FSB FINANCIAL STABILITY BOARD

The Relevance of Transition Plans for Financial Stability

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Executive Summary

Climate transition planning and the resulting outputs – transition plans – have seen increased interest in recent years as a tool for firms (both non-financial companies and financial institutions) to articulate their strategies and management of climate-related risks. Transition plans may be used for various purposes by shareholders, investors and regulators to be informed of a company's strategy and approaches to climate change and transition. Some governments may require, or otherwise use, the corporate transition planning process as a means to encourage corporate action in order to achieve national climate goals. Multiple initiatives aim to standardise transition plans to support preparers and help meet the needs of users of the plans.

The FSB has examined the relevance of transition plans and planning for financial stability, and whether and how they may have uses for financial stability authorities. A stocktake of member jurisdictions revealed differing views on the relevance of transition plans for financial stability monitoring. Some authorities require firms to prepare and disclose transition plans, while some others do not require transition plans nor envision using transition plans for prudential purposes in the near future. Even for authorities that have initiatives relating to transition plans and recognise the potential usefulness of this tool, their use for financial stability and macroprudential purposes remains in the early stages. The specific mandates of authorities are also relevant to the potential use of transition plans for financial stability objectives. As such, this report does not provide recommendations but, rather, an early analysis of the role that transition plans and planning could play for financial stability purposes, drawing on a range of practices and perspectives.

Transition plans may potentially offer financial authorities a forward-looking perspective on transition pathways, enhancing the understanding of climate-related financial risks at both micro- and macro-levels. These plans could enable an assessment of how firms may adjust their activities in response to climate risks and include information that could support financial stability objectives, including through metrics for financial stability monitoring. Although subject to uncertainty about the future, the disclosure of forward-looking information in transition plans may also benefit financial stability through enhanced market transparency about envisaged strategies and identified risks and opportunities, and it may give firms an incentive to improve their own transition planning processes.

Transition plans can interact with climate-related financial risks through three main channels:

- **Facilitating firms' strategy setting, which informs better climate-related risk management**: A firm's transition planning process could assist in its strategy setting. Financial institutions' access to forward-looking information from their counterparties could support their own transition and risk management of climate-related risks. At scale and under relevant conditions, this could reduce the financial stability risks from the transition.

- **Informing investment decisions**: Greater consistency in forward-looking information in transition plans, and wider production and use of plans, could improve asset pricing and transition financing, by addressing information gaps and reducing market failures. This increases market efficiency and helps firms to better align their transition strategies, by reducing information asymmetries across firms in the financial and non-financial sector.

- **Supporting financial authorities' macro-monitoring of transition and physical risks both in the financial system and the real economy:** Transition plans could assist authorities in monitoring climate-related financial risks and facilitate the identification and assessment of systemic risks. Transition plans could inform scenario narratives and modelling, while scenario analysis could help firms assess the impact of climate risks on their strategies and business models.

However, there are important caveats to using transition plans for financial stability assessments effectively. First, transition plans are not inherently designed for the purpose of financial stability assessments; their primary purpose is business strategy and linked to target setting. Second, they are currently only developed by a limited population of firms, with wide differences in format, content and methodological assumptions. Third, mechanisms to assure the reliability of information in transition plans are still emerging. Lastly, analytical thinking on how they could be used specifically for financial stability analysis is still at an early stage.

Certain enabling conditions would need to be met to enable the use of transition plans for financial stability purposes, including greater standardisation to support credibility and reliability, comparability and broader adoption. Limited data availability, and differences in scope, coverage and quality of key metrics in transition plans of both financial and non-financial corporates reduce the ability of financial authorities to draw comparisons or overarching conclusions across financial institutions and for the financial system as a whole. For information in transition plans to be useful for financial stability monitoring, it would need to be credible, transparent, based on clearly stated assumptions and on sufficiently consistent methodologies and metrics. Enabling conditions for such use include sufficient coverage, transparency, credibility, comparability and broader availability of information.

At the current stage, information about transition plans is neither fully standardised nor widely disclosed. That said, there are signs that these enabling conditions could be partially satisfied over time and that the usefulness of transition plans for macroprudential authorities could grow. The implementation of the International Sustainability Standards Board (ISSB)'s inaugural sustainability disclosure standards, the IFRS Foundation's announcement on their plans to support work to streamline and consolidate frameworks and standards for disclosures about transition plans, and the development of a global assurance framework for sustainability-related reporting could improve disclosure comparability and reliability and thereby enhance the usefulness of transition plans for financial stability. These developments may also enable financial institutions and non-financial firms to make more informed decisions and adjust their strategies in response to climate related risks, thereby also supporting financial stability.

It is early days for jurisdictions and financial sector authorities in making concrete use of transition plans from a policy standpoint, also in light of their different mandates and objectives. Transition plans hold potential for enhancing financial stability by providing forward-looking information that can be useful to measure and monitor climate-related risks. However, certain challenges and the enabling conditions mentioned above would need to be addressed before transition plans can be used for financial stability purposes. Transition plan practice will continue to develop over the coming years. In jurisdictions where authorities intend to use transition plans for financial stability assessment, this will provide a clearer picture of how transition plans could be used for climate vulnerability assessment and for macroprudential purposes. Ongoing and planned work by international organisations and standard setters contributes to these efforts.

1. Introduction

Recent years have seen increased interest in climate transition planning and the resulting outputs – transition plans – as a potential tool for firms (both non-financial companies and financial institutions) to describe their strategies and risk management approaches with respect to climate-related financial risks.[1]

Climate related financial risks present some unique features, including their long-term nature, material uncertainties around the timing of climate-related events and magnitude of impact, heterogeneity of exposures and impact across sectors and geographies, non-linearities and potential tipping points, as well as indirect and spillover effects. Climate related risks (whether transition and physical risks) that crystalise might be transmitted through, and amplified by, the financial system and thereby pose a threat to financial stability.[2]

In that context, the question arises of the relevance of transition plans and planning for financial stability, and whether and how they may have uses for financial stability authorities. This includes the role they could play in providing information for monitoring climate-related financial risks and vulnerabilities and as a tool for helping to address some of those risks.

Transition planning, as a process, and transition plans, as an external output of that process, could in principle provide financial authorities with a longer-term, forward-looking perspective on system-wide climate-related financial risks and vulnerabilities. In parallel, the development and implementation of transition plans by financial and non-financial firms across jurisdictions and sectors, whether in response to legal requirements or on a voluntary basis, could affect the way in which economic actors respond to climate related risks and this may have implications for financial stability.

This report presents the findings and considerations around the role transition planning and plans by financial and non-financial firms could play for financial stability, to provide information for monitoring system-wide climate-related financial risks (transition and physical risks) and vulnerabilities, and as a tool for helping to address some of those financial risks. This work forms part of the FSB's Roadmap for Addressing Financial Risks from Climate Change[3] and it is aimed to contribute to discussions on information and metrics in transition plans that could be useful for financial stability purposes.

The findings are based on a survey of supervisory authorities, conversations with external stakeholders and industry bodies, and an outreach event with academics and industry participants.

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1 Climate-related financial risks could materialise in the form of physical risks (the risk posed by the direct impact of extreme weather conditions and gradual increase in temperature in the long term) or transition risks (the risk arising from the transitions to low-GHG emission economies, including changes in regulation, technology, and consumer preferences). These risks could affect the economy and financial system through a range of transmission channels. Climate-related risks could be amplified and spill over given interconnectedness of the financial system, posing a broader threat to financial stability. See FSB (2020), *The Implications of Climate Change for Financial Stability*, November.

2 As highlighted in FSB (2020) and FSB (2022) *Supervisory and Regulatory Approaches to Climate-related Risks: Final report*, October.

3 FSB (2021), *FSB Roadmap for Addressing Climate-related Financial Risks*, July. The Roadmap was endorsed by G20 Leaders at the Rome Summit. It addresses the need for coordinated action by outlining key actions to be taken by standard-setting bodies (SSBs) and other international organisations over a multi-year period in four key policy areas: firm-level disclosures, data, vulnerabilities analysis, and regulatory and supervisory practices and tools. The FSB published its latest progress report on the FSB Roadmap for Addressing Financial Risks from Climate Change, in July 2023 and will deliver its next progress report in 2025.

2. Objectives of transition planning and plans and current industry practices

The 2023 NGFS *Stocktake on Financial Institutions' Transition Plans*[4] distinguishes between: (i) "transition planning" as the internal process undertaken by a firm to develop a transition strategy to deliver climate targets and/or prepare a long-term response to manage the risks associated with a transition;[5] and (ii) "transition plans" as a key product of the transition planning process mainly used as an external-facing output for external audiences (e.g. public stakeholders or supervisors) that represent the strategy of how firms plan to align their core business with a specific strategic climate outcome.

Multiple initiatives, including by standard setting bodies (SSBs), private sector alliances, and regulators have aimed to define and standardise transition plans to support the plan preparer and to help meet the needs of the user (Annex 1).

On 26 June 2023, the International Sustainability Standards Board (ISSB) published two Standards, one on general requirements for disclosure of sustainability-related financial information and the other on climate-related disclosures, respectively.[6] IFRS S2 *Climate-related Disclosures*, which came into effect in January 2024, includes several disclosure requirements that are specific to transition plans. Building on the TCFD guidance[7] published in October 2021, IFRS S2 defines a climate-related transition plan as "an aspect of an entity's overall strategy that lays out the entity's targets, actions or resources for its transition towards a lower-carbon economy, including actions such as reducing its greenhouse gas emissions." IFRS S2 does not require an entity to have a transition plan, however it requires disclosures of any climate-related transition plan the entity has developed.[8]

Many jurisdictions have or are in the process of putting in place corporate disclosure requirements on climate-related risks, which include information on transition planning. Australia, Japan, UK, and Singapore are looking to adopt the IFRS S1 and IFRS S2. In the EU, EFRAG (formerly known as the European Financial Reporting Advisory Group) is preparing specific transition plan guidance[9] to support entities in implementing transition plans for climate change mitigation, as foreseen under the Corporate Sustainability Reporting Directive (CSRD) in conjunction with European Sustainability Reporting Standards (ESRS). With a view to increasing efficiency for entities that report under both sets of standards, EFRAG and the ISSB published in May 2024 a joint interoperability guidance.[10] The FSB 2024 progress report on Achieving

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4 NGFS (2023), *Stocktake on Financial Institutions' Transition Plans and their Relevance to Micro-prudential Authorities*, May.

5 Risks associated with the transition to a low emission economy include both transition and physical risks.

6 ISSB (2023), *IFRS - IFRS Sustainability Standards Navigator*, June.

7 TCFD (2021), *TCFD Guidance on Metrics, Targets, and Transition Plans*, October.

8 For example, para. 14(a)(iv) specifies the information required to be disclosed about climate related plans, i.e. "any climate-related transition plan the entity has, including information about key assumptions used in developing its transition plan, and dependencies on which the entity's transition plan relies".

9 EFRAG (2024), *Implementation Guidance [draft] on Transition Plan for Climate Change Mitigation*, November.

10 See EFRAG – IFRS Foundation (2024), IFRS Foundation and EFRAG Publish interoperability guidance, May.

Consistent and Comparable Climate-related Disclosures provides more information on these initiatives.[11]

The G20 Sustainable Finance Working Group (SFWG) developed a Framework for Transition Finance in 2022, which identified transition plans as an element under its principles-based approach to transition finance.[12] In its 2024 report, the SFWG noted that financial and non-financial firms are already using or are planning to use transition plans to take advantage of transition-related opportunities, manage sustainability-related financial risks, mobilise transition finance and inform market participants of their strategies. Firms may also use transition plans to support the credibility of voluntary net-zero commitments. The group noted that the number of published transition plans is growing, with many firms globally developing and producing plans voluntarily. It also noted that, despite significant advancements in transition plan guidance, several challenges have been identified in developing and implementing transition plans for financial institutions and corporates.[13] It issued a set of high-level, voluntary, and non-binding principles to promote emerging good practices for transition plans, consistent approaches, and encourage their development across jurisdictions, allowing for easier interpretation across firms. The principles state that, if they are used, transition plans should clearly articulate a firm's climate goals and objectives, for responding to and/or contributing to the transition towards green and low greenhouse gas (GHG) economies, such as a net-zero commitment, and include targets and metrics related to the plan's goals and objectives, differentiating, if necessary, between different target audiences and purposes of the plan.

The Glasgow Financial Alliance for Net Zero (GFANZ) published its net zero transition plan framework[14] in November 2022. It defines a net-zero transition plan as "a set of goals, actions, and accountability mechanisms to align an organization's business activities with a pathway to net-zero GHG emissions that delivers real-economy emissions reductions in line with achieving global net zero." The framework can be used by non-financial corporates and financial institutions, and GFANZ supports a step up in real economy transition planning, as well as a common global approach to transition plan disclosure across the corporate and financial sectors. GFANZ released a Technical Review Note in December 2023 discussing transition finance strategies and potential decarbonisation contribution methodologies.[15]

The UK Transition Plan Taskforce (TPT) was launched in April 2022 set up to establish best practices for cross-economy firm-level transition plans and to develop guidance and a set of templates setting out both generic and sector-specific disclosures and metrics.[16] The TPT

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11 FSB (2024), *Progress Report on Achieving Consistent and Comparable Climate-Related Disclosures*, November. The FSB report examines progress by the ISSB and other SSBs and international organisations in supporting jurisdictions and companies to use the new ISSB Standards; covers recent developments in establishing a robust framework for assurance over climate- and other sustainability-related disclosures; describes further progress made by jurisdictions on climate-related disclosure practices as well as steps to prepare for adopting, applying, or otherwise being informed by the ISSB Standards; and summarises the key elements of the IFRS Foundation's *Progress on Corporate Climate-related Disclosures – 2024 Report*.

12 SFWG (2022), *G20 Sustainable Finance Report*, October.

13 These challenges relate to: i) difficulty in balancing credibility and consistency with the need to remain flexible and allow transition plans to incorporate firm- or jurisdiction-specific circumstances; ii) challenges for cross-border operations/ interoperability; iii) challenges with assessing and measuring implementation progress; iv) challenges in incorporating jurisdictional goals, priorities, and strategies in the individual transition plans of companies; v) longer than usual planning horizon and handling uncertainty; vi) lack of widely accepted guidance on assumptions and practices used in transition plans, especially for small and medium-sized enterprises; and vii) data limitations and the lack of expertise in processing the data. See G20 SFWG (2024*), G20 Sustainable Finance Report*, September.

14 GFANZ (2022), *Financial institution net-zero transition plans. Fundamentals, recommendations and guidance*, November.

15 GFANZ (2023), *Transition Finance and Real Economy Decarbonisation,* December.

16 See Transition Plan Taskforce.

published its sector neutral disclosure framework in October 2023, along with the implementation guidance with illustrative examples, comparison documents against TCFD recommendations and IFRS S2 disclosure requirements, and deep dive sector guidance.[17]

In the US, the Treasury issued a set of nine voluntary Principles for Net-Zero Financing and Investment in September 2023.[18] The aim of these Principles is to promote consistency and credibility in financial institutions' voluntary net-zero commitments and encourage the adoption of emerging best practice. The Principles include that, to be credible, a financial institution's net-zero commitment should be accompanied or followed by the development and execution of a net-zero transition plan and identify some best practices around those plans.

Irrespective of ongoing standardisation efforts, many larger non-financial corporates and financial institutions in certain jurisdictions are voluntarily developing transition plans. For example, in recent reviews of UK-listed companies,[19] most of the larger companies (FTSE 100) interviewed had some form of transition plan, although most of these were developed ahead of any formal guidance being available and the decision-usefulness of them for investors was considered variable.

CDP reports that more than five thousand businesses disclosed having a climate transition plan in 2023, a nearly 50% increase from 2022 and accounting for 1 in 4 firms reporting to CDP, while a large number disclosed that they expect to create one by 2025.[20] An overview on the evolution of transition plan developments in the financial sector can be drawn from the tracker developed by BloombergNEF based on information on financial institution members of the GFANZ alliance (Graph 1).[21]

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17 Transition Plan Taskforce (2024), *Sector Guidance*, April.

18 US Department of the Treasury (2023), *Principles for Net-Zero Financing & Investment*, September.

19 FCA (2023), *Finance for positive sustainable change: governance, incentives and competence in regulated firms*, February.

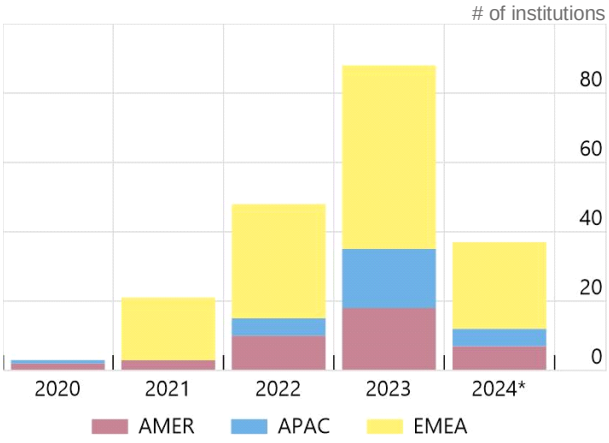
20 CDP (2024), *The State of Play: 2023 Climate Transition Plan Disclosure*, June. CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

21 BNEF (2024), *Tracking Climate Transition Plans in the Financial Sector*, November. See also GFANZ (2024), *Progress report*, November.

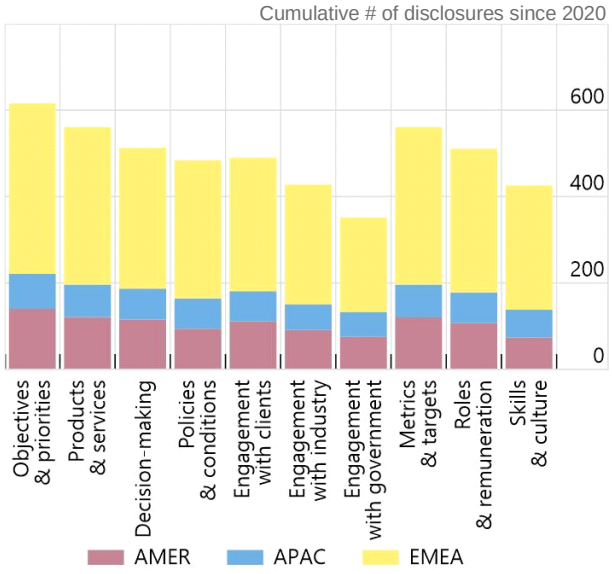
Transition plans published by financial institutions members of GFANZ

Includes data up to August 2024 **Graph 1**

A. Regional breakdown of transition plans published



B. Disclosure of each component



* Includes data up to August 2024.

The data cover a universe of over 600 GFANZ sector alliance members participating in the Net Zero Asset Managers Initiative, Net Zero Banking Alliance, Net Zero Asset Owner Alliance and the Paris Aligned Asset Owners.

Sources: Company publications, CDP, Bloomberg, BloombergNEF

Emerging industry practices see transition planning predominantly as a strategic exercise aimed at outlining a firm's transition path, with some common components identified in the frameworks and guidance discussed above.

Table 1. Common elements of transition plans

Elements	Description
Objectives	Transition plans commonly include an articulation of overarching objectives, usually including decarbonisation targets, possibly including an entity-level net zero target
Strategy	Detail on the strategy and actions companies are planning to take, to reach their objectives. This can include climate change mitigation actions (e.g. ESRS), as well as adaptation actions (e.g. TPT). It can also include internal operations or actions implemented by the plan preparer (e.g. direct changes to operations, staff training and capacity building) and actions related to engagement with the clients and external ecosystem.
Metrics and targets	Targets, metrics or Key Performance Indicators (KPIs) that are used to assess progress against objectives over a period of time.
Governance	Includes the role of the Board in the transition planning process; how roles and responsibilities for the execution of the plan are allocated across senior management; whether incentives and remuneration structure have been aligned to the objectives of the plan.[22]

[22] See, for example, GFANZ (2022), Expectations for Real-economy Transition Plans, and IPSF (2022), Transition Finance Report.

The FSB held an outreach event in February 2024, which explored industry practices to inform the work on the relevance of transition plans for financial stability. Panellists from three large cross-border banks and insurers explained how they use information provided by their clients for their own planning, and how they assess their clients' plans. The process typically involves engaging with their most material clients in high-emitting sectors, and assessing their transition trajectory, their commitment, and the credibility of their planned actions. Panellists stressed the need for the real economy to drive the transition, with the financial sector supporting it. Key takeaways from the industry outreach event are included in Annex 2.

3. Current use of transition plans by financial authorities for financial stability and macroprudential purposes

Transition plans can provide financial sector authorities with a more detailed understanding of institutions' approaches to managing climate-related risks over the short-, medium-, and long-term, including their assumptions around transition scenarios and relevant transition pathways.

In terms of the purpose of transition plans, the survey indicated four, non-mutually exclusive, prevailing views among financial sector authorities:

- A **strategic tool** that helps to align and adapt a firm's business model towards moving to a sustainable economy.
- A **risk management** tool that can be used to gauge and monitor climate-related financial risks, including the transition to net-zero and the other decarbonisation goals from a risk perspective, where relevant and mandated by legislation. A transition plan can help structure and substantiate the forward-looking approach to a firm's transition planning.
- A **source of information for a variety of stakeholders** (e.g. shareholders, investors, policy makers, supervisors etc) on the preparedness of the firm and its exposures.
- A tool that can serve for **accountability,** provided it is credible and comparable.

A survey of FSB member authorities highlighted a diversity of approaches taken or envisaged on transition plans and planning. In some jurisdictions, authorities have started putting in place regulatory frameworks, whose purpose varies from corporate climate disclosures to risk management and prudential purposes, and securities disclosures. In terms of applicable entity, some frameworks apply to corporates (including financial firms as corporates) and others only apply to specific financial firms depending on the scope and purpose of the regulation.[23] Authorities in some jurisdictions require or intend to require transition plans for financial and non-financial firms, while others do not (see Annex 3 for more details).

[23] 19 responses were received in total, of which 11 were jurisdiction-wide (Brazil, Canada, Germany, India, Italy, Japan, Netherlands, Saudi Arabia, South Africa, Switzerland and United Kingdom) and 8 were from individual authorities across 4 jurisdictions (in the European Union, the European Central Bank (ECB) and European Commission (EC); in France, the Autorité de contrôle prudentiel et de résolution (ACPR) and the Autorité des marchés financiers (AMF); in Hong Kong, the Hong Kong Monetary Authority (HKMA); and in the United States, the Federal Reserve Board (FRB), Securities Exchange Commission (SEC), the US Department of the Treasury, and the Office of the Comptroller of the Currency (OCC).

- In the EU, transition plan requirements are laid down in reporting and in prudential regulation. From a reporting standpoint, the CSRD defines transition plans as plans "*including implementing actions and related financial and investment plans, to ensure that its business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5°C in line with the Paris agreement (...) and the objectives of achieving climate neutrality by 2050*" as established in the EU Regulation. In addition, the Corporate Sustainability Due Diligence Directive (CSDDD) requires in-scope companies such as large banks and insurance companies to develop and execute transition plans for climate change mitigation. From a prudential standpoint, the Capital Requirements Directive recent review (CRD6) as well as the review of the Solvency II Directive refer to a specific plan as an arrangement, process and mechanism that includes quantifiable targets and processes to "monitor and address the financial risks arising in the short, medium and long-term from Environmental, Social and Governance (ESG) factors or sustainability factors, including those arising from the process of adjustment and transition trends towards the relevant jurisdictions' regulatory objectives in relation to ESG factors. CRD6 and the reviewed Solvency II Directive also mention that, where the institutions or undertakings disclose CSRD plans, the prudential plans should be consistent with the CSRD plans, in particular, they shall include actions with regards to the business model and strategy of the institution or undertaking that are consistent across both plans. Sectorial regulatory authorities in the EU are developing detailed guidance supporting the implementation of EU regulation.[24]

- In Canada, OSFI's guidance on climate risk management defines a Climate Transition Plan as a plan, in line with the federally regulated financial institution's business plan and strategy, that guides its actions to manage increasing physical risks from climate change, and the risks associated with the transition towards a low GHG economy.

- In India, issuers of transition bonds are required to disclose a 'transition plan' in their offer document.[25] Companies issuing transition bonds are mandated to disclose their transition plans and usage of proceeds, which is subject to periodic annual review. A company also needs to indicate sustainability related goals and targets, and in case it is not reached, the reason thereof. This is reviewed by the Securities and Exchange Board (SEBI). SEBI has also mandated the ESG rating providers to provide a 'transition' or 'Parivartan' score that measures the velocity of investments in making the transition to net zero.

- In Singapore, the Monetary Authority of Singapore (MAS) published a set of consultation papers in October 2023 for banks, insurers, and asset managers on transition planning.[26] Building on its existing supervisory guidance, the proposed

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24 The CRD6 mandates the European Banking Authority (EBA) to develop a guidance on the content of risk-management transition plans of banks, which shall include concrete timelines and intermediate quantifiable targets and milestones. For (re)insurers, the European Insurance and Occupational Pensions Authority (EIOPA) is mandated to submit to the Commission draft regulatory technical standards (draft RTS) further specifying the content, supervisory approaches, and the elements to be disclosed in relation to (re)insurers' Solvency II plans.

25 The SEBI introduced transition bonds in 2023, as a type of 'green debt security'. These bonds comprise of "funds raised for transitioning to a more sustainable form of operations, in line with India's Intended Nationally Determined Contributions."

26 MAS (2023), *Consultation Paper on Proposed Guidelines on Transition Planning for Banks*, *Consultation Paper on Guidelines on Transition Planning (Asset Managers)*,and *Consultation Paper on Guidelines on Transition Planning (Insurers)*, October.

Guidelines focus on FIs' internal strategic planning and risk management processes to prepare for both risks and potential changes in business models associated with the expected transition and physical effects of climate change. FIs are expected to take a multi-year perspective to facilitate a more comprehensive assessment of climate-related risks, engage rather than divest customers to transition in an orderly manner so as to minimise risks from any disorderly transition (i.e. a transition that suddenly accelerates creating disruptions and disorderly adjustments in different sectors of the economy). They are to provide the necessary transparency to facilitate stronger accountability, and to consider the important interdependencies between climate and nature-related risks. The proposed guidelines are expected to be finalised by early 2025.

- In the UK, while there is no formal definition, authorities consider a transition plan as a published document as part of climate-related disclosure, which articulates to stakeholders the strategic ambition and actions of an entity with respect to the impacts of climate change and the transition to a low emission and climate resilient world. In practice, a corporate transition plan should cover: (i) a firm's high-level ambitions to mitigate, manage and respond to climate change and to leverage opportunities of the transition; (ii) actionable short and medium-term steps the firm plans to take to achieve its strategic ambition with details on how these will be financed; and (iii) governance and accountability mechanisms that support delivery of the plan with robust periodic information.

Financial authorities are at an early stage of thinking on the potential use of transition plans for financial stability and macroprudential purposes. An aspect of relevance for using transition plans information to assess risks from a financial stability perspective relates to the possibility of aggregating information in transition plans effectively. The following sections discuss how transition plans need to be comparable, consistent, credible and verifiable to support potential aggregation of the information reported in them.

4. Limitations and challenges for the use of transition plans for financial stability assessments

The limited experience of both financial and non-financial companies and financial sector authorities suggests that, before discussing the relevance of transition plans for financial stability, it is important to acknowledge the limitations to the current effective use of transition plans for financial stability assessments. These caveats provide context to the conceptual discussion that follows.

- **Transition plans are not inherently designed for the purpose of financial stability assessments.** The primary purpose of most producers of transition plans is business strategy and target setting. Financial stability assessments are not the primary purpose of transition plans and therefore some information that might be needed to inform financial stability monitoring and macroprudential policies might not be available in these plans. Authorities who want to use the information currently in transition plans for financial stability assessments need to bear this in mind.

- **Transition plans are currently only developed by a limited population of firms, with wide differences in format, content and methodological assumptions.** There is significant variation among jurisdictions in the number of firms developing transition plans, whether these are disclosed, and their content and format. Furthermore, jurisdictions differ as to whether (and, if so, in what form) they have regulations, recommendations or guidance relating to transition plans. Any discussion of the benefits from a potential aggregation or comparison of transition plans for financial stability purposes would therefore only be feasible in a scenario where plans were being developed in a more consistent and comparable fashion.

- **Mechanisms to assure the reliability of information in transition plans are emerging**. As a general matter, because transition plans are strategic, forward-looking documents, the information in them may change as conditions evolve. Reliability of information disclosed in these plans is hence particularly important. In this context, the International Auditing and Assurance Standards Board (IAASB) approved its International Standard on Sustainability Assurance (ISSA) 5000 in October 2024 and plans to publish a range of guidance and application materials in 2025. This Standard may enhance consistency, comparability and reliability of sustainability-related information provided to the market.[27]

The following conceptual discussion of potential relevance of transition plans information for financial stability needs to be seen against the context of these limitations and challenges. Any concrete operationalisation of such use cases for financial stability purposes would need to address the practical challenges of current transition planning practices. Furthermore, analytical thinking on specifically how to operationalise the use of transition plans information for financial stability analysis, while evolving, is still at an early stage.

5. Interaction of transition plans and planning with climate-related financial risks

Transition plans, with their forward-looking nature, are strategic tools intended to describe the way in which an entity assesses their trajectory under possible climate scenarios and build their business strategies and investments over their medium to long-term. This helps to improve the future viability of the business model, and, as a corollary, to manage climate-related risks. Transition planning also includes assessing the impact of physical and transition risks on the firms' risk profile, taking into consideration the firms' strategic objectives, key dependencies and externalities.

Transition planning and plans could potentially interact with financial stability through three main channels:

- **Facilitating firms' strategy setting, which informs better climate-related risk managemen**t: A firm's transition planning process could assist in its strategy setting. Financial institutions' access to forward-looking information from their counterparties

[27] See IAASB (2024), *International Standard on Sustainability Assurance 5000, General Requirements for Sustainability Assurance Engagements*, October; and IOSCO (2024), *Statement of Support on the IAASB's International Standard on Sustainability Assurance (ISSA) 5000*, November.

could better support their own transition and risk management of climate-related risks. At scale and under relevant conditions, this could reduce the financial stability risks from the net zero transition.

- **Informing investment decisions**: Greater consistency in forward-looking information in transition plans, and wider production and use of plans, could improve asset pricing and transition financing, by addressing information gaps and reducing market failures. This increases market efficiency by reducing information asymmetries across firms in the financial and non-financial sector and by helping firms to develop transition strategies informed by those of their counterparties.[28]

- **Supporting financial authorities' macro-monitoring of transition and physical risks both in the financial system and the real economy**: Forward-looking information in transition plans may provide authorities with a better perspective on how climate-related risks could affect financial stability. Transition plans can assist authorities in monitoring climate-related financial risks and facilitate the identification and assessment of systemic risks. Transition plans could inform scenario narratives and modelling, while scenario analysis could help firms assess the impact of climate risks on their strategies and business models.

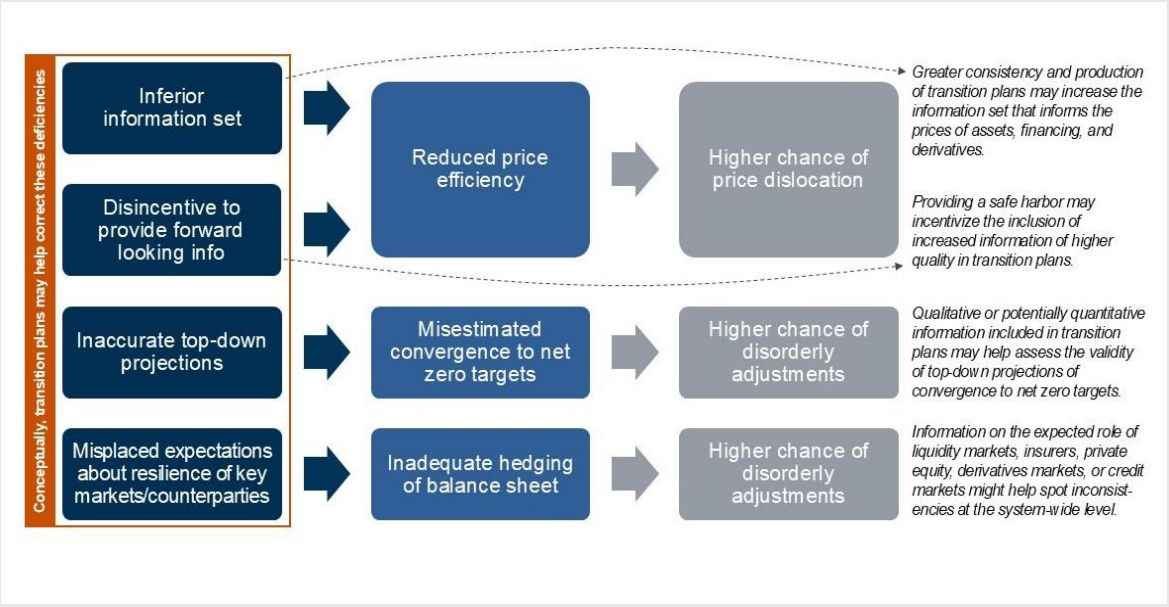
In principle, transition plans can help address market failures related to the lack of decision-useful, forward-looking information on the potential impact of climate-related risks on market participants (both non-financial and financial entities). Box 1 below describes the potential information deficiencies leading to market failures and links them to ways through which transition plans can help address them.[29]

[28] See also IOSCO (2024), Report on Transition Plans, November. IOSCO explored how disclosures about transition plans can support its objectives of investor protection and market integrity. The report provides a summary of the findings to convey how investors and other key stakeholders use transition plan disclosures, and their views on the current state of transition plan disclosures and whether and how guidance on the topic can help.

[29] Potential information deficiencies relevant in this context are: the disincentive to provide forward-looking information; reliance on inaccurate top-down projections of transition pathways; and misplaced expectations about the resilience of key counterparties.

Box 1. Market failures that could potentially be addressed by transition plans

Figure 1. Macroprudentially-relevant market failures that could potentially be addressed by transition plans



In this diagram, the top link refers to markets not having sufficient information to efficiently price transition risks. If transition plans help to improve the information set available to the market, the price of financial assets may more accurately reflect climate risks reducing the potential for future price dislocations.

The second potential market failure relates to a potential disincentive for firms to voluntarily provide unbiased forward-looking information because of concerns about legal or reputational risk. A high-quality transition plans framework can provide a safe harbour for firms disclosing information on their plans for transition.

A third link relates to the possibility to use selected firm-level information as a validating tool for transition risks estimated through top-down modelling techniques. Firm-level confirmation of top-down modelling of transition pathways (a "hybrid" of bottom-up and top-down approaches) may improve the accuracy of risk estimates and help to lessen financial stability risks from a delayed transition.

Finally, a possible information failure relates to the assumptions a firm makes about the resilience of its counterparties to form its own risk mitigation strategies to transition risks. Information in transition plans can reveal inconsistent expectations about the resilience of key markets or counterparties and help market participants and potentially authorities to address any deficiencies.

Facilitating firms' strategy setting, which could inform better climate-related risk management

Assessing and mitigating climate-related financial risks is challenging due to long-time horizons, and the complexity and uncertainty surrounding the manifestation of climate change. Given the forward-looking nature and long-term horizon, empirical data and traditional risk management approaches, methodologies, and tools may not be appropriate to quantify climate-related risks, potentially leading to underestimation of these risks. The significant uncertainty surrounding the actual manifestation of climate change, as well as the uncertainty of the policy environment and technological changes, also make a precise quantification of climate-related risks challenging. Finally, transition is a dynamic process, characterised by dependencies across industries, sectors, geographies, and jurisdictions, that can affect transition pathways in ways that are complex and difficult. By articulating the firms' forward-looking strategies for navigating the

transition to a lower-carbon economy, transition planning enhances their ability to identify and assess climate-related risk over longer time horizons, enabling firms to anchor climate risk management in their broader strategic planning.

For financial institutions, transition planning represents a structured process to inform and organise their relationships with clients, counterparties and suppliers as the transition unfolds. Non-financial institution plans contain information on financial institutions' client prospects, such as transition alignment, risk profile, and credibility of the efforts made to transition. This enables financial institutions to identify the firms and sectors most vulnerable to the transition or that do not have credible plans on how to adjust their business models to a net zero economy, and hence to identify potential financial risks from the transition. At the same time, clients' plans can help them to identify opportunities, on the firms and sectors that are poised for growth, such as those that are developing new technologies to reduce emissions. This information could inform financial institutions' capital allocation and risk management strategies, ultimately supporting safety and soundness and the resilience of the financial sector.

Transition plans and planning could hence be of interest from a financial stability perspective and for macroprudential authorities, as the broader availability of information included in transition plans could in itself strengthen the resilience of the financial system, i.e. its "capacity to absorb shocks and prevent them from leading to an unravelling of the accumulated imbalances".[30]

Transition plans as a source of forward-looking information to inform investment decisions

Publicly disclosed transition plans could expand the information available to markets, enabling more informed decisions and hence improving efficient capital allocation. As the development and disclosure of transition plans become more common, firms may develop their own strategies based on the plans (strategies, planned actions, resourcing, key dependencies) of their counterparties, which may help them lengthen the planning horizon and prepare early on to the required changes. The disclosed information, particularly insofar as forward-looking, may enable a better-informed pricing and management of climate-related risks and opportunities, thus potentially leading to a more orderly transition. From a financial stability perspective, a successful transition is one that minimises financial disturbances and instability; this hinges on the ability of the economy to transform its productive structure orderly and in a relatively short period of time. At the system level, a more mature transition planning and an expanded coverage of transition plans may help to reduce the risks of sudden adjustments which may ultimately threaten financial stability. Transition plans can play an important role, by providing forward-looking projections of how each firm intends to adjust to this transformation.

Supporting financial authorities' macro-monitoring of transition risks both in the financial system and the real economy

If transition plans and planning advance sufficiently to cover large parts of the economy with sufficient credibility, consistency and comparability, use of information in transition plans may

[30] FSB (2021), *FSB Financial Stability Surveillance Framework*, September.

support financial stability assessments by providing a broad-based forward-looking perspective on the transition across sectors, economies, and geographic regions and it may help identify potential build-ups of transition risks.

Macro-monitoring of the transition at the level of the system may help financial authorities to identify vulnerabilities related to the type of transition the economy is heading towards (e.g. orderly or disorderly) and potential risks to financial stability. This information could inform financial authorities on the sensitivity of sectors and economies to future macroeconomic and financial conditions, and the potential interaction of climate-related and more traditional forms of financial risks. For instance, high-level information from financial institutions' transition plans could help to identify risks deriving from the misalignment between financial sector and real economy transition, and its evolution over time. Monitoring such mismatches could be beneficial from a financial stability perspective, to detect in advance sudden curtailing of financing to corporates, which might lead to disorderly adjustments with potential consequences in terms of financial stability. Systemic risk could also materialise through higher physical risk and insufficient adaptation of the economy, and information in transition plans could help monitor financial flows towards adaptation projects.[31]

6. Potential use of transition plan information for financial stability monitoring

The previous section discussed how transition plans could serve as a source of forward-looking information for financial stability assessment and macroprudential considerations, in that they outline strategies and actions by non-financial corporates and financial institutions to manage climate-related risks and extend existing climate-risk exposure metrics into the future. Metrics and key performance indicators (KPIs) in transition plans facilitate ongoing evaluation of risk mitigation practices and potential climate risks, and support transition plans' credibility.[32]

6.1. Approach and indicators

From the perspective of financial sector authorities, metrics in transition plans could support micro-prudential monitoring of climate-related financial risks (both physical and transition). The information included in individual institution transition plans can provide the building blocks for developing macro-indicators of climate related risk at the level of the system. Given sufficient consistency, these metrics could be combined and compared to yield indicators suitable for macro monitoring of transition risks in both the financial system and the real economy. The combined information could assist authorities in assessing any potential misalignment between the real economy and the financial sector transition with respect to jurisdictional objectives, misalignment which could result in a disorderly transition. The dispersion of specific metrics can also provide insights on the uncertainty around transition pathways.

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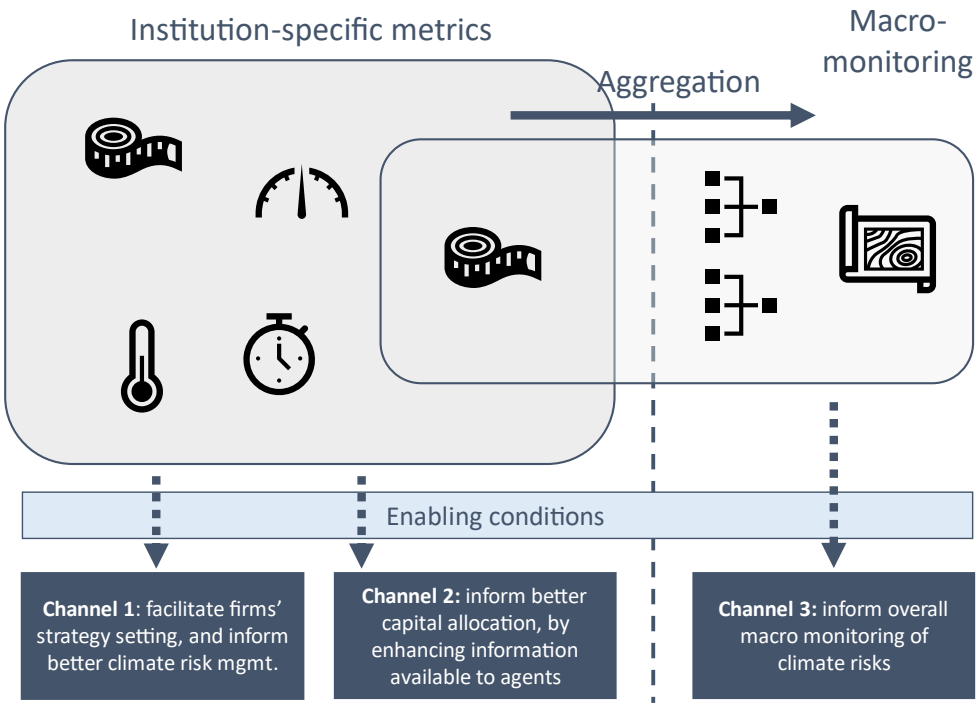
31 Climate-related physical credit risk can arise due to potential decreases in collateral values and increases in defaults. Risk metrics for credit physical risks translate potential exposures into metrics of risk for the financial sector, capturing potential financial impacts (e.g., expected losses). Risk metrics based on expected loss estimates typically use approaches that combine insights on hazard, exposure, vulnerability, and (in some cases) financial structures (e.g. insurance coverage). Adaptation investments and mitigation measures provide information on the resilience with respect to the materialisation of physical risk.

32 See NGFS (2024), *Credible Transition Plans: The microprudential perspective*, April.

Identifying the elements that are, or could be, included in transition plans (such as specific data points, metrics, or other qualitative and quantitative indicators or benchmarks of an orderly transition) in order for them to support financial stability and enable their monitoring for financial stability purposes comprises three separate but interrelated steps (Figure 2 below):

- First, identify which quantitative indicators and qualitative information included in transition plans is potentially relevant for and might contribute to financial stability.
- Second, identify the sub-set of metrics that are potentially suitable of being combined and inform financial stability monitoring, i.e. relevant to help obtain a forward-looking and more system-wide perspective on climate-related financial risks.
- Third, determine the prerequisite conditions for the identified indicators to contribute to financial stability monitoring through their combination.[33]

Figure 2. Interaction between transition plans and macro-monitoring



Indicators that can support financial stability monitoring of climate related financial risks, can be grouped in three buckets:

[33] This report makes reference to "combination" to indicate a wide range of potential practices that can be used to combine individual level information to provide a system-wide angle on climate related financial risks. "Aggregation", intended as the aggregate (through a summation operator) of the quantitative information in transition plans, is the most demanding in terms of the conditions that would need to be satisfied for it to be technically possible. In addition, different types of information included in transition plans might present different challenges in terms of aggregation. Precisely aggregating complicate quantitative data such as scope 3 emissions might prove more challenging than high-level aggregation of qualitative indicators. Section 6.1 speaks to these conditions in greater detail.

Portfolio alignment metrics

Portfolio alignment metrics refer to the distance between existing portfolios and portfolios aligned with relevant targets and scenarios, such as net-zero targets / Paris-aligned scenarios or scenarios that represent pledged climate-related commitments or policies and measures in place or under development and represent a proxy for transition risk assessment.[34] Alignment metrics would generally include the following conceptual steps: (i) translation of scenario-based carbon budgets into benchmarks, (ii) assessing counterparty alignment, (iii) assessing portfolio level alignment.[35] (See Box 2 for an example of alignment assessment methodology).

Box 2: ECB's alignment assessment

Portfolio and sector-level misalignment analysis

The ECB 2024 report *Risks from misalignment of banks' financing with the EU climate objectives*[36] utilises portfolio alignment analysis to assess banks' level alignment with sectoral decarbonisation trajectories. Using PACTA methodology,[37] the study assesses the risk stemming from the (mis)alignment of banks' financing with respect to EU policy objectives. Transition risks are assessed for fifteen different technologies in six key transition sectors.[38] together accounting for around 70% of CO2 emissions. For this exercise, The International Energy Agency's "Net Zero Emissions by 2050" decarbonisation pathway was selected as baseline, since it aligns with European Climate Law that requires the European Union (EU) to achieve carbon neutrality by 2050. Based on available data, the report shows substantial misalignment of EU banking sector that is therefore exposed to increased transition risks, and that around 70% of banks may be subject to elevated reputational and litigation risk if no further action is taken. The driver of misalignment is a combination of the bank´s financing of corporations that are falling behind in the build-out of low-carbon technologies and lagging in the phase-out of high-carbon technologies.

Another example of PACTA usage is the assessment of climate-change related transition risks in the portfolio of European insurers, performed by EIOPA. The analysis employs a "what-if" scenario analysis to provide insights into possible values at risks under the scenarios and assumptions employed. It illustrates that losses on equity investments in the high-carbon sector can be high and are in particular driven by investments in fossil fuel extraction, especially oil and gas, but also by investments in car production. The losses on the corporate bond portfolio are smaller than those for equities but are largely driven by the same sectors.[39]

Switzerland undertook in 2024 its fourth PACTA climate test, where all Swiss banks, asset managers, pension funds and insurers are invited to have their portfolios tested, on a voluntary and anonymous basis. Each financial institution receives an automatically generated individual test report for each

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34 For example, the Swiss Climate Scores were launched in June 2022 to enhance portfolio-level transparency and comparability with respect to the alignment of financial investments with the goals of the Paris Agreement. These scores encompass several indicators that assess the current situation (e.g., emissions or exposure to high-emitting sectors) as well as forward-looking aspects (e.g. the share of the portfolio subject to a net-zero target, engagement strategy, and potential global warming level). The scores allow for different investment strategies (e.g. aligned portfolio or aligning portfolio with robust engagement strategy). The scores will undergo regular reviews to reflect evolving practices. Notwithstanding their voluntary nature, several financial institutions have or are in the process of rolling out the scores to help investors better factor in climate aspects in their decisions. See IPSF (2023), *Implementing transition finance principles – Interim report December 2023*.

35 See for example, the GFANZ 2022 report on Measuring Portfolio Alignment for more information.

36 ECB (2024), *Risks from misalignment of banks' financing with the EU climate objectives*, January.

37 PACTA is an open-source tool. As described in PACTA methodology for banks, bank's financial exposures are linked to physical assets of their clients (e.g. steel or power plants). The economic units of output coming from physical assets financed by the bank are then compared to different climate change scenarios, informing the bank of the current climate pathway its loan book and clients are on. By basing the analysis on economic units of output it is possible, using business intelligence data, to make forward-looking projections and the bank can assess its portfolio against business-as-usual and Paris-aligned scenarios.

38 The analysed sectors are: (i) power generation, (ii) oil and gas, (iii) coal mining, (iv) automotive, (v) cement and (vi) steel.

39 See EIOPA (2020), Sensitivity analysis of climate-change related transition risks.

portfolio and for the whole institute. This contains a comparison with other PACTA participants and also provides indicators for the Swiss Climate Scores. Financial institutions can choose whether or not to publish their individual results.[40]

Potential use of transition plans in the assessment of portfolio alignment

PACTA methodology is data agnostic and choice of the source for physical asset level data is open, so such information may be improved by including data from corporate transition plans, if deemed reliable. Apart from sector-level analysis, these types of methodologies could help banks assess the misalignment of individual corporates, evaluate corporates' transition plans and their potential exposure to transition risks. They could also potentially be useful for supervisors to assess banks' credit risk management procedures in relation to climate risk.[41]

The PACTA approach currently assumes the credit portfolio remains constant when measuring alignment. However, some banks noted it would be useful to understand how precisely the portfolio will evolve, in parallel with point-in-time risk assessment, to explore ways to reduce the risk of misalignments by portfolio rebalancing strategies.

Financial institutions planned investments, financing and underwriting activities

Financial institutions' aggregate planned financing for climate mitigation and adaptation and aggregate financed emission reduction targets can highlight any potential mismatches between the real economy and financial sector's targets and may provide insights about financing misalignment, the size of financing adjustment needed and, potentially, offer insights into the financial stability implications of a disorderly transition. Specific metrics include financing targets for climate mitigation and adaptation (e.g. lending and insurance underwriting), with the breakdown of portfolio per investment strategy. In the context of high-intensity sectors, the availability of aggregate information on financed emission reduction targets could enable a more nuanced understanding of the efforts being made to transition to lower emissions (see Box 3 below).

Box 3: Japan's approaches for financed emissions related to transition finance[42]

There has been growing expectation for financial institutions to calculate and disclose financed emissions which could allow for an easy comparison and evaluation of the climate-related exposures of a financial institution. However, these metrics are often backward-looking metrics, do not incorporate future emission reduction trends, and may pose challenges for assessing strategies and actions with respect to climate related risk exposures. Japan's Public and Private Working Group on Financed Emissions for Promoting Transition Finance (JPPWG) has recommended a set of complementary metrics including calculation and disclosure of transition finance associated with financed emission, as this can help financial institutions communicate their commitment to stakeholders more effectively. Even if transition finance increases overall financed emissions, disclosing the portion attributed to transition finance can clarify that this increase is due to investments in hard-to-abate sectors with a view to support decarbonisation.

Japan's Public and Private Working Group on Financed Emissions for Promoting Transition Finance (JPPWG) has recommended a set of complementary metrics which includes financed emissions related with transition finance. One approach relies on carbon intensities and computing a weighted-average

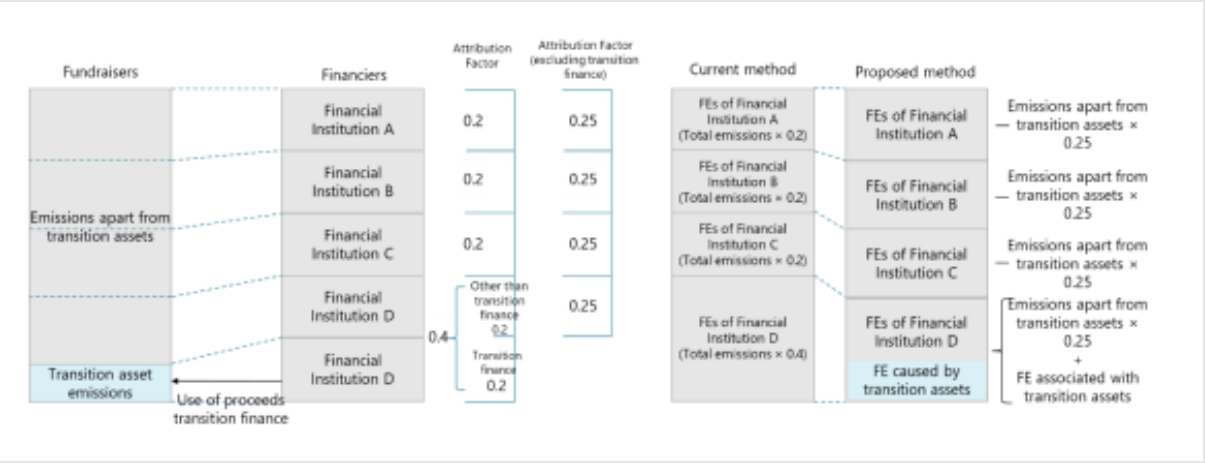
40 See Swiss Federal Council, Federal Office for the Environment (2024), PACTA climate test 2024.

41 See, for example, Box 2 in ECB 2022 report on the results of the 2022 thematic review on climate-related and environmental risks, Walking the talk.

42 See JPPWG (2023), *Addressing the Challenges of Financed Emission*, October.

carbon intensity. The other approach includes calculation and disclosure of transition finance associated with financed emission, as this can help financial institutions communicate their commitment to stakeholders more effectively. Even if transition finance increases overall financed emissions, disclosing the portion attributed to transition finance can clarify that this increase is due to investments in hard-to-abate sectors with a view to support decarbonisation. Another possibility is calculating and disclosing financed emissions related to emissions associated with the use of proceeds projects. (See Figure 3 below) This allows financial institutions to portray their contributions to decarbonisation investments through transition finance in more detail.

Figure 3. Financed emissions related to emissions associated with the use of proceeds projects



JPPWG also recommends complementing financed emissions with other metrics related to efforts on real-economy transition. One such metric is future reduction effects achieved through transition finance, indicating the contribution of transition finance to the decarbonisation, out of the total GHG reductions expected from a company in the future. This can help explain that any increase in emissions due to transition finance is temporary and aligned with decarbonisation targets. Monitoring and disclosing reduction achievements are crucial to ensure the reliability of this indicator.

Aggregate underwriting emission reduction targets can highlight whether there is a risk that insurers may reduce their underwriting capacity to some high carbon sectors faster than the financial sector's and real economy's own transition plans and therefore creating uncertainty around the financing provided to these sectors, if it is conditional on insurance availability.[43] However, the uncertainty in future estimates of financing targets or commitments poses a credibility challenge, as estimate changes could be due to changes in the climate scenarios adopted as well as in the reduction of the targets, which may themselves need to adjust as institutions respond to evolving climate scenarios.

[43] The operation and financing of some high carbon activities, which could be critical for the stability of the global economy (e.g. energy, trade, shipping, aviation, agriculture, infrastructure projects) are often reliant on the availability of insurance. If some of the largest insurers withdraws substantial underwriting capacity from the market because of their transition plans, the access of these activities to the mainstream financing sources (which typically require the existence of insurance as a condition for their financing) may be severely constrained. Consequently, financing to such companies and projects could be become unavailable or more expensive, impacting the viability of some of these activities. It is important to note that underwriting often occurs within a specific legal context, with insurance being mandatory for certain economic activities. This fact can be relevant when considering financial carbon leakage issues, whereby carbon-intensive activities might move to jurisdictions with less stringent climate policies, that my lead to underestimate potential climate risks.

Qualitative information on strategic ambition and engagement strategy

A third set of indicators that could offer insights from a financial stability perspective are those that could be derived from qualitative information included in transition plans, such as on transition strategies and the governance processes supporting them. The use of qualitative metrics, in combination with quantitative metrics, and their aggregation into system-wide narratives could help provide the context for quantitative metrics, support their credibility and hence usability for obtaining a system wide view. For example, an emission reduction strategy may not be credible if not accompanied by investments in the respective carbon reduction and removal technologies.[44]

While aggregation of qualitative information is intrinsically difficult, it can be facilitated by advances in technology, for example using AI and large language models. Examples of these approaches are currently being explored.[45]

6.2. Challenges to the use of information within transition plans from a financial stability perspective

To move from individual transition plans to macro-relevant information which could inform financial stability assessments, suitable metrics must be aggregated, or otherwise manipulated, to derive system-wide measures that can inform financial stability monitoring. The feasibility of constructing meaningful aggregate forward-looking metrics from transition plan information is currently unclear. Transition plans are far from being comprehensively disclosed and aggregation techniques are undeveloped. Limited data availability, differing coverage, and quality of key metrics reduces the ability to assess risks across the entire operations of financial institutions and nonfinancial corporates and draw comparisons or overarching conclusions across financial institutions and the financial system.[46]

Unlike much financial reporting, transition plans are inherently forward-looking; they may capture firms' expectations and ambitions but should not be understood as precise forecasts**.** To be a useful source of information for all stakeholders, transition plans must provide a reliable and reasonably stable source of information. On the other hand, transition plans also depend on external circumstances that are not entirely under the control of the institution. A balance must be struck between flexibility (and the possibility of review) and stability, which would support the extent to which the information included in the plans is reliable. In addition, target setting methodologies, as well as metrics are still being developed and refined. Best practices in these areas, including, importantly, how to evaluate the credibility of transition plans, are still emerging.

Furthermore, transition plans, as they currently exist, are neither being developed by a comprehensive population of firms, nor are they based on standardised elements. Absence of these plans in some firms may hinder accurate monitoring of transition risks. Aggregation,

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44 The NGFS report underscores the need for detailed transition strategies, robust governance processes, and transparent engagement strategies to ensure the credibility of emission reduction targets. and usability of these indicators. See NGFS (2024), *Credible Transition Plans: The microprudential perspective*, April.

45 See BIS (2024), *Project Gaia: Enabling climate risk analysis using generative AI*, March.

46 For example, significant differences are found in reported and estimated scope 3 (financed emissions) data, and jurisdictions have different views on scope 3 in general. OECD (2023), "Assessing net-zero metrics for financial institutions: Supporting the monitoring of financial institutions' commitments", *OECD Business and Finance Policy Papers*, No. 37, OECD Publishing, Paris.

especially of quantitative information, would presuppose standardised methodologies for calculating or, at the very least, a certain number of common and harmonised data.

Enabling conditions for the use of transition plans metrics for financial stability

For the indicators to serve as useful proxies or inform financial stability monitoring, several enabling conditions or attributes should be considered:

- **Coverage**: This refers to the percentage of nonfinancial corporates or financial firms that disclose the necessary information, and whether this is sufficient to provide a system-wide or economy-wide view for financial stability monitoring purposes.

- **Transparency**: This pertains to the disclosure of the methodology, assumptions, and information used to calculate and aggregate these indicators, for example whether financial institutions and/or nonfinancial corporates provide clear metrics to assess whether targets have been met; the assumptions (including dependencies on external factors), methodology, and coverage of activities which are included in their targets.

- **Credibility**: This refers to the alignment of the plan's ambition with international/national climate objectives, the consistency with sectoral transition pathways and the implementation of feasible mitigation actions and decarbonisation levers to deliver the strategic ambition. The credibility of the indicator providing a forward-looking perspective on activities related to climate-related risks would rely, for example, on whether interim decarbonisation targets are complemented with a coherent strategy, governance, and financial planning processes to meet these targets.

- **Comparability**: This ensures that the required input information for these indicators is consistent across different financial institutions and nonfinancial corporates. This condition may be fulfilled by the use of consistent classifications, methodologies, and assumptions across financial institutions and nonfinancial corporates.

- **Availability**: This refers to the presence and accessibility of the required data across all institutions. Currently, there is a significant variation in the type and extent of information disclosed by different institutions also due to the lack of a global minimum standard. This variation can pose challenges for constructing meaningful aggregate indicators.

Beyond these five conditions, a methodological framework would be needed to provide a structured and rigorous approach to financial stability monitoring in respect to climate-related risks. This framework should be based on established economic and financial relationships to ensure an economically coherent interpretation of the data, and capable of integrating diverse data types, from quantifiable metrics of economic sectors' sensitivity to future climate-related conditions to more qualitative indicators of transition risks.[47] In addition, information for financial stability monitoring would likely require going beyond simple combination and compilation of

[47] See Bruneau, G. et al (2023), Understanding the Systemic Implications of Climate Transition Risk: Applying a Framework Using Canadian Financial System Data, Banque of Canada Staff Discussion paper 2023-32.

information in a single aggregate number and consider issues such as the concentration or distribution of exposures within the system and across intermediaries.

At the current stage, the information on transition plans is not fully standardised nor widely disclosed. That said, there are signs that these enabling conditions could over time be approached and that the usefulness of transition plans for financial stability and macroprudential authorities intending to use these plans for their assessments would therefore grow over time. For example, the implementation of the ISSB Standards will enable greater transparency, standardisation, and comparability of transition plan information across firms. Progress on a global assurance framework for sustainability-related corporate reporting will also support the reliability of key metrics that figure in transition plans.[48] This will provide a clearer picture of the reliability and decision-usefulness of entity-level disclosures, otherwise attempts to derive information on system-wide trends and vulnerabilities from information in transition plans may be hampered by poor quality or non-credible entity-level data.

Macroprudential authorities that intend to use transition plans to inform financial stability assessments would benefit from continued effort towards standardisation and broader adoption of these tools. In this context, the recent initiative of the IFRS Foundation to consider using materials developed by the UK TPT in the Foundation's efforts to support companies in disclosing information about their transition plans may bring greater convergence and harmonisation in the metrics and advancements in meeting the enabling conditions identified above.[49] In those jurisdictions where transition plans are leveraged for financial stability monitoring, standardisation of transition plan disclosures would support greater comparability, reliability and coverage, and could ultimately support efforts by financial stability authorities to use information drawn from transition plans for this purpose.

7. Interaction between transition plans and climate scenario analysis

Transition plans and climate scenario analyses can interact with each other, potentially enhancing the understanding of how climate-related financial risks could affect the financial system. As progress is made on enabling conditions, the approach in this section is to flip the perspective to understand the different ways information contained in transition plans, if these conditions are met, could start informing climate scenario analysis and how climate scenario analysis could, in turn, inform transition plans. The discussion presents early thinking drawn from existing literature and the work of some member authorities. Not all authorities have determined whether the links discussed here will be actionable, either at the current juncture or at some point in the future.

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48 These enhancements will in themselves support financial stability by enabling corporates and financial institutions to make more informed decisions and adjust their strategies based on increasingly more precise (less uncertain) forward-looking prospects on climate related risks and their drivers.

49 See IFRS Foundation (2024), ISSB delivers further harmonization of the sustainability disclosure landscape as it embarks on new work plan, June.

Transition plans informing scenario narratives and modelling

Transition plans may inform climate scenario exercises conceptually by providing further details on designing scenario narratives and the transmission or amplification of shocks, and analytically by helping calibrate the magnitude of climate shocks. Transition plans could inform how climate shocks may be transmitted to and amplified by the financial system through current or future actions that firms plan to take to meet their transition objectives.[50]

Transition plans of non-financial firms can provide real-world context on the magnitude of adjustments needed based on emissions reduction targets and trajectory for achieving these goals, with important information on planned investments in climate mitigation and adaptation.

Some authorities are looking to financial institution transition plans to provide a view on how financial exposures may change over a given time period. For instance, indicators relating to the evolution of financed and insurance underwriting GHG emissions reflect the carbon footprint of loan, investment and underwriting portfolios at different time intervals. When combined across financial institutions, such information on the financial institutions' evolution of financing and insurance underwriting of GHG emissions across sectors could provide an overview of the projected distribution of climate-related exposures in the financial system, including potential exposure concentrations that are likely to arise. This could inform the design of scenario narratives to consider amplifications of shocks within the economy or financial system. On the other hand, this information can feed into the development of dynamic balance sheet models used in climate scenario analysis to account for adjustments in banks' portfolios. It may also provide information on the availability of transition funding and underwriting capacity for transition (e.g. financing targets for climate mitigation and adaptation).

Transition plans could help frame system-wide narratives around the materiality of cross-sectoral transmission of climate shocks. Comparing transition paths across financial sectors may shed light on potential interactions and correlations across actions that could give rise to macroprudential risks. Some specific use cases are:

- Transition plans of financial institutions may be contingent on continued availability of different risk transfer tools to mitigate climate risks. For instance, bank transition plans may assume changes across the insurance industry, including changes in insurance premiums and underwriting capacity to reflect changes in the physical risk environment. Climate scenario analyses could assess the sensitivity of outcomes to these assumptions.

- Differences in sectoral transition plans across jurisdictions may point to increased potential for cross-border spillovers of climate shocks in the global financial system. This could be a relevant issue when transition plans of financial sectors indicate decreasing exposures to jurisdictions that may be more likely to be affected by physical risks going forward. Similarly, indicators relating to the volume of financed and underwriting emissions across advanced economies (AEs) and emerging markets and

[50] According to the results of an internal survey, several FSB jurisdictions believe that transition plans could be a useful input for climate stress testing. A few research papers also support the usefulness of transition plans in climate stress testing – See, for example, Despres and Miller (2023) *Prudential transition plans: the great enabler for effective supervision and regulation of climate-related financial risks?,* September; Dikau et al. (2024) *Prudential net zero transition plans: the potential of a new regulatory instrument*, May.

developing economies (EMDEs) may offer insights on whether cross-border transmission of climate shocks should be part of the scenario narratives being developed by financial authorities.[51]

- Comparing transition paths across financial sectors may shed light on how cross-sectoral financial interlinkages may result in negative externalities. For instance, if asset managers cut exposures to high transition risk sectors at a fast pace, banking sector exposures and thereby credit risk for those sectors may increase (at least temporarily).

At a more technical level, transition plans could assist financial authorities in the calibration of scenario inputs on the sources and severity of climate shocks. When calibrating the impact of climate shocks, transition plans of non-financial firms could also help identify sectoral sources of stress and projected evolution of related production assets. This can be used to determine the magnitude of sector-level shocks in the real economy. Transition plans of financial firms can provide the next level of detail by providing relevant information on the reaction function of financial institutions to manifestation of risks, in order to manage those risks.[52] For example, climate scenario analyses by the Bank of England and ACPR allowed financial institutions to take management action and show how their balance sheet could be adjusted in response to the climate shocks.[53] Another example is potential scenarios that assume long-term distributional changes in capital expenditures to meet net-zero carbon emissions. Transition plans of non-financial and financial companies could provide an early indication on the timing of potential capital needs to support transition expenditures, and the ability of financial institutions to meet such demands.

Climate scenario analysis informing transition planning

By identifying material transmission and amplification channels, climate scenario analyses could help financial institutions develop transition plans that are comprehensive and robust.[54] Some financial institutions have determined that scenario outputs could identify specific exposures that are vulnerable to transition or physical risk drivers, how they evolve over time, and the magnitude of risk impacts.[55] They could also shed light on whether correlated risks could materialise simultaneously across multiple institutions in ways that could affect the resilience of individual business models and the (lack of) effectiveness of risk mitigation tools. This may help financial institutions assess strategic actions that may be needed to mitigate such risk exposures. For instance, ACPR's climate scenario analysis for the insurance sector noted that most participating

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51 A recent NGFS survey, in collaboration with the Institute of International Finance (IIF), showed that financial institutions in AEs tend to focus on mitigation efforts while the focus in EMDEs is primarily on adaptation and sustainability targets. See NGFS (2024), *Tailoring Transition Plans: Considerations for EMDEs*, April.

52 Banks and other financial entities might adopt different transition strategies, e.g. supporting the entities that are committed to transitioning in line with 1.5-degree pathways, implementing managed phase out or stopping financing firms with unrealistic or no transition plans if this would lead to unexpected transition risk exposures. Banks could also grant more loans to firms with highly committed transition plan objectives to finance their transition towards a net-zero economy. Obviously, such strategies will impact the composition of their balance sheets.

53 ACPR (2024), *Main results of the climate exercise for the insurance sector*; Bank of England (2022), *Results of the 2021 Climate Biennial Exploratory Scenario*.

54 A survey of financial authorities in FSB jurisdictions indicated that some authorities are receptive to the idea that climate transition plans could be informed by climate scenario analysis, although they also acknowledge challenges with this approach and the need for enabling conditions to be met.

55 See BCBS (2024), *Discussion Paper – The role of climate scenario analysis in strengthening the management and supervision of climate-related financial risks*, April.

institutions did not adjust their reinsurance policy in response to natural disaster-related claims.[56] Insights on the effectiveness of risk mitigation tools can also be useful for non-financial firms since these outputs could inform their investments in adaptation efforts as part of the transition planning process, such as infrastructure upgrades to improve their resilience to future climate shocks. Similarly, credit risk estimates obtained from ECB's bottom-up stress test identified potential risk concentrations at the system-level, providing a more detailed and informative measure than by only looking at firm-level exposures.[57]

Scenario outputs could help financial and non-financial firms improve the credibility and comparability of their transition plans. Scenario analysis provides a basis for setting realistic and science-based targets for emissions reduction by financial and non-financial firms. By considering the impacts across different climate scenarios, firms could set realistic transition targets and assess the viability of their transition plans across different scenarios. Firms may benefit from using similar long-term scenarios as used by authorities to ensure that they are aligned with best practices, further enhancing the credibility of their transition plans.

56 ACPR (2024), *Main results of the climate exercise for the insurance sector*.

57 For instance, the ECB's bottom-up stress test showed that more than 60% of the interest income of euro area significant institutions comes from non-financial firms operating in 22 carbon-intensive sectors, including real estate, construction, and the wholesale and retail trade.

Annex 1: Examples of guidance and disclosure frameworks for transition plan preparers and details on the ISSB Standards

Title	Summary	Application	
		Non-financial corporates	Financial institutions
European Sustainability Reporting Standards (adopted by the European Commission in July 2023)	The undertaking shall disclose its transition plan for climate change mitigation. The objective of this Disclosure Requirement is to enable an understanding of the undertaking's past, current, and future mitigation efforts to ensure that its strategy and business model are compatible with the transition to a sustainable economy, and with the limiting of global warming to 1.5 °C in line with the Paris Agreement and with the objective of achieving climate neutrality by 2050 and, where relevant, the undertaking's exposure to coal, oil and gas-related activities. ESRS require an entity to disclose its transition plan for climate change mitigation (see paragraph 14 of ESRS E1) and list detailed information that should be included (see paragraph 16(a)–(g) of ESRS E1) as well as refer to greenhouse gas emission reduction targets, actions and resources allocated to that plan. In addition, paragraph 34(e) of ESRS E1 and paragraph 21 of ESRS 1 also refer to critical assumptions used. In case the entity does not have a transition plan in place, it shall indicate whether and, if so, when it will adopt a transition plan (see paragraph 17 of ESRS E1).	Y	Y
IFRS S2 Climate-related Disclosures (2023)	"*The objective of IFRS S2 Climate-related Disclosures is to require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity*." (Paragraph 1) Requires disclosure of "*any climate-related transition plan the entity has, including information about key assumptions used in developing its transition plan, and dependencies on which the entity's transition plan relies*" (Paragraph 14 (a) (iv)) Defines a climate-related transition plan as: "*An aspect of an entity's overall strategy that lays out the entity's targets, actions or resources for its transition towards a lower-carbon economy, including actions such as reducing its greenhouse gas emissions*." (Appendix A, Defined terms)	Y	
G20 SFWG High-Level Principles on "Credible, Robust, and Just" Transition Plans (2024)	Transition plans should clearly articulate a firm's climate goals and objectives, for responding to and/or contributing to the transition towards green and low-GHG economies, such as a net-zero commitment, and include targets and metrics related to the plan's goals and objectives, differentiating, if necessary, between different target audiences and purposes of the plan.	Y	Y
TCFD Guidance on Metrics, Targets, and Transition Plans (October 2021)	Defines a transition plan as "an aspect of an organization's overall business strategy that lays out a set of targets and actions supporting its transition toward a low-carbon	Y	Y

	economy, including actions such as reducing its GHG emissions." Provides guidance on characteristics of effective transition plans aligned around the TCFD's four pillars. This guidance supplements Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures (October 2021), which itself recommends in guidance for all sectors: "*Organizations that have made GHG emissions reduction commitments, operate in jurisdictions that have made such commitments, or have agreed to meet investor expectations regarding GHG emissions reductions should describe their plans for transitioning to a low-carbon economy, which could include GHG emissions targets and specific activities intended to reduce GHG emissions in their operations and value chain or to otherwise support the transition*."		
UK Transition Plan Taskforce Disclosure Framework (October 2023)	Disclosure framework for private sector transition plans. Advocates a 'strategic and rounded approach' and requires disclosures under five elements: foundations, implementation strategy, engagement strategy, metrics and targets, and governance. Adopts the IRFS S2 definition of a transition plan and is intended to complement and build on the ISSB Standards; also draws on the transition plan components of GFANZ. Does not specify a particular level of ambition but requires disclosure of 'Strategic Ambition'.	Y	Y
GFANZ Financial Institution Net-zero Transition Plans: Fundamentals, Recommendations, and Guidance (November 2022)	Guidance for credible net-zero transition plans for financial institutions, "*to deliver transition finance with rigor and accountability*". Includes ten recommended disclosures components organised under the same five themes as the TPT's five elements. The recommendations include requirements for specific action including to "*Define the organization's objectives to reach net zero by 2050 or sooner, in line with science-based pathways to limit warming to 1.5 degrees* plus actions to implement these objectives including in relation to the entity's products and services, interactions with clients, decision making and policies. GFANZ proposes four broad categories of actions to help reduce real-economy emissions: (i) climate solutions that need to be scaled to replace GHG-emitting assets, products, and services, (ii) support companies that are already aligned on a 1.5°C pathway, (iii) expand funding in companies that are starting their transition ("aligning"), and (iv) managed phased out of high emitting assets, with financial implications of the path for early retirements of high-emitting assets in alignment with an orderly transition. The guidance is supported by GFANZ Expectations for Real-economy Transition Plans (September 2022), which outlines the components of transition plans that financial institutions will be looking for from companies in the real economy.		Y

Annex 2: Key takeaways from the FSB outreach event on transition plans

Interaction of transition plans and planning with financial risks posed by climate change

- Financed emissions are not necessarily a good proxy for climate related risks, because financed emissions are a point-in-time assessment and there is a need for a more forward-looking indicator. Quantitative indicators are not necessarily a good basis for risk monitoring or may not be sufficient.

- Alignment with certain carbon emission reductions targets will reduce physical risk down the line could be a proxy, but in the short term everything will depend on the credibility of the transition pathway, which is affected by national government policy. Moving too fast with respect to the economy-wide pathway to transition can create risks for the institutions.

Interactions between transition plans and planning of financial sector firms and non-financial corporates

- Transition plans are an opportunity for a conversation between a lender and a borrower – which is about understanding whether the customers are capable of thinking about net-zero transition challenges. The strategy office oversees these conversations.

- Banks reflect the real economy, instead of driving the real economy. It is about the borrowers you have, not the borrowers you wish you had. Some bank clients may be very active on climate, while others may not consider climate risks as long as they receive financing.

- Banks rely on the longstanding relationship with the customer to bridge challenges related to the longer horizon over which climate related risks can crystallise. The due diligence is not performed on a single loan, but considering the overall nature and duration of the relationship with the customer. For other type of intermediaries, with shorter time horizons, the possibility to appropriately consider climate risk aspects might be smaller.

- Importance of talking about the purpose of the loan. If you are lending to a high emitting company, one thing is if they want to engage with business as usual, another thing is if they want to invest in new technology. For all companies, defining the purpose of the loan is the key priority.

- The assessment done by financial institutions begins with having a sectoral view – focus on sectors and assets that are high emitters. One of the difficulties is that transition risk is one of many (e.g. solar panels are good for emission reduction but very competitive, difficult to make a profit in that industry. So market risk is very high, and financial institutions need to take these two risks into consideration). The sectoral approach would focus, first, on how well that sector is doing relatively to state of the art. Second, on how a particular firm compares with its sector. The key focal point is sectoral performance at the national level.

- Market prices don't seem to move much with innovation and transition plans. Need to understand the market failure and why market pricing in light of information disclosed through the plans is not playing a greater role.

- Transition plans are produced by people, require capacity building, expertise. Incentives are difficult to build autonomously, and this might be a point of attention for jurisdictions where transition plans will be voluntary.

- It is difficult to hedge transition risk because of the systemic risk involved. This is why coordinated, and systemic response is needed. Transition plan could be a lever for coordination.

Transition plans trends and relevance for financial stability

- Clear signal that there is an increasing use of transition plans. Challenging exercise, but firms increasingly engaging in the exercise. There is growing momentum in corporates disclosing these transition plans and financial institutions see merit in using this tool.

- There is a need for a consolidation of the different guidance documents, rather than more guidance.

- There is a variety of views on aggregation, with some key points:

    - Transition plan is a strategic document with qualitative information, difficult to aggregate. Aggregation can only be done on a subset of information contained in transition plans. It would be challenging and indicative only; need to take uncertainty into consideration.

    - Some key quantitative elements of transition plans can be aggregated (e.g. financed emissions, if followed over time, can provide an interesting proxy even if not perfect). Financed emissions over time offer a more dynamic perspective, i.e. targets and progression towards the targets over time.

- Relevance for financial stability:

    - It can come from the real economy going too fast, or too slow, with respect to the financial sector. It is unreasonable to expect financial institutions to manage the transition, progress needs to happen hand in hand to avoid misalignments.

    - Value of looking at the progress of the financial sector vis a vis the real economy to get a sense of systemic risk build-up.

    - A conversation needs to take place between the financial sector and the broader public sector on putting in place policies that that lead to real economy and financial sector transition. The lack of action from the public sector could create misalignment and risk.

Annex 3: Current or planned requirements, guidance or standards on transition plans and planning

The table below is based on information provided in survey responses of FSB member jurisdictions on current or planned requirements, guidance or standards on transition plans and planning by non-financial companies and/or financial institutions.

Jurisdiction	Completion Status	Regulation/ guidance	Binding/non-binding	Applicability	Number of institutions/assets
EU	Final	Capital Requirements Directive (as reviewed by CRD6 and forthcoming EBA guidelines)	Binding – banks should set out specific plans to address the financial risks arising, in the short, medium and long term, from ESG factors	All supervised institutions, i.e. Significant Institutions (SIs) directly supervised by ECB and Less Significant Institutions (LSIs, with a proportionate application for small and non-complex institutions).	SIs – 110 institutions, €26.3tn total assets LSIs – 2000 institutions, €4.9tn total assets (Q2 2023)
EU	Provisionally agreed	Solvency 2 Directive (amended)	Binding – as above	All insurance and reinsurance undertakings in scope of Solvency II	
EU	Ongoing	EBA Guidelines and EIOPA Draft RTS	Binding - minimum requirements and expected content of prudential transition plans with expectations for competent authorities/supervisors to monitor and assess them through a risk-based perspective.	As above	As above
EU	Final	CSDDD	Binding – requires companies to adopt a transition plan which aims to ensure, through best efforts, compatibility with the transition to a sustainable economy, and with the limiting of global warming to 1,5 °C and with the objective of achieving climate neutrality by 2050 and, where relevant, the undertaking's exposure to coal, oil and gas-related activities.	EU companies and parent companies over 1000 employees and annual net turnover higher than 450 million euro or royalties of more than € 22,5 million euro from franchising or licensing agreements, provided a net worldwide turnover more than €80 million euro.	

Jurisdiction	Completion Status	Regulation/ guidance	Binding/non-binding	Applicability	Number of institutions/assets
EU	Final	CSRD and ESRS	Binding - corporates should disclose, if they have one, their "plans (…) to ensure that its business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to 1,5 °C and with the objective of achieving climate neutrality by 2050 and, where relevant, the undertaking's exposure to coal, oil and gas-related activities.	All large undertakings (listed and non-listed), being undertakings exceeding at least 2 of the following criteria: (1) balance sheet €25 million; (2) net turnover €50 million; (3) average headcount 250. Listed SMEs, excluding micro-undertakings. Parent undertakings of large groups. Non-EU undertakings listed in the EU (excluding micro-undertakings) or with business in the EU above certain thresholds.	More than 48,000 companies
EU	Final	SFDR	Binding – Where a financial product has a reduction in carbon emissions as its objective, it must disclose: (1) if it tracks an EU Climate Benchmark; (2) or a detailed explanation of how the continued effort of attaining this objective is ensured)	Financial products in scope: UCITS, AIFs, portfolios managed in accordance with point (8) of Art. 4(1) of MiFID II, IBIP, pension products, pension schemes, PEP, and investment and insurance advice as defined under MiFID II and IDD.	281 Article 9 funds reported having a carbon-reduction objective (Q3 2023, Morningstar)
Canada - OSFI	Final	Guideline B-15	Binding - regulatory expectation to develop and disclose a Climate Transition Plan	Federally regulated financial institutions under its purview	Over 300
Hong Kong - HKMA	Final	Principles on transition planning	Binding	All authorised institutions (licensed banks, restricted licence banks and deposit-taking companies)	178 institutions
India - SEBI	Final	Disclosure requirements	Binding - any issuer of transition bonds is required to disclose its transition plan	Financial institution or a non-financial company issuing transition bonds	
India – RBI	Pending	Disclosure requirements			

Jurisdiction	Completion Status	Regulation/ guidance	Binding/non-binding	Applicability	Number of institutions/assets
Singapore - MAS	Proposed	Guidelines on Transition Planning	Binding – regulatory expectation	Banks, insurers and asset managers	
South Africa	Final	Guidance notes on climate disclosures, and risk practices	Binding - reference transition plans for disclosures, in line with the requirements of IFRS S2 and for risk practices	Banks and insurers	
Switzerland - SFC		Ordinance on Climate Disclosures	Binding – mandates climate disclosures in line with TCFD, including transition plans	All large companies (500+ FTEs and more than CHF 20 m balance sheet or more than CHF 40 m revenues)	Approx. 200 companies
UK (FCA)	Pending (reference to Transition Plan Taskforce)	Disclosure requirements	Binding	Listed companies	
US SEC[58]		Enhancement and Standardization of Climate-Related Disclosures for Investors	If a registrant has adopted a transition plan to manage a material transition risk, requires disclosure of a description of the transition plan, and updated disclosures in subsequent years describing the actions taken during the year under the plan, including how the actions have impacted the registrant's business, results of operations, or financial condition, and quantitative and qualitative disclosure of material expenditures incurred and material impacts on financial estimates and assumptions as a direct result of the disclosed actions.		

[58] On April 4, 2024, the US Securities and Exchange Commission (SEC) issued an order staying the climate-related disclosure rules it adopted on March 6, 2024. As a result, the effective date of those rules is stayed pending judicial review of the rulemaking.