



Transition Plans by Financial Institutions: Framework and Disclosure Guidance

WHITE PAPER



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TABLE OF CONTENTS

INTRODUCTION.....	1
1. A global consensus is emerging on the essential components of transition plans to develop strategic responses to climate-related risks and opportunities	3
1.1. Transition plans can help financial institutions develop strategic responses to climate-related risks and opportunities, and support effective supervision and disclosure	3
1.2. There is increasing international alignment on the key elements required for robust transition planning and plans	4
2. Financial institutions in South Africa are beginning transition planning to develop strategic responses to climate-related risks and opportunities	8
2.1. In South Africa, the financial sector navigates growing climate and environmental risks and opportunities, with emerging regulatory framework	8
2.2. South African financial institutions have started developing elements of climate transition plans but operationalization requires a framework.....	13
3. Policy proposal. Building a South African framework to guide financial institutions' transition plans	20
3.1. Core design principles	20
3.2. Key features of the framework	21
CONCLUSION	27

Introduction

This white paper aims to lay out the foundations for a national framework for financial institutions' transition plans. It is designed to support financial stakeholders in South Africa by providing clear, practical guidance on how to develop and use transition plans. It highlights the importance of integrating mitigation, adaptation, and just transition dimensions into strategic planning. By aligning with international good practices while reflecting national priorities, the paper helps institutions navigate an evolving landscape of climate risks and regulatory expectations. Ultimately, it seeks to enhance the financial sector's ability to support a just and resilient transition – by improving the quality and consistency of transition plans, and by reinforcing the links between corporate strategy, financial decision-making, and national development goals.

South Africa has set out an ambitious transition agenda spanning mitigation, adaptation and social impacts. The 15th largest CO₂ emitter globally in 2023¹ due to its coal reliance, South Africa has committed to achieving net zero emissions by 2050 in its Low Emission Development Strategy 2050 (LEDS, 2020), and the Climate Change Act enables the introduction of carbon budgets for certain actors. The National Climate Change Adaptation Strategy (NCCAS, 2021) sets out the objective of building climate resilience, as the country is warming at more than twice the global average and is already experiencing severe climate impacts from rising temperatures and increased rainfall variability. At the same time, the Framework for a Just Transition in South Africa (2022) and the Just Energy Transition Investment Plan (JET IP, 2022) aim to minimize the social and economic costs of the transition and improve the livelihoods of those most vulnerable to climate change, as these climate stresses further compound the country's persistent challenges of poverty, unemployment, and inequality.

Transition plans offer an actionable framework to support this agenda. A transition plan defines an institution's strategic response to risks and opportunities arising from the system-wide impacts of climate change and the transition to a low-emission economy.²³ For real economy corporates and financial institutions, these plans can help understanding the strategic opportunities and risks associated with climate change and the transition. When well-designed, they guide capital allocation, inform engagement with clients and investees, and strengthen institutional resilience. For South Africa, transition plans provide a practical means to translate the transition agenda into actionable pathways tailored to local context and sectoral realities and align with other climate change policy interventions like the Carbon Tax (carbon pricing) and carbon offsets (carbon markets), as well as the Green Finance Taxonomy.

The scope of some firm's transition plans may go beyond decarbonization to address adaptation and just elements. Historically, transition plans have centered on emissions reduction, although this focus may be too narrow for some entities. To be effective in developing strategies for the full range of climate-related risks and opportunities, transition plans could also cover physical climate impacts, including the state of adaptation.⁴ In a country like South Africa, where socioeconomic vulnerabilities are high transition plans may also reflect just transition considerations. While the country is also vulnerable to ecosystem degradation, with more than

¹ International Energy Agency (2026), *Greenhouse Gas Emissions from Energy database*

² NGFS (2024), *Transition Plan Package*

³ A distinction can be made between transition planning as the internal process undertaken by a firm to develop a transition strategy, and transition plan as the final product, external-facing output providing transparency (NGFS, 2023).

⁴ NGFS (2025), *Integrating adaptation and resilience into transition plans*

30% of South Africa's production generated by activities which are highly dependent on water provision and flood and storm protection,⁵ nature-related risk is not covered in the scope of this white paper, as guidance is still emerging on the integration of nature into transition plans.⁶

This paper focuses on financial institutions, while recognizing their reliance on real economy transition planning and a strong enabling environment. Financial institutions play an enabling role in financing the transition: South Africa's mitigation, adaptation and just transition investment needs are estimated to average 4.4% of GDP annually through 2050.⁷ At the same time, many banks, insurers, and investors use the information in real-economy corporate transition plans as part of their assessment of climate-related risks and in identifying investment opportunities.⁸ A supportive enabling environment, characterized by coherent policies, economy-wide incentives, standardized data, and proportionate guidance, is also essential to build transition planning capacity.⁹

This white paper is structured as follows. Section 1 outlines the conceptual and policy framework, highlighting the role of transition plans in managing climate-related risks and opportunities, and providing an overview of international frameworks and emerging good practices. Section 2 presents the country context, summarizing the financial system's exposure to climate-related risks and opportunities and assessing the financial sector's current level of preparedness for transition planning. Section 3 puts forward a policy proposal for a national framework on financial sector transition plans, detailing core design principles, key features, and the enabling conditions required to support effective implementation.

⁵ AFD (2023), *Socioeconomic and spatially-explicit assessment of nature-related risks. The case of South Africa*

⁶ TNFD (2025), *Guidance on nature in transition plans*

⁷ World Bank (2022), *South Africa: Country Climate and Development Report*

⁸ NGFS (2024), *Connecting Transition Plans: Financial and non-financial firms*

⁹ NGFS (2024), *Transition Plan Package*

1. A GLOBAL CONSENSUS IS EMERGING ON THE ESSENTIAL COMPONENTS OF TRANSITION PLANS TO DEVELOP STRATEGIC RESPONSES TO CLIMATE-RELATED RISKS AND OPPORTUNITIES

1.1. Transition plans can help financial institutions develop strategic responses to climate-related risks and opportunities, and support effective supervision and disclosure

Transition plans can complement traditional methods by enabling financial institutions to take a forward-looking approach to climate-related risks and opportunities. While conventional tools rely on historical data and short-term indicators, transition plans help institutions assess how evolving policies, market dynamics, and climate impacts may affect their strategies in the longer-term. By integrating these forward-looking considerations into client engagement, internal scoring models, and product offerings, institutions can better understand opportunities, assess long-term vulnerabilities and exposures, and adjust strategies accordingly.

Transition plans can also support financial supervision at both the firm and system levels. At the micro level, they can provide a structured basis for supervisory dialogue, allowing authorities to evaluate the credibility of institutions' transition and adaptation strategies.¹⁰ At the macro level, they can help regulators monitor climate-related developments across the financial system and identify potential sources of systemic vulnerability including emerging concentrations of climate risk, unrealistic assumptions, and synchronized adjustment pressures across institutions.¹¹ Transition plans can also feed into scenario analysis and modeling assumptions, revealing whether financial strategies are (mis-)aligned with credible climate pathways.¹²

In addition, transition plans can help close information gaps and improve market efficiency. They generate structured, forward-looking data that supports both internal decision-making and external disclosure.¹³ Publicly disclosed plans enhance institutional credibility, improve client-level due diligence, and enable comparability across firms about transition strategies. Greater consistency and uptake of transition plans can reduce information asymmetries, improve asset pricing, and enable more efficient capital allocation.¹⁴

Some financial institutions use the information in real-economy transition plans to inform their own planning, risk assessments and pricing. Their ability to develop their own transition plans and allocate capital toward mitigation and resilience depends on access to credible, forward-looking data from non-financial firms. In 2025, 33% of companies disclosing through CDP (22,150) reported having a 1.5°C-aligned transition plan – an 8pp increase from 2023 – yet only 15% provided disclosures covering at least 2/3 of 23 CDP credibility indicators.¹⁵ In the United States, only 24.4% of S&P 500 firms have publicly disclosed a transition plan outlining their

¹⁰ NGFS (2024), *Credible Transition Plans: The micro-prudential perspective*

¹¹ FSB (2025), *The Relevance of Transition Plans for Financial Stability*

¹² NGFS (2025), *Interactions between Climate Scenario Analysis and Transition Plans*

¹³ IOSCO (2024), *Report on Transition Plans*

¹⁴ IMF (2023), *Global Financial Stability Report*

¹⁵ CDP (2026), *Climate Transition Plans: 2025 Findings and Trends*. CDP assesses climate transition plan credibility through 23 key climate transition plan indicators, built on emerging best practice and market expectations.

decarbonization pathways, and just 65.1% of those disclose adaptation measures.¹⁶ Firms, especially in transition-sensitive sectors, that disclose credible plans are often better prepared and may benefit from lower borrowing costs. Empirical evidence shows that energy and utility companies with clear plans enjoy lower loan spreads.¹⁷

Transition plans can also help financial institutions identify business opportunities and mobilize capital. They support the alignment of investment strategies with broader climate goals, whether through financing industrial decarbonization, supporting regional resilience, or investing in emerging sectors like green hydrogen. Transition plans can also underpin the development of climate-aligned financial products, such as transition bonds or sustainability-linked loans, and are increasingly used by investors, development banks, and donors to identify viable investment pipelines. At the national level, they can help channel finance toward priority sectors and close climate-related investment gaps while making financial flows more predictable.

Importantly, transition plans can support a more orderly and inclusive transition by avoiding abrupt divestment from high-emitting sectors. While financial institutions may face pressure to green their portfolio rapidly,¹⁸ abrupt divestment can destabilize hard-to-abate industries, heighten transition risks,¹⁹ and undermine a just transition,²⁰ especially in South Africa, where an estimated 2-4 million livelihoods depend on the coal value chain.²¹ Transition finance can enable institutions to back carbon-intensive firms with credible decarbonization plans while supporting worker reskilling. Yet, in 2023, only 2% of global green bond issuance involved high-emitting sectors.²² Transition plans can allow financial institutions to justify short-term exposures, design nuanced engagement strategies, and direct capital where it has the most impact.

Finally, transition planning requires a supportive and coherent enabling environment. Authorities play a key role by setting clear expectations, outlining national transition trajectories and adaptation strategies, and providing incentives. South Africa's Nationally Determined Contribution (NDC), LEDS, NCCAS, Climate Change Act, and Just Transition Energy Investment Plan (JET-IP) provide a strong foundation for alignment. Building on this, authorities will continue to work to develop sector-specific pathways for key sectors such as coal, energy, and transport, supported by fiscal measures to guide a just and effective transition.

1.2. There is increasing international alignment on the key elements required for robust transition planning and plans

In recent years, a global consensus has taken shape on the key components of credible transition planning and plans. The Taskforce on Climate-Related Financial Disclosures (TCFD) laid the foundation through its 2021 guidance, which describes elements that organizations should consider as part of their transition planning, grouped into the four categories of the TCFD disclosure recommendations:

¹⁶ UCLA (2025), *State of Corporate Sustainability Disclosure Report*

¹⁷ Zhou et al (2024), *Corporate net zero transition and financing cost*

¹⁸ GFANZ (2022), *Managed phase-out of high-emitting assets*

¹⁹ Coelho & Restoy (2023), *Macroprudential policies for addressing climate-related financial risks*

²⁰ NGFS (2024), *Tailoring Transition Plans: Considerations for EMDEs*

²¹ National Business Initiative (2021), *Decarbonising the South African mining sector*

²² ICMA (2023), *Corporate Transition Plan Guidance*

governance, strategy, risk management, and metrics and targets.²³ Building on this framework, the International Sustainability Standards Board (ISSB) embedded TCFD recommendations into its IFRS S1 and S2 disclosure standards.²⁴ While IFRS S2 requires entities to disclose any transition plan they have, it does not mandate that they have one. The ISSB has since issued specific guidance on transition planning under IFRS S2,²⁵ building on disclosure-specific material developed by the Transition Plan Taskforce (TPT),²⁶ for which the IFRS Foundation took responsibility in 2024. The TPT Framework, in turn, draws on the Glasgow Financial Alliance for Net Zero (GFANZ)²⁷ framework and guidance for credible, comprehensive, and comparable net zero transition planning and uses the same core components and structure. Several international networks and standard setters have developed additional guidance, including the Network for Greening the Financial System (NGFS)²⁸, the G20 Sustainable Finance Working Group,²⁹ the International Organization of Securities Commissions,³⁰ and the Financial Stability Board.³¹

Transition planning is the strategic process that an entity follows to set its goals and plan its actions for its transition towards a low-carbon and resilient economy (Figure 1).³² For financial institutions, this begins with a *commitment* to align portfolios with long-term climate objectives, such as reducing greenhouse gas (GHG) emissions and strengthening resilience to physical risks. These commitments are converted into measurable *targets* for emissions, financing, and resilience outcomes, enabling a credible and inclusive real-economy transition. Institutions then develop *plans* detailing goals, actions, and accountability mechanisms, embedding them into business strategies, risk management, and engagement with clients. *Implementation* in the real economy involves directing capital, products, and services toward low-carbon, climate-resilient investments and practices. Progress against targets is tracked through consistent metrics, with robust *measurement and monitoring* processes in place to adjust strategies as needed to ensure delivery and maintaining credibility over time.

²³ TCFD (2021), *Guidance on Transition Plans*

²⁴ IFRS (2023), *S1 General Requirements for Disclosure of Sustainability-related Financial Information and S2 Climate-related Disclosures*

²⁵ IFRS (2025), *Disclosing information about an entity's climate-related transition*

²⁶ See for instance TPT (2023), *Disclosure Framework*. Now International Transition Plan Taskforce (ITPN)

²⁷ This coalition of over 700 banks, insurers, asset owners, asset managers, financial service providers and investment consultants from more than 50 countries has developed guidance to help its members develop credible transition plans.

²⁸ See for instance NGFS (2023), *Stocktake on Financial Institutions' Transition Plans and their Relevance to Micro-prudential Authorities*; NGFS (2024), *Transition Plan Package*; NGFS (2025), *Integrating Adaptation and Resilience into Transition Plans*

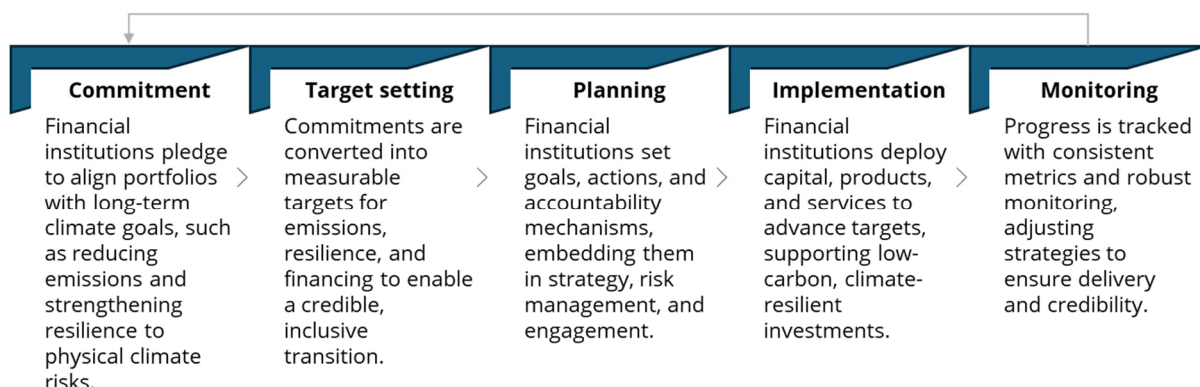
²⁹ G20 Sustainable Finance Working Group (2024), *Recommendations for credible, robust, and just transition plans*

³⁰ IOSCO (2024), *Report on Transition Plans*

³¹ FSB (2025), *The Relevance of Transition Plans for Financial Stability*

³² IFRS (2025), *Disclosing information about an entity's climate-related transition*

Figure 1. Transition planning as a strategic process



Source: Adapted from GFANZ (2022)

As the outcome of the transition planning process, financial institutions can publish a transition plan structured around five pillars (Figure 2). Foundations outline the institution's overall climate objectives and priorities. Strategy comprises two dimensions: the implementation strategy, which details how the institution will use its activities, decision-making, products, and services to achieve its goals, along with the necessary policies and enabling conditions; and the engagement strategy, which sets out how it will work with clients, industry, the public sector, and vulnerable groups to support its objectives. Metrics and targets provide benchmarks to assess progress at both client and portfolio levels. Finally, consistent with TCFD and ISSB governance recommendations, the plan includes monitoring and incentive structures to track implementation, adjust actions as needed, and ensure the transition strategy remains credible over time. Public disclosure of these elements in a transition plan improves market transparency and data availability, enables comparability across institutions, and builds stakeholder confidence in the institution's commitment and ability to deliver on its climate objectives.

Figure 2. Five pillars of a transition plan as a product



Source: Adapted from GFANZ (2022)

While initial frameworks were focused on mitigation, the NGFS has proposed an approach to integrate adaptation and resilience alongside mitigation into the five pillars of transition plan (Figure 3).³³ *Governance* and *engagement strategy* remain largely consistent with existing frameworks. *Foundations* are structured around two objectives managing the institution's exposure to physical risks and, where relevant, seizing adaptation-related business opportunities. The *implementation strategy* translates physical risk and adaptation opportunity assessments into concrete risk management and investment actions, including risk avoidance, acceptance,

³³ NGFS (2025), *Integrating Adaptation and Resilience into Transition Plans*

reduction, transfer, and investment in new opportunities. For *metrics and targets*, the approach outlines a maturity pathway, starting with a stocktake to assess data availability and coverage, then establishing input measures (e.g., adaptation finance mobilized), and ultimately advancing to outcome-based indicators (e.g., reduced damage costs). This integrated model strengthens the complementarity between mitigation and adaptation while providing a practical roadmap for institutions at varying levels of readiness.

Figure 3. Integrating adaptation and resilience into the five pillars of a transition plan

Governance	Foundations	Implementation strategy	Engagement strategy	Metrics and targets
Existing governance mechanisms for overseeing and managing mitigation should also explicitly track progress against adaptation targets, once set.	Set objectives. • Risks: manage the company's exposure to climate physical risks. • Opportunities: Where desirable, seize business opportunities within own operations and/or to contribute to systemic resilience. Assess physical risks and/or opportunities.	Determine risk and investment appetite based on physical risk assessment results and business opportunity pipelines. Connect them to management decisions: avoid risk, accept risk, reduce risk, transfer/ share risk, or invest in new opportunities. Adjust business strategy and processes where applicable.	To operationalise its implementation strategies, businesses should leverage existing engagement on mitigation topics where possible for a cohesive approach while aiming to foster an environment that enables increased climate resilience.	There is a wide variety of adaptation metrics and targets, ranging in usefulness and use cases. Recognising that there is a maturity path to developing meaningful metrics, this should start with ensuring a baseline of data and ultimately aim to measure the outcomes from adaptation to understand effectiveness of it in managing the risk.

Source: NGFS (2025)

Guidance is emerging on the incorporation of nature-related and just transition considerations into transition plans. The Taskforce on Nature-related Financial Disclosures (TNFD) has recently published its guidance³⁴ for developing nature transition plans, structured around the same five themes used by GFANZ but adapted to address nature-related risks, dependencies, and opportunities. These plans aim to guide institutions in reducing negative impacts on ecosystems while enhancing biodiversity outcomes. On just transition, the United Nations Environment Programme Finance Initiative (UNEP FI) provided a framework³⁵ for practical actions to integrate environmental and social aspects into core operations of financial institutions. The approach entails a combination of measures to safeguard the rights of affected and vulnerable populations and mitigate potential adverse impacts arising from activities facilitated by financial institutions, as well as proactive efforts to respond to specific just transition needs via innovative products, responsible practices and partnerships that can contribute to maximizing positive social outcomes. This expansion reflects growing recognition that credible and comprehensive transition planning must address the full spectrum of environmental and systemic risks, while also supporting inclusive and resilient economic transformation.

Several jurisdictions are moving ahead with transition plan requirements. In the United Kingdom, consultations about whether to mandate that regulated financial institutions and large companies develop credible transition plans aligned with the Paris Agreement's 1.5 °C goal were undertaken in 2025.³⁶ Switzerland already requires

³⁴ TNFD (2025), *Guidance on nature in transition plans*

³⁵ UNEP FI (2023), *Incorporating Just Transition Considerations into Financial Sector Transition Planning*

³⁶ UK Department for Energy Security & Net Zero (2025), *Transition plan requirements consultation*

banks to publish transition plans that align with TCFD recommendations and Swiss climate objectives.³⁷ The Monetary Authority of Singapore (MAS) has issued final transition planning guidelines for banks, insurers and asset managers, on March 5, 2026, effective September 2027 which will be preceded by a 18-month transition period.³⁸ In the European Union (EU), transition plans are embedded across key sustainability frameworks (see Box 1).

Box 1. The European Union's transition plan framework

The EU framework combines **corporate sustainability reporting requirements** with **prudential transition-planning requirements for banks**. Following the adoption of the Omnibus I simplification package in February 2026, the framework now comprises two principal channels:

- The **Corporate Sustainability Reporting Directive (CSRD)** requires large EU companies, and certain non-EU companies with EU turnover to report sustainability information under the European Sustainability Reporting Standards (ESRS). This includes disclosure of any climate transition plan the undertaking has, its targets and actions, and progress in implementation.
- The **Capital Requirements Directive (CRD VI)** requires credit institutions to have internal, forward-looking transition plans integrating climate and environmental risks into business strategy and risk management. These are not public disclosures but are reviewed by supervisors through the Supervisory Review and Evaluation Process (SREP). The European Banking Authority (EBA) has published guidelines specifying the content of those plans.³⁹

2. FINANCIAL INSTITUTIONS IN SOUTH AFRICA ARE BEGINNING TRANSITION PLANNING TO DEVELOP STRATEGIC RESPONSES TO CLIMATE-RELATED RISKS AND OPPORTUNITIES

2.1. In South Africa, the financial sector navigates growing climate and environmental risks and opportunities, with emerging regulatory framework

South Africa's financial sector faces significant transition risks given the country's high emission intensity and ambitious mitigation targets. The country is the 15th largest CO₂ emitter globally and the 5th largest coal exporter, with potential asset write-downs in the coal sector estimated at over \$120 billion.⁴⁰ Going forward, South Africa's updated NDC and LEDS commits to target greenhouse gas emission reductions of 350 to 420 million tonnes of CO₂ equivalent (MtCO₂e) annually for the 2026–2030 period, and a tightened range of 320 to 380 MtCO₂e for 2031–2035, with a goal of reaching net zero by 2050.⁴¹ With 50% of exports going to net-zero-committed countries, international policies, like the EU's Carbon Border Adjustment Mechanism (CBAM), could also impact demand for South Africa's carbon-intensive exports.⁴² As a result,

³⁷ Confédération Suisse (2024), *Ordinance on Climate Disclosures*

³⁸ MAS (2026), *Guidelines on Environmental Risk Management – Transition Planning*

³⁹ EBA (2025), *Guidelines on the management of ESG risks*

⁴⁰ CPI (2019), *Understanding the impact of a low carbon transition on South Africa*.

⁴¹ *Nationally Determined Contribution (Sep 2021 Update); Long-term Low Emission Development Strategy 2050*.

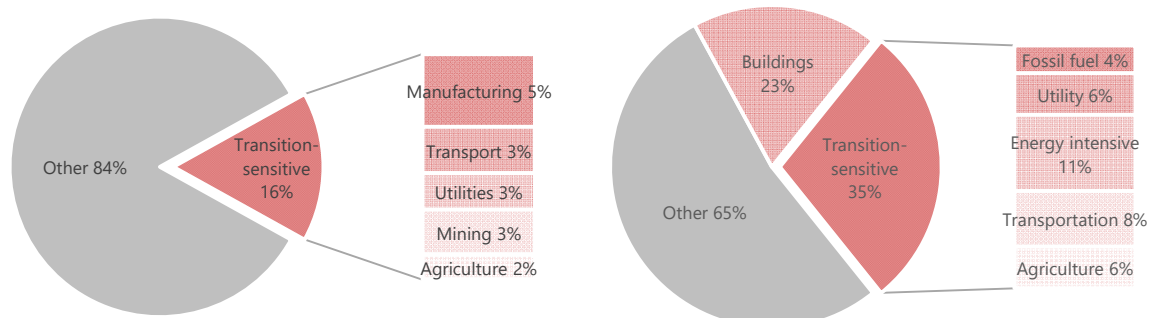
⁴² *National Business Initiative (2021), Financing South Africa's Just Transition*

various assessments estimate that between one-sixth⁴³ and one-third⁴⁴ of bank credit portfolios are exposed to sectors that are vulnerable to the transition to net zero, with significant disparities among banks (Figure 4).

Figure 4. Exposure to transition-sensitive sectors in the bank credit portfolio

A. World Bank transition exposure assessment results (end-2019 data)

B. SARB transition exposure assessment results (Q3 2022 data)



Source: (A) World Bank (2022), *South Africa Financial Sector Assessment Program Technical Note on Climate Risks and Opportunities*; (B) South African Reserve Bank (2024) *Working Paper Series WP/24/12, Transition and systemic risk in the South African banking sector: assessment and macroprudential options*

The financial sector also faces physical risks. In a current policies scenario, mean surface temperatures are projected to rise by 1°C by 2050 compared to the 2000-2019 average, driven by insufficient policy action. This will bring more frequent extreme weather events, such as droughts and flooding, disrupting transport, labor markets, and supply chains, damaging assets and infrastructure, reducing household incomes, and weighing on South Africa's real GDP (Figure 5).⁴⁵ These physical hazards translate into credit risks: difference-in-difference econometric analysis shows that banks assign significantly higher probabilities of default to sectors more vulnerable to water shortages in provinces affected by drought events.⁴⁶

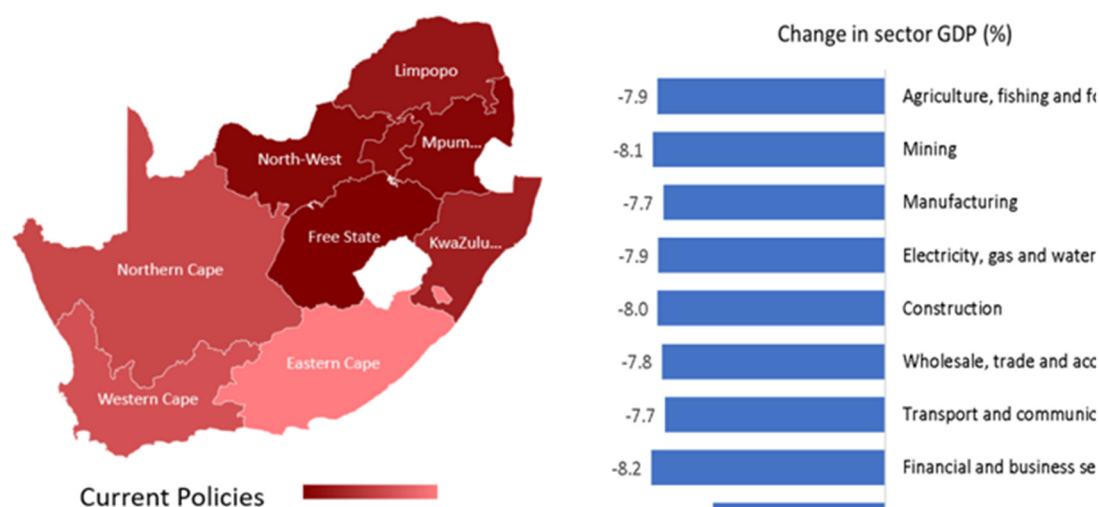
⁴³ World Bank (2022), *South Africa FSAP Technical Note on Climate Risks and Opportunities*

⁴⁴ South African Reserve Bank (2024), *Transition and systemic risk in the South African banking sector*

⁴⁵ South African Reserve Bank (2025), *2024 Climate Risk Stress Test (CRST): Technical report*

⁴⁶ World Bank (2022), *South Africa FSAP Technical Note on Climate Risks and Opportunities*

Figure 5. 2050 regional and sector GDP impact of a current policies scenario



Source: South African Reserve Bank (2025) 2024 Climate Risk Stress Test (CRST): Technical report

South Africa's transition away from coal presents just transition risks for its financial sector due to the country's heavy reliance on coal for energy production, exports, and employment as well as the local financial sector's role in financing the industry.⁴⁷ The coal value chain is a major source of jobs in certain provinces, notably Mpumalanga, where mine closures and power plant retirements could lead to concentrated job losses, reduced household incomes, and regional economic decline.⁴⁸ These socio-economic impacts risk amplifying credit risk for banks with high exposure to coal-dependent sectors, local SMEs, and municipalities. Furthermore, coal-linked infrastructure and housing markets in affected areas could see declining asset values, increasing default risk for both corporate and retail borrowers. Without proactive social protection measures, skills retraining, and economic diversification programs, the transition could exacerbate inequality and undermine political and community support for climate action, creating a feedback loop of policy and reputational risks for financial institutions. For instance, in Poland, where the coal industry is also a major employer and energy source, around 17.2% of Polish banks' financing is exposed to just transition relevant sectors, classified as declining (subject to job losses) or transforming (requiring adaptation to lower-carbon processes).⁴⁹

South Africa's financial sector could also be exposed to material nature-related risks due to the country's high dependence on ecosystem services, particularly water. Agriculture, forestry, fisheries, and tourism are particularly vulnerable to land degradation, water scarcity, and biodiversity loss. Those threats that are being amplified by climate change and unsustainable land-use practices. A recent spatially explicit assessment of nature-related risks finds that large areas of economic activity

⁴⁷ RMI (2021), *Financing the Coal Transition: Pragmatic Solutions to Accelerate an Equitable, Clean Energy Future*

⁴⁸ Of the 78 operating coal mines in South Africa, 65 (or 83%) are located in Mpumalanga, which accounts for 80% of national coal production. The spatial distribution of mines within the Mpumalanga province is further concentrated within local municipalities located in western parts of the province. The coal mining industry is a core employer within the Mpumalanga province and the local municipalities located in the western parts of the province. The industry accounts for approximately 5% of total employment in the province, while accounting for 19% of employment in Emalahleni, 15% in Msukaligwa, 14% in Steve Tshwete, 3.5% in Govan Mbeki, 9.4% in Mkhondo, 5% in Albert Luthuli, and 7% in Victor Khanye. See University of Cape Town (2024), *Just Transition and the Labour Market in South Africa*.

⁴⁹ World Bank (2025), *Just Transition Risks in the Banking Sector*

are located in ecosystems with high to very high biodiversity importance, where degradation could disrupt supply chains, reduce productivity, and undermine livelihoods. An estimated 80% of exports and 60% of business loans depend on water supply services provided by ecosystems, making them vulnerable to degradation. These risks have systemic implications: over 40% of GDP is generated in districts with high exposure to nature loss, and certain export sectors (such as fruit, wine, and fisheries) face elevated risk due to global market sensitivity to sustainability credentials.⁵⁰ A recent assessment shows that South African banks' agricultural lending portfolios are highly dependent on nature, with 66.5% of the agricultural loans issued by one of the banks studied are tied to clients highly dependent on at least six different ecosystem services.⁵¹

However, this transition also presents significant opportunities for the financial sector (Figure 6). South Africa's 2025 NDC indicates a cumulative investment need of ZAR 3.47 billion for mitigation by 2035, while the Just Energy Transition Investment Plan⁵² (JET IP) outlines a need for ZAR 1,480 billion in financing from 2023 to 2027 to support a sustainable and just energy transition. By 2050, the National Business Initiative (NBI) estimates that ZAR 5.9 trillion is required to fund the net-zero transition, with annual needs rising from ZAR 100 billion in 2023 to ZAR 300 billion by 2050 (1-3% of GDP),⁵³ while Stellenbosch University projects that a just energy transition will require ZAR 4.4 trillion, around 3% of GDP.⁵⁴ The World Bank's estimate is even higher, at ZAR 8.5 trillion in net present value for mitigation, adaptation, and just transition investments, equivalent to annual needs averaging 4.4% of GDP. The financial sector will play a key role in seizing opportunities to finance the projects, firms, and sectors that will boost South Africa's low-carbon economic growth in the future.

⁵⁰ AFD (2023), *Socio-economic and spatially-explicit assessment of nature-related risks – The case of South Africa*

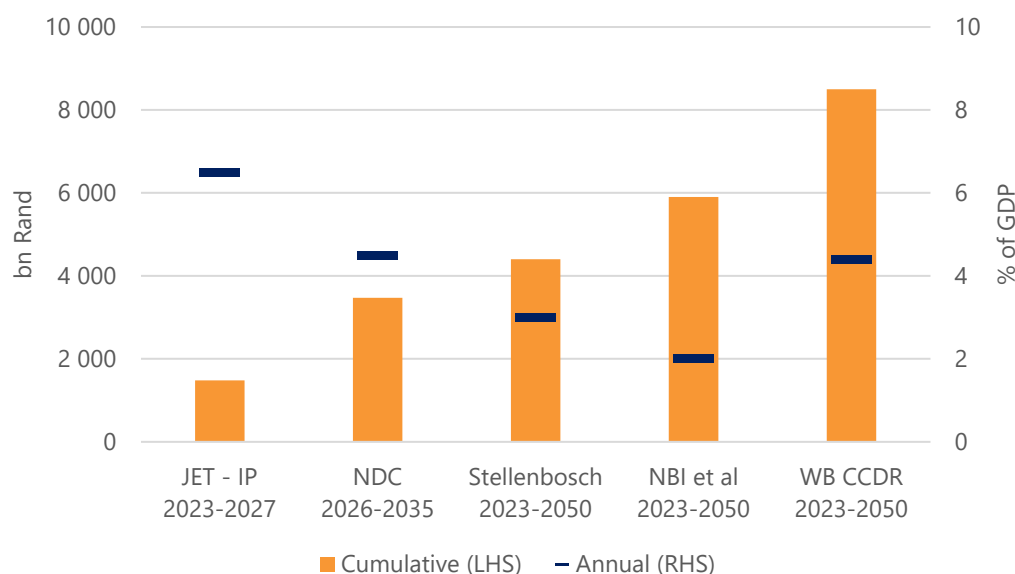
⁵¹ Global Canopy (2025), *An assessment of nature-related risk and prudential policy in the South African banking sector*

⁵² South Africa (2022) *Just Energy Transition Investment Plan 2023-2027*

⁵³ NBI (2022) *Financing South Africa's Just Transition*

⁵⁴ Blended Finance Taskforce and Stellenbosch University's [Centre for Sustainability Transitions](#) (2023), *Making Climate Capital work: Unlocking \$8.5bn for South Africa's Just Energy Transition*

Figure 6. Estimated transition investment needs for South Africa, selected publications



Source: South Africa's 2025 NDC; South Africa's JET IP 2023-2027; NBI (2022) *Financing South Africa's Just Transition*; World Bank (2022), *South Africa Country Climate and Development Report*

Financial authorities in South Africa have begun developing a comprehensive regulatory and supervisory framework for climate risk. The South African Reserve Bank (SARB)'s Prudential Authority (PA) has issued guidance for banks and insurers on climate-related governance, risk management, and disclosures,⁵⁵ aligned with the Basel Committee's principles on climate risk management⁵⁶ and ISSB's IFRS 'S2 on climate risk disclosure'⁵⁷. This guidance requires banks and insurers to undertake transition planning and disclose any climate-related transition plan they have.⁵⁸ Whilst not mandatory, the PA will monitor the implementation of these Guidance Notices through ongoing supervision. The Financial Sector Conduct Authority (FSCA) has partnered with the World Bank Group (WBG) to advance the development of climate and sustainability reporting regulations aligned with ISSB standards. In parallel, the Johannesburg Stock Exchange (JSE) encourages listed companies to voluntarily report in line with its 2022 Sustainability and Climate Disclosure Guidance, which draws on ISSB, TCFD, and other leading frameworks.⁵⁹

⁵⁵ SARB PA (2024) G2-2024 - Guidance Notice on climate-related governance and risk practices for Insurers; G2-2024 - Guidance on climate-related disclosures for Insurers; G3-2024 - Guidance on climate-related governance and risk practices for Banks; G4-2024 - Guidance on climate-related disclosures for Banks

⁵⁶ BCBS (2022), *Principles for the effective management and supervision of climate-related financial risks*

⁵⁷ ISSB (2023), *S2 Climate-related Disclosures*

⁵⁸ The PA's May 2024 Climate Risk Observations report, based on 23 Board-level engagements in 2023, finds that transition planning and pathways remain nascent and cautiously discussed amid policy and data uncertainties; institutions emphasize stewardship and client engagement over divestment, underscoring the financial sector's reliance on economic transition and company disclosures.

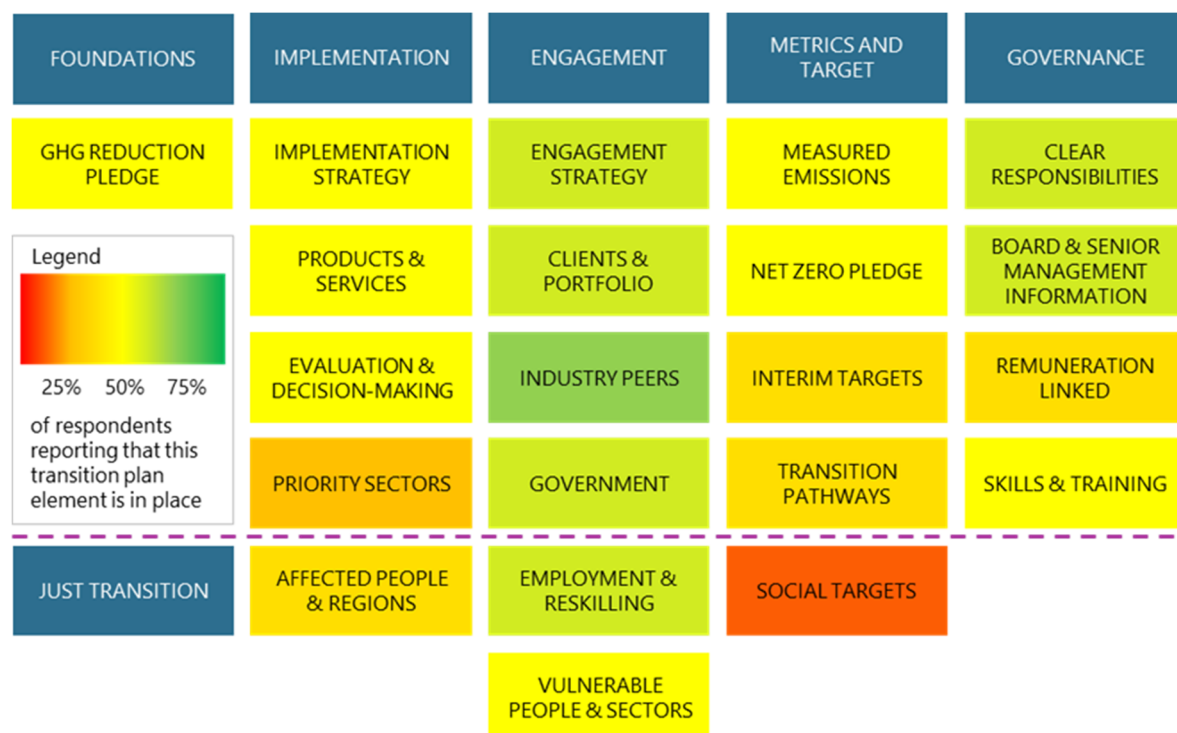
⁵⁹ JSE (2022), *Sustainability and Climate Disclosure Guidance*

2.2. South African financial institutions have started developing elements of climate transition plans but operationalization requires a framework

The World Bank, with support from the FSCA and SARB, surveyed 37 financial institutions in May-June 2025 to assess South Africa's financial sector readiness for transition planning. The survey examined progress, barriers, and perceived risks and opportunities in developing transition plans. It was supplemented by discussions with financial institutions, non-financial corporates, regulators, and government. Participants included banks (16%), insurers (30%), asset owners/pension funds (14%), asset managers/consultants (38%), and one industry association. About 43% operate only in South Africa, while the rest also have operations in Africa (14%) or globally (43%). These results should be interpreted with caution, as the sample may not fully represent the sector and could be biased toward institutions more advanced in transition planning. The survey focuses on mitigation.

Many financial institutions have already established some elements of a transition plan, particularly information about their engagement strategy and climate-related governance (Figure 7). The survey explored 21 elements of transition planning grouped under the five pillars of transition plans: foundations, implementation, engagement, metrics and targets, and governance. Most respondents have made significant advances in developing their engagement strategies and climate governance arrangements, while progress remains less evident in areas such as foundations, implementation strategy, and metrics and targets. This overview does not differentiate between elements that are publicly disclosed and those that remain internal.

Figure 7. Transition plan elements adopted by South African financial institutions



Source: Authors based on survey results

In detail, about half of respondents report⁶⁰ having developed the main categories of a transition plan, with a quarter disclosing these publicly (Figure 8). Nearly half (46%) have made decarbonization pledges, including a third (32%) which have committed to net zero. Implementation strategies are said to be in place for 49% of respondents, with 27% of them making them public. Engagement strategies are reported by 61% of respondents, with 27% disclosed. Governance⁶¹ is specified by 67% of respondents, and a third (33%) have made this public. Two-thirds (67%) have measured or are measuring GHG emissions, half (52%) have completed assessments, and 28% include Scope 3 emissions. Only 32% have set interim targets. This information is declarative, with each category likely not reflecting the detailed elements of a transition plan presented in Section I.

Figure 8. Main elements of transition plans



Source: Authors based on survey results

2.2.1. Foundations

Approximately half of the respondents have publicly pledged to reduce their GHG emissions, while about one-third have committed to achieving net zero emissions – typically by 2050. Banks are at the forefront of these efforts, with a higher rate of climate commitments compared to asset managers, insurance companies, and pension funds. South Africa's five largest banks, collectively accounting for 92% of the

⁶⁰ As not all respondents answered every question, the denominator varies across survey items. Percentages reported throughout this section are therefore based on the number of responses received for each question and should not be interpreted as percentages of the full sample unless explicitly stated.

⁶¹ Proxied here as having specified who is responsible for assessing your company's progress towards your emission reduction goals and make course corrections

banking sector's total assets,⁶² have all pledged to reach net zero by 2050. All except Absa have also set targets and timelines for limits to coal exposure (Table 1).⁶³

Table 1. Top 5 South African banks' targets

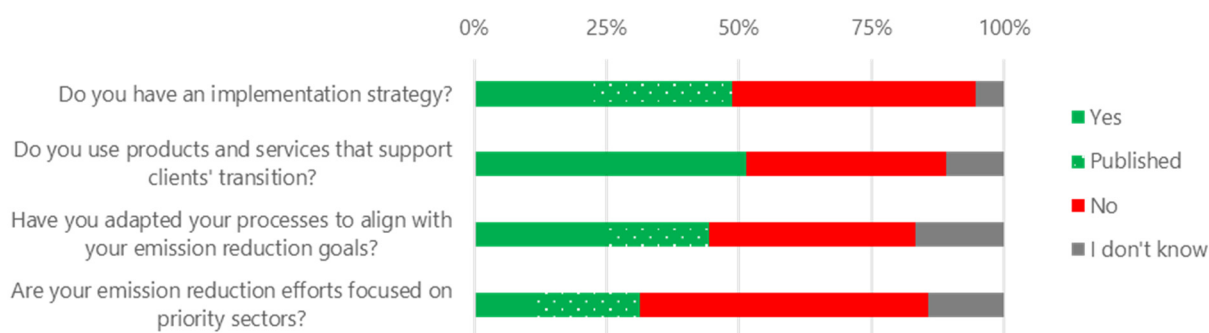
BANK	TARGET
STANDARD BANK	2021: Limit thermal coal exposures to 0.70% of GLAA 2030: Limit thermal coal exposures to 0.50% of GLAA 2040: Limit thermal coal exposures to 0.20% of GLAA 2050: Zero thermal coal exposures
FIRSTRAND	2026: Limit thermal coal exposures to 1.5% of GLAA 2030: Limit thermal coal exposures to 1% of GLAA 2050: Net-zero financed emissions
ABSA	2050: Achieve net-zero targets for all GHG emissions
NEDBANK	2030: Restricting coal financing to 0.5% of GLAA (from 1%) 2045: Zero exposure to fossil-fuel related activities
INVESTEC	2030: Zero thermal coal exposure 2050: Net-zero carbon emissions

Source: Krutham (2025). From dig baby, dig to stranded coal assets.

2.2.2. Implementation strategy

Approximately half of the survey respondents (49%) have developed implementation strategies detailing how they plan to achieve their emission reduction targets, while just over a quarter (27%) have made these plans publicly available (Figure 9). In addition, half of the institutions (51%) offer products and services designed to help clients and portfolio companies lower their emissions, and 44% have adjusted their evaluation and decision-making processes to better align with their emission reduction objectives. About a third of respondents (31%) concentrate their emission reduction efforts on priority sectors, and 35% have introduced products, services, or procedures that specifically address the needs of people and regions adversely affected by the transition. However, on-site interviews indicate that, at present, South Africa's financial sector offer limited dedicated transition-themed products and services.

Figure 9. Implementation strategy



Source: Authors based on survey results

⁶² SARB (2025), Financial Stability Review, First edition

⁶³ Krutham (2025), From dig baby dig to stranded coal assets

2.2.3. Engagement strategy

Many financial institutions report having developed engagement strategies for climate transition, but the depth and effectiveness of these strategies remain limited. While about 60% of surveyed institutions have an engagement strategy with clients, peers, and government, in-depth interviews reveal that these efforts are often superficial, focusing mainly on formal discussions, capacity building, and alliances rather than substantive action. A key barrier is the lack of robust environmental data from corporates, which is essential for distinguishing between counterparties making meaningful transition efforts and those that are not. Few institutions have access to sufficient data to provide targeted support, resulting in engagement that is often generic and high-level. To improve the impact of these strategies, financial institutions need to prioritize the collection and use of high-quality environmental data and move toward more differentiated, data-driven engagement with their clients and stakeholders.

Figure 10. Engagement strategy



Source: Authors based on survey results

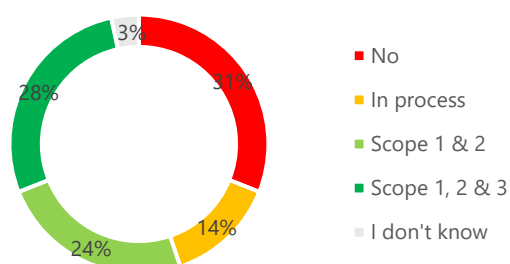
2.2.4. Metrics and targets

Metrics and targets for climate transition are not widely used by South African financial institutions, hindering effective transition planning (Figure 11). While about half (52%) have measured their carbon emissions, nearly a third (31%) lack any carbon footprint data, and only 28% have measured Scope 3 emissions – a key metric which accounts for over 99% of emissions for the financial sector.⁶⁴ The difficulty of obtaining emission data from clients and investees was identified as the top obstacle, followed by the absence of transition plans from non-financial corporates, which are crucial for financial sector engagement. Only a minority (32%) use interim targets or transition pathways, and just 11% have third-party verification that their metrics align with recognized standards. Strengthening transparency, disclosure, and the adoption of credible, standardized metrics, especially for Scope 3 emissions, will be essential to support South Africa's low-carbon transition.

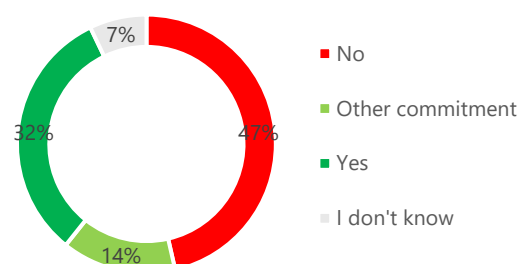
⁶⁴ CDP (2024), *Relevance of Scope 3 Categories by Sector*

Figure 11. Metrics and targets

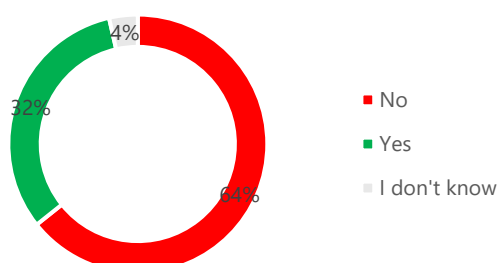
Have you measured your current GHG emissions?



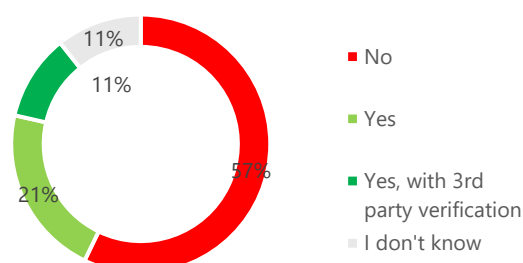
Have you made a public pledge to achieve net zero emissions?



Have you set interim targets?



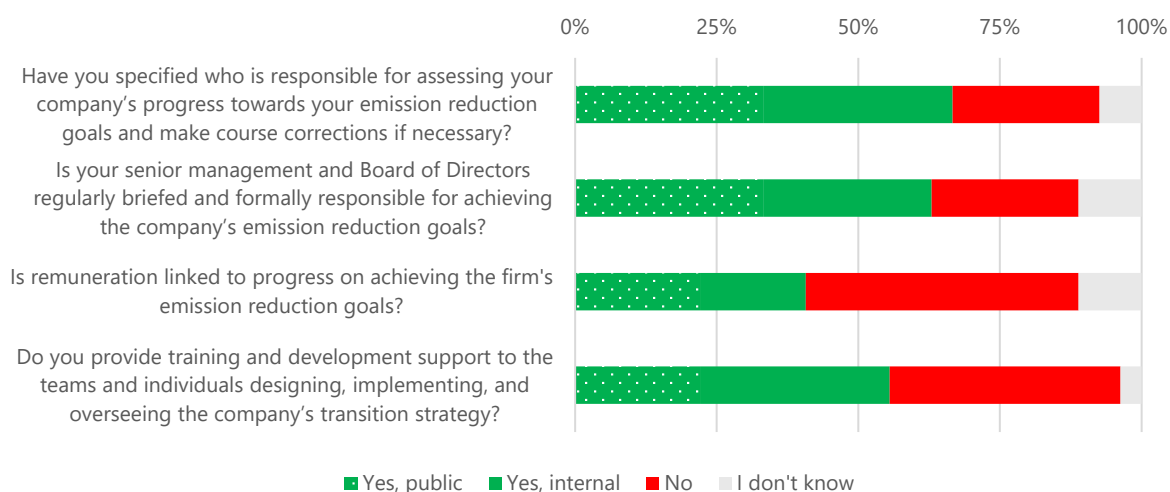
Do you use sector-specific transition pathways as a benchmark?



Source: Authors based on survey results

2.2.5. Governance

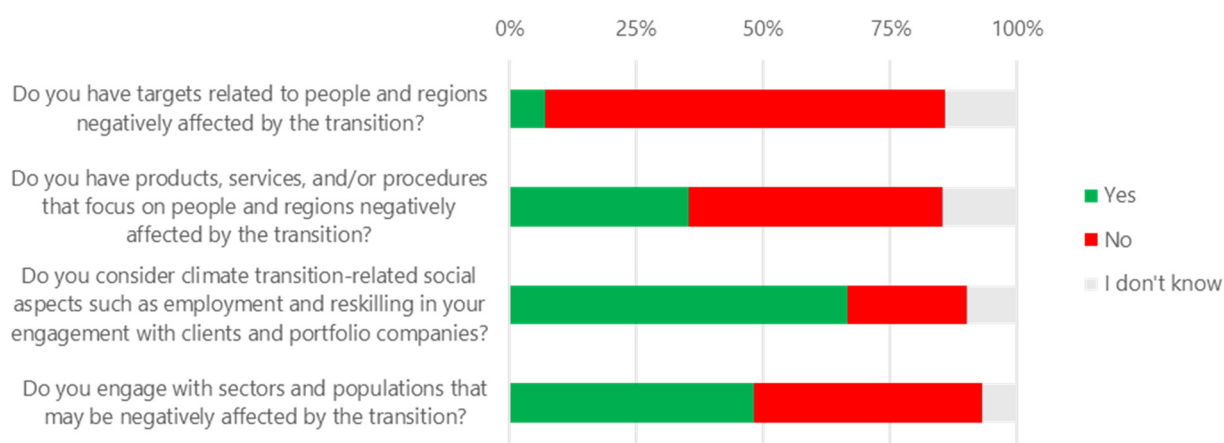
A large majority of financial institutions have established governance mechanisms for emission reduction goals, but incentives and staff training are still lacking. Around two-thirds (67%) specify who is responsible for assessing progress and making course corrections, and 63% regularly brief and formally assign responsibility to senior management and the Board of Directors. However, incentives are lagging behind: nearly half of institutions do not provide training and development support to teams overseeing the transition strategy (41%), and 48% do not link remuneration to progress on achieving emission reduction goals. This indicates that while oversight and accountability structures are increasingly in place, there is still significant room for improvement in aligning incentives and capacity-building with climate objectives.

Figure 12. Governance

Source: Authors based on survey results

2.2.6. Just transition

Just transition concerns are primarily reflected in engagement strategies, with limited operational targets and implementation strategies (Figure 12). The vast majority of respondents (93%) do not have specific targets for people and regions negatively affected by the transition, and only 35% offer products, services, or procedures to support them. Just transition issues are more visible in engagement efforts, with two-thirds of institutions (67%) considering climate transition-related social aspects, such as employment and reskilling, in their engagement with clients and portfolio companies. Additionally, 48% of respondents engage specifically with sectors and populations that may be negatively affected, but only 14% publish their engagement strategies for disadvantaged populations in line with existing requirements such as the King IV Code and the Broad-Based Black Economic Empowerment (B-BBEE).

Figure 13. Just transition

Source: Authors based on survey results

A balanced discussion on South Africa's transition pace is essential, with credible transition plans helping to catalyze this debate. While a scientifically sound pathway to net zero by 2050 is critical, it may not fully reflect South Africa's social realities or economic realities. A transition that is too rapid risks injustice as the accelerated phase-out of coal and polluting assets could harm workers, communities, and asset owners, while a slow transition exposes vulnerable populations to worsening climate shocks. Interviewees reported that the presentation of transition plans at board meetings has sparked necessary, sometimes controversial, debates about the right pace for each company. Financial institutions and their real-economy counterparts must find a transition pace that maximizes environmental and social benefits while minimizing negative impacts.⁶⁵ In particular, their transition plans should reflect the carbon budgets to be allocated under the Climate Change Act, engaging with affected counterparties to assess the credibility of their mitigation strategies. By clarifying purpose, goals, and data, transition plans serve as a catalyst for informed, constructive debate.

2.2.7. The enabling environment

A large majority (62%) of respondents support an official South African transition plan framework for financial institutions, highlighting the need for coordinated guidance tailored to local social, economic, and energy realities. The framework should align public and private efforts, and offer clear regulations, standardized disclosures, and sector-relevant metrics. While mechanisms such as the PCC Just Transition Framework exist, their application for financial institutions remains unclear, and respondents seek clarity on transition finance definitions. A well-designed government framework is seen as crucial for sustainable growth, investor confidence, and policy consistency, especially in priority sectors.

More generally, enabling regulations, a widely used green finance taxonomy, and incentives are recommended, along with pragmatic policy direction to avoid mismatches between government and private sector actions. A lack of clarity on government policies related to climate and the environment is cited as a major obstacle to transition planning. Financial institutions seek clearer government guidance on overall trajectory of transition – including medium- and long-term policies and targets in energy and transport, climate commitments beyond 2030, and the future evolution of the carbon tax and other fiscal measures. In addition, respondents would welcome government support measures for the transition and enabling regulations that support the growth of transition finance. More clarity on restrictions and incentives would help financial institutions develop their own transition plans with greater confidence.

Alignment with global standards and requirements is key. Many respondents cite compliance requirements abroad as a top reason for transition planning. In the survey and in in-depth interviews, South African financial institutions express a desire for the alignment of domestic regulatory guidance with global standards. Financial sector representatives express concern that a unique domestic transition planning framework would lead to duplication of efforts and inefficiencies. The preference for international alignment given that 41% of them operate globally, with an additional 16% operating on the African continent. Some financial institutions are part of multinational conglomerates with a harmonized approach to planning and disclosures; others have

⁶⁵ E.g., job losses and community dislocation from rapid coal phase-out, energy insecurity from mis-sequenced asset retirement in the absence of national pathways, fragmented and potentially greenwashed methodologies, capital withdrawal from transitional projects.

shareholders and investors that must report to supervisory authorities in other jurisdictions.

3. POLICY PROPOSAL. BUILDING A SOUTH AFRICAN FRAMEWORK TO GUIDE FINANCIAL INSTITUTIONS' TRANSITION PLANS

3.1. Core design principles

A majority of domestic financial institutions have called for a clear framework to help them manage the material transition and physical risks facing the country, while supporting South Africa's just transition. To ensure the framework is both effective and practical, it should be anchored in five core principles: alignment, credibility, proportionality, materiality, and flexibility. Each principle entails trade-offs that must be carefully balanced against South Africa's national conditions and priorities.

***Alignment.* The framework promotes the alignment of transition plans with both South Africa's domestic environmental objectives and major international frameworks.** Domestically, it supports consistency with the country's targets and policies under the country's NDC, the LEDS 2050, the NCCAS, the Framework for a Just Transition in South Africa, the JET IP and the Climate Change Act. Internationally, it aligns with leading frameworks such as those developed by the G20, ISSB, NGFS, GFANZ, and the International Transition Plan Taskforce (ITPN) to ensure interoperability and comparability, particularly for institutions with foreign investors and stakeholders or global operations.

***Credibility.* The framework ensures that transition plans are realistic rather than purely aspirational,** featuring clear and operational commitments, measurable targets, and performance indicators that can be tracked and verified. Credibility does not always require extreme granularity, but it does require that disclosed commitments are actionable, based on reliable information, and capable of withstanding external scrutiny. To support usability and stakeholder trust, credible plans should also present their content in a simple, clear and accessible manner to investors, clients, prudential supervisors, and the public. Review by the internal audit function, along with assessments conducted by third parties, can also provide objective assurance of a plan's quality and effectiveness and enhance its credibility.

***Proportionality.* The framework calibrates transition plan requirements to the size, relevance, and climate-risk exposure of each financial institution.** Larger institutions with broad portfolios and significant environmental impact are expected to produce highly detailed, data-rich plans, subject to external verification. Because the cost of gathering information and developing a transition plan is substantial, requiring all institutions to publish plans rapidly could lead to low-quality disclosures and unintended exclusionary effects. To avoid these outcomes, smaller institutions, such as mutual banks and microfinance institutions, may follow a phased approach. For these entities, initial disclosures can focus on high-level transition goals and simple multi-year targets, with scope to add detail as capacity grows.

***Materiality.* The framework allows institutions to focus their transition plans on environmental risks and opportunities that are most material to their activities and exposures,** while ensuring that nationally significant priorities are addressed. This includes issues where the institution has a substantial influence on the low-carbon

transition and where environmental factors have a significant impact on the institution (double materiality). Core material topics include climate change mitigation and adaptation, with just transition considerations incorporated in proportion to their relevance and in accordance with domestic policies. As capacity and data improve, institutions can expand coverage to other material risks such as nature and biodiversity. Similarly, applying the principle of materiality may warrant an initial focus on larger counterparties, rather than imposing expectations on SMEs that may lack the capacity or data to comply.

Flexibility. The framework recognizes that transition plans are designed to evolve over time, as the enabling environment, market practices, and data availability improve. Full alignment between science-based decarbonization pathways, economic feasibility, and social justice may not always be achievable in the short term. Flexibility allows for progressively higher ambition, the integration of emerging risks not yet fully addressed (e.g., nature and biodiversity) and supports smaller institutions in building capabilities over time without compromising proportionality or credibility.

3.2. Key features of the framework

This framework provides South African financial institutions with a structured approach to developing, implementing, and disclosing credible climate-related transition plans. It is designed to ensure interoperability with international frameworks such as ISSB, NGFS, GFANZ and ITPN, while supporting compliance with emerging risk management and disclosure requirements from the SARB PA, FSCA, and JSE, and supporting South Africa's climate mitigation and adaptation priorities, embedding just transition considerations in line with the Presidential Climate Commission, JET-IP, and the Climate Change Act.

The application of this framework can follow a flexible approach that combines mandatory and voluntary elements, phased implementation, and sequencing according to institutional characteristics. Implementation can be phased over time, beginning with high-level plans and gradually expanding to cover targets, metrics, and complement risk management. To support this progress, time-bound transitional reliefs – for example, limited use of proxies, pilot coverage of priority sectors) – can help balance urgency with feasibility. Application can be sequenced across institutions depending on size, systemic importance, business model, and exposure to climate-sensitive sectors. This ensures that those with the greatest potential impact on financial stability and the real economy adopt comprehensive transition planning first, while smaller or less exposed institutions follow on a proportionate basis.⁶⁶

In line with leading international frameworks, transition plans should make disclosures under the following five pillars: Foundations, Metrics and Targets, Governance, Implementation Strategy, and Engagement Strategy.⁶⁷

⁶⁶ For instance, based on climate risk assessments conducted by the supervisory authority or financial institutions.

⁶⁷ The sequence of the pillars is different from the one presented in section I but aligns with the EU approach outlined in the EBA (2025) Guidelines on the management of ESG risks; however, this order is intended as a reference and is not prescriptive.

3.2.1. Foundations

Financial institutions should define overarching climate-related objectives that reflect South Africa’s transition context, addressing their strategic responses to both transition and physical risks and associated opportunities, while supporting economic development and social equity. This includes:

- (i) **Mitigation – stating decarbonization commitments.** Mitigation objectives should be aligned, where feasible, with South Africa’s decarbonization goals as articulated in the country’s NDC, LEDS 2050, and the JET-IP, and in particular the goal of achieving net-zero GHG emissions by 2050.⁶⁸ Institutions should translate these into balance sheet- and portfolio-level commitments, referencing sectoral pathways where relevant. These include the Integrated Resource Plan (IRP) for the electricity sector,⁶⁹ the CSIR-ESRG 40 long-term pathways analysis prepared for the Presidential Climate Commission,⁷⁰ and the Just Transition Pathways study led by the NBI.⁷¹
- (ii) **Adaptation – managing exposures to physical risks and seizing opportunities.** First, institutions should ensure that physical risks are captured as part of their climate risk assessment. Such assessments should be rooted in available data, even if initially reliant on proxies. They should be progressively refined over time, and aligned with public climate risk assessments where possible, while recognizing uncertainty and modelling limitations. Second, institutions can pursue adaptation-related business opportunities that strengthen systemic resilience. These may include financing climate-resilient infrastructure, supporting drought-adaptive agriculture, or investing in early-warning systems, or other activities in line with South Africa’s climate adaptation priorities under the Climate Change Act and the NCCAS.
- (iii) **Just transition – embedding fairness and inclusion.** Institutions should commit to assessing the impacts of their transition objectives and actions on workers, communities, and vulnerable groups, particularly those dependent on high-emitting or climate-sensitive sectors such as coal, heavy industry, and agriculture. Where risks of job losses or increased vulnerability are identified, institutions should engage with the relevant real economy corporates and government entities to ensure steps are being taken to mitigate these impacts. Institutions should also consider targeting inclusive growth opportunities – such as affordable clean energy, climate-smart housing, and community resilience projects – aligned with South Africa’s JET IP and the Presidential Climate Commission’s Just Transition Framework.
- (iv) **Foundational objectives in transition plans should be clearly defined, time-bound, and anchored in South Africa’s national climate and development priorities.** Objectives should be time-bound, with short-, medium-, and long-term milestones. Their strategic rationale should be clearly linked to national policies such as South Africa’s NDC, LEDS 2050, Climate Change Act, NAP, and JET-IP. Institutions should also specify the scope of application (e.g., entire balance sheet, priority portfolios, or sectors). Finally, they should disclose key assumptions and dependencies underpinning their goals (this could including

⁶⁸ Financial institutions may, and in some cases should, set targets that go beyond current South African climate goals, which are not yet aligned with a net-zero pathway.

⁶⁹ Department of Mineral Resources and Energy (2023), *Integrated Resource Plan*

⁷⁰ PCC (2025), *Energy Sector Decarbonisation Pathways to Meet a National Net Zero Emissions Target By 2050*

⁷¹ NBI, *Climate Pathways and a Just Transition for South Africa*

considerations like renewable build-out rates, carbon tax trajectories, availability of green finance facilities), including use of NGFS, International Energy Agency (IEA), or Intergovernmental Panel on Climate Change (IPCC) scenarios adjusted for South Africa's macroeconomic, energy, and employment realities.

3.2.2. Metrics and targets

Financial institutions should establish clear, decision-useful metrics and time-bound targets that translate strategic objectives on mitigation, adaptation, and just transition into measurable outcomes. Metrics should be aligned with South Africa's national policies and international disclosure standards, ensuring both comparability and local relevance. Institutions should explain data-collection methods, third-party data providers, and approaches to managing data gaps or uncertainty. While certain data can be gathered by financial institutions themselves, other elements (e.g., Scope 3 emissions) depend on disclosures from real economy firms. Where data gaps exist, institutions may initially use proxy data and commit to refinement as methodologies and datasets improve. Metrics and targets should be forward-looking (e.g., informed by investment plans of client firms), anchored in reference scenarios and updated regularly to reflect policy, technological, and market developments. They should also be proportionate, with larger and systemically important institutions expected to adopt granular and comprehensive sets of indicators, while smaller institutions may begin with simplified metrics and progressively enhance coverage.

- **Mitigation.** Institutions should disclose portfolio- and balance sheet-level GHG emissions (Scopes 1, 2, and 3 financed emissions), sectoral exposures to high-emitting sectors, and metrics tracking the share of green, transition or taxonomy-aligned assets. Targets should be science-based and aligned, where feasible, with South Africa's 2050 net-zero goal, using sectoral pathways (see Foundations). Near-term (2025–2030), medium-term (2030–2040), and long-term (to 2050) milestones should be specified, with interim performance indicators (e.g., carbon intensity of lending portfolios, share of renewable energy financing).
- **Adaptation.** Institutions can approach metrics and targets via a maturity model,⁷² supporting incremental progress and allowing ambition to grow over time. They should begin with a stocktake of data availability and coverage, such as identifying portfolio and location-specific data to assess exposures to physical risks. Next, they can establish a baseline using simple input or process-level metrics, such as the amount of finance mobilized for adaptation projects or the number of clients and employees trained in climate resilience measures. Over time, institutions should advance towards outcome-oriented metrics that quantify the effectiveness of adaptation activities, such as the number of people benefiting from adaptation measures, or reductions in repair costs, losses, or downtime due to acute climate risks. Clear, time-bound targets should then be defined, aligned with national resilience objectives and the NAP process, ensuring institutions progressively move from measuring exposure to demonstrating real improvements in climate resilience.⁷³
- **Just transition.** Metrics and targets should track how transition commitments affect workers, communities, and vulnerable groups, and the institution's efforts to

⁷² NGFS (2025), *Integrating adaptation and resilience into transition plans*

⁷³ See examples of metrics and targets for South Africa in Seyisi et al. (2023), *Indicators for monitoring and evaluating climate change adaptation efforts in South Africa*

mitigate negative impacts while supporting equitable outcomes. This can include indicators such as the share of transition finance directed toward activities with explicit social co-benefits (e.g., reskilling, community development, affordable clean energy access), the number of workers or SMEs supported through transition-linked financing programs, and engagement with clients on social transition planning. Targets may also be set for financing just transition initiatives (e.g., proportion of climate finance allocated to projects with just transition criteria, or volume of loans/bonds aligned with JET-IP priorities). Over time, institutions should progress from process-level measures (e.g., adopting social safeguard policies, stakeholder engagement) to outcome-level indicators that assess whether transition finance is reducing social vulnerability and supporting inclusive economic opportunities.⁷⁴

Table 2. Examples of metrics and targets

MITIGATION	Portfolio- and balance sheet-level GHG emissions (Scopes 1, 2, and 3 emissions) Sectoral exposures to high-emitting sectors Share of green, transition or taxonomy-aligned assets
ADAPTATION	Proportion of credit portfolio exposed to companies with business models vulnerable to climate physical events Amount of finance mobilised towards adaptation as identified by taxonomies Increase in % of property, infrastructure or other alternative asset portfolios with adaptation measures or insurance in areas subject to high physical climate risk
JUST TRANSITION	Share of transition finance directed toward activities with explicit social co-benefits Number of workers or SMEs supported through transition-linked financing programs Volume of loans/bonds aligned with JET-IP priorities

Source: Authors

3.2.3. Governance

Strong governance underpins any credible transition plan. Institutions should clearly identify the board committees or executive bodies responsible for climate and transition oversight, detailing their mandates, meeting frequency, and decision rights. These bodies must ensure that mitigation, adaptation, and just transition objectives are integrated into core strategy and risk management. Management responsibilities should also be specified, for example through a dedicated climate risk officer or a cross-functional transition team coordinating implementation. To drive accountability, climate performance metrics (such as progress in reducing financed emissions, mobilizing adaptation finance, or supporting just transition initiatives) should be embedded into executive and staff remuneration, aligning incentives across all levels of the organization.

At the same time, institutions must build the internal skills and culture necessary to deliver on transition objectives. This involves conducting skills assessments to identify gaps in areas such as climate risk analysis, sustainable product development, adaptation finance, or just transition impact assessment. Training programs, recruitment strategies, and partnerships with academic and research institutions should be developed to close these gaps. In addition, fostering a supportive culture (e.g., internal communications campaigns, mandatory climate-risk training) helps embed climate literacy and a shared sense of purpose across the institution. Transparent disclosure of governance arrangements, oversight mechanisms, and

⁷⁴ See examples of metrics and indicators in TPT (2024), *Putting People at the Heart of Transition Plans: key steps and metrics for issuers*

progress on building capacity demonstrates that the transition plan is not a paper exercise, but a living strategy anchored in people, processes, and values.

3.2.4. Implementation strategy

A credible plan must show how climate considerations become part of the institution's everyday decisions. Building on the Governance section – which identified the committees overseeing climate exposures and their role in embedding criteria into risk appetite statements – and the Foundations section – which includes how the institution assesses climate risks to its operations and clients – the Implementation section should explain how credit, investment, and underwriting approvals are informed by these assessments. For instance, this means translating the institution's analysis of physical risks and adaptation opportunities into concrete risk management and investment decisions. Strategies may include avoiding risk (e.g., through divestment), accepting risk, reducing risk (e.g., through physical adaptation measures), transferring or sharing risk (e.g., through insurance or other financial products), and investing in new opportunities (e.g., updated product and service offerings).

The transition plan should then turn to the ways in which the institution will adjust its portfolio of products and services in order to deliver on its strategic goal. Here, institutions should describe both if and how they intend to introduce or scale-up of “green”, “transition”, or “sustainability-linked” offerings, such as green bond issuances, sustainability-linked loans and renewable energy project finance, and the managed reduction of high-carbon exposures, for example by placing limits or phase-out dates on lending to coal-fired power plants or certain extractive industries. Institutions should explain the definitions and methodologies used to classify these products, whether drawn from South Africa's Sustainable Finance Taxonomy or adapted from international standards. Moreover, the transition plan should contain information on how products and services contribute to greater climate resilience. Where the institution intends to incentivize clients – through pricing adjustments, credit enhancements or advisory support – this too should be described, along with quantifiable targets (for instance, increasing green bond issuance to a specified level by a certain year, or reducing coal-related lending by a fixed percentage).

To make implementation robust, institutions must adopt clear policies and conditions that govern client relationships and portfolio composition. The plan should describe any sector policies – such as a prohibition on financing new unabated coal plants after 2025 – along with the criteria that trigger intensified engagement, for instance where a client's Scope 1 and 2 emissions exceed a defined threshold. It should also set out exclusion criteria for activities the institution will no longer support (such as deforestation-linked commodities or high-risk fossil exploration) and explain how contractual clauses, like requirements for clients to publish their own transition plans or meet interim targets, will be enforced.

3.2.5. Engagement strategy

A credible transition plan must demonstrate how the institution works with clients, peers, and policymakers to drive real-world impact. Since the financial sector's influence is mediated through counterparties and collective action, engagement is a critical pillar of any strategy.

The plan should explain how the institution engages with its clients and portfolio companies to support decarbonization and resilience. Institutions should prioritize clients, for instance by emissions intensity, climate vulnerability, or portfolio share, and

describe the tools used to support them, such as advisory workshops, technical assistance for energy-efficiency upgrades, or dedicated financing facilities for resilience-enhancing investments. Institutions should specifically engage with companies that will be assigned a carbon budget under the Climate Change Act. Clear engagement milestones should be set (e.g., engaging all major corporate emitters by a specified date), with transparent methods for tracking progress. Escalation procedures must also be articulated, ranging from intensified dialogue to restrictions on new finance where clients fail to demonstrate credible transition action. Engagement outcomes should also be reflected in the institution's metrics and target-setting framework, ensuring accountability.

Given South Africa's context, the plan must explain how the institution engages key stakeholder groups – workers, suppliers, communities, and consumers – in shaping and implementing a fair transition. Engagement with workers should address risks of displacement and opportunities for reskilling or redeployment, particularly in sectors like coal and thermal power. With suppliers, institutions should support capacity-building, local supply chain resilience, and adoption of labor and human rights due diligence. Communities must be meaningfully consulted, with respect for land rights and a focus on protecting vulnerable or Indigenous groups, while also enabling models such as community energy. Consumers, especially low-income households, should be part of engagement processes to ensure that sustainable goods, services, and finance remain accessible and affordable. By making these groups active participants in transition dialogues – through consultations, advisory forums, partnerships with unions, municipalities, or consumer groups – institutions demonstrate that their strategies are not only environmentally credible but also socially legitimate.

Conclusion

This note provides guidance for a South African framework on financial institutions' transition plans. It sets out the case for transition planning given the country's growing climate risks and opportunities. Drawing on both a comprehensive survey of local practices and a review of international frameworks, it proposes clear building blocks underpinned by key design principles, consistent with global good practices and tailored to national needs and the South Africa's policy context.

The framework is designed to evolve. While focused on financial institutions, the note recognizes that they cannot act in isolation. Credible target-setting, portfolio steering, scenario alignment, and assessing client transition viability are enhanced by enabling conditions such as national climate targets, policies, incentives and pathways, and real-economy transition planning. However, many foundational elements of transition planning – such as governance, risk processes, emissions measurement, and structured client-engagement approaches – can proceed even in the absence of fully developed enabling conditions, meaning this should not delay implementation. Over time, the framework may be refined to integrate new themes (such as nature-related transition planning), better data, and lessons from implementation, ensuring its continued relevance and impact.

Financial authorities should integrate financial institutions' transition plans into their regulatory and supervisory frameworks. This framework complements existing SARB PA guidance on climate risk management and disclosure, which recommends banks and insurers to disclose any climate-related transition plan they have. The SARB PA and the FSCA should review the transition plan framework and develop an approach consistent with their respective mandates and international standards, that sets out how transition plans can inform their supervisory dialogue with financial institutions and support the effective oversight of climate-related risks. Finally, financial regulatory authorities must determine how mandating transition planning within formal regulatory instruments can be achieved. This process should be subject to industry consultation with recommended action provided to National Treasury by Q2 2028.

Transition Plans by Financial Institutions: Framework and Disclosure Guidance

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