
TRANSITION PLANNING: A NEW MANAGEMENT TASK FOR BANKS

EMPIRICAL INSIGHTS INTO DRIVERS,
GOVERNANCE AND PRACTICAL
IMPLEMENTATION

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Nextra Consulting GmbH is a Hamburg-based strategy consultancy specializing in the sustainable transition and AI-enabled transformation. Nextra advises organizations on the development and implementation of sustainability strategies as well as AI strategies, ensuring alignment with business objectives, regulatory requirements and operational realities. The portfolio covers status-quo assessments, strategic roadmaps, and implementation support, supported by data-driven and AI-enabled scalable approaches.

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With a guest contribution from [Eurosif](#) – the European Sustainable Investment Forum



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LIST OF ABBREVIATIONS

BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht
BRUBEG	Bankenrichtlinienumsetzungs- und Bürokratieentlastungsgesetz
CRD VI	Capital Requirements Directive VI
CSRD	Corporate Sustainability Reporting Directive
EBA	European Banking Authority
EFRAG	European Financial Reporting Advisory Group
ESG	Environmental, Social and Governance
ESRS	European Sustainability Reporting Standards
EU	European Union
European Climate Law	European Climate Law Regulation (EU) 2021/1119
Eurosif	European Sustainable Investment Forum
EU	European Union
IEA	International Energy Agency
KPI	Key Performance Indicator
NZE	Net Zero Emissions
SME	Small and Medium-sized Enterprise

1. MANAGEMENT SUMMARY

This study assesses the current state of transition planning across German banks of different sizes and business models, including large universal banks, cooperative and savings banks, specialised and sustainability-oriented banks. Based on semi-structured interviews conducted with banking and ESG practitioners between August and January 2026, it analyses implementation progress, key regulatory and market drivers, and remaining practical barriers. Finally, it derives actionable recommendations for banks and, where relevant, policymakers and regulators.

The findings confirm that transition planning has become a core management topic, driven primarily by prudential expectations (CRD VI/EBA), sustainability reporting requirements (CSRD/ESRS), and further reinforced by market standards. However, implementation in banks remains uneven and constrained by regulatory complexity, limited organisational capacity, and gaps in data availability and quality. Maturity patterns differ markedly by bank type. Large universal banks have established more formal target frameworks and governance structures, but often struggle with data and scenario governance, and translating strategic targets into operational steering at scale. Cooperative and savings banks apply more incremental and network-driven approaches due to resource constraints and uncertainty, with many treating transition planning as an emerging priority. Specialised

and sustainability-oriented banks are generally more integrated and ambitious, but face challenges around scalability, comparability, and translating impact-driven approaches into standardised regulatory expectations.

Across all bank types, effective transition planning hinges on three levers: climate targets and sector pathways, client dialogue and transition support, and transition organisation and governance. A cross-cutting constraint is the lack of reliable counterparty emissions data and transition plans. The recent Omnibus developments risk reinforcing these data gaps by exempting large parts of the real economy from reporting. As highlighted in the accompanying Eurosif contribution, without coherent disclosure requirements along the financing chain, transition plans remain incomplete, portfolios risk mispriced, and capital allocation towards net-zero transformation less effective.

This study concludes that there is no single best-practice model of transition planning. In contrast, progress requires proportional implementation aligned to business models, clearer internal ownership and coordination, and formalised rules for using imperfect data and assumptions. Credible transition planning in the financial sector ultimately depends on a policy and disclosure environment that ensures decision-useful sustainability data from the real economy.

2. STUDY OBJECTIVE AND METHODOLOGICAL APPROACH

This study examines the current state of transition planning in German banks of different sizes and business models, including large universal banks (significant institutions), smaller regional banks, and specialized banks (less significant institutions). From our consulting experience, we observe significant uncertainty and practical challenges in the development and implementation of transition plans, despite their growing importance. Against this background, this study aims to explore **how far transition plans have been implemented**, which regulatory frameworks and market expectations drive the process, and **where practical challenges remain**. Particular attention is given to identifying implementation barriers, such as regulatory complexity, limited data availability and quality, and internal organizational or governance constraints. Building on this evidence, this study seeks to **derive targeted recommendations** to strengthen practical implementation and cross-sector learning directed at the financial industry and, where applicable, at political and regulatory decision-makers.

In methodological terms, the study follows a **qualitative, exploratory approach**. Between August and January 2026, **semi-structured expert interviews** were conducted with sustainability practitioners from more than 20 banks representing diverse business models, ownership

structures, and sizes. The interviews were designed to capture both the current implementation status and practical experiences in developing and embedding transition plans. Given the sensitivity of associated topics such as internal governance arrangements, implementation setbacks and regulatory interpretation, the findings are presented in anonymized form to avoid any attribution to specific institutions or individuals.

This report is **structured in two parts**. First, it sets out the conceptual and regulatory context for transition planning in the European banking sector, including the net-zero imperative and the supervisory, disclosure and voluntary frameworks shaping current expectations. Second, it presents empirical findings of this study across three thematic areas: climate targets and sector pathways, client dialogue and transition support, and transition organisation and governance. These topics consistently emerged in the interviews as the most decisive levers for effective transition planning and, at the same time, as the most material practical challenges of the banks interviewed. For each topic area, the analysis describes key drivers, current implementation status and practical barriers, and derives targeted, actionable recommendations to strengthen implementation. The methodology and course of the study is presented in the following.

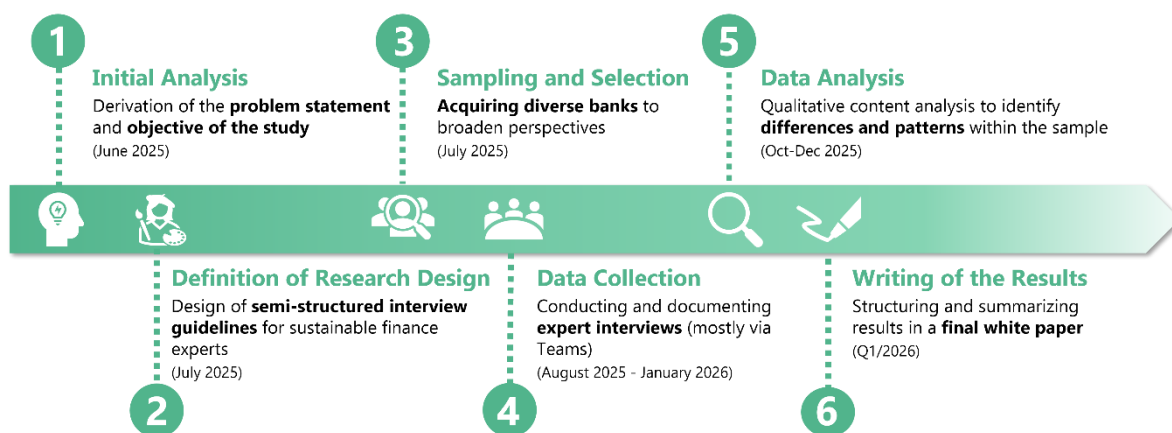


Figure 1: Methodology and Course of Study

3. THEORETICAL BACKGROUND

The following chapter provides the theoretical background for this empirical study. It outlines the broader net-zero imperative facing the European financial system and the role of transition planning as a key instrument for aligning banking activities with climate objectives. In addition, it

introduces the regulatory and voluntary frameworks that shape current expectations for transition plans, thereby establishing the conceptual and institutional context for the subsequent empirical analysis.

3.1 Net Zero Imperative and the Role of Transition Planning

The transition to a net-zero economy has become a structural priority for the European financial system. Anchored in the [European Climate Law \(Regulation \(EU\) 2021/1119\)](#) and supported by policy instruments such as the [Sustainable Finance Strategy](#), the European Union aims to achieve climate neutrality by 2050. The **banking industry plays an essential role in the global net zero transition** by translating climate objectives into financing and investment decisions across the real economy. Banks bear the

responsibility to direct capital towards credible transition investments while limiting exposure to business models that are incompatible with a low-carbon pathway. Besides, banks can support the implementation of decarbonization plans in the real economy through advisory and client engagement, helping companies to translate climate targets into robust investment roadmaps, governance arrangements and measurable milestones.

Against this backdrop, **transition plans** are increasingly expected to serve as the

strategic and evidence-based instrument that **translates a bank's net-zero ambition into concrete action**. At their core, they describe how a bank intends to adjust its business model, strategy, and activities over time to align with a net-zero pathway. This includes defining clear targets, identifying priority sectors and portfolios, setting interim milestones, and specifying the measures through which emissions reductions are to be achieved. Transition plans therefore provide a structured link between long-term climate goals and day-to-day decision-making in areas such as lending, investment, risk management, and client engagement. For banks, **transition plans serve several key purposes**. **Internally**, they create strategic clarity by embedding climate considerations into core processes, enabling institutions to

anticipate transition risks, steer portfolios proactively, and allocate capital in line with long-term objectives. **Externally**, transition plans increase transparency and credibility vis-à-vis supervisors, investors, and other stakeholders by demonstrating how climate ambitions are supported by concrete actions and governance structures. Importantly, because the majority of banks' emissions arise from their financed activities, transition plans place a strong focus on engagement with clients and sectors that are critical for decarbonization. At a **system level**, bank transition plans contribute to the broader net-zero transition by influencing the pace and direction of change in the real economy. An overview of the diverse purposes of transition planning is illustrated in the following.

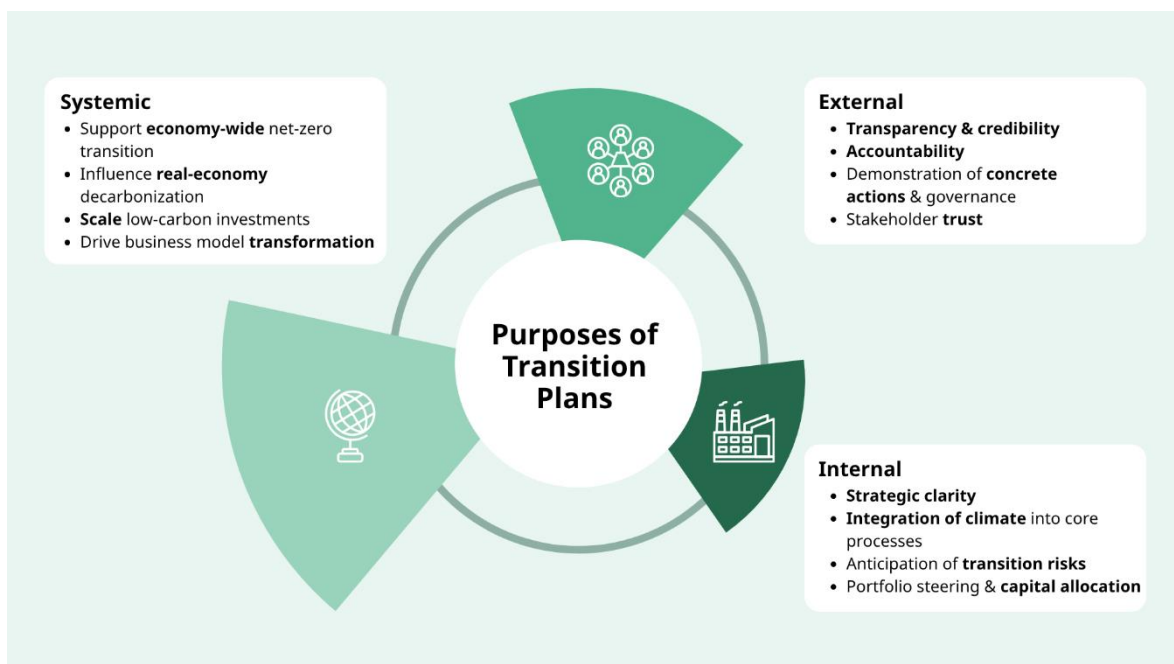


Figure 2: Purposes of Transition Plans

When banks systematically integrate transition considerations into financing decisions, pricing, and advisory services, they help scale low-carbon investments and support companies in transforming their business models. In this way, transition

plans are not only a compliance or reporting tool, but a practical mechanism through which the financial sector can actively support the achievement of economy-wide net-zero objectives.

3.2 Regulatory and Voluntary Expectations of Transition Plans

Besides political and societal expectations, transition planning in banks is becoming a hardening supervisory and disclosure requirement. In the EU, this development is driven by two complementary angles: prudential supervision and sustainability reporting.

Prudential transition plans are risk- and stability-oriented. They explain how a bank intends to adapt its business model, strategy, governance and risk management to remain resilient during the transition to a climate-neutral economy. This is where the [Capital Requirements Directive VI \(CRD VI\)](#) and the [European Banking Authority \(EBA\) Guidelines on the management of environmental, social and governance \(ESG\) risks](#) connect: CRD VI establishes the binding supervisory expectation that institutions develop and maintain transition plans that are anchored in the overall strategy and business model and reflected in risk management. In other words, transition planning is not treated as a stand-alone sustainability approach, but as part of core banking governance and management responsibilities.

Building on this legal basis, the [EBA Guidelines on the management of Environmental, Social and Governance \(ESG\) risks](#) translate the high-level requirement into operational supervisory expectations. They clarify how ESG and transition risks should be identified, assessed, managed and monitored, and how transition planning should be embedded into key processes such as risk appetite setting, internal policies and controls, portfolio steering, and regular management oversight.

In addition, the EBA has issued dedicated [Guidelines on ESG scenario analysis](#), which complement the Guidelines on the management of ESG risks by clarifying supervisory expectations for ESG-related scenario analysis and stress testing. These exercises are intended to assess how resilient institutions' business and financial models are under adverse ESG developments and to support forward-looking risk management and strategic steering. In Germany, the planned implementation of CRD VI via the [Banking Directives Implementation and Bureaucracy Relief Act \(Bankenrichtlinienumsetzungs- und Bürokratieentlastungsgesetz, BRUBEG\)](#) further

operationalises these requirements by introducing an “ESG risk plan” (“ESG-Risikoplan”). This law further strengthens the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) powers to require adjustments to institutions’ strategy, risk management and related plans where ESG risks are not adequately addressed.

In parallel, the [Corporate Sustainability Reporting Directive \(CSRD\)](#) introduces **sustainability reporting requirements** under the amended [European Sustainability Reporting Standard \(ESRS\) E1](#). In-scope companies, including many banks, must report on climate targets, transition pathways, and related measures. These disclosures must align with the objectives of the European Climate Law. Accordingly, banks must provide an overarching narrative disclosure for climate change mitigation. This consolidates features of transition plans, including decarbonization levers, planned actions, and required financial resources.

According to ESRS E1, a transition plan must demonstrate how it is strategically aligned with and embedded in the undertaking’s overall business strategy. Furthermore, the standard requires explicit disclosure of the key assumptions and dependencies on which the plan relies. This includes external factors such as the availability of specific technologies or financing. The primary objective is to ensure transparency and decision-usefulness for external stakeholders. Consequently, the CSRD places a strong emphasis on a coherent, externally communicable narrative

and standardized disclosure metrics, rather than on the full integration of transition planning into day-to-day banking processes.

Besides prudential supervision and sustainability reporting, **voluntary frameworks** continue to shape market practice and expectations of transition plans. Examples include the Task Force on Climate-related Financial Disclosures (TCFD), the Glasgow Financial Alliance for Net Zero (GFANZ), the Carbon Disclosure Project (CDP) and the Transition Plan Taskforce (TPT). While these frameworks are not legally binding, they are widely used to define what “good practice” looks like and to structure how institutions communicate the credibility of their transition approach. They typically emphasise clear governance and accountability, robust scenario analysis and assumptions, measurable short-, medium- and long-term targets, transparent reporting on progress and implementation measures.

In practice, these voluntary standards influence banks through market channels. Investors, rating agencies and other stakeholders often use them as reference points to assess whether a transition plan is sufficiently credible, comparable and decision-useful. They also provide practical templates and terminology that help institutions design transition plans in a consistent manner across portfolios and business lines. As a result, voluntary frameworks can accelerate convergence in transition planning practices and raise expectations beyond minimum regulatory

compliance, particularly for internationally active banks and institutions that seek to demonstrate leadership or meet the information demands of capital markets.

Despite the different primary objectives of prudential supervision, sustainability reporting, and voluntary frameworks, the underlying requirements for transition planning share a **largely consistent set of core elements** across the relevant regulatory frameworks. These include alignment with a 1.5°C pathway under the Paris Agreement, transparent disclosure of key assumptions and climate scenarios applied, and the use of multiple time

horizons when defining targets and milestones. In addition, regulators increasingly expect the systematic integration of ESG risks into steering and risk management processes, supported by a balanced use of qualitative explanations and quantitative metrics. Measures and implementation actions must be sufficiently concrete and are typically expected to be accompanied by a credible financial and resourcing plan. Furthermore, many frameworks require specific information on the governance of the transition plan, including roles, responsibilities and mechanisms for oversight and execution.

4. EMPIRICAL FINDINGS

This chapter presents the empirical results of the study based on the expert interviews conducted with banks of different sizes and business models. It synthesizes the perspectives of practitioners on how transition planning is currently approached in practice, which factors are

driving implementation, and where material challenges persist. The findings are structured along the three thematic areas that emerged as most relevant across interviews and form the basis for the subsequent analysis and recommendations. The structure is illustrated in the following.



Figure 3: Chapter Overview

4.1 Drivers of Transition Planning in the Banking Industry

Building on the theoretical and regulatory foundations outlined in the previous sections, this section examines the key drivers of transition planning in the banking industry based on the empirical findings of the study. Across the banking sector, transition planning reveals to be not driven by a single factor, but rather by a combination of regulatory pressure, risk management considerations, strategic positioning, and market-related incentives. The **relative importance of these drivers varies significantly across bank types**, reflecting differences in business models,

Large Universal Banks

For large universal banks, **regulatory and supervisory expectations represent the dominant driver of transition planning**. Institutions in this group are directly exposed to a dense and evolving regulatory landscape, including CSRD/ESRS requirements, supervisory expectations from the ECB, and international frameworks such as TCFD and ISSB. Transition planning is therefore primarily perceived as a necessary component of regulatory compliance and supervisory dialogue, particularly in the context of climate-related risk management and stress testing.

Beyond compliance, transition planning is also increasingly driven by **credit risk management considerations** with regard to transition risks in carbon-intensive portfolios. Large universal banks tend to frame

governance structures, client exposure, and institutional mandates. While regulatory compliance and supervisory expectations are a common baseline across all institutions, the strength and nature of these drivers vary considerably. To capture these differences, the following sections distinguish between **large universal banks**, **smaller cooperative and savings banks**, and **specialised or sustainability-oriented banks**.

transition plans as instruments to enhance portfolio steering, sectoral exposure management, and client engagement strategies. In this context, transition planning supports the alignment of credit portfolios with long-term decarbonisation pathways and helps to operationalise climate targets across business lines.

At the same time, **reputational considerations and investor expectations** play a non-negligible role. Given their visibility and capital market orientation, large banks face growing pressure from investors, rating agencies, and civil society to demonstrate credible climate strategies. Transition plans are thus also used as signalling devices, aimed at demonstrating strategic readiness and long-term resilience in a decarbonising economy.

Cooperative and Savings Banks

Within the group of cooperative and savings banks, the empirical results point to **distinct sub-patterns** in the drivers of transition planning, largely reflecting differences in institutional size, regulatory exposure, and organisational embeddedness.

For **very small institutions**, transition planning is predominantly driven by umbrella organisations, sectoral associations, and central institutions. Regulatory developments are typically interpreted and operationalised at the network level, with transition planning emerging through shared guidance documents, templates, and strategic recommendations. In this sub-group, transition plans are rarely perceived as immediate regulatory necessities but rather capacity-building instruments, enabling institutions to gradually familiarize themselves with climate-related concepts, governance expectations, and emerging best practices in a resource-efficient manner.

By contrast, **larger cooperative and savings banks** exhibit a different driver constellation. Several of these institutions were initially within the expected scope of CSRD reporting obligations under the original implementation framework. At that stage, CSRD applicability extended to large undertakings, defined by exceeding at least two of the following thresholds: more than 250 employees, more than EUR 40 million in net turnover, or more than EUR 20 million in total assets. As a result, a

subset of larger cooperative and savings banks anticipated full CSRD compliance and conducted early double materiality assessments, in which climate change was frequently identified as a material topic. This initial regulatory exposure triggered early preparatory work, including the development of climate targets, governance structures, and first elements of transition planning. Subsequent regulatory adjustments introduced through the Omnibus procedure led to a narrowing and postponement of CSRD scope, removing several of these institutions from immediate reporting obligations. However, the empirical findings suggest that this did not lead to a reversal of earlier efforts. Instead, once transition planning activities had been initiated, these institutions continued to further advance their efforts, albeit possibly slower than originally planned.

Overall, independent of their corporate size, the group of cooperative and savings banks continuously **emphasises their regional mandate and close ties to local economies**. Transition planning is therefore also motivated by the desire to support regional clients in their own transition journeys, particularly Small and medium-sized enterprises that are increasingly affected by sustainability-related disclosure and financing requirements. In this sense, transition planning is framed less as a portfolio-wide optimization tool and more as an element of client-oriented advisory and relationship management.

Specialised and sustainability-oriented banks

For specialised and sustainability-oriented banks, the drivers of transition planning differ fundamentally from those of the bank types elaborated above. In this group, transition planning is **primarily driven by strategic identity and mission alignment**, rather than external regulatory pressure alone. Climate and sustainability objectives are often deeply embedded in the core business model, making transition planning a natural extension of existing strategic frameworks.

These banks tend to view transition plans as value-creation and differentiation instruments, supporting the development of sustainable financial products, targeted financing solutions, and impact-oriented portfolio strategies. Rather than focusing on minimum compliance, transition planning is used to enhance strategic coherence, credibility, and impact measurement.

At the same time, **these institutions face high expectations regarding credibility and consistency**, particularly from value-driven clients, civil society, and specialised investors. As a result, transition planning is often more granular, forward-looking, and closely linked to operational decision-making. The empirical results suggest that, for this bank type, transition planning serves as a core strategic management tool, rather than an add-on to existing risk management or reporting processes.

In summary, the drivers discussed above translate into markedly different levels of

maturity and operationalization of transition planning across the banking sector. Across all bank types, the empirical findings indicate that transition planning is increasingly shaped by a combination of regulatory expectations, risk management needs, and strategic considerations, albeit with varying emphasis and depth of implementation. While regulatory compliance often serves as the initial trigger, the extent to which transition planning evolves into an integrated strategic management instrument depends strongly on institutional size, business model, and strategic orientation. As a result, transition planning across the banking sector remains heterogeneous, reflecting both structural constraints and differentiated strategic ambitions. Against this background, the next section shifts the focus from the “why” to the “how” of transition planning. It examines the current status quo of implementation across three core dimensions: the definition and use of climate targets and sector pathways, the design of client dialogue and transition support, and the establishment of transition organisation and governance. Based on these dimensions, it identifies key barriers which different bank types encounter in practice and derives recommendations to strengthen integration, feasibility and credibility across different institutional contexts.

4.2 Current Implementation State and arising Challenges

Building on the analysis of the drivers of transition planning, this section examines how transition planning is currently implemented in practice and which challenges arise in the process. The empirical findings indicate that drivers and implementation are closely linked. Differences in regulatory exposure, business model and strategic positioning are reflected in distinct levels of maturity and operationalisation across bank types.

Against this background, this section assesses how transition planning is

translated from strategic intent into concrete practices. It analyses implementation progress and recurring constraints across **three core dimensions**: the definition and use of climate targets and sector pathways, the design of client dialogue and transition support, and the establishment of transition organisation and governance. This elaboration provides the basis for identifying barriers, explaining maturity differences across bank types and deriving practical implications for strengthening the feasibility and credibility of transition planning.

4.2.1 Climate Targets & Sector Pathways

For banks, climate targets and sector pathways serve as the central translation mechanism between long-term climate objectives and day-to-day financing decisions. While economy-wide net-zero targets define an overall direction, sector pathways provide the necessary granularity to reflect heterogeneous transition dynamics across industries, technologies and client segments.

Climate targets typically define the intended alignment of a bank's portfolio with decarbonisation trajectories over time, often expressed through net-zero commitments, interim reduction targets or intensity-based metrics. **Sector pathways** complement these targets by specifying sector-specific decarbonisation assumptions, timelines and benchmarks, which

allow banks to assess whether current and future client activities are compatible with their strategic climate objectives. Together, targets and pathways form the analytical backbone for portfolio steering, climate risk management and client engagement. . In the banking context, they enable institutions to move beyond aggregate portfolio targets and address transition risks and opportunities at the level where capital allocation decisions are actually made. The following section analyses how banks implement climate targets and sector pathways across different institutional contexts and identifies the key challenges that persist in practice. Building on these findings, this section derives concrete, action-oriented recommendations to strengthen the effectiveness and operational relevance of these instruments.

Large universal banks

Large universal banks generally display a **comparatively high level of maturity** with regard to climate targets and sector pathways. Most institutions in this group have established formal portfolio-level net-zero commitments, typically aligned with the Paris Agreement and operationalised through financed-emissions methodologies. These commitments are increasingly complemented by interim targets and a selective use of sector-specific pathways for high-emitting industries such as power generation, real estate, transport, steel and cement. Their frameworks combine absolute and intensity targets, interim milestones, and regular recalibration against recognised scenarios such as the International Energy Agency (IEA) Net Zero Emissions (NZE) pathway. In light of upcoming regulatory requirements, particularly the EBA Guidelines on the management of ESG risks entering into force this year (2026), the development of target frameworks and sector pathway approaches is, in many cases, at an advanced state and close to completion.

Looking back, **implementation challenges are largely shaped by data availability and regulatory complexity**. Banks report persistent limitations in counterparty emissions data, particularly in corporate and SME portfolios, which constrain the robustness of sector pathway application. Besides, the Omnibus-related narrowing and postponement of CSRD obligations reduced the number of counterparties required to produce standardised sustainability disclosures in the near term. As a result, early target-setting and portfolio assessments often rely and will rely on estimates, with institutions planning gradual improvements in data quality over time.

In addition, large banks face the **challenge of aligning multiple regulatory requirements**, including CSRD disclosures, Pillar 3 ESG reporting and emerging supervisory expectations on transition planning. This overlap raises open questions about the degree of integration achievable within a single transition plan and adds to the organisational and methodological burden.

Recommendations for Action:



Reduce duplication across regulatory requirements: Establish a unified data and governance architecture that enables regulatory alignment across frameworks (EBA, CSRD, Pillar 3), avoids duplication, and enhances internal coherence.



Define governance and escalation: Set clear ownership and escalation rules when portfolios or key sectors deviate from pathways (who decides, which actions follow, and within which timeframe).



Enhance internal validation and auditability: Strengthen internal validation, documentation and audit processes for transition metrics to ensure credibility, traceability and supervisory confidence in reported progress.

Cooperative and savings banks

Cooperative and savings banks show a **more heterogeneous implementation state** with regard to climate targets and sector pathways, reflecting differences in institutional size, regulatory exposure and available resources. In many smaller institutions, climate targets remain high-level and qualitative, often derived from sector-wide commitments or guidance issued by umbrella organisations. Sector pathways are typically not applied systematically but rather used as orientation tool to build basic awareness of transition dynamics within relevant client segments.

Larger cooperative and savings banks tend to display a more advanced level of formalisation, particularly where early CSRD-related preparations triggered structured target-setting and initial portfolio analyses. These institutions typically developed an initial Corporate Carbon Footprint (CCF) as an early foundational step, frequently relying on simplified Partnership for Carbon Accounting Financials (PCAF)-based approaches. Building on this, climate targets are in some cases complemented by simplified sector

pathways, usually focused on a small number of regionally relevant or carbon-intensive sectors. While early exercises enabled initial portfolio screening and helped identify priority sectors, they did not necessarily translate into fully operational sector pathways. Besides, the empirical findings suggest that systematic application remains constrained by limited counterparty data, methodological uncertainty and overall capacity constraints.

Overall, progress in this sub-group has in several cases slowed as regulatory parameters shifted. The evolving CSRD Omnibus-related adjustments and the parallel emergence of supervisory expectations, most notably the EBA Guidelines, have increased uncertainty regarding scope, timelines and the level of methodological sophistication required. As a result, **many institutions have adopted a more cautious “wait-and-see” stance**, focusing on maintaining preparatory structures while awaiting clearer guidance and targeted implementation support from associations and central institutions.

Recommendations for Action:



Begin with pragmatic status-quo mapping: Systematically review existing policies, data and processes and map them against the most relevant regulatory requirements to identify gaps and prioritize no-regret, low-effort actions efficiently.



Apply proportional target-setting: Apply proportionality by focusing on the areas most material to your portfolio and operational capacity to maximize effectiveness and progress without overburdening the institution.

Specialised and sustainability-oriented banks

Specialised and sustainability-driven banks have **typically engaged in transition planning for a longer period** and therefore established climate targets and sector transition pathways earlier than many peers. In these institutions, transition planning moves beyond a compliance-focused approach and is embedded more deeply in core business strategy. Climate targets are often defined as ambitious, science-based interim and long-term emission reduction objectives and are integrated into lending, investment and risk management decisions. Sector pathways are used as active decision-support tools and can influence client selection, financing eligibility and portfolio allocation.

At the same time, the empirical findings indicate that these banks face a distinct set of challenges that stems less from initial implementation capacity and more from a rapidly evolving external environment. Increasingly diverse market standards and regulatory expectations require methodological updates and, in some cases, a re-configuration of existing approaches. The rapid proliferation of frameworks, combined with the absence of universally accepted evaluation criteria for transition plans, complicates comparability and independent assessment. This creates a **perceived risk of misalignment and potential penalisation** despite these banks' more advanced starting points and generally higher ambition levels.

Recommendations for Action:



Begin with a structured status-quo mapping: Systematically review existing policies, data and processes and map them against the most relevant regulatory and framework requirements to identify gaps and efficiently prioritise no-regret, low-effort actions.



Proactively engage with standard setters: Use the banks' advanced positioning to actively participate in industry initiatives and consultations, helping to shape emerging practices and reduce the risk of misalignment.

4.2.2 Client Dialogue and Transition Support

Client dialogue and transition support refer to the set of **processes through which banks translate portfolio-level climate targets and transition pathways into client-level action**. While climate targets

and sector pathways define strategic direction, client dialogue determines how expectations are communicated, how transition readiness is assessed and how financing decisions are aligned with

clients' decarbonisation trajectories. In this sense, client engagement represents the **primary interface between banks' transition planning frameworks and real-economy transformation.**

For banks, effective client dialogue serves multiple functions. It supports the assessment of transition risks at counterparty level, enables forward-looking credit decisions and creates the basis for identifying transition-related financing needs and opportunities. Transition support goes beyond risk mitigation and includes the development of **advisory services and financing solutions that accompany clients along their transition pathways.**

Large universal banks

Large universal banks increasingly position themselves as transformation partners for corporate clients and have begun to integrate climate and transition considerations more systematically into client-facing processes. Transition-related questions are increasingly embedded in credit due diligence, risk assessment and client segmentation, and in some cases financing conditions are directly linked to transition progress. It is also **becoming common practice to request emissions data and information on transition plans during credit assessments** and ongoing client engagements. Several institutions are developing transition finance as a dedicated business line, offering targeted products and advisory services to support client decarbonisation. However, only a limited number have so far established a

As such, client engagement is not only a risk management instrument, but also a potential business field, particularly in the context of transition finance and sustainability-linked products. From an implementation perspective, approaches to client dialogue and transition support vary significantly across bank types, reflecting differences in client structure, advisory capacity and strategic ambition. The following section analyses how banks currently structure transition-related client engagement, identifies key implementation challenges and derives action-oriented recommendations for different bank types.

fully systematic client-partnership approach with clearly structured engagement processes and defined performance indicators.

In practice, client dialogue in large universal banks remains strongly shaped by risk management and supervisory considerations. Transition-related engagement is primarily used to assess counterparties' exposure to transition risks and the credibility of their decarbonisation strategies. Advisory and support elements are more developed for large corporates, while SME engagement remains comparatively standardised and limited in depth. A **major constraint is the limited availability of granular, reliable and verifiable emissions data and robust transition plans** from clients, except for a small group of large corporates. The narrowing

of the CSRD scope through the Omnibus procedure further reduces expectations of near-term improvements in client-reported data, reinforcing banks' reliance on estimates and proxies.

Building more advanced client engagement capabilities has **required significant upskilling and the acquisition of specialist expertise**. Traditional relationship managers often perceive to lack the technical knowledge and confidence to discuss

transition issues in depth, prompting banks to recruit specialists, establish centres of expertise or create hybrid roles combining financial and environmental competencies. While some large banks already generate substantial revenues in established transition segments (e.g., renewable energy, green technologies), the findings suggest that most are only beginning to systematically identify and develop the full business potential of emerging transition markets.

Recommendations for Action:



Differentiate client engagement by transition relevance: Segment clients not only by exposure size, but also by transition relevance and data maturity, and tailor dialogue intensity, data requests and support accordingly.



Clarify the split between risk assessment and transition support: Establish clear process distinctions between information collection for risk purposes and advisory-oriented transition dialogue to avoid purely compliance-driven client interactions.



Equip relationship managers with practical tools: Provide standardised conversation guides, sector-specific transition checklists and escalation pathways to enable relationship managers to engage confidently and consistently.

Cooperative and savings banks

In cooperative and savings banks, client dialogue and transition support are primarily shaped by their regional mandate, relationship-based business model and close proximity to local SMEs. In many institutions, **transition-related engagement is not yet organised as a distinct process and is therefore not standardised or systematically embedded in client management**. Where climate-related

topics are addressed, this typically happens in an incremental and pragmatic manner within existing advisory routines, often connected to concrete investment questions such as energy efficiency measures, heating system upgrades or local renewable energy projects.

The empirical findings point to pronounced structural barriers, particularly among smaller cooperative and savings

banks. These institutions rarely view transition advisory as part of their core service offering, as their focus remains on regional development, SME financing and retail banking. Most **lack the financial and human resources to outsource or purchase specialised expertise**, which means any engagement with transition topics must be handled by existing staff. Although internal training programs exist in some cases, relationship managers often approach sustainability with reservation and may perceive it as peripheral to traditional banking activities.

This hesitation is frequently mirrored on the client side. Many **SMEs show limited awareness or interest in sustainability and are not actively seeking transition-related financing**. Sustainability is therefore not yet experienced as a strong demand signal in day-to-day client interactions. As a result, transition support has not developed into a structured business field in many cooperative and savings banks. Nonetheless, their close client relationships position them well to play a relevant enabling role, provided that engagement approaches remain proportionate and are supported by simple, scalable tools and clear internal responsibilities.

Recommendations for Action:



Focus on a small number of practical use cases: Prioritise a limited set of transition-relevant topics that are most common in the regional SME base, avoiding broad or abstract transition frameworks that exceed current capacity.



Equip relationship managers pragmatically: Provide practical communication guidances, simple checklists and example questions that help relationship managers and corporate customers to address transition topics without requiring deep technical expertise.



Avoid early standardisation: Refrain from introducing complex processes or data requests at this stage. Allow engagement practices to evolve organically and remain flexible as client demand and regulatory expectations develop.

Specialised and sustainability-oriented banks

Specialised and sustainability-oriented banks typically approach client dialogue and transition support as a core element of their business model rather than an add-on to existing relationship management. Client engagement is usually more proactive and structured. These banks set clear expectations regarding transition

credibility and focus on enabling real-economy transformation. As a result, **transition considerations are integrated directly into client selection, financing decisions and ongoing portfolio management**.

Empirically, these banks apply comparatively structured client management approaches. Many use **internal sustainability or transition ratings to assess counterparties and to determine the depth and frequency of engagement**. These ratings often inform how clients are prioritised, which information and data is required and how progress is monitored over time. Sector pathways are used to frame discussions on transition feasibility and investment needs. They also help translate strategic objectives into client-level expectations. Clear eligibility criteria and, in some cases, large and strict sector exclusions define where financing is not considered compatible with the institution's mandate. This creates a consistent logic across origination, product governance and portfolio steering.

Transition support is typically delivered through **tailored financing structures and advisory components**. In practice, this can include transition-linked products, milestone-based financing conditions or structured support for clients to develop investment roadmaps. To extend technical depth and capacity, some institutions complement internal resources by outsourcing selected services. This may include specialised transition advisory, technical assessments or partner-led support offerings linked to transition finance products.

Recommendations for Action:



Standardise client engagement logic: Clearly define how internal transition ratings, sector pathways and eligibility criteria translate into concrete engagement actions, financing conditions and follow-up requirements.



Strengthen progress tracking at client level: Introduce a simple but robust mechanism to monitor client transition milestones over time and consider linking them to financing conditions or review processes.

4.2.3 Transition Organisation & Governance

Transition organisation and governance define the **internal structures through which banks translate transition planning from strategic intent into coordinated action**. While climate targets, sector pathways and client engagement shape the substance of transition planning,

organisation and governance determine how responsibilities are assigned, decisions are made and progress is monitored over time. Effective governance is therefore a critical enabler of credible and implementable transition plans.

From an empirical perspective, transition organisation and governance encompass the **allocation of roles and responsibilities across diverse departments, as well as the integration of transition topics into associated decision-making processes**. They also include internal coordination mechanisms, escalation procedures and reporting lines that ensure consistency across portfolios and client

Large universal banks

Large universal banks have generally established formal organisational structures to govern transition planning and implementation. Transition planning is **typically organised as a cross-functional program and is often sponsored at board level or by a member of the executive committee**. Responsibilities are commonly distributed across dedicated sustainability or ESG units, risk management functions and central strategy teams, with oversight assigned to senior management and committee structures. Institutions that have engaged with climate topics for several years often maintain dedicated teams combining regulatory and technical expertise while frequently including external consultants to address capacity constraints and methodological gaps.

Empirically, governance in large universal banks is characterised by a high degree of functional differentiation. Sustainability teams often develop frameworks, methodologies and reporting approaches,

segments. The degree of formalisation and integration varies significantly across bank types and reflects differences in size, complexity and strategic ambition. The following section analyses how banks currently organise transition-related responsibilities and governance structures, identifies key challenges in practice and derives action-oriented recommendations.

while risk functions focus on integrating transition risks into credit processes and portfolio oversight. Business units and front-office teams are responsible for client engagement and implementation. While this division supports specialisation, it also creates coordination challenges. Responsibilities are often spread across multiple committees, and **overlaps between risk, credit and sustainability functions can lead to fragmented ownership and unclear accountability for translating strategic targets into operational decisions**. A further challenge concerns the development of robust data and scenario governance. Many institutions still operate with evolving processes for data quality management, model validation and scenario selection. Only a limited number have formal validation processes in place or have embedded transition-related Key Performance Indicators (KPIs) into management information systems in a way that supports routine steering and

escalation. In addition, parallel regulatory requirements have contributed to multiple reporting and governance streams,

increasing complexity and internal coordination effort.

Recommendations for Action:



Streamline governance structures: Reduce parallel committees and reporting lines by consolidating transition-related topics into a limited number of core governance bodies with clear decision rights.



Accept data imperfection but formalise its use: Acknowledge that high-quality counterparty data will remain incomplete in the medium term. Define clear internal rules on when estimates, proxies and sector averages are acceptable, how they are documented, and how improvements are prioritised over time.

Cooperative and savings banks

Smaller cooperative and savings banks operate under comparatively constrained conditions. Responsibility for climate and sustainability topics often sits within the sustainability or risk function, **while implementation is largely decentralised and developed through self-directed learning within individual departments.** This set-up often results in a siloed governance model. Knowledge is dispersed across the organisation, making it difficult to ensure consistent definitions, data collection, and reporting practices. Coordination between credit, risk, and sustainability functions is frequently ad hoc, and only few smaller institutions have established formal governance bodies specifically dedicated to transition planning. Instead, transition-related issues are usually addressed within existing committees

without clear end-to-end ownership. Resource constraints represent the central challenge. Staff capacity to manage increasing reporting, data, and scenario requirements is limited, and budgets for specialist training or sustained advisory support are small.

At the same time, many smaller institutions do not yet perceive transition planning as materially affecting day-to-day operations as regulatory requirements and enforcement trajectories remain uncertain. However, banks expect the relevance of transition planning to increase over the coming years as supervisory expectations tighten and disclosure and data demands expand. This **perceived “future relevance under uncertainty” reinforces a reactive stance, with many institutions awaiting clearer sector guidance**

before fully institutionalising transition governance and steering structures.

Recommendations for Action:



Strengthen coordination routines: Introduce regular touchpoints between credit, risk, and sustainability teams (e.g., monthly/quarterly) to move from ad hoc coordination to repeatable processes where relevant.



Use association frameworks strategically: Leverage association guidance and shared tools but translate them into a small number of bank-specific sector priorities reflecting regional client structures and material exposures.



Prepare for rising expectations: Develop a phased roadmap to scale governance and reporting as supervisory expectations, disclosure requirements, and enforcement mature.

Specialised and sustainability-oriented banks

Specialised and sustainability-oriented banks typically treat transition planning as a core element of their institutional purpose and value proposition rather than as a separate governance or compliance exercise. Climate and transition objectives are often embedded in the bank's mission, investment philosophy, and product design, which leads to an inherently high level of strategic alignment across the organisation. **Governance responsibility is usually anchored close to senior management, with short decision paths and a strong link between transition objectives and overall business steering.**

Organisational structures tend to be lean and highly integrated. Many institutions operate with hybrid roles or closely interconnected teams, allowing transition considerations to be embedded directly into

credit assessment, portfolio construction, and client selection. Client engagement plays a central governance role. Many specialised and sustainability-oriented banks actively shape their portfolios by focusing on clients and sectors with explicit transition ambitions, often combining financing with advisory support. This results in **governance models that rely less on exclusion lists and more on qualitative assessments of transition credibility, client trajectories, and impact alignment.** As a consequence, governance frameworks are often principle-based rather than highly standardised, placing strong demands on internal expertise, judgement, and consistency in application. While this enables a nuanced understanding of transition risks and opportunities, it also limits scalability and comparability

and can create challenges when meeting increasingly standardised regulatory disclosure and reporting requirements.

Recommendations for Action:



Translate impact-driven logic into regulatory language: Banks should ensure that impact-oriented client selection and engagement practices can be clearly mapped to supervisory and disclosure expectations without altering their strategic intent.



Prepare for rising expectations: Develop a phased roadmap to scale governance and reporting as supervisory expectations, disclosure requirements, and enforcement mature.



5. POLICY COMMENTARY BY EUROSIF



The Aftermath of the Omnibus

Transition planning requires credible forward-looking data – will deregulation put it at risk?

High-quality, comparable corporate sustainability data is essential for investors, banks, and other financial institutions. It enables them to better manage sustainability risks and the positive and negative impacts of their investments or financing activities. This strengthens the resilience of these institutions and of their portfolios.

For example, asset managers benefit from understanding how a company's exposure to physical climate risks may affect its future profitability and, ultimately, the investment returns. These insights provide an important incentive for financial institutions to channel capital towards future-proof businesses with credible transition commitments.

Transition plans, as forward-looking disclosures indicating whether a company is on a reliable pathway towards carbon neutrality, are therefore a crucial metric for investors and other financial institutions. Due to their importance, transition plans are increasingly embedded in European financial regulatory frameworks, for example in the CRD VI and EBA guidelines on the management of ESG risks.

EU institutions scaling back on reporting and transition plan implementation

The CSRD was expected to provide financial institutions with high-quality sustainability data flows from a wide range of companies. However, the Omnibus simplification initiative, which officially came into force on 18 March 2026, has scaled back these ambitions.

Instead of the 43 000 companies initially required to report under the CSRD and the EU Taxonomy, the scope of the CSRD has been reduced by around 90%. At the same time, the ESRS, which define the information to report under CSRD, were also simplified: technical advice of the standard-setter European Financial Reporting Advisory Group (EFRAG) proposes removing 61% of the data points.

Although the CSRD rules on the disclosure of climate transition plans stay unchanged, the Omnibus initiative has also removed a key provision from the CSDDD: the obligation for the largest EU companies to adopt and implement climate transition plans. This is regrettable, as these provisions were expected to drive broader adoption of climate transition plans among companies, and to support subsequent reporting in line with CSRD/ESRS requirements.

These changes risk maintaining data gaps rather than closing them. For financial institutions, this means an increased dependency on voluntary reporting, data providers, proxies and estimates.

A greater role for voluntary reporting

A growing number of companies are choosing to report sustainability information. They recognise that reporting improves internal risk management and access to capital, as evidenced by studies on [loans](#), [bonds](#), [credit risk assessment](#) and [stock liquidity](#).

This also applies for companies making sustainability disclosures on voluntary basis. The European Commission is planning to adopt a voluntary reporting standard based on proposals developed by EFRAG for a "VSME" standard, which for now was published in the form of a [Recommendation](#). However, as this framework was originally designed for small and medium-sized enterprises, applying it to large companies (e.g. those

with over 500 employees that are no longer covered by CSRD)

may create challenges in terms of relevance, completeness, and comparability. We therefore encourage such companies to develop plans to apply the full ESRS over time.

Back to a long-term view

Sustainability reporting entails additional costs, especially during the first year of implementation. However, big parts of these costs are one-off, and are likely to be offset over time by benefits such as lower financing costs, improved market reputation, and more robust risk management.

Policymakers and companies need to return to the broader vision: coherent and comparable disclosures across the entire financing value chain help both financial institutions and companies accelerate the shift toward a resilient, sustainable economy.

[Eurosif – the European Sustainable Investment Forum](#) is the leading pan-European association promoting sustainable finance at the European level. Its membership is comprised of Sustainable Investment Fora (SIFs) from across Europe. Most of these SIFs have a broad and diverse membership themselves, including asset managers, institutional investors, banks, index providers and ESG (Environmental, Social and Governance) research and analytics firms. Eurosif and its members are committed to the growth and development of sustainable finance and support the development of EU rules which are fit-for-purpose and facilitate the financial industry's contribution to a just transition.

6. CONCLUSION

This study set out to examine how transition planning is currently implemented across German banks of different sizes and business models, which regulatory and market drivers shape this process, and where material practical challenges persist. Based on qualitative expert interviews and grounded in the evolving European regulatory and supervisory framework, the findings confirm that transition planning has become a central strategic issue for the banking sector, but that its **operationalisation remains uneven and strongly dependent on institutional context**.

Across all bank types, transition plans are no longer perceived merely as long-term climate commitments. In contrast, it is increasingly perceived as an instrument that is expected to connect net-zero ambitions with concrete governance arrangements, portfolio steering mechanisms and client-facing processes. Regulatory pressure, in particular through prudential supervision and sustainability reporting requirements, has clearly accelerated engagement with transition planning. At the same time, the empirical evidence shows that **regulatory complexity, limited data availability and quality, and internal organisational constraints** continue to impede consistent and decision-useful implementation.

The analysis highlights pronounced differences across bank types. **Large universal banks tend to approach transition planning primarily through a risk and**

compliance lens, supported by comparatively advanced target frameworks and formal governance structures, but often struggle with fragmentation, coordination complexity and data governance. **Cooperative and savings banks face capacity and resource constraints and therefore adopt more proportional, network-driven and incremental approaches**, with transition planning often framed as a future-relevant but not yet fully operational priority. **By contrast, specialised and sustainability-oriented banks perceive transition planning as a core element of their value proposition**, while increasingly facing challenges related to scalability, comparability and the translation of qualitative, impact-driven approaches into standardised regulatory expectations.

Taken together, the findings underline that **there is no single “best practice” model for transition planning in banking**. Effective implementation depends on proportionality, institutional maturity and business model alignment. However, several cross-cutting themes emerge. These include the need to strengthen organisational clarity and governance ownership, to accept data imperfection while formalising its use, and to better connect transition planning with day-to-day decision-making in credit, portfolio management and client engagement. At the same time, policymakers and regulators have a key role in ensuring that the broader disclosure ecosystem supports, rather than

undermines, transition planning by preserving data availability and comparability across the real economy.

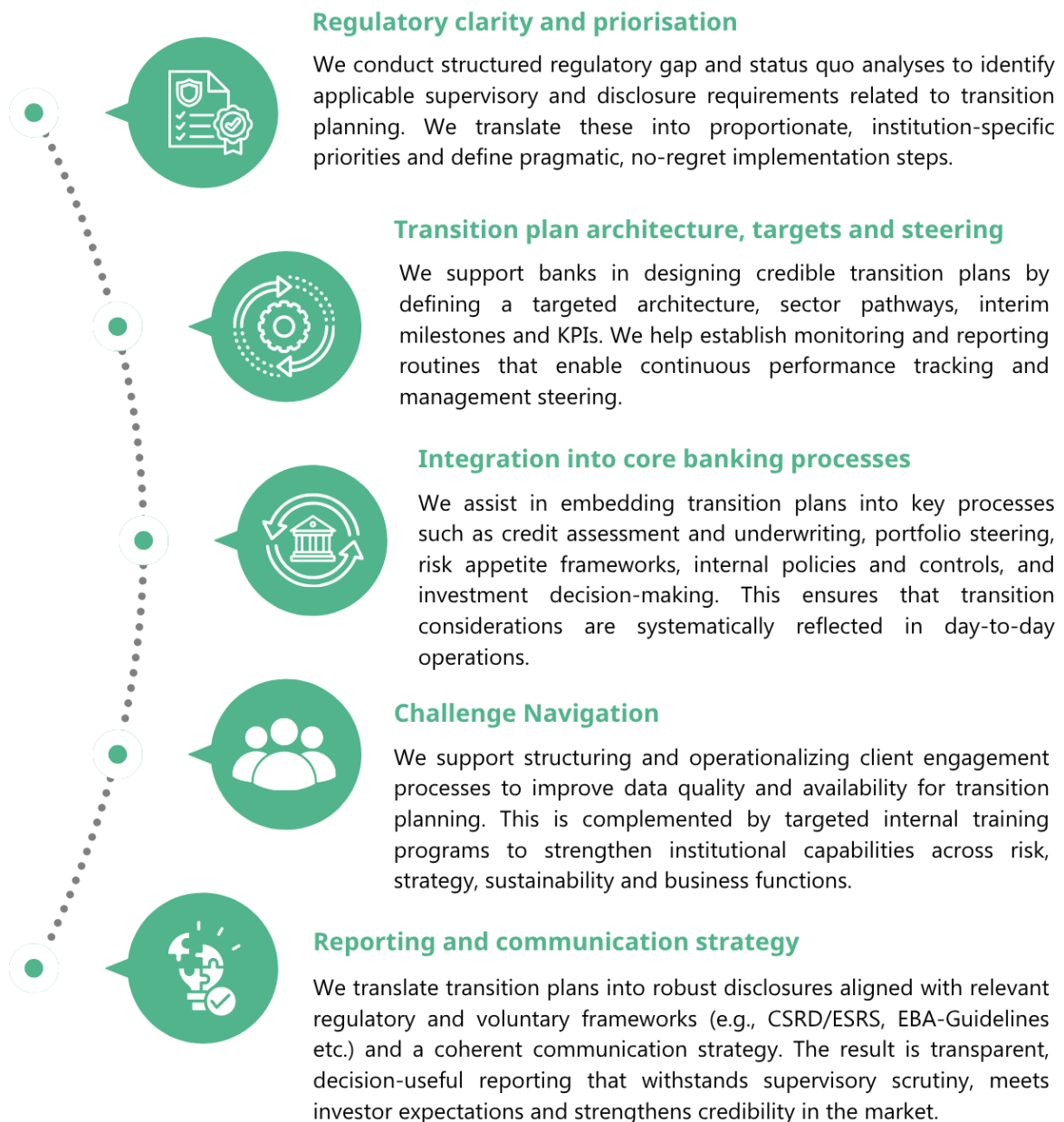
The recommendations derived in this report are intended to help banks move from early implementation towards more resilient, integrated and scalable transition planning, while enabling cross-sector learning across institutional contexts.

Ultimately, transition plans will only fulfil their intended role if they are treated as evolving management frameworks that link strategy, risk management, and client engagement to day-to-day operational practice. This requires a coherent policy and data environment that provides reliable and decision-relevant information on transition performance in the real economy.

HOW NEXTRA CONSULTING SUPPORTS TRANSITION PLANNING

Nextra Consulting GmbH supports financial institutions in **developing, implementing** and **embedding credible transition plans**. We combine regulatory expertise, strategic design and operational integration to ensure that transition planning becomes a steering instrument, not only a standalone document.

Our support focuses on the following **key supportive areas**:



ABOUT NEXTRA CONSULTING

Nextra Consulting is a strategy consultancy specializing in sustainability transformation and AI-enabled business models. In the context of sustainable finance, we work closely with banks, asset managers, development institutions, NGOs, and regulatory stakeholders to strengthen the integration of sustainability criteria into investment and lending processes.

Besides, we support financial institutions, corporates and public-sector institutions in translating regulatory requirements (e.g., CSRD, SFDR, EBA-Guidelines) into actionable strategies, robust data architectures, and decision-relevant reporting. By **combining deep ESG expertise with AI-driven analytics**, we enhance risk assessment, improve impact measurement, and build scalable ESG data systems.

Competencies & References

- Many years of experience in **consulting financial corporations** (e.g. Union Investment), state-owned banks (e.g. KfW) as well as small and medium-sized financial institutions including cooperative and Raiffeisen associations (e.g. Edebank)
- **International projects** in Germany, Great Britain, France, Sweden, Luxembourg and Switzerland
- **Academic research and collaboration** with various institutions (e.g. University of Hamburg, Hamburg University of Technology, Stiftung KlimaWirtschaft)
- **Teaching activities** at the Frankfurt School of Finance and Management and **founding member** of the Sustainable Finance Research Group
- Diverse (public) engagement in the context of Sustainable Finance and Transition Finance in **cooperation with non-profit organizations** (e.g. WWF, Greenpeace);



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