



POSITION PAPER

Transition Plans in Banking

From Compliance to
Strategic Advantage

September 2025

Table of Contents

Executive Summary	1
Introduction	2
1. Strategic Transition Planning	3
Context	3
Challenges and Trade-offs	4
Investor Perspective	5
Status Quo	6
Recommendations for Banks	7
2. Client Engagement	8
Context	8
Status Quo	8
Client Engagement at ING	10
Client Engagement at Helaba	11
Recommendations for Banks	12
Messages for the Real Economy	13
3. Compliance & Reporting	14
Context	14
Status Quo	16
Recommendations for Banks	17
Messages for Policy Makers & Regulators	18
Reference List	19
Approach of the Sustainable Finance Cluster Initiative	21
Acknowledgements	22
Imprint	23

Executive Summary

Transition plans for banks are becoming strategically important in Germany and Europe. They serve as a key instrument to manage climate-related risks, support portfolio decisions, and ensure regulatory compliance. Delaying their integration into core governance, business strategy, and client engagement poses financial, reputational, and supervisory risks. The recommendations in this paper, grounded in insights from the German banking sector, show that robust transition planning is possible, even in times of regulatory complexity and data limitations.

The key takeaways of this paper are:

1. STRATEGY FIRST – Moving Beyond Compliance

Transition planning is a strategic and regulatory necessity. It enables banks to navigate transition and physical risks while aligning with portfolio steering and long-term value creation. Treating transition plans as a compliance exercise alone undermines their potential.

2. GOVERNANCE MATTERS – Own It or Lose It

Clear responsibilities, cross-functional coordination, and concrete implementation steps are essential. Many banks still lack board-level accountability and integration into business and risk processes.

3. SCRUTINY INTENSIFIES – The Spotlight is On

Regulatory and investor scrutiny is increasing. Investors, rating agencies and NGOs increasingly assess companies (including banks) based on the quality of their transition plans. Plans with unclear governance and oversight mechanisms, missing targets, or lack of progress may lead to reputational risk and constrain access to capital.

4. CLIENT REALITY CHECK – A Glass Half Empty

Banks depend on transition plans from their clients to meet portfolio-level goals. However, significant gaps remain. At the end of 2024, nearly half of companies in Germany still lacked climate targets or credible plans.

5. CLIENT ENGAGEMENT – An Emerging Opportunity

Stronger client engagement and internal capacity are needed. Many banks have not yet introduced systematic client engagement tools or developed the data, systems and processes they needed to close the implementation gap.

6. REGULATORY MAZE – Navigate or Get Lost

Regulatory divergence adds complexity. Differences between CSRD and EBA requirements creates implementation challenges. Aligning disclosures with risk-based planning requires internal coordination to avoid duplication and inefficiencies.



IMAGE SOURCE: familie-eisenlohr.de_459551231 - stock.adobe.com

Introduction

Achieving the Paris Agreement and European Green Deal targets necessitates a fundamental economic transformation that has wide-ranging implications for the financial sector. As a result, banks in Germany face the dual challenge of aligning credit portfolios with the 1.5°C target and maintaining resilience throughout this transition. However, according to a European Central Bank (ECB) study of 95 banks, representing around 75% of euro area loans, most credit portfolios are still misaligned with the Paris goals. This leads to substantial transition risks for 90% of them (ECB 2024).

Climate transition planning is now a strategic priority in the banking sector and serves a dual purpose: navigating long-term value creation within the net-zero transition and safeguarding banks against physical and transition risks. At the same time, it ensures that the bank's operations keep pace with evolving regulatory, market, and stakeholder demands. Framing transition planning as a strategic exercise rather than a compliance task enables banks to balance resilience and value creation.

Transition plans are forward-looking action plans presented as a formal document to enhance transparency. They are an essential element of transition planning, often developed to meet regulatory requirements and expectations from multiple stakeholders. They outline specific targets, responsibilities, metrics, and timelines that guide a company's stepwise decarbonisation path in line with the 1.5°C target.

The central question is:

What are the key strategic and operational considerations for banks in both their transition planning processes and the development of transition plans?

This position paper serves as a guide for senior executives and sustainability managers in the banking sector on how to develop robust and transparent transition planning processes.¹ Beyond the banking sector, this analysis is relevant for companies across the real economy, civil society, regulators, and policy makers. To this end, Chapter Two on client engagement presents evidence-based messages for stakeholders from the real economy to navigate the evolving financial landscape and leverage transition planning as a strategic advantage. Further, Chapter Three on compliance & reporting offers recommendations for policy makers and regulators.



IMAGE SOURCE: dmitrirock87_316079226 - stock.adobe.com

¹ See the description of the approach and research methods at the end of the paper.

1. Strategic Transition Planning

Context

A holistic approach to transition planning touches upon **four interdependent domains**: ambition & targets, strategy & business model, risk management, and governance (see Figure 1). Given the complex interdependencies between climate risks, business transformation, and long-term resilience, banks must address these four domains comprehensively to ensure that transition planning becomes a driver of strategic transformation rather than a fragmented compliance response. This section explores transition planning across the four internal domains in banking.²

Figure 1: The four domains of transition planning

Domains	Ambition & Targets	Business Model	Risk Management	Governance
Objectives	Articulate a clear position on climate and define targets aligned with the net-zero / 1.5°C pathway.	Identify relevant sectors, products and clients. Decide which ones to reduce, engage or grow.	Identify transition and physical risks in the portfolio based on different climate scenarios and stress testing.	Ensure that transition planning is a cross-functional effort, responsibilities are clearly defined, and accountability established.
Key Drivers	Regulatory expectations and stakeholder pressure	Competitive pressures, shareholder and customer expectations	Expected climate trajectories of 2.5°C to 3°C	Internal willingness and capabilities; board level commitment



IMAGE SOURCE: Thamonchanok_1320335362 - stock.adobe.com

² Compliance and reporting, the fifth domain, is discussed in Chapter Three.

Challenges and Trade-offs

Insights from practice indicate that transition planning often involves navigating trade-offs between ambition, business risk, and profitability. Acknowledging these challenges is critical for managing expectations, adjusting targets, and protecting long-term strategic positioning.

First, banks must ask themselves: What future are we preparing for? Most banks use the 1.5 °C (or net-zero) target scenario as their guiding reference, usually relying on the “Net Zero Emissions by 2050 Scenario” (NZE) pathway from the International Energy Agency (IEA 2024)³. However, the speed, trajectory, and feasibility of transitions vary across sectors due to technological and structural differences. As a result, some banks employ multiple climate scenarios for resilience assessments and stress tests. The uncertainty in climate science and policy further complicates the planning process. These uncertainties create tensions. Deviat-

ing from a pathway entails reputational and regulatory risks, such as exposure to carbon pricing or shifting policy regimes. There is also ambiguity around target-setting: should banks commit to highly ambitious goals and risk missing them, or set conservative targets that may be exceeded?

One fundamental challenge of banks is that financed emissions (Scope 3) account for approximately 96% of their emissions (PwC 2025a). Therefore, banks significantly depend on the ambitions, commitments, as well as credible information from their clients (see also the next chapter on client engagement). Due to this dependency, there are material business risks embedded in the 1.5 °C trajectories. Committing to these pathways may result in reduced business opportunities and profitability if clients or entire sectors fail to transition accordingly. In such cases, banks face a dilemma: phasing out clients or sectors may trigger revenue loss in the short-term. However, inaction could lead to default risks in the long-term as well as reputational damage or greenwashing accusations.

Against this backdrop, physical risks are increasingly outpacing transition risks. Although, individual banks have limited influence over these macro-level developments, they have control over the types of risks and sectors they chose to include in their portfolio. Further, they have the option to offer products and services to assist clients to mitigate physical risks.

These tensions can be addressed through transparent communication and structured planning. A strong transition plan is not just a roadmap; it is a tool for internal alignment and external credibility. It enables banks to navigate complexity and maintain strategic flexibility. And this is the information that investors are looking for, that, among others, can help inform their decisions.



IMAGE SOURCE: AA+W_538105231 - stock.adobe.com

³ Additional guidance on net-zero targets and scenarios recently emerged from the Network for Greening the Financial System (NGFS 2025), Science Based Targets initiative (SBTi 2025) and UN Environment Programme Finance Initiative (UNEP FI 2025).



Investor Perspective

From an investor perspective, transition plans can serve as critical inputs for investment decision-making⁴, extending beyond adherence to reporting requirements such as the CSRD. Investors can view climate transition plans through a multifaceted lens encompassing risk assessment, opportunity identification, and strategic alignment evaluation. The key question is how companies are addressing climate-related risks and opportunities across different pillars such as those in the Task Force on Climate-related Financial Disclosures (TCFD) framework: governance structures, strategic business planning, risk management frameworks, and metrics and targets (TCFD 2021).

The intention behind transition plans is not for them to be standalone documents but rather positioned as an integral part of a companies' long-term strategy. This demonstrates clear linkages between climate strategy, operational performance, financial impact, and revenue generation. Transition planning can serve both internal purposes, helping companies "concentrate the mind" and assess performance against long-term goals, and external purposes, enabling stakeholders to understand how companies plan to adapt in an economy that is transforming.

To assess whether transition plans are credible, investors can look at different indicators. These include whether targets are clearly set, whether an appropriate level of resource, including capital expenditure, is dedicated to transformation, and whether any progress is made. Governance and accountability mechanisms is another important aspect of credibility, where investors could be looking at organisational responsibility structures and executive-level ownership of transition plan implementation.

The plans that can support risk assessment and allocation decisions are those that demonstrate clear integration of climate strategy with business strategy and operations. They also include those supported by robust governance, transparent resource allocation, and measurable targets with regular progress reporting.

Practices that could potentially raise red flags from an investor perspective include prioritising visual appeal over substantive content, maintaining unclear accountability structures without meaningful executive engagement, or providing excessive qualitative content without corresponding quantitative targets. Additionally, failing to report transparently on progress toward stated targets merits further scrutiny.

As climate considerations can have an impact on investment decisions, transition plan quality can help shape capital flows and corporate valuations. Another question is how banks are positioned internally to meet those investor expectations.

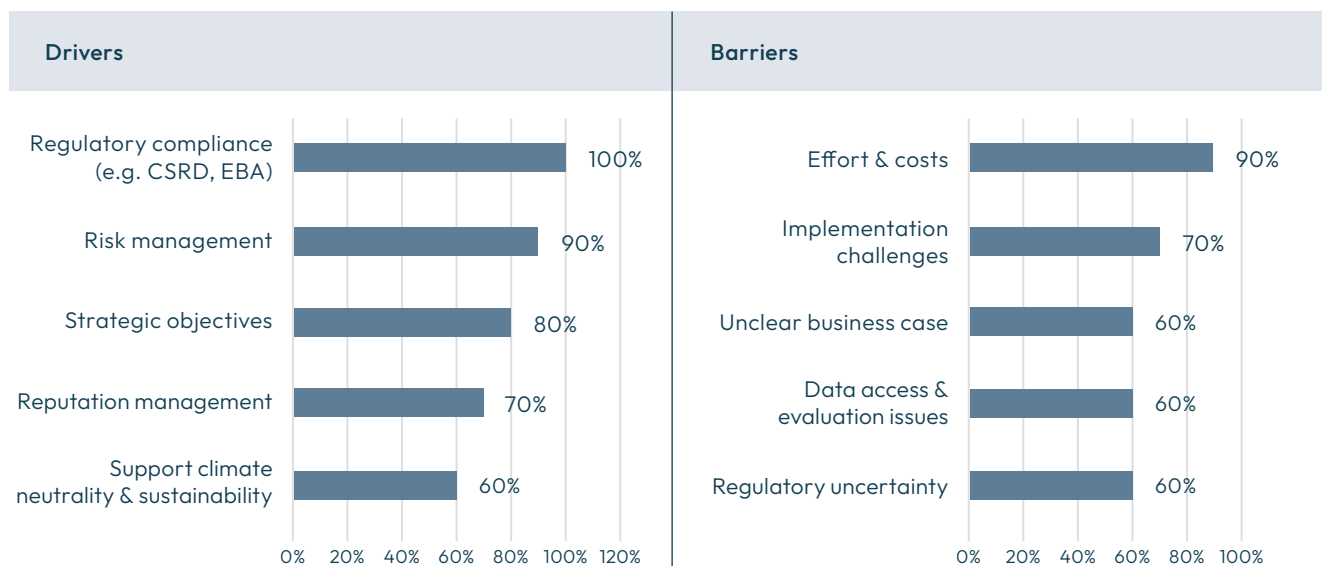
⁴ Additionally, rating agencies and NGOs are increasingly evaluating the existence and quality of transition plans. Examples are ISS (2024), Ethifinance (2025) and Reclaim Finance (2025).

Status Quo

Findings from our survey show the current state of internal positioning. All published CSRD-/ESRS-compliant transition plans are based on a (near) 1.5°C scenario.⁵ Two-thirds of banks develop these plans through cross-functional collaboration, while one-third rely primarily on sustainability teams. For the European Banking Authority (EBA) transition plans, 60% assign responsibility to their risk management function, with the rest split between sustainability teams and cross-functional efforts.⁶ Board-level responsibility remains inconsistent: in 40% of banks, the entire board is accountable, while in 20%, a single member holds responsibility. In 40%, accountability is not assigned at the board level, which indicates a governance gap.

Figure 2 further gives an overview of the five strongest barriers and drivers. Regulatory compliance and risk management are the key drivers for transition planning. Effort, cost, and limited internal resources are seen as major obstacles. These findings suggest a disconnect between ambitions and reality. While banks align with 1.5°C scenarios mainly for compliance reasons, fragmented governance structures, unclear accountability, and resource constraints bring the economic viability in question. Most critically, if 60% of the banks cannot identify a clear business case in their transition planning, this suggests a misalignment between regulatory expectations and business strategy. This represents a gap that threatens their effectiveness as genuine risk management tools.

Figure 2: Key Drivers and Barriers of Transition Plans



⁵ In our sample, four out of ten banks had published a CSRD compliant transition plan as of April 2025, see also Chapter 3 on Compliance and Reporting.

⁶ CSRD and EBA transition plans and how they differ is further discussed in Chapter 3 on Compliance & Reporting

Recommendations for Banks

To remain competitive in the long-term, banks need to move beyond regulatory compliance to build genuine transition capabilities that deliver risk management and business value.

Embed transition plans into strategy and financial planning. Many plans lack integration with core business strategies and budgeting processes. Banks should align plans with business strategies, risk frameworks, and financial planning cycles, ensuring that climate targets are reflected in capital allocation decisions and performance metrics across business units.

Establish clear governance and accountability. Banks should clarify board and senior management responsibilities for transition plan oversight and establish regular review mechanisms with dedicated resources for monitoring and tracking progress. This includes defining clear roles for implementation, ensuring cross-functional coordination, and creating systematic reporting processes to senior management and the board.

Strengthen implementation through data and capacity building. With 60% citing data availability and 90% citing resource constraints as key barriers, banks need to invest in data collection, technological platforms for emissions accounting and scenario analysis. Internal expertise can be expanded through training and external partnerships, while sector knowledge gaps can be addressed via industry benchmarks.

Banks should therefore prioritize establishing strategic clarity, clear accountability frameworks and strengthening their data capabilities. Without these fundamentals, they risk exposure to transition risks and regulatory non-compliance. Disciplined execution in these areas is essential for long-term success.



IMAGE SOURCE: diego grandi_578096581 - stock.adobe.com

2. Client Engagement

Context

For bank's transition planning to succeed, the transformation needs to happen in their business model (the second domain in **Figure 1**), specifically through their credit portfolio that finances the real economy where emissions occur. Companies can drive actual change by reducing emissions, adapting business models, and investing in low-carbon technologies. Banks can enable this through capital and guidance but ultimately depend on client transition plans. These client plans serve two purposes: providing essential data for banks' own planning and enabling the evaluation of business opportunities. Without reliable client plans, banks cannot effectively steer portfolios, allocate capital, or meet regulatory expectations. This interdependence means that client engagement is the cornerstone of effective transition planning for banks.



IMAGE SOURCE: Thurston H/peopleimages.com_600679051 - stock.adobe.com

Status Quo

A recent analysis by the European Financial Reporting Advisory Group (EFRAG) explores the current state of transition plan disclosures. It found that 56% of non-financial corporates in Europe with published CSRD-compliant sustainability statements as of April 20th, reported having a climate transition plan.⁷ However, the report pointed out that most transition plans remain high-level and non-standardised. Very few provide comprehensive information aligned with EFRAG's draft IG4. This highlights a gap between the existence of declared plans and the provision of detailed and actionable information for effective decision-making (EFRAG 2025).

The Sustainability Transformation Monitor 2025 (STM) revealed that prior gaps in corporate readiness existed in Germany (data from end of 2024). Only about half of surveyed companies had either already developed a transition plan (24%) or were working on one at the time (27%). The rest had neither plans nor climate targets. Transition readiness varied significantly by company size, with large firms being the most advanced and medium-sized firms often lacking both plans and targets (Bertelsmann Stiftung 2025). This limited transition readiness across the real economy poses significant challenges for banks in obtaining the reliable, forward-looking data needed to develop credible transition plans and assess climate-related risks in their portfolios.

The STM 2025 further showed that banks increasingly see themselves as transformation partners. Around 74% of responding banks considered this role as already established or currently being developed, with large banks being at a more advanced stage than smaller ones. Our own findings on client engagement show that some banks have already taken concrete steps to integrate

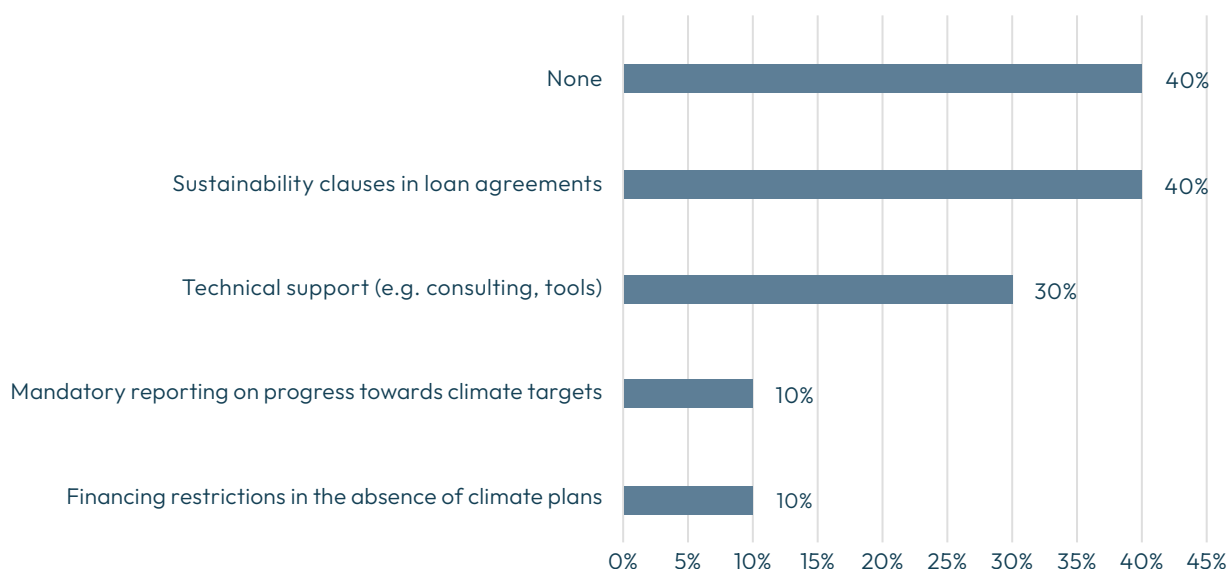
⁷ For the German sample, 73% of non-financial corporates reported having a transition plan. Another study from PwC found that in Germany 66% and in Europe 60% of companies from all sectors that have published a CSRD report have stated to have a transition plan (PwC 2025b).

sustainability and client transition planning as can be seen in **Figure 3**. A minority has started implementing additional measures, such as mandatory reporting on progress or restricting financing for clients without a transition plan. Moreover, no institution currently provides financial incentives such as preferential interest rates for meeting climate targets.⁸

The evidence indicates a critical implementation gap: while banks see for themselves a role as transformation partner, both corporate readiness and bank's client engagement strategies could be further developed. With nearly half of companies lacking climate targets and 40% of banks having no client engagement measures, success requires stronger regulatory frameworks, enhanced technical capabilities, and systematic client partnership approaches.

Two core challenges stand out for banks: regulatory uncertainty and limited corporate client readiness. Some banks lack expertise to provide meaningful support, with clients possessing more sector knowledge than their financial advisors. Unlike traditional financing discussions, effective climate-related engagement requires financial advisors to develop a deeper understanding of climate risks and opportunities, familiarise with emerging technological solutions, and integrate sector-specific business process knowledge into client dialogue. Without clear expectations and tools, client engagement remains fragmented. Portfolio transition planning ultimately depends on bridging these readiness gaps through coordinated ecosystem action.

Figure 3: Implemented Client Engagement Measures in Banks



⁸ The challenge is that as of now, a discount would negatively impact a bank's Profit and Loss statement as there is currently no real benefit on the funding side.



CASE STUDY

**Client Engagement at ING**

ING's Terra strategy focuses on sectors with the highest emissions intensity. Each sector's performance is tracked annually against specific decarbonisation pathways. Since 2023 ING has mapped clients' climate transformation using the Client Transition Plan (CTP) approach (ING 2025), which is a key lever for client engagement. Hereby relationship managers collect data on greenhouse gas emissions reporting, commitments/targets, and decarbonisation action plans, which are then assessed and bundled into a CTP score. Historical CTP data collection over the last years has helped ING identifying clients that are progressing with their transition plans and those that are not.

The CTP is one element of ING's dedicated client engagement approach, the other element being a client's emission intensity relative to the sector pathway. Clients are categorised into different groups based on these two factors. ING uses a decision tree to determine whether to continue, restrict, or phase out relationships based on the quality of the transition plan and progress made. ING generally aims to support clients in their transition. Any clients that are not aligned will undergo enhanced due diligence and targeted dialogue by relationship managers. Those clients not showing sufficient progress may face stricter credit conditions or be denied access to new business from 2026 onwards.

The client engagement approach will have direct implications for specific business relationships, as well as for broader portfolios. ING will initiate a managed phase-out of non-aligning clients following unsuccessful engagement, or entire sub-sectors driven by ING's overall climate strategy (e.g. upstream oil & gas by 2040). In contrast, ING is also keen to grow its business with clients that have credible transition pathways and finance suitable activities or technologies via green loans.



CASE STUDY



Client Engagement at Helaba

As part of its client engagement, Helaba uses the Transition Readiness Assessment (TRA) to support its corporate clients in their transformation towards a low-emission economy. The TRA is a key tool for taking stock: it systematically assesses the transitory risks, particularly for customers in emission-intensive sectors such as steel, cement, automotive and energy, and thus provides a basis for client dialogue.

Together with the clients, the account managers consider four assessment modules:

1. Status quo:

Determination of current emissions and emission intensities (Scope 1-3)

2. Emission reduction targets:

Assessment of the quality and time horizon of the CO₂ reduction targets

3. Climate targets & transition planning:

Evaluation of the feasibility and comprehensibility of the transition plan

4. Overall economic context:

Consideration of external factors influencing the transition such as political and regulatory forces

As a result, the customer receives a score on a five-point scale. Based on the score, a differentiated risk assessment is possible.

The TRA is currently mandatory for the 30 largest customers with high emission-intensity and for new customers in the decarbonisation sectors of energy, steel, cement and automotive. For all other customers, transitory risks are assessed using a standardised, quantitative, and qualitative ESG score.

Beyond risk aspects, Helaba aims to increasingly engage with its clients on their transition planning to identify related funding needs and business opportunities. In this respect the TRA offers an ideal starting point for in-depth discussions around decarbonisation strategies, the relative performance of clients compared to peers and other relevant sector-specific observations. In conclusion, the TRA enables active and future-oriented support for customers on their transformation path. It supports the achievement of climate targets and positions Helaba as a responsible partner in the sustainable transformation of the economy.

Recommendations for Banks

To meet net-zero commitments, banks need to define clear strategic focus and monitor progress consistently. While 80% identify strategic objectives as key drivers for transition plans, many face uncertainty around prioritising sectors and portfolios. Additionally, 60% struggle to identify the business case and translate plans into actionable measures.

Banks should clarify whether their strategy focuses on phasing out high-emission sectors and/or enabling client transitions. While withdrawing from high-emission lending may reduce portfolio emissions, it comes with the risk of shifting financing to other lenders without reducing real-world emissions. Therefore, enabling client transitions potentially delivers greater climate impact. Success requires mapping portfolio carbon intensity using science-based targets, setting measurable milestones, and establishing formal review processes. A focused, data-driven strategy enables

optimal resource allocation for maximum climate impact while demonstrating credibility to regulators, investors, and stakeholders.

At the same time, **banks should strengthen client engagement by moving from compliance-focused conversations to structured partnerships.** This requires systematic, sector-specific engagement strategies including ESG advisory services and tailored sector tools. Such strategies should be supported by financial agreements that integrate transition expectations and create incentive structures making transition planning attractive for clients. Banks can support the process by establishing clear protocols for managing restrictions when clients lack credible plans while offering alternative financing for companies facing genuine transition barriers. Proactive engagement will potentially reduce portfolio risks while accelerating broader economic decarbonisation.



IMAGE SOURCE: cl_stock_84081206 - stock.adobe.com

Messages for the Real Economy

Banks and investors who are serious about climate action are fundamentally reshaping their relationships with companies, evolving from capital providers to transformation partners who integrate climate considerations into decision-making. Companies with credible transition plans and strategic financial engagement will potentially secure competitive advantages in capital access and market positioning. Those remaining passive in an evolving environment are likely to face financing restrictions and competitive disadvantages. Three approaches can help companies navigate this transforming landscape effectively.

1. Recognise the Strategic Imperative

Managing transition and physical risks is now essential for long-term business performance. Companies ignoring them will potentially face material financial risks including asset impairments, operational disruptions, and increased default probabilities, alongside competitive disadvantages and reputational exposure. With banks evolving into transformation partners, the relationship dynamic is fundamentally shifting from transactional to strategic.

2. Develop Credible Transition Plans proactively

Companies must recognise that transition plans serve dual purposes: internal strategy and external validation for banks' net-zero objectives. With nearly half of companies lacking climate targets and only 27% having transition plans, early movers will potentially gain a competitive advantage. Robust plans should include sector-relevant data, investment needs, and measurable targets. This can enable better capital access and positions companies as credible partners.

3. Prepare for Partnership-Based Banking Relationships

Borrowing companies can expect enhanced measures from banks including sustainability clauses, mandatory reporting, and potential financing restrictions without credible plans. However, in some sectors, companies possess more technical expertise than their financial partners. This means that companies can lead sector-specific transition discussions, access new collaboration opportunities through banks' networks and advocate for favourable financing terms.



IMAGE SOURCE: Gorodenkoff_792699750 - stock.adobe.com

3. Compliance & Reporting

Context

The current regulatory landscape in Europe is shaped by overlapping yet distinct expectations from the EBA and CSRD/ESRS.⁹ The EBA, on the one hand, has established binding supervisory expectations for banks under direct ECB oversight. These guidelines mandate the integration of transition planning into institutions' risk management systems, based on a forward-looking assessment of business model resilience considering ESG risks in general (not just climate and decarbonisation) (EBA 2025). On the other hand, the ESRS E1 under the CSRD requires companies from all sectors that

are in scope (which affects most banks) to disclose whether they have a climate transition plan and, if so, report on related targets, scenario analysis, and measures. However, the CSRD itself does not mandate a transition plan. Its real-economy lens and double materiality focus rather encourages voluntary disclosures.¹⁰

The resulting challenge for banks is twofold. First, they need to reconcile the CSRD's double materiality and transparency logic with the EBA's outside-in risk-based regulatory approach, recognising that these frameworks serve distinct communication mandates. While CSRD emphasises external disclosure and stakeholder transparency, EBA guidance addresses internal risk assessment processes that are not intended for public communication. Transition plans must therefore cover a core set of elements, including emissions metrics, science-based targets, scenario modelling, and implementation measures. At the same time, they need to maintain the flexibility to fulfil both public transparency requirements and confidential supervisory reporting needs.

Second, an emerging gap between CSRD and EBA requirements creates a dilemma for banks (see **Figure 4**). On the one hand, they are facing increased reporting and regulatory pressures themselves, in particular from EBA. On the other hand, while some simplification of CSRD data points could benefit both companies and banks, the various Omnibuses risk creating overly broad exemptions that would deprive banks of essential data from the real economy sector needed to develop their own credible transition plans.



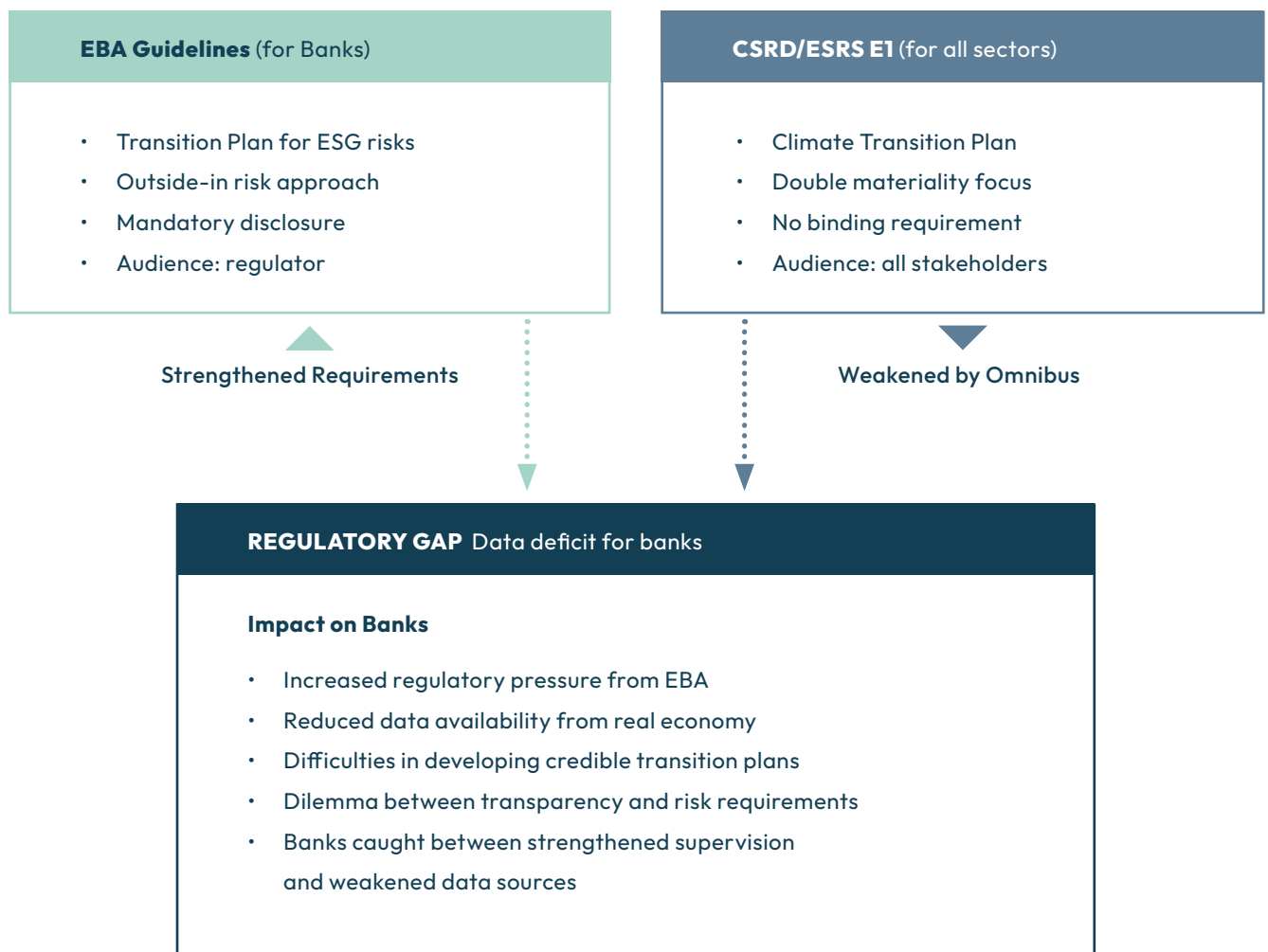
IMAGE SOURCE: Hand Robot_1333413900 - stock.adobe.com

- ⁹ Various stakeholders and studies have provided overviews of regulatory requirements, practical guidance and critical assessments of transition plans (e.g. TCFD 2021, GFANZ 2022, TPT 2023 & 2024, Deloitte & IFF 2024, PwC 2024, 2025a and 2025b, VfU 2024, IFRS 2025 and Reclaim Finance 2025).
- ¹⁰ The CSDDD technically also demands a transition plan, however the requirements remain subject to ongoing revisions through Omnibus Simplification Package. The directive's implementation timeline has been delayed until July 2028, creating uncertainty around the final scope and content of mandatory climate transition plans for large companies operating in the EU.

Additionally, the International Financial Reporting Standards (IFRS) attempts to establish a global standard. Especially international banks, investors and companies would greatly welcome a widespread adoption thereof. However, the absence of mandatory global adoption, jurisdictional conflicts with frameworks like EU's CSRD, and practical implementation challenges continue to limit its effectiveness as a truly unified global standard.

Against this backdrop, banks must develop transition plans that satisfy multiple, sometimes conflicting regulatory demands while remaining operationally viable. Success will depend on navigating the tensions between standardization and flexibility as well as global harmonization and regional priorities. As regulations continue evolving, banks need adaptive frameworks that maintain both compliance and credibility.

Figure 4: Emerging Gap between EBA and CSRD Transition Plan Requirements



Status Quo

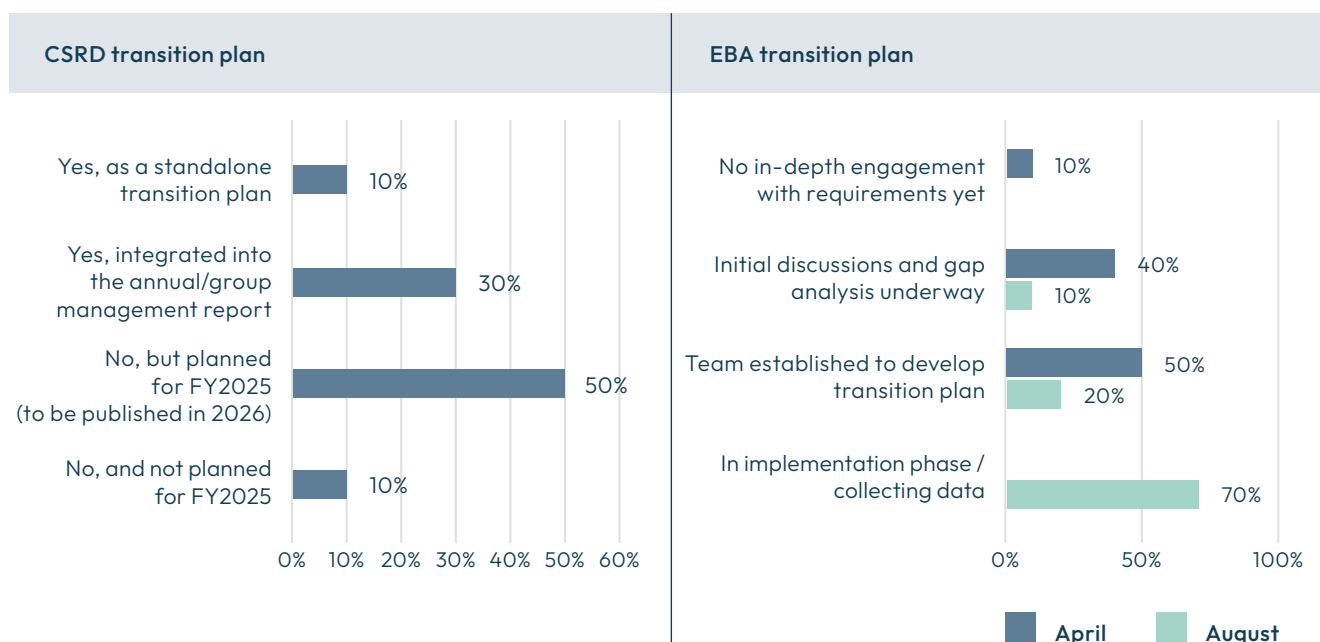
Regulatory reporting requirements are the strongest driver for developing transition plans (**Figure 2**). However, the path to full implementation reveals significant variations in readiness levels and strategic approaches across the banking sector.

The survey results highlight mixed levels of readiness (see **Figure 5**). While CSRD transition plan publication remains limited for 2024, the majority plans to publish by 2025, with early adopters demonstrating convergence around 1.5 °C climate scenarios. This aligns with recent EFRAG findings: 33% of German banks declare having a climate transition plan, compared to 52% across Europe¹¹ (EFRAG, 2025). Leading countries include the Netherlands (100%) and Sweden (75%), indicating that German banks are trailing behind European

peers in this critical area of climate transparency. Moreover, our survey reveals that compliance with EBA guidelines in April was underway but uneven, with most institutions in preliminary stages. By August this has significantly changed, with most banks already being in the implementation phase.¹²

These findings show a banking sector navigating the balance between regulatory expectations and operational feasibility. While compliance has supported initial planning and climate target alignment, opportunities for enhanced implementation remain. With supervisory scrutiny intensifying, banks must urgently accelerate operationalisation to meet expectations and secure competitive advantages.

Figure 5: Reporting Status of CSRD (ESRS) and EBA transition plans



¹¹ Another recent study by PwC that analysed 34 European financial institutions finds that 47% report under the CSRD that they have a transition plan (PwC 2025a).

¹² The data of the survey was collected in April. We collected data again in August for the question on the EBA reporting status.

Recommendations for Banks

The regulatory landscape for transition plans is rapidly evolving, and banks must respond with ambition, consistency, and clarity. While many banks have taken first steps, full implementation remains limited.

Banks should establish a unified approach incorporating both CSRD and EBA requirements. Current regulatory uncertainty, including EBA Guidelines and the pending Omnibus Directive creates compliance complexities. The misalignment between transparency-oriented ESRS frameworks and risk-based EBA expectations risks duplicated work and inconsistent methodologies.

To mitigate these challenges, **banks should align reporting processes early, clarify internal roles, and engage proactively with regulators.** Given diverging CSRD and EBA requirements, effective collaboration between sustainability, strategy, and risk functions is essential for consistent data flows, aligned methodologies, and shared regulatory understanding.

Strategic preparation will potentially reduce compliance risks, ensure efficient resource allocation, and enhance transition plan credibility with supervisors and stakeholders. Early action supports compliance with the January 2026 deadline while strengthening operational capacity to manage transition and physical risks. This can transform regulatory obligations into strategic resilience drivers.



IMAGE SOURCE: fotointo1_291973805 - stock.adobe.com

Messages for Policy Makers & Regulators

Banks face growing pressure to manage transition and physical climate risks. However, persistent data gaps, unclear responsibilities, and limited sector-specific guidance hinder progress. This brief outlines three policy recommendations to address these structural challenges and support credible, risk-aligned transition planning.

1. Close Real-Economy Data Gaps and Sustain Political Momentum

Banks struggle to assess climate risks due to missing data, especially from SMEs and non-listed firms. Without reliable data, banks must rely on estimates instead of the granular, forward-looking data required for EBA compliance.

Proposed Policy Actions:

- Accelerate the availability of real-economy transition data.
- Avoid further regulatory delays (e.g. “stop-the-clock”).
- Maintain high sustainability standards while improving communication and implementation support for EBA guidance, ESRS, and CSDDD.
- German authorities should ensure consistency between national and European frameworks while engaging constructively on technical implementation challenges.

2. Promote Shared Responsibility Between Banks and the Real Economy

Banks are increasingly positioned as the primary bearers of transition risk, while relying on corporate clients for critical data. This imbalance undermines effective risk management and regulatory compliance.

Proposed Policy Actions:

- Embed shared responsibility into regulatory frameworks.
- Avoid lowering CSRD reporting thresholds and thereby the number of companies in-scope of the CSRD, which would reduce the availability of high-quality data which banks urgently need.¹³

3. Facilitate Sector-Specific Guidance for Transition Risk Management

Banks need clear, consistent guidance to assess sector-specific risks and allocate capital effectively.

Proposed Policy Actions:

- Support credible transition plan disclosures for high-impact sectors.
- Facilitate harmonized guidance on financial materiality, risk mitigation, and climate scenario use through industry collaboration.
- Enhance the financial viability of transition projects by establishing enabling legal frameworks, implementing risk-sharing instruments, and providing targeted fiscal support to reduce investment barriers.
- Enable the creation of accessible repositories of sector-specific climate data and benchmarks to support risk evaluation, even when company-level disclosures are incomplete.

A credible and scalable approach to transition risk management requires coordinated action across policy, regulation, financial industry and corporates. These recommendations aim to strengthen systemic resilience and ensure banks can play their part in the transition towards net-zero.

¹³ For an in-depth discussion of the implications of potential scope reductions for risk management, see ECB (2025, pp7-9).

Reference List

Bertelsmann Stiftung (2025)

Sustainability Transformation Monitor 2025

<https://doi.org/10.11586/2025017>

Deloitte & IFF (2024)

A spotlight on emerging approaches to bank transition planning

<https://www.deloitte.com/content/dam/assets-shared/docs/industries/financial-services/2024/gx-spotlight-on-emerging-approaches-to-bank-transition-planning-final1.pdf>

EBA (2025)

Guidelines on the management of environmental, social and governance risks

<https://www.eba.europa.eu/publications-and-media/press-releases/eba-publishes-its-final-guidelines-management-esg-risks>

ECB (2024)

Risks from misalignment of banks' financing with the EU climate objectives Assessment of the alignment of the European banking sector

<https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.bankingsectoralignmentreport202401~49c6513e71.en.pdf>

ECB (2025)

Opinion of the European Central Bank of 8 May 2025 on proposals for amendments to corporate sustainability reporting and due diligence requirements

https://www.ecb.europa.eu/pub/pdf/legal/ecb.leg_con_2025_10.en.pdf

EFrag (2025)

State of Play 2025 Implementation of the European Sustainability Reporting Standards (ESRS): Observed Practices based on statements issued as of 20 April 2025

https://www.efrag.org/sites/default/files/media/document/2025-07/EFrag_State%20of%20Play%202025%20Report_0.pdf

EthiFinance (2025)

Climate Transition Assessment Methodology 2025

https://www.ethifinance.com/wp-content/uploads/2025/04/2025_Climate-Transition-Assessment-Methodology_public.pdf

GFANZ (2022)

Financial Institution Net-zero Transition Plans: Fundamentals, Recommendations, and Guidance

<https://www.gfanzero.com/our-work/financial-institution-net-zero-transition-plans/>

IEA (2024)

Global Energy and Climate Model: Documentation – 2024

<https://www.iea.org/reports/global-energy-and-climate-model/net-zero-emissions-by-2050-scenario-nze>

IFRS (2025)

Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2: Guidance document

<https://www.ifrs.org/content/dam/ifrs/supporting-implementation/ifrs-s2/transition-plan-disclosure-s2.pdf>

ING (2025)

Assessing climate transition plan disclosures: ING's Client Transition Plan assessment methodology

<https://www.ing.com/MediaEditPage/ING-white-paper-on-client-transition-plan-assessment.htm>

ISS (2024)

Climate-related Policies and Application under ISS Benchmark Policy: Frequently Asked Questions

<https://www.issgovernance.com/file/policy/active/updates/Global-Climate-FAQ.pdf?v=2024>

NGFS (2025)

NGFS Short-term Climate Scenarios for central banks and supervisors

<https://www.ngfs.net/en/publications-and-statistics/publications/ngfs-short-term-climate-scenarios-central-banks-and-supervisors>

PwC (2024)

Net Zero Transitionspläne: Regulatorische Vorgaben und praktische Guidance

<https://www.pwc.de/de/nachhaltigkeit/sustainable-finance/net-zero-transitionsplane-regulatorische-vorgaben-und-praktische-guidance.pdf>

PwC (2025a)

Benchmarking Banking & Capital Markets
CSRD-Berichterstattung 2024

<https://www.pwc.de/de/nachhaltigkeit/sustainable-finance/csrd-benchmarking-von-banken-und-versicherungen.html>

PwC (2025b)

Ergebnisse aus der ersten CSRD-Berichterstattungswelle

<https://www.pwc.de/de/content/c75dec72-3186-4c27-9fdf-3660cf1c5270/pwc-csrd-first-reporters-survey.pdf>

Reclaim Finance (2025)

Bank Transition Plans: A Roadmap to Nowhere

<https://reclaimfinance.org/site/wp-content/uploads/2025/04/Bank-transition-plans-a-roadmap-to-nowhere.pdf>

SBTi(2025)

Financial Institutions Net-Zero Standard

<https://sciencebasedtargets.org/financial-institutions>

TCFD (2021)

Task Force on Climate-related Financial Disclosures:
Implementing the Recommendations of the Task Force
on Climate-related Financial Disclosures

https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf

TPT (2023)

Disclosure Framework

<https://www.ifrs.org/content/dam/ifrs/knowledge-hub/resources/tpt/disclosure-framework-oct-2023.pdf>

TPT (2024)

Banks Sector Guidance

<https://www.ifrs.org/content/dam/ifrs/knowledge-hub/resources/tpt/banks-sector-guidance-apr-2024.pdf>

UNEP FI (2025)

A Practical Guide to 1.5°C Scenarios for Financial Users:
A deep dive into the IPCC-assessed 1.5°C Scenarios with
no or limited overshoot

<https://www.unepfi.org/wordpress/wp-content/uploads/2025/01/A-practical-guide-to-1.5C-scenarios-5.pdf>

VfU (2024)

Auswertung Themenradar 2025

https://vfU.de/wp-content/uploads/2024/11/20241129_Themenradar-2025.pdf

Approach of the Sustainable Finance Cluster Initiative

To assess the current state of transition plans in the German banking sector and identify actionable pathways forward, the Sustainable Finance Cluster launched an initiative in early 2025.

The following empirical methods were employed in the period of March – August to create insights and develop evidence-based recommendations:

Focus Group Workshops

Format: Pre-competitive exchange between institutions (presentations and discussions)

Focus: Key challenges, current practices, and emerging solutions

Participants: Blackrock, Commerzbank, DekaBank, Deutsche Bank, Deutsche Börse, DKB, DZ BANK, Helaba, ING Germany, KfW, LBBW, Umweltbank, and VFU

Survey

Focus: Disclosure, scenario alignment, internal governance, client engagement, as well as key drivers and barriers to implementation

Sample: The ten participating banks of the Cluster initiative

Case Studies

Focus: Practical insights on client engagement



Disclaimer

The views and opinions expressed in this position paper are those of the contributing authors and do not necessarily reflect the official policy or position of all stakeholders involved, including members of the focus groups.

This document solely serves as general background material in the field of Banking and Biodiversity. The authors and members of the Sustainable Finance Cluster have not specifically verified the information contained herein, nor can they be held responsible for any subsequent use which may be made of this information.

Acknowledgements

This initiative has received funding from the Hessian Ministry of Economy, Energy, Transport, Housing and Rural Areas.

We thank the participants of the Cluster Initiative for their contributions:

Alexandra Grosse (LBBW)
Anastasia Hufen (Helaba)
Anastasia Petraki (BlackRock)
Anna Sygulla (DKB)
Christoph Ott (Commerzbank)
Henrik Ohlsen (VfU)
Jürgen Hagedorn (DZ BANK)
Lennart Stackebrandt (DZ BANK)
Maria Westfeld (DKB)
Meike Webler (Deutsche Bank)
Michael Rebmann (ING Germany)
Miriam Eisele (Commerzbank)
Nicole Deser (DekaBank)
Philipp Kuhs (Umweltbank)
Stefan Zeller (ING Germany)
Susanna Mütze (Helaba)
Svenja Distler (Umweltbank)
Tobias Baumann (KfW)

We are also grateful for contributions to the workshops from:

Dr. Nicole Röttmer (Deloitte)
Jannis Arnold (Econsense)
Teresa Landaverde Lorenzo
(Heidelberg Materials)
Camille Ferron (EthiFinance)

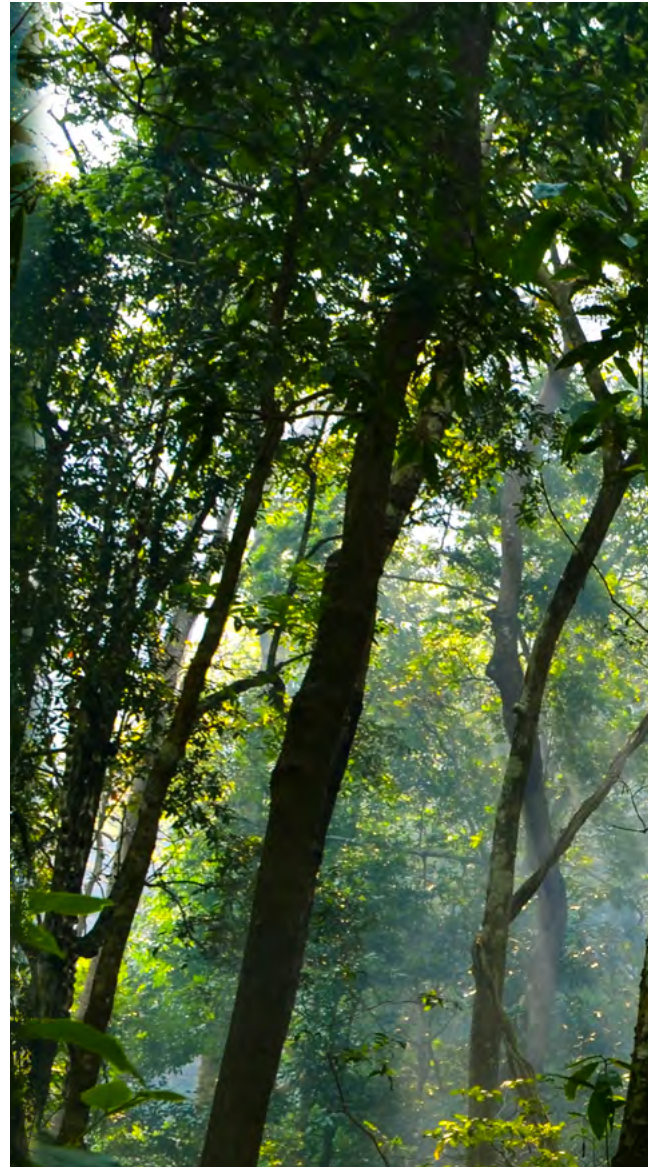


IMAGE SOURCE: chokniti_491471254 - stock.adobe.com

Imprint

Sustainable Finance Cluster e.V.
www.sustainablefinancecluster.com

Managing Director
Matthias Hübner
matthias.huebner@sustainablefinancecluster.com

Lead Author
Dr. Lukas Figge-Muschalik
lukas.figge@sustainablefinancecluster.com

With contributions from Luca Steinhauer and
Dr. Christine Grüning (FS-UNEP Centre)

Layout by YPSPUNKT Fotografie & Design