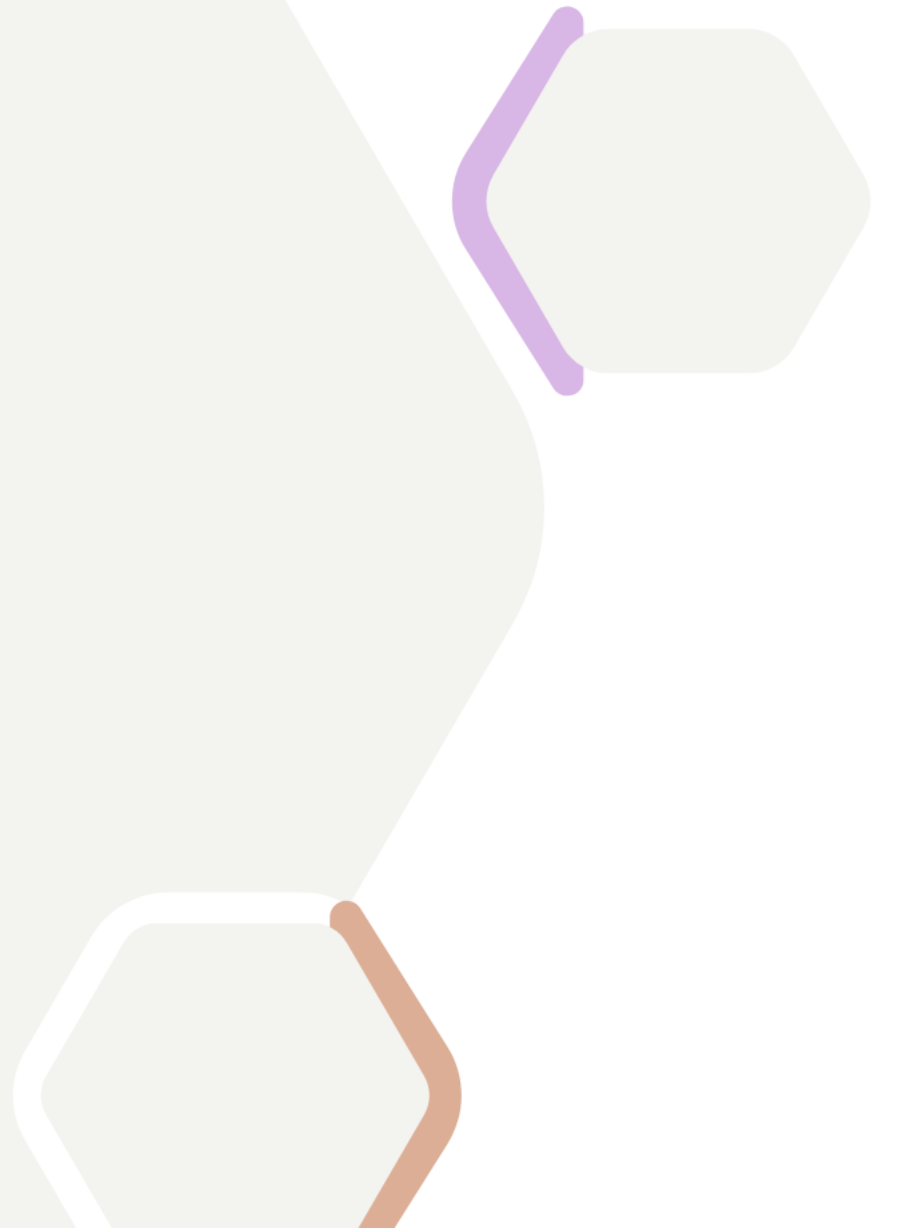


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Transition Plans

Sustainability in Financial Services



Heightened Regulatory Expectations Put Transition Plans in the Spotlight

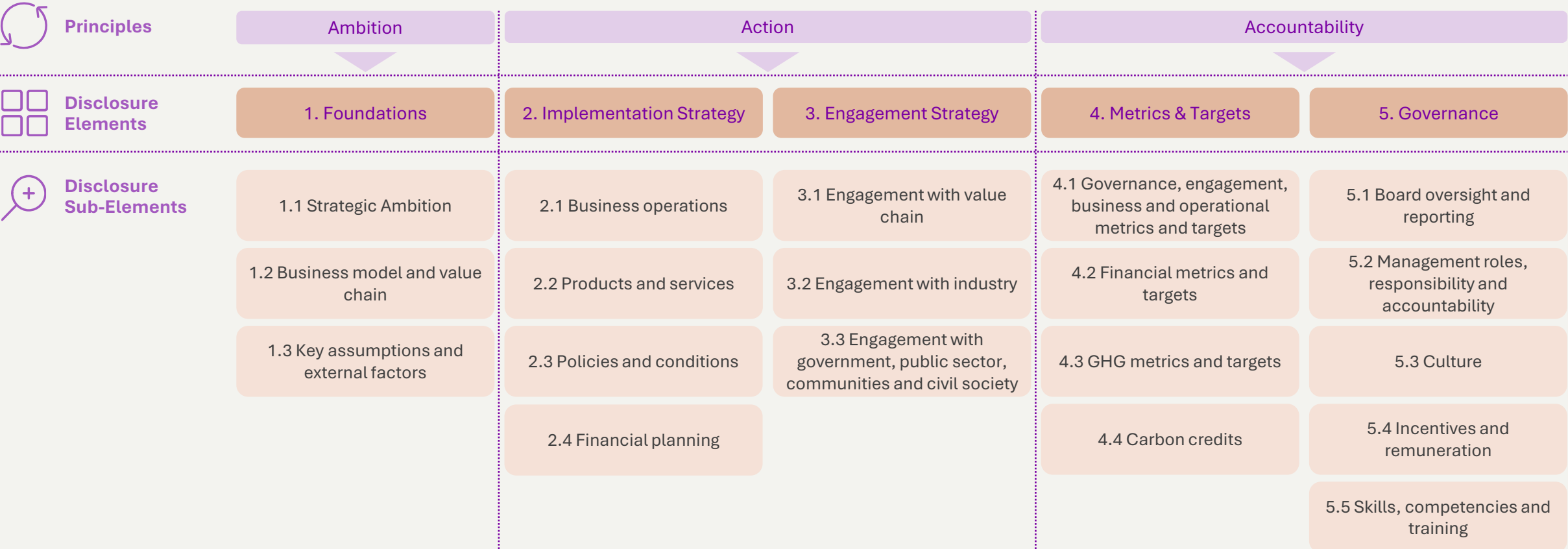
Key examples of regulatory requirements and initiatives around transition plans:

Regulation / Initiative	Requirement / Guidance
Corporate Sustainability Reporting Directive (CSRD), Art. 19; European Sustainability Reporting Standards (ESRS) E1	ESRS E1 Climate Change requires companies in scope of the CSRD to disclose transition plans for climate change mitigation, including greenhouse gas (GHG) emission reduction targets and climate change mitigation actions.
Corporate Sustainability Due Diligence Directive (CSDDD), Art. 15	Art. 15 of the CSDDD focuses on climate change mitigation and requires large companies to adopt and implement a transition plan that addresses how the companies’ business model and strategy will align with the goal of limiting global warming to 1.5 °C, in line with the Paris Agreement.
Capital Requirements Directive (CRD), Art. 76 and Art. 87a	Art. 76 requires the management bodies of credit institutions to develop and monitor the implementation of transition plans, including quantifiable targets and processes for addressing financial risks stemming from ESG factors in the short, medium, and long term. Art. 87a allows competent authorities to assess the alignment of banks with relevant EU policy objectives or general transition, and mandates EBA to develop guidelines for the management of ESG risks.
Capital Requirements Regulation (CRR), Art. 449a	Art. 449a requires credit institutions to disclose their transition plans to align their activities with the Paris Agreement and other relevant EU climate objectives, including concrete steps and targets for reducing their exposure to carbon-intensive activities and sectors and specific climate-related goals.
European Banking Authority (EBA) Guidelines on Management of ESG Risks	The EBA guidelines require institutions to develop robust transition plans with quantifiable climate goals and manage transition risk through scenario analysis and stress testing. Transition plans must be part of the overall business strategy and aligned with EU policy objectives.
Network for Greening the Financial System (NGFS)	In April 2024, the NGFS published a package of reports relating to transition plans, exploring the role of transition plans in the financial system and emphasising key areas, including setting robust GHG reduction targets, ensuring strong governance with clear board-level accountability and integrating financial planning with GHG reduction goals.
Task Force on Climate-related Financial Disclosures (TCFD)	In November 2021, the TCFD published its Guidance on Metrics, Targets, and Transition Plans, providing detailed recommendations for organizations on how to structure and disclose their transition plans.
UK Transition Plan Taskforce (TPT) Disclosure Framework	The TPT was announced at UN Climate Change Conference in Glasgow (COP26) and launched in April 2022 to develop the gold standard for private sector climate transition plans. The TPT framework is structured to help companies align their climate strategies with broader net-zero objectives, while also offering guidance on implementation and monitoring of progress. This framework is expected to become the foundation for mandatory transition plan disclosures in the UK by 2025.

From Ambition to Action: Exploring the TPT Gold Standard

UK Transition Plan Taskforce (TPT) was launched to develop a gold standard for best practice climate transition plans and developed a disclosure framework that helps organisations set out a credible and robust climate transition plan.

The following diagram outlines the key elements of the TPT framework:



Your Experts



At ADVANTA, we combine profound specialist and industry knowledge in sustainability and ESG. This enables us to provide our clients with sound support in developing transition plans in line with regulatory requirements.



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