北京绿色金融与可持续发展研究院
INSTITUTE OF FINANCE AND SUSTAINABILITY

British Embassy
Beijing

*Leveraging Transition Plan to Support Transition Finance Development in China:*

# Transition Plan Practices in China's Banking Sector

2025-07

北京绿色金融与可持续发展研究院
INSTITUTE OF FINANCE AND SUSTAINABILITY

The Institute of Finance and Sustainability (IFS) is a non-profit research organization registered in Beijing. Our work focuses on ESG investment and financing, low-carbon and energy transition, natural capital, green technology and green building finance. We are committed to providing policy, market, and product research to support green finance and sustainable development in China and globally, and to promoting international cooperation in the field. IFS aims to become a globally influential think tank, making a substantive contribution to addressing climate change and improving the global environment.

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# Executive Summary

In the face of the increasingly severe global climate challenges and the looming 2030 climate goals, translating climate commitments into action is urgent. Transition finance, as a key financial mechanism for promoting the transition toward a low-carbon economy, hinges on credible transition plans to direct capital accurately and avoid "greenwashing."

This report focuses on transition plan practices in the banking sector, aiming to support the formulation of such plans in China's banking industry. This report presents both domestic and international policies and guidelines of transition plans, shares practices on transition plans in the banking industry and international practice cases, and assesses the current disclosure status and major challenges of commercial banks in China. It also puts forward recommendations for regulators and the banking industry respectively.

The report begins with relevant background information. Chapter 1 clarifies the concept of transition plans, and elaborates on the importance of formulating transition plans of banks and other enterprises from three aspects: external environment, internal motivation, and regulatory requirements. it also provides an overview of the global landscape of transition plan disclosure.

Chapter 2 and 3 focus on the progress of policies and guidelines both domestically and internationally. It first introduces the major guidelines released by international organizations such as TPT, GFANZ, and OECD, as well as the sustainability disclosure guidelines issued by the stock exchanges in Mainland China. Subsequently, it provides a systematic comparison of relevant domestic and international guidelines, analyzing their common features and key differences. Chapter 3 focuses on the TPT transition plan framework and its guidance for the banking sector. It illustrates each of the five key elements with exemplary practice cases from major international banks, offering references for China's banking industry.

Chapter 4 analyzes the current state of transition plan disclosure in China's banking sector. Firstly, it selects major listed commercial banks as samples and assessed their current disclosure status of key elements of transition plans from four key dimensions, including reporting channels, emission data, target setting, and implementation strategies. Furthermore, the report selects one representative commercial bank in China as a case study and conducts a detailed benchmarking analysis based on the 19 sub-elements of the TPT transition plan framework. This assessment reflects the degree of compliance of the bank's existing climate information disclosure with the requirements of the TPT transition plan. Finally, combining the results of the data analysis and the case study, the report summarizes the key features and major gaps in the disclosure of transition plan elements by Chinese banks, providing directions for subsequent work.

Chapter 5 summarises the main conclusions and points out the major challenges currently faced by Chinese banks in formulating transition plans, including unclear policies and disclosure guidelines, weak basis for calculating financed emission, difficulties in quantifying industrial emission reduction targets, and insufficient cost-sharing mechanisms for transition. In response to these challenges, the report puts forward the following six recommendations for regulatory authorities and the banking sector:

| For regulators | For banks in China |
|---|---|
| Provide clear policy requirements and guidelines for transition plan disclosure including sector guidance. | Establish a governance structure led by senior management for the formulation, implementation, and supervision of transition plans, ensuring efficient coordination among departments. |
| Enhance the supply of carbon emission data and support the development of industrial transition guidelines and tools. | Build a robust foundation of quantitative data, align long-term strategic ambition with short-term goals, and ensure dynamic iteration |
| Establish incentives by incorporating transition plans into evaluation systems to strengthen banks' motivation in working on transition plan. | Integrate transition plans with bank's core businesses, and actively guide, assess, and support clients' transition plans and practices. |

We look forward to further discussions with all stakeholders on the content of this report. We hope to bridge international experience with local practice through the study and to support China's banking sector in achieving breakthrough progress in the development and implementation of transition plans.

# CHAPTER 1

# Background

# I. Background

## 1. What Is Transition Plan

The term "transition plan" in this report specifically refers to climate-related transition plans formulated by corporates or financial institutions to address climate change and achieve emission reduction targets. The Glasgow Financial Alliance for Net Zero (GFANZ) 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 reduction in line with achieving global net zero"[1]. In the International Financial Reporting Standard S2 – Climate-related Disclosures (hereinafter referred to as IFRS S2)[2], issued by the International Sustainability Standards Board (ISSB), "climate-related transition plan" is defined as a component of an entity's overall strategy, encompassing the goals, actions, or resources that support its transition to a low-carbon economy, including greenhouse gas emission reduction measures. The definition of a "climate-related transition plan" provided in the Guidelines for Self-Regulatory Supervision of Listed Companies – Preparation of Sustainability Reports (Draft for Comment)[3], issued in 2024 by Shanghai, Shenzhen and Beijing Stock Exchanges (hereinafter referred to as the A-share's Sustainability Reporting Guidelines), is largely consistent with the ISSB definition.

In April 2025, the Ministry of Finance and the Ministry of Ecology and Environment jointly released the Corporate Sustainability Disclosure Standard No. 1 – Climate (Trial) (Draft for Comment)[4], which defines a climate transition plan as "a systematic strategic framework developed by enterprises to achieve a low-carbon economic transition, aimed at aligning short-term business decisions with long-term climate goals (such as the 1.5°C target of the Paris Agreement) through scientific pathways, quantifiable targets, and concrete actions, while also meeting national laws and regulations, strategic plans, and stakeholder expectations," which provides a clearer definition for Chinese enterprises. Currently, there is an inconsistency in the terminology used for "transition plan" in Chinese policy

1 Glasgow Financial Alliance for Net Zero (GFANZ). (2022). *Financial Institution Net-zero Transition Plans: Foundations, Recommendations and Guidance*. https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf.

2 International Sustainability Standards Board (ISSB). (2023). *IFRS S2: Climate-related Disclosures*. IFRS Foundation. https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s2-climate-related-disclosures/.

3 Shanghai Stock Exchange. (January 17, 2025). *Guidelines for Self-Regulatory Supervision of Listed Companies—Preparation of Sustainability Reports (Draft for Comments)*. Retrieved from https://www.sse.com.cn/lawandrules/guide/stock/zbxxpljg/ssgszljg/c/c_20250117_10770284.shtml

4 Ministry of Finance & Ministry of Ecology and Environment. (2025). *Corporate Sustainability Disclosure Standard No. 1—Climate (Trial) (Draft for Comments)*. Retrieved from http://kjs.mof.gov.cn/gongzuotongzhi/202504/t20250429_3962990.htm

documents and everyday usage. In this paper, we uniformly adopt the expression used in the latest policy document of the People's Bank of China (PBOC) in 20255.

## 2. Why Transition Plan is Important

### 2.1 Corporate Transition Plans Are Necessary for Achieving Climate Goals

The climate crisis has reached unprecedented urgency, demanding immediate and concerted action. The World Meteorological Organization's *State of the Global Climate 2023* report confirms alarming deterioration across key indicators: record-high greenhouse gas concentrations, surface temperatures, and sea level rise. The year 2023 was the hottest on record. Escalating extreme weather events—including devastating heatwaves, floods, droughts, and tropical cyclones—have inflicted substantial economic losses while threatening global ecosystems and human societies. These developments underscore climate change as both an existential environmental challenge and a systemic risk to financial stability, necessitating robust mitigation and adaptation strategies.

To effectively address climate change, global climate targets need to be converted into national goals and action plans. At the COP21, the international community agreed to limiting global temperature rise to well below 2°C above pre-industrial levels, with efforts to cap the increase at 1.5°C. The conference also set up the Nationally Determined Contributions (NDCs) mechanism, mandating countries to outline and share their post-2020 climate actions, subject to review every five years. China's 2020 NDC commitment—peaking emissions before 2030 and achieving carbon neutrality before 2060—has been operationalized through its comprehensive "1+N" policy framework. This system integrates the *Guidance on Carbon Peaking and Carbon Neutrality*[6] with sector-specific, regional, and implementation plans, forming a coherent national transition strategy and plan.

Corporate implementation represents the essential final mile in this climate action cascade. As the fundamental units of the national economy, enterprises play a vital role in achieving national, sectoral, and regional decarbonization goals. Thus, it is essential for any country to fulfill its climate commitments to encourage companies to develop clear transition plans with quantitative targets and defined pathways. In 2024, the policy document *Opinions on Leveraging Green Finance to Support the*

5 National Financial Regulatory Administration & People's Bank of China. (2025). *Implementation Plan for High-Quality Green Finance Development in the Banking and Insurance Sectors.* Retrieved from https://www.nfra.gov.cn/cn/view/pages/ItemDetail.html?docId=1199877&itemId=928.

6 Central Committee of the Communist Party of China & State Council. (2021). *Opinions of the CPC Central Committee and the State Council on Fully, Accurately, and Comprehensively Implementing the New Development Philosophy and Doing a Good Job in Carbon Peaking and Carbon Neutrality*. The Central People's Government of the People's Republic of China. Retrieved from https://www.gov.cn/zhengce/2021-10/24/content_5644613.htm.

*Building of a Beautiful China* explicitly advocates "encouraging enterprises to develop transition plans and providing incentives to those achieving green and low-carbon transitions." [7] This sends a strong policy signal to Chinese businesses.

## 2.2 Transition Plan is an Essential Feature of Transition Finance

Transition finance has emerged as a critical mechanism to bridge the climate funding gap, particularly for high-emission industries that require substantial capital to decarbonize but may not qualify for traditional green finance. The G20 Framework for Transition Finance (2022) [8] defines this approach as financial services that support economy-wide shifts toward low-carbon, climate-resilient development aligned with the Paris Agreement and Sustainable Development Goals. China has actively embraced this framework through policy actions including the 2024 *Guiding Opinions on Strengthening Financial Support for Green and Low-Carbon Development*[9], which called for the accelerated development of transition finance guidelines and the coordinated advancement of green and transition finance. Significant progress has been made in China regarding sector-specific transition finance guidelines for key industries such as steel and power, as well as in regional pilots in Shanghai, Tianjin, Huzhou City in Zhejiang Province and 20 other places.

Central to effective transition finance is the requirement for robust transition plans. The G20 Framework establishes five pillars for credible transition finance, with disclosure of science-based transition plans being fundamental to prevent "transition washing." The framework suggests all fundraising entities using transition finance instruments to disclose: (1) up-to-date transition plans, with credible and ideally verifiable, comparable, science-based interim and long-term goals, and timelines for achievement; (2) progress at regular and appropriately spaced time intervals; (3) climate data including Scope 1 and Scope 2 GHG emissions data, and material Scope 3 data as it becomes possible; (4) corporate governance arrangements that ensure such transition activities or plans will be implemented properly; (5) methodologies used to measure transition progress and achievements; and (6) the use of proceeds raised from transition finance instruments or the performance of KPIs/SPTs that are material to the fundraisers' businesses. The framework also emphasizes that, regardless of the type of transition finance instruments used, financing entities should provide

7 People's Bank of China, Ministry of Ecology and Environment, National Financial Regulatory Administration, & China Securities Regulatory Commission. (October 12, 2024). *Opinions on Leveraging Green Finance to Support the Building of a Beautiful China*. State Council of the People's Republic of China. Retrieved from https://www.gov.cn/zhengce/zhengceku/202410/content_6979595.htm.

8 G20 Sustainable Finance Working Group. (2022, November). *G20 Transition Finance Framework*. https://g20sfwg.org/wp-content/uploads/2023/12/TFF-2-pager-digital.pdf.

9 People's Bank of China, National Development and Reform Commission, Ministry of Industry and Information Technology, Ministry of Finance, Ministry of Ecology and Environment, National Financial Regulatory Administration, & China Securities Regulatory Commission. (March 27, 2024). *Guiding Opinions on Further Strengthening Financial Support for Green and Low-Carbon Development*. The Central People's Government of the People's Republic of China. Retrieved from https://www.gov.cn/zhengce/zhengceku/202404/content_6944452.htm.

transparent and science-based transition plans that meet disclosure requirements. These requirements have informed China's policy development, exemplified by Huzhou's *Enterprise Transition Plan Preparation Outline*.

For financial institutions, developing their own transition plans serves dual purposes: internally, it strengthens climate risk management and identifies transition opportunities; externally, it enables collaborative decarbonization with clients through targeted financing solutions. This dual approach enhances both institutional climate resilience and the effectiveness of transition finance markets.

## 2.3 Stringent Climate Information Disclosure Regulations Require Transition Plan Disclosure

Global climate disclosure standards are undergoing significant convergence, with transition plan disclosure emerging as a core requirement in major reporting frameworks. The International Sustainability Standards Board (ISSB) has played a pivotal role in this trend. Its IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information10 and IFRS S2 – Climate-related Disclosures11 have been adopted as official policy standards by many countries and regions. IFRS S2 specifically requires companies to disclose their climate transition plans.

China is tightening its corporate climate disclosure guidelines and aligning them with international norms. The Hong Kong Stock Exchange (HKEX) took an early leadership position by fully incorporating ISSB standards into its 2024 ESG Reporting Code12, including mandating the disclosure of climate-related transition plans. This was followed by mainland China's stock exchanges jointly issuing the Sustainability Reporting Guidelines in April 202413, which made sustainability (including climate) disclosure mandatory for A-share listed companies with specified requirements for climate-related transition plans, including short- and long-term emissions reduction targets alongside concrete implementation actions. The regulatory framework deepened in November 2024 with the three mainland exchanges released a detailed Guidance for Preparing Sustainability Reporting14, which includes

10 International Sustainability Standards Board (ISSB). (2023). *IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information*. IFRS Foundation. https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s1-general-requirements/.

11 International Sustainability Standards Board (ISSB). (2023). *IFRS S2: Climate-related Disclosures*. IFRS Foundation. https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s2-climate-related-disclosures/.

12 Hong Kong Exchanges and Clearing Limited. (2024). *Environmental, Social and Governance Reporting Guide*. Retrieved from https://cn-rules.hkex.com.hk/ 规则手册 / 附录 -c2-《环境 、社会及管制报告手则》.

13 Shanghai Stock Exchange. (2024). *Self-Regulatory Guidelines for Listed Companies No. 14—Sustainability Reporting (Trial)*. Retrieved from http://www.sse.com.cn/lawandrules/sselawsrules/stocks/mainipo/c/c_20240412_5737862.shtml

14 Shanghai Stock Exchange. (January 17, 2025). *Guidelines for Self-Regulatory Supervision of Listed Companies—Preparation of Sustainability Reports (Draft for Comments)*. Retrieved from https://www.sse.com.cn/lawandrules/guide/stock/zbxxpljg/ssgszljg/c/c_20250117_10770284.shtml.

detailed instructions on climate-related transition plans.

Meanwhile, ten ministries lead by China's Ministry of Finance jointly issued the Corporate Sustainability Disclosure Standards - Basic Standard15, establishing China's first unified national framework for sustainability reporting. This foundational standard was further refined in April 2025 through the draft Corporate Sustainability Disclosure Standard No. 1 - Climate16, which states that enterprises should disclose their climate transition plans, including key assumptions and underlying rationales used in their development. For financial sectors, the Implementation Plan for High-quality Development of Green Finance in the Banking and Insurance Industries (January 2025) 17 proposed submitting and disclosing information on high-carbon asset exposures, carbon accounting of operations and asset portfolios, and encouraging qualified institutions to explore the formulation of transition plans.

Together, these policy measures create a multi-dimensional disclosure system that addresses transition plans from various angles - through securities regulation, corporate sustainability reporting guidelines, and financial sector requirements, demonstrates China's approach to adopting global guidelines while developing localized implementation pathways, supporting gradual but steady improvement in both the quality and comparability of transition plan disclosures while accounting for domestic market realities.

## 3. Global Trends in Transition Plan Disclosure

The global corporate landscape shows accelerating adoption of climate transition planning. CDP's 2023 data reveals that 26% of reporting companies now have 1.5°C-aligned transition plans—a 44% annual increase—with another 36% planning to develop plans within two years. Among the 21 indicators used by CDP to assess the credibility of transition plans, approximately 39% of companies disclosed two-thirds of the key indicators. Sectoral analysis highlights uneven progress, with power (32%), financial services (30%), and infrastructure (24%) leading in comprehensive disclosures.18

Financial institutions demonstrate particular momentum in net-zero commitments. According to the 2024 Progress Report of the Net-Zero Banking Alliance (NZBA), over 140 NZBA member banks

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15 Ministry of Finance & Eight Other Ministries. (2024). *Corporate Sustainability Disclosure Standards—General Guidelines (Trial)*. Retrieved from https://kjs.mof.gov.cn/zhengcefabu/202412/P020241216565879245839.pdf.

16 Ministry of Finance & Ministry of Ecology and Environment. (2025). *Corporate Sustainability Disclosure Standard No. 1—Climate (Trial) (Draft for Comments)*. Retrieved from http://kjs.mof.gov.cn/gongzuotongzhi/202504/t20250429_3962990.htm.

17 National Financial Regulatory Administration & People's Bank of China. (2025). *Implementation Plan for High-Quality Green Finance Development in the Banking and Insurance Sectors.* Retrieved from https://www.nfra.gov.cn/cn/view/pages/ItemDetail.html?docId=1199877&itemId=928.

18 CDP. (2024, June). *Climate transition plans*. https://www.cdp.net/en/climate-transition-plans.

targeting 2050 neutrality—80% of which now include high-emission sector exposures in their targets. Approximately 60 alliance members have published full transition plans incorporating Scope 3 portfolio emissions as NZBA required19.

However, regional disparities in transition planning remain pronounced. European institutions lead in voluntary and mandatory climate information disclosure, particularly under current legal frameworks such as the Corporate Sustainability Reporting Directive (CSRD)[20]. Some banks have adopted sectoral phase-out timelines for coal and other high-emission industries. Asia-Pacific markets show earlier-stage development, focusing on green finance pilots while lagging in target-setting—only 13% of regional financial institutions had net-zero targets in 2023 versus Europe's 43%, with financed emissions (Category 15) representing the most significant measurement and reduction challenge[21].

19 Net-Zero Banking Alliance (NZBA). (2024). *NZBA Progress Report 2024*. Retrieved from https://www.unepfi.org/wordpress/wp-content/uploads/2024/10/NZBA-2024-Progress-Report.pdf.

20 CSRD (Corporate Sustainability Reporting Directive) is a piece of legislation adopted by the European Union in 2022 and effective from 2023. It aims to enhance transparency and accountability on environmental, social, and governance (ESG) issues by requiring companies to include relevant sustainability information in their corporate reports.

21 Bank of China (Hong Kong) Limited & S&P Global Market Intelligence. (November 2024). *How Climate Risk Impacts Financial Institutions in the Asia-Pacific Region in 2024.* Retrieved from https://www.bochk.com/dam/bochk/desktop/top/aboutus/pressrelease2/2024/241030059_Press_Release_SC.pdf

CHAPTER 2

# Overview of Transition Plan Frameworks

# II. Overview of Transition Plan Frameworks

## 1. Major International Guidelines and Guidelines for Transition Plan

### 1.1 GFANZ Net-Zero Transition Plan Guidance for Financial Institutions

The Glasgow Financial Alliance for Net Zero (GFANZ), launched at COP26 in 2021, represents a pivotal global coalition of financial institutions committed to accelerating the net-zero transition. It is an independent, private-sector-led initiative focused on mobilizing capital and removing barriers to investment in the global transition.[22]

In November 2022, GFANZ released the *Financial Institution Net-zero Transition Plans: Foundations, Recommendations and Guidance*[23], a comprehensive framework designed to bridge the implementation gap between climate commitments and concrete action. The guidance structures transition planning around five core thematic areas (foundational elements, implementation strategy, engagement strategy, metrics and targets, and governance), further detailed into ten operational sub-elements. This framework has proven instrumental in helping financial institutions operationalize net-zero pledges across their business activities.

Exhibit 21 GFANZ Financial Institutions Net Zero Transition Plan Framework[24]

| Theme | Component | Content |
|---|---|---|
| **Foundations** | **1. Objectives and priorities** | • Statement: Issued or approved by the institution's highest-level leader or governing body, articulating the principles, assumptions, and background of the commitment.<br>• Target Setting: Establishing targets to achieve net-zero emissions by 2050 or earlier, based on scientific pathways.<br>• Timeline: Defining a strategic timeline with measurable transition-phase and long-term targets.<br>• Key Initiatives: Identifying priority financing strategies to support emissions reductions in the real economy during the net-zero transition. |

22 GFANZ official website. *https://www.gfanzero.com/about/*

23 Glasgow Financial Alliance for Net Zero (GFANZ). (2022). *Financial Institution Net-zero Transition Plans: Foundations, Recommendations and Guidance.* Retrieved from https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf

24 ZHANG Fang, SHEN Yanhong, et al. (November 4, 2024). *Transformation Planning of Financial Institutions: Significance, Difficulties and Reference Practices*. Institute of Finance and Sustainability. https://www.ifs.net.cn/news/1741.

| | | |
|---|---|---|
| **Implementation strategy** | **2. Products and services** | **Innovative Products and Services**<br>• Adjust existing products and develop new products and services to support clients' and portfolio companies' net-zero transition progress.<br>• Promote net-zero transition in the real economy by providing relevant training and advisory services.<br>• Support portfolio companies' decarbonization efforts in line with the institution's net-zero transition strategy. |
| | **3. Activities and decision making** | **Enhancing Internal Functions (Integrating Factors and Processes into Decision-Making)**<br>• Embed net-zero targets and priorities into the institution's core assessment and decision-making processes.<br>• Apply both top-down and bottom-up approaches to ensure the realization of net-zero commitments. |
| | **4. Policies and conditions** | **Developing Sector Policies:**<br>• Formulate policies and conditions for high-priority sectors such as thermal coal, oil & gas, and deforestation.<br>• Extend coverage to other high-emission or climate-harmful sectors to align with the institution's net-zero targets and priorities. |
| **Engagement Strategy** | **5. Engagement with clients and portfolio companies** | • Engage proactively with clients and portfolio companies, providing feedback and support to ensure their transition strategies align with net-zero objectives.<br>• Apply enhanced engagement frameworks when communication barriers arise. |
| | **6. Engagement with industry** | • Share transition knowledge with industry peers and collaborate on common challenges.<br>• Represent the financial sector in expressing positions and perspectives to other stakeholders, including clients and governments. |
| | **7. Engagement with government and public sector** | • Directly or indirectly influence public sector stakeholders to support the net-zero transition.<br>• Encourage public sector bodies to develop plans aligned with financial institutions' net-zero objectives. |
| **Metrics and Targets** | **8. Metrics and targets, including to measure Expected Emissions Reduction (EER) impact** | • **Assess Asset-level Emissions:** Set targets to measure changes in clients' and portfolio companies' greenhouse gas emissions, and adjust financial strategies to support the achievement of reduction targets.<br>• **Ensure Real Economy Emissions Reductions:** Establish indicators and targets to ensure financial activities actively support the real economy's transition to net zero.<br>• **Track Transition Progress (Transition Plan Execution):** Define a set of indicators to monitor the implementation of short-, medium-, and long-term net-zero transition plans. |

| | | |
|---|---|---|
| **Governance** | **9.Roles, responsibilities, and remuneration** | • Clearly define the roles and responsibilities of the Board and senior management in setting and overseeing net-zero targets.<br>• Allocate transition-related tasks appropriately across teams and establish incentive mechanisms for relevant roles.<br>• Regularly evaluate and update transition plans and manage implementation risks. |
| | **10. Skills and culture** | • Provide training to teams and individuals to develop the necessary expertise for overseeing plan implementation.<br>• Implement change management practices, encourage open communication, and embed net-zero transition into the organizational culture. |

While GFANZ's guidance has significantly influenced its member network—driving standardized transition plan development globally—its voluntary nature presents limitations. As an industry-led initiative without formal regulatory adoption, the framework lacks binding authority, constraining broader market uptake beyond participating institutions. This governance gap highlights the need for complementary regulatory measures to ensure comprehensive financial sector alignment with net-zero transition requirements.

### 1.2 TPT Transition Plan Framework

Launched by the UK Treasury in April 2022, the Transition Plan Taskforce (TPT) aims to bring together leaders from industry, academia, and regulators to develop good practice for transition plan disclosures for finance and the real economy. Between 2023 and 2024, TPT released a series of supporting guidance documents[25], including the *Disclosure Framework for Transition Plans*[26]. The TPT framework represents a synthesis of international best practices, incorporating the ISSB's definition of climate transition plans, the five core elements from the GFANZ transition plan framework, and the recommendations of the European Sustainability Reporting Standards (ESRS) and the Taskforce on Climate-related Financial Disclosures (TCFD).

This comprehensive approach has positioned the TPT framework as a benchmark for credible transition planning. Its influence was further cemented in 2024 when the IFRS Foundation assumed stewardship of TPT materials, creating important synergies with IFRS S2 Climate-related Disclosures. The UK Financial Conduct Authority's 2023 mandate that listed companies disclose TPT-aligned transition plans by 2026 (extending to large private companies) demonstrates the framework's regulatory impact. As jurisdictions worldwide adopt ISSB standards, the TPT framework provides valuable implementation guidance for meeting IFRS S2 requirements.

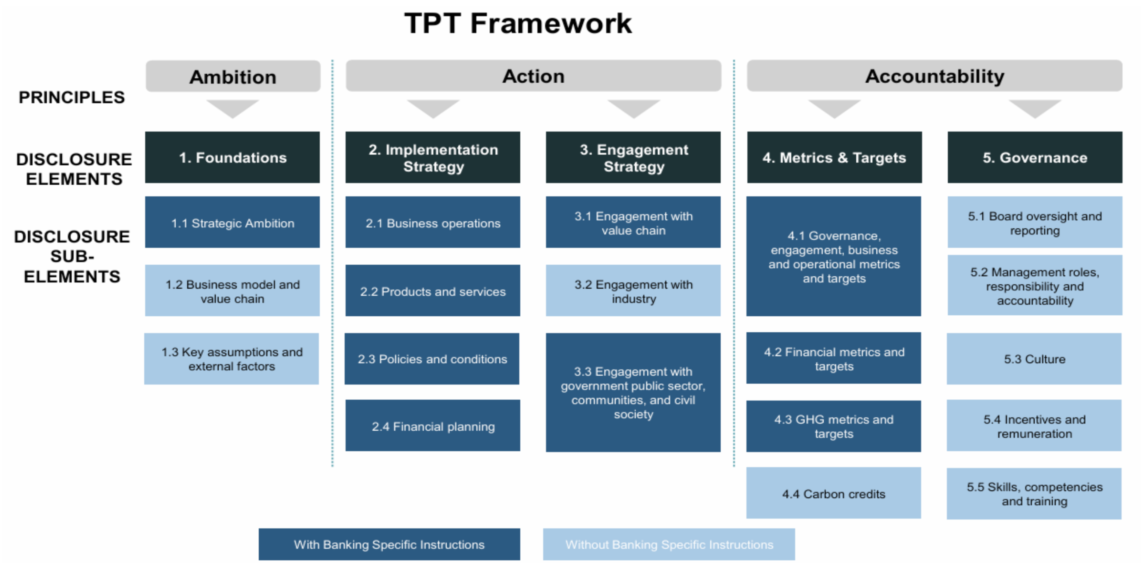
25 *International Transition Plan Network (ITPN).* https://itpn.global/tpt-legacy/

26 Transition Plan Taskforce (TPT). (2023). *Disclosure Framework for Transition Plans.* https://www.ifrs.org/content/dam/ifrs/knowledge-hub/resources/tpt/disclosure-framework-oct-2023.pdf.

The framework organizes transition planning around three guiding principles (Ambition, Action, Accountability) and five disclosure elements (Foundation, Implementation Strategy, Engagement Strategy, Metrics & Targets, Governance), detailed across 19 specific sub-elements. Beyond this general framework, TPT has developed sector-specific guidance, including detailed guidelines for 7 key sectors and overviews for 30 sectors[27].

The TPT Banking Sector Guidance, issued in 2024, provides banking sector-specific interpretations for 10 of the 19 sub-elements[28]. For this report, we adopt the TPT framework and its banking sector guidance as primary references. The following chapter will explain these requirements in detail and assessing their application in the Chinese banking context.

Exhibit 2-2 TPT Transition Plan Framework and Elements with Banking Sector Guidance




## 1.3 OECD Guidance on Transition Plan

The Organisation for Economic Co-operation and Development (OECD) introduced its Guidance on Transition Finance29 in 2022 to address critical challenges in mobilizing private capital for credible climate transitions. This framework responds to two pressing market needs: preventing misdirected investments that could create carbon lock-in, and establishing robust safeguards against green-washing in corporate transition claims.

27 Transition Plan Taskforce. (2023, October). *Transition Plan Taskforce resources.* IFRS Foundation. https://www.ifrs.org/sustainability/knowledge-hub/transition-plan-taskforce-resources/.

28 Transition Plan Taskforce. (2024, April). *TPT Banks Sector Guidance*.https://www.ifrs.org/content/dam/ifrs/knowledge-hub/resources/tpt/banks-sector-guidance-apr-2024.pdf

29 Organisation for Economic Co-operation and Development (OECD). (2022). *Guidance on Transition Finance: Ensuring the Credibility of Corporate Climate Transition Plans*. https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/10/oecd-guidance-on-transition-finance_ac701a44/7c68a1ee-en.pdf.

The guidance provides a comprehensive ten-element framework for developing Paris-aligned transition plans, serving dual purposes: one is to offer clear guidelines to structure credible decarbonization roadmaps for corporations; the other is to create an assessment toolkit to identify genuinely transition-aligned financing opportunities for investors. By focusing on both plan formulation and capital allocation, the OECD guidance bridges the gap between corporate transition planning and financial decision-making. Its elements collectively address technical feasibility, financial viability, and environmental integrity of transition strategies.

While not a regulatory standard, the guidance has gained recognition as an important reference point for financial institutions developing transition finance products, policymakers designing transition finance frameworks, and corporations seeking to align with emerging global best practices. The OECD's approach complements other major frameworks (GFANZ, TPT) while emphasizing the financial sector's role in enabling and validating corporate transitions. Its focus on preventing carbon lock-in makes it particularly relevant for high-emission sectors and emerging markets where transition risks are most acute.

Exhibit 2-3 OECD Transition Plan: Ten Elements to Ensure Credibility

| | |
|---|---|
| **Element 1: Setting temperature goals, net-zero, and interim targets** | Companies need to set temperature targets, net-zero targets, and interim targets emissions reduction targets that are aligned with the Paris Agreement. |
| **Element 2: Using sectoral pathways, technology roadmaps, and taxonomies** | Transition plans should be based on industry sector pathways, technology roadmaps, and relevant taxonomies. |
| **Element 3: Measuring performance and progress through metrics and KPIs** | Regularly evaluate the progress of the implementation of the transition plan through performance indicators such as key performance indicators (KPIs). |
| **Element 4: Providing clarity on use of carbon credits and offsets** | Clarify the scope and conditions under which carbon credits and offsets can be used to ensure that they are not used as a substitute for necessary emission reduction measures. |
| **Element 5: Setting out a strategy, actions, and implementation steps** | Develop detailed concrete actions and implementation plans, including measures to prevent carbon-intensive lock-in. |
| **Element 6: Addressing adverse impacts through the Do-No-Significant-Harm (DNSH) Principle and RBC due diligence** | Address potential adverse impacts on other sustainability objectives during the transition process through the principle of No Significant Harm (DNSH) and Responsible Business Conduct (RBC) due diligence. |
| **Element 7: Supporting a just transition** | Ensure that social equity is taken into account in the transition process and avoid exacerbating inequalities. |
| **Element 8: Integration with financial plans and internal coherence** | Integrate climate transition plans with your company's financial plans and align them internally. |
| **Element 9: Ensuring sound governance and accountability** | Establish a robust governance structure and accountability mechanisms to ensure the effective implementation of the transition plan. |
| **Element 10: Transparency and verification, labelling and certification** | Increase transparency in your transition program and increase credibility through third-party verification, labeling, and certification. |

## 1.4 Other International Guidelines for Transition Planning

In addition to the comprehensive transition plan frameworks developed by GFANZ, TPT, and OECD, several other internationally recognized initiatives provide critical technical guidance for different aspects of transition planning. The Science Based Targets initiative (SBTi) and Transition Pathway Initiative (TPI) offer specialized methodologies that complement comprehensive transition frameworks through rigorous target-setting protocols and sectoral transition assessments.

**The Science Based Targets initiative (SBTi)**[30] as a leading authority on Paris-aligned climate target setting, has established robust standards, tools, and guidelines for companies and financial institutions to set climate targets aligned with the goals of the Paris Agreement and a validation system. This validation system requires companies and financial institutions to submit decarbonization targets for independent review against 1.5°C or well-below 2°C pathways, ensuring alignment with the latest climate science. SBTi's sector-specific guidance covers more than ten high-emission industries including finance, providing tailored roadmaps for different sectors. To date, the initiative has validated targets from over 4,000 organizations among more than 10,000 global commitments, making it one of the most widely adopted climate target-setting standards. SBTi's technical protocols serve as essential guardrails by ensuring target ambition matches climate science requirements, developing credible net-zero pathways to 2050, and aligning sectoral decarbonization with global carbon budgets.

**The Transition Pathway Initiative (TPI)**[31] provides investors with granular assessments of corporate transition readiness. This investor-led program has evaluated over 2,000 companies, with particular emphasis on three critical dimensions: the alignment of capital expenditures with low-carbon transition, the robustness of emissions reduction targets, and the strategic integration of climate considerations into corporate planning. TPI's methodology has become an important resource for financial institutions, offering standardized metrics to assess client transition strategies, sector benchmarks for setting portfolio-level expectations, and transparency tools to identify transition leaders and laggards across industries.

Together, these initiatives address critical gaps in transition planning frameworks by providing technical specificity. Their widespread adoption reflects the financial sector's growing demand for evidence-based transition assessment tools that can complement and operationalize the broader planning frameworks.

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30 Science Based Targets initiative. (n.d.). Retrieved May 13, 2025, from https://sciencebasedtargets.org/.

31 Transition Pathway Initiative. (n.d.). Retrieved May 13, 2025, from https://www.transitionpathwayinitiative.org/.

## 2. China's Emerging Transition Plan Policies and Guidance

While China has yet to establish dedicated transition plan frameworks, recent regulatory developments demonstrate growing institutionalization of transition planning requirements across key financial and capital market policies. The National Financial Regulatory Administration and People's Bank of China have progressively incorporated transition plan expectations into broader sustainable finance guidelines, while the mainland and Hong Kong stock exchanges have implemented concrete disclosure rules that create important compliance incentives.

The Shanghai, Shenzhen, and Beijing stock exchanges' *Sustainability Reporting Guidelines*[32] and accompanying *Preparation Guide*[33] represent the most detailed mainland China-specific provisions to date. These documents position climate transition plans as one of ten core climate disclosure elements. In *the Guide*, a dedicated chapter outlines the disclosure requirements for "climate-related transition plans," establishing six foundational principles: strategic alignment, quantifiable foundations, managed processes, practical implementation, credibility assurance, and periodic review.

Exhibit 2-4 Features of effective climate-related transition plans

| Features | Description |
|---|---|
| **Align with strategy** | Climate-related transition initiatives become part of, and align with, the company's broader activities to address climate-related risks and opportunities, which in turn should be part of and aligned with the organization's overall business strategy |
| **Based on quantitative elements** | Climate-related transition plans are designed to consider and help organizations achieve specific goals for transitioning to a low-carbon economy and should be considered based on quantitative elements |
| **Follow effective management processes** | Develop an approval process, oversight and internal accountability system for climate-related transition plans, including clarifying the role of the board of directors and senior management in the program oversight process |
| **Enforceable** | Specific initiatives and actions taken for the effective implementation of the transition plan |
| **Be credible** | Climate-related transition plans contain information that allows users to assess a company's credibility, including its current capabilities, technology, transition pathway, and financial plan |
| **Regularly reviewed and updated** | Companies can review the transition plan every five years and update it as necessary to ensure that the transition plan is relevant and effective to the organization's overall strategic plan |

*Source: Guidelines for Self-Regulatory Supervision of Listed Companies—Preparation of Sustainability Reports (Draft for Comments)*

32 Shanghai Stock Exchange. (2024). *Self-Regulatory Guidelines for Listed Companies No. 14—Sustainability Reporting (Trial).* Retrieved from http://www.sse.com.cn/lawandrules/sselawsrules/stocks/mainipo/c/c_20240412_5737862.shtml.

33 Shanghai Stock Exchange. (January 17, 2025). *Guidelines for Self-Regulatory Supervision of Listed Companies—Preparation of Sustainability Reports (Draft for Comments).* Retrieved from https://www.sse.com.cn/lawandrules/guide/stock/zbxxpljg/ssgszljg/c/c_20250117_10770284.shtml.

The framework requires listed companies to disclose detailed information covering their transition objectives, implementation roadmaps and underlying assumptions, resource allocations and strategic adjustments, specific operational measures such as process improvements and equipment upgrades, as well as regular progress reports documenting milestones achieved and challenges encountered.

While groundbreaking in creating China's first standardized approach to transition plan disclosure, the current guidance remains predominantly principles-based. The lack of sector-specific technical specifications and measurable performance benchmarks presents particular implementation challenges for industries with complex transition pathways, such as heavy manufacturing and energy. This gap may limit the framework's effectiveness in driving substantive transition actions without further refinement.

Hong Kong's regulatory approach, as embodied in its updated ESG Reporting Code[34], takes a distinct but complementary path by fully adopting ISSB standards. The HKEX requirements, while less prescriptive regarding specific plan content, create strong compliance incentives through their binary disclosure mandate: companies must either present a compliant transition plan or provide an explanatory statement for its absence. The code explicitly endorses ISSB-aligned frameworks like TPT as acceptable guidelines, offering market participants clear pathways to meet international expectations.

These parallel developments reflect China's multifaceted strategy for transition plan governance, with mainland exchanges building localized disclosure foundations, HKEX anchoring to global standards, and financial regulators encouraging voluntary adoption. This emerging ecosystem presents both opportunities for progressive alignment with international best practices and challenges in harmonizing different disclosure expectations across regulatory jurisdictions.

## 3. Comparison of Transition Plan Frameworks

### 3.1 Comparative Analysis of Major International Transition Plan Frameworks and Guidelines

A systematic comparison of three leading transition plan frameworks and guidelines—the TPT Disclosure Framework[35], GFANZ Net-zero Transition Plan for Financial Institutions[36], and OECD Guidance

34 Hong Kong Exchanges and Clearing Limited. (2024). *Environmental, Social and Governance Reporting Guide*. Retrieved from https://cn-rules.hkex.com.hk/ 规则手册 / 附录 -c2-《环境 、社会及管制报告手则》

35 Transition Plan Taskforce (TPT). (2023). *Disclosure Framework for Transition Plans*. https://www.ifrs.org/content/dam/ifrs/knowledge-hub/resources/tpt/disclosure-framework-oct-2023.pdf.

36 Glasgow Financial Alliance for Net Zero (GFANZ). (2022). *Financial Institution Net-zero Transition Plans: Foundations, Recommendations and Guidance*. https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf.

on Transition Finance[37]—reveals both significant alignment and distinctive features across these frameworks and guidelines. All three of them share the fundamental objectives of supporting Paris Agreement alignment and mobilizing capital toward credible low-carbon transitions, yet they differ meaningfully in their target audiences, application contexts, and technical specifications.

Regarding to audience and application, the GFANZ Framework specifically targets financial institutions, providing guidelines for developing internal transition plans that fulfill net-zero commitments. In contrast, the OECD Framework focuses primarily on financing recipients, establishing criteria to help corporations access transition finance while enabling financial institutions to assess client transition plans. The TPT Framework adopts the most comprehensive approach, with applicability to both financial institutions and real economy enterprises, supplemented by sector-specific guidance that enhances its versatility across industries.

In terms of structural and content, the three frameworks converge on four core components essential to credible transition planning: target-setting (including long-term objectives and interim milestones), implementation pathways (concrete operational and financial strategies), progress metrics (quantifiable tracking mechanisms), and governance structures (management systems and accountability mechanisms).

The TPT and GFANZ frameworks demonstrate particularly close alignment, both organized around five identical key elements: foundation, implementation strategy, engagement strategy, metrics and targets, and governance. The TPT Framework builds upon GFANZ's foundation by expanding several critical dimensions: it enhances the foundation element with new components addressing business model adaptation and value chain considerations, incorporates financial planning requirements within implementation strategies, and adds carbon credit disclosures under metrics and targets.

Compared to the OECD Framework, TPT provides more granular disclosure specifications, whereas OECD emphasizes overarching principles like preventing carbon lock-in and ensuring internal consistency. The OECD Framework introduces unique considerations including just transition principles and Do No Significant Harm (DNSH) requirements, which address the social dimensions of corporate transitions. However, it offers less detailed guidance on operational aspects like stakeholder engagement strategies, incentive mechanisms, or organizational capacity building—elements that both TPT and GFANZ address comprehensively. This contrast reflects OECD's focus on establishing credibility guardrails rather than prescribing specific disclosure formats.

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37 Organisation for Economic Co-operation and Development (OECD). (2022). *Guidance on Transition Finance: Ensuring the Credibility of Corporate Climate Transition Plans*. https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/10/oecd-guidance-on-transition-finance_ac701a44/7c68a1ee-en.pdf.

Exhibit 2-5 Comparison of TPT, GFANZ and OECD Framework

| TPT Framework | | GFANZ Framework | OECD Framework |
|---|---|---|---|
| **1. Foundations** | **1.1 Strategic ambition** | Foundations 1. Objectives and priorities | Element 1: Setting temperature goals, net-zero, and interim targets |
| | **1.2 Business model and value chain** | | Element 2: Using sectoral pathways, technology roadmaps, and taxonomies |
| | **1.3 Key assumptions and external factors** | | |
| **2. Implementation Strategy** | **2.1 Business operations** | II. Implementation Strategy: 3. Activities and decision-making | Element 5: Setting out a strategy, actions, and implementation steps |
| | **2.2 Products and services** | II. Implementation Strategy: 2. Products and services | |
| | **2.3 Policies and conditions** | II. Implementation Strategy: 4. Policies and conditions | |
| | **2.4 Financial planning** | N/A | |
| **3. Engagement Strategy** | **3.1 Engagement with value chain** | III. Engagement Strategy: 5. Engagement with clients and portfolio companies | N/A |
| | **3.2 Engagement with industry** | III. Engagement Strategy: 6. Engagement with industry | |
| | **3.3 Engagement with government public sector, communities, and civil society** | III. Engagement Strategy: 7. Engagement with government and public sector | N/A |
| **4. Metrics & Targets** | **4.1 Governance, engagement, business and operational metrics and targets** | IV Metrics and Targets: 8. Metrics and targets | Element 3: Measuring performance and progress through metrics and KPIs |
| | **4.2 Financial metrics and targets** | | |
| | **4.3 GHG metrics and targets** | | |
| | **4.4 Carbon credits** | N/A | Element 4: Providing clarity on use of carbon credits and offsets |

| | | | |
|---|---|---|---|
| **5. Governance** | **5.1 Board oversight and reporting** | 5. Governance: 9. Roles, responsibilities, and remuneration | Element 9: Ensuring sound governance and accountability |
| | **5.2 Management roles, responsibility and accountability** | | |
| | **5.3 Culture** | 5. Governance: 10. Skills and culture | N/A |
| | **5.4 Incentives and remuneration** | 5. Governance: 9. Roles, responsibilities, and remuneration | |
| | **5.5 Skills, competencies and training** | 5. Governance: 10. Skills and culture | |
| **Other** | | N/A | Element 6: Addressing adverse impacts through the Do-No-Significant-Harm (DNSH) Principle and RBC due diligence<br>Element 7: Supporting a just transition |

For financial institutions, these frameworks present complementary value: GFANZ provides sector-specific implementation guidance, TPT offers comprehensive disclosure guidelines, and OECD establishes credibility thresholds. The frameworks' evolving interoperability—particularly TPT's incorporation of GFANZ elements and alignment with ISSB standards—suggests growing convergence in transition plan expectations across global markets. This developing coherence creates opportunities for harmonized reporting while still allowing for jurisdictional adaptations to local market conditions and regulatory environments.

## 3.2 Alignment Between TPT Framework and China's Stock Exchange Disclosure Requirements

A comparative analysis reveals substantial convergence between the TPT Framework and the transition plan-related provisions in China's stock exchange guidelines, despite differences in granularity and emphasis. Both the sustainability reporting guidelines of mainland China exchanges (or "A share guidelines")[38] and *HKEX ESG Reporting Code (or "HKEX standard")*[39] incorporate core elements of the TPT Framework within their broader climate disclosure mandates, creating important synergies for listed companies developing transition plans.

38 Shanghai Stock Exchange. *Self-Regulatory Guidelines for Listed Companies No. 14—Sustainability Reporting (Trial)* (2024) & *Guidelines for Self-Regulatory Supervision of Listed Companies—Preparation of Sustainability Reports (Draft for Comments)* (January 17, 2025).

39 Hong Kong Exchanges and Clearing Limited. (2024). *Environmental, Social and Governance Reporting Guide.* Retrieved from https://cn-rules.hkex.com.hk/ 规则手册 / 附录 -c2-《环境、社会及管制报告手则》.

The A-share and HKEX guidelines comprehensively address several fundamental components of the TPT Framework. These include requirements for establishing short-, medium-, and long-term climate targets, disclosing Scope 1, 2, and 3 emissions, formulating reduction strategies across policy, operational and product dimensions, and implementing corresponding governance mechanisms. This coverage demonstrates that China's disclosure regimes already encompass the substantive elements of credible transition planning as defined by international guidelines.

The most notable divergence lies in stakeholder engagement expectations. While the TPT Framework explicitly requires disclosure of engagement strategies with investors, clients, and affected communities, neither the A-share nor HKEX guidelines currently emphasize this dimension. This gap reflects the relative nascency of stakeholder engagement in China's corporate governance framework compared to Western markets.

Exhibit 2-6 The Coverage of HKEX and A-share Disclosure Requirements against the TPT Framework

| TPT framework | | HKEX | A shares |
|---|---|---|---|
| **1. Foundations** | 1.1 Strategic Ambition | √ | √ |
| | 1.2 Business model and value chain | √ | √ |
| | 1.3 Key assumptions and external factors | √ | √ |
| **2. Implementation Strategy** | 2.1 Business operations | √ | √ |
| | 2.2 Products and services | √ | √ |
| | 2.3 Policies and conditions | N/A | √ |
| | 2.4 Financial planning | √ | √ |
| **3. Engagement strategy** | 3.1 Engagement with value chain | N/A | N/A |
| | 3.2 Engagement with industry | N/A | N/A |
| | 3.3 Engagement with government public sector, communities, and civil society | N/A | N/A |
| **4. Metrics & Goals** | 4.1 Governance, engagement, business and operational metrics and targets | √ | √ |
| | 4.2 Financial metrics and targets | √ | √ |
| | 4.3 GHG metrics and targets | √ | √ |
| | 4.4 Carbon credits | √ | √ |
| **5. Governance** | 5.1 Board oversight and reporting | √ | √ |
| | 5.2 Management roles, responsibility and accountability | √ | √ |
| | 5.3 Culture | N/A | N/A |
| | 5.4 Incentives and remuneration | √ | N/A |
| | 5.5 Skills, competencies and training | √ | √ |

For listed banks and other financial institutions, this alignment presents strategic advantages. Compliance with existing A-share or HKEX climate disclosure requirements simultaneously establishes foundational elements for TPT-aligned transition planning. Conversely, adopting the more comprehensive TPT Framework positions companies to not only meet current reporting obligations but also anticipate future regulatory enhancements as China's disclosure guidelines continue evolving toward international norms.

The strong compatibility between these frameworks suggests Chinese listed companies can pragmatically integrate TPT elements into their reporting processes without creating redundant compliance burdens. Financial institutions in particular may leverage this overlap to develop transition plans that serve dual purposes: fulfilling immediate exchange disclosure requirements while building institutional capacity for more sophisticated transition planning as guidelines mature.

# CHAPTER 3

# TPT Guidance for the Banks and International Bank Case Studies

# III. TPT Guidance for the Banks and International Bank Case Studies

## 1. Element 1: Foundations

Strategic Ambition First, banks are required to clearly disclose the strategic ambition of their transition plans, explicitly stating their climate-related objectives and priorities. Target setting should consider three dimensions:

1) Mitigation targets for reducing its Scope 1, 2, and 3 GHG emissions in either its operations or value chain. Banks should include targets for reducing both financed emissions and facilitated emissions40 associated with their on-balance-sheet and off-balance-sheet activities, and disclose any existing commitments and their justifications;

2) Adaptation targets for enhancing its resilience to the changing climate and responding to the risks and opportunities that arise from the transition to a low-GHG emissions, climate-resilient economy. Banks should set targets for managing climate-related risks and capturing climate-related opportunities through their on- and off-balance-sheet activities;

3) Enabling targets for using the levers and capabilities it has available to embed and accelerate a transition to a low GHG emissions climate-resilient economy. Banks should articulate their objectives and priorities in supporting the transition of the real economy.

Under this element, banks also need to includes short-, medium-, and long-term milestones, along with defining the short-, medium-, and long-term in the context of transition planning. They should also specify the scope of coverage of the objectives with reasons and plans for any exclusions. Banks should describe the extent to which it has taken into account and aligned with any external requirements, commitments, science-based targets, transition pathways and roadmaps, or scenarios that apply to their sector, region, or economy, such as government commitments and law or regulation requirements.

When setting the targets, banks should take into consideration the broader economic system, the sectors the entity finances, business lines, and operational geographies. The factors such as institu-

40 *Facilitated emissions* refer to greenhouse gas emissions indirectly enabled by financial institutions through their capital markets activities, such as underwriting equity and debt issuances. Part B of the *Global GHG Accounting and Reporting Standard for the Financial Industry* (PCAF Standard) specifically addresses the calculation and attribution of emissions associated with underwriting activities.

tional size, organizational structure, risk appetite, existing client and agreements may also be considered when setting the targets. Banks can refer to methodologies and guidance documents issued by GFANZ, IIGCC, NZBA, PCAF, SBTi, TPI, and UNEP-FI when setting their climate targets.

### 1.2 Business Model and Value Chain

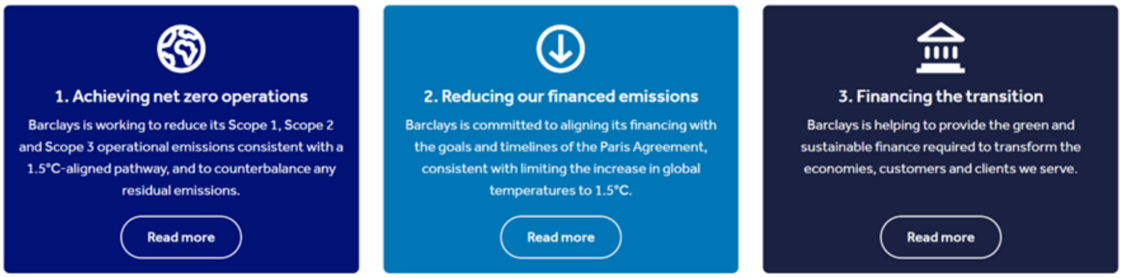
Banks and other entities shall disclose a description of the current and anticipated implications of the entity's Strategic Ambition on its business model and value chain.

### 1.3 Key Assumptions and External Factors

Banks and other entities shall disclose key assumptions that it has made and external factors on which it depends in order to achieve the Strategic Ambition of its transition plan, including the nature of the key assumptions that it uses and external factors on which it depends for achieving the transition plan objectives; the timeframes over which any key assumptions and external factors are expected to occur, and whether and how the key assumptions are reflected in the entity's financial statements. The external factors can include policy and regulation change, macro- and microeconomic, technological development, etc.

## Box 1 Case Study of the "Foundation" Element – Barclays Bank[41]

Exhibit 3-1 Barclays' Climate Strategy[42]




Barclays has put forward three strategic objectives under its net-zero commitment aligned with the 1.5°C pathway: achieving net-zero operations, reducing financed emissions, and financing the transition. Quantitative short- and medium-term targets have been set under each of these strategic objectives.

In achieving net-zero operations, Barclays has established two main action areas along with a series of specific short- and medium-term milestones. First, it aims to reduce Scope 1 and 2 emissions through measures such as improving energy efficiency, adopting electrified buildings and vehicles, using renewable electricity, and replacing fossil fuel-powered facilities with low-emission alternatives. The quantitative targets include a 90% reduction in market-based Scope 1 and 2 emissions by 2025 and achieving a fully electrified or low-emission vehicle fleet by 2030. Second, it seeks to reduce Scope 3 operational emissions by collaborating with suppliers and other key stakeholders to track, manage, and reduce their GHG emissions, and by incorporating net-zero principles into supplier management policies and contractual requirements. The target is to ensure that 90% of suppliers have set science-based targets by 2030.

In terms of reducing financed emissions, Barclays has set 2030 emissions targets for eight high-emitting sectors: upstream energy, power, cement, steel, automotive manufacturing, aviation, UK agriculture, and UK commercial real estate—and introduced a series of corresponding policies. These include establishing exclusion lists for certain high-emission sectors and reducing or prohibiting financing for activities such as oil and gas expansion, thermal coal mining and coal-fired power generation, oil sands, hydraulic fracturing 'fracking' and projects in the Arctic Circle, Amazon Biome.

For financing the transition, Barclays has set clear targets: to facilitate $1 trillion of sustainable and transition financing for clients from 2023 to 2030, and to invest up to £500 million into global climate tech start-ups by the end of 2027. From overarching strategic ambition to quantified objectives, Barclays has charted a clear direction for its transition efforts. The bank also dynamically discloses updated metrics and progress for each target (in percentages), demonstrating a high level of transparency.

41 Barclays PLC. (2023, September). *Transition Finance Framework Version 1.0.* https://home.barclays/content/dam/home-barclays/documents/citizenship/our-reporting-and-policy-positions/Barclays-Transition-Finance-Framework-V1.pdf.

42 Barclays Climate Strategy. (2025). Barclays. Retrieve from http://home.barclays/our-sustainability-/barclays-climate-strategy/.

## 2. Element 2: Implementation Strategy.

### 2.1 Business Operations

Entities shall disclose information about the short-, medium-, and long-term actions that are being taken or planned in their business operations in order to achieve the Strategic Ambition of their transition plans. This should include current and anticipated actions and timelines and their expected contribution to the entity's strategic ambition.

For the banking sector, an entity should consider disclosing any short-, medium-, and long-term actions it is taking or plans to take in its core banking activities and processes (e.g. its lending, sales and trading, capital markets, and advisory activities). The TPT Framework also recommends that banks disclose whether and how they consider the transition plans or pathways of its clients to inform decision-making, including its approach to gathering information and evaluating the quality and credibility of those plans or pathways. Additionally, banks may consider disclosing information on the integration of climate factors into their risk management frameworks and processes.

### 2.2 Products and Services

Banks and other entities shall disclose information about short-, medium-, and long-term actions it is taking or plans to take to change its portfolio of products and services in order to achieve Strategic Ambition. This includes, but is not limited to, current and anticipated actions to optimize products and services, the timeline for such actions, the taxonomy, tools, methodologies, or definitions used to classify these products and services, and the expected contribution of these actions to strategic objectives.

Under this element, banks should include the following information: (1) climate- or sustainability-linked financial products offered with underlying taxonomy, tools, methodologies, or definitions used to classify these products as climate- or sustainability-linked; (2) actions to increasing capital allocation in climate mitigation and adaptation ("increasing green portfolio), and actions to gradually phase out high-emission assets on- and off-balance sheet ("reducing brown portfolio"); (3) improving the accessibility of products and offering incentives for clients' low-carbon transition through preferential interest rates, contract terms, etc.; (4) providing advisory services and customized products to address the climate vulnerability of retail and SME clients, thereby enhancing their climate resilience.

### 2.3 Policies and Conditions

Banks and other entities shall disclose the policies and conditions they are using or plan to use to achieve their Strategic Ambition, along with the expected contribution of these policies to the objectives. These may include policies related to energy usage, the phase-out of GHG-intensive assets, procurement and supplier engagement, climate-related considerations in lending or investment activities (e.g. thresholds, targets, or restrictions), portfolio engagement. When describing policies, it is important to explain their underlying context and to specify their scope of application.

For banks, three critical policy domains require particular attention in transition plan disclosures:

- **Policies addressing high-emitting activities and assets,** including plans to phase-out of GHG intensive assets (e.g. coal-fired electricity generation, thermal coal mining, oil and gas).
- **Policies for safeguarding the natural environment,** including exclusion policies utilising location- and/or activity-based criteria, such as Key Biodiversity Areas (KBA), Areas of Zero Extinction, Ramsar Convention, UNESCO Natural World Heritage Sites, and the Bonn Convention.
- **Policies for building resilience to the changing climate,** including policies and conditions to address on- and off-balance sheet activities related to sectors, activities or assets that may be particularly vulnerable to a changing climate or that are at risk of maladaptation

The types of policies can include location-based exclusion (e.g. exclusion of assets in sites on wetlands), threshold-based exclusion (e.g. setting quantitative limits for sectors subject to elevated transition risk), and additional conditions and/or covenants.

## 2.4 Financial Planning

To the extent the financial effects of its transition plan are separately identifiable, Banks and other entities shall disclose information on how the plans affect their financial position (e.g. plans for capital expenditure, major acquisitions and divestments, joint ventures), financial performance, and cash flows (e.g. increased revenue from products and services aligned with a low-GHG emissions, climate-resilient economy, and expenses associated with climate adaptation or mitigation) over short-, medium-, and long-term, both qualitatively and quantitatively.

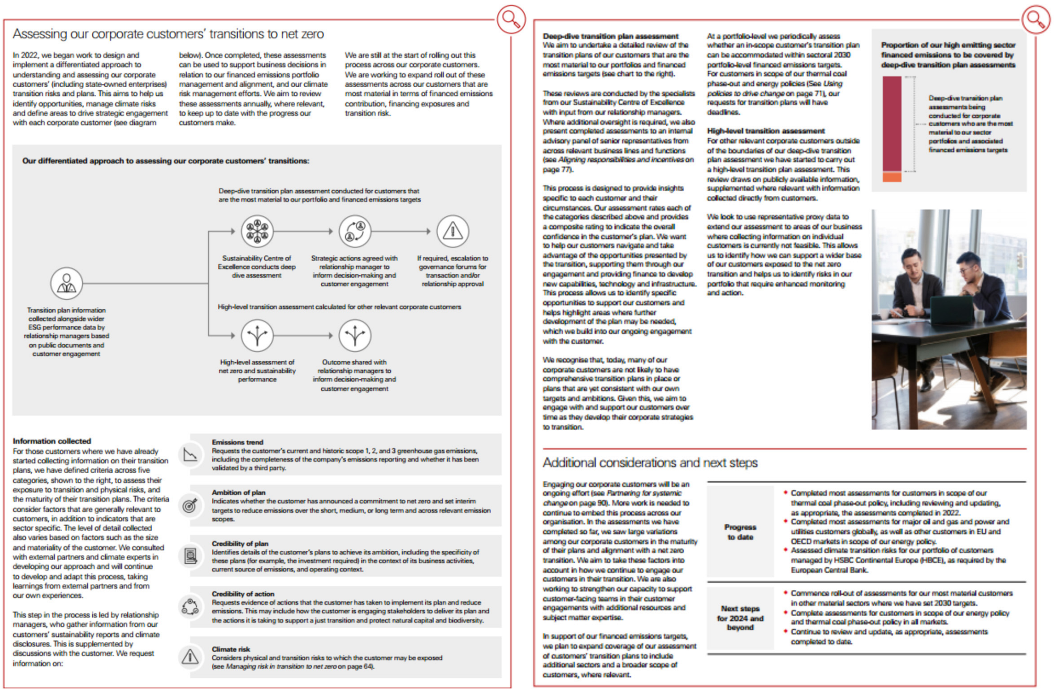
For banks, this section may also include a description of how scenario analysis is used to assess the impact of the transition plan on financial position, performance, and cash flows, including forward-looking assessments of potential credit losses or credit risk. For example, banks may analyze changes in credit risk among financed clients due to increasingly stringent regulatory requirements (such as carbon taxes, energy efficiency regulations, or other policies), as well as credit risk changes arising from technological transitions.

## Box 2 Case Study of the "Implementation Strategy" Element – HSBC[43]

In 2024, HSBC published its Net-Zero Transition Plan, which serves as a benchmark case for transition planning in the banking sector. Centered around its operational and financing-related transition targets, HSBC systematically and comprehensively disclosed the implementation roadmap of its transition plan in the report. On one hand, the plan outlines sector-specific transition pathways, covering ten industries across five key areas: energy, transportation, heavy industry, real estate, and agriculture. On the other hand, the plan provides a holistic account of how HSBC integrates its net-zero targets into various aspects of its operations, including products and services, internal operations, risk management, policies, transaction and financing decisions, governance, and organizational culture.

Notably, HSBC positions its clients at the core of achieving its net-zero ambition and highlights measures to support client transition through engagement and solution provision. This includes, but is not limited to, the methods and processes for assessing clients' net-zero transition plans and the provision of a wide range of financial instruments and solutions tailored to client needs. HSBC has also formally incorporated a series of sector-specific policies, such as its thermal coal phase-out policy, into its institutional framework to ensure the comprehensive and rigorous advancement of its transition plan.

Exhibit 3-2 HSBC's Corporate Customer Transition Assessment Methodology




43 HSBC. (2024). *HSBC Net-Zero Transition Plan.* Retrieved from https://www.hsbc.com/who-we-are/our-climate-strategy/our-net-zero-transition-plan.

## 3. Element 3: Engagement Strategy

### 3.1 Engagement with Value Chain

Banks and other entities shall disclose information about any engagement activities with other entities in its value chain that it is undertaking or plans to undertake in order to achieve the Strategic Ambition of its transition plan, including the prioritization of such activities and the methods used to determine priorities. Banks should primarily consider engaging with: (1) clients in high-GHG emitting or climate-vulnerable sectors; (2) clients with high-emitting, or energy-intensive, assets to support retrofit, managed phase-out and/or responsible retirement of such assets; and (3) financial service providers, such as index providers, investment consultants, stock exchanges, credit rating agencies, proxy advisors, and data providers.

Banks may provide an overview of the various types of engagement activities they conduct, including but not limited to: mechanisms for gathering client transition plans and information on climate-related risks and opportunities; actions to support clients in managing or phasing out high-emission assets; efforts to help clients manage the environmental and social impacts of their transition plans; and descriptions of minimum expectations for stakeholders and escalation measures when expectations are not met. The focus of engagement activities may vary by banking model—for example, retail banks may focus on client education, while commercial banks may emphasize contractual agreements. Banks may also consider tailoring their engagement approaches by client segments, consumer types, and/or business lines. In describing engagement activities with financial service providers (including data and index providers), banks may consider referring to the IIGCC's *Improving Net Zero Data Provision: Six asks of data vendors*[44] and *Enhancing the Quality of Net Zero Benchmarks*.[45]

### 3.2 Engagement with Industry

Banks and other entities shall disclose information about any engagement and collaborative activities with industry counterparts (and other relevant initiatives or entities) that it is undertaking or plans to undertake in order to achieve the Strategic Ambition of its transition plan. This includes but not limited to: information about memberships in trade organisations or industry bodies; current and planned engagement and collaborative activities with membership bodies, industry associations, counterparts (and other relevant initiatives or entities; e.g. peers and labour unions) including any commitments made arising from these activities; the expected contribution of these activities toward achieving its Stra-

44 Institutional Investors Groups on Climate Change (IIGCC) (2023). *Improving Net Zero Data Provision: Six asks of data vendors.*

45 Institutional Investors Groups on Climate Change (IIGCC) (2023). *Enhancing the Quality of Net Zero Benchmarks.*

tegic Ambition; and the steps it takes to monitor the activities of membership bodies or industry bodies in which it participates and minimise any actions that may conflict with its own Strategic Ambition.

### 3.3 Engagement with Government, Public Sector, and Civil Society

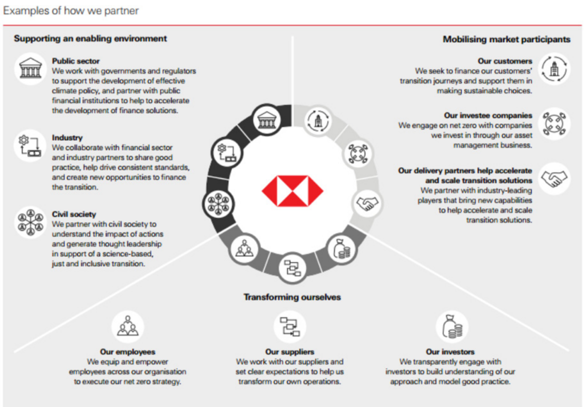
Banks and other entities shall disclose information about any direct and indirect engagement activities with governments, regulators, public sector entities, communities, and civil society that are undertaking or planning to undertake in order to achieve their transition plan objectives.

For banks, considerations in policy and regulatory engagement may include: national climate mitigation and adaptation targets, strategies, and sectoral pathways; policies attract investment of capital into climate and nature-based solutions; policies for mobilizing low-GHG, climate resilient capital toward emerging markets and developing economies; aligning regulation and taxonomies with GHG reduction commitments and delivery, including improvement of relevant corporate disclosure; subsidies, incentives, and policies (both demand-side and supply-side) to accelerate the economy- wide transition; achieving international consistency, alignment and standardisation in transition planning requirements and expectations; and policies aimed at protecting vulnerable communities who could be adversely impacted by transition activities and enabling a just transition.

## Box 3 Case Study of the "Engagement Strategy" Element – HSBC[46]

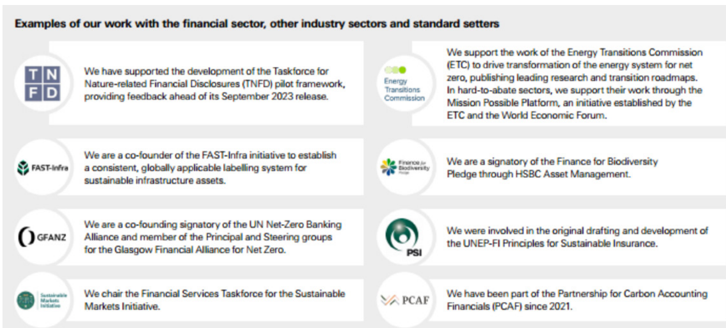
HSBC has developed a multi-stakeholder engagement strategy involving the public sector, social organizations, clients, investee companies, and suppliers. First, HSBC emphasizes close collaboration with its clients—including large corporations, SMEs, public sector entities, institutional clients, and individual customers—by providing information and insights, collecting clients' needs, and offering customized financial solutions and advisory services to support their net-zero transitions.

Exhibit 3-3 HSBC's Stakeholder Engagement Map




In addition, HSBC actively leverages its industry influence and participates in various climate and sustainability-related initiatives, including GFANZ, PCAF, and TNFD. The bank also engages with governments, regulators, and industry associations to support the formulation and implementation of policies and regulations, while sharing practical experience. Furthermore, HSBC uses philanthropic funding to support partners in exploring and piloting innovative climate solutions. This multi-tiered engagement strategy not only helps align stakeholder efforts with HSBC's own net-zero goals, but also contributes to the development of improved policy frameworks and broader stakeholder responsiveness, ultimately fostering a more enabling external environment for climate action and related investments.

Exhibit 3-4 HSBC's Industry Engagement




46 HSBC. (2024). *HSBC Net-Zero Transition Plan*. Retrieved from https://www.hsbc.com/who-we-are/our-climate-strategy/our-net-zero-transition-plan.

# 4. Element 4: Metrics & Targets

## 4.1 Governance, Business and Operational Metrics and Targets

Banks and other entities shall disclose information about the governance, engagement, business, and operational metrics and targets that are used to drive and monitor progress towards the Strategic Ambition of their transition plans, and report against these metrics and targets at least annually.

This section should include any targets it has set and any targets it is required to meet by law or regulation, and explain how these targets reflect the strategic objectives of the transition plan and relate to the actions outlined under Implementation Strategy and Engagement Strategy sections. For each target, the following information should be covered: the metric used, intended purpose, scope of application, time frame, base period and baseline values for measuring progress, any milestones or interim targets, whether each quantitative target is absolute or intensity-based, relevant international climate agreements referred to (including jurisdiction commitments), and any taxonomy, tools, methodologies, or definitions on which this metric relies.

This section should further describe the methodology for setting and reviewing targets, as well as the processes for monitoring progress against them, such as third - party verification, review procedures, and monitoring indicators. Entities should report against the metrics used to assess progress toward targets on an annual basis, analyze the trends or changes in the entity's performance, describe the data used for estimates, and provide any revisions to the targets along with explanations for such revisions.

For the banking sector, metrics and targets should be disaggregated and explained according to the sectors covered by financing and investment, product/client business lines, on- and off-balance-sheet activities, and geographic regions of operation. Such metrics and targets may include the level and frequency of board and management involvement in overseeing the transition plan, types and outcomes of engagement activities, business segments covered by the transition plan, and the proportion of financing directed toward climate solutions.

## 4.2 Financial Metrics and Targets

Banks and other entities shall disclose information about any financial metrics and targets that are used to drive and monitor progress toward the strategic objectives of their transition plans, and should report against these metrics and targets at least annually. The content of these financial metrics and targets should be broadly consistent with those described above for governance, business, and operational metrics and targets.

For the banking sector, financial metrics and targets should include indicators related to resource allocation and investment, such as the volume of green credit and the proportion of investments directed toward climate transition activities. They should also cover indicators related to risk management and financial resilience, such as the proportion of assets exposed to climate-related risks and risk-adjusted return on capital.

### 4.3 GHG Metrics and Targets

Entities shall disclose information on the greenhouse gas (GHG) emissions and removals metrics and targets they use, and report against these metrics and targets at least annually. These may include absolute and intensity-based reduction targets for Scope 1, 2, and 3 emissions; emission targets for other GHGs (such as methane); the extent of Scope 3 target coverage across its 15 categories; and, if any categories are excluded, the reasons for exclusion. Disclosures may also include steps taken to improve monitoring and reporting systems, as well as targets related to carbon removals (including but not limited to activities such as land use, land-use change, bioenergy, and carbon removal technologies).

Each target should be accompanied by disclosures on the target details illustrated in 4.1, such as the metric used, the objective, the applicable scope and time frame, the baseline period and value, and whether each quantitative target is absolute or intensity-based, etc. Metrics used to assess target progress should be reported at least annually.

For the banking sector, this section should include: 1) any GHG metrics and targets that it has uses including those at the portfolio level and sector level; 2) where possible, (Scope 3) financed and facilitated emissions intensity metrics, per unit of physical or economic output, particularly for high-intensity sectors; 3) the rationale for any exclusions and the extent to which it is taking, or plans to take, steps to increase the scope of coverage; 4) information about the calculation of its GHG metrics and targets, including the methodologies used, the sources of data used and the extent to which the data is estimated and/or judgement is applied. When calculating and reporting financed emissions and other GHG metrics and targets, banks may refer to guidelines issued by TCFD, PCAF, SBTi, and NZBA.

### 4.4 Carbon Credits

Disclosures related to carbon credits should address the rationale of using carbon credits and the extent to which, and how, the organization relies on carbon credit offsets to achieve the Strategic Ambition of its transition plan. Required disclosures include: the volume of carbon credits sold, purchased, and retired; the third-party scheme(s), standards or methodologies under which the carbon credits have been or will be certified against; the type of carbon credits used (nature-based or technology-based carbon removals); identification and management mechanism of the impacts and dependencies associated with carbon credits on stakeholders, society, the economy, and the natural environment across the organization's value chain; and the associated risks and opportunities. Additionally, disclosures should cover any other relevant factors necessary to ensure transparency regarding the credibility and integrity of carbon credit usage—whether current or planned. The use of carbon credits must be disclosed at least annually.

## Box 4 Case Study of the Metrics and Targets Element – Standard Chartered[47]

Standard Chartered has established a robust foundation for the quantitative disclosure in their transition plan. The bank dedicated section in its annual report to disclose its transition plan and progress, aligning with the TPT Framework's recommended metrics and targets. The bank provides detailed explanations of its data calculation methodologies and underlying assumptions, further reinforcing transparency through the publication of a Net Zero Methodology White Paper. For GHG emissions, S&C disclosed complete Scope 1, 2, and 3 emissions data, covering all material Scope 3 categories, as well as an analysis of emissions composition, revealing that 98.7% of total emissions stem from Scope 3, Category 15 (financed emissions).

Exhibit 35 Standard Chartered Bank's Scope 1, 2 and 3 GHG Emissions


| Scopes of GHG emissions | 2023[4] ($tCO_2e$) | 2022 ($tCO_2e$) | 2021 ($tCO_2e$) |
|---|---|---|---|
| Scope 1 emissions[1] | 8,488 | 2,071 | 2,902 |
| Scope 2 emissions[2] | 26,246 | 47,363 | 82,761 |
| **Total Scope 1 and 2 emissions[3]** | 34,734 | 49,434 | 85,663 |
| **Scope 3 emissions:** | | | |
| Category 1: Purchased goods and services (other) | 286,304 | 380,732 | 330,224 |
| Category 1: Purchased goods and services (data centres)[5] | 4,431 | 7,060 | 43,132 |
| Category 2: Capital goods | 42,707 | 34,496 | 47,217 |
| Category 4: Upstream transportation and distribution | 24,125 | 20,300 | 20,949 |
| Category 5: Waste generated in operations[6] | 520 | 747 | |
| Category 6: Business travel (air travel) | 60,279 | 39,107 | 3,654 |
| Category 6: Business travel (miscellaneous other than air travel) | 8,918 | 2,654 | 4,994 |
| Category 7: Employee commuting | 71,228 | 61,917 | |
| Category 13: Downstream leased assets (real estate) | 7,898 | 8,594 | |
| Category 15: Investments[7,8] | 41,944,000 | 49,512,000 | 45,200,000 |
| **Total Scope 3 emissions** | 42,450,410 | 50,067,607 | 45,650,190 |
| **Total emissions** | 42,485,144 | 50,117,041 | 45,735,853 |

Secondly, Standard Chartered has established carbon intensity targets and corresponding financed emissions data disclosures that adhere to the PCAF standard. These disclosures include supporting information such as data quality scores, coverage ratios, applied calculation methodologies, and reference scenarios, showcasing exceptional methodological rigor. Furthermore, the bank has developed detailed

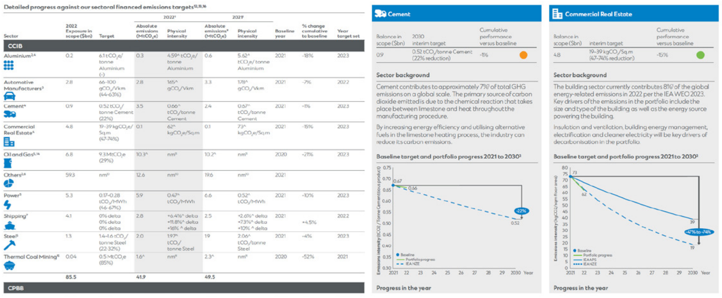
47 Standard Chartered. (2024). Standard Chartered Transition Plan 2024. Retrieved from https://av.sc.com/corp-en/nr/content/docs/Transition-plan.pdf.

decarbonization pathway charts for each target industry, enabling clear visual comparison between actual emission trajectories and target pathways through regular progress updates.

These efforts make its progress toward net-zero transition goals fully traceable to external stakeholders, provides comprehensive and transparent information about its climate transition efforts, and establishes a replicable model for how financial institutions can effectively communicate complex transition data. The combination of quantitative metrics with qualitative explanations and visual representations creates an accessible yet technically robust disclosure framework.

Exhibit 36 Standard Chartered Bank's Industry Investment and Financing Targets and Progress &;

Industry Emission Reduction Pathways.




## 5. Element 5: Governance

### 5.1 Board Oversight and Reporting

Entities shall disclose information about the governance body(s) (which can include a board, committee, or equivalent body charged with governance) or individual(s) responsible for oversight of the transition plan. This includes:1) the arrangements for reviewing and approving the transition plan and its Strategic Ambition, including oversight of any changes, updates, and reporting; 2) how responsibilities for the transition plan are reflected in mandates, role descriptions, and policies; 3) how to determines whether appropriate skills and competencies are available or will be developed to oversee the transition plan; 4) the approach and frequency of reporting; 5) how the board considers the transition plan when overseeing corporate strategy, making decisions on major transactions and its risk management processes and related policies—particularly whether the trade-offs associated with the transition plan have been considered; and 6) how the board oversees the setting of targets in the transition plan, and monitors progress toward those targets.

## 5.2 Management Roles, Responsibility and Accountability

An entity shall disclose information about management's role in the governance processes, controls, and procedures used to monitor, manage, and oversee the transition plan, as well as how it is embedded within the entity's wider control, review, and accountability mechanisms. Specifically, this includes the identity of the management body(s) or individual(s) responsible for executive oversight and delivery of the transition plan and their roles and how oversight is exercised over that body(s) or individual(s). Entities should also disclose the controls and procedures used to support the oversight of the transition plan and how these control measures and procedures are integrated with other internal functions and information, and which aspects of the transition plan are subject to external assurance or verification. Additionally, it should be made clear whether the transition plan is subject to shareholder approval, including through a shareholder vote in order to take effect.

## 5.3 Culture

An entity shall disclose information about how it aligns or plans to align its culture with the Strategic Ambition of its transition plan. This includes the organization's stated values and mission; communications, systems, and processes; HR policies and procedures (including escalation processes, compensation, and benefits); employee value propositions and engagement strategies.

## 5.4 Incentives and Remuneration

An entity shall disclose how it aligns or plans to align its incentive and remuneration structures with the Strategic Ambition of its transition plan for its executives and employees across the organization. The disclosure may include information about the metrics used and whether the metrics is within the short-term and/or long-term incentive plans, the percentage weighting of transition plan-related metrics within incentive plans for executives, and the percentage of total executive remuneration that is linked to transition plan-related metric(s). The disclosure should also indicate whether, and how, the incentive and remuneration structures for employees across the organization are aligned with the strategic ambition of the transition plan.

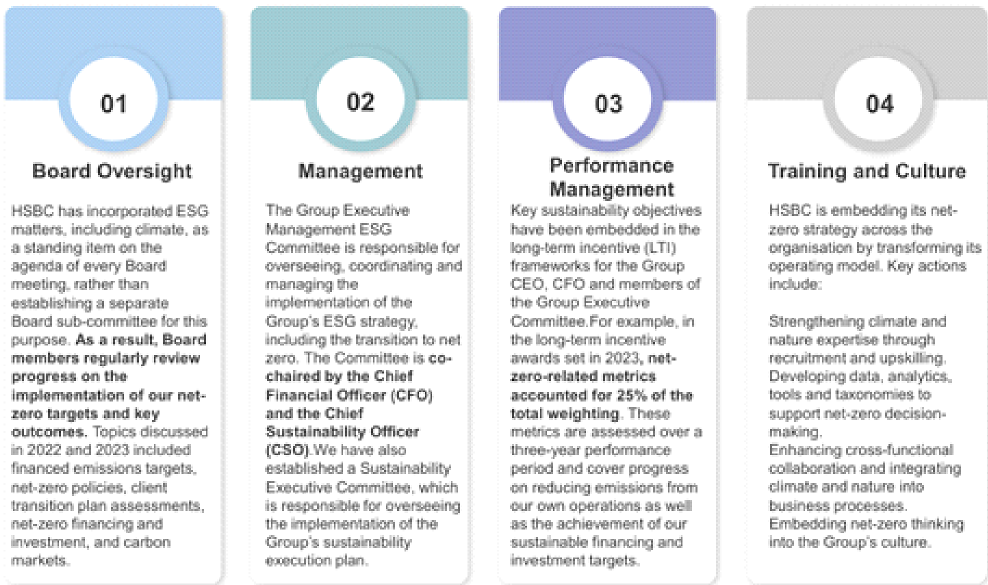
## 5.5 Skills, Competencies and Training

An entity shall disclose information about actions it is taking or plans to take to assess, maintain, and build the appropriate skills, competencies, and knowledge across the organisation in order to achieve the Strategic Ambition of its transition plan. Specific information should include assessments of existing skills, capabilities, and knowledge within the organization and identification of a skills gap, as well as actions it is taking or plans to take to provide the Board and executive management with access to the appropriate skills, competencies and knowledge required to effectively oversee the transition plan.

## Box 5 Case Study of Governance Element – HSBC[48]

In its transition strategy, HSBC places strong emphasis on ensuring the effective implementation of climate and ESG matters. Climate-related issues have been incorporated as a standing item on the board agenda, and the board regularly reviews the progress of net-zero targets and key initiatives, including the implementation of net-zero policies, the achievement of financed emissions targets, and the assessment of client transition plans. To enhance execution, HSBC has established an ESG Committee co-chaired by the CFO and CSO, which is responsible for overseeing the Group's sustainability strategy, including the net-zero transition strategy. The Group has also set up a Sustainable Development Executive Committee to strengthen expertise in climate and nature-related matters and to reinforce cross-functional collaboration. In addition, HSBC has further incentivized leadership to drive the transition by integrating net-zero targets into its executive remuneration framework. In 2023, net-zero-related performance indicators accounted for 25% of long-term executive compensation. These governance mechanisms provide institutional support for HSBC's transition plan.

Exhibit 3-7 HSBC's Climate Governance Initiatives




*Source: IFS based on the HSBC Net Zero Transformation Plan*

48 HSBC. (2024). *HSBC Net-Zero Transition Plan.* Retrieved from https://www.hsbc.com/who-we-are/our-climate-strategy/our-net-zero-transition-plan.

# CHAPTER 4

# Transition Plans Disclosure Practices in China's Banking Sectors

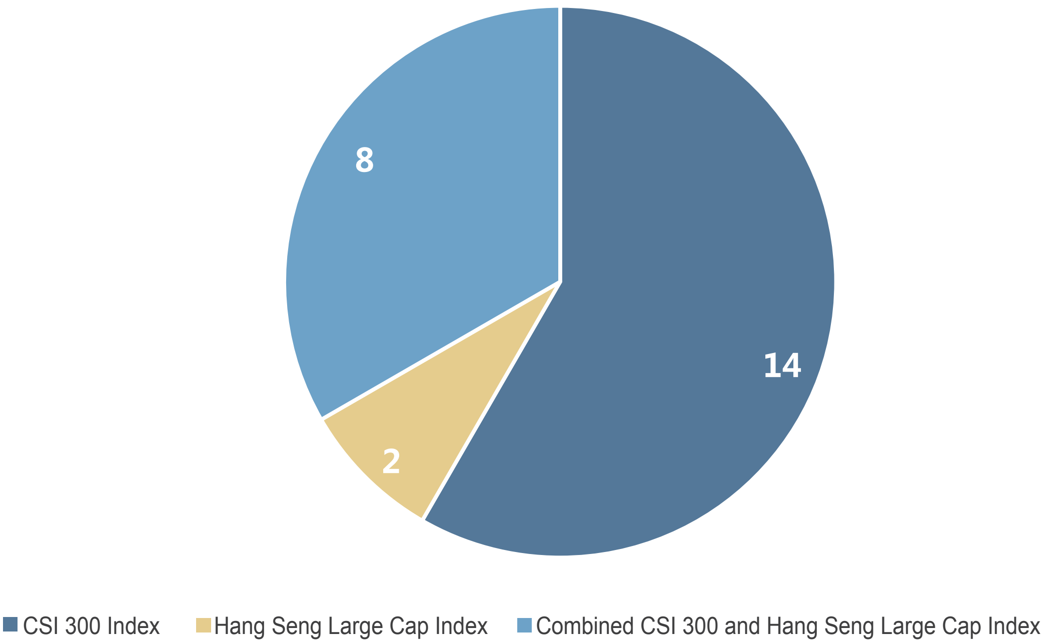
# IV. Transition Plans Disclosure Practices in China's Banking Sectors

## 1. Quantitative Assessment of Transition Plan Disclosures by Listed Banks in China

### 1.1 Research Methodology and Sample Selection

This study analyzes a representative sample of 24 Chinese commercial banks[49] selected from the CSI 300 Index[50] and Hang Seng LargeCap Index[51] constituents, encompassing major A-share and HKEX-listed institutions. The analysis draws exclusively on primary source materials, including corporate sustainability reports, dedicated environmental and climate disclosures, and official regulatory filings, all obtained directly from bank websites and stock exchange disclosure platforms to ensure data authenticity and traceability.

Exhibit 4-1 Distribution of Sample Banks




To systematically evaluate transition plan disclosure practices among China's leading listed commercial banks, this study develops a four-dimensional analytical framework encompassing: (1) disclosure formats, (2) GHGs emissions data, (3) climate target setting, and (4) implementation strategy. The

49 Industry classification is based on the Level 3 sector categories of the Global Industry Classification Standard (GICS).

50 The CSI 300 Index is a stock market index composed of 300 large-cap and highly liquid A-shares listed on the Shanghai and Shenzhen Stock Exchanges. It reflects the overall performance of China's A-share market, with broad and balanced sector coverage and strong market representativeness.

51 The Hang Seng Composite LargeCap Index (HSLI) is a stock market index compiled by Hang Seng Indexes Company. It includes the largest and most liquid large-cap companies listed on the Hong Kong Stock Exchange. These companies are typically industry leaders and have significant influence over the broader market.

analytical framework incorporates 14 specific assessment indicators across these dimensions (see Exhibit 4-2 for complete framework).

Exhibit 4-2 The Transition Plan Discloses Indicators for Assessing the Current Situation

| Disclosure Formats | GHG EmissionS Data | Climate Targets | DImplementation Strategy |
|---|---|---|---|
| 1. Does the bank have an ESG / sustainability report? | 1. Does the bank disclose Scope 1 and 2 emissions (operational emissions)? | 1. Does the bank have operational emissions reduction targets (Scope 1 and 2)? | 1. Does the bank disclosed emissions reduction action plans for scope 1 & 2 |
| 2. Does the bank have a dedicated TCFD /climate / environmental disclo-sure report? | 2. Does the bank disclose Scope 3 emissions (value chain emissions)? | 2. Does the bank have reduction target for operation-related value chain emissions (Scope 3, Categories 1–14)? | 2. Does the bank disclosed emissions reduction action plans for scope 3 categories 1-14 |
| 3. Does the bank have a dedicated "transition plan" report or a section in other reports? | 3. Does the bank disclose financed emissions (Scope 3, Category 15)? | 3. Does the bank have financed emissions reduction targets (Scope 3, Category | 3. Does the bank disclosed emissions reduction action plans for financed emissions (scope 3 category 15) |
| | | 4. Does the bank have targets for sustainable finance products and services (e.g. green / transition loans, bonds, etc.)? | 4. Does the bank disclosed action plans for sustain-able finance products / services |

### 1.2 Analysis Results

#### Finding 1: Sustainability Disclosure Matures While Transition Plans Remain Underdeveloped.

The analysis reveals that all 24 sampled commercial banks have published sustainability (or ESG) reports and 10 of them additionally released specialized environmental or climate reports (including TCFD-aligned disclosures). However, only three banks (approximately 12.5% of the sample) currently incorporate dedicated but brief transition plan sections. Overall, while sustainability-related information disclosure has increasingly become standard practice in China's banking sector in recent years, the systematic disclosure of transition plans still requires significant improvement. It indicates that despite the banking sector's maturation in general sustainability reporting, the development of rigorous, imple-mentation-ready transition plans remains at a nascent stage.

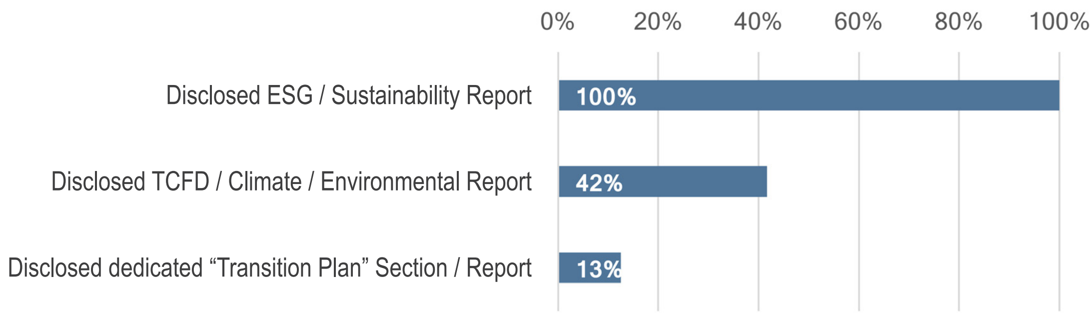



Exhibit 4-3  Transition Plan Related Information Disclosure of 24 Listed Commercial Banks in China

### Finding 2: High Operational Emissions Disclosure Rate Contrasts with Low Financed Emissions Reporting.

The analysis identifies a striking disparity in emissions disclosure practices: while nearly 90% of sampled banks (21 of 24) reported their 2022 operational emissions (Scope 1 & 2), only 25% (6 banks) disclosed any Scope 3 emissions. Among these limited Scope 3 disclosures, most focused on operational value chain categories (1-14) like business travel, with merely 13% (3 banks) reporting the critical financed emissions data (Category 15) that represents their largest climate impact channel. This reveals a fundamental mismatch between banks' operational transparency and their portfolio climate accountability.

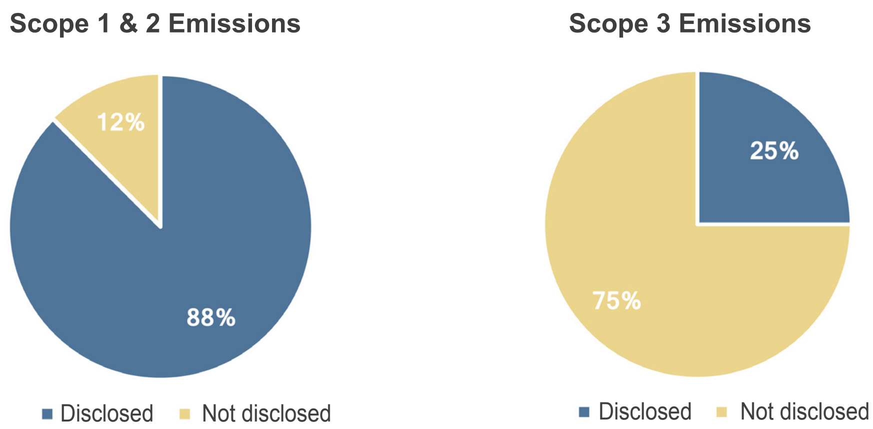



Exhibit 4-4  GHG Emissions Data Disclosure of 24 Listed Commercial Banks in China

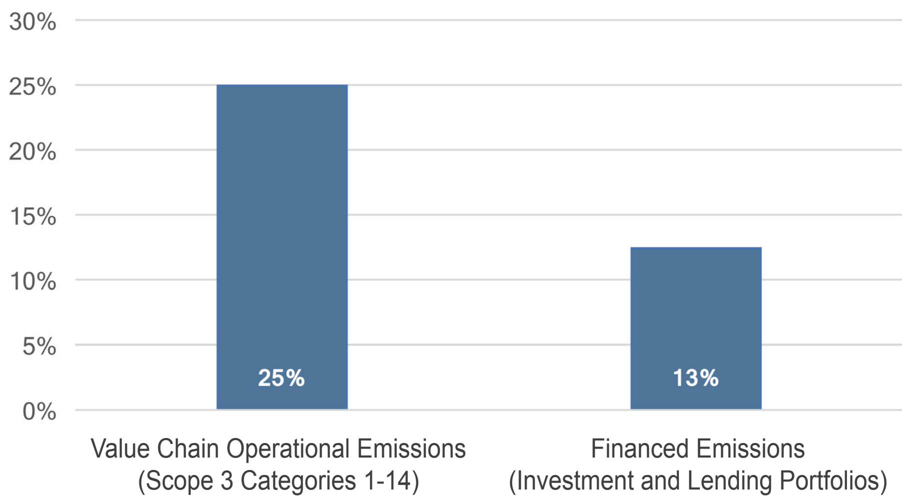



Exhibit 4-5 Scope 3 Emissions Disclosure of 24 Listed Commercial Banks in China

## Finding 3: Divergent Adoption of Climate Targets Across Emission Scopes.

This study examines the target-setting practices of 24 sampled commercial banks across four key areas: operational emissions reduction (Scope 1 and 2), value chain emissions reduction (Scope 3 Categories 1-14), financed emissions reduction (Scope 3 Category 15), and sustainable financial products/services.

The results reveal that target-setting is relatively common for operational emissions reduction (67% of banks) and sustainable finance business development (75% of banks). However, target-setting for Scope 3 value chain emissions remains extremely limited, with adoption rates below 10%. Notably, virtually no banks have established specific targets for reducing their financed emissions (Scope 3 Category 15), representing a significant gap in addressing their most material climate impacts.

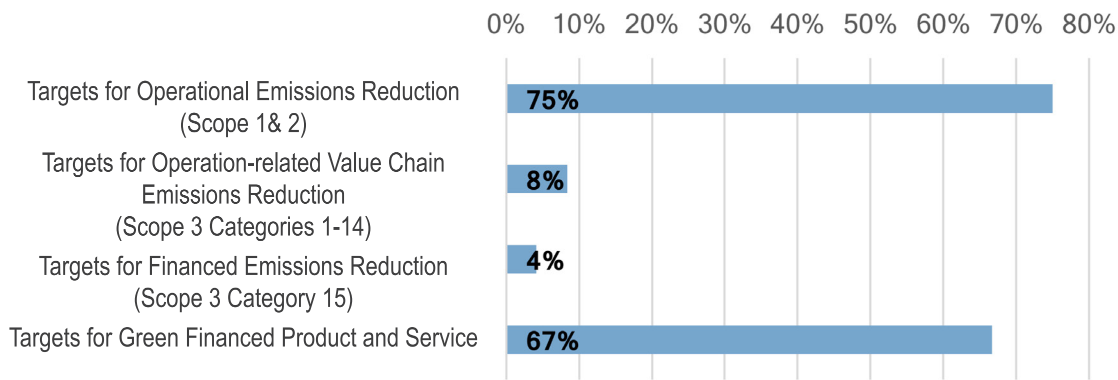



Exhibit 4-6 Climate Target Setting by 24 Listed Commercial Banks in China

### Finding 4: Actions to reduce operational emissions and promote sustainable finance are relatively well-defined, while efforts to decarbonize the value chain need to be accelerated.

The study finds sampled banks have developed relatively detailed, actionable plans for reducing operational emissions (Scope 1 & 2) and expanding sustainable finance offerings. However, corresponding strategies to reduce value chain emissions—particularly methodologies for addressing financed emissions (Scope 3 Category 15)—remain markedly less developed. This implementation asymmetry suggests banks are prioritizing more immediately controllable emissions sources while under-investing in solutions for their largest, albeit more complex, climate impact channels, indicating an area requiring urgent improvement.

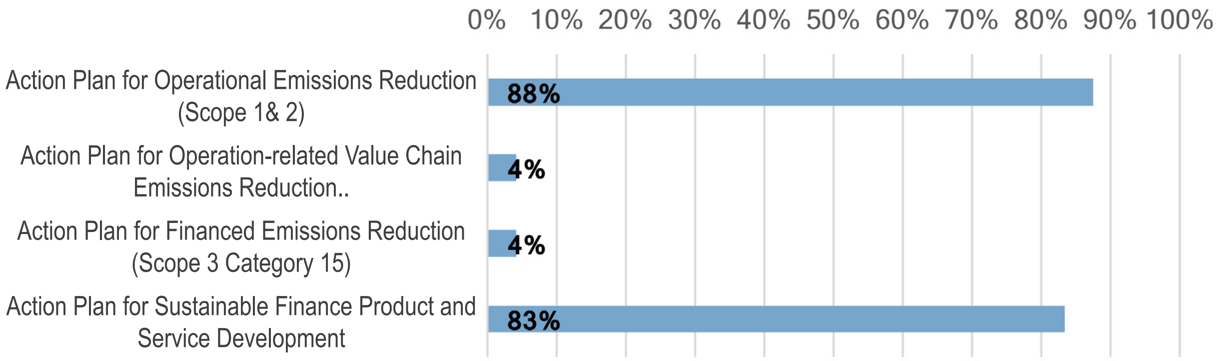



Exhibit 4-7 Disclosure of the Implementation Strategy of the Transition Plan of the 24 Listed Commercial Banks in China

## 2. Benchmarking Analysis of a Chinese Case Bank Against the TPT Framework

### 2.1 Case Background and Analytical Approach

This report conducts a benchmarking analysis of Industrial Bank Co., Ltd.'s transition plan against the TPT Framework to assess the progress and challenges faced by Chinese commercial banks in aligning with international transition planning guidelines. As one of the banks pioneering in sustainable finance—being the first Chinese signatory to the Equator Principles, an early adopter of the UN Principles for Responsible Banking (PRB), and a supporter of the UNFCCC's "Climate Neutral Now" initiative—Industrial Bank (CIB) represents an active example of China's banking sector engagement with climate commitments. Its recent disclosure of carbon neutrality targets and roadmap positions it an ideal case study to examine the state-of-the-art in Chinese banking transition planning.

The analysis leverages primary public disclosures of CIB and evaluates them against the TPT Framework's 19 sub-dimensions. Each element is classified as "fully met," "partially met," or "not met" based on assessment results to systematically identify gaps and improvement opportunities. Given that some TPT elements already overlap with China's existing sustainability reporting requirements for listed companies, this approach not only assesses CIB's current alignment with international guidelines but also sheds light on broader sector-wide progresses and challenges.

## 2.2 Benchmarking Results

The benchmarking analysis of CIB's disclosures against the TPT Framework reveals a mixed picture of progress and gaps. Although the bank has not yet developed a dedicated climate transition plan, its existing climate-related disclosures address approximately 60% of TPT requirements, demonstrating a solid foundation for future transition planning. We score CIB's disclosures upon each element as "fully met" (1 point), "partially met" (0.5 point), or "not disclosed" (0 point). The evaluation shows particular strength in engagement strategy and governance components, where the bank achieves over 70% compliance by meeting guidelines, particularly for stakeholder engagement with industry and government partners and organizational capacity building initiatives.

In Foundational and Implementation Strategy pillars, the bank demonstrates moderate progress through its comprehensive operational decarbonization targets and established climate governance structures. However, its strategies for aligning financial products and services with climate objectives remain underdeveloped. The most significant shortfall occurs in metrics and targets, where the lack of financed emissions data and quantitative portfolio decarbonization targets creates the largest divergence from TPT recommendations for banking institutions.

This gap highlights the critical challenge facing Chinese banks in measuring and managing their most material climate impacts through their lending and investment activities. The results suggest that while Industrial Bank has established important governance foundations for climate transition planning, substantial work remains to develop robust methodologies for financial portfolio alignment and target-setting that meet international guidelines. The table below summarizes the benchmarking results across the five main components and 19 sub-elements.

Exhibit 48 Disclosure Status of CIB Under the TPT Framework

| Disclosure Elements | Disclosure of sub-elements | Industrial Disclosure | Coverage |
|---|---|---|---|
| **1. Basics** | 1.1 Strategic Ambition | 0.5 | 50% |
| | 1.2 Business model and value chain | 0.5 | |
| | 1.3 Key Assumptions and External Factors | 0.5 | |
| **2. Implementation strategy** | 2.1 Business Operations | 1 | 63% |
| | 2.2 Products and Services | 0.5 | |
| | 2.3 Policies and Conditions | 1 | |
| | 2.4 Financial Planning | 0 | |
| **3. Engagement strategy** | 3.1 Participation in the value chain | 0.5 | 83% |
| | 3.2 Interaction with the industry | 1 | |
| | 3.3 Collaboration with governments, public sectors, communities | 1 | |
| **4. Metrics & Goals** | 4.1 Governance, Engagement, Business, and Operational Metrics and Objectives | 0.5 | 38% |
| | 4.2 Financial Indicators and Targets | 0.5 | |
| | 4.3 Greenhouse gas metrics and targets | 0.5 | |
| | 4.4 Carbon credits | 0 | |
| **5. Governance** | 5.1 Board Monitoring and Reporting | 0.5 | 70% |
| | 5.2 Management Roles, Responsibilities and Accountability | 0.5 | |
| | 5.3 Culture | 1 | |
| | 5.4 Incentives and Compensation | 0.5 | |
| | 5.5 Skills, Competencies and Training | 1 | |
| **Overall rating** | | | 61% |

| Legend | Disclosed | Partial Disclosure | Not disclosed |
|---|---|---|---|

## 3. Key Findings

The research reveals distinct patterns in how China's listed banks are approaching climate transition planning and disclosure:

### 3.1 Operational Transition Foundations Established, While Financing Decarbonization Lags

Chinese banks have made notable progress in establishing operational transition frameworks. It is exemplified by CIB's multi-tiered climate targets spanning 2025-2035 along with its implementation plans about enhancing energy efficiency, increasing the share of renewable energy, neutralizing residual emissions through participation in high-quality nature-based carbon offset projects and purchasing green electricity, etc. This demonstrates banks' growing capacity to develop technically sound operational decarbonization strategies.

However, the sector shows limited progress in addressing its most material climate impact - financed emissions. While institutions like CIB have set ambitious green finance growth targets (including RMB 2 trillion in green financing by 2025), critical gaps remain in managing existing high-carbon exposures[52]. Most banks lack quantitative targets for absolute or intensity-based reductions in portfolio emissions, sector-specific decarbonization pathways for high-emitting clients, and comprehensive "brown-to-green" transition strategies for existing assets

This dichotomy creates significant climate risk exposure, as banks' loan books remain misaligned with national decarbonization objectives despite improved operational footprints. The absence of portfolio-level transition planning represents both a material climate governance gap and a potential systemic risk as carbon regulations intensify.

### 3.2 Qualitative Information Outpace Quantitative Metrics in Climate Reporting

Chinese listed banks demonstrate relative maturity in qualitative climate information disclosures, particularly regarding governance frameworks, implementation strategies, and stakeholder engagement. Many listed banks provide clear description of their ESG governance structures, climate risk management systems, and green finance initiatives, with case studies. Some of them actively participate in industry dialogues and policy development, reflecting growing institutional engagement with climate issues.

However, quantitative measurement and disclosure are weak points for Chinese banks comparing with international best practices. While operational emissions data disclosure is mainstreaming, banks frequently fail to connect these figures to specific, time-bound reduction targets. The measurement and reporting of value chain emissions - particularly the critical Category 15 financed emissions - remains exceptionally limited, with only a handful of Shenzhen-based institutions making preliminary disclosures under special pilot programs. Furthermore, many climate targets continue to be articulated in qualitative terms rather than as measurable metrics, substantially limiting the ability to assess progress or compare performance across institutions.

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52 Industrial Bank Co., Ltd. (n.d.). *Sustainable Development Goals*. Industrial Bank. Retrieved from https://www.cib.com.cn/cn/aboutCIB/ESG/enviroment/goal.html.

This imbalance between narrative and numerical reporting creates material challenges for stakeholders seeking to evaluate banks' actual climate progress. Going forward, Chinese banks could refer to leading international practices to quantify progress toward targets more transparently.

### 3.3 Climate Transition Efforts Remain Fragmented Without Strategic Integration

Current analysis reveals that while Chinese listed banks have implemented various climate transition initiatives, these efforts remain fragmented and lack systematic integration into overall business strategy. Although many transition plan elements have been disclosed, few banks have developed comprehensive plans that fully cover emissions reductions across their financing and investment activities.

At the operational level, numerous banks have launched innovative pilot programs through local branches, including the establishment of carbon-neutral branches and trials of transition finance products. However, these localized initiatives need to be expanded and formally incorporated into bank-wide targets and implementation strategies.

Organizationally, climate-related work typically involves multiple departments—including strategy, credit, risk management, operations, sustainability, and investor relations—creating coordination challenges. This decentralized approach highlights the need for stronger centralized leadership to ensure all climate actions are aligned and collectively contribute to a coherent transition strategy. The current situation demonstrates that without effective top-down coordination and strategic integration, banks' climate transition efforts may remain partial and fail to achieve their full potential impact.

# CHAPTER 5

# Conclusions and Recommendations

# V. Conclusions and Recommendations

## 1. Research Conclusions

### 1.1 Disclosing Transition Plans Is Both a Policy Direction and a Prerequisite for Advancing Transition Finance

Currently, China's policy efforts in environmental and climate-related information disclosure are shifting from voluntary toward mandatory. From the perspective of stock exchanges, both the HKEX and the stock exchanges in mainland China have introduced mandatory sustainability disclosure requirements along with corresponding implementation timelines. From the perspective of financial regulators, the PBoC has repeatedly expressed its position through policy documents and statements at meetings: encouraging financial institutions to develop transition plans. As transition finance becomes increasingly important, banks are not only expected to formulate their own transition plans, but also to promote and support their clients to develop transition plans, and to assess those plans.

### 1.2 Some Banks in China Has Established a Foundation for Climate Transition, and It Is Time to Formulate a Full Transition Plan

Driven by China's green finance policy framework and the "dual carbon" goals, banks in China have actively explored low-carbon transition and sustainable finance models. First, most of large banks have established ESG and green finance governance systems, including the dedicated departments responsible for green finance. Second, many banks have conducted baseline assessments of their operational carbon footprint (Scope 1 and 2), and a few of them have set carbon neutrality targets at either the institutional or regional level.

In addition, the statistical foundation for green finance has been gradually strengthened, with data disclosure for sustainable financial products and services —such as green loans and green bonds— becoming mainstream practice. Some banks even developed comprehensive green finance business strategies, which include financing for the climate transition activities. Finally, financial regulators have provided various incentives for banks' green finance practices, including incorporating banks' green finance performance into their macroprudential assessment and providing refinancing tool for carbon reduction loans. The banking sector in China has also made progress in climate risk assessment and stress testing under the regulators' guidance. Collectively, these efforts have laid an organizational, data, and practical foundation for Chinese banks to formulate climate transition plans.

### 1.3 China's Banking Sector Is in the Early Stages of Climate Transition, and International Guidelines and Case Studies Offer Valuable Lessons

Despite notable progress, China's banking sector is still in the early stages of climate transition planning and action. While most Chinese banks publish sustainability reports, only a few have included sections related to transition plans within their ESG or environmental information reports, and no bank in China has yet formulated a comprehensive transition plan. In terms of content, most banks currently focus on reporting and reducing emissions from their own operations (Scope 1 and 2). However, operational emissions account for only a small share of total emissions for banks. The key to climate transition lies in reducing value chain emissions (Scope 3), particularly financed emissions (Scope 3 Category 15). The proportion of Chinese banks disclosing Scope 3 emissions remains low, and few banks have quantified financed emissions reduction targets—this represents a major gap between the current practices of Chinese banks and the international transition plan frameworks.

International transition planning guidelines offer valuable references for Chinese regulators and banks. At the same time, the transition plan released by the international banks provides good examples for Chinese banks' practice, especially in terms of target setting, sectoral decarbonization pathways, metric quantification, and clients enablement strategies, etc.

## 2. Challenges in Developing Transition Plans for Chinese Commercial Banks

### 2.1 Lack of unified guidance on disclosure framework and requirements

Although Chinese policy makers encourage enterprises and financial institutions to disclose their transition plans, there is a lack of clear and consistent guidelines and frameworks for such plans. The Sustainability Information Disclosure Guidelines for Listed Companies for A-shares companies provide an initial guidance for transition plan disclosure, but specific operational guidance tailored to the financial sector—especially the banking industry—remains absent. In addition, several principle-based provisions lack detailed interpretation, posing challenges in practice. While international frameworks such as the TPT and GFANZ provide comprehensive transition plan disclosure guidelines, they do not reflect the unique characteristics of China's policy and market context, making them difficult to apply directly in China.

### 2.2 Weak Foundations in Financed Emissions Carbon Accounting

Financed emission is a key metric for evaluating a bank's climate impact and the progress of its transition plan implementation. However, China's banking sector faces considerable challenges in measuring and reporting financed emissions.

First, with the exception of a few pilot regions, Chinese regulators have yet to impose mandatory disclosure requirements for financed emissions. Consequently, banks lack sufficient incentive to proactively collect or disclose this data. Second, carbon accounting methodologies for financial institutions remain inconsistent and underdeveloped. While the PBoC's has provided preliminary guidance through its *Technical Guide for Carbon Accounting of Financial Institutions (Trial)(2021)*, the framework requires further refinement—particularly in aligning with internationally recognized guidelines such as the GHG Protocol and the Partnership for Carbon Accounting Financials (PCAF).

Third, under the PCAF methodology, banks may adopt different accounting approaches—such as direct emissions data, the physical activity approach, or the financial activity approach—depending on data availability. However, in China, corporate emissions disclosure (especially among non-listed firms) remains limited, complicating data collection. The physical activity approach demands extensive data-gathering efforts, while the financial activity approach struggles with inconsistent or unreliable emission factors. Additionally, many small and medium-sized banks face resource constraints, further hindering their ability to conduct robust emissions accounting.

### 2.3 Limited Capacity in Setting and Achieving Industrial Emissions Targets

The success of the banking sector's climate transition hinges on its ability to drive emission reductions among high-carbon clients. International leading banks that have developed transition plans have mostly set emission reduction targets for key industries in their portfolios. The SBTi offers financial institutions three key methodologies for setting portfolio decarbonization targets: the sectoral decarbonization approach (SDA), the temperature rating approach, and the SBT portfolio coverage approach[53]. However, due to data availability and market conditions, the temperature rating and portfolio coverage methods face limited applicability. The SDA is more feasible, yet its implementation in China faces hurdles，including insufficient quantified information on sectoral decarbonization pathways as references and technical and human resource barriers. These factors complicate banks' efforts to set precise emissions reduction targets for their financing activities.

From an implementation perspective, banks currently rely mainly on credit access policies and interest rate differentiation to incentivize clients' emissions reduction. However, these measures prove less effective in China's liquid, low-interest-rate environment. In addition, banks face significant capacity challenges in assessing transition plans, undermining their ability to evaluate the credibility of corporate decarbonization roadmaps and implement effective transition finance strategies.

53 Science Based Targets initiative. (2024, May). *Financial Institutions' Near-Term Criteria Version 2.0* [Report]. https://files.sciencebasedtargets.org/production/files/Financial-Institutions-Near-Term-Criteria.pdf.

### 2.4 Insufficient incentive and cost-sharing mechanisms for low-carbon transition

The financial rewards of low-carbon transition mostly appear in the long-term, with short-term efforts mainly involving cost. When formulating and implementing transition plans, banks need to invest substantial human resource and financial capital. When banks carry out transition finance business, they usually need to provide certain financing incentives for enterprises, which may increase their financial costs and opportunity costs. Meanwhile, banks also need to consider the impact of corporate transition costs on clients' financial conditions and their credit risks. In the current economic volatility and low-interest-rate environment, this is particularly challenging for banking industry to balance long-term transition goals and short-term financial goals.

On the other hand, uncertainty in global climate governance—particularly the substantial policy roll-backs seen in the United States—has created headwinds for international climate efforts. This has, in turn, affected the proactive stance of some financial institutions toward ESG and climate action, as evidenced by the withdrawal of several major international financial institutions from global climate initiatives such as GFANZ. These dynamics pose additional challenges for Chinese banks in setting ambitious climate targets and implementing climate transition strategies.

## 3. Policy Recommendations

### 3.1 Establishing Clear Frameworks and Disclosure Requirements for Transition Plans

To effectively advance climate transition planning, regulatory authorities should formulate the transition plan disclosure policy that clearly defines reporting entities, content requirements, and uniform formats. It is recommended to integrate transition plan disclosure into existing sustainability reporting to ensure consistency and avoid duplication. Specifically, financial institutions should be mandated to include a dedicated transition plan section in their sustainability reports. Regulators should also encourage banks to conduct third-party assurance and update these plans and their progress on official websites or other digital platforms, thereby enhancing engagement with investors and the general public.

Furthermore, we suggest regulators develop a framework (or template) on transition plan disclosure with detailed guidance to standardize disclosure content among financial institutions. This framework can be formulated based on international guidelines and local banking sector conditions. A tiered approach can be adopted with mandatory elements alongside encouraged elements, for creating a practical yet progressively improvable system that ensures both immediate applicability and long-term comparability across institutions. The mandatory elements may include climate ambition and targets, metrics disclosure including scope 1-3 emissions, decarbonization roadmaps and approaches, and climate governance structures, etc. The encouraged elements may include quantified financed emissions targets and progress tracking, stakeholder engagement strategies, incentive mechanisms, and just transition considerations, etc.

### 3.2 Providing Data Infrastructure and Sectoral Guidance for Carbon Accounting and Target Setting

To strengthen financial institutions' capacity to measure and manage financed emissions, regulators should provide detailed methodological guidance aligned with international guidelines while addressing critical data gaps. A robust public data infrastructure should be prioritized through two complementary approaches: (1) expanding mandatory corporate emissions disclosures to increase primary data availability, and (2) developing authoritative emission factor databases and industry-level intensity metrics based on national economic classifications. Such data infrastructure—encompassing both physical-activity and economic-activity emission factors—would provide financial institutions with reliable, scientifically validated references for carbon accounting and target-setting.

Concurrently, governments should support the research on sector-specific transition pathways, establishing guidelines with phased decarbonization targets benchmarks. These benchmarks would serve dual purposes: facilitating companies to develop credible transition plans, as well as equipping financial institutions with references to assess clients' transition plan. The sectoral transition pathways can also support the current and forthcoming transition finance guidelines and advance the practices and markets of transition finance. Further supporting this ecosystem, the Institute of Finance and Sustainability (IFS) is developing target benchmarks for high-emission sectors, which will help financial institutions to evaluate the ambition and scientific rigor of clients' transition plans in those industries for distinguish between credible decarbonization strategies and mere greenwashing. Together, these measures would create an enabling environment where transition finance can effectively drive real-economy emissions reductions.

### 3.3 Implement Incentive Mechanisms for Banks Climate Transition

To motivate the banking sector in formulating transition plans, Chinese governments and regulators should introduce comprehensive incentive mechanisms. Financial authorities should integrate transition plan quality into banks' performance evaluations, establishing clear reward-penalty systems to create regulatory-driven motivation. Additionally, supporting industry associations and third-party organizations in conducting comparative assessments of banks' transition plan disclosures would foster healthy competition and continuous improvement in reporting guidelines.

Furthermore, monetary policy tools, such as interest subsidies and relending facilities, should be strategically deployed to amplify transition finance effectiveness. These policy instruments can generate a multiplier effect by providing low-cost funding to both financial institutions offering transition finance and enterprises adopting credible decarbonization strategies. To ensure accountability, such preferential financing should be contingent upon borrowers submitting robust, evidence-based transition plans with measurable emissions reduction outcomes. Given the current low-interest rate environment's dampening effect on green finance incentives, regulators could consider additional measures to further incentivize transition-aligned projects.

Complementing these efforts, local governments can implement tailored support policies—such as tax incentives interest subsidies, financial grants, or supplementary interest subsidies—for both enterprises demonstrating best practices in transition plan implementation and financial institutions leading in transition finance innovation. This multi-tiered approach, combining national policy tools with localized support mechanisms, would create a cohesive incentive ecosystem to accelerate the banking sector's climate transition and transition finance.

## 4. Recommendations for China's Banking Sector

### 4.1 Establish the Executive-Led Governance Structure for Transition Planning

Effective transition planning requires coordinated action across departments of strategic, credit, operation, risk, and finance within banks. Therefore, banks should implement an executive-level governance framework, establishing either a dedicated transition taskforce or a functional department under senior management oversight to ensure cross-departmental alignment. This structure must clearly delineate departmental responsibilities while creating formal coordination channels to systematically drive plan development and execution.

To reinforce implementation, the governance framework should be completed with periodic review mechanisms to monitor progress, provide feedback, and ensure continuous improvement in transition plan execution across all business units. Banks should embed transition performance metrics into evaluation systems, recognizing exemplary departmental and individual contributions through financial incentive mechanisms and incorporating relevant indicators into the performance evaluation of senior management. Finally, banks need to invest in staff training and cultural transformation initiatives to foster organizational alignment and employee ownership of transition objectives.

### 4.2 Building Robust Data Systems and Dynamic Target-Setting Mechanisms

Chinese banks must prioritize developing quantitative climate metrics as the foundation for effective transition planning. This requires establishing comprehensive carbon accounting systems to annually track operational and financed emissions across Scopes 1-3, with granular data segmentation by asset class and industry. Such robust emissions inventories enable baseline establishment and progress monitoring, while outputs from climate risk assessments, scenario analyses, and stress testing should also inform target calibration.

Furthermore, banks should establish tiered targets that synchronize short-term objectives with long-term ambition. Long-term strategic goals must align with or precede the timeline of China's "dual carbon" goals, and should aim at achieving operational and portfolio carbon neutrality or net-zero emissions, while enhancing banks' sustainable competitiveness and supporting the low-carbon transition of the real economy. Complementary interim targets should incorporate specific, accountable transition actions with clear ownership. Crucially, banks should institutionalize periodic transition plan reviews and update the plan on a rolling basis every 3–5 years to dynamically adjust roadmaps in respond to technological advances, policy evolution, and market shifts, ensuring continuous alignment between financial activities and real-economy decarbonization pathways.

### 4.3 Integrate Transition Plans into Core Banking Strategies and Empowering Clients' Transition

Banks must anchor transition strategies within their core business frameworks, developing tailored decarbonization roadmaps that reflect their unique portfolio compositions and client profiles. This requires comprehensive analysis of sectoral exposures, loan structures, and client emissions profiles to establish industry-specific transition objectives. Crucially, institutions should embed these targets throughout credit decision-making processes, implementing evaluation systems that prioritize financing for low-carbon projects while applying differentiated pricing to incentivize high-carbon clients' transition efforts. In addition, banks should actively support corporate clients' transition plan development and implementation through technical support, customized financial solutions and innovative instruments like sustainability-linked loans and transition bonds. This approach combining financial support with client transition planning, enables banks to simultaneously reduce financed emissions while accelerating real-economy transformation.

Complementing environmental objectives, banks should integrate just transition principles into their transition plans, including raising awareness and capacity among clients regarding just transition and assessing clients' social impact for vulnerable stakeholders and their mitigation plans. Banks can also explore the integration of just transition elements into financial products design. Examples include transition workforce support through reemployment loans and upskilling programs, thereby aligning climate action with inclusive development goals across the value chain. [54]

54 Ma, J., He, X., Shao, D., Zhang, J., Peng, Z., Chen, H., Zhang, M., Song, D., Wang, J., Lei, P., & Xie, Z. (2024). *Transition finance supporting just transition: The role of commercial banks. Beijing: National School of Development, Peking University and Postal Savings Bank of China.*

# Appendix

| Abbreviation | Full name in English |
|---|---|
| AZE | Alliance for Zero Extinction |
| CDP | Carbon Disclosure Project |
| COP21 | 21st Conference of the Parties |
| COP26 | 26th Conference of the Parties |
| CSRD | Corporate Sustainability Reporting Directive |
| DNSH | Do No Significant Harm |
| ESRS | European Sustainability Reporting Standards |
| FCA | Financial Conduct Authority |
| GFANZ | Glasgow Financial Alliance for Net Zero |
| HKEX | Hong Kong Exchanges and Clearing Limited |
| IIGCC | Institutional Investors Group on Climate Change |
| ISSB | International Sustainability Standards Board |
| KBA | Key Biodiversity Area |
| KPI | Key Performance Indicator |
| NDC | Nationally Determined Contribution |
| NZAM | Net-Zero Asset Managers |
| NZBA | Net-Zero Banking Alliance |
| OECD | Organization for Economic Co-operation and Development |
| PBoC | People's Bank of China |
| PCAF | Partnership for Carbon Accounting Financials |
| RBC | Responsible Business Conduct |
| SBTi | Science Based Targets initiative |
| TCFD | Task Force on Climate-related Financial Disclosures |
| TPI | Transition Pathway Initiative |
| TPT | Transition Plan Taskforce |
| UNEP-FI | United Nations Environment Programme Finance Initiative |
| WMO | World Meteorological Organization |

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