

Banks: Anchor High Ambition in Transition Plans to Drive Transformational Change

NOW BANKS ARE SETTING NET ZERO TARGETS, WHAT COMES NEXT?

International multistakeholder network sets out what a 'good' transition plan for climate action looks like and guidance on how to develop one.

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In the lead up to COP26, more than 100 bankers and industry experts from around the world worked with the Climate Safe Lending Network to create the '**Good Transition Plan**' for Banks. This paper gathers the best thinking, emerging best practices, and stakeholder expectations for how banks can create effective climate transition plans. It sets out practical ways to help accelerate change and help banks to:

- Ensure a **strong governance framework** and **accountability** for the transition plan
- Embed transition goals in **corporate strategy, incentives, and culture**
- **Enhance due diligence** and apply a 'know your carbon' (KYCO₂) approach to client assessments
- Measure and support **real world impact** while supporting clients to transition
- **Manage relationships** with clients and other stakeholders who are affected by the bank's decarbonization plans, including a rapid end to the financing of new fossil fuel exploration and deforestation
- Align **advocacy and lobbying** to be consistent with climate goals and steer industry alliances to support the transition

The paper adds to a fast-growing literature on the technical and other aspects of transition planning and includes a summary of recent materials that offer leadership in various areas.

It is designed to help financial institutions in the [Glasgow Finance Alliance for Net Zero](#) (GFANZ), chaired by Mark Carney, including on the following key points:

Anchor high ambition

Given that banks make long term financial commitments, they can determine the shape of the economy decades from now. So, it is vital they set out on the right foot by taking the most significant steps in the near term. When forming a strategy, banks should anchor their expectations around ambitious timelines (earlier than net zero by 2050). This will help to identify the changes that will make the most difference that might otherwise be deferred and shift focus to the most important value-creation areas of a climate strategy sooner.

A sustainability plan that must work

Given that 47% of sustainability change projects in businesses fail, it is important that banks back up their targets with plans that take account of the full range of organizational challenges necessary to be successful. *The Good Transition Plan* provides a roadmap for C-suite executives and senior managers to organize effective climate strategy development – identifying and addressing the key issues where banks can make the most difference.

Multiple Lenses on Strategy

Banks should see their transition plan as a climate lens on their corporate strategy and a tool to bring complementary lenses in areas such as nature, biodiversity, health, wellbeing, and inequality. There are many unintended consequences and risks to be avoided, and multiple co-benefits to be realized through a holistic consideration of sustainability in banks' strategy.

The paper is targeted at CEOs and senior managers at banks of all sizes and geographies. It will be distributed by the Climate Safe Lending Network on Tuesday, October 26 at 08:00 EST.

Quotes

"The strategy decisions that banks make in the next few years will determine the shape of the economy decades from now. Having been persuaded to act with urgency, it's vital they set off in the right direction." **James Vaccaro, Executive Director of the Climate Safe Lending Network**

"We welcome the addition of this guide to the global conversation on how the banking sector can be a key catalyst in the drive to urgently and practically address the triple planetary crises of climate change, nature loss and pollution." **Puleng Ndjwili-Potele, Banking Lead (Interim), United Nations Environment Programme, Finance Initiative**

*"This is a strategists' guide to thinking through the issues. Whilst technical aspects might get updated, *The Good Transition Plan* speaks to the fundamental mindset shifts that banks will need to address before they can really get moving"* **Ivan Frishberg, Chief Sustainability Officer, Amalgamated Bank, Climate Safe Lending Network Design Team Member & Partnership for Carbon Accounting in Financials (PCAF)**

"The Good Transition Plan adds crucial strategic, human and practical insights to the emerging technical literature in this area." **Celine Suarez, Managing Director & Head of Corporate Sustainability and Reporting at Morgan Stanley**

"Banks don't like to be the policeman and are reluctant to engage with their clients about lowering their GHG-emissions towards net zero. ...If you are serious about this, you cannot stay silent, you cannot hide, you must speak out." **Jacob Waslander, Dutch Ministry of Foreign Affairs, formerly finance lead for World Resources Institute**

"Being honest about problem areas of the balance sheet such as coal will help to build trust; we can't make progress if we only talk about the good assets." **Rebecca Self, Director of Sustainable Finance at South Pole and former CFO of Sustainable Finance at HSBC Holdings**

"The Good Transition Plan has helped make us ask some searching questions we hadn't asked before." **Madeleine Ronquest, Head of Environmental and Social Risk, Climate Change at FirstRand**

Notes for Editors

[The Climate Safe Lending Network](#) is an international multi-stakeholder collaborative of banks, NGOs, academics, investors, and others aiming to accelerate the decarbonization of the banking sector to secure a climate-safe world. It brings together senior leaders and changemakers within banks, stakeholders, and influencers (including clients, foundations, shareholders), policy experts and civil society groups, to collectively explore how they can play their optimum role in accelerating change. The Climate Safe Lending Network is actively engaged in shaping the GFANZ workplan through their role on the GFANZ Advisory Panel.

This paper builds on the Climate Safe Lending Network's previous work in [Taking the Carbon out of Credit](#), providing a pathway for banks to align investment and lending decisions with decarbonization pathways.

The Climate Safe Learning Lab connects and supports banking professionals who are advancing the climate finance agenda within their institutions. The **Fellowship program**, which launched in October 2021, provides structured support over six months for climate intrapreneurs working in banking to build their knowledge, confidence, and skills for transforming their institutions from within, in service of people and planet.

The Climate Safe Policy Initiative injects thought provocation into the debate on financial regulation to reframe the design of the financial system consistent with social and environmental objectives. This initiative influences financial policies to help meet the Climate Safe Lending Network's goal of aligning bank lending with the Paris Agreement on climate action. The main policy intervention proposals were set out in [Financial Stability in a Planetary Emergency](#) – published in April 2021 – with validation by 50 experts from across the financial system.

The Climate Safe Lending Network is a project of Green America's [Center for Sustainability Solutions](#). Green America is a not-for-profit organization, founded in 1982, focused on economic strategies to address global climate, environmental and social justice crises. Green America is based in Washington, DC.

The Good Transition Plan was written by James Vaccaro, Executive Director of Climate Safe Lending Network, former Strategy Director of a leading international green bank and part of the core group who developed the UN Principles for Responsible Banking.

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