

European Bank
for Reconstruction and Development

Climate Transition Planning Masterclasses: Planning for the future

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Istanbul



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**Who is with
you today?**

Topics



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1

Understanding the role of climate transition plans and their relationship to climate disclosures

2

Reviewing the key principles and credibility criteria of climate transition plans

3

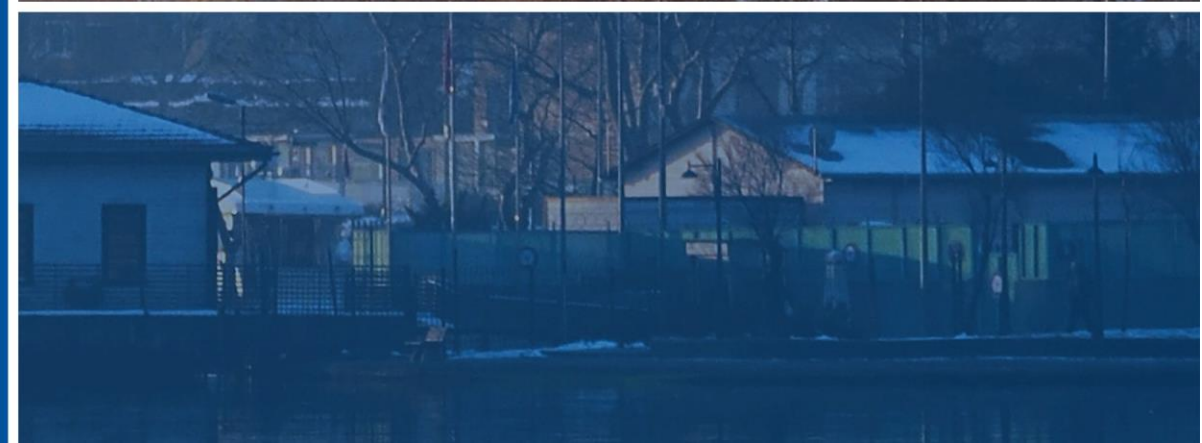
Examining market practices of climate transition plans

4

Discussing next steps to successfully prepare your institution's climate transition plan

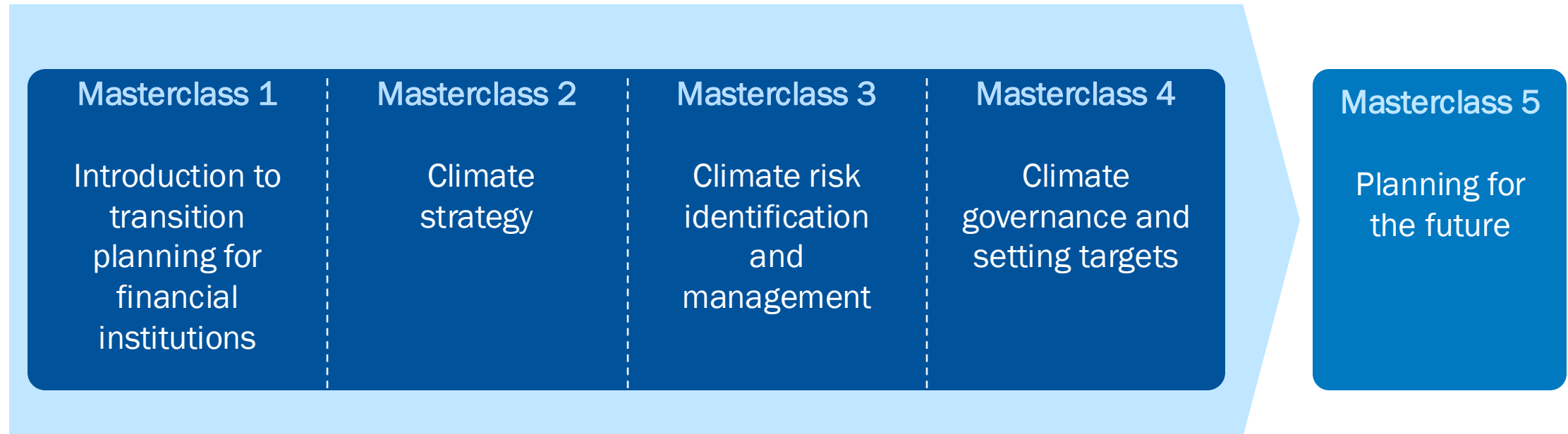


Overview of climate transition planning and introduction to climate disclosures





Overview of the content of transition planning masterclasses

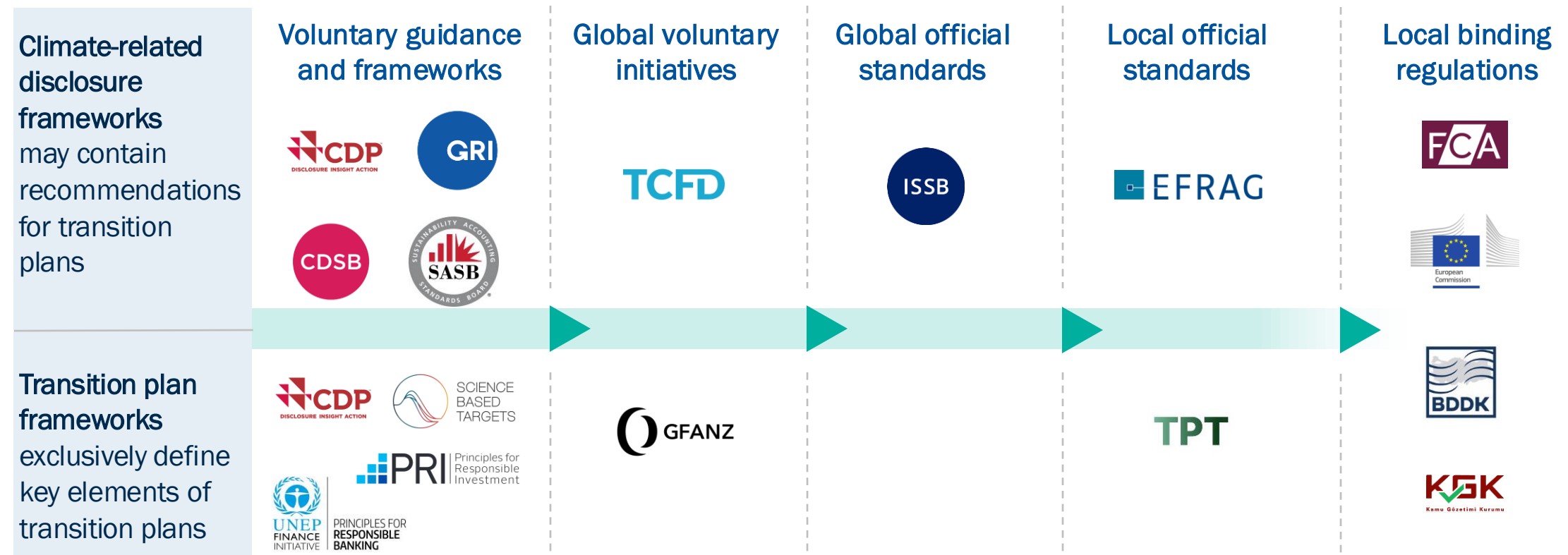


Climate-related disclosure frameworks and transition plan frameworks: from voluntary guidance to local regulations



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What is the connection between the major initiatives guiding transition plans?



Source: Climate Transition Plans Gain Momentum from Policy, Banks, BloombergNEF, 2024



What is a climate transition plan?



A transition plan sets out the steps through which an organisation will improve its business practices in relation to climate change, leading to Paris-aligned flows. These steps will be set out as **clear, time-bound** milestones.



EBRD Paris alignment methodology 2022

A credible climate transition plan should respond to:

IMPACT

What is the organisation's climate impact?

AMBITION

What targets need to be set to address the impact and why?

ACTION

How will these goals and targets be achieved?

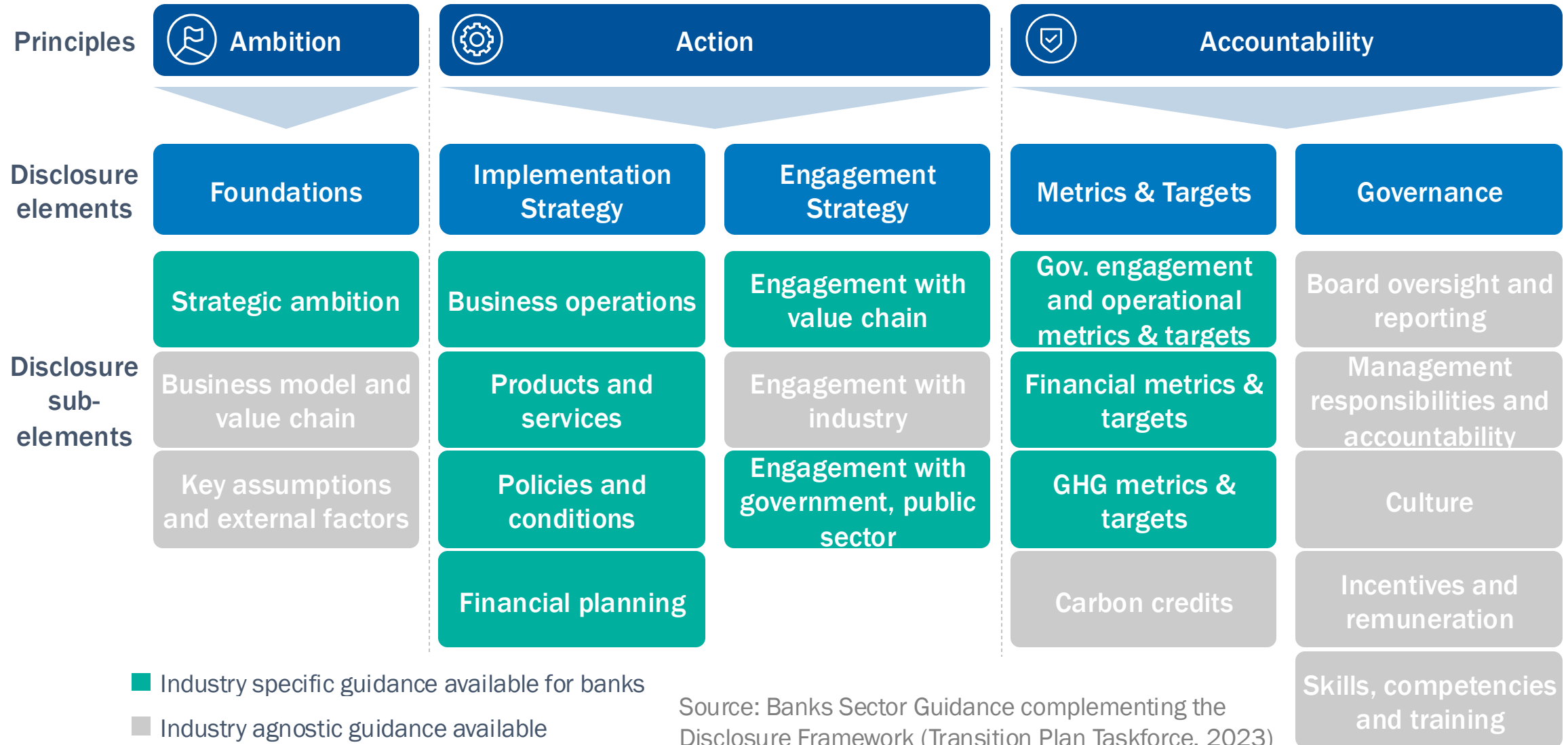


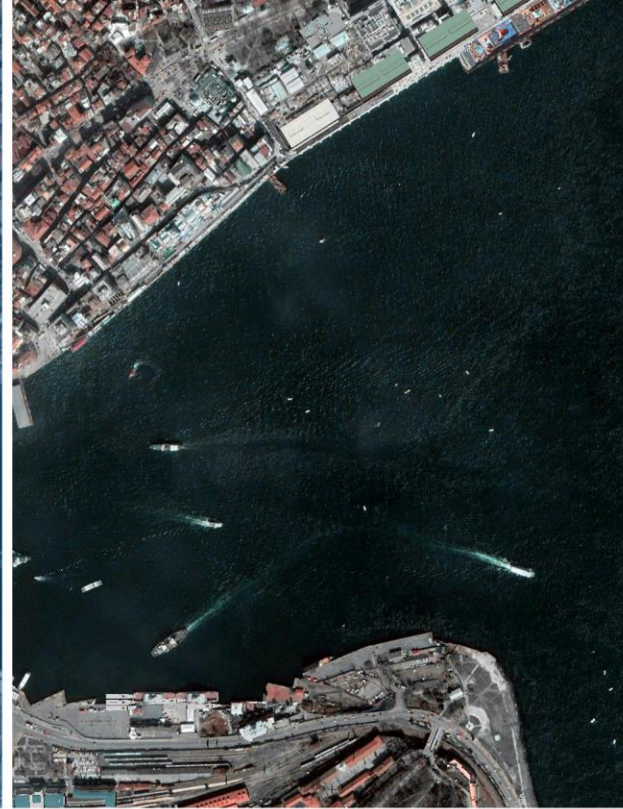
Components of climate transition plans





Reminder: transition plans in the climate-related disclosure landscape





Review of credible transition plan criteria



Six guiding questions for transition plan preparation

1	Ambition	Has your organisation made a commitment towards aligning its financial flows over time with the goals of the Paris Agreement?
2	Governance	How will your organisation govern the delivery of the Paris Agreement alignment commitment?
3	Strategy	What are the strategic steps that your organisation plans to take to meet its strategic commitment towards Paris alignment?
4	Risk management	How will your organisation manage material climate-related risks which it identified?
5	Metrics and targets	What (i) climate-related data is your organisation gathering (or will be gathering), and (ii) what climate-related targets for the near term has the organisation set?
6	Disclosure	How does the organisation plan to disclose its transition plan (the answers to the questions above)?

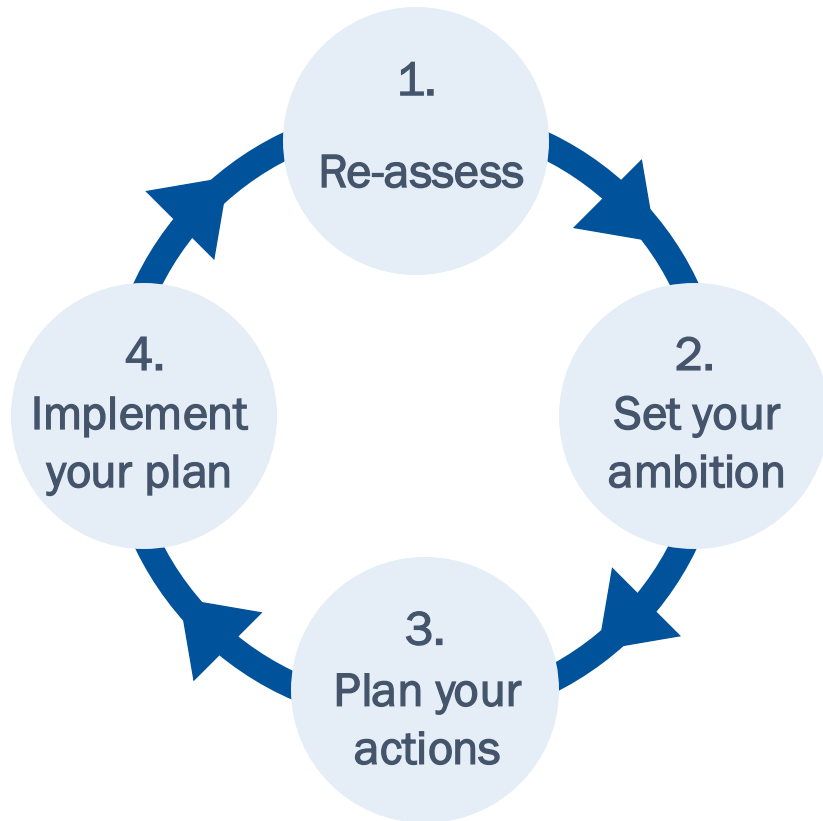
Transition planning as an iterative process according to the Transition Plan Taskforce (TPT)



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The Transition Plan Taskforce (TPT) is an organisation developing the gold standard for private sector climate transition plans.



” Transition planning is not a ‘once and done’ activity. The scale and complexity of the challenge are unprecedented. The uncertainties in the planning process are as inevitable as they are wide ranging.



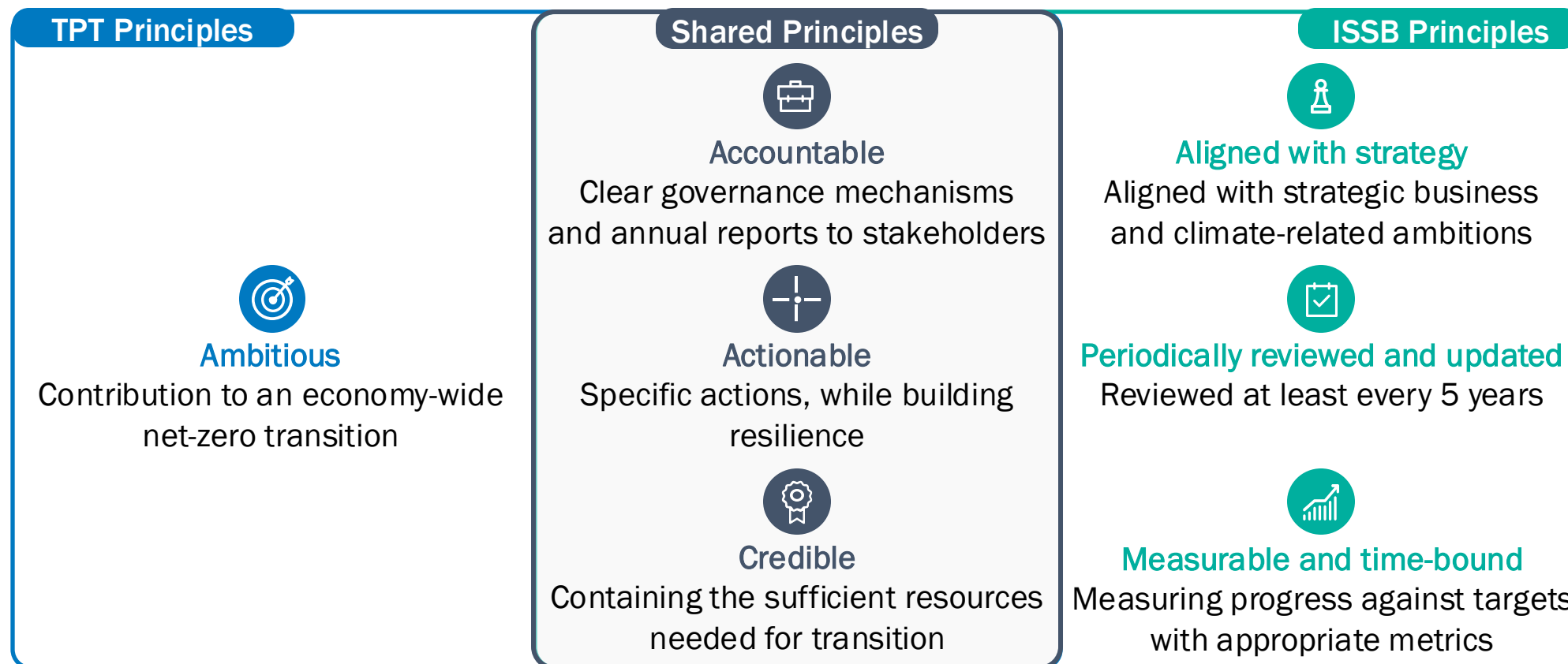
” Transition planning must be flexible, dynamic, and responsive to new information and external developments. And transition plans will have to be regularly reviewed and updated.



Source: Transition Planning Cycle, Transition Plan Taskforce (TPT), 2024



Principles for bank climate transition plans based on global standards



Sources:

Banks Sector Guidance complementing the Disclosure Framework, Transition Plan Taskforce (TPT), 2023

Supporting materials for IFRS Sustainability Disclosure Standards, IFRS, 2023



Examples of market practices
for climate transition plans





Examples of climate transition plans and climate disclosures

Climate transition plans



Deutsche Bank

Bank: Deutsche Bank, Germany

Disclosure: Initial transition plan



Bank: HSBC, United Kingdom

Disclosure: Net Zero Transition Plan 2024

Climate disclosures covering transition plan elements



Bank: Intesa Sanpaolo, Italy

Disclosure: 2023 Climate Report

Share your thoughts...



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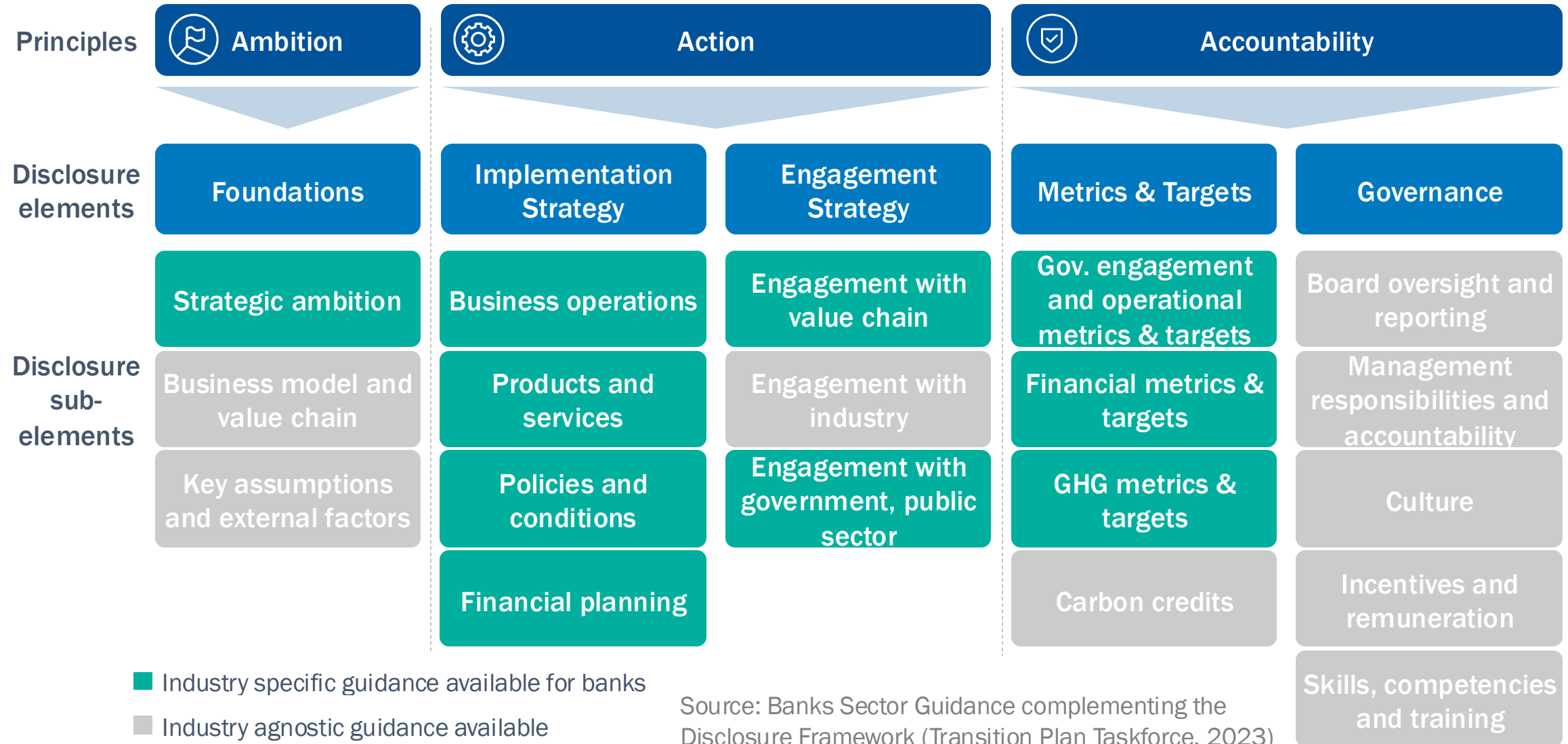


After we review examples of market practices, please share your opinion on which bank's approach is the closest to your current thinking about climate transition plans and disclosures.

We will provide a QR-code survey for submitting your opinions.

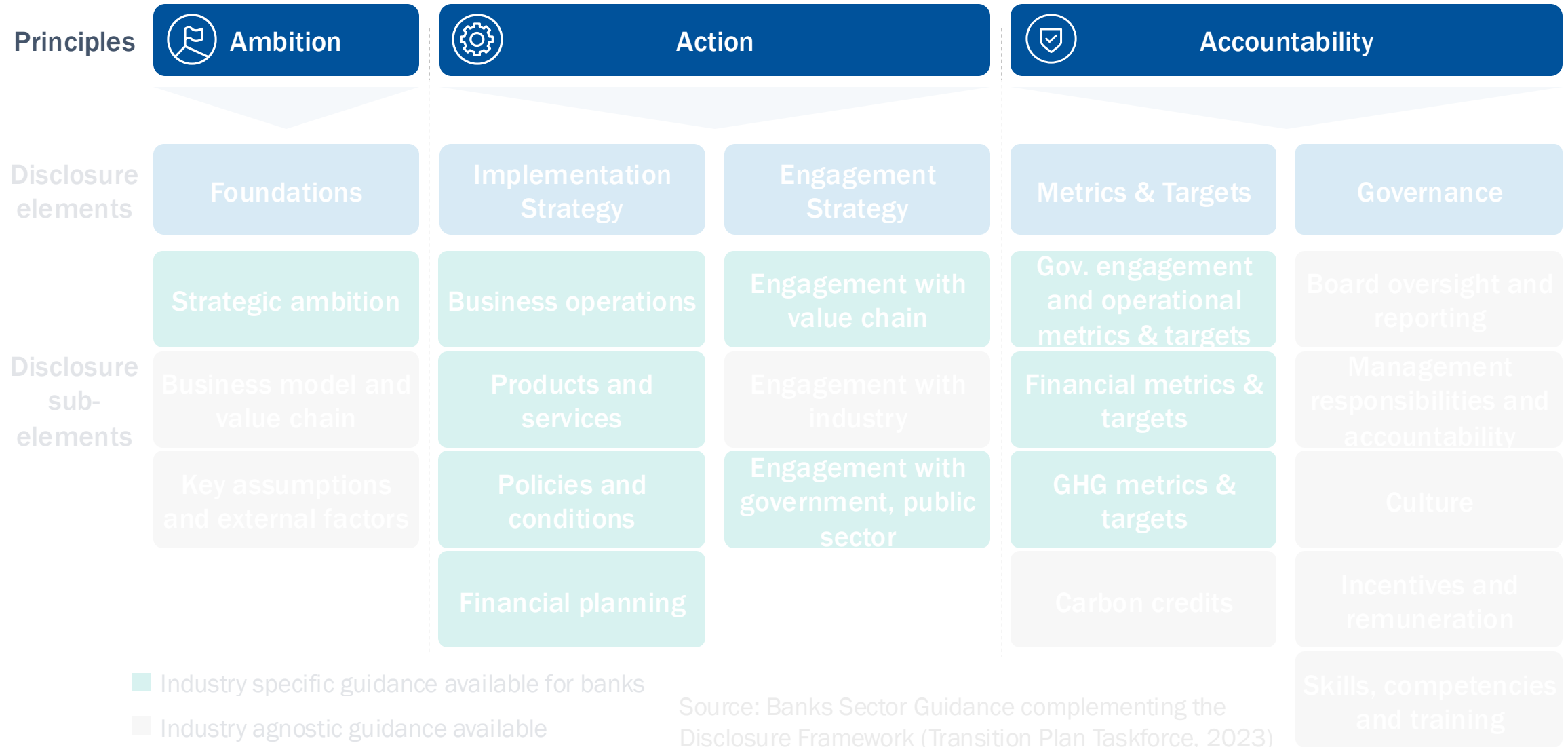


Reminder: transition plans in the climate-related disclosure landscape





Reminder: transition plans in the climate-related disclosure landscape



Climate transition plan example: Deutsche Bank



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Deutsche Bank

Principle



Ambition

Highlighted good practice

Scope 1, 2 and 3 emissions assessed in 2022, scope 3 decarbonisation roadmap with engagement, governance and competency tasks

Initial transition plan published in 2023, with structure different from TPT



Climate transition plan example: Deutsche Bank



Deutsche Bank

Principle



Action

Highlighted good practice

Green Financing Framework aligned with ICMA Green Bond Principles

Transition strategies for decarbonising carbon-intensive businesses

Phase-out of not-to-abate industries, such as thermal coal

Member of Net-Zero Banking Alliance (NZBA) since 2021

The Climate Risk Management Framework integrates climate risk identification, assessment, stress testing and metrics into existing processes

Stress testing methodology based on ECB's 2022 climate stress test



Climate transition plan example: Deutsche Bank



Deutsche Bank

Principle



Accountability

Highlighted good practice

Chief Sustainability Officer (CSO) with dedicated resources

Group Sustainability Committee as the main body for transition-related decision-making

Sustainable financing and investments aiming at €500 bn between 2020 and 2025

Decarbonisation targets for GHG categories by 2030 are SBTi aligned



Climate transition plan example: HSBC



Principle



Ambition

Highlighted good practice

2024 transition plan focusing on vision and strategic approach, sector transitions and implementation plan



Climate transition plan example: HSBC



Principle



Action

Highlighted good practice

\$210.7bn sustainable finance and investment between 2020 and 2022

Deep-dive transition plan assessment of material clients in the portfolio and high-level transition assessment of other companies

Engagements with governments & regulators (e.g.: UK Finance) on climate policy



Climate transition plan example: HSBC



Principle



Accountability

Highlighted good practice

Net Zero in Practice initiative providing briefings from Centre of Excellence experts for employees across the Group on climate topics

100% renewable energy purchased by 2030

Absolute and intensity-based emission reduction targets for material sectors such as energy, transport, heavy industry, real estate, and food for 2030 vs. 2019 baseline



Climate disclosure covering transition plan elements: Intesa Sanpaolo



Principle



Ambition

Highlighted good practice


Responsibility of every member of the value chain for climate changes issues

Diversified business model and ISP4ESG Program to coordinate climate initiatives



Climate disclosure covering transition plan elements: Intesa Sanpaolo



Principle	Highlighted good practice
 <p>Action</p>	<p>Phase out policy for coal mining by 2025 and unconventional oil & gas by 2030</p> <hr/> <p>Total outstanding green bonds at €8.7bn</p> <hr/> <p>Climate credit framework covering sector, counterparty and transaction level</p> <hr/> <p>Renewable energy, energy efficiency, and circular economy programme for clients</p> <hr/> <p>Proprietary ESG scoring methodology to assess clients in 22 ESG topics</p>



Climate disclosure covering transition plan elements: Intesa Sanpaolo



Principle	Highlighted good practice
 <p>Accountability</p>	<p>Board approves the strategic climate-related policies and disclosures</p> <hr/> <p>15% of top and middle management's remuneration linked to ESG KPIs</p> <hr/> <p>59.5% reduction in scope 1 & scope 2 (market-based) emissions in 2023 vs. 2008</p> <hr/> <p>Lending for green & circular economy and ecological transition at ~€45bn (2021-2023)</p> <hr/> <p>Physical emission intensity for exposures to all relevant sectors calculated for 2023</p>



Summary of climate transition plans and climate disclosures covered

Climate transition plans



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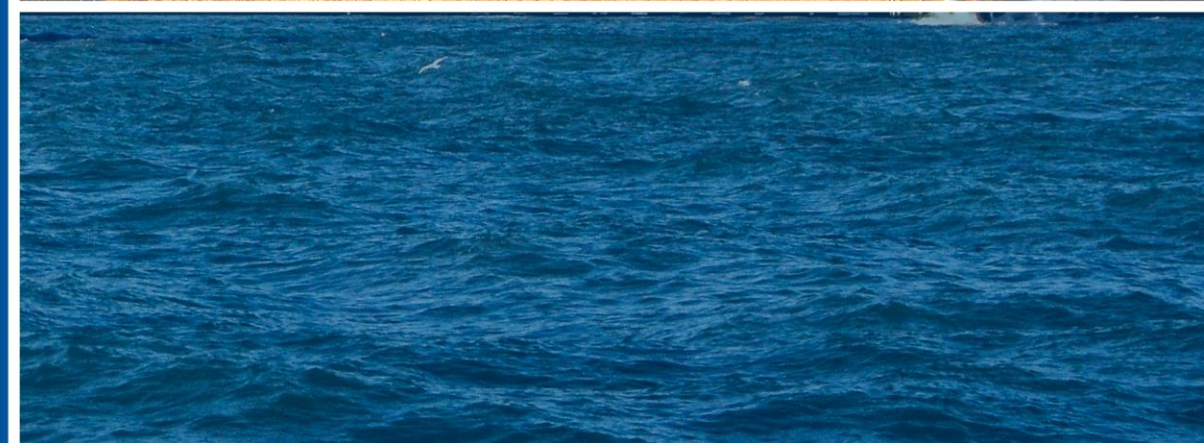
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for Reconstruction and Development

Which bank's approach is the closest to your current thinking about climate disclosures and transition planning?





Takeaways and next steps in
transition planning





Key takeaways of today's Masterclass

- 1 Climate transition plans should reflect on initiatives guiding transition plans and climate disclosures, from voluntary guidance to regulations
- 2 Transition planning should be an iterative process
- 3 Climate transition plans should be credible, ambitious, actionable and aligned with the organisation's strategy
- 4 Market practices for climate transition plans and climate disclosures should be reviewed, and relevant measures should be included for each pillar of the organisation's plan



Takeaways from the climate transition planning masterclasses

Introduction to transition planning

- **Financial sector has a pivotal role in climate actions**
- Financial institution transition plans support **real economy climate action**
- **Transition planning theory and practice** is evolving in time

Climate strategy

- Ambitious climate goals should involve **all departments**
- **Sectoral approaches and managed phase-out strategies** facilitate real-economy transition
- **Engagement with external and internal stakeholders** supports achievement of climate ambitions

Climate risk identification and management

- Physical and transition risk considerations should be integrated into the **lending process**
- Identifying and assessing **materiality of climate risks** is important at the client portfolio level
- **Climate stress testing** helps calculate the impacts of climate risks in different scenarios

Climate governance and setting targets

- Climate governance is fundamental for transition plan delivery
- Key processes should be managed, and existing **structures and culture** built upon
- **Climate metrics and targets** strengthen ability to monitor progress
- **Forward-looking data** is needed from clients



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The added value of climate transition plans





Our transition planning journey





Thank you!