a comprehensive process for identifying, assessing, and managing forest-related dependencies, impacts, risks and opportunities and identifies priority locations across its value chain.		
		Maps its value chain, has a process for identifying, assessing, and managing forest-related risks and opportunities, and identifies priority locations across its value chain.			
	Commodity disclosures	Discloses commodity volumes, origins, DF/DCF data and full commodity information.			
	Third-party verification of commodity disclosures	Has third-party verification of disclosed commodity volumes, origins and DF/ DCF data.			
	Integration of forest issues into strategy and financial planning	Forest-related risks and opportunities affected strategy and financial planning.			



Endnotes

- | | | | | | |
|------|---|-------|---|--------|--|
| i | Bloomberg New Energy Finance, Energy Transition Investment Trends 2025 | xv | CDP has updated its 2026 questionnaire to incorporate adaptation-related data for the associated transition plan question. The remaining indicators mapped to physical risk considerations are already available within CDP disclosures. | | highlights the importance of building comparability of data, including for dependencies. This report section takes some initial steps towards applying common typologies as they recommend. |
| ii | The Independent, High-Level Expert Group on Climate Finance, Raising Ambition and Accelerating Delivery of Climate Finance | | | | |
| iii | UK Transition Finance Council, Draft Entity-Level Transition Finance Guidelines | xvi | Low-carbon R&D has not been evaluated within the element-level analysis conducted in this report, due to the question only being seen by companies filling out CDP's sector-specific questionnaires, whilst the remaining indicators here are sector-agnostic. This is an area for future development and some initial insights into R&D-related disclosures are provided for companies in the steel, cement and electric utilities sectors. | xxiii | Jahn and Manning, How can we Coordinate the Low Carbon Transition? Building a Global Information and Engagement Architecture . |
| iv | We note that the UK Transition Finance Council's definition of "credible pathways" uses the phrasing "Paris compatible" to allow entities in emerging markets and sectors where alignment to 1.5°C is not yet possible or practical to still qualify for transition finance in certain circumstances. | | | xxiv | Financial Stability Board, The Relevance of Transition Plans for Financial Stability |
| v | International Transition Plan Network, Private Sector Transition Plans: A Critical Tool for Mobilising Finance | xvii | This criterion assesses the existence of both short and long-term targets, but we note the following emphasis in our guidance and criteria. The plan should reflect considerations of the short- and long-term target timeframes, trending towards 2050 in the long-term, while ensuring alignment with international environmental agreements. It reflects the urgency to act, emphasizing near-term actions (within the next five years) as critical to achieving long-term environmental ambition. | xxv | Australian Sustainable Finance Initiative (ASFI), How elements of Australia's climate architecture combine to enable private capital flows for climate mitigation . |
| vi | Climate Financial Risk Forum, Mobilising Adaptation Finance to Build Resilience | xviii | Accounting for Sustainability, Aligning Transition Planning with Financial Planning . This guide for finance teams can be used by companies to strengthen and implement the connection with transition planning. | xxvi | The UK government-mandated Transition Finance Market Review and the subsequent Transition Finance Council are continuing to refine how transition plans can inform credible transition finance flows, in addition to a government consultation for mandatory transition plans. |
| vii | Network for Greening the Financial System, NGFS Note on Integrating Adaptation and Resilience into Transition Plans | | | xxvii | This includes (1) WWF, Catalysing Change: The Urgent Need for Nature Transition Plans ; (2) Taskforce on Nature-related Financial Disclosures, Guidance on Nature in Transition Plans ; (3) World Economic Forum, Nature Positive: Corporate Assessment Guide for Financial Institutions . |
| viii | CDP recognizes that this is a rapidly evolving field, including here a sample of several frameworks and publications developed by other initiatives that are relevant to a broad base of global and regional data users. | xix | Centre for Economic Transition Expertise, Submission to the UK Government consultation 'Climate-related transition plan requirements' . | xxviii | To support data preparers and data users, CDP has published a mapping of the alignment of its questionnaire with the TNFD disclosure recommendations. |
| ix | Glasgow Financial Alliance for Net Zero, Expectations for Real-economy Transition Plans | xx | Keyword libraries may differ significantly across regional and cultural variations. As such, this should be considered a first analysis for discussion and needs to be developed further using a multilingual natural language processing approach to more accurately reflect global averages by incorporating regional differences. | xxix | Green Finance Institute, Assessing the Materiality of Nature-related Financial Risks for the UK . |
| x | ILGCC, Net-zero Investment Framework 2.0 . This mapping is to NZIF's asset alignment, supplemented by Advanced Action Points for the core area of Governance and Strategy | | | xxx | The investors comprising the initiative at the time of writing include: Abeille Assurances (Aéma Groupe), BNP Paribas Cardif, BPCE Assurances, Caisse des Dépôts, CNP Assurances, EDF Gestion, MAIF, MACIF (Aéma Groupe), Malakoff Humanis, Société Générale Assurances, Crédit Agricole Assurances, AXA, Allianz France, AÉSIO mutuelle (Aéma Groupe), PRO BTP, CARAC, the Caisse Générale de Prévoyance des Caisses d'Épargne (CGP). |
| xi | EU Platform on Sustainable Finance, Building trust in transition: core elements for assessing corporate transition plans | xxi | Rose, Shrimali and Halttunen, A framework for assessing and managing dependencies in corporate transition plans | xxxi | International Capital Markets Association, Climate Transition Finance Handbook |
| xii | ASEAN Capital Markets Forum, ASEAN Transition Finance Guidance Version 2 | xxii | A workshop convened in June 2025 by Climate Arc that brought together various actors in this ecosystem, | | |
| xiii | APLMA, LMA, LSTA, Guide to Transition Loans | | | | |
| xiv | Strategy is not an individual element of a climate transition plan. The inclusion of strategy in this table is representative of the corresponding module in CDP's questionnaire, containing several key indicators which provide information to consider when evaluating corporate climate transition plans. | | | | |



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