CORPORATE & INSTITUTIONAL

Sustainability Markets Insights

Interpreting transition plans: Seven insights for investors

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Interpreting transition plans: Seven insights for investors

As climate transition planning becomes increasingly embedded within corporate strategy and disclosure, investors have a growing opportunity to assess how businesses are preparing for a low-carbon future. In this edition of Sustainability Markets Insights, seven practical insights are addressed drawing from Lloyds' experience reviewing more than 250 corporate transition plans between 2023 and 2025.

From understanding the importance of transition-aligned investment and governance to recognising the role of adaptation, nature and social considerations, these findings are designed to help investors better evaluate the credibility and financial relevance of transition plans in a rapidly evolving market.

Over 70% of FTSE 100 companies are disclosing many or all of **CDP's** key climate transition plan indicators[1], and nearly 25% of the S&P 500 publish transition plans[2]. This means there is increasingly rich information available for investors that are able to interpret the information contained in these corporate net zero implementation strategies.

Over the past decade, climate transition planning has moved from voluntary commitments towards more structured, decision-useful disclosures. In the past 18 months, there's growing convergence across industry-led and regulatory frameworks. This has given investors a clearer basis to assess the credibility, feasibility, and financial relevance of corporate transition plans.

A transition plan typically sets out how an entity intends to adapt its core business model to a future, low-carbon economy. Guidance[3] suggests these plans should contain robust risk and opportunity assessments, interim and long-term emissions reduction targets, clear investment strategies and defined governance.

Reflecting this, the International Financial Reporting Standards (IFRS) guidance on transition planning (originally developed by the Transition Plan Taskforce) structures these principles around the '3 A's':

Ambition: Articulation of the entity's strategic ambition, setting out baselines, objectives and priorities in the transition towards a low carbon, climate resilient economy.

Action: Translating strategic ambition into concrete, near-term interventions supported by a capital allocation plan.

Accountability: Enable delivery through robust governance and reporting.

See **Appendix** for more on transition plan guidance and policy developments.

→ **Client Transition Plans in Practice.**
Explore Lloyds insights on how businesses are developing and implementing credible transition plans to support their net zero ambitions.

[1] CDP, June 2024. **The State of Play 2023: Climate Transition Plan Disclosure.** Data as of December 2023

[2] UCLA, 2025. **The State of Corporate Sustainability Disclosure 2025**

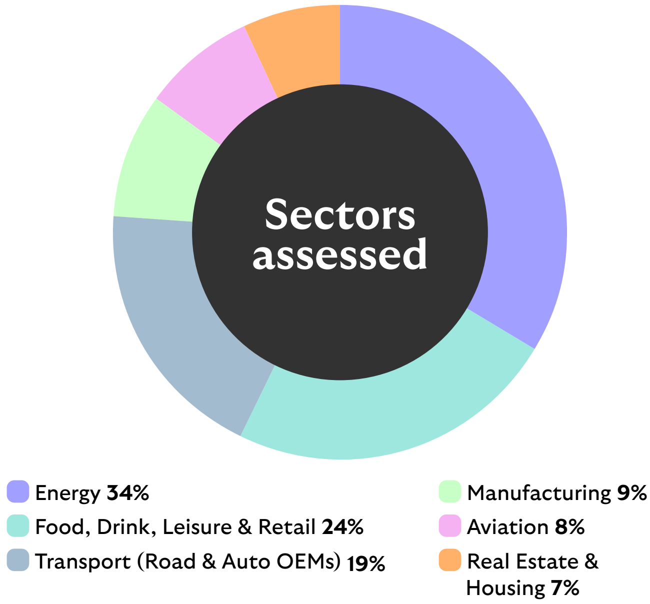
[3] **IFRS Foundation**, Taskforce on Climate-Related Financial Disclosures **(TCFD)** and Taskforce on Nature-Related Financial Disclosures **(TNFD)**. See Appendix for more.

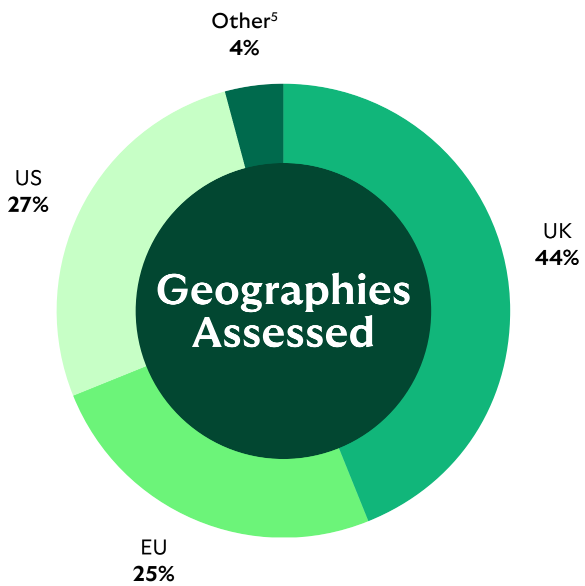
Lloyds' client transition plan assessment scope

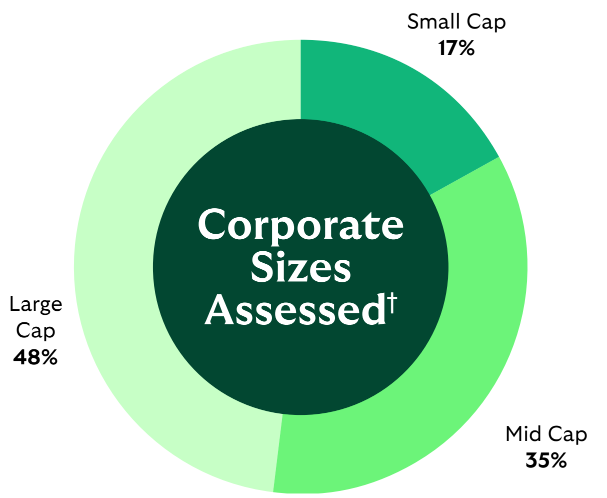
Figure 1 – Lloyds Banking Group (LBG) analysis of sectors, geographies and corporate sizes assessed in CTPs, 2025.

Lloyds' Climate and Transition Strategy team reviews a defined subset of corporate and institutional clients' transition plans (CTPs) annually. These assessments help Lloyds better understand clients' challenges and identify financing opportunities.

In 2025, Lloyds assessed 108 CTPs across the UK, Europe and the United States. The clients spanned five sectors and represented £14.7 billion of drawn lending[4].







Source: Lloyds, March 2026. **CTP Insights Report**

How does your transition plan compare with peers?
Speak to our Lloyds team to explore sector trends and emerging best practice.

[4] Read about Lloyds' CTP assessments in the **2025 Sustainability Report** (pg. 82)

[5] Where 'Other' includes APAC countries such as Japan, Korea and China

† Corporate Sizes Assessed:
Small Cap: Private/smaller scale companies, **Mid Cap:** £5–20bn or equivalent revenue, **Large Cap:** >£50bn market cap

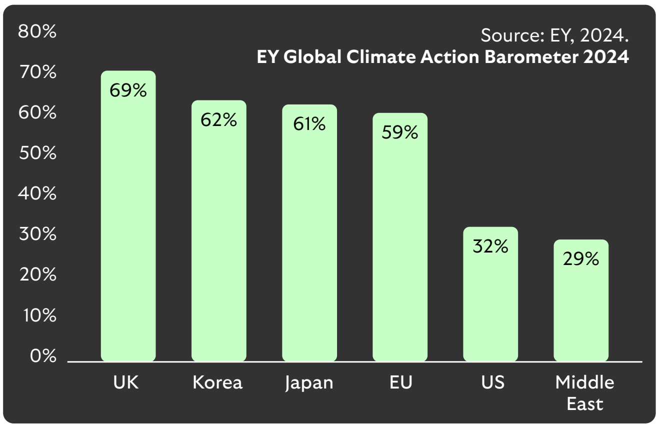
Seven insights investors should know about corporate transition plans:

1. Adoption of transition planning depends on context

Transition plan adoption varies markedly by jurisdiction. Greater levels of adoption exist in geographies with mandated sustainability disclosure requirements – such as the TCFD (highly adopted in the UK and EU) and Corporate Sustainability Reporting Directive (CSRD, EU's regulation on sustainability impact reporting) – relative to markets like the US[6]. These regulatory differences influence both whether companies disclose plans, and how robust they are.

For investors, this means adjusting expectations and using more advanced UK or EU disclosures as a benchmark, whilst recognising where more proactive engagement may be required.

Figure 2 – Transition plan adoption levels, by geography.



2. Transition plans don't have to be standalone documents

Based on the transition plans Lloyds assessed in 2025, only 25% of clients published a separate transition plan document. The remainder embedded elements of a transition plan across existing corporate disclosures.

In practice, both approaches are viable. Embedded transition plan reporting can reinforce connectivity between sustainability and business strategy, which can be the lighter touch route as far as report drafting and assurance are concerned.

To locate transition plan indicators, search for terms like:

- Decarbonisation pathways
- Climate risk
- Scenario analysis
- Transition-aligned investments
- Business model resilience

Investors looking for embedded transition plans can look to a company's annual report, sustainability disclosures e.g. TCFD / CSRD, CDP surveys, press releases, and tools such as **Climate Action 100+** and **Transition Pathway Initiative**.

→ **Regulatory expectations continue to evolve across markets.**
Talk to our Sustainable Finance team about the latest developments and how businesses are responding to changing disclosure requirements.

[6] EY, 2024. **EY Global Climate Action Barometer 2024**

3. Transition-aligned investment signals robust transition planning

The strongest transition plans clearly link sustainability targets to financial outcomes. They set out specific forward-looking investments that demonstrate how capital has, or will be, allocated to deliver targets. Evidence can include use of proceeds loans and bonds.

In Lloyds' CTP portfolio, the highest quality transition plans demonstrated progress against emissions targets not just by publishing decarbonisation progress. They also disclosed renewables projects financed, annual cost savings from energy efficiency plans and research and development spend into transition technologies.

With only 11% of companies disclosing to CDP that they have tangibly aligned CapEx to their transition plans[7], those that do align can differentiate themselves – enabling investors to better distinguish between ambition and credible delivery.

4. Integrated transition plans consider climate change adaptation, nature and social themes

Whilst emissions reduction is a critical component, it represents only one dimension of how companies must adapt to a changing physical, socio-economic and regulatory landscape.

Lloyds' analysis found that stronger transition plans map vulnerabilities to adaptation, nature and social risks – such as material climate hazards, biodiversity and ecosystem services, and impacts on vulnerable communities. They also identify and price interventions.

Evidence from Lloyds' real estate and housing clients' transition plan assessments showed that 50% of companies are developing structured **just transition** plans[8] with measurable social value targets to protect their social licence to operate.

Investors reviewing transition plans that focus exclusively on emissions reduction ambitions may want to engage with companies on such themes to encourage an integrated approach.

[7] CDP, 2025. **From Plans to Capital: Unlocking Credible Transition Finance at Scale**. From a sample of c. 12,000 companies disclosing to CDP.

[8] See Appendix for guidance on incorporating just transition considerations into transition planning.

5. Transition plans should reflect material dependencies

Companies may not have all the answers to address barriers to their transition from day one. However, acknowledging material dependencies such as policy, capacity, finance, skills gaps, technology maturity and data challenges can foster transparency. It can encourage industry-wide accountability, as well as facilitate candid discussion with investors.

While there are some cross-cutting dependencies, as covered in the themes in section 4 above, Table 1 shows how the most material dependencies can vary by sectors.

Table 1 – Dependencies identified in Lloyds' assessed corporate transition plans, by sector.

Real Estate & Housing >60% of assessed Real Estate clients cited that inconsistent regulation across markets have made it difficult to set portfolio-wide standards	• Extreme weather risks threatening business resilience & financial planning • Lack of policy on embodied carbon and lifecycle emissions • Business case for financing deep retrofits
Transport 91% of assessed Transport clients noted that charging and grid infrastructure is currently not developing at the projected scale or regional distribution required to support their current transition plans	• EV charging and grid infrastructure development • Demand-side uncertainty over EV adoption • Policy delays in phasing out petrol and diesel cars
Aviation 75% of assessed Aviation clients are piloting Sustainable Aviation Fuel (SAF) solutions and investing in R&D	• Production and commercialisation of SAF • Fleet modernisation and supply chain constraints • Lack of sector-specific guidance on 1.5°C pathways
Energy Transition plans of the assessed Energy clients (including integrated energy and electric power utilities) evidenced a £4bn – £50bn range for capital committed towards low carbon technologies	• Geopolitical tensions: sanctions, trade restrictions and conflicts • Increased demands on aging grid infrastructure from electrification and AI investments • Project delays, stalling the UK government's low-carbon energy transition progress
Consumer & Retail Only 39% of assessed Consumer & Retail clients are actively considering the adaptation and resilience of their operations and broader supply chains in their disclosures	• Supply chain transparency and control • Business resilience to extreme weather events • Impacts on vulnerable communities

→ **What are the biggest barriers to delivering your transition strategy?**
Engage with our sustainability team to explore financing opportunities and solutions that could support your transition objectives.

6. Disclosing plans for residual emissions lends credibility

To reach net zero, companies must have a strategy in place to address their residual emissions. Residual emissions are the remaining greenhouse gas emissions that cannot be feasibly eliminated with existing practical and cost-effective decarbonisation measures, such as supply chain activities.

As regards transition plans, leading corporates are those that today acknowledge and articulate the gap between what can be abated themselves, and their long-term approach for addressing residual emissions.

In the sample of client transition plans assessed by Lloyds in 2025, 93% have set long-term decarbonisation targets. However, only 46% expect to use carbon credits to close their remaining emissions gap. This 47% difference suggests a gap between ambition versus action, reinforcing the importance of investors scrutinising how clearly a company can evidence their approach. For those using carbon credits, best practice is to purchase specifically to address residual emissions, and evidence the quality, role and integrity of the credits.

For more on carbon credits, head to the Sustainability Market Insights edition on **Voluntary Carbon Markets**.

7. Governance of transition metrics drives accountability

Leading transition plans embed accountability at the highest level through board oversight, and/or by linking executive pay to sustainability KPIs; which 80% of Lloyds' assessed clients do.

Another approach to drive accountability is internal carbon pricing. By assigning an internal financial cost to emissions, companies can create incentives to prioritise low carbon investments, strengthening accountability across business-decision making.

Aviation sector clients in Lloyds' CTP portfolio stood out for their use of carbon pricing, driven by regulated carbon markets via the UK and EU Emissions Trading Schemes, and Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).

Adopting internal carbon pricing, calculating the cost of inaction, or tying performance to leadership incentives can assure investors that sustainability commitments are being translated into tangible, financially disciplined outcomes.

80% of aviation clients had a carbon pricing model, versus **45%** across Transport as a whole.

→ **How is accountability for your transition strategy embedded across the organisation?**
Speak to Lloyds about the governance practices we are seeing emerge across sectors.

Conclusion

Well-developed transition plans can provide investors with a clear line of sight from environmental and social ambitions to financial outcomes, supporting more informed investment decisions.

A robust transition plan doesn’t sit in a sustainability silo. Delivery requires the alignment and efforts of finance, sales, strategy, risk, procurement, communications and HR teams. This reflects a thoughtful, inclusive management strategy that is focused on long-term value creation.

For investors, this provides a clearer understanding of how companies will deliver sustainable returns in a rapidly evolving market.

To learn more about how leading transition plans apply these principles in practice, read **Lloyds CTP Insights Report**, published in March 2026.

You’ll find case studies from Real Estate, Transport, Aviation, Energy and Consumer & Retail sectors as well as an overview of our CTP portfolio trends.

Your Lloyds Team

This edition of Sustainability Markets Insights is authored by guest writers from **Lloyds' Climate Strategy and Transition team**.

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Appendix – Transition plan guidance and policy landscape

The transition planning policy and standards landscape continues to evolve rapidly. This summary showcases highlights from the current state of play.

Industry Bodies and Relevant Guidance

IFRS Foundation

Companies with transition plans are required to disclose information about them when applying IFRS S2. The IFRS provides an additional guidance document on climate-related transition plans.

Task Force on Climate-related Financial Disclosures (now incorporated into IFRS)

TCFD provides recommendations to help organisations disclose climate-related risks and opportunities effectively. The TCFD regulation in the UK mandates climate-related financial disclosures for large companies.

Transition Plan Taskforce (guidance now owned by IFRS Foundation)

The Transition Plan Taskforce (TPT) developed a global framework for climate-related transition plan disclosures, now integrated into IFRS S2 standards. This guidance included sector specific guidance, and additional advisory papers on nature, just transition, and adaptation in transition planning

International Transition Plan Network (ITPN)

International Transition Plan Network, formerly the TPT, is a collaborative initiative aimed at developing global norms for transition plans.

Third party benchmarking tools:

Transition Pathway Initiative

Climate Action 100+

World Benchmarking Alliance

TransitionArc

Transition Finance Council: Transition Finance Guidelines

Established following the UK Transition Finance Market Review, provides guidelines aiming to establish a framework for assessing credible transition finance opportunities, particularly for high-emitting sectors, to support their decarbonisation efforts. This includes guidance on contextual guidance such as participation in voluntary carbon markets, nature, just transition, and adaptation.

Climate Bonds Initiative

Leading certification scheme for green and transition finance. Publishes guidance on assessing transition plans, with practical guides.

ICMA Climate Transition Finance Handbook

Guidance for issuers of sustainable bonds when raising funds for their climate transition strategy.

Rocky Mountain Institute (RMI)

Provides guidance on corporate transition, including Transition Pathway Repository making climate transition pathways more accessible.

Taskforce on Nature-based Financial Disclosures

TNFD provides guidance building on market best practices for climate transition plans, building nature into transition planning.

WWF

Provides guidance on Nature in transition plans.

LMA

Developed a Guide to Transition Loans, providing borrowers and lenders with tools to integrate transition objectives into loan structures.

Overview of policy developments around transition plans

Jurisdictions such as Australia, Indonesia, Mexico, and New Zealand already require transition plan disclosures as part of broader climate-related financial disclosure frameworks.

UK:

In February 2026, the UK Sustainability Reporting Standards was finalised for voluntary use. These draw on the International Financial Reporting Standards (IFRS) S2 – a global baseline for climate-related disclosures which – while not requiring a transition plan, do ask for disclosure if a plan exists.

In 2025, the UK Government ran a consultation on mandating transition plans, with the outcome still pending[8].

Guidance on how to apply transition planning in the IFRS S2 Climate-related Disclosures is available from the IFRS Foundation[9]. This guidance follows the IFRS Foundation's integration of the Transition Plan Taskforce (TPT) disclosure framework, into the global baseline for climate-related disclosures under IFRS S2.

EU:

The EU Omnibus has seen removal of the prior Corporate Sustainability Due Diligence Directive CSDDD) requirement for companies to produce formal transition plans[10].

Meanwhile, the Sustainable Finance Disclosure Requirements (SFDR) v2.0 proposal introduces a new Article 7 "transition" product categorisation[11]. The investment product must invest in assets with a clear and measurable transition objective and be aligned with a binding investment strategy. Transition plans can support the evidence base for this. SFDR 2.0 is aiming to be fully operational from 2028.

USA:

In the USA, there is no federal mandatory or voluntary guidance on transition plans in place. However, some states, most notably California, are in the process of introducing climate disclosure requirements that draw on international frameworks such as ISSB (IFRS S1 and S2).

Asia Pacific:

New transition-focused taxonomies are emerging in markets such as China and Japan, reinforcing the importance of entity-level transition plans to access labelled financing.

8 Gov.UK, **Climate-related transition plan requirements**, accessed 27 May 2026
9 IFRS, 23 June 2025. **IFRS Foundation publishes guidance on disclosures about transition plans**
10 KPMG, updated 27 February 2026. **EU agrees Omnibus change**
11 European Commission, 20 November 2025. **Proposal for a regulation**

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