European Bank
for Reconstruction and Development

Climate transition of the financial sector:

the state of play in the EBRD regions

2025

About this report

The purpose of this report is to advance understanding of the climate transition efforts of partner banks in the EBRD regions.

The report highlights the progress, challenges and support needed in areas such as climate risk management, green finance and transition planning, emphasising the importance of regulatory guidance, reliable data and capacity building for effective climate action.

This report has been prepared under the primary responsibility of the Green Financial Systems unit of the EBRD's Climate Strategy and Delivery department. Online survey data were collected from partner banks in August 2024 and additional qualitative data were collected through January 2025. The assessments and views are not necessarily those of the EBRD.

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Foreword

Green is one of the strategic priorities of the European Bank for Reconstruction and Development (EBRD) and "green is core for business" is one of the key themes of the EBRD's Financial Institutions sector strategy 2026-30. Better risk management of lending portfolios, proactive approaches to non-performing loans and enhanced management all have positive impacts on investor returns. Increasing the capacity of the financial sector to adopt business models that unlock new green business opportunities will boost competitiveness and increase resilience for real economy businesses.

Recognising critical issues as well as opportunities, the EBRD launched the EBRD Climate Transition Survey 2024 to understand how partner banks in the EBRD regions are positioning themselves and responding. The survey delves into the adoption of new climate strategies, the enhancement of climate risk management and the refinement of targets and measurement practices that are key elements of comprehensive transition plans. By shedding light on the factors driving banks in emerging economies to undertake this resource-intensive transition, the challenges they encounter, obstacles they overcome and benefits they foresee, we aim to assess the current setting and identify ways to support our clients.

The EBRD undertook this survey to develop a data-driven, evidence-based approach that enhances our ability to tailor support for our partner banks. Our commitment to the 2015 Paris Agreement underpins this effort, guiding our engagement with partner financial institutions on indirect finance and counterparty requirements. Transition planning necessitates profound institutional change, and our focus is on equipping financial institutions with the strategies and tools they need to successfully navigate this complex journey.

As part of our climate transition ambitions, the EBRD Climate Transition Programme plays a key role in supporting partner financial institutions as they develop and implement transition plans. Through financing, technical assistance and knowledge sharing, we aim to ensure that financial institutions in emerging markets can build resilience, seize green opportunities and align with the global shift toward sustainability.

As in chess, banks must anticipate the moves of other "players" and leverage the strengths and capabilities of each "piece". A comprehensive overview of the whole "board" is essential to accurately assess the risks and benefits of each move. We explore how banks think about climate over the long term and adjust their operations in a dynamic context to align with their ambitions. The complexity of successful transition planning requires strategic thinking, adaptability and long-term commitment.

We invite you to explore the insights and analyses presented in this report and to join us in driving the climate transition forward.

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Executive summary

Transformational climate action requires banks to evolve their business models and their institutions.

This report, based on a survey of 96 EBRD partner banks across 32 economies, provides comprehensive insights into the current state of climate practice integration and transition planning across the EBRD regions. It highlights banks' starting points, status, challenges and needs. By comparing these findings with the 2021 EBRD report on climate risk management readiness, this publication captures progress in climate awareness and practices. The findings aim to contribute to the larger international discourse on climate transition planning in emerging markets while informing EBRD support to partner banks.

Climate awareness, practices and green finance

There has been a significant increase in climate awareness among partner banks since 2021. The number of banks recognising the need to address climate issues in their operations has grown from 85 per cent to 99 per cent. There has been a 70 per cent increase in the integration of climate considerations into business decisions, including in areas such as client relations and pricing. Transparency has significantly increased. The number of banks disclosing climate-related information has tripled, enhancing accountability and stakeholder trust.

Banks are setting long-term commitments and incorporating climate frameworks and standards. Thirty-nine per cent of partner banks are already establishing long-term goals with another 32 per cent planning to set them within the next year. They report familiarity with international and national climate frameworks and standards and are making progress towards their implementation.

Despite overall progress since 2021, detailed analysis shows the fragmentation of approaches when it comes to implementation of climate action. Seventy-five per cent of banks consider climate factors in their business decisions through excluding finance to clients in selected sectors and considering climate risk when offering commercial terms of financing or standard green products. However, comprehensive climate risk identification and assessment are still not common. Only 27 per cent analyse both their physical and transition risks, which are fundamental for setting adequate strategies and targets, and fewer banks conduct quantitative risk assessment.

Most recognise green finance as an opportunity, and further green business growth is expected. Fifty-nine per cent of banks report green financial products as standard, with many offering one or two products. The majority of banks expect their share of assets invested in green activities to increase in the next three to five years. Yet green product offerings are still largely driven by international finance organisations and multilateral development banks.

Banks are introducing mechanisms to hold themselves accountable, including tracking progress and setting targets. Seventy-one per cent of banks have set at least one climate-related target for the next 10 years. The most common targets are for greenhouse gas (GHG) emissions from financing activities and exposure to geographical areas sensitive to physical risks. However, aligning metrics with targets remains a challenge, with only 14 per cent of banks tracking progress towards their goals.

Governance and capacity development

Banks assign climate responsibilities at board level, yet many boards are not regularly informed about climate. Fifty-nine per cent of banks assign responsibility to board-level committees or dedicated individuals. While a majority of surveyed banks indicate their boards receive climate-related information, only 45 per cent are informed regularly.

Survey results suggest that engaged boards lead to more staff dedicated to climate work. Additionally, follow-up data show that board engagement advances climate action, enabling better data collection, consultation between departments and resource allocation to climate activities.

The allocation of resources to climate work needs to be addressed. Only 44 per cent of banks have at least one full-time climate staff member, while 43 per cent rely on part-time involvement and 13 per cent have no dedicated staff at all. Given the depth and scale of climate transformation needed and the size of banks surveyed, the current resource allocation does not seem sufficient.

Climate capacity development is not strategic and climate knowledge reaches few employees. Despite 82 per cent of banks participating in climate-related events, conferences or training in 2024, only 35 per cent have invested in climate capacities through training or new hires. Even fewer have specific goals for staff attending climate-related training. In the majority of banks, no more than 10 staff members attended events or training last year. Only 21 per cent reported that 50 or more staff were exposed to climate knowledge, even though case studies show that large-scale climate training is effective and impactful.

The survey found a positive correlation between the number of dedicated climate-focused client-facing staff and the number of green products offered by banks. Inadequate staffing and expertise could see banks struggle to turn climate ambitions into action and capture opportunities. However, where resources are allocated, climate action improves. A positive correlation was also observed between the number of staff dedicated to climate in risk departments and climate risk practices.

Transition planning will accelerate

The next two years will be a defining period, with 52 per cent planning to develop transition plans. The survey showed that in 2024, 23 per cent of surveyed banks had climate transition plans in place. Awareness of transition planning is high with only 3 per cent not prioritising transition plans and 4 per cent unaware of what transition plans are. However, challenges remain as 67 per cent of banks signal that they require support to navigate this complex process.

Correlation is seen between transition planning progress and the scope of banks' climate actions. Banks that have already developed transition plans report more robust approaches (see Table 1). Consequently, banks with more distant ambitions for transition plan development or no plans at all report less advanced performance on climate.

Table 1. Summary of climate practices of EBRD partner banks for all respondents, by transition plan status

		AMBITION	ACTION					ACCOUNTABILITY				
		Long-term target	Risk			Strategy		Metrics and targets			Governance	
	Sample size	Ambition set	Physical and transition risks	Quantitative analysis of physical and transition risks	Formal process to manage material risks	Climate in business decisions	Green products in standard offering	Metrics tracked	Targets set	Metrics and targets aligned	Board of directors engaged	Resources dedicated to climate matters
ALL RESPONDENTS												
EBRD partner banks	*96*	39%	27%	19%	31%	75%	59%	73%	71%	14%	59%	36%
TRANSITION PLANNING STATUS												
Transition plan developed	*12*	83%	75%	58%	58%	100%	92%	92%	75%	17%	100%	67%
Transition plan from headquarters	*10*	90%	10%	10%	30%	90%	90%	100%	90%	20%	90%	50%
Finalised in next 12 months	*24*	33%	42%	25%	38%	79%	54%	79%	71%	17%	71%	42%
Finalised within 12-24 months	*26*	31%	15%	8%	19%	77%	65%	69%	65%	19%	38%	27%
Finalised in >24 months	*17*	12%	12%	12%	29%	59%	41%	59%	65%	0%	53%	24%
No plans to develop a transition plan	*7*	0%	0%	0%	14%	29%	0%	29%	71%	0%	0%	14%

Source: EBRD and authors' calculations.
Note: Percentage of banks by sample size. Detailed explanation of categories provided in section 5.2.

Data suggest the transition planning process itself drives progress. Banks that have received transition plans from their headquarters tend to have long-term ambitions and targets but less robust risk assessment. Only 10 per cent of these banks have conducted both qualitative and quantitative climate risk analyses, and just 50 per cent have dedicated climate resources, suggesting that these plans often remain high-level strategies rather than operationalised action plans.

Qualitative data research shows that banks take different approaches to transition planning, including by mobilisation of external experts and employing highly collaborative internal processes. Banks use transition planning as an opportunity to strengthen their climate capacities and skills. Those that received transition plans from their parent institutions still need to invest time and resources to adapt plans to the realities of their own markets.

Recognising differences among banks

Banks' transition planning progress varies significantly by region, reflecting differences in regulatory environments, market pressures and institutional capacities. Central Europe and the Baltic (CEB) states lead in almost all analysed areas, with European Union (EU) legislation playing a key role in shaping these efforts.

There are clear differences between subsidiary and non-subsidiary banks. Subsidiaries of international banking groups allocate more resources to climate work and are among the first to incorporate aspects of international climate frameworks. These banks are also more likely to limit financing to clients in high-emitting sectors.

Challenges and needs

Eighty-four per cent of banks require support to embed climate considerations in their operations. Areas where banks seek support largely reflect the practice gaps: comprehensive data analytics, staff knowledge building, transition planning, and climate metrics and targets.

Client data availability is the biggest challenge, followed by national and regional climate data. Without reliable data, banks struggle to conduct meaningful climate risk assessments, set credible targets and track progress. Many banks lack standardised data collection tools and processes, relying on client-facing staff to engage and guide data collection from clients. Limited awareness and capacities on the client-side impact the reliability and scope of data available to banks for informed decision-making.

Training and capacity development are considered the most effective measures supporting climate transition, followed by guidelines, manuals and tools. Technical support from external experts is still valued by banks that see the value add of climate work as a long-term investment.

Implications and looking ahead

EBRD partner banks are largely aware of the need to act on climate. Many have taken initial steps and some are advancing more comprehensive work. The anticipated acceleration of climate transition planning over the next two to three years presents an opportunity to strengthen strategic and coordinated approaches to climate action. This should result in the meaningful integration of climate considerations into bank business models and operations, effectively contributing to transition of national economies towards net zero. For this to happen, banks should consider:

- approaching climate transition as institutional transformation, investing more resources into climate work, strategically increasing capacities and building a supportive culture
- applying systemic pressure and providing support to real-economy stakeholders to incentivise the transition to net zero, increase awareness and strengthen data collection and analysis
- adapting guidance on transition planning to benefit from the standardisation of approaches while tailoring them to local circumstances.

The EBRD is supporting partner banks' climate transition through financing, technical assistance, capacity-building and knowledge-sharing initiatives. Since 2023, the EBRD Climate Transition Programme has supported 69 institutions and plans to expand its reach in 2025 and 2026. These efforts are aligned with its Paris Agreement commitment and involve collaborating with central banks in the EBRD regions, multilateral development banks and other stakeholders.

Without collective effort, banks alone will struggle to drive meaningful change in the real economy. Governments, multilateral development banks, international organisations, industry associations and financial regulators must provide clear expectations and establish frameworks that support financial institutions in aligning their operations with climate goals. Support and expectations for transition planning in emerging markets must acknowledge the diverse starting points of banks, regulatory environments and levels of access to climate expertise.

Introduction

This report provides an overview of the climate practices of the EBRD's partner banks in 2024 and includes survey results showing how they integrate climate considerations into their institutional set-up and business operations.

Developed to support the implementation of the EBRD's *Methodology to determine the Paris Agreement alignment of EBRD investments* (2024)[1], the survey findings aim to ensure the EBRD's climate-related ambitions remain relevant and credible, and the support it offers to partner banks meets their needs.

It forms part of the EBRD's climate-related technical assistance and guidance to its partner banks. In 2021, the EBRD published its *Readiness of the Financial Sector for Impacts of Climate Change* report[2] summarising the results of an online survey of partner financial institutions on climate risk management. The Bank has provided technical assistance to clients to strengthen their climate-related processes and created the EBRD's Corporate Climate Governance Facility in 2022 to streamline technical assistance. To reinforce the enabling environment and promote systemic change, the EBRD has collaborated with central banks and regulators, and partnered with the Climate Governance Initiative to set up the Chapter Zero sustainable business network in three countries.

Since 2023, the EBRD has offered an e-learning course on climate risk that is suitable for emerging market stakeholders, as well as an innovative capacity-building programme for partner banks on transition planning. In 2025, the Bank is providing additional support to those who have taken part in its capacity development initiatives on transition planning.

As the EBRD focuses largely on emerging economies, this report contributes to ongoing research and debate about the progress, needs and most effective ways to support banks operating in economies that face challenges such as slow green transitions, socio-political instability and poorer macroeconomic performance.

It provides a wealth of information about the current institutional and business practices of partner banks, including resource allocation, capacity development efforts, approaches to climate risk assessment and management, and green product offerings.

Evidence base

The report draws from several quantitative and qualitative sources of information and evidence, building on primary data collection from among the EBRD's partner banks. This includes:

- survey results from 96 banks in 32 economies that completed the 2024 EBRD Financial Institutions Climate Transition Survey
- deep-dive online interviews with five partner banks about their approaches to climate change
- written inputs from 11 banks about their climate practices
- insights from seven international climate experts based on online interviews
- data from the 2021 EBRD Climate Pulse Survey of partner financial institutions to build a comparative perspective
- observations from the EBRD Climate Transition Programme (see Section 2.2)
- mapping of climate-related regulations and policies in all the EBRD regions
- literature review of reports, articles and books.

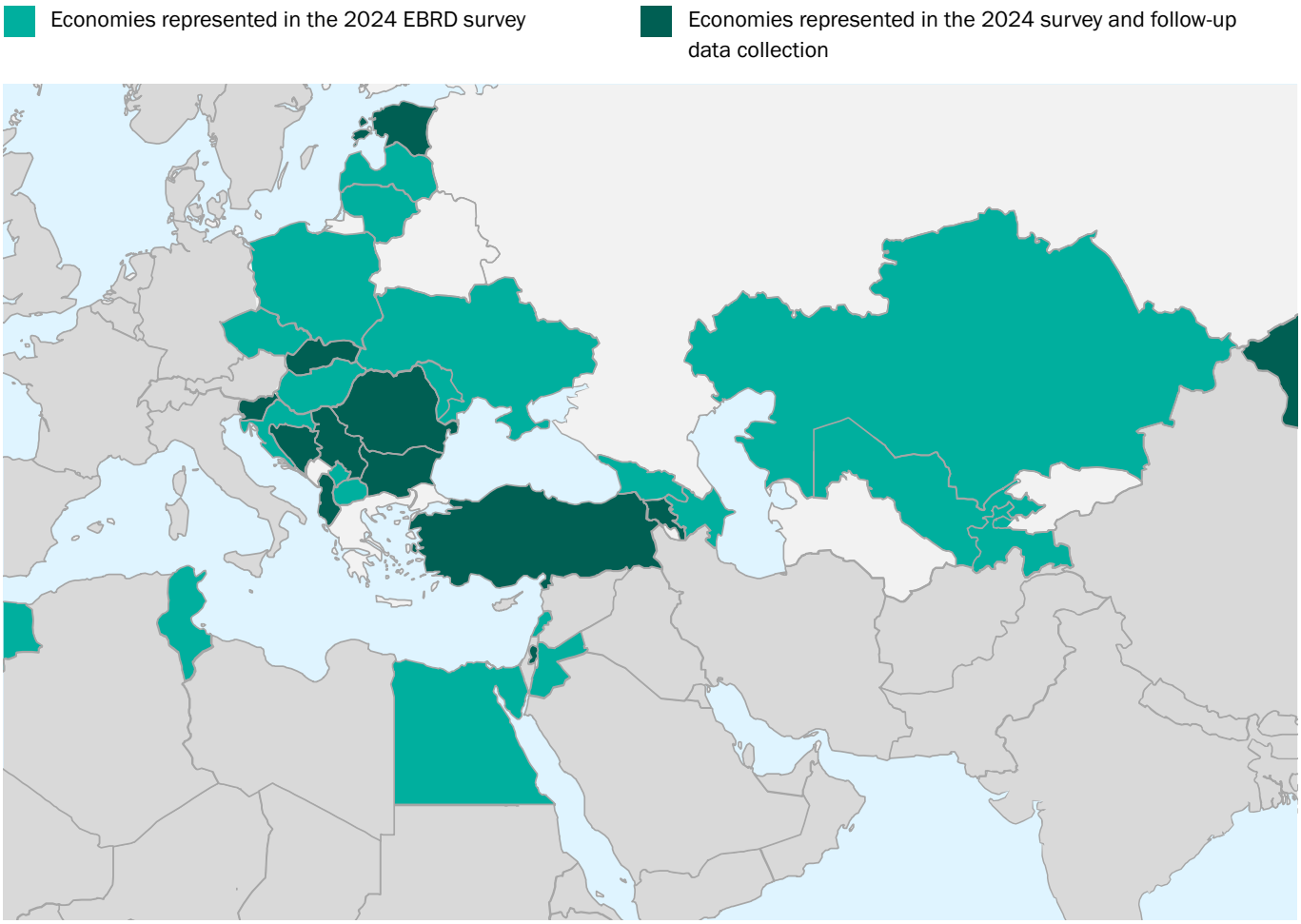
[1] See https://www.ebrd.com/paris-agreement-methodology.pdf (last accessed on 27 February 2025).
[2] See EBRD (2021).

EBRD Climate Transition Survey 2024

The EBRD Financial Institutions Climate Transition Survey was conducted online in the third quarter of 2024. The survey asked 34 mainly closed questions covering a range of climate transition topics. These included understanding climate-related expectations and frameworks, institutional approaches to managing climate in banks, identifying and managing climate risks, integration of climate considerations into business operations, transition planning, challenges and support needed.

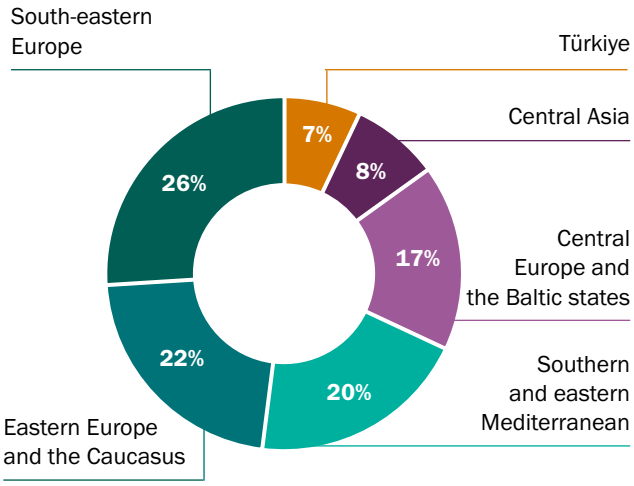
The survey was sent to 146 partner banks, with a request that the individual most knowledgeable about climate issues within the institution respond on its behalf. Individual responses were collected from 96 partner banks in 32 economies across the EBRD regions: Central Asia, CEB, eastern Europe and the Caucasus (EEC), south-eastern Europe, the southern and eastern Mediterranean (SEMED) region, and Türkiye.

Chart 1. EBRD economies covered by the quantitative and qualitative data collection



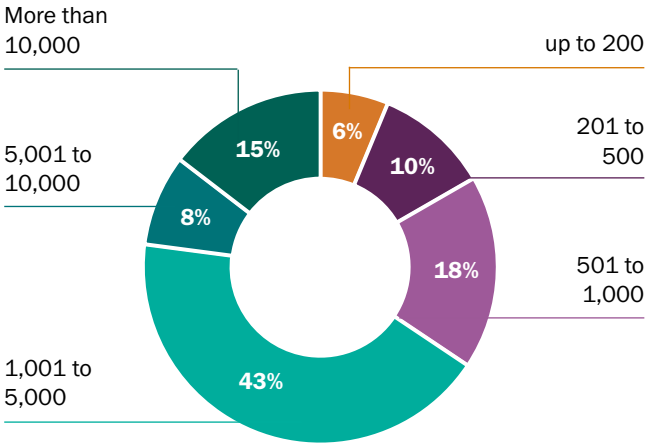
Note: Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Czechia, Egypt, Estonia, Georgia, Hungary, Jordan, Kazakhstan, Kosovo, Latvia, Lebanon, Lithuania, Republic of Moldova, Mongolia, Morocco, North Macedonia, Poland, Romania, Serbia, Slovak Republic, Slovenia, Tajikistan, Tunisia, Türkiye, Ukraine, Uzbekistan, West Bank and Gaza

Chart 2. Survey respondents: percentage of respondents by region



Source: EBRD and authors' calculations.

Chart 3. Survey respondents: percentage of respondents by number of bank employees



Source: EBRD and authors' calculations.

Report structure

The report opens with an overview of the current global approaches to climate action by banks, outlines what is expected of the financial sector in considering climate impacts, and highlights changes seen since 2021.

Chapter 1 – **The setting: expectations of the financial sector regarding climate transition** introduces climate transition planning as a new momentum in climate work and identifies implications for banks in emerging markets.

Chapter 2 – **Opening moves: progress of the EBRD's partner banks since 2021** provides a comparative analysis of the two EBRD surveys (2021 and 2024) to reflect on changes in selected aspects of climate action.

Next, structured through three chapters, is a deep dive into the findings from the 2024 data collection.

Chapter 3 – **Assessing the state of play: where are the EBRD's partner banks now?** summarises what banks know about climate and how they view it over the long term. It examines how this knowledge is translated into action across operations and green product offerings.

Chapter 4 – **Playing as a team: climate governance and capacities** investigates how banks shape their internal capacities for climate work, looking at leadership, resources and collaboration.

Chapter 5 – **Preparing the next moves: climate transition planning** focuses on progress and includes discussion of the challenges, needs and forms of support that banks prefer to strengthen their climate work.

The report concludes with **Chapter 6** – **Enabling the climate transition: implications for banks and the wider financial ecosystem**, which discusses accelerating transition with respect to partner banks, the EBRD and beyond.

In each chapter, case studies offer nuanced pictures of banks' climate efforts, and practical lessons learned are provided.

CHAPTER 1

The setting

Expectations of the financial sector regarding climate transition

Key findings

1 The climate action landscape is dynamic and evolving, but the overall direction is clear: banks must act to ensure the resilience of their business.

2 Climate transition planning is gaining momentum within the financial sector, with the potential to streamline and accelerate banks' responses to climate change.

3 Although new regulation and voluntary frameworks emerge and converge, transition plans are an essential business tool for preparing and executing effective climate action.

4 Banks in emerging market economies face additional practical challenges in climate transition planning such as a lack of relevant data from clients, absence of clear sectoral pathways, limited capacities and a lack of supporting policy frameworks.

What are we exploring and why?

Examination of global approaches and climate standards within the financial sector to provide essential context to help understand climate practices among EBRD partner banks. In recent years, there has been a significant acceleration in climate-related standards and methodologies, with transition planning emerging as a central focus.

Banks in emerging markets are interested in achieving climate goals and reaching the required speed of transformation. However, their efforts, challenges and needs must be considered within the context of the overall pace of policy, regulatory, economic and human transition in their countries of operation.

1.1 Transition planning as a way to accelerate business model transformation

The financial sector is crucial in the global transition to a low-carbon economy, influencing the ambition, scope and pace of this transformation. "Achieving net zero requires a whole-economy transition across the globe – encompassing nations, entities, individuals – all of whom are reliant on banks."[3]

Transition planning has emerged as a key way to embed climate action into business models. It helps banks assess current climate practices, identify material issues, set goals and targets, and establish accountability and governance. As a strategic tool, climate transition planning enables banks to integrate climate considerations into long-term planning while allowing flexibility to adapt to emerging challenges.

Efforts to standardise and guide climate transition planning have accelerated. Organisations such as the International Organization of Securities Commissions (IOSCO), the Financial Stability Board (FSB), the G20 group of economies, the Network for Greening the Financial System (NGFS), the Glasgow Financial Alliance for Net Zero (GFANZ), and the Transition Planning Taskforce (TPT) are shaping frameworks and providing guidance. In the European Union, transition plans are already embedded in mandatory disclosure frameworks and regulatory expectations. Although there is no common global definition or framework, the need for interoperability is recognised. The International Organization for Standardization (ISO) is developing a global standard for financial institution transition plans,[4] and the International Sustainability Standards Board (ISSB) aims to harmonise frameworks for transition plans, adopting the TPT framework as the transition planning "gold standard".[5]

Transition plans guide internal processes and are a tool to engage with external stakeholders such as clients or investors, informing them of banks' ambitions and connecting to the real economy.[6] Climate transition plans help organise actions, identify gaps and track progress.[7] They are also a tool to help banks build portfolio resilience and guide client relations and lending practices to manage risks.[8]

The premise of transition planning is promising, but its impact is too early to evaluate. At the time of writing, many initial transition plans were just being published, with wide variations in their substance and scope reflecting the nascent state of transition planning.[9] With a lack of common definition and unified guidelines also hindering comparability, more time and coordinated efforts are needed to build standardised, comprehensive and comparable plans.

The current focus on disclosing transition plans overlooks the institutional transformation these plans should help achieve. Critics argue the net zero transition should be less data-driven and more people-centric.[10] They emphasise that this profound system change requires investing in relationships[11] and say ethical and sustainable business needs to better consider people.[12] A shift in approaches should counter the fact that "net zero transition plans risk being developed with an environmental data mindset rather than a focus on the operational and human outcomes of changing core business practices".[13] Those banks progressing fastest in their climate journeys are implementing total transformation programmes. Apart from embedding climate considerations into business strategy, this enables them to build supportive institutional structures, operations and culture.[14]

[3] See TPT (2024a), page 11.

[4] See https://www.iso.org/standard/89312.html#:~:text=This%20standard%20will%20provide%20high-level%20principles%2C%20a%20framework,that%20should%20be%20contained%20within%20these%20transition%20plans (last accessed on 12 February 2025).

[5] See https://www.ifrs.org/news-and-events/news/2024/06/issb-delivers-further-harmonisation-of-the-sustainability-disclosure-landscape-new-work-plan/ (last accessed on 12 February 2025).

[6] Based on an interview with Claire Eschalier, Programme Director at Institute for Climate Economics, conducted online by Cynthia Page, EBRD Principal, Green Financial Systems, and Jagoda Gregulska, Senior Manager at Deloitte Central Europe, on 4 September 2024.

[7] Based on an interview with international climate transition expert, conducted online by Cynthia Page, EBRD Principal, Green Financial Systems, and Jagoda Gregulska, Senior Manager at Deloitte Central Europe, on 6 September 2024.

[8] Based on an interview with Ira Poensgen, Strategic Adviser at the International Transition Plan Network, conducted online by Cynthia Page, EBRD Principal, Green Financial Systems, and Jagoda Gregulska, Senior Manager at Deloitte Central Europe, on 2 October 2024.

[9] See IOSCO (2024).

[10] See https://www.lse.ac.uk/granthaminstitute/news/net-zero-transition-planning-as-a-change-management-process/ (last accessed on 11 February 2025).

[11] See Cox and Flynn (2022).

[12] See Taylor (2024).

[13] See https://www.lse.ac.uk/granthaminstitute/news/net-zero-transition-planning-as-a-change-management-process/ (last accessed on 11 February 2025).

[14] See CSLN (2022).

1.2 Climate transition in emerging markets: from the Global North to the local south

Most national and international transition guidance comes from advanced economy institutions and organisations, which impacts its relevance to emerging markets. While governments develop and enforce climate regulations, the financial industry and real economy actors help shape these expectations. Climate reporting standards have expanded, with many non-state actors defining and influencing discussions on the actions and ambitions banks should exhibit.[15] Organisations such as the International Financial Reporting Standards (IFRS) Foundation, the Task Force on Climate-Related Financial Disclosures (TCFD), GFANZ, the Carbon Disclosure Project (CDP) Worldwide and the TPT have been instrumental in setting frameworks and standards, often scrutinised by civil society organisations. However, these are largely shaped by Global North perspectives that may not align with emerging market needs.

The regulatory landscape in the EBRD regions has shifted to sustainability and climate responsiveness in recent years. As Box 1 shows, climate regulatory efforts accelerated after 2020, although climate continues to be addressed largely within the broader environmental, social and governance (ESG) policy focus. While expectations on banks grow, with central banks and regulators often leading green agendas, pressure and incentives on the real economy to decarbonise and report climate-related efforts continues to lag.

How does the EBRD define a climate transition plan?

The transition plan will set out clear, time-bound milestones through which the partner financial institution will improve its business practices concerning climate change, leading to Paris-aligned financial flows.

Source: EBRD (2024).

Global decarbonisation pathways often do not account for emerging market realities when it comes to economic and regulatory environments, which limits their usefulness for transition planning. Experts note that some sectoral pathways adopted by banks operating globally do not align with local contexts and may be disconnected from national policies.[16] Emerging economies are diverse, with varying financial sector maturity, structure, regulation and sectoral exposure.[17] This makes regional sectoral pathways crucial for banks' transition planning as their portfolios span multiple industries and need tailored approaches.

Global transition planning frameworks often overlook the challenges of emerging economies, negatively affecting access to finance for climate action. The misalignment between transition plan requirements and emerging market realities can hinder access to development finance. The NGFS warns that global financial institutions may hesitate to operate in regions with limited data availability or in sectors highly exposed to climate risks that could constrain critical financing for sustainable development and climate action. The potential negative effects extend beyond funding climate action: activities critical for emerging market economies might also be affected if the definition of the scope of transition plans does not match their needs.[18]

Understanding how banks in emerging market economies address climate impacts is essential for designing effective accountability mechanisms and targeted support. This report aims to shed light on the current state of play among these banks to better understand their starting points and positions.

[15] See Buller (2022).

[16] Based on an interview with Ira Poensgen, Strategic Adviser at the International Transition Plan Network, conducted online by Cynthia Page, EBRD Principal, Green Financial Systems, and Jagoda Gregulska, Senior Manager at Deloitte Central Europe, on 2 October 2024.

[17] See GFANZ (2022).

[18] See NGFS (2024b).

BOX 1. Regulatory momentum grows around sustainability and climate-related topics in the EBRD regions

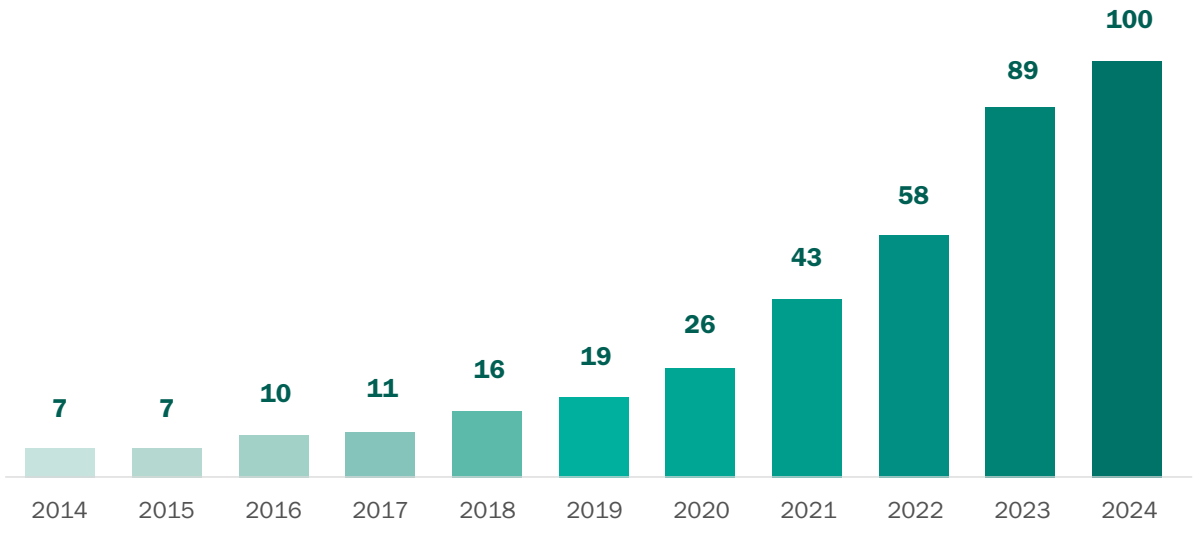
Analysis of regulations, taxonomies, roadmaps and guidelines from 2014 to 2024 shows significant momentum starting from 2021. Of the 100 documents analysed for this report, 74 were published between 2021 and 2024 with most focusing on ESG and sustainability, with climate as a component. Policies specifically addressing climate make up about 30 per cent of the documents.

Regulations and guidelines adopted since 2022 mainly focus on disclosures and green finance taxonomies. EU countries have been transposing the Corporate Sustainability Reporting Directive into national laws and mandatory disclosures have been introduced in the Kyrgyz Republic, Türkiye and Egypt. Georgia, Kazakhstan, the Kyrgyz Republic and Mongolia have also established green taxonomies.

While these regulations ensure transparency and promote sustainable investment, standardising real-economy disclosures is key for the financial sector to improve the availability of data.

Regulations specifically targeting the financial industry make up 26 per cent of the mapped policy landscape, highlighting the sector's critical role in the climate transition and its exposure to climate-related risks. Central banks in many of the economies in which the EBRD invests drive this agenda by issuing sustainable finance roadmaps, recommendations and guidance on climate risk management and ESG.

Chart 4. Cumulative number of sustainability- and climate-related policies affecting the financial sector in the EBRD regions



Source: EBRD and authors' calculations.

CHAPTER 2

Opening moves

Progress of the EBRD's partner banks since 2021

Key findings

1 Nearly all partner banks are now aware of climate change and recognise the need to address climate issues in their operations.

2 The number of banks disclosing climate-related information has increased. This improvement in transparency is vital for accountability and stakeholder trust.

3 More partner banks are embarking on their climate transition journey. Banks' main challenges have shifted from regulatory issues to data availability.

4 The EBRD's technical assistance to client banks has evolved in response to the growing need to develop capacities in climate transition planning and to enable institutional transformation.

What are we exploring and why?

To understand progress in addressing climate change in the EBRD regions, the Bank surveyed its partner financial institutions in 2021 and 2024, comparing similar types of institutions and using similar questions. This allowed the EBRD to assess how banks are responding to regulatory, policy, market and standard-setting changes.

By reflecting on these changes, the EBRD can better support its clients, and those who seek to support their transformation, to ensure they have the capacity to set climate-related ambitions and programme actions.

2.1 Changes since 2021: more banks consider climate in business decisions

Key numbers comparing the EBRD 2021 and 2024 surveys of partner banks:

Growing awareness of climate change impacts:

99%

of partner banks recognise the need to address climate issues in their operations, compared to 85 per cent in 2021.

Integration of climate into business decisions:

70%

increase in banks integrating climate issues into business decisions such as client relations or pricing.

Rising disclosure of climate-related information:

a threefold increase

in partner banks disclosing climate-related information since 2021.

Table 2. Comparison between the 2021 and 2024 survey approaches and responses

Survey title	Readiness of the Financial Sector for the Impacts of Climate Change 2021	EBRD Financial Institutions Climate Transition Survey 2024
Survey timing	2021, first quarter	2024, third quarter
Focus	Climate risk management and financial climate-related risk disclosures	Climate transition
Economies represented	34 economies from across the EBRD regions	32 economies from across the EBRD regions
Number of questions and topics	14 questions on climate awareness, climate risk management and disclosures	34 mainly closed questions on a range of climate transition topics
Respondents	134 partner financial institutions (PFIs), made up of 91 partner banks, other banks, microfinance, leasing and insurance companies	96 partner banks
Response rate	62 per cent (out of a total of 216 PFIs contacted)	66 per cent (out of a total of 146 partner banks contacted)
Respondent confidentiality	Identified, with 10 respondents choosing to remain anonymous	Anonymous, with identification voluntary
Approach to comparison of data	Only specific, comparable questions were selected from both surveys to identify the main trends.	

Source: EBRD and authors' calculations.

Survey comparison showed increased climate change awareness among EBRD partner banks. In 2021, 85 per cent of banks were addressing or planning to address climate risk management in their operations. While questions asked in 2024 were broader and covered climate issues, the trend is evident, with 99 per cent of partner banks recognising the need to act on climate issues. While there are clear signs that climate risk management is moving up the agenda, 10 per cent still indicated they appreciated the importance of climate issues but were unsure how to proceed.

Progress on climate practices has been slower than banks planned. In 2021, 82 per cent of partner banks aimed to strengthen their climate practices within two years. By 2024, only 45 per cent had done so, with 54 per cent still either preparing or yet to start.

Participation in climate initiatives has seen modest growth. In 2021, 45 per cent of partner banks supported or had signed climate-focused initiatives and alliances. By 2024, the share of banks joining climate-related national or international alliances, associations or industry groups had risen slightly to 48 per cent. Active participation in climate initiatives and alliances could help banks align with global best practices and access technical support and knowledge-sharing platforms. Barriers to progress may include resource constraints, regulatory uncertainties or a focus on internal capacities over external collaborations.

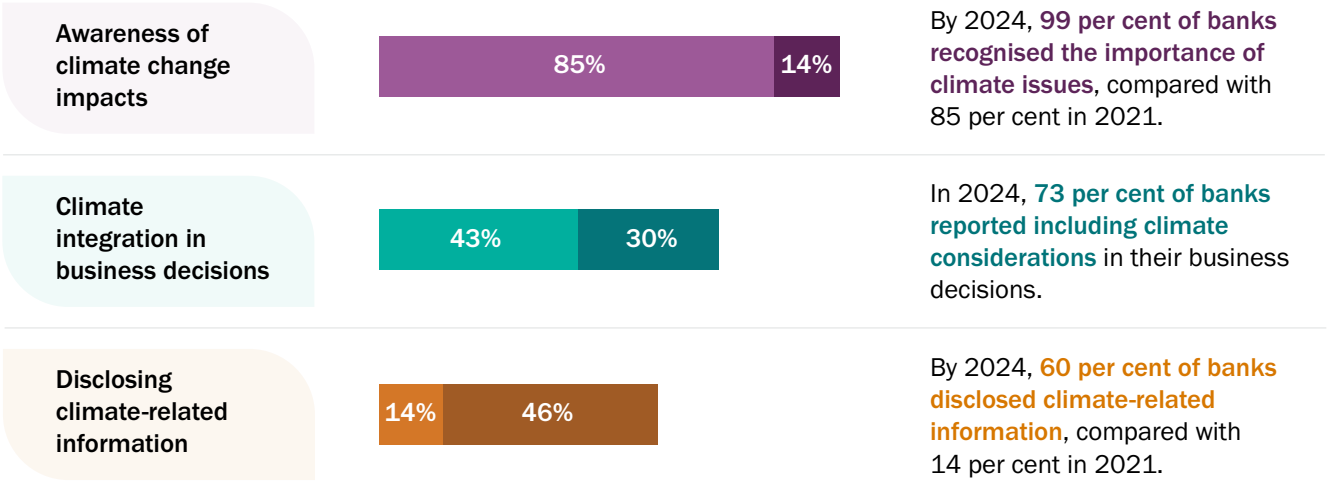
More banks now include climate considerations in their business decisions. In 2021, 43 per cent of partner bank respondents considered climate when pricing their investments or had exclusion policies. By 2024, 73 per cent of partner banks reported considering climate risks when accepting clients, offering commercial terms or having exclusion policies for high-emitting sectors. Specifically, exclusion policies used by partner banks increased from 39 per cent in 2021 to 69 per cent in 2024.

Transparency and disclosure around climate have also improved. In 2021, 14 per cent of partner banks publicly disclosed information on climate risks and how they are managed, with 38 per cent planning to do so within two years. By 2024, 60 per cent of partner banks indicated they disclose climate information, with 17 per cent integrating disclosures into financial reports, which enhances accountability and transparency.

Banks' main challenges have shifted from regulatory issues to data availability. In 2021, the main obstacles reported were a lack of regulatory guidance, data requirements and the standardisation of reporting frameworks. By 2024, 76 per cent of respondents identified client data availability as the main challenge, with 68 per cent noting gaps in national and regional data, underscoring the need for better-quality data to support climate risk management.

Banks continue to value external support to build internal capacities, although priorities shift. In 2021, 57 per cent of partner banks sought support for internal capacity building, 54 per cent for green products, and 53 per cent for climate risk management. By 2024, 54 per cent reported that knowledge building for staff remained a key priority. However, demand related to climate risk management fell to 44 per cent and dropped for green product development to 42 per cent. This indicates the progress made in these areas.

Chart 5. Survey comparison: 2021 to 2024 – overall increase of climate-related actions



Source: EBRD and authors' calculations.

Experts confirm banks are starting their climate transition journey by understanding climate risks. There is growing recognition that climate risks need to be managed,[19] and while banks are willing to disclose climate-related data, they need support in how to generate such data.[20] Although they are making climate commitments, these vary across markets and capacities.[21] Daniela Diedrich-Ristic, Senior Climate Change Specialist at the European Investment Bank (EIB) notes: "Banks are increasingly interested [in climate work], we don't have to convince them anymore that they have to do something. The challenge now is the implementation and how to do it."[22]

2.2 How the EBRD's support for clients has evolved since 2021

Key numbers concerning the EBRD's support of partner banks as of April 2025:

Building momentum:

9

countries supported through masterclasses on climate transition.

Strengthening institutions:

69

partner banks in the EBRD Climate Transition Programmes.

Developing skills:

300+

finance professionals learned about transition planning.

The EBRD has been progressively learning about and reflecting on its partner banks' growing awareness of climate impacts, their evolving practices and their support needs. After analysing the 2021 survey results and considering the lessons learned from technical assistance to selected clients on corporate climate governance across the EBRD geographies, it modified, expanded and strengthened its support. This led to the development of the EBRD's Climate Transition Programme.

The development of a cohort-based capacity-development approach for partner banks responds to the need to scale up support to strengthen climate transition planning capacities and facilitate institutional transformation. The depth and scale of the institutional transformation expected of partner banks requires that they first understand the necessary changes so that they can design relevant internal processes and build institutional capacity. Therefore, emphasis has been placed on ensuring the transfer of knowledge while empowering partner banks by helping them understand the "why" of climate action.

BOX 2. How is blended learning delivered?

Each module includes a set of complementary learning elements.

[19] Based on an interview with Claire Eschalier, Programme Director at Institute for Climate Economics, conducted online by Cynthia Page, EBRD Principal, Green Financial Systems, and Jagoda Gregulska, Senior Manager at Deloitte Central Europe, on 4 September 2024.

[20] Based on an interview with Daniela Diedrich-Ristic, Senior Climate Change Specialist at the European Investment Bank, conducted online by Cynthia Page, EBRD Principal, Green Financial Systems, and Jagoda Gregulska, Senior Manager at Deloitte Central Europe, on 30 September 2024.

[21] Based on an interview with international climate transition expert, conducted online by Cynthia Page, EBRD Principal, Green Financial Systems, and Jagoda Gregulska, Senior Manager at Deloitte Central Europe, on 6 September 2024.

[22] Based on an interview with Daniela Diedrich-Ristic, Senior Climate Change Specialist at European Investment Bank, conducted online by Cynthia Page, EBRD Principal, Green Financial Systems, and Jagoda Gregulska, Senior Manager at Deloitte Central Europe, on 30 September 2024.

The EBRD launched the programme as a pilot in Armenia in 2023, followed by Türkiye in 2024. By April 2025, nearly 70 partner banks in seven countries had benefited from the programme, which the EBRD plans to extend to more partner banks in 2025-26.

Key features of the programme

Fostering institutional participation and strengthening internal dialogue: Each participating bank assigns a team of three to five employees, ensuring the involvement of different functions and departments. This approach helps mainstream climate capacities beyond dedicated sustainability or risk teams, strengthening the message that effective climate action requires the involvement of and collaboration between different departments.

Practical, interactive blended learning: This combines online and onsite delivery, individual and group learning, including expert-led seminars, gamification, role plays, dedicated tools and workbooks. It helps build an understanding of climate transition and how its various elements can be put into practice. Banks can also access bespoke consultations with experts.

Modular structure: Contents are based on the EBRD's Paris Agreement alignment methodology, referencing the gold standards and emerging approaches to climate transition planning. Thematic modules for early-stage or more advanced practices explore transition planning rationale, climate risk management and strategy, alongside governance, metrics and targets, and next-step planning. An additional climate leadership module focuses on the senior leadership at participating partner banks.

Opportunity to engage with the wider financial sector: In some economies, seminars or "masterclasses" on climate transition planning are offered jointly by the EBRD and central banks, regulators or bank associations. The involvement of the banking community has also allowed the EBRD to develop its approach and support systemic change by strengthening dialogue, sharing practices and contributing to the green development of the wider banking sector.

The EBRD has identified several lessons:

The programme offers a solid, actionable foundation for climate transition planning. Alumni consistently report a significant increase in their understanding of transition planning and are more motivated and prepared to be part of the process within their organisations. They appreciate the practical and engaging learning experience, alongside the benefits of a programme being tailored to the circumstances and challenges of emerging markets, using context and data from the country of delivery.[23]

It enables participants to identify priorities and plan next steps. Additionally, it shows how they can support management and colleagues and secure the necessary resources for their institutions. Importantly, it gives participants an opportunity to work with colleagues from different parts of their bank, effectively starting or strengthening institutional transformation. They also benefit from exchanges with experts and other banks, which improves peer learning.

Impactful climate transition needs senior leaders to set the tone and ambition. Once banks understand the importance of acting on climate and establish internal mechanisms for climate work, these can be adapted to target other important issues such as biodiversity, nature protection or circularity.

By strengthening internal capacities, banks are better able to manage external resources. Alumni reported they are better equipped to steer and engage in dialogue with external experts and review the quality of their support. They understand the different dimensions, value and utility of transition plans as internal business tools.

The EBRD is continuously strengthening its support for its partner banks, taking into account their evolving needs and changing circumstances. Since 2023, it has offered partner banks e-learning on climate risk and transition tailored to emerging economies. In 2024, a dedicated climate leadership module was piloted that involved senior leaders from partner banks in discussions about climate action. In the same year, the EBRD delivered a series of climate transition masterclasses in Azerbaijan that established a blueprint for building awareness and understanding of climate action. Starting in 2025, the EBRD will support programme alumni through online engagements, sharing best practices and targeted forms of support.

[23] Findings from the monitoring and evaluation of the EBRD Climate Transition Programme delivery in Armenia, Türkiye, Serbia and Tajikistan (2024-2025), conducted through anonymous quantitative and qualitative surveys, focus group discussions and workshop observation.

Case study

ArmSwissBank, Armenia: capacity building to enable transition planning

The challenge

Sustainability has long been a strategic priority of Armenia's ArmSwissBank, as reflected in its early green finance offering. However, it needed to gain and advance a broader understanding of climate change impacts on the bank and its management of climate risks. It became apparent the bank required enhanced internal expertise and skills to support climate action. This aligned with a directive from the bank's CEO to establish a sustainability committee, further accelerating efforts to build internal capacities. The bank sought technical assistance, support from capacity-building programmes and best practices.

The response

To build internal expertise and support its transition, ArmSwissBank leveraged capacity development and technical assistance from international organisations and climate initiatives. In 2023, it took its first structured step by joining the EBRD Climate Transition Programme–Armenia to gain understanding of the scope, value and process of climate transition planning. A three-person team participated, with representatives from business development and lending. For ArmSwissBank, as for other banks in Armenia's financial sector, the programme was the first structured exposure to climate transition planning. Following the programme, the ArmSwissBank team worked to transfer their knowledge to colleagues and its newly established Sustainability Committee used the momentum to strengthen the bank's climate engagement. Employees across ArmSwissBank have since participated in onsite and online training on climate risk management and green finance, including through the EBRD Green Finance Academy.

ArmSwissBank combined insights from the EBRD programme with technical assistance from the European Investment Bank's Greening Financial Systems initiative, aligning internal processes with IFRS S2 standards and developing a final transition plan. The bank, which is a member of the Partnership for Carbon Accounting Financials (PCAF), also worked on its first GHG emissions report which incorporated guidance from the UN Environment Programme Finance Initiative's Principles for Responsible Banking and the Green Climate Fund's (GCF) Readiness Programme.

Building on these efforts, ArmSwissBank now plans to continue transition planning independently using its newly developed capacity. While current resources for climate work are sufficient, it aims to expand its dedicated climate staff and strengthen its expertise through training and new hires.

Beyond its internal efforts, ArmSwissBank actively contributes to national climate policy discussions through a Central Bank of Armenia working group where leading banks and regulators collaborate on climate-related reporting frameworks. ArmSwissBank emphasises that shared taxonomies and climate standards can significantly accelerate the banking sector's transition, reinforcing the need for unified national guidelines.

Lessons learned

- Tap into global climate expertise by engaging with international climate alliances, adopting leading frameworks and leveraging training opportunities to stay ahead in the climate transition.
- Build organisation-wide climate knowledge by fostering expertise across departments, promote continuous learning and ensure climate knowledge is shared beyond a few key employees.
- Embed climate leadership into business development by positioning climate action within the business development department so it is treated as a core business strategy rather than a siloed or compliance-driven issue.

CHAPTER 3

Assessing the state of play

Where are the EBRD's partner banks now?

Key findings

1 The EBRD's partner banks are progressively incorporating international and national climate frameworks and standards and setting long-term climate goals.

2 The vast majority consider climate when making at least some business decisions and constrain financing to clients in high-emitting sectors.

3 Banks' abilities to make and follow through on informed business decisions depend on comprehensive climate risk identification and setting credible metrics and targets. Many banks lag on both aspects.

4 Green asset ratios (GAR) are expected to grow, yet banks rely on international finance organisations for green products.

What are we exploring and why?

To be successful in climate action, banks need to commit to climate initiatives, set climate goals and think of climate-related business decisions for the long term. To understand partner banks' climate action awareness, the survey examined familiarity with international and national climate frameworks. It explored their commitment to climate initiatives and approaches to setting climate goals. It looked at how partner banks translate climate awareness and knowledge into climate action, build their understanding of risks for strategic planning, set actionable targets for change and engage with clients in high-emitting sectors. The survey also examined the disclosure of climate-related information to gauge transparency levels in the EBRD regions.

The transition to low-carbon economies presents significant opportunities for banks, opening new avenues for business growth and product innovation. In line with the EBRD's financial institutions sector strategy 2026-30, increasing capacity of the financial sector to adopt business models that unlock green opportunities will boost competitiveness and increase resilience for real economy businesses. Green finance helps banks reduce exposure to carbon-intensive sectors and address climate risks and pressures from regulators, investors and other stakeholders. In emerging markets, where affordable financing is often limited, green finance enables businesses to secure capital for investing in sustainable practices and adapting to climate change.

3.1 Banks know that climate action is important

Key numbers from the EBRD 2024 survey of partner banks:

Understanding expectations:

72%

report they have already integrated or are integrating international climate frameworks.

Following national frameworks and regulations:

69%

report they have already integrated or are integrating national climate frameworks and regulations.

Committing long term:

71%

have already set long-term climate goals or plan to do so within a year.

Banks are progressively integrating climate frameworks and standards

The survey assessed EBRD partner banks' familiarity with international and national climate-related frameworks, standards and regulations to gauge their awareness and understand early adopters. These are defined as banks that proactively integrate these frameworks into their strategies, risk management practices and operations ahead of regulatory mandates or industry-wide adoption. for business growth and product innovation.

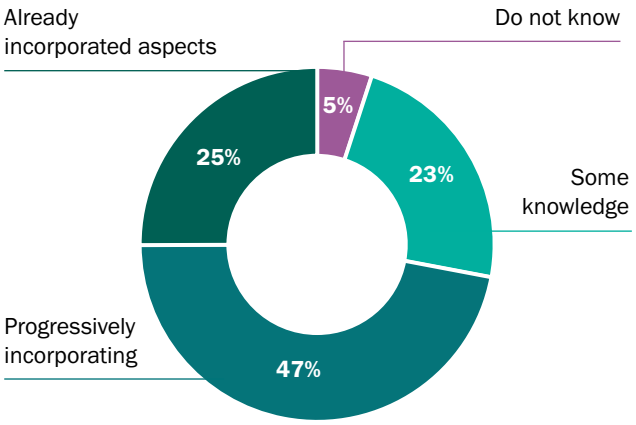
International frameworks

The survey showed partner banks are broadly familiar with international climate frameworks and standards (see Chart 6). It indicated 95 per cent have already integrated aspects of these frameworks and standards into their operations or have some knowledge of them.

Forty-seven per cent are working to align with international frameworks and standards by progressively integrating at least some of these into their operations. The EBRD partner banks in Armenia, Türkiye, Tajikistan and Serbia that participated in the 2024 EBRD Climate Transition Programme were working on incorporating IFRS, ISSB or PCAF guidelines into their practices, sometimes struggling to navigate different guidance.

An Organisation for Economic Co-operation and Development (OECD) report[24] highlights inconsistencies in guidance and specificity between frameworks such as GFANZ, IFRS, ISSB, TCFD, the Net-Zero Asset Owner Alliance (NZAOA) and the Institutional Investors Group on Climate Change (IIGCC). It explains how this adds to the difficulty of adopting clear and comparable metrics. These variations stem partly from the different purposes, use cases, and audiences the frameworks serve. Greater specificity in guidance ensures financial institutions can adopt clear and comparable metrics.

Chart 6. Banks' familiarity and progress with international climate change frameworks and standards (percentage of banks, n=96)



Source: EBRD and authors' calculations.
Note: Results calculated based on responses to question on bank's familiarity with international frameworks and standards regarding climate change, for example the Paris Agreement, ISSB, TPT recommendations. All respondents selected one of four options.

[24] See OECD (2023).

A quarter of surveyed banks have already embraced aspects of international climate frameworks and can be considered early adopters. EU-based subsidiaries of international banking groups topped the list with 50 per cent incorporating aspects of international frameworks. Larger banks employing over 1,000 people were more likely to have integrated international frameworks. Of these, 31 per cent ranked as early adopters compared with 12 per cent of smaller banks. Among banks with a strong retail focus, 30 per cent were considered early adopters, while none were identified in a sample of four banks primarily serving government and public services.

While awareness and implementation are on a positive trajectory, gaps remain with 23 per cent of partner banks reporting only a basic understanding of international standards. This indicates many still lack the practical understanding needed to benefit from the global guidance for climate transformation.

Who are the early adopters in the EBRD regions?

Early adopters among the surveyed banks are most likely:

- to be subsidiaries of international groups
- to have more than 1,000 employees
- to have retail as the biggest share of their portfolio
- to be located in central Europe and the Baltic states.

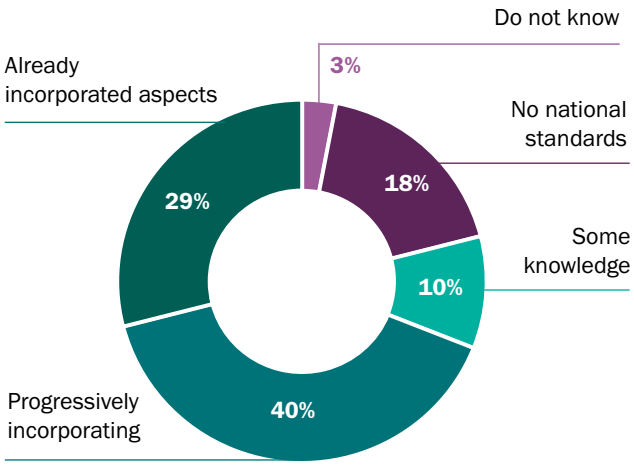
Source: EBRD and authors.

National frameworks, standards and regulations

Banks' perceptions of national climate frameworks, standards and regulations vary. The survey found a majority of banks have either already integrated national climate change management standards and frameworks (29 per cent) or are in the process of doing so (40 per cent). Another 10 per cent have some understanding of expectations but have yet to act.

Interestingly, 18 per cent of banks noted there were no relevant climate regulations in their countries, despite their national peers reporting their existence. These contradictory survey responses which emerged in 13 economies illustrate the ongoing challenges in regulation awareness and application.

Chart 7. Banks' familiarity and progress with national standards regarding climate change (percentage of banks, n=96)



Source: EBRD and authors' calculations.

Patchy comprehension of national standards underscores knowledge gaps. Uncertainty over whether standards or regulations exist or apply to banks tallies with issues raised by NGFS about clarity and awareness. It notes that while some jurisdictions have detailed climate-related guidelines, enforcement and awareness at the institutional level varies significantly. This highlights the importance of capacity-building initiatives by central banks and financial regulators to bridge knowledge gaps and ensure consistent implementation.[25]

[25] See https://www.ngfs.net/en/press-release/ngfs-facilitates-capacity-building-across-its-membership?utm_source=chatgpt.com (last accessed 11 February 2025).

Aligning with international and national climate standards should not be the sole driver of action, as there is a risk that banks' commitment may slow without clear policy or regulatory pressure, or in response to a weakening global climate agenda. Experts noted that while many banks still see climate from a regulatory perspective, it is also an opportunity for doing business differently.[26] Even when regulation is absent, a visionary leader can drive a strategic perspective based on an understanding that while some opportunities may decline, others will emerge.[27] The lack of regulations does not have to hinder action if banks understand the business imperative and have forward-thinking leaders.

National climate standards and regulatory frameworks remain mainly focused on disclosure rather than tangible climate action. While transparency strengthens accountability, emphasising reporting without enforcement or transition requirements risks turning climate policy into a box-ticking exercise rather than a mechanism for driving change in the real economy. Financial institutions are increasingly required to disclose emissions, climate-related risks and sustainability metrics, but few regulations impose binding targets or transition planning obligations. As a result, many institutions provide extensive reports on financed emissions and risk exposure without committing to meaningful changes in lending practices.[28]

Banks set out long-term climate goals

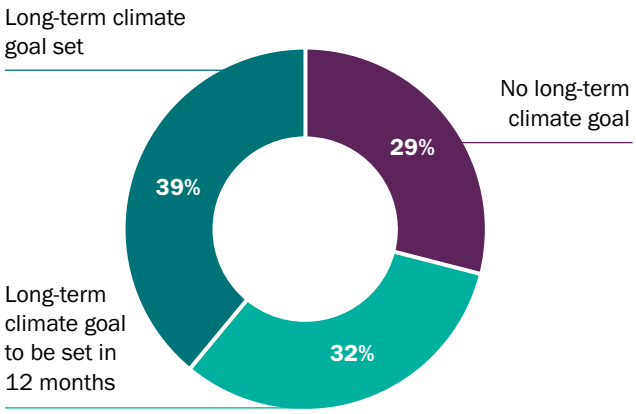
The survey investigated whether partner banks in the EBRD regions have set long-term climate goals or visions and sought to identify the most common goals to better understand how banks think about climate action.

Progress towards setting long-term climate goals is promising. Seventy-one per cent of surveyed banks expect to have goals in place by the end of 2025. Currently, 39 per cent of banks have long-term goals that extend beyond the next 20 years, while another 32 per cent plan to set them within the next year.

Partner banks' long-term climate change goals often align with Paris Agreement or net zero targets. Other benchmarks include national climate goals alongside increasing green finance offerings or aligning emissions with the Science Based Targets initiative (SBTi).

However, 29 per cent have neither long-term goals nor plans to establish them within a year. It remains unclear whether these banks require more time to set these goals or lack the ambition to do so. These constitute a high share of banks in SEMED (47 per cent) and EEC (38 per cent), indicating a long-term ambition gap compared with other regions. Banks with larger corporate or retail portfolios are more likely to lack plans for setting goals.

Chart 8. Banks with a long-term climate goal in place (percentage of banks, n=96)



Source: EBRD and authors' calculations.

Climate goals see banks shift from short-term profit maximisation to long-term sustainability. Short-termism often leads to incremental actions or "wait-and-see" behaviour, delaying the necessary transition to a low-carbon economy. A long-term climate goal such as net zero emissions by 2050 provides a clear mandate for immediate action. It encourages banks to integrate climate risks into their business models, preventing short-term decisions from jeopardising long-term stability. These goals also help banks make strategic decisions on resource allocation and investment priorities, providing a clear mandate to start transitioning now, even if the immediate benefits are not apparent.

Publicising long-term goals invites scrutiny and risks greenwashing claims if progress is limited. Miscommunication risks are inherent unless sufficient context is provided. While banks can take steps towards meeting the goals, there is always interdependency on other actors, policies, technological developments and price movements. While banks can make well-informed assumptions, it is acceptable to note that they are making high-ambition pledges and explain the context.

[26] Based on an interview with an international climate transition expert, conducted online by Cynthia Page, EBRD Principal, Green Financial Systems, and Jagoda Gregulska, Senior Manager at Deloitte Central Europe, on 6 September 2024.

[27] Based on an interview with an international climate transition expert, conducted online by Cynthia Page, EBRD Principal, Green Financial Systems, and Jagoda Gregulska, Senior Manager at Deloitte Central Europe, on 6 September 2024.

[28] See Buller (2022).

3.2 From knowing to doing

Key numbers from the EBRD 2024 survey of partner banks:

Managing climate risks:

30%

have formal procedures in place.

Setting ambitions for decarbonisation:

47%

set targets for emissions from financed activities.

Changing relationships with clients:

69%

have policies that restrict financing for clients in high-emitting sectors.

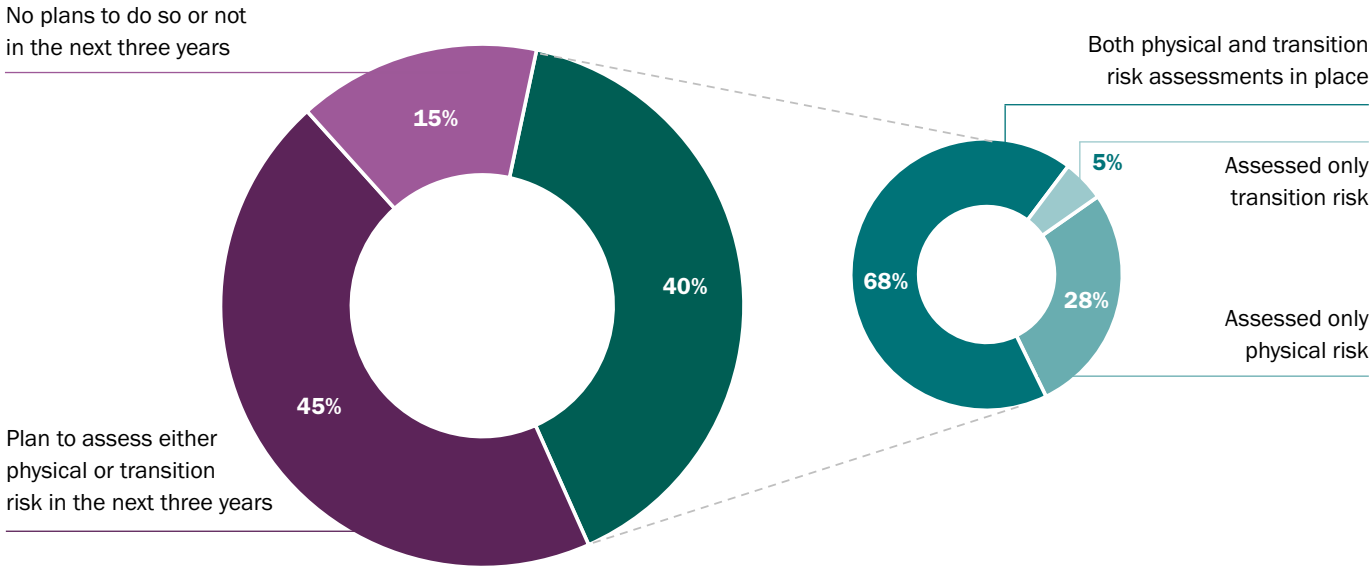
Risk assessment and integration gaps persist

Surveyed banks were asked how they identify and assess physical and transition climate risks, and how these assessments influence business decisions.

Forty per cent of banks analysed either physical or transition climate risks in their portfolios. Within this group, 68 per cent (27 per cent of the total) covered both. Out of 38 banks that conducted climate risk assessments, 36 covered physical risks and 28 analysed transition risks.

However, 60 per cent of banks do not currently identify climate risks. Forty-five per cent plan to start identifying and assessing risks within the next three years, while 15 per cent[29] have no plan to implement such measures.

Chart 9. Banks' plans to identify and assess physical and transition climate risks (percentage of banks, n=96)



Source: EBRD and authors' calculations.
Note: Results based on responses to a question on identification and assessment of physical and transition climate risks in banks' portfolios. Four banks skipped this question and, based on analysis of their answers provided to other questions, their responses are included as "No plans to do so or not in the next three years". Percentages may not sum to 100 per cent due to rounding.

[29] This includes four banks that skipped this question, based on the analysis of answers provided to other questions.

Thirty-eight per cent of banks currently identify physical climate risks. Thirty-four per cent conduct qualitative assessments and 26 per cent use quantitative analyses. While 43 banks, representing 45 per cent of respondents, have set targets for exposure to geographical areas sensitive to physical climate risks, only 18 banks are tracking this metric and only 15 have conducted any qualitative or quantitative analysis of those risks.

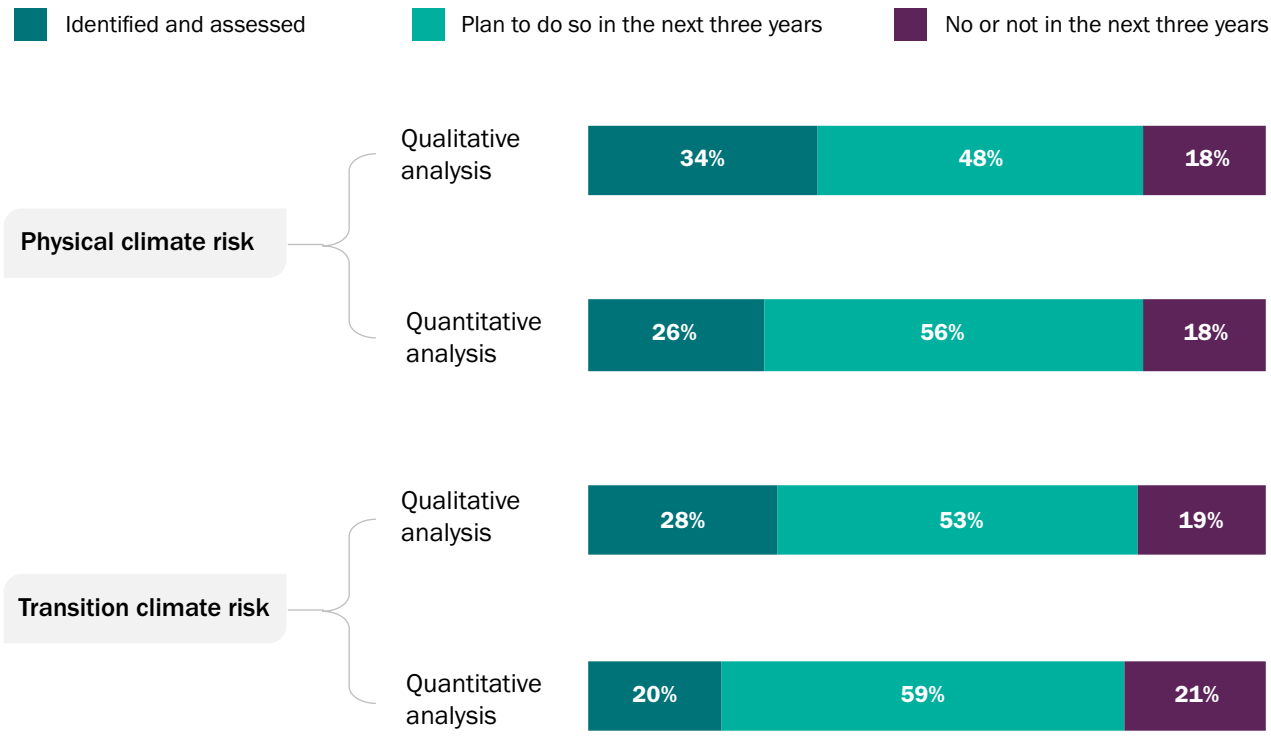
Qualitative risk assessments are more common than quantitative approaches. This is especially true for transition risks. Twenty-nine per cent of banks identify and analyse transition risks, with 28 per cent using qualitative methods and 20 per cent applying quantitative methods.

Physical risks often take precedence, but transition risks are also crucial. This is due to regulatory changes, shifting market demand and evolving investor expectations already materialising in many jurisdictions. Identifying and addressing these risks helps banks align strategies with climate policies and market trends.

Quantitative analysis is essential for accurately measuring financial exposure. This involves quantifying hazard likelihood, exposure extent and client vulnerability. Many banks lack the internal expertise and data to develop accurate risk models, risking capital misallocation and increased exposure to financial instability.

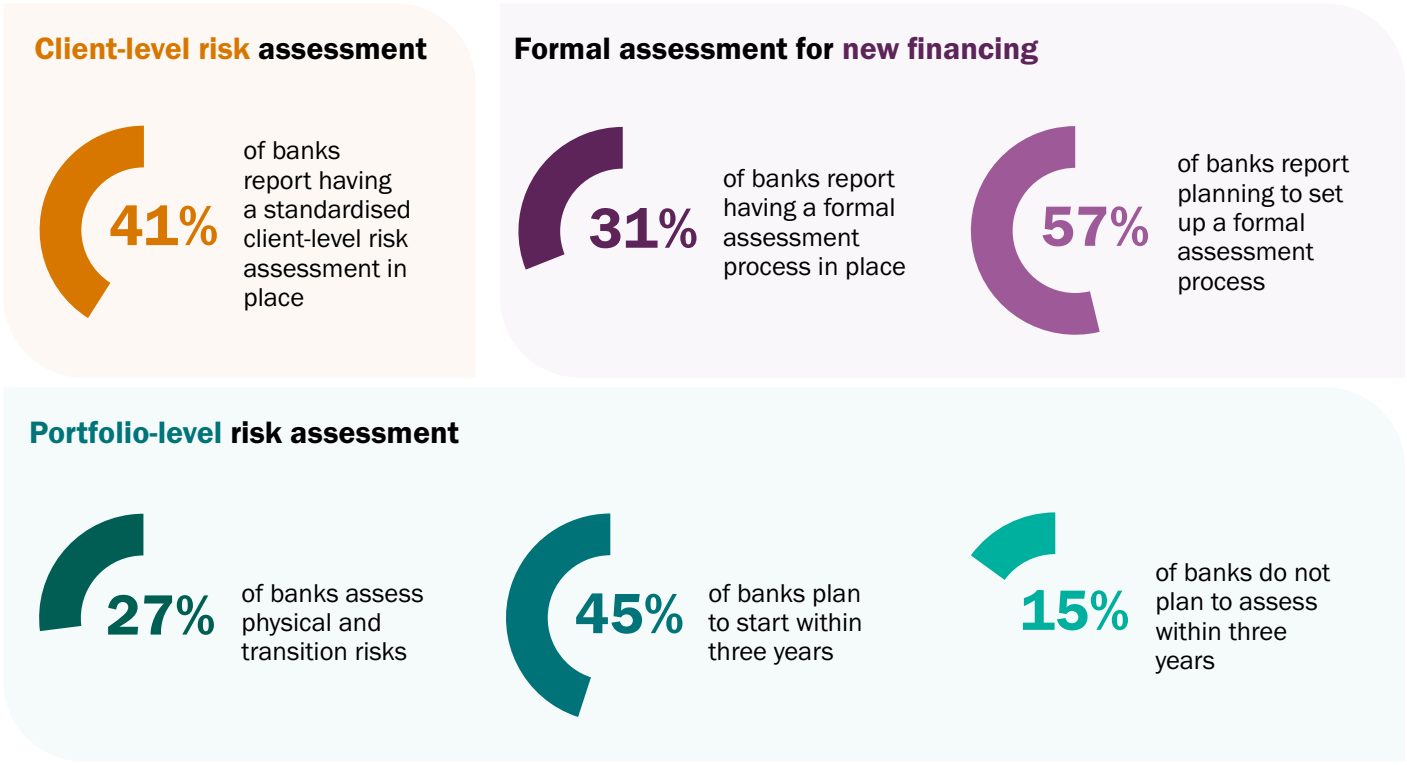
Sixty-four per cent plan to add new types of climate risk analysis to portfolio-level assessments in the next three years but require support. For 45 per cent, this will be their first foray into climate risk identification, while 19 per cent aim to expand existing climate risk identification processes. If these plans are realised, more than 82 per cent of surveyed banks will have climate risk assessment mechanisms for both physical and transition risks (either qualitative or quantitative).

Chart 10. Partner banks' plans to identify and assess transition and physical climate risks (percentage of banks, n=96)



Source: EBRD and authors' calculations.
Note: Four banks skipped this question. Based on analysis of their answers provided to other questions, their responses are included as "No or not in the next 3 years".

Chart 11. Gradual reflection of climate risks in business models of partner banks



Source: EBRD and authors' calculations.

However, major challenges must be addressed for this progress to materialise. The most cited challenge is the lack of reliable climate data from clients, which significantly limits banks' ability to integrate climate considerations into business decisions (see Chapter 5.3). In addition, banks need specialised support in climate data analytics and internal capacity-building to enhance their ability to assess and manage climate risks. Notably, 44 per cent of banks stated that they require external assistance in these areas.

The qualitative data collection following the survey showed that in some countries, banks collect climate-related data only through direct engagement with clients such as meetings and consultations to assess their exposure to climate risks and their commitments to green practices. They lack standard methods and face data inconsistencies as clients sometimes do not have the expertise to properly assess their own climate impact.

Acting on climate data is limited. Only 41 per cent consider climate in client risk assessments, indicating some level of integration of climate into business decisions. Just 16 per cent factor it into commercial financing terms. Many banks still make business decisions without collecting and analysing relevant climate data. Only 31 per cent report a structured approach to managing material climate risks when approving new financing, although 57 per cent plan to develop one.

Effective climate risk management requires assessing the risks clients face and their readiness to manage these challenges. While some banks have methodologies to evaluate clients' transition preparedness, integrating this information into pricing models, financial planning and capital allocation remains a challenge.[30] Misalignment between risk assessments and business strategies can lead to mispriced loans, inefficient capital allocation and weakened client relationships. Ensuring climate risk assessments directly inform business decisions is vital for maintaining competitiveness and financial stability.

[30] Based on an interview with an international climate transition expert, conducted online by Cynthia Page, EBRD Principal, Green Financial Systems, and Jagoda Gregulska, Senior Manager at Deloitte Central Europe, on 6 September 2024.

BOX 3. Cooperation in Morocco: collaboration between Bank Al-Maghrib and the EBRD

In May 2022, Bank Al-Maghrib, Groupement Professionnel des Banques du Maroc and the EBRD signed a memorandum of understanding to support climate and environmental risk management in Morocco's financial sector.

In 2023, an initial market survey of current climate and environmental risk management practices in the Moroccan financial sector was undertaken, as well as a review of the regulatory framework and recommendations on regulatory improvements. In 2024 and 2025, the second phase of the collaboration delivered capacity building for financial institutions on climate risk and environmental risk management.

Banks constrain financing clients in high-emitting sectors

The research explored how banks approach clients in high-emitting sectors through finance-constraining policies, setting and tracking targets for exposure to high-emitting assets. These policies can include exclusions, financing conditions and phase-out timelines.

Sixty-nine per cent have policies to limit financing to clients in high-emitting sectors. Forty per cent have set explicit targets to reduce exposure to carbon-intensive assets and only 23 per cent have both policies and targets in place. The alignment between policies, targets and metrics on high-emitting sectors appears limited, which undermines banks' ability to make informed decisions, assess policy effectiveness or adapt strategies. Without clear policies and consistent tracking, banks cannot manage climate risk or meet their climate commitments.

Twenty-seven per cent of banks do not extend finance to selected high-emitting sectors. However, banks consulted in the follow-up data collection stressed that they engage in dialogue on innovative decarbonisation solutions. Supporting clients through transition is seen as mutually beneficial, making it crucial to prioritise collaboration over exiting relationships. Moreover, high-emitting clients tend to be the most climate-aware and often have the capacity to provide data and actively engage in meaningful climate discussions. Some banks require high-risk clients to submit climate transition plans, but the information they receive is fragmented and of varying quality. Banks further struggle with internal capacities to assess the quality of such plans.

Tracking exposure to high-emitting assets remains a major gap, as none of the banks with explicit targets are currently tracking them. In addition, 17 per cent of banks have targets unsupported by policies or tracking mechanisms. Only 20 per cent, or 19 banks, report tracking their exposure to high-emitting assets. Of these, 18 have policies in place to constrain such financing.

Adoption of policies or constraints on financing high-emitting sectors varies by bank type and ownership structure. Subsidiaries of international banking groups are more likely to have limitations on financing clients in high-emitting sectors, reflecting the influence of their parent banks' alignment with global climate commitments.

In contrast, state-owned banks are the least likely to implement such constraints, potentially due to competing national economic objectives and weaker regulatory pressures. Banks with a retail focus are more likely to have constraints compared to corporate-focused banks, which face more challenges to balance decarbonisation with maintaining client relationships.

Engaging with high-emitting sectors is a key challenge of the green transition. Research by the Centre for Economic Policy Research (CEPR) highlights the tension between reducing exposure to high-emission sectors and supporting their transition to greener technologies.[31] This is crucial for banks in developing economies, where carbon-intensive industries contribute to economic growth, employment and tax revenue.[32] For many banks, especially those with high exposure to carbon-intensive sectors, it is essential to engage with clients to make credible plans to reduce their GHG emissions or set timelines for asset phaseouts. However, engagement is harder to monitor than divestment.[33] Global studies paint a grim picture when it comes to reducing financed emissions from high-emitting sectors, whether through divestment or client engagement.[34]

[31] See https://cepr.org/voxeu/columns/banks-climate-commitments-and-green-transition?utm_source=chatgpt.com (last accessed on 11 February 2025).

[32] See NGFS (2024b).

[33] See https://cepr.org/voxeu/columns/banks-climate-commitments-and-green-transition (last accessed on 27 February 2025).

[34] See P. Sastry, E. Verner, D. Marques-Ibanez (2024).

Climate-related targets and tracked metrics are set but not yet aligned

Translating general climate goals into specific targets with well-defined metrics is necessary for the credible operationalisation of ambitions and pledges. To be effective, banks should set targets and collect data to monitor progress through dedicated metrics – in other words, align targets and metrics. To understand how banks handle this, the survey asked banks about their climate-related targets and the metrics they use.

Seventy-one per cent of banks set at least one climate-related target for the next 10 years. Fifty per cent of banks have at least three targets set and 32 per cent have five or more. However, 29 per cent of banks have no foreseeable milestones for their climate transition. The most common targets are for GHG emissions from financing activities (47 per cent) and exposure to geographical areas sensitive to physical risks (45 per cent). The least common target is the share of employees receiving climate training.

Seventy-three per cent of banks track at least one climate-related metric. Among these, more than 81 per cent track three or more metrics and 44 per cent track five or more. The most frequently tracked metrics are GHG emissions from banks' own operations (57 per cent) and the share of employees receiving climate training (58 per cent). In contrast, metrics requiring portfolio-level data, such as exposure to geographical areas sensitive to physical risks and GHG emissions avoided, are tracked by the fewest banks. This reflects the challenges banks face in obtaining and managing data from external sources.

The survey found that 10 per cent of banks do not set targets or track climate progress. This suggests those banks remain disconnected from structured climate transition efforts, potentially exposing themselves to future regulatory and market risks. Without clear targets and tracking mechanisms, these institutions may struggle to demonstrate progress, secure climate-related financing and align with evolving investor and stakeholder expectations.

Banks often set climate targets and track metrics separately. This means some banks set targets but do not track metrics for them. Others track these metrics but do not have a related target. For example, 45 per cent of banks set targets for exposure to geographical areas sensitive to physical risks but only 20 per cent track this metric, with no overlap between the two groups. Similarly, 41 per cent set targets for exposure to carbon-intensive assets, but none of those banks track this metric. However, another 27 per cent track it without having targets in place.

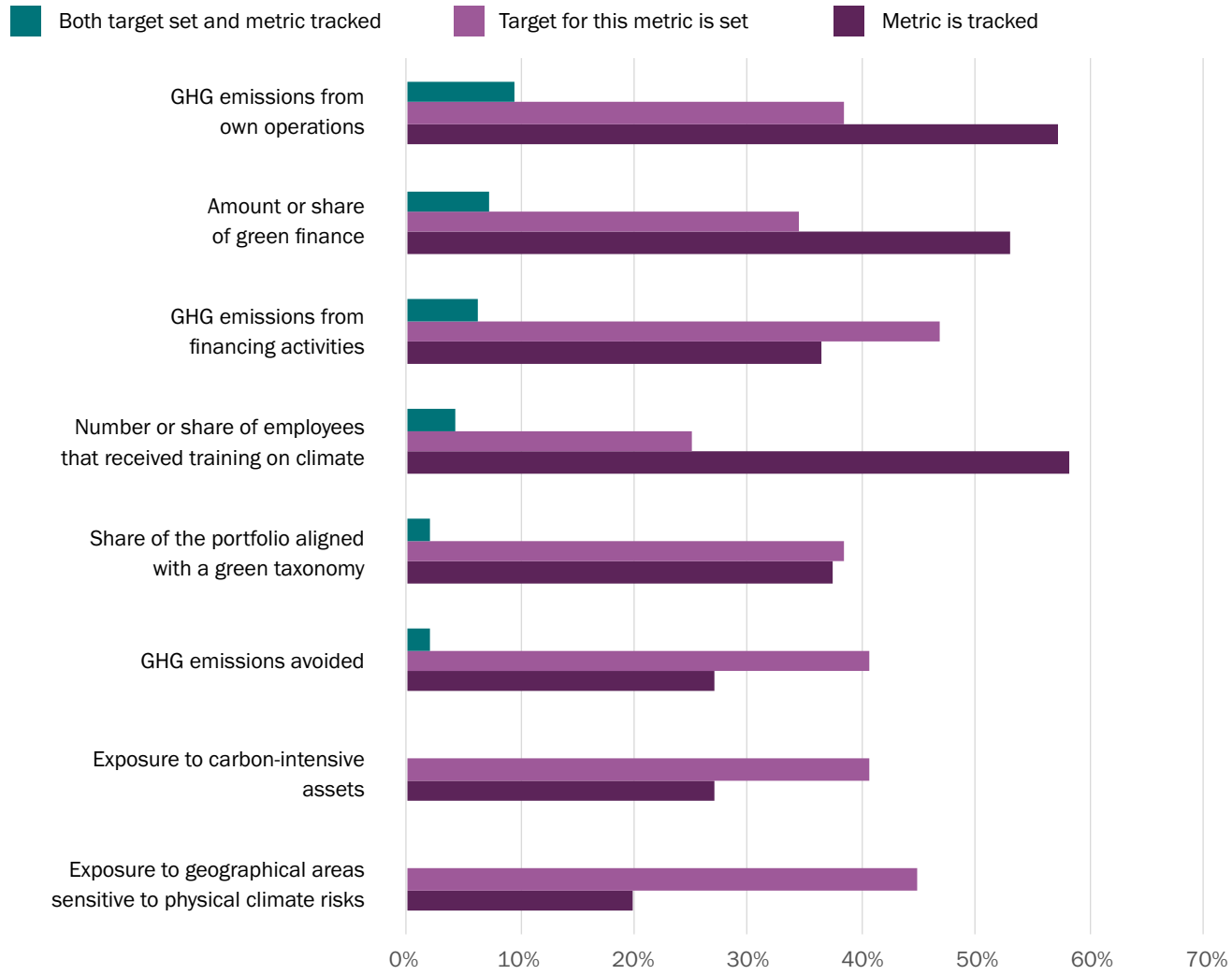
While banks make forward-looking commitments, many do not effectively monitor their progress. This lack of tracking mechanisms raises doubts about the seriousness of commitments and robustness of their analysis. Without operationalising targets, banks risk accusations of greenwashing.

Only 15 per cent of banks set at least one target aligned with a metric. The most commonly aligned metric was GHG emissions from own operations, with nine banks reporting both a target and tracking the respective metric. Instances of an aligned target and a metric were rare.

The results show two groups outperforming the rest in both metric tracking and target setting. These are banks with long-term climate goals and those with a transition plan. Of the latter, 21 out of 22 banks are tracking some metrics and 18 have mid-term targets. Among 37 banks with long-term climate goals, 35 track at least one metric and 30 have at least one target. Out of 14 banks with at least one target aligned with progress tracking, nine have long-term climate goals in place and five have a transition plan. These results suggest most banks with long-term climate goals are taking steps towards their operationalisation.

Fifty-one per cent reported a need for support with metrics and targets. These challenges affect both banks actively tracking climate metrics and those that are not. Among 39 banks that have set targets for GHG emissions from financing activities but are not measuring progress, 76 per cent cite data limitations. Of the 35 banks already tracking emissions from financing activities, 89 per cent report difficulties obtaining reliable client data.

Chart 12. Banks setting targets and tracking climate metrics (percentage of banks, n=96)



Source: EBRD and authors' calculations.
Note: Twelve banks skipped this question. Their responses are included in the group with no metrics nor targets.

Banks disclose climate-related information

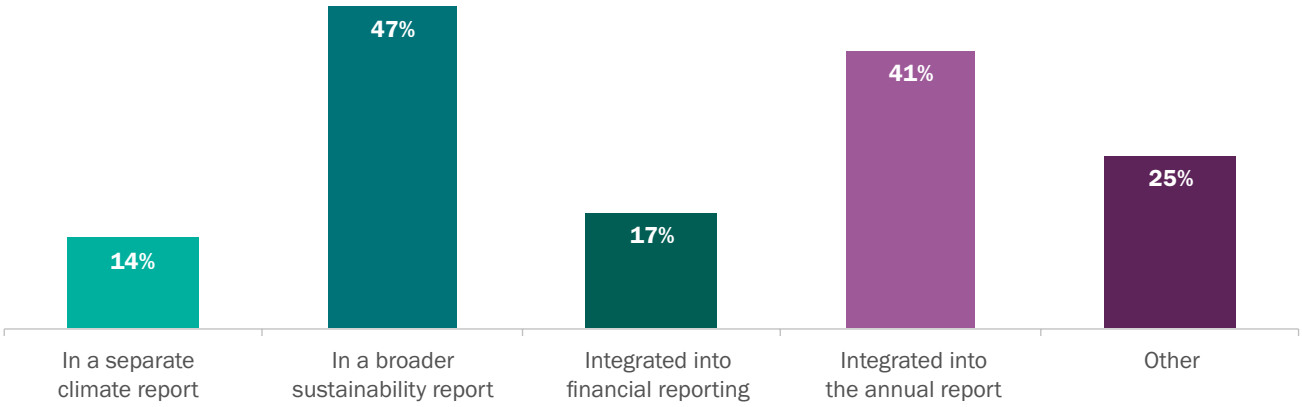
The survey inquired about how banks disclose climate-related information but did not explore the scope or comprehensiveness of the information shared publicly.

Sixty-one per cent of surveyed banks reported disclosing climate-related information. This was predominantly presented in separate sustainability reports (47 per cent of banks that report disclosure). Forty-one per cent integrate climate data into their annual reports, 17 per cent incorporate climate information into financial reporting and 14 per cent publish separate climate reports. Among the 25 per cent who selected "other" for disclosure practices, some banks report climate data at the group rather than subsidiary level through impact, annual or sustainability reports. Others use the CDP framework, the Basel Committee on Banking Supervision's Pillar 3 disclosure requirements framework or the TCFD report for disclosure.

How banks report climate information matters as it signals the business importance given. Most surveyed banks disclose climate-related information in dedicated standalone reports on climate or sustainability. This aligns with global trends as "while most banks state that climate risks could have a material impact on their business, very few integrate climate risk considerations into their financial statements".[35] Institutions often target financial reporting towards shareholders, and sustainability reporting and disclosures towards all other stakeholders, which can lead to misalignment between climate pledges and business strategies.[36]

[35] See TPI (2024).
[36] See Taylor (2024), page 71.

Chart 13. Climate-related information: manners of disclosures (percentage of banks, n=59)



Source: EBRD and authors' calculations.
Note: Results calculated for sub-sample of 59 banks that reported disclosing climate-related information. Respondents could choose more than one answer.

Many disclosures may offer information relevant to investors or prudential purposes. Sixty-one per cent of surveyed banks report publishing climate-related information. Only 54 per cent of disclosing banks indicate they conducted any climate risk assessment, either quantitative or qualitative, physical or transition. Among the 17 per cent of banks including climate information in financial reports, only two report identifying and assessing quantitative climate risks and tracking emissions from their operations and portfolios.

A positive correlation exists between disclosure practices and climate management approaches. Banks that publish climate information report more robust internal approaches to managing climate change compared to banks that do not disclose any climate-related information. Disclosing banks are more likely to share climate information among departments, invest in climate capacities and have clear roles and responsibilities for climate (see Section 4.2). It is not clear if banks report because they are more confident about internal work or if they invest in the institutional set-up because of increased scrutiny. Banks with stronger institutional set-ups are likely to be better prepared to collect, analyse and publish climate-related information.

The disclosure narrative has penetrated the EBRD regions, reflecting regulatory pressure. This is reflective of the global trends as "if any single idea unites today's businesses, regulators, investors, and NGO [non-governmental organisation] activists, it's the power of transparency to drive accountability".[37] The share of banks publishing climate-related information is likely to increase due to regulatory and investor expectations.

3.3 Banks offer green finance

Key numbers from the EBRD 2024 survey of partner banks:

Financing green transition:

59%

include green or sustainable products as a standard offering.

Anticipating business growth:

77%

expect their Green Asset Ratios to grow in the next three to five years.

Leaning on international partners for green products:

89%

say their green product offering depends on development finance.

[37] See Taylor (2024), page 38.

Eighty-five per cent of banks offer green or sustainable finance, with 59 per cent doing so as part of their standard offering. On average, banks offer 2.3 green products with the most common offering being two products offered by 23 per cent of banks. Seventeen per cent of banks offer one green product, followed by 14 per cent offering three products and 11 per cent offering four. Fifteen per cent of banks offer five or more green products. Banks not offering any green products cite a lack of internal capacities for product development and insufficient market demand.

Banks with a transition plan or long-term climate goals tend to offer more green products. Those with transition plans offer an average of 3.1 green products, compared with 2.1 for those without. Banks that have developed their own transition plan offer an average of 3.4 green products. Those with a long-term climate goal offer 2.9 green products versus 1.9 for banks without.

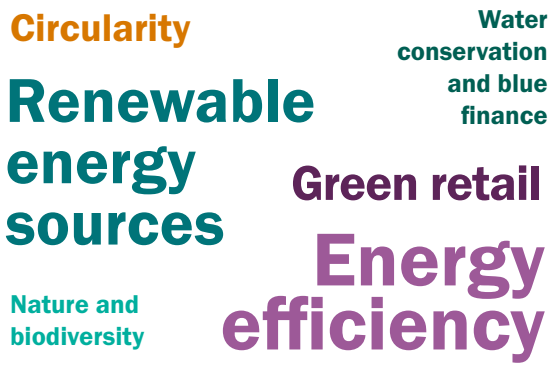
General loans for purchasing green technologies are among the most popular. These are offered by 73 per cent of banks, while structured green loan products with set eligibility criteria are provided by 60 per cent. In the next five years, 32 per cent plan to offer green bonds, 30 per cent sustainability-linked loans and 27 per cent green mortgages. Sustainability bonds are the least popular green products, with 16 per cent of banks currently offering them and 23 per cent planning to in the next five years.

Green Asset Ratio

The Green Asset Ratio (GAR) is a metric used to measure the proportion of a financial institution's assets that are considered environmentally sustainable or green. It is calculated by dividing the value of a bank's green assets (such as loans and investments in renewable energy, energy efficiency and other environmentally beneficial projects) by the total value of its assets.

A higher GAR indicates a greater alignment with sustainable finance goals, showcasing the bank's commitment to supporting the transition to a low-carbon economy. GAR is becoming an important indicator for regulators and investors to assess financial institutions' contributions to environmental sustainability.

BOX 4. Anticipated areas for green business growth



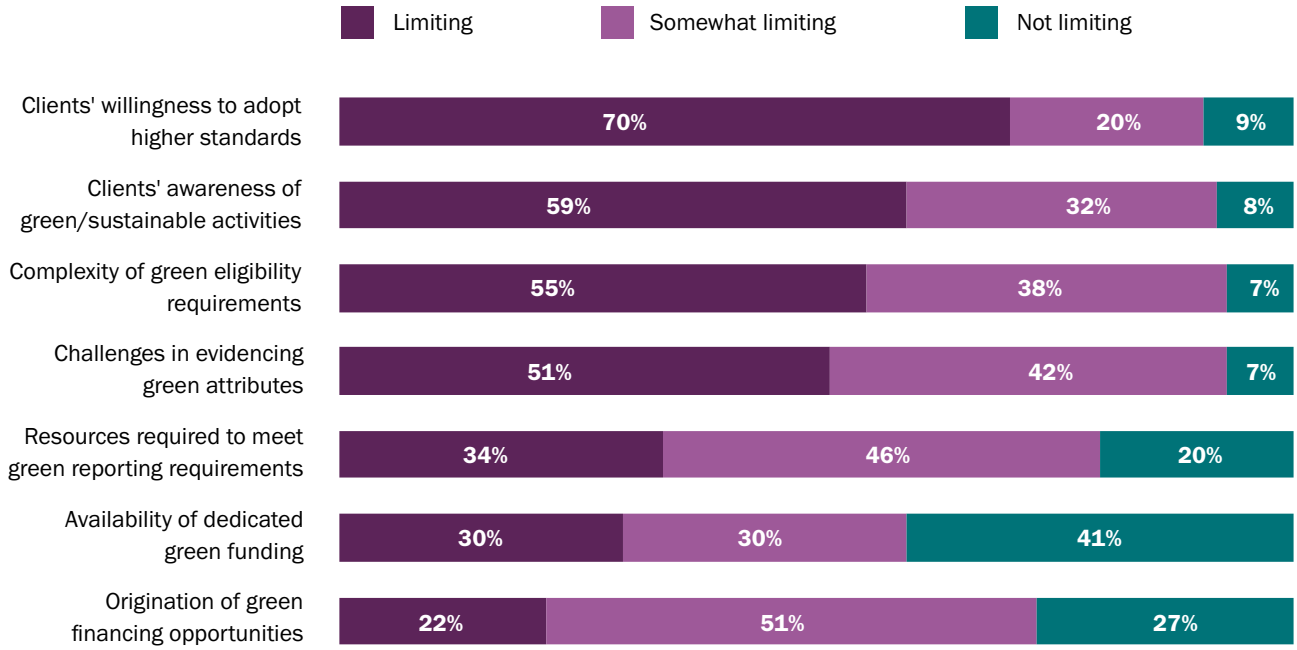
Source: EBRD.
Note: The size of the words reflects the frequency of selection by survey respondents.

Banks anticipate more green business in the next three to five years, although few have targets. Seventy-seven per cent expect their GAR to grow over the period, with 16 per cent expecting significant growth. However, only 34 per cent have set targets for green finance over the next 10 years, with 7 per cent tracking progress and 44 per cent tracking without a target. Thirty-nine per cent have targets for green taxonomy-aligned portfolios, 38 per cent track this metric and only 2 per cent do both.

Energy, including energy efficiency and renewables, is tipped to have the largest growth potential. Sixty-seven per cent of the 74 banks that offered insights anticipate a significant increase in demand for green or sustainable finance for energy efficiency, and 66 per cent for renewable energy. Forty-seven per cent expect significant growth in green retail, followed by circularity at 31 per cent. In contrast, 27 per cent of respondents believe demand for nature and biodiversity finance will not change, with only 16 per cent expecting significant growth and 40 per cent anticipating a limited increase.

Client lack of willingness to adopt higher standards is the most reported factor limiting GAR growth. This was noted by 70 per cent, with 59 per cent saying awareness of green and sustainable activities was limiting. Banks and their clients struggle with the complexity of green eligibility requirements, according to 55 per cent, while 51 per cent said evidencing green attributes was an issue. The availability of dedicated green funding and the origination of green financing opportunities are not seen as an obstacle by 41 per cent of the 74 banks that offered insights.

Chart 14. Factors limiting Green Asset Ratio (GAR) growth (percentage of banks, n=74)



Source: EBRD and authors' calculations.
Note: Results calculated for the sub-sample of 74 banks that reported tracking the proportion of total assets covered that are financing and invested in green/sustainable economic activities. Percentages may not sum to 100 per cent due to rounding.

Most banks' green finance depends on international institutions, technical assistance and grants. Forty-five per cent of surveyed banks reported significant dependence, while another 30 per cent noted it matters to a lesser extent. This raises questions about banks' willingness to invest in green business beyond the finance available from international finance institutions. It also highlights the role of multilateral development banks and international development institutions in shaping trends.

External support dependence shows banks may not recognise green products' long-term value. It also indicates they may lack the capacity to invest in initiatives without external support. While international financial institutions play a pivotal role in kick-starting green financing, the sustainability of these efforts depends on local financial institutions building self-sufficiency. Banks should see green finance as a strategic business opportunity and gradually integrate it into their core business models.

BOX 5. The EBRD's green financial products

The EBRD offers a range of green financial products, including its flagship Green Economy Financing Facilities (GEFFs). These develop local financing markets for sustainable energy and resource efficiency projects. Through them, the EBRD offers credit lines and technical assistance to local partners who then support businesses and homeowners.

The EBRD's award-winning Trade Facilitation Programme (TFP) offers the Green TFP, set up in 2016. This allows partner banks to use existing trade finance facilities to finance the export, import and local distribution of imported green technologies and materials to aid climate change adaptation and mitigation.

The EBRD issues different kinds of bonds, including green bonds. These fund a wide range of environmentally sustainable projects, such as clean energy infrastructure and green urban development. The EBRD supports partner banks in issuing these bonds.

Case study

UniCredit, Serbia: becoming strong climate partners with the bank's clients

The challenge

Throughout its initial climate-related engagements with clients, UniCredit Bank Serbia was met with confusion and discouragement. Clients struggled to understand what was expected of them and were concerned about meeting various criteria. Initially, the bank's salesforce lacked the necessary skills to guide and engage adequately with clients on the new topic. Its sales teams became concerned they would potentially have to stop working with clients that did not meet the climate criteria, which would limit the bank's ability to do business. At the same time, the bank began to integrate ESG scoring, including climate transition risks, into the lending process. The increased need for informed engagement with its clients became apparent and to support this UniCredit's salesforce required training to improve how they could work with clients.

The response

To lead the way and support the necessary changes, UniCredit Bank Serbia's ESG department was tasked with building the bank's internal climate competencies. The department developed bespoke training to progressively introduce climate topics and onboard the salesforce. Initially, the sales teams were reluctant to engage with the initiative and were concerned about the time and effort needed to develop additional expertise.

To address this and ensure staff understood why the bank was embarking on the climate transition journey, training first emphasised the bank's rationale for climate action. It positioned the bank's actions within the global context and explained approaches taken by international organisations. In addition, it linked to the local context and used examples such as extreme flooding in southern Serbia to explain why climate action is important and urgent both for the bank and its clients.

The training also tackled the issue of the additional climate expertise needed by UniCredit. The salesforce was reassured it would have dedicated tools, procedures and algorithms to help with assessments and engage with clients. It explained they were expected to build new skills gradually, with dedicated UniCredit experts supporting larger clients and critical decisions when needed. Once ESG scoring became operational, it was necessary to provide ongoing support to address any questions from the salesforce.

Part of the training focused on UniCredit's approach to clients in high-emitting sectors or those strongly affected by transition risks. It does not plan to abandon these clients but rather collaborate on identifying risks and opportunities for their transformation and providing support on the journey. UniCredit is convinced that a well-prepared and confident salesforce is essential to increase its ability to continue doing business while ensuring climate risks are managed.

Lessons learned

- The initial step of a financial institution's climate transition is the acceptance of climate relevance and urgency at all levels of the bank.
- Preparing the salesforce to effectively and comfortably engage with clients on climate takes time. The institution needs to prepare internally before entering into dialogue with clients.
- Starting with the rationale for climate action helps bank staff understand and feel motivated to take on new responsibilities.
- Developing in-house training using a learning-by-doing approach proved effective. This allowed the bank to combine inputs from different sources while ensuring training was practical and focused on client engagement.
- Clearly communicating climate change opportunities to employees helps them see the business value in building new climate-related skills.
- Strong support from top management coupled with a mandate for the ESG team helped signal that climate and the broader issue of ESG are important to the bank and part of its business transformation.

CHAPTER 4

Playing as a team

Climate governance and capacities

Key findings

1 Strong tone from the top improves banks' approaches to managing climate. Banks whose board members have responsibilities for climate invest more resources in climate action and report better climate integration into business operations.

2 A small number of banks integrate climate work into front office, client-focused departments. In most banks, climate work is assigned to ESG or risk departments.

3 The resources banks assign to climate work are likely to be insufficient to deliver the complex and transformative climate transition expected of the sector. Half of banks do not dedicate any employees to climate-related tasks full time.

4 Banks are not approaching climate capacity development strategically.

What are we exploring and why?

Transforming banks' operations requires senior leadership and business decisions on climate strategy, resources and business relations. Knowledgeable and engaged boards are better positioned to make informed decisions, set the strategic direction for investments in climate action and ensure commitment credibility. The tone from the top signals the importance of climate work to employees. To understand how partner banks are positioned on climate governance, the survey explored how boards are informed about climate matters, the structure of their engagement, and about climate committees or individuals with climate responsibilities.

The transformation of banks' operations is a complex process requiring significant understanding of the interrelationship between climate, business and organisational issues. Qualified full-time staff are essential for compliance, business resilience and institutional change management. The survey examined the resources banks allocate to climate work, including part-time and full-time staff, and their locations within the banks. It also assessed bank perceptions of resource availability and the quality of interdepartmental collaboration.

The survey looked at banks' strategic approaches to learning and explored how they build and maintain their climate knowledge, including staff participation in events, conferences or training in 2024. It analysed how banks in the EBRD regions stay informed about climate change and necessary actions, focusing on their participation in international and national climate alliances, industry networks and organisations. These affiliations provide platforms for sharing knowledge, discussing trends and assessing best practices.

4.1 Board oversight of climate issues

Key numbers from the EBRD 2024 survey of partner banks:

Staying informed:

45%

of boards are informed about climate matters regularly.

Dedicated structures:

59%

of boards have board committees or have assigned a person to take responsibility for climate.

Tone from the top:

92%

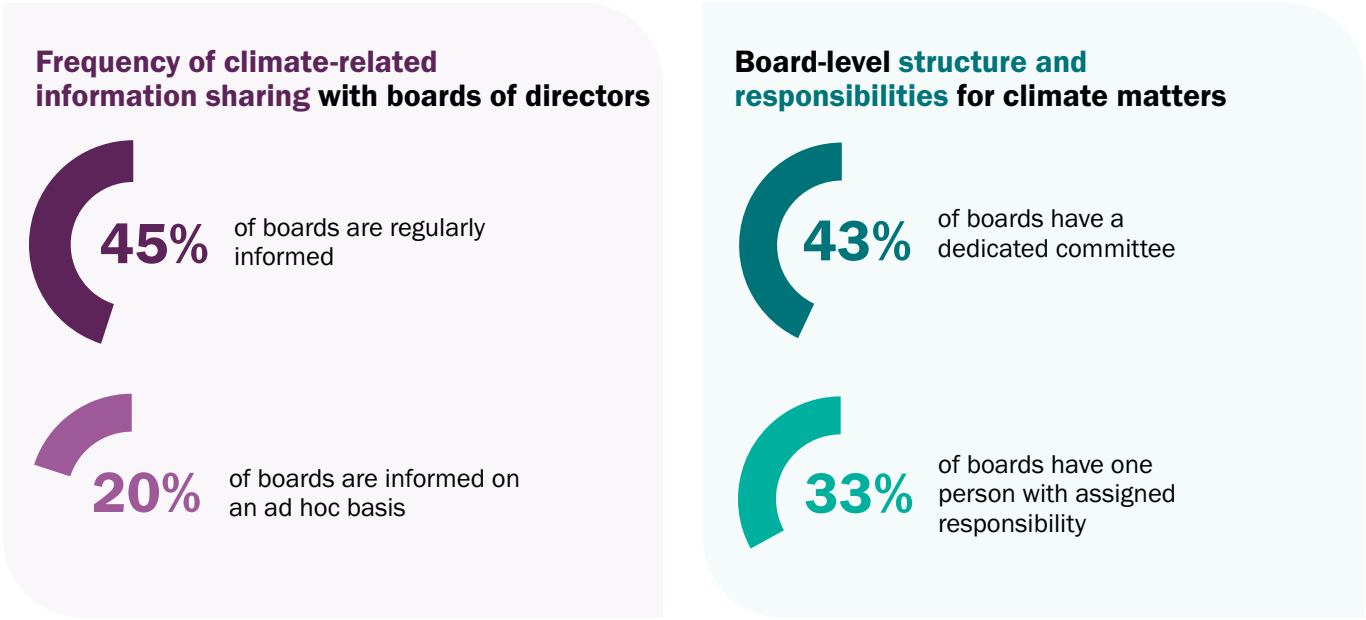
believe that top management's interest in climate matters is not a challenge.

In most banks, climate is on the board's agenda. Fifty-nine per cent of surveyed banks indicate their boards receive climate-related information, with 45 per cent informed regularly and 20 per cent on an ad hoc basis. Board-level responsibility for climate, either via a committee or dedicated person, is assigned in 59 per cent of banks. Forty-three per cent have dedicated climate committees, 33 per cent have one person responsible for climate issues and 17 per cent have both a committee and a responsible person. Only 8 per cent of banks see lack of board engagement as an issue.

Nine per cent report not having structured or ad hoc methods to inform or engage board members. Four out of nine banks with no structure or approach to inform boards on climate issues come from eastern Europe and the Caucasus (EEC), accounting for 19 per cent of boards in this region.

There are clear differences between subsidiary and non-subsidiary banks. Fifty-eight per cent of subsidiaries versus 32 per cent of non-subsidiaries report board structures and responsibilities for climate governance, indicating greater clarity on the importance of climate governance.

Chart 15. Board of directors' overview of climate issues (percentage of banks, n=96)



Source: EBRD and authors' calculations.
Note: Based on responses to multiple choice question on how climate matters are addressed at the level of this bank's board of directors. Nine banks selected "none of the above" and six banks answered: "I do not know".

Regional differences are visible. Central Europe and the Baltic states (CEB) is the leading region on structures and information-sharing practices, with 75 per cent of banks having a climate committee and 50 per cent a dedicated person. It is followed by south-eastern Europe (SEE), where 55 per cent have a climate committee and 45 per cent a dedicated individual. In addition, 62 per cent of boards in CEB and 59 per cent in SEE are regularly informed about climate.

In contrast, the southern and eastern Mediterranean (SEMED) has the lowest share of banks with climate-specific responsibility assigned to committees (23 per cent) or persons at the board level (32 per cent). EEC and Central Asia show similarly low levels of structures. Given the importance of climate leadership in transition, regions with low board engagement should be encouraged to involve their leaders in climate work.

Banks with long-term climate goals are more likely to have board-level structures. Among these banks, 91 per cent have a board-level climate committee or person with responsibility for climate. That compares to 69 per cent of banks without such goals, who report that only half of boards are kept regularly informed about climate.

Engaged boards lead to more staff dedicated to climate work. Fifty-six per cent of banks with board-level committees or designated persons steering strategic climate decisions have at least one full-time staff member working on climate. That compares to 29 per cent of banks without such structures. Among the 12 banks with climate resources, only one reported some board involvement and regular climate updates. Follow-up data show that board engagement advances climate actions, enabling better data collection, consultation between departments and resource allocation to climate activities.[38]

The survey showed a correlation between board engagement and transition planning, although causality should be interpreted with care. Ninety-five per cent of banks with transition plans have dedicated climate committees made up of climate-responsible board members. Board engagement is crucial for transition planning, as it requires leadership and impactful decision-making. As Ira Poensgen, Strategic Adviser at the International Transition Plan Network, stresses, transition planning "requires asking some really hard questions at the senior level around what your business model is, because sometimes your current business model is not compatible with the climate targets that you've set and that requires difficult decisions".[39]

The World Economic Forum (WEF) says boards are accountable for long-term climate resilience.[40] They should integrate climate-related risks and opportunities into strategic planning and risk management. Boards must possess adequate knowledge of climate-related issues to make informed decisions and ensure alignment with overall business objectives.

4.2 Resources and collaboration

Key numbers from the EBRD 2024 survey of partner banks:

Full-time climate work:

44%

dedicate one or more people to work on climate full time, the majority sit in ESG and risk teams.

Lack of resource commitment:

13%

do not have any people working on climate.

Clarity of roles:

44%

report clear roles and responsibilities for climate.

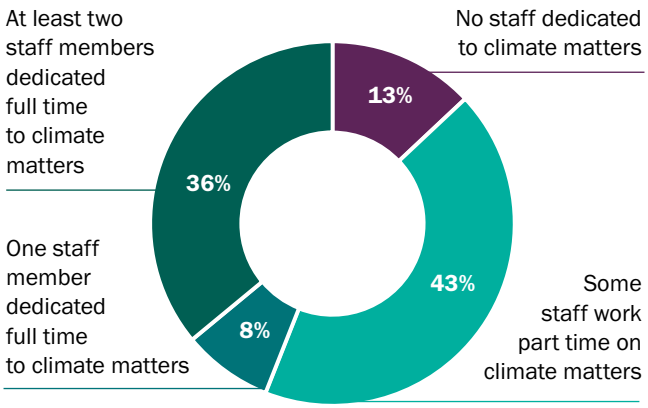
Eighty-seven per cent of banks have staff dedicated to climate issues. In 44 per cent of banks, staff work on climate full time, while 43 per cent rely on part-time involvement. Only 13 per cent of banks have no staff tasked with climate responsibilities. When banks allocate full-time resources to climate, 36 per cent assign two or more people, while 8 per cent appoint only one person.

[38] Based on an interview with İşbank, conducted online by Cynthia Page, Principal at the EBRD, and Jagoda Gregulska, Senior Manager at Deloitte Central Europe, on 16 January 2025.

[39] Based on an interview with Ira Poensgen, Strategic Adviser at the International Transition Plan Network, conducted online by Cynthia Page, EBRD Principal, Green Financial Systems, and Jagoda Gregulska, Senior Manager at Deloitte Central Europe, on 2 October 2024.

[40] See WEF (2019).

Chart 16. Bank staff working on climate matters (percentage of banks, n=96)



Source: EBRD and authors' calculations.

State-owned banks lag in assigning full-time resources to climate work. Of the eight state-owned banks that responded, six rely on employees who deal with climate part time, one has one full time staff member and the other has no staff dedicated to climate matters. These banks are often among the largest with critical portfolios, which raises questions about their preparedness for climate transition.

Part-time climate work is more common in small banks (56 per cent).[41] Medium and larger banks are more likely to have two dedicated climate staff (40 per cent) versus 18 per cent in smaller banks. This share is even higher for banks with 5,001 to 10,000 employees (63 per cent), surpassing the largest banks (10,000-plus), where 36 per cent have more than two full-time climate employees. This may be due to the over-representation of large state-owned banks in the largest category, which allocate fewer resources to climate issues.

For banks with full-time staff dedicated to climate (45 banks), 80 per cent sit in ESG departments and 73 per cent in risk departments. Full-time climate staff work in strategy and products departments in 49 per cent of banks. On average, 30 per cent of banks place climate expertise in communications, compliance and finance, followed by 22 per cent in legal. Client relations have climate-focused employees in 20 per cent of banks, and the front office in only 18 per cent.

There is a positive correlation between dedicated staff and green products offered by banks. The survey showed banks that have staff focused on climate in client relations and front office departments offer on average 3.5 green products, compared to 2.4 products across all banks. The follow-up data collection showed banks are aware of the changing role of their client-facing staff who now go beyond selling products and become advisers on how to achieve more sustainable goals. They need to be able to understand the climate-related transition clients may undergo, identify how green financing can support them and offer tailored solutions.

Staff dedicated to climate in risk departments are positively correlated with climate risk practices. Sixty per cent of banks with dedicated climate resources in risk conducted at least one type of climate risk assessment, compared to 29 per cent of banks without such resources.

Thirty-five per cent report climate-related initiatives, including networks, awards and incentives. These formal and informal climate-related efforts help mainstream climate within organisations and bring like-minded employees together to form dialogue and support groups, enhancing information sharing.

The Climate Safe Lending Network (CSLN) emphasises the critical role of internal climate networks and groups in driving effective climate action. These structures foster collaboration, share best practices and overcome organisational barriers to implementing climate strategies.[42] International Transition Plan Network's Poensgen explains the TPT's transformative ambition was "trying to change the culture of many organisations at once and this is something that we very consciously built into the framework".[43]

Remuneration policies are tied to meeting climate goals, as reported by 16 per cent of all banks. This indicates incentives for successful climate action and accountability. It is also higher than the 11 per cent average reported for financial sectors in the United States of America and Europe, according to the WEF.[44] Regionally, 10 of the 15 banks with such policies are located in CEB and three in south-eastern Europe.

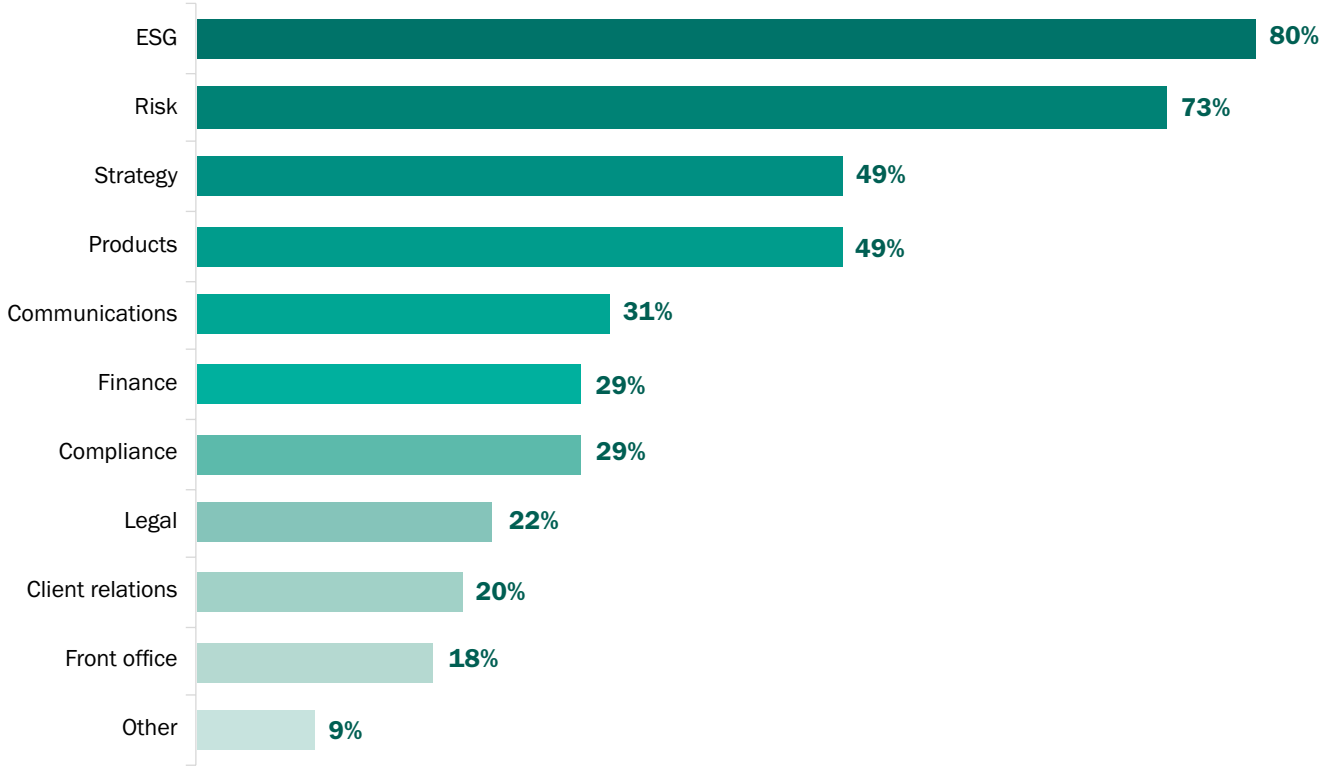
[41] In the research, the size of banks is estimated on the self-reported number of employees.

[42] See CSLN (2022).

[43] Based on an interview with Ira Poensgen, Strategic Adviser at the International Transition Plan Network, conducted online by Cynthia Page, principal at EBRD, and Jagoda Gregulska, senior manager at Deloitte Central Europe, on 2 October 2024.

[44] See https://hub.climate-governance.org/article/executive-compensation-guidebook-for-climate-transition (last accessed on 12 February 2025).

Chart 17. Staff dedicated to climate matters by functional area (percentage of banks, n=45)



Source: EBRD and authors' calculations.
Note: Results calculated for sub-sample of 45 banks that reported to have staff dedicated to climate matters.

Anticipated acceleration in climate transition planning may raise resource allocation challenges. Secondary sources including industry reports and media show current resources are insufficient to meet the rise in banks setting long-term climate goals and strengthening climate risk practices (see Chapter 5). As EY says: "The scale of the problem that sustainability practitioners have been hired to address is vastly disproportionate to the size of the function; it is not uncommon for multinational corporations to operate with single-digit teams."[45]

Cross-departmental collaboration is a challenge for many banks. Only 44 per cent of respondents indicated clearly defined roles and responsibilities for climate management. This suggests uncertainty in ownership, engagement and accountability, which can potentially hinder progress, especially if client-facing teams are not integrated into climate processes. Türkiye's İşbank (see Case study on İşbank) highlighted the need to align and collaborate with client-facing units to develop effective engagement strategies. It says "you cannot force your clients to answer your questions, you need to work diligently to get accurate data".[46]

Sixty-one per cent of banks report inter-departmental information sharing and collaboration on climate. While the remaining 39 per cent do not share climate information, only 11 per cent of banks acknowledge weak collaboration as a challenge. Climate coaches working with businesses caution that "when change is seen as something for just a few people or functions, it is not embedded at the heart of an organisation and is viewed as separate from its overall purpose and strategic direction".[47] This may lead to the creation of separate units "single-handedly tasked with implementing the change initiative, while everyone else continues as before".[48]

It is important to mainstream climate skills in client-facing staff. While ESG or risk departments often lead climate work and serve as knowledge hubs, siloing climate expertise within these teams is risky. Experts emphasised the importance of involving business teams in climate discussions from the start to bring in perspectives on climate risk appetite and business strategy.[49]

[45] See EY (2022).
[46] Based on an interview with İşbank, conducted online by Cynthia Page, Principal at the EBRD, and Jagoda Gregulska, Senior Manager at Deloitte Central Europe, on 16 January 2025.
[47] See Cox and Flynn, page 198 (2022).
[48] Ibid.
[49] Based on an interview with international climate transition experts, conducted online by Cynthia Page, Principal at the EBRD, and Jagoda Gregulska, Senior Manager at Deloitte Central Europe, on 6 September 2024.

4.3 Building capacities through training and networking

Key numbers from the EBRD 2024 survey of partner banks:

Increasing knowledge:

82%

report staff participated in climate-related events, conferences or training.

Building skills strategically:

29%

have specific goals for climate-related staff training.

Discussing the topic:

48%

are members of climate-related national or international alliances, associations or industry groups.

Staff participated in climate-related knowledge-sharing initiatives in 82 per cent of banks. These cover topics including ESG, taxonomy, climate risks, sustainable and green finance, and decarbonisation. Banks also leverage programmes from parent institutions and collaborate with multilateral development banks; international financial organisations; UN partnerships such as the UN Environment Programme Finance Initiative and the UN Global Compact; central banks; banking associations; and consultancies.

Despite learning initiatives, banks lack a strategic approach to increasing climate knowledge. While banks consider capacity development crucial for their climate transition, only 35 per cent invested in climate capacities through training or new hires, and only 29 per cent had specific goals for staff attending climate-related training.

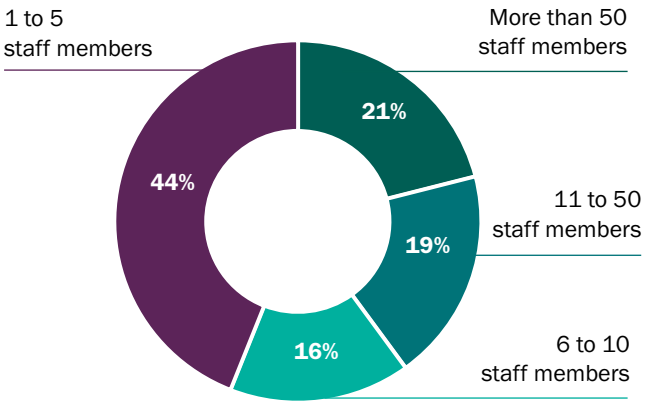
As a result, climate knowledge reaches few bank employees. In 60 per cent of banks, no more than 10 staff members attended events or training last year, with 44 per cent sending no more than five staff. Given 66 per cent of surveyed banks employ over 1,000 people, this investment is insufficient. Only 21 per cent reported that 50 or more staff were exposed to climate knowledge.

Anecdotal evidence indicates banks have a limited strategic approach to building knowledge. Feedback from the EBRD's Climate Transition Programme indicates staff are often encouraged to build climate-related skills alongside their daily duties, without sufficient time for learning. Banks attend climate-related events or training when available but rarely seek out knowledge-building opportunities or create learning programmes. Many resources are in English, limiting accessibility for non-English speakers, and not all materials are tailored to early-stage banks or the realities of emerging markets.

Some banks significantly invest in building staff understanding of climate change. These approach this task with care and substantial resources (see Case studies on UniCredit, DSK Bank and İşbank). However, others are just beginning to explore the topic without strategic approaches to building knowledge.

Subsidiaries of foreign banks assign more resources to climate work. Forty-five per cent have two or more dedicated staff, compared with 28 per cent of non-subsidiaries. They are more likely to report larger groups of employees attending climate-related events or training (23 per cent of subsidiaries versus 4 per cent of non-subsidiaries) and benefit from parent initiatives.

Chart 18. Share of banks by number of staff who participated in climate-related training, conferences or events in the past year (percentage of banks, n=80)



Source: EBRD and authors' calculations.

The share of banks exposing staff to climate knowledge through events and training ranges from 100 per cent of banks in Türkiye[50] and 94 per cent in CEB, to 67 per cent in Central Asia. Differences are also evident in the scale of training. CEB and SEE have the highest share of banks with large-scale training (50-plus staff), while EEC as well as SEMED report the least people trained.

Challenging political and security situations are likely to impact climate capacity development. In war-torn regions, prioritising and accessing climate learning is difficult. In Ukraine, Lebanon, and the West Bank and Gaza, 50 per cent of banks report attending events or training, significantly lower than banks overall. However, significant response rates to the 2024 EBRD Climate Transition Survey confirm banks' interest in and commitment to climate transition work.

The need is growing for well-planned, strategic and adequately resourced climate-related capacity development from both business and regulatory perspectives. Climate training is crucial for business transformation as it helps staff to better work with clients on the energy transition, pushing on accountability and transparency, monitoring and disclosing how well bank clients are doing over time.[51] In addition, a bank's investment in training is a criterion for reviewing the credibility of its transition plan.[52]

Human resource (HR) departments are not always prepared to conduct climate skill gap audits. The complexity of climate-related knowledge – spanning risk management, sustainable finance, ESG, and green technologies and products – requires specialised tools and frameworks that HR departments may not possess in-house. HR needs to collaborate with sustainability and risk management teams to understand the specific skills required. This collaboration is essential for developing audits that identify both general climate awareness and specialised skills. HR should also embed climate considerations into recruitment, performance management and professional development. This would ensure climate-related competencies are recognised as key performance indicators and encourage continuous expertise building in sustainability.

BOX 6. Climate-related networks and alliances most popular among the surveyed banks

Principles for Responsible Banking (PRB)

This sustainable banking framework aims to help signatory banks align their strategy and activities with the world's sustainability and climate ambitions reflected in the UN Sustainable Development Goals (SDGs) and the Paris Climate Agreement.[53]

Net-Zero Banking Alliance (NZBA)

This alliance of global banks works together to align their lending, investment and capital markets activities with the goal of reaching net zero by 2050.[54]

Science Based Targets initiative (SBTi)

This corporate climate action organisation offers standards, tools and guidance to help companies set GHG emission reduction targets in line with the global ambition of hitting net zero by 2050.[55]

Partnership for Carbon Accounting Financials (PCAF)

PCAF is a global partnership of financial institutions united to develop a harmonised approach for the assessment and disclosure of financed GHG emissions.[56]

Chapter Zero

This initiative for non-executive directors and chairpersons was established to provide knowledge support in areas related to climate change to enable the effective climate leadership of its members.[57]

Forty-eight per cent of the banks are part of climate-related alliances and networks. This includes being members or signatories to national or international alliances, associations or industry groups, and increases their access to climate discussions and guidance. Popular initiatives include the UN's Principles for Responsible Banking (PRB), NZBA, PCAF, SBTi, the UN Global Compact, Chapter Zero, the Carbon Pricing Leadership Coalition and the Green Investment Principles.

[50] Based on the response of seven banks in the country.
[51] See CSLN (2021).
[52] Ibid.
[53] See https://www.unepfi.org/banking/bankingprinciples/ (last accessed on 11 February 2025).
[54] See https://www.unepfi.org/net-zero-banking/ (last accessed on 11 February 2025).
[55] See https://sciencebasedtargets.org/about-us (last accessed on 11 February 2025).
[56] See https://carbonaccountingfinancials.com/en/about (last accessed on 11 February 2025).
[57] See https://chapterzero.org.uk/about/ (last accessed on 11 February 2025).

Given the value for banks, it is notable that almost half do not benefit from such initiatives. Joining organisations such as PRB, NZBA and PCAF provides access to internationally recognised frameworks, best practices and peer learning opportunities that can help banks navigate the complexities of climate risk management and transition planning.

Membership of climate-related initiatives is growing in emerging markets. This indicates participation among EBRD partner banks will likely increase. NZBA's membership more than tripled to 144 banks by May 2024, with representation growing from 23 to 44 countries. Notably, 35 per cent of these member banks are headquartered in emerging and other markets.

National banking associations and industry networks promote climate thinking in EBRD regions. This often involves efforts to translate global practices into local contexts and offer platforms for dialogue. Sustainability and climate-focused working groups enable banks to collaborate, share best practices and standardise climate risk management approaches. These initiatives bridge regulatory gaps, promote voluntary commitments beyond national requirements and facilitate peer learning, especially in emerging markets.

National platforms for discussing climate in the financial sector are growing. While international initiatives largely drive climate action, national platforms offer opportunities for peer engagement on local challenges and responses. There are a growing number of country-level industry groups enhancing the climate transition of their national financial sectors, and surveyed banks mentioned membership of initiatives such as the Azerbaijan Banks Association, Macedonian Banking Association and the Mongolian Sustainable Finance Association.

Climate-related network membership ranks among the most effective ways to support climate transition. Survey results show a positive relationship between memberships, transition planning progress and climate action transparency. Banks associated with like-minded institutions are more likely to disclose climate-related data, have transition plans in place or intend to develop them within a year.

BOX 7. Climate Transition Masterclass series in Türkiye: collaboration between the Banks Association of Türkiye and the EBRD

In 2024, the EBRD and BAT co-delivered a series of masterclasses for the banking community in Türkiye. A team of EBRD international and national climate experts, alongside specialists from BAT, explained different aspects of climate transition planning.

Participants learned about the global context of climate action in the financial sector; the role of transition plans; climate risk identification; approaches to climate governance; strategy; and metrics. BAT's experts embedded international practices and climate standards into the Turkish context. The collaboration built on BAT's ongoing work on sustainability in the Turkish sector, which includes publication of relevant guidance documents and training.

Chart 19. Relationship between alliance membership and transition plans

Source: EBRD and authors' calculations.

Case study

DSK Bank, Bulgaria: building climate skills within a bank

The challenge

Bulgaria's DSK Bank found its departments varied significantly when it came to understanding the impact of climate on their business processes and decided to strengthen its employees' competencies. The bank recognised comprehensive and impactful training would require collaboration between experts from different fields.

The response

DSK established a dedicated Climate and Environmental (C&E) Risk Centre of Excellence that brought together professionals from the C&E Risk Directorate and the Green Financing Unit. It also included experts in economics, sustainable finance, risk management, law, ecology, natural hazards, risk management and climate modelling. The centre provides specialised knowledge, methodological support and cross-functional coordination to promote a cohesive approach to climate-related initiatives. Supplemented with materials and knowledge from sources including the OTP Bank Group, it delivers locally developed training that is tailored to meet the needs of DSK and its business.

In collaboration with its Training and Development department, the centre develops an annual ESG training programme to be delivered to all 5,000-plus employees of the bank. It aims to build an understanding of climate and environmental risk as well as function-specific knowledge. By covering broader sustainability and ESG topics, it also helps employees navigate cross-cutting topics and expectations. The centre trains client-facing teams to identify and promote sustainable lending opportunities including EU taxonomy criteria, emphasise the importance of transition pathway-aligned investments, and communicate their long-term value to clients. First and second line of defence teams benefit from deep-dive training on climate and environmental risk management, with a granular focus on transition, physical and other environmental risks, and their relation to the overall business strategy of the bank.

Training modules are tailored to specific groups. For example, relationship managers benefit from practical case studies and tools for client interaction. Risk professionals are equipped with knowledge about climate and environmental risk impacts on traditional risk types and risk assessment processes. DSK continuously expands the scope of its training programmes to meet stakeholders' evolving expectations. These include bank-wide mandatory ESG training, and business-specific deep-dives into topics such as sustainable finance frameworks, decarbonisation planning or ESG due diligence. In addition, the centre offers specialised risk training, exploring client and transaction risk categorisation, key risk indicators and risk quantification for climate.

The bank plans further training tailored to its subsidiaries focusing on areas such as leasing and asset management. It will also be extended to departments whose work has a direct impact on the ESG management within the bank, for example, the procurement team in light of the EU's Corporate Sustainability Due Diligence Directive.

Lessons learned

- Bring together thematic and capacity development experts to ensure the impact and accessibility of training.
- Understand the practical needs of the audience and tailor training to make it relevant and applicable. Emphasise real-life application of concepts via scenario analyses and simulations.
- Collect feedback after training to identify further needs. Ensure experts are available post-training for additional support.
- Build connections across departments through collaborative training.
- Employees who understand green finance frameworks are empowered to speak confidently to clients and increase engagement on these topics.
- Providing better support to clients helps increase their willingness to provide relevant data.

CHAPTER 5

Preparing the next moves

Climate transition planning

Key findings

1 Climate transition planning by partner banks is expected to accelerate in the next two years. Banks should view this as a comprehensive business transformation, not just as a reporting and compliance issue.

2 Partner bank investments in transition planning and climate action add value. Banks that have already developed transition plans lead in nearly all climate-related practices and data suggest the transition planning process itself makes a difference in a bank's transformation.

3 As banks identify climate risks and engage with clients, they become more aware of data gaps and the need for climate expertise, including in client-facing roles.

4 An enabling environment is crucial for climate transition, including sector-specific regulatory guidance and incentives for the real economy to transition and collect climate data.

What are we exploring and why?

Climate transition planning can streamline and enhance banks' climate actions, leading to the development of a transition plan outlining steps to deliver on climate commitments. As regulators and investors increasingly expect banks to develop, adopt and implement transition plans, successful planning is becoming essential for access to capital.

With the anticipated acceleration of climate transition planning, the EBRD seeks to understand the approaches banks are taking, including regional differences, so it can target support and identify impactful systemic solutions.

5.1 Transition planning will accelerate in the next two years

Key numbers from the EBRD 2024 survey of partner banks:

Transition plans in place:

23%

have a climate transition plan, either self-developed or provided by headquarters.

Acceleration in transition planning expected:

52%

anticipate finalising a transition plan within one to two years.

Additional transition planning is anticipated:

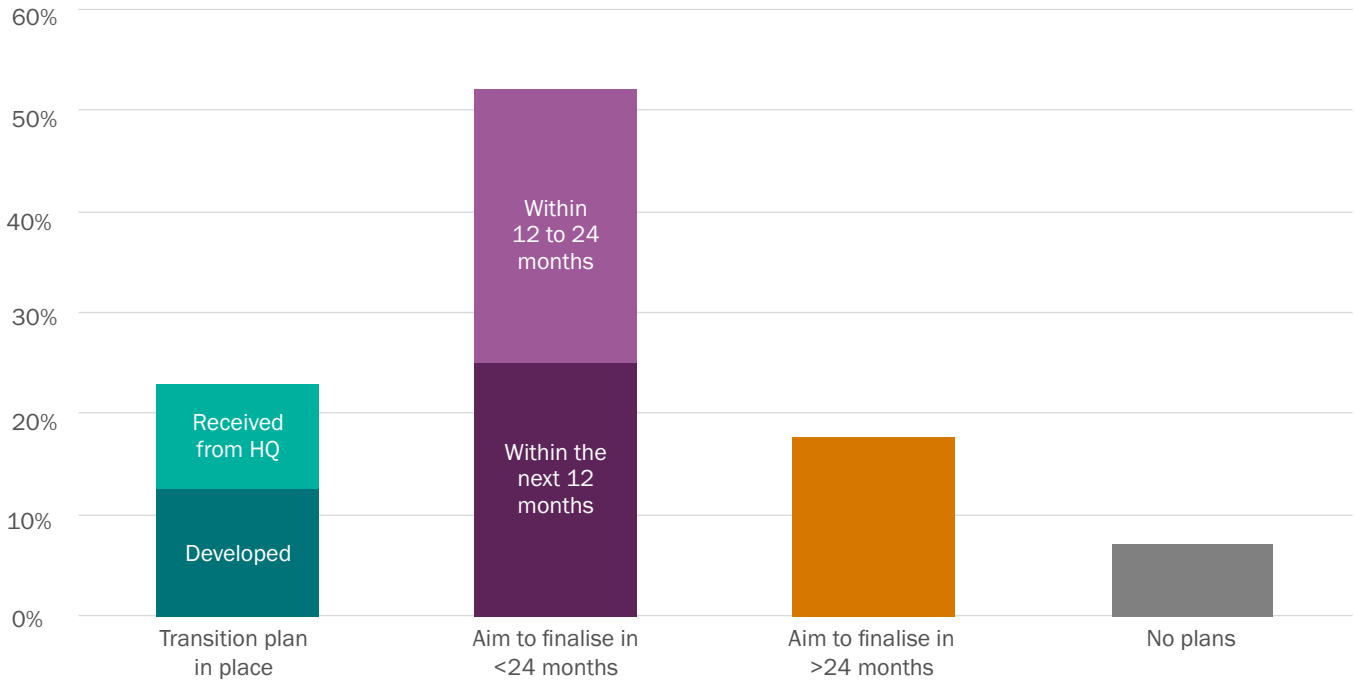
18%

expect to develop a transition plan beyond two years.

In 2024, 23 per cent of surveyed banks had climate transition plans. This included 13 per cent that developed their own plans and 10 per cent that received them from their parent institutions. Awareness of transition planning is high.

The next two years are crucial, with 25 per cent intending to develop plans within 12 months. A further 27 per cent of banks plan to do so within one to two years.[58] This level of intent shows transition planning has been mainstreamed across EBRD partner banks.

Chart 20. Progress in transition planning (percentage of banks, n=96)



Source: EBRD and authors' calculations.
Note: Results presented under "no plans" category include three banks responding that this is not a priority and four banks that do not know what a climate transition plan is.

[58] Responses were collected in 2024, third quarter.

Banks report various triggers for starting transition planning. These include shareholder expectations, access to capital and the need to mitigate portfolio transition risk. For some, the EBRD Paris alignment methodology catalysed the process.

The process has been resource-intensive and transformative, say banks that have developed or are currently developing transition plans on their own. It can bring together various departments such as business development, risk and sustainability.

Banks report using various guidance and methodologies for transition planning. These include the UN Environment Programme Finance Initiative's Guidelines for Climate Target Setting for Banks, Science Based Targets initiative standards, the PCAF database, and the Paris Agreement Capital Transition Assessment tool. In the EU, banks follow European Sustainability Reporting Standards and consult international benchmarks such as the International Energy Agency's Net Zero Emissions by 2050 scenario, the Carbon Risk Real Estate Monitor pathways and national decarbonisation plans.

Plans from parent institutions help lay foundations but need adapting to local economies. The qualitative data collection showed that the EBRD's partner banks that are subsidiaries appreciate these plans as they tackle in structured form all environmental and climate change issues in a bank's operations and portfolio. They come with clear and comprehensive guidelines, robust methodology and in some cases specific targets for financed emissions. However, subsidiaries may face challenges if their local markets regulate climate change issues differently to their parent companies' home markets.

Banks also need to translate group-level plans to their local economies, which have often made less progress towards a green transition. Engaging local stakeholders including regulators, clients and the community is crucial but challenging, due to varying levels of awareness and commitment to sustainability goals.

Interviews with banks in the transition planning process that aim to have these plans ready in the next two years found they leverage external capacity building and technical assistance due to insufficient in-house climate capacities. They often engage external experts to define roadmaps while building their internal climate knowledge.

There is a positive correlation between transition plans and dedicated full-time climate resources. Of the 22 banks with a transition plan, 13 have at least two full-time staff focused on climate, and nine have part-time staff. It is unclear if the transition planning process catalysed the development and allocation of climate-focused capacities, or if the existence of dedicated resources accelerated transition planning. Nevertheless, as developing transition plans is resource-intensive, it is concerning that 27 of the 50 banks planning to finalise transition plans within the next two years lack full-time climate staff.

Eighteen per cent of banks anticipate developing transition plans beyond the next two years, acknowledging their long-term importance. Only 3 per cent do not prioritise transition planning, and 4 per cent do not know what a transition plan is.

5.2 Status of climate practices relevant for transition planning

Transition planning helps banks assess current climate practices and identify gaps. The process also helps implement structured improvements. It enables the evaluation of climate-related actions and alignment with broader sustainability goals, risk exposure, risk management practices, business integration, metrics and targets setting, and governance. Experts say that while transition plans do not prescribe ambition levels – which are steered by national policies – they provide a structured way for banks to develop actionable roadmaps to integrate climate into their business.[59]

Analysis of banks' climate practices reveals fragmented implementation and uneven progress. Climate risk identification remains one of the weakest aspects of climate preparedness, with only 27 per cent of banks identifying and analysing their physical and transition risks, a fundamental aspect of setting adequate strategies and targets (see Table 3). Seventy-five per cent of banks embed climate in their business decisions and 71 per cent have targets set. Aligning targets and metrics remains a significant challenge, with only 14 per cent tracking progress towards their targets. The results suggest many banks are just beginning their climate transition journeys, and the connection between ambition, actions and accountability mechanisms – key pillars of transition planning – needs strengthening.

Banks that already have developed transition plans lead in nearly all climate-related practices. These have assigned climate responsibilities at board level and embed climate in business decisions. Seventy-five per cent have analysed both physical and transition risks, and 67 per cent have dedicated climate resources. Even within this group, however, gaps remain, particularly in quantitative risk assessment. This raises the question of whether transition planning drives the integration of climate practices or if better-prepared banks naturally produce strong climate transition plans.

Data suggest the transition planning process itself makes a difference. Only 10 per cent of banks that received transition plans from their headquarters conducted physical and transition risk analysis, and only 10 per cent performed both qualitative and quantitative analysis of those risks. While these banks have ambition and targets – outperforming even the banks that developed their own transition plans – only 50 per cent have dedicated climate resources. This suggests these plans might remain at a high level and not necessarily translate into meaningful local-level action.

There is a clear link between timeframes for transition plan finalisation and climate practices. Banks aiming to complete their plans within 12 months are more advanced than banks that plan to do so within 12 to 24 months, and these are more advanced than banks with longer time horizons. Banks that have not yet started transition planning are significantly behind in all key areas. These banks are the least prepared for upcoming regulatory and market shifts. Given the increasing regulatory and investor focus on climate-related financial disclosures, these institutions may face challenges in meeting emerging requirements and accessing finance.

Bank transition planning progress varies significantly by region. This reflects differences in regulatory environments, market pressures and institutional capacities. Central Europe and the Baltic states (CEB) leads in almost all analysed areas. Seventy-five per cent of banks in the region have analysed their physical and transition risks, all embed climate in business decisions and 69 per cent have set long-term climate ambitions. EU legislation such as the Corporate Sustainability Reporting Directive, Taxonomy Regulation and the European Central Bank's climate risk expectations play a key role in shaping these efforts.

Central Asia leads in green products, which are standard offerings for 88 per cent of banks. Most banks in this region set climate-related targets and track selected metrics. However, none of them track metrics for specific targets and only 38 per cent have long-term climate goals.

The southern and eastern Mediterranean (SEMED) and Central Asia lag on climate-dedicated resources. In SEMED, 27 per cent of banks have no dedicated staff working on climate while Central Asia's banks have no dedicated climate employees. In other regions, employees typically manage climate work alongside other duties. Dedicated climate resources are also not common for banks in Türkiye and eastern Europe and the Caucasus (EEC), with only 29 per cent of banks having full-time climate staff. These gaps indicate lower institutional readiness for climate integration.

EEC has the lowest share of banks conducting physical and transition climate risk analysis. Only 10 per cent carry out these analyses and none perform quantitative analysis. Banks in SEMED also lag on risk practices, which is concerning given their vulnerability to climate change.

[59] Based on an interview with Ira Poensgen, Strategic Adviser at the International Transition Plan Network, conducted online by Cynthia Page, EBRD Principal, Green Financial Systems, and Jagoda Gregulska, Senior Manager at Deloitte Central Europe, on 2 October 2024.

At the time of the survey, several conflicts were affecting EBRD regions. These included Lebanon, Ukraine, the West Bank and Gaza. Nine of the 21 EEC respondents were from Ukraine, and five of the 19 SEMED respondents were from Lebanon and the West Bank and Gaza. Given the humanitarian and economic challenges, it is not surprising that climate integration is lower as banks focus on immediate issues and stability.

Many banks plan to advance transition planning within the next two years. This presents an opportunity to embed climate considerations more systematically. Key areas requiring attention include climate risk practices, tracking progress towards targets and dedicating resources to climate matters. Advancing in these areas can support overall transition.

Table 3. Summary of climate practices of EBRD partner banks for all respondents, by transition plan status

		AMBITION	ACTION					ACCOUNTABILITY				
		Long-term target	Risk			Strategy		Metrics and targets			Governance	
	Sample size	Ambition set[1]	Physical and transition risks[2]	Quantitative analysis of physical and transition risks[3]	Formal process to manage material risks[4]	Climate in business decisions[5]	Green products in standard offering[6]	Metrics tracked[7]	Targets set[8]	Metrics and targets aligned[9]	Board of directors engaged[10]	Resources dedicated to climate matters[11]
ALL RESPONDENTS												
EBRD partner banks	*96*	39%	27%	19%	31%	75%	59%	73%	71%	14%	59%	36%
TRANSITION PLANNING STATUS												
Transition plan developed[12]	*12*	83%	75%	58%	58%	100%	92%	92%	75%	17%	100%	67%
Transition plan from headquarters[13]	*10*	90%	10%	10%	30%	90%	90%	100%	90%	20%	90%	50%
Finalised in next 12 months	*24*	33%	42%	25%	38%	79%	54%	79%	71%	17%	71%	42%
Finalised within 12-24 months	*26*	31%	15%	8%	19%	77%	65%	69%	65%	19%	38%	27%
Finalised in >24 months	*17*	12%	12%	12%	29%	59%	41%	59%	65%	0%	53%	24%
No plans to develop a transition plan	*7*	0%	0%	0%	14%	29%	0%	29%	71%	0%	0%	14%

Source: EBRD and authors' calculations.
Notes: Percentage of banks by sample size.
1) Have a long-term climate ambition or goal.
2) Analysed physical risks (qualitatively or quantitatively) and transition risks (qualitatively or quantitatively).
3) Conducted quantitative analysis of both physical risks and transition risks.
4) Have a formal process in place to manage material climate risks (physical and transition) when approving new financing.
5) Have standard green products offering, are not extending finance to clients in selected sectors with high GHG emissions or consider climate risk (physical and transition) when offering commercial terms of financing.
6) Have standard green products offering.
7) Tracking at least one metric.
8) Have at least one target set.
9) At least one metric being tracked and target set for that metric.
10) Responsibility for climate on board level assigned, either through a committee or a dedicated person.
11) Have at least one dedicated person.
12) Developed a climate transition plan.
13) Have received a climate transition plan from the parent bank.

5.3 Banks face challenges and seek support with climate work

Key numbers from the EBRD 2024 survey of partner banks:

Depending on clients:

80%

struggle with a lack of reliable data from clients.

Lacking internal climate know-how:

49%

report not having climate expertise within their bank or available on the market.

Importance of enabling environment:

60%

complain of a lack of regulatory guidance.

Key challenges

Challenges to integrate climate are more about external circumstances than internal will or capacities. The most significant barriers are a lack of reliable climate data from clients (80 per cent), lack of regional and national climate data (71 per cent) and insufficient regulations or green taxonomy guidance (60 per cent).

Problems obtaining reliable client climate data indicate that many banks have started collecting inputs, engaging with clients on climate and assessing information quality. During the transition planning process, it is crucial to establish baselines and set credible targets while continuing client engagement and project finance assessment.

Banks cite setting credible targets and tracking metrics among transition planning challenges. This is mainly due to a lack of reliable GHG emission data from clients, especially for Scope 3 indirect emissions where the estimation margin of error is considerable and impacts the reliability of baseline calculations. Banks report relying on PCAF emission factors when emission data gaps exist but considerable discrepancies between the actual data and proxies adds to uncertainty.

Target setting is impacted by sectoral benchmark or pathway availability for financed activities. Subsidiaries of international banking groups must adjust the parent company's targets to their own countries' economic realities. International Transition Plan Network's Poensgen[60] stresses that "[...] regional sectoral pathways matter particularly for banks because their portfolios will span multiple sectors and they need to be managing all of those. Oftentimes there aren't good inputs that they can use to understand whether they are on track or whether they're not on track". While there is progress on these pathways, transparency and accessible data are sometimes lacking.

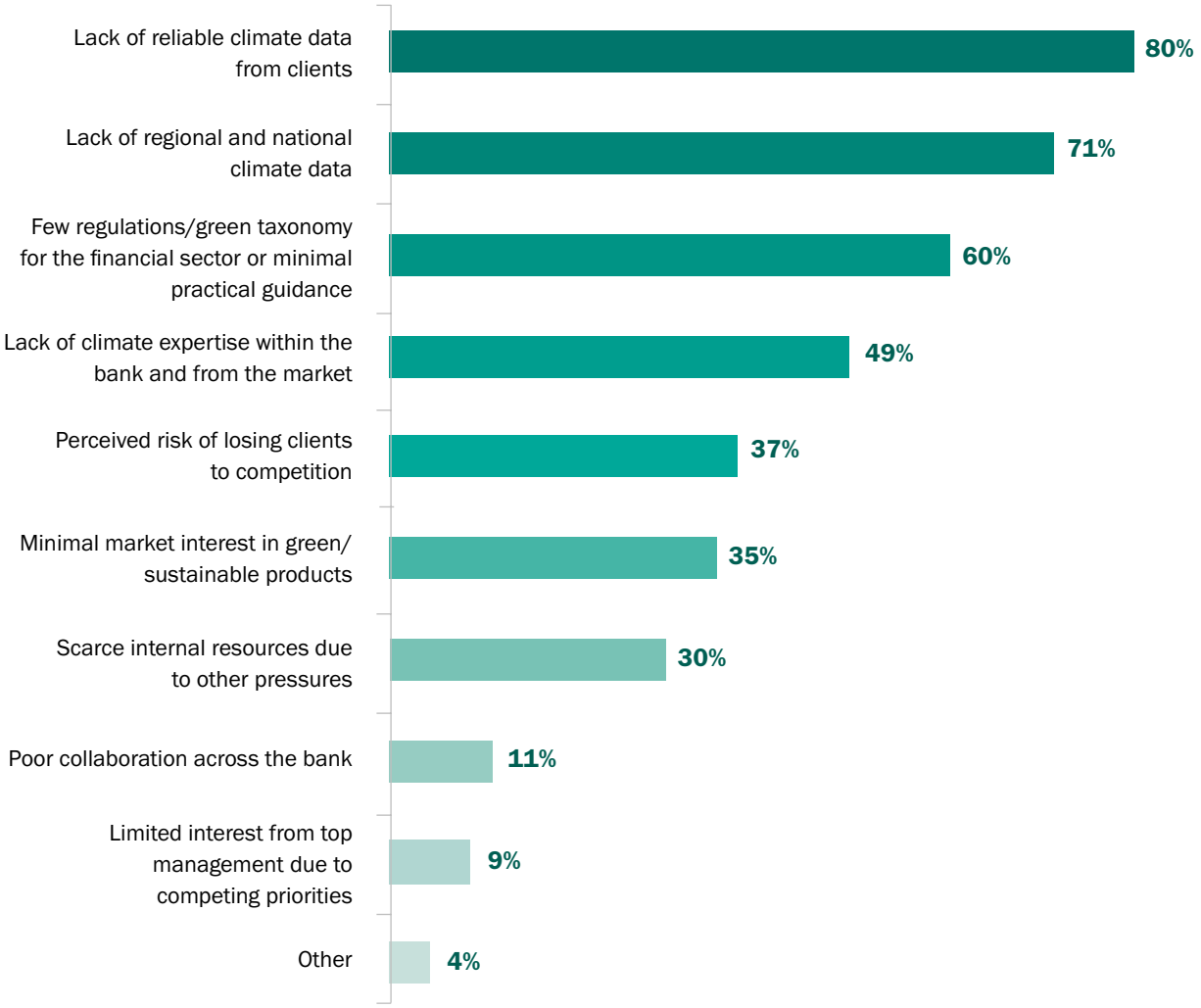
Client decarbonisation plans are unavailable and portfolio awareness is low. Where client plans are available, banks face the challenge of assessing them without established guidance. Interviews with senior climate officers from international financial institutions highlighted that transition plans for financial institutions depend on the plans of their clients. If corporates do not progress on that front as well, it is difficult for a bank to develop a transition plan.[61]

Insufficient regulations or green taxonomy guidance can point to different dimensions. This was mentioned by 60 per cent of banks. EU banks face significant reporting obligations and regulations in a short time, making it difficult for the institutions to respond in a balanced manner and risking staff burnout. Banks outside the EU highlight the need for local taxonomies to advance their green product offerings and climate transition.

[60] Based on an interview with Ira Poensgen, Strategic Adviser at the International Transition Plan Network, conducted online by Cynthia Page, EBRD Principal, Green Financial Systems, and Jagoda Gregulska, Senior Manager at Deloitte Central Europe, on 2 October 2024.

[61] Based on interviews with climate finance experts conducted online by Cynthia Page, EBRD Principal, Green Financial Systems, and Jagoda Gregulska, Senior Manager at Deloitte Central Europe, on 30 September 2024.

Chart 21. Challenges in integrating climate considerations into business operations (percentage of banks, n=91)



Source: EBRD and authors' calculations.
Source: Results calculated for sub-sample of 91 banks that provided responses. Five banks skipped the question.

Qualitative data showed banks often refer to the real economy rather than the financial sector when mentioning the need for regulations or policy interventions. To advance transition planning, banks ask for more transparent national and sector-specific transition plans. They also acknowledge the need for a policy and regulatory push, with incentives for economies to transition to low carbon and support small and medium-sized enterprises (SMEs) with grants and other initiatives. Banks can decarbonise their operations only in tandem with the transition of the real economy. Local economies face various challenges, including still lower levels of investment in transition and slower economic growth in green areas. Banks observe that these factors necessitate a more cautious and tailored approach to setting and achieving financed emission targets across sectors, ensuring they are realistic and attainable within the local economic context.

Internal challenges of transition planning include building climate expertise, understanding regulatory requirements and coordinating cross-functional teams. Banks also aim to automate processes and use technology for data collection and management, which often requires developing adequate IT infrastructure. Qualitative follow-up data collection showed banks struggle as there are few established professionals on the market for ESG data and taxonomy reporting or climate risk assessments. Therefore, they build internal skills gradually by engaging interns and training them on the job.

A lack of climate expertise within banks and the market poses a major hurdle for 49 per cent of banks when it comes to the broader integration of climate considerations into operations. They report difficulty finding talent that combines expertise in ESG and specialised fields such as law, finance and ecology. Professionals capable of effectively translating complex scientific and policy concepts into actionable financial implications are in demand and hard to find. The TPT noted that in emerging economies there is a lack of local expertise available to support firms with their transition planning. As a result, many rely heavily on international consultants who may not understand the relevant regional or local context.[62]

Twenty-eight per cent see scarce internal resources due to other pressures as an obstacle. While 60 per cent of banks that recognised this challenge have staff working on climate part time, even the 30 per cent of banks with two or more full-time climate staff acknowledge this issue.

Banks need to balance climate ambitions and the delivery of climate-related plans with profitability. Thirty-seven per cent noted the perceived risk of losing clients to competition over climate expectations. Delivery of the EBRD's Climate Transition Programme found this to be an especially pressing challenge in countries where capital is cheap and subsidiaries of EU-based banks lead in terms of green product offering, making entry for newcomers more difficult. As one programme participant noted, unless the bank leadership is willing to adjust anticipated profits, setting climate goals is a theoretical exercise.

Banks develop different approaches to tackle climate-related challenges. To address shortages of reliable client data, they use proxy data, for example, on the economic intensity of sectors or proxy energy performance certificates based on the year of construction and renovation of buildings. They collaborate with other banks on streamlining data collection processes among clients, developing shared approaches and questionnaires and investing in IT solutions.

Banks organise events to raise client climate awareness and promote green finance and the importance of decarbonisation. Several banks report investing in the climate capacities of their staff, especially those with client-facing roles (see Case studies from UniCredit and DSK Bank). Initiatives include developing support materials such as one-page documents about industry-specific key risks or regulatory briefings for relationship managers.

Support needed

Eighty-four per cent of banks require support to embed climate considerations in their operations. The areas where banks seek support largely reflect practice gaps and challenges, including around comprehensive data analytics, staff knowledge building, transition planning, and climate metrics and targets.

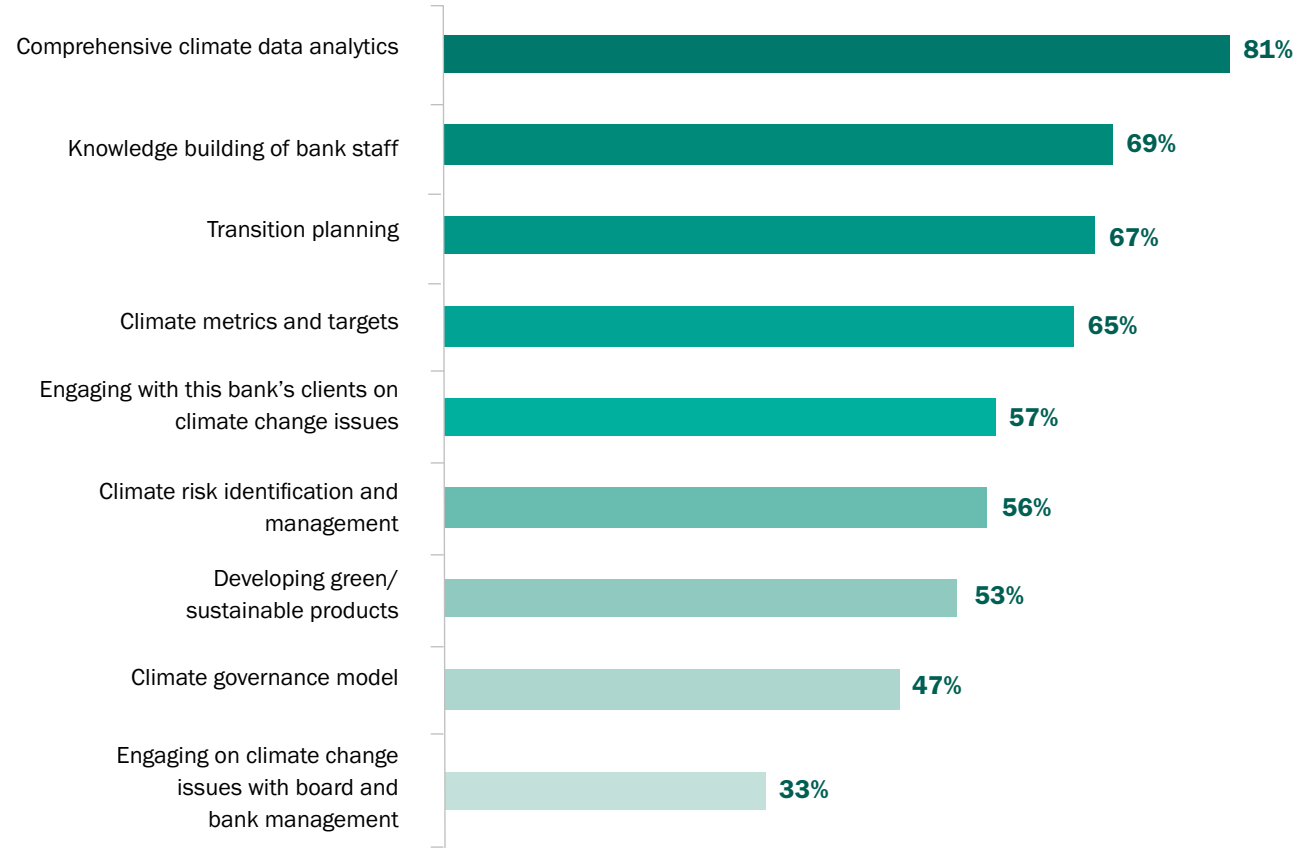
More banks report needing support on data analytics. This is consistent with the Network for Greening the Financial System's findings that "the processing and analysing of data require technical expertise and resources not readily available in all EMDEs. Where climate data from local sources may be available for the assessment of climate risks, most of this information is in raw data formats and is thus not readily usable without significant processing".[63]

Knowledge building for bank staff is in high demand and sought by 69 per cent of respondents. Risk teams must enhance climate risk assessment and regulatory compliance expertise, while front-office staff need training on sustainable finance and client engagement. Investment teams require skills in transition risk analysis and ESG integration, and compliance teams must strengthen their understanding of climate reporting requirements. As investors expect banks to support the transition by "providing finance, services and expertise to 'climate solutions', which includes all forms of low-carbon technologies and associated infrastructure necessary to build a low-carbon economy",[64] a deeper understanding of these sectors and emerging segments of the markets will be needed.

Sixty-seven per cent of banks seek support with transition planning, indicating high interest. This also demonstrates an understanding of its complexity. Follow-up data collection showed that even banks with plans in place need support, especially around areas including client engagement, identifying products and financing programmes for decarbonisation.

[62] See TPT (2024b).
[63] See NGFS (2024b).
[64] See IIGCC (2023), page 11.

Chart 22. Areas of support needed in embedding climate in business operations (percentage of banks, n=75)



Source: EBRD and authors' calculations.
Source: Results calculated for sub-sample of 75 banks that provided responses. Twenty-one banks skipped the question.

Eighty per cent see training and capacity building as the most effective climate transition support. This was followed by guidelines, manuals and tools at 69 per cent. Technical support from external experts is valued by 67 per cent of banks. This indicates banks are starting to see climate work as a long-term investment in internal knowledge and skills. When hiring external experts, banks emphasise the value of knowledge transfer rather than the production of deliverables (see Case study on XacBank).

Regional and subsidiary status differences mean support should be tailored to banks' needs and internal approaches. It is alarming that regions with the biggest climate action gaps have the least investment in resources. As highlighted by industry experts, banks outside the EU face distinct challenges due to weaker regulatory frameworks, limited technical expertise and fewer institutional incentives to accelerate climate action.[65]

[65] Based on interviews with climate finance experts conducted online by Cynthia Page, EBRD Principal, Green Financial Systems, and Jagoda Gregulska, Senior Manager at Deloitte Central Europe, on 30 September 2024.

Case study

XacBank, Mongolia: taking the first steps in climate transition planning

The challenge

XacBank has a long history as the leader of green finance in Mongolia and started its dedicated Eco Banking department in 2009. This helped the bank reach major milestones such as becoming the first entity accredited by the Green Climate Fund (GCF) in Mongolia and being a founding member of the Mongolian Sustainable Finance Association. Building on its consistent progress in climate engagement, the bank decided in 2023 to expand its climate agenda and initiate a transition planning process. This decision was driven by changing funding base requirements, which included the EBRD's push to align financial flows with the Paris Agreement goals. It also aligned with increasingly demanding national regulations and reporting obligations, alongside XacBank's longstanding commitment to sustainability and its position as a green finance pioneer. While the transition planning process allowed it to leverage its extensive green finance experience, it exposed knowledge gaps around specialised climate expertise for strategic planning.

The response

To address the gap, XacBank sought external support and focused on building in-house capacity to develop critical climate skills within a dedicated climate risk and ESG team. Initial external support for its transition planning involved experts supported by EBRD technical assistance.

For over a year, international consultants helped XacBank organise stakeholder meetings, set up climate data collection and draft an initial climate transition plan. In addition, external experts supported capacity building, including through training sessions for key stakeholders across the bank such as the board, senior management, corporate banking staff, the credit department and risk team.

From the outset, XacBank focused on explaining the importance of climate action to the board and senior leadership, whose increased understanding and appreciation of climate issues marked a key milestone. The XacBank team led three project phases of transition planning and made considerable progress towards a climate transition plan and disclosure. XacBank will continue to prioritise its employees' knowledge of climate transition and climate risk topics through training opportunities provided internally as well as through external partners such as the GCF or the EBRD.

Lessons learned

- XacBank showed a top-down approach is crucial for implementing climate risk and ESG initiatives. Engaging the board and senior leadership in the climate transition process from the initial stages and keeping them informed throughout can determine the speed of implementation and the success of the journey.
- External climate experts are a valuable resource, especially early in transition planning, but the ownership of the process and external supports need to be carefully managed by the bank.
- External experts should also help build employee awareness of climate action to help support knowledge transfer and strengthen the bank's internal capacity.

Case study

İşbank, Türkiye: climate transition planning as a transformative process

The challenge

In 2024, İşbank released its initial Net Zero Climate Transition Plan, marking a pivotal moment in its commitment to addressing climate change. As a member of the Net-Zero Banking Alliance (NZBA), İşbank's Initial Transition Plan targets Scope 3 Category 15 investment-related emissions for selected sectors. This plan establishes emission baselines and sets reduction targets while emphasising customer engagement in the transition to a net zero economy. İşbank's sustainability team was mandated to develop an actionable climate transition plan in collaboration with relevant departments.

The response

The sustainability team used existing interdepartmental mechanisms to discuss the bank's sustainability-related issues, including the Sustainable Finance Working Group and NZBA Working Group. More than 15 stakeholders from various units met weekly to discuss different aspects of transition planning under the leadership of the sustainability team. They reported to upper management monthly and consulted with it on key process directions and dimensions.

As transition planning progressed, it became increasingly clear which individuals needed to be involved and in what capacity. Different departments and units were gradually engaged, starting with the risk units, followed by sector-specific experts, client-facing bankers and the communications department.

To effectively plan the transition, the team needed to understand the bank's current position, identify specific organisational needs and analyse the loan portfolio. As measuring customers' emissions presented challenges, the sustainability team worked closely with sales teams from headquarters and branches to enhance the quality of customer data and increase the accuracy of the baseline study.

As sector-specific knowledge was crucial, particularly in hard-to-abate sectors, teams analysing customers in carbon-intensive industries provided valuable insights for the data collection process. Sector specialists and analysts contributed to the baseline assessments. They also played an important role in determining action plans and developing sector-based roadmaps, selecting appropriate levers along the way. The working group ensured the targets set were both practical and ambitious.

Effective transition planning also requires an accurate assessment of the financial impact, including cash flow analysis and portfolio expectations. To facilitate this, the sustainability team collaborated closely with relevant business units. Financial models were shared with all credit lines and relevant units to ensure alignment with goals and to monitor progress throughout the process.

Lessons learned

- Engaging various departments was challenging but essential for effective data collection and solidifying the initial transition plan's internal credibility.
- Stakeholders joined the process with different levels of commitment and understanding. Many added this work to their regular responsibilities and were unfamiliar with the climate topic. The sustainability team actively supported and engaged with units that initially struggled, ensuring that the necessary inputs and deliverables were developed.
- Climate action is not only a risk but also a significant business opportunity. The sustainability team, in collaboration with sales colleagues, helped client-facing staff understand the opportunities presented by decarbonisation, enabling them to effectively communicate the concept to bank branches and clients.
- The transition planning process helped mainstream climate issues across different bank functions and departments. It helped educate staff on the impacts of climate on the bank and build foundations of institutional resilience in the face of emerging and changing regulatory expectations.
- Based on the experience of preparing the initial transition plan, the sustainability team feels ready to leverage the established connections and internal mechanisms to tackle new regulatory challenges and topics.

CHAPTER 6

Enabling the climate transition

Implications for banks and the wider financial ecosystem

Key findings

1 Climate transition planning is an opportunity for institutional transformation, requiring a strategic approach to building internal climate capacities and effective governance, including conducting green skills audits, setting training targets and addressing talent gaps.

2 As banks advance their climate transitions, they face external issues such as low client awareness and motivation, as well as limited policy guidance and economic incentives for the green transition. This highlights the need for broader systemic support.

3 Support and expectations for transition planning should reflect diverse regional realities and progress. EU-based banks lead the way. Subsidiaries of international groups benefit from technical resources but must align group targets with local challenges.

4 Capacity building initiatives such as the EBRD's Climate Transition Programme are needed to build individual strengths and foster institutional and systemic change in the financial sector.

What are we exploring and why?

"Green" is among the core areas for the EBRD's collaboration with the financial sector. Increasing banks' ability to transition and their capacity to adopt business models that unlock green opportunities will boost competitiveness and increase resilience for real economy businesses.

To continue to effectively support partner banks, the EBRD seeks targeted ways to accelerate their climate work and to understand the challenges and realities faced by clients as they undergo institutional transformation.

6.1 Implications on accelerating the climate transition of banks

Institutional climate capacities are required

In the next two years, the development of institutional climate capacities will be pivotal. Successful acceleration of the climate transition of banks in the EBRD regions requires strategic investments in the climate skills and capacities of partner banks. While developing transition plans needs dedicated expertise, their credibility and feasibility depends on banks integrating climate considerations into their structures and core operations including risk management, product development and HR.

Investment in staff capacity will have limited impact without a clear strategy to implement new skills and visible leadership commitment to embedding climate knowledge into daily operations. For training to be effective, banks must integrate capacity-building efforts with concrete changes in governance, processes and decision-making structures. Leadership engagement is crucial to ensure new expertise translates into action. Climate considerations need to be embedded into the core of banking operations rather than treated as isolated knowledge areas.

Progress will be uneven

Research shows significant differences in approaches and progress towards climate transition, influenced by regional factors and subsidiary status. The European Investment Bank's Daniela Diedrich-Ristic highlights the importance of considering these differences when assessing banks' progress on climate. "Subsidiaries of larger banks just follow the instructions from their companies. For instance, some large banks in the emerging markets that are listed on the London stock market, they already had to disclose in line with TCFD years ago, and they are very well-advanced. You cannot compare it to the smaller banks," she says.[66]

Support and expectations must acknowledge the diverse starting points of banks across regions and regulatory environments, as well as their access to climate expertise. A tailored approach to transition planning expectations is essential to balance ambition with feasibility. Offering targeted technical support and fostering cross-regional collaboration can help banks progress in a way that is both ambitious and achievable. By recognising differences, stakeholders can create an enabling environment that accelerates climate transition without disadvantaging banks that face structural barriers.

Transition planning should be iterative and allow banks to refine risk assessments, improve target-setting and enhance governance. The focus should be on creating a structured framework for continuous improvement rather than expecting banks to have fully developed climate practices in place before they start transition planning. As transition planning becomes more standardised, banks that view it as a dynamic tool rather than a static requirement will be better positioned to navigate the evolving climate and regulatory landscape.

Banks must initiate transition planning, even if the primary steps are imperfect. While initial planning may reveal more gaps than progress, experts emphasise it is an iterative change-management journey in which banks gradually build competencies and strengthen approaches.[67] This has implications for how they should communicate their initial efforts. Banks should be open about their gaps, set ambitious targets and explain the conditions necessary for meeting them. It is important to start even without all the data required. Experts stressed that banks do not need to have "perfect" targets and measurements, but should strive for a good understanding of the key high-emitting sectors and key clients in their portfolio, and start engaging with these clients in terms of their readiness.

Disclosure as the last, not the first step

Debate is ongoing on the impact of transparency and climate disclosures on the transformation of businesses and industries, especially with the increasing regulatory disclosure burden.[68] Anecdotal evidence suggests progress is hampered by "commitment fatigue, anti-trust concerns and a lack of bandwidth internally to meet the growing list of regulatory reporting requirements and industry initiatives".[69] As Buller notes "a critical problem arises insofar as disclosure is currently the core – if not sole – ask the governments have of corporations and the financial industry when it comes to the climate and nature crises".[70] More evidence is needed to determine if disclosure and standardisation help financial institutions achieve their net zero goals and lead to increased investment in priority transition sectors and regions.[71]

[66] Based on an interview with Daniela Diedrich-Ristic, Senior Climate Change Specialist at European Investment Bank, conducted online by Cynthia Page, EBRD Principal, Green Financial Systems, and Jagoda Gregulska, Senior Manager at Deloitte Central Europe, on 30 September 2024.

[67] Based on an interview with Ira Poensgen, Strategic Adviser at the International Transition Plan Network, conducted online by Cynthia Page, EBRD Principal, Green Financial Systems, and Jagoda Gregulska, Senior Manager at Deloitte Central Europe, on 2 October 2024.

[68] https://www.nature.com/articles/s41558-021-01174-8 (last accessed on 12 February 2025).

[69] See https://rmi.org/we-reviewed-the-climate-disclosures-of-the-worlds-100-largest-financial-institutions-heres-what-we-found/?utm_source=chatgpt.com (last accessed on 12 February 2025).

[70] See Buller (2022), page 167.

[71] See https://www.nature.com/articles/s41558-021-01174-8 (last accessed on 12 February 2025).

Disclosures do not guarantee meaningful action unless they lead to informed decision-making and consequences for inaction. Taylor argues that a company can publicly disclose its carbon emissions while simultaneously working behind the scenes to oppose a carbon tax.[72]

Transparency should serve as a tool for identifying gaps, setting clearer expectations and enabling corrective measures rather than being treated as a compliance exercise. For banks, enhanced disclosures increase scrutiny from regulators, investors and civil society, making it harder to delay climate commitments or rely on unsubstantiated pledges. For policymakers and financial supervisors, greater transparency means they must strengthen their capacity to assess whether transition plans and climate strategies are credible and aligned with broader policy goals.

There is a risk that disclosures will expose shortcomings without incentivising meaningful change, unless there are clear accountability mechanisms and enforcement. Bridging the gap between transparency and accountability requires not only setting strong reporting standards, but also ensuring disclosures lead to measurable improvements in climate risk management and transition planning. According to Taylor "for transparency to lead reliably to accountability, we must agree on what good performance looks like … we need expertise and capacity to interpret it, and the power to force a response".[73]

6.2 Implications beyond partner banks

Banks engage with clients on climate, analysis of bank needs, approaches and challenges showed. As client transition plans are often not widely available and require dedicated skills to analyse, some banks are taking on the role of climate educator. This is in line with the Network for Greening the Financial System's observation that "it is in financial institutions' interest to engage with non-financial firms to encourage the development of transition plans and to make firms' transition plans more useful for financial institutions".[74]

Different climate frameworks also expect banks to play an active role in their clients' transitions. The Net-Zero Banking Alliance encouraged them to "proactively engage with clients to understand their decarbonisation plans and support their achievement of net zero emissions".[75] The Climate Safe Lending Network explains that collaborative approaches are essential as "banks and clients need to work together to identify climate-safe solutions".[76]

However, banks cannot be expected to be the main promoters and educators. Effective transition planning requires broader systemic support including clear policy direction, regulatory incentives and sector-wide capacity-building initiatives. Governments, industry associations and financial regulators must play a role in setting expectations, ensuring access to reliable data and providing the necessary frameworks for transition alignment. Without this collective effort, banks alone will struggle to bridge knowledge gaps and drive meaningful change across industries.

Carbon-intensive asset divestment can be risky if not accompanied by broader net zero support. As Dimitri Demekas points out in *Green finance in emerging markets: a ground-level view* (2023), simply "greening" banks' balance sheets by offloading high-carbon investments does little to drive real emissions reductions if alternative assets and technologies are not available, incentives remain misaligned or government policies lack coherence.[77] In such cases, divestment may merely shift emissions elsewhere rather than eliminating them, potentially slowing the decarbonisation progress. To ensure a meaningful transition, financial institutions must not only move away from fossil fuel investments but actively support the development of sustainable alternatives through coordinated policies and targeted investment strategies.

[72] See Taylor (2024).
[73] See Taylor (2024), page 39.
[74] See NGFS (2024a), page 22.
[75] See NZBA (2023), page 3.
[76] See CSLN (2023), page 5.
[77] https://www.omfif.org/2023/11/green-finance-in-emerging-markets-a-ground-level-view/ (last accessed on 27 February 2025).

6.3 The EBRD's continued engagement on climate transition

The EBRD recognises significant capacity and expertise is needed to develop transition plans. The survey findings and this report support the EBRD's understanding of its partner banks and the technical assistance offered to them. The EBRD plans to support more partner banks in 2025 to 2026, and will support programme alumni through online engagements, sharing best practices and targeted forms of support.

The EBRD works with multilateral development banks on climate and shared approaches to support transition planning. It collaborates through joint statements and commitments; integrated approaches to the interconnected challenges of sustainable development, climate change, and biodiversity loss; implementing Paris Agreement alignment approaches; and scaling up private-sector mobilisation to ensure a comprehensive and effective approach to tackling climate change.

Through financing supported by technical assistance and knowledge sharing, the EBRD will continue to support its clients. It aims to ensure that financial institutions in emerging markets can build resilience, seize green opportunities and align with the global shift toward sustainability. In addition to targeted inputs to support climate transition, it will explore related topics such as climate adaptation, protecting nature and biodiversity while also expanding its outreach in sub-Saharan Africa.

BOX 8. Considerations for banks

1. Get started

- ☐ **Avoid being left behind**: The financial sector is rapidly transitioning towards climate-conscious operations. Many banks are already making significant progress.
- ☐ **Approach climate strategy as part of business strategy**: Considering climate will profoundly change business decision-making.
- ☐ **Adopt international and national frameworks**: Position yourself as an early adopter to build a reputation as a trusted partner for investors and clients.
- ☐ **Anticipate regulatory changes**: Start building processes and collecting data before these requirements become mandatory.

2. Think about climate short and long term

- ☐ **Set long-term climate goals**: This sets the foundation for strategic climate actions beyond a short-term focus. Ensure these goals reflect your bank's ambition and planned path.
- ☐ **Create actionable short-term plans**: Avoid accusations of greenwashing with a focus on achievements in the near term.

3. Understand climate risks

- ☐ **Develop portfolio-level climate risk assessments**: Understand exposures to physical and transition risks for data-driven planning and decision-making.
- ☐ **Enhance data collection and analysis**: Collaborate with clients, use cross-sectoral platforms and invest in quantitative risk modelling.
- ☐ **Align risk assessments with business strategies**: Integrate climate considerations into credit risk modelling, client acceptance, pricing decisions and capital allocation.

4. Establish policies

- ☐ **Engage with high-emitting clients**: Combine restrictive policies with financial support for transition efforts to foster decarbonisation.
- ☐ **Invest in robust data frameworks**: Measure policy outcomes, track emissions reductions and ensure compliance with climate commitments and regulations. Monitor progress and refine strategies as needed.

5. Set credible targets

- ☐ **Tie targets to measurable metrics**: Use clear methodologies for calculation and monitoring.
- ☐ **Strengthen data systems**: Enable reliable tracking of metrics, especially for complex risks such as carbon-intensive assets and physical risk exposure. Use proxies where data are unavailable.

6. Ensure transparency

- ☐ **Consider the credibility of publicly shared information**: While transparency is vital for accountability and stakeholder trust, attention is needed before disclosing climate-related data.
- ☐ **Integrate climate data into financial reports**: Understand climate data within the context of core operations. Disclosure should inform stakeholders but not replace actual business transformation.

7. Develop green finance

- ☐ **Include green products as standard offerings**: Green finance is a strategic business opportunity that can be gradually integrated into core business models.
- ☐ **Seize the business opportunity**: Explore opportunities for new product offerings. Tap into the rising demand for sustainable financing, unlocking new revenue streams, attracting new clients and diversifying their portfolios.

8. Strengthen governance

- ☐ **Inform board and senior management regularly**: Establish a committee or assign responsibility for climate to ensure adequate expertise.
- ☐ **Define clear roles and responsibilities**: Ensure accountability and improve collaboration across departments.

9. Enhance institutional capacities

- ☐ **Increase resources and staffing**: Particularly in state-owned and smaller banks to improve preparedness for the transition.
- ☐ **Foster internal networks and collaboration**: Break silos and strengthen climate efforts.
- ☐ **Assign climate knowledge targets**: Monitor progress and invest in training for departments requiring climate-related knowledge.
- ☐ **Join climate-related alliances**: Access global best practices, guidance and tools.

10. Plan for the next cycle

- ☐ **Expect an iterative approach**: Banks that view transition planning as a dynamic process rather than a static requirement will be better positioned to navigate the evolving climate and regulatory landscape, and benefit from a transition plan as a business tool.
- ☐ **Create a structured framework for continuous improvement**: Initial planning may reveal more gaps than progress. Banks should continue to refine risk assessments, improve target-setting, enhance governance, and gradually build competencies and strengthen approaches.

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