Transition Investing 2026

from commitments to outcomes

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The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

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About

BETTER FINANCE is the European federation representing individual savers, investors, and financial services users. Dedicated to promoting transparency, fairness, and accountability, it works to ensure that Europe's financial system serves the real economy and the best interests of its citizens. BETTER FINANCE is a European federation consisting of 40 member organisations across 25 countries. It represents millions of individual investors and other users of financial services and has operated with EU support since 2012. We empower citizens with independent information and education, advocate for fair access to financial markets, and call for policies that place people at the heart of financial decision-making. Through participation in EU advisory groups, research-based advocacy, educational initiatives, and campaigns, we strengthen investor protection, enhance financial literacy, and advocate for effective supervision and governance.

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Author

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NAVIGATING THE NEXT PHASE OF TRANSITION INVESTING

The why, what, how, and the when...

This report examines progress, challenges and the path ahead for transition investing, from capital flows to real-economy impact and investor action.

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REPORT IN NUMBERS

6 Years of analysis

1000s Pages of corporate reporting reviewed

5 Case studies

OUR FOCUS

- Tracking capital flows across sectors and geographies
- Assessing transition plans and corporate implementation
- Evaluating stewardship and engagement effectiveness
- Empowering investors for better long-term outcomes

> *"The next phase of transition investing will be defined by implementation, accountability and real-economy impact. Investors must be at the centre."*

FOREWORD

INVESTING WITH CONFIDENCE FOR A MORE SUSTAINABLE REAL ECONOMY

> ***...well-functioning capital markets depend on clear information, effective corporate governance and fair treatment of investors. As transition investing continues to evolve, maintaining these principles will be essential to ensuring that investment products remain credible, understandable and aligned with the interests of end-investors.***

The ability of European citizens to invest with confidence is fundamental to the development of strong and efficient capital markets. As policymakers increasingly look to private savings to support long-term economic priorities, investors must be able to understand where their money is invested, what risks are involved, and how investment strategies seek to create value over time.

Transition investing has emerged as an important area of discussion within financial markets. While considerable attention has been devoted to frameworks, disclosures and classifications, investors ultimately need confidence that these tools help them make informed decisions, better understand the activities and companies in which they invest and whether these investments will have a positive impact on the real economy.

Since 2023, BETTER FINANCE has examined the development of transition investing from the perspective of individual investors and financial services users. This year's report reflects the next stage of that discussion. Rather than focusing solely on concepts and frameworks, it explores whether capital is reaching the real economy and actually helping its transition to a more sustainable mode, whether transition plans provide meaningful information to investors, and whether stewardship practices are contributing to improved transparency and accountability.

At BETTER FINANCE, we believe that well-functioning capital markets depend on clear information, effective corporate governance and fair treatment of investors. As transition investing continues to evolve, maintaining these principles will be essential to ensuring that investment products remain credible, understandable and aligned with the interests of end-investors.

> ***... invest (ing) with confidence is fundamental to the development of strong and efficient capital markets...***

Guillaume Prache
President
BETTER FINANCE

EXECUTIVE SUMMARY

WHERE WE STAND & WHAT MATTERS NEXT...

> ***Success by 2030 will ultimately depend not on the number of transition frameworks, investment products or corporate commitments, but on whether investors can identify credible transition opportunities with confidence and whether capital contributes to a more resilient, competitive and sustainable real economy.***

Alexandra Maczyńska
Managing Director

Our analysis finds encouraging progress has been made, whereby capital is supporting some sectors and technologies central to the transition, however, significant challenges remain:

1. Differences in reporting methodologies make it nearly impossible for investors to compare and understand companies' progress and impact over time.
2. Financing gaps persist across several transition-critical sectors, whereby implementation actions continue to lag behind ambition.
3. Stewardship has not yet started to demonstrate measurable outcomes of investor influence.
4. Overall, transition plans and AGM processes need further improvements to enable better access and better investment decisions for investors.
5. Consistent, reliable and comparable transition information is not yet the norm, which is another key barrier for European investors.

Despite these challenges, our analysis identifies four clear priorities for ensuring that transition investing delivers more effectively for investors and the real economy:

ACCESSIBILITY
Expanding access to credible transition opportunities and enabling wider individual-investor participation.

BETTER INVESTMENT DECISIONS
Making transition information easier to compare while enabling more informed investment decisions.

BETTER CAPITAL ALLOCAITON
Directing more capital towards credible transition activities, companies and sectors.

EFFECTIVE STEWARDSHIP
Focusing engagement and reporting on measurable outcomes rather than activity alone.

EXECUTIVE SUMMARY

At its core, transition investing seeks to direct capital towards companies, activities and technologies that can contribute to the transformation of the economy - including businesses in carbon-intensive sectors that have credible plans to reduce their environmental impact over time. Over the past three years, the foundations of this market have developed considerably. Companies and other reporting entities have adopted transition plans. Policymakers and regulators have developed disclosure frameworks intended to improve the availability, reliability and comparability of transition-related information. Asset managers and financial institutions have introduced new investment products, capital-allocation approaches and stewardship practices designed to support corporate transformation. Investors, meanwhile, are increasingly seeking credible ways to identify transition opportunities, that help their financial plans and visions. Together, these developments have established much of the architecture required to attract capital towards long-term sustainable economic transformation.

Drawing on the report's findings, BETTER FINANCE proposes several practical concepts and priorities to strengthen the next phase of transition investing.

1 MAKE TRANSITION PROGRESS EASIER TO COMPARE AND MONITOR

What information do investors need?

Stronger comparability and longitudinal reporting would help investors distinguish commitment from implementation and assess whether companies are delivering credible transition outcomes, as currently methodologies vary considerably.

2 SUSTAINABLE FINANCE DISCLOSURE REGULATION: A KEY OPPORTUNITY

How to enable retail participation?

A dedicated transition product category could help individual investors identify credible transition strategies, strengthen confidence in the market and channel more retail capital towards the transition of the European economy.

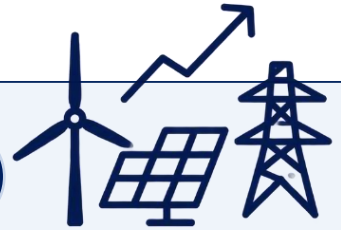
3 FROM ENGAGEMENT ACTIVITY ALONE TO MEASURABLE OUTCOMES

How to enable investor influence?

Stewardship reporting should increasingly demonstrate where investor engagement and voting contribute to changes in corporate behaviour, transition implementation and long-term value creation.

KEY FINDINGS

Most institutions report growth in transition - or sustainability-related investment. Yet investors still cannot easily determine what that growth means: whether more money is genuinely reaching companies and activities driving the transition, or whether the figures have changed because institutions measure and classify investments differently. Until progress can be followed consistently, investors cannot confidently judge whether transition commitments are delivering real-economy results. This report investigates what lies behind the reported figures and whether they provide credible evidence of genuine progress.



1

Record transition investment but persistent sector disparities[1]

Global energy-transition investment **$2 trillion**

Capital continues to concentrate in electrified transport, clean and renewable energy and electricity grids. Steel, cement, chemicals, buildings, aviation, and shipping, remain comparatively underfinanced.[2]

2

Retail access to transition is expanding[3]

54% of all European climate fund assets

74% of global transition fund assets are invested via passive products

Transition funds became Europe's largest climate-fund category and the only one recording positive net inflows during the first half of 2025.

3

Transition plans are spreading with uneven implementation[4]

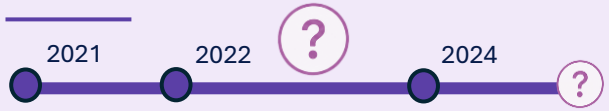
Sample A >Half disclosed transition plans

Sample B <Half disclosed transition plans

Evidence from the first wave of CSRD reporting indicates that transition plans and level of implementation vary across companies, sectors and the samples examined.[5]

4

Investors cannot meaningfully compare companies' transition progress YoY[6]



BETTER FINANCE's longitudinal assessment of five financial institutions across banking, insurance and asset management found five different reporting approaches, whereby the burden of decoding inconsistent indicators is transferred onto individual investors.

Close financing gaps in transition-critical sectors

Strengthen retail access across investment products

Improve the use of comparable transition plans

Enable investors with clearer information and progress YoY

INTRODUCTION

FINANCING TRANSFORMATION NOT ONLY WHAT IS ALREADY GREEN

Over recent years, governments, regulators, financial institutions and investors have increasingly recognised that achieving long-term climate and sustainability objectives requires more than financing activities that are already environmentally sustainable.[7] It also requires supporting companies and sectors that are actively transforming their business models, investing in new technologies and adapting to structural economic change.

This growing recognition has driven the rapid development of transition finance and investing.[8] New disclosure frameworks, transition plans, stewardship initiatives and investment products have emerged across global financial markets, while policymakers have introduced an expanding body of legislation and guidance intended to facilitate the transition towards a more sustainable economy. The central objective of this report is to evaluate whether transition investing is improving investment decisions, strengthening accountability and directing capital towards companies capable of delivering credible economic transformation. In order to answer this, the report follows the evolution of transition investing over the past three years before examining four interconnected themes: whether capital is increasingly reaching the real economy; whether corporate transition plans are becoming credible tools for assessing implementation and accountability; whether stewardship is driving measurable transition outcomes; and what the next phase of transition investing should look like from an investor-centric perspective. Since 2023, BETTER FINANCE has examined these developments through a series of annual reports, exploring the evolution of transition investing from the perspective of individual investors. Each edition has reflected the changing priorities of sustainable finance. Earlier reports focused on defining transition investing, distinguishing it from traditional sustainable investment approaches and exploring how capital could support companies undertaking credible transition pathways. As the market matures, attention increasingly shifts towards stewardship, capital allocation, corporate transition planning and the practical challenges of financing economic transformation. This report builds upon that work by examining whether transition investing is entering a new phase of maturity. Taken together, these themes reflect the evolution of BETTER FINANCE's work since 2023. The central question has gradually shifted from how transition investing should be defined and supported to whether it is delivering credible implementation and measurable outcomes. This report therefore moves the analysis from building the transition-investing framework to testing how well it works in practice, and what must change for individual investors to participate with confidence.

THE CENTRAL QUESTION

Is transition investing improving investment decisions, strengthening accountability and directing capital towards credible economic transformation?

Capital reaching the real economy

Credible & comparable transition plans

Stewardship driving measurable outcomes

An investor-centric next phase

CHAPTER I

STATE OF TRANSITION INVESTING: evolution, market practices, progress and challenges

Assessing the progress of transition investing is not straightforward. Whether transition is considered successful depends largely on how it is measured. Some assessments focus on the existence of transition plans or long-term commitments, others on capital allocation, emissions trajectories, stewardship practices or alignment with climate pathways such as 1.5°C or well-below 2°C scenarios.[9] These varying approaches often lead different conclusions.

A company may increase investment in low-carbon technologies while its core business model remains largely unchanged, or publish ambitious long-term targets without demonstrating corresponding implementation. Transition should therefore not be viewed as a binary concept but as a continuum, where the pace, credibility and extent of change vary across companies, sectors and assessment methodologies.

EVOLUTION OF TRANSITION FRAMEWORKS[10]

For investors, the challenge is not simply determining whether transition is taking place, but understanding how credible, measurable and economically meaningful it becomes. Understanding this evolution requires looking beyond individual companies or investment products and considering how the broader transition investing ecosystem has developed over recent years.

The first half of the decade was characterised by a rapid expansion of transition plans, sustainability-related disclosures and transition finance initiatives as the foundations of transition investing were being established. More recently, however, geopolitical uncertainty, evolving policy priorities and regulatory simplification efforts have moderated the pace of new initiatives. Increasingly, the debate has shifted away from developing additional frameworks or definitions towards considering how existing ones can be implemented more effectively, made more comparable and remain decision-useful for investors.

Transition finance gains international prominence through initiatives such as the Glasgow Financial Alliance for Net Zero (GFANZ), the Climate Bonds Initiative's transition finance work and growing recognition that financing the transition of existing industries is essential alongside investment in green activities. During this period, Japan was the global pioneer in structured transition finance.[11]

The European Commission adopts its Recommendation on facilitating finance for the transition to a sustainable economy, providing guidance (non-binding) on transition finance and transition plans. Encourages financial supervisors and institutions to use transition plans, credible targets, and forward-looking data, rather than solely relying on current green performance.[12]

In this period, transition finance shifted from high-level framework design to mandatory regulatory enforcement, standardised corporate planning, and market implementation. Growing focus on corporate transition plans, implementation of the Corporate Sustainability Reporting Directive (CSRD), continued expansion of climate benchmark products and increasing international interoperability.[13]

The sustainability policy agenda shifts towards regulatory simplification and implementation, reflecting broader discussions on competitiveness and the future of the EU sustainable finance framework. Debate expands around stewardship, transition plan credibility, disclosure effectiveness and the future evolution of the Sustainable Finance Disclosure Regulation (SFDR).[14]

Market developments and key trends

Although transition investing has continued to evolve globally, market developments have differed considerably across jurisdictions. The observations below primarily reflect developments in Europe, where regulatory initiatives have played a central role in shaping transition investing.

REPORTING & DISCLOSURE[15]

Transition-related reporting has become more structured among companies and financial institutions that remain within the scope of sustainability disclosure requirements.

Evidence from the first CSRD reporting cycle suggests that companies are publishing transition plans, decarbonisation targets and related sustainability information. **However, this development should not be interpreted as a simple linear expansion of reporting obligations.** The EU simplification agenda has also sought to reduce administrative burdens and narrow the scope of mandatory reporting, reflecting legitimate concerns about proportionality and the usability of lengthy sustainability disclosures. **For investors, the key issue is therefore not only the volume of information disclosed, but whether transition-related reporting remains sufficiently comparable, credible and decision-useful to support long-term investment decisions.**

INVESTMENT INTEGRATION[16]

Transition investing is becoming increasingly embedded within investment processes and product design across financial markets, but investors still need consistency.

While the pace of new product development has varied in recent years, asset managers have continued to integrate transition-related considerations through climate benchmarks, transition-focused investment strategies and stewardship approaches aimed at supporting companies pursuing credible transition pathways. Banks and insurers have similarly strengthened the integration of transition-related considerations into lending, underwriting, risk management and investment activities. **However, investors need consistency from a regulatory perspective, as well as in issuer practice. To achieve that, transition-related frameworks and corporate practices need to converge around sufficiently clear and comparable information.**

IMPLEMENTATION & OUTCOMES[17]

Investors are increasingly looking beyond transition ambitions and towards evidence of implementation, measurable progress and implication for long-term value creation.

Net-zero ambitions and transition targets remain important, but growing attention is being given to the governance arrangements, capital allocation, financing strategies and operational actions that support their delivery. As a result, **transition plans are increasingly assessed not only for the ambitions they communicate, but also for the evidence they provide that companies are translating those ambitions into measurable progress. Transition plans can therefore provide investors with forward-looking information not only about a company's sustainability ambitions, but also about its preparedness for structural economic change and the potential implications for long-term investment returns.**

Progress & remaining challenges

The ability of companies to implement their transition strategies can influence their exposure to regulatory and technological change, future investment needs, competitiveness and capacity to capture opportunities arising from economic transformation. Understanding how these factors may affect a company's future growth prospects is increasingly relevant to assessing its long-term value. The evolution of transition investing over the past three years reflects both meaningful progress and persistent challenges. **Increasingly, however, attention is turning towards how effectively these tools support investment decisions, strengthen accountability and attract capital towards credible real-economy transition.** The challenge is therefore not only to expand the availability of transition investing frameworks and products, but also to **ensure that they remain comparable, decision-useful and capable of value creation.** The following overview summarises the principal areas where progress has been made alongside the challenges that continue to shape the next phase of transition.[18]

Greater recognition

Transition investing is increasingly recognised by policymakers, financial institutions and investors, accompanied by the development of dedicated policy framework and investment approaches.

Transparency

Companies that remain within the revised scope of the CSRD (companies with over 1,000 employees and €450 million in net annual turnover) are still mandated to disclose climate transition plans.

Implementation

Increased focus on stewardship, active ownership, capital allocation, investor engagement and measurable outcomes (consideration of an EU-wide Stewardship Code).

Integration

Transition considerations are more embedded in investment strategies and financial products offered on the markets.

Usability issues for retail investors

Retail investors continue to face complex disclosures, fragmented and unclear product classifications and inconsistent information across key information documents.

Limited comparability/credibility

When methodologies and disclosure practices differ significantly, investors have more blind spots affecting their decision-making and informed assessments.

Lack of common definitions

Diverging interpretations persist across markets and frameworks. The EU still lacks options for legally defining transition finance or incorporating it consistently across its legislation.

Clear real-economy impact

Evidence of facilitating an economy-wide transition to net-zero carbon emissions are widely contested and varies depending on sectors.

CHAPTER II

HAS CAPITAL REACHED THE REAL ECONOMY? Defining the real economy, capital flows and investor access.

One of the defining objectives of transition investing is to channel capital towards companies, sectors and activities capable of delivering long-term economic transformation. While transition investing has become increasingly established within financial markets, assessing whether capital is reaching the real economy is considerably more complex than measuring the growth of transition-related products or investment strategies.[19] For transition investing to be credible, the link between financial products and real-economy outcomes must become clearer. Capital allocated to transition-labelled funds, climate benchmarks or engagement strategies should ultimately support changes in production processes, infrastructure, technologies, business models and services. Without this connection, transition investing risks becoming primarily a financial classification exercise rather than a mechanism for economic transformation.

WHAT IS THE REAL-ECONOMY?

This chapter therefore examines whether transition investing is moving beyond product development towards real-economy impact. It first clarifies what constitutes a real-economy transition, distinguishing financial products and strategies from the underlying activities and assets they are intended to support. It then considers how transition capital is currently allocated across sectors, highlighting the concentration of investment in mature areas such as electrified transport, renewable energy and electricity grids, as well as the remaining financing gap in transition-critical sectors such as heavy industry, buildings, chemicals, aviation and shipping.

The chapter also explores the role of financial institutions as intermediaries between household savings and the real economy. Banks, insurers, asset managers and pension funds influence which companies and projects receive financing, at what cost and under what conditions. Their ability to translate savings into productive investment is therefore central to the effectiveness of transition investing.

FINANCIAL LAYER

Financial products and strategies: transition-focused funds, climate benchmark strategies, shareholder engagement approaches...

The real-economy transition refers to investments that support measurable changes in business activities, industrial processes, infrastructure, technologies or services.[20] Examples include renewable energy deployment, industrial modernisation, energy efficiency improvements, electricity network expansion, low-carbon transport and innovative technologies. This distinction is important for investors. Capital may flow into investment products marketed as supporting transition objectives without necessarily contributing to meaningful changes in the underlying economy. Conversely, investments in sectors undergoing substantial transformation may play a significant role in supporting long-term economic outcomes, even where immediate sustainability credentials are less apparent. For investors, it is therefore useful to distinguish between the financial layer of transition investing and the underlying real economy Understanding this distinction is fundamental to assessing whether transition investing is delivering its intended purpose.

REAL-ECONOMY LAYER

Underlying economic activities and assets: industrial upgrades, electricity networks, energy-efficient buildings, transport systems and innovative technologies...

Where is transition capital flowing?

Recent market data suggests that transition-related capital is increasingly concentrated in a limited number of sectors.[21] Global energy transition investment reached record levels in 2025, with the largest allocations directed towards electrified transport, renewable energy and electricity grids.[22] These areas benefit from more mature technologies, clearer business models and stronger policy support, making them more attractive to both public and private investors. However, the allocation of capital also reveals an important challenge. Several transition-critical sectors, continue to attract comparatively less transition investment despite their importance for long-term decarbonisation.[23] The reasons vary across sectors and companies. In some cases, transition requires substantial changes to existing business models, production processes and capital assets. In others, progress depends on technological innovation, infrastructure development, evolving market conditions or long-term policy certainty. As a result, assessing the credibility, timing and financial implications of transition often becomes considerably more complex for both companies and investors.

THREE KEY FACTORS SHAPE TRANSITION CAPITAL FLOWS

COMPANY-LEVEL READINESS

- Commitment and ambition
- Credible transition plans
- Implementation capacity
- Business model viability

ENABLING MARKET CONDITIONS

- Technological maturity
- Availability of infrastructure
- Investor confidence
- Relative economics/risk

COMPLEMENTARY PUBLIC POLICIES

- Regulatory frameworks
- Incentives and public finance
- Support for innovation
- Stable policy environment

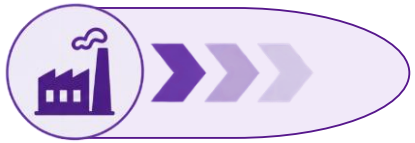
HOW TO READ THE EVIDENCE?

Assessing the sectoral allocation of transition capital also requires caution when interpreting what constitutes "transition". The concept should not be understood as being confined to specific sectors. Some sectors are already closely associated with transition-related investment, while others face more complex and contested transition pathways. The extent to which companies or sectors can be considered to be "in transition" depends not only on their current activities, but also on the credibility of their transition strategy, capital allocation, implementation and demonstrated progress over time. This report therefore does not seek to classify individual sectors or technologies as inherently transitional or non-transitional.

The next page examines where transition capital is currently flowing across key sectors.

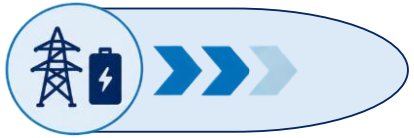
Where is transition capital flowing?

MATURE SECTORS / HIGH **CAPITAL ALLOCATION**



HARD-TO-ABATE / LOWER & MORE CHALLENGING

BUILDINGS & EFFICIENCY / UNDERDEVELOPED



ENABLING INFRASTRUCTURE / GROWING BUT UNEVEN

This overview presents a BETTER FINANCE qualitative assessment of the evidence reviewed for this report.[24] The categories and capital-allocation trends provide a directional synthesis rather than directly comparable quantitative measures. They reflect differences in technological maturity, investment readiness, policy support and the complexity of the transformation required across sectors.

The assessment illustrates where transition capital is flowing **the strongest** - towards renewables, electrified transport, grids and energy storage - where investment is **growing but remains uneven**, including electricity networks, charging and hydrogen infrastructure, and where financing remains **more challenging** or **underdeveloped**, notably in hard-to-abate sectors, building renovation, heating and energy efficiency.

The pace and credibility of transition also depend on company-specific strategic choices, not only on external conditions, including the willingness to adapt business models, allocate capital and implement transition plans over long investment horizons. **From an investor perspective, the concentration of capital does not necessarily correspond to where transition needs are greatest.**

Mature opportunities may attract investment because they are easier to identify and finance at scale, while other transition-critical sectors can remain comparatively underfinanced. The assessment does not classify particular sectors as inherently transitional or non-transitional. Rather, it illustrates the uneven conditions under which capital is allocated and the importance of assessing companies' strategies, implementation capacity and measurable progress. While mature sectors continue to attract significant private capital, more complex sectors often require complementary public policies, technological innovation, enabling infrastructure, appropriate financing mechanisms and greater investor confidence before investment can scale. For transition investing to fulfil its intended purpose, capital will increasingly need to support credible transition opportunities across the economy, taking into account both companies' commitment and capacity to implement transition and the wider market conditions that enable successful long-term transformation. **From an investor perspective, this raises an important question: whether transition investing is mainly scaling already attractive opportunities, or whether it is also supporting the more difficult areas of economic transformation.**

THE INVESTOR LENS

The next pages shift the analysis to investors, examining the growing role of household savings and retail participation, the expansion and structure of transition-investment products, and whether greater product availability provides meaningful access to the real-economy opportunities. They also consider why **access alone does not guarantee participation, including the effects of trust, financial literacy, product complexity and investment frictions**...

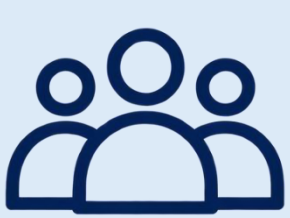
Can retail investors access transition opportunities?

Retail investors are expected to play an increasingly important role in financing the transition to a more sustainable economy. Over the past decade, retail participation in capital markets has entered a period of structural growth, supported by digital investment platforms, lower transaction costs, wider product availability and advances in financial technology. According to the World Economic Forum's Global Retail Investor Outlook[25], more than 100 million people now use stock trading applications annually, with participation continuing to expand across younger generations, women and first-time investors.

Rather than representing a temporary phenomenon linked to pandemic-era trading activity, this reflects a broader structural shift towards greater individual participation in long-term investment. This development creates an important opportunity for transition investing. Financing the transition will ultimately require attracting not only institutional capital, but also household savings. Across Europe, however, household wealth remains heavily concentrated in bank deposits despite substantial long-term investment needs.[26]

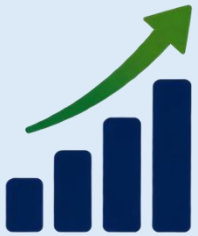
100+ million

People now use stock trading applications annually worldwide



↑%

Participation is growing across younger generations, women and first-time investors



37%

Of household financial assets across Europe are invested in equity/investment fund shares[27]

The Savings and Investments Union seeks to address this challenge by encouraging greater participation in capital markets while strengthening the connection between European savings and productive investment. For individual investors, this also creates an opportunity to participate in long-term structural investment themes while contributing to Europe's economic transition, provided that suitable investment products are accessible, transparent and understandable. **The next pages examines further key trends.**

Can retail investors access transition opportunities?

TRANSITION STRATEGIES

54%

Climate Transition funds account for 54% of European climate fund assets, making them the largest climate strategy.[28]

Retail investors increasingly have access to transition funds...

TRANSITION ASSETS

≈$300bn

European-domiciled climate-transition fund assets increased by 16% in H1 2025, reaching almost USD 300 billion by the end of June 2025.[29]

Greater market product availability and market depth continue to increase...

INVESTOR DEMAND

Net inflows

Climate-transition funds stood out as the only European climate-fund category to attract more money than investors withdrew during H1 2025.[30]

Investors increasingly favour transition strategies over narrower climate themes...

PASSIVE PRODUCTS

74%

Approximately 74% of assets in Morningstar's global climate-transition fund universe were held in passive funds as of June 2025.[31]

Retail investors can access transition products through relatively low-cost index products...

EUROPE LEADS

86%

European-domiciled funds account for around 86% of global climate-fund assets. It also represents the world's largest market for climate-transition funds.[32]

Other jurisdictions may not benefit from the same product availability...

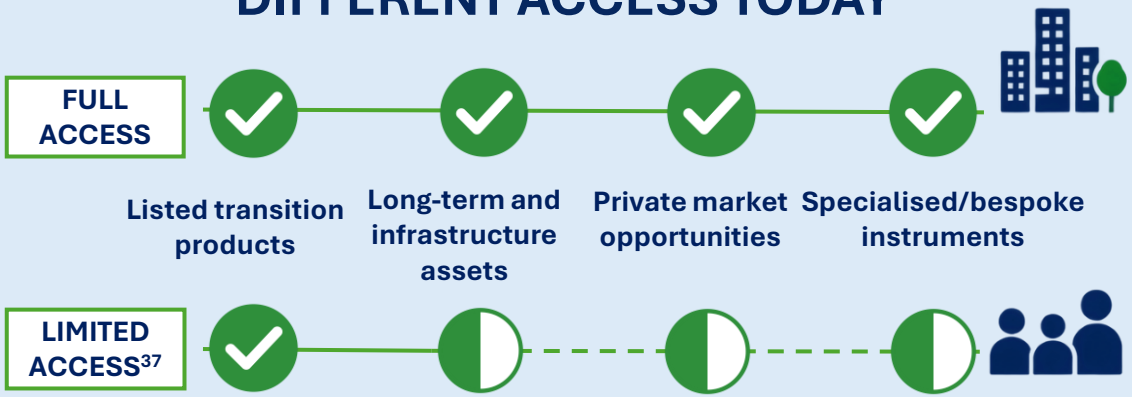
KEY SIGNAL

Transition investing is increasingly becoming mainstream, but greater product availability does not mean retail investors can access the full range of real-economy transition opportunities. **The next page delves into how access and participation are not mutually inclusive and the steps needed to prevent further barriers.**

Can retail investors access transition opportunities?

Despite growing interest, access to the full range of transition opportunities remains uneven. Retail investors can already obtain exposure through listed equities, UCITS funds, ETFs, green and sustainability-linked bonds and diversified investment portfolios. In practice, many investors already have indirect exposure to transition-related activities through diversified portfolios, even where products are not explicitly labelled as transition investments.[33] However, many of the sectors where transition finance is most urgently needed - including industrial decarbonisation, infrastructure, private technologies and early-stage innovation - remain difficult or impossible for most retail investors to access directly. As a result, retail participation continues to be concentrated in larger listed companies and more mature transition sectors, leaving significant parts of the real-economy transition outside most retail portfolios.[34] This creates a disconnect between where transition capital is most needed and where individual investors are currently able to invest. Access alone, however, is insufficient without confidence. Numerous studies continue to identify financial literacy, trust and complexity as significant barriers to retail participation. The World Economic Forum finds that investors increasingly value simple digital experiences, personalised investment journeys and educational support, while OECD research similarly highlights the importance of financial literacy in enabling informed long-term investment decisions.[35] ESMA's recent work on the retail investor journey also identifies onboarding processes, disclosures, suitability assessments and administrative frictions as obstacles that discourage participation in European capital markets.[36] Expanding transition investing requires not only more investment opportunities, but also clearer communication (understandable and comparable information); better investor education (unbiased financial literacy); and a simpler investment experience (user-friendly investor journeys).

DIFFERENT ACCESS TODAY



Institutional investors have broader access to investment opportunities than retail investors.

KEY BARRIERS TO RETAIL ACCESS

LACK OF TRUST
Concerns about greenwashing and credibility.

FINANCIAL LITERACY
Limited knowledge and confidence in investing.

COMPLEXITY
Difficult products, technical language and information overload.

INVESTMENT FRICTIONS
Onboarding, assessments and inapt suitability.

CHAPTER III

ASSESSING RESULTS OF TRANSITION MECHANISMS: Commitments, disclosure, implementation...

Corporate transition plans, sustainability reporting and investor stewardship have become central components of the sustainable finance architecture, providing investors with forward-looking information on how companies intend to decarbonise their operations, adapt their business models and allocate capital over time. Historical emissions and existing environmental performance remain important, but they provide only a snapshot of where a company is today. **Transition investing is inherently forward-looking, requiring investors to assess whether companies possess realistic strategies capable of transforming their business models, allocating capital effectively and remaining competitive in a low-carbon economy.** This reflects a broader recognition that some of the sectors most critical to achieving climate objectives are also among today's highest emitters.

WHY DO WE NEED TRANSITION PLANS?

Investors are therefore increasingly distinguishing between current sustainability performance and future transition readiness.[38] As such, transition plans are increasingly being evaluated as strategic business documents rather than as standalone sustainability disclosures. A company with relatively high current emissions may therefore represent an attractive long-term investment if it demonstrates a credible and well-financed strategy for reducing emissions, deploying low-carbon technologies and adapting its business model over time.

Long-term net-zero commitments alone provide limited insight unless supported by evidence that financial resources are already being redirected towards the transition. Capital expenditure, research and development investment, financing decisions and operational milestones have therefore become central indicators when assessing whether companies are translating strategic commitments into practical action.

The remaining question, however, is **how these principles are being applied in practice. The first years of mandatory sustainability reporting provide an early opportunity to assess whether companies are translating these expectations into meaningful implementation.**[39] Across different reporting frameworks and market initiatives, a broad consensus has emerged regarding the characteristics of a credible transition plan. Although methodologies continue to evolve, investors increasingly assess transition plans through a combination of governance, financial, operational and strategic considerations. Particular emphasis is placed on whether companies demonstrate clear board oversight, measurable interim targets, alignment between capital expenditure and stated objectives, realistic financing strategies and regular reporting on implementation. **Increasing attention is also being given to the assumptions underlying transition plans, including technological developments, policy dependencies and execution risks that may influence their successful delivery.**[40] Transition should be judged not simply by whether plans are published, disclosures made or engagements conducted, but by whether they **influence decisions, strengthen accountability and contribute to measurable transition outcomes in the real-economy.**

KEY ASSESSMENT AREAS FOR A CREDIBLE TRANSITION PLAN: Investors evaluate transition plans across eight interrelated areas...

GOVERNANCE & BOARD OVERSIGHT

Demonstrates accountability for implementation and strategic oversight

INTERIM TARGETS & MILESTONES

More than long-term commitments, enabling investors to monitor progress

CAPITAL EXPENDITURE ALIGNMENT

Indicates whether financial resources support the stated transition

FINANCING STRATEGY

Demonstrates how planned investments will be funded & sustained

CLIMATE ASSUMPTIONS

Improves the credibility of long-term objectives against climate benchmarks

RISK MANAGEMENT

Identifies key execution risks, potential barriers & solutions to implementation

PROGRESS REPORTING

Supports ongoing accountability through regular disclosures of progress

SCENARIO ANALYSIS

Assesses the resilience of business models under different transition pathways

FROM AMBITION TO IMPLEMENTATION: Investors look for evidence that strategic commitments are materialised into real actions...

AMBITION

Long-term net-zero commitments

CAPITAL & RESOURCES

CapEx, R&D and financing decisions

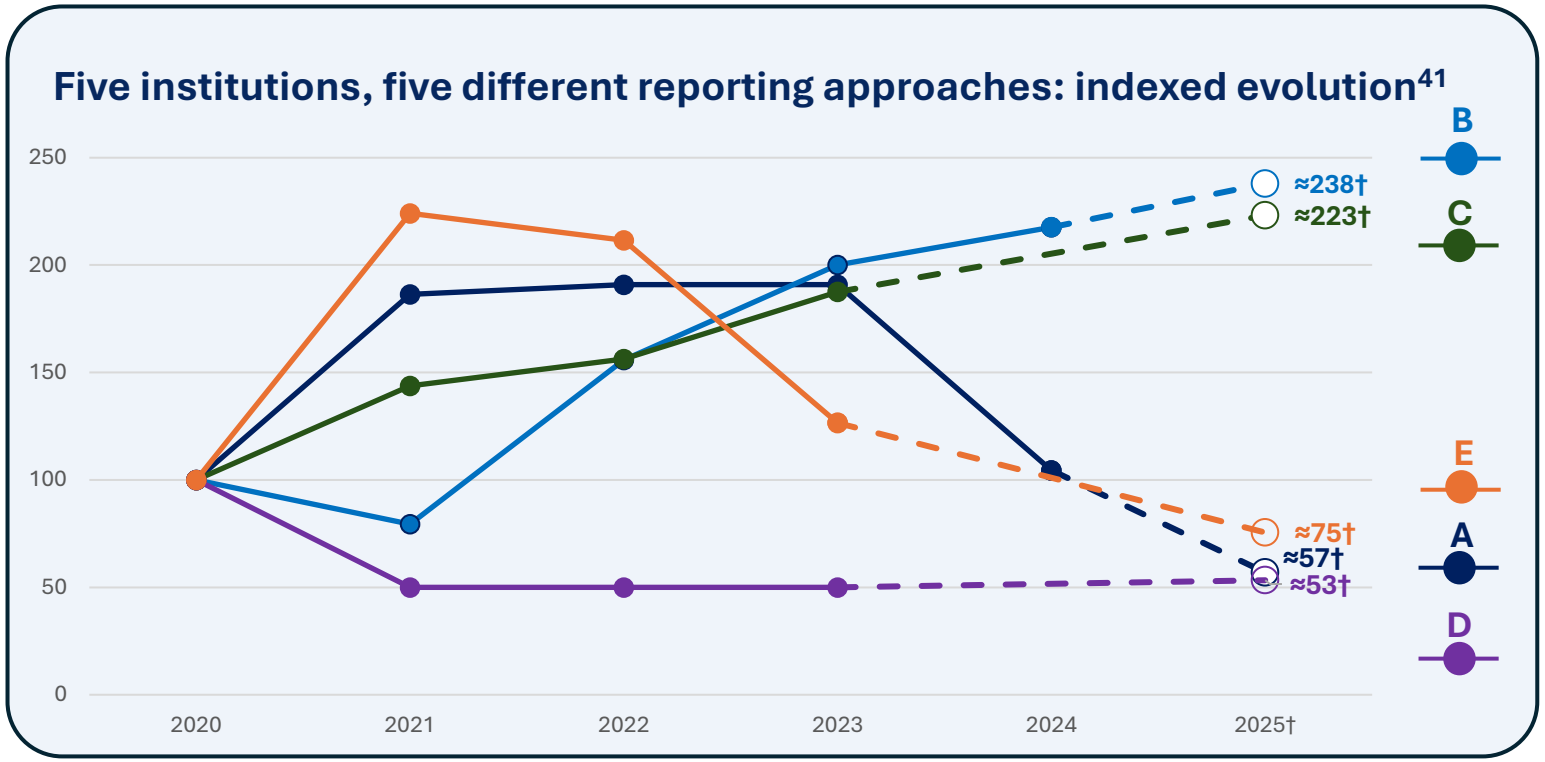
IMPLEMENTATION

Operational milestones & progress

EVIDENCE OF PROGRESS

Measurable outcomes & ongoing disclosure

Key observations from BETTER FINANCE longitudinal study



WHAT IS ACTUALLY BEING REPORTED?

Company A: annual green-financing activity within a broader sustainable-finance and investment framework.

Company B: socially responsible or sustainable investment assets under management, a stock measure affected by flows and market valuations.

Company C: the value of a green-investment portfolio, with no comparable observation identified after 2023.

Company D: new green and sustainable investment flows, but with a cumulative 2018-2020 figure followed by annual observations.

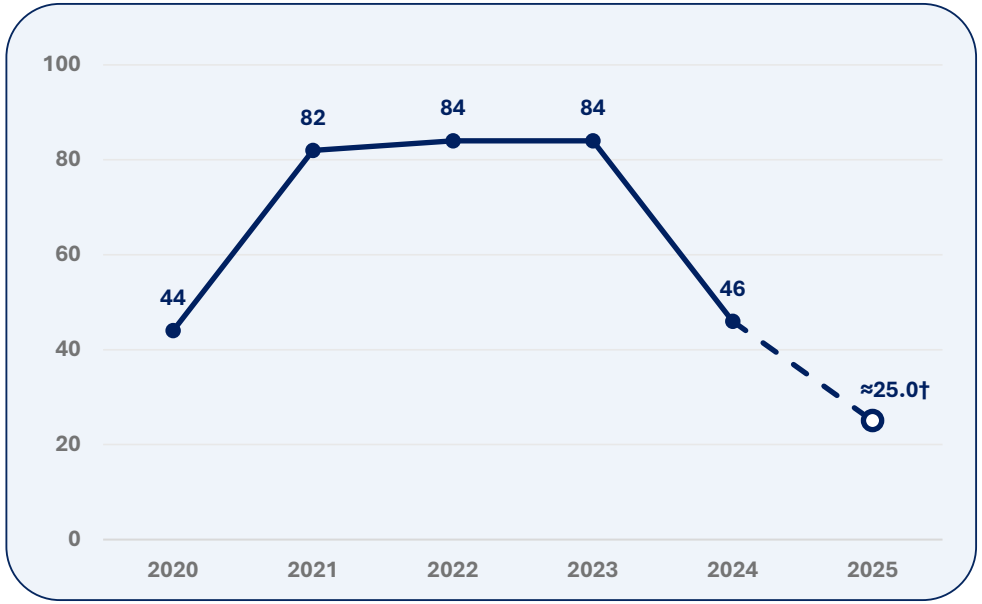
Company E: responsible-investment AuM, subject to substantial changes in reported scope, definitions and classifications.

HOW TO READ IT?

Each year, BETTER FINANCE reviews the annual and sustainability reports of five major European financial institutions across banking, insurance and asset management. The study tracks the principal green, sustainable or responsible-investment indicator disclosed by each institution over time. The indicators are not equivalent.[42] They include annual financing flows, investment-portfolio values, sustainable or responsible-investment AuM, and in one case a cumulative figure followed by annual observations. Definitions, methodologies, reporting periods and organisational perimeters may also change between years. To show the direction and magnitude of change within each institution, reported values are indexed to 2020 = 100. The index does not standardise the underlying indicators and should not be used to compare the absolute scale or relative performance of institutions. Dotted observations are illustrative values derived from the latest available change and are not reported figures. Even sophisticated investors cannot construct a genuinely comparable longitudinal picture when one institution reports financing flows, another reports sustainable AuM, another reports a green-investment portfolio, and reporting definitions change over time. The following pages explain what investors can reasonably conclude.[43]

Key observations from BETTER FINANCE longitudinal study

Company A: Green financing within sustainable finance and investment, € billion



Reported value — Derived value

The approximately €25 billion reported for H1 2025 covers only part of the year. It does not, by itself, demonstrate a further annual contraction. A full-year figure is required before determining whether the decline observed in 2024 continued or reversed.

-45,2%
Latest comparable annual change (2023 → 2024†)

≈-43%
2020 → 2025†)

2020 - 2021

Rapid expansion

2021 - 2023

Plateau

2023- 2024

Reported decline

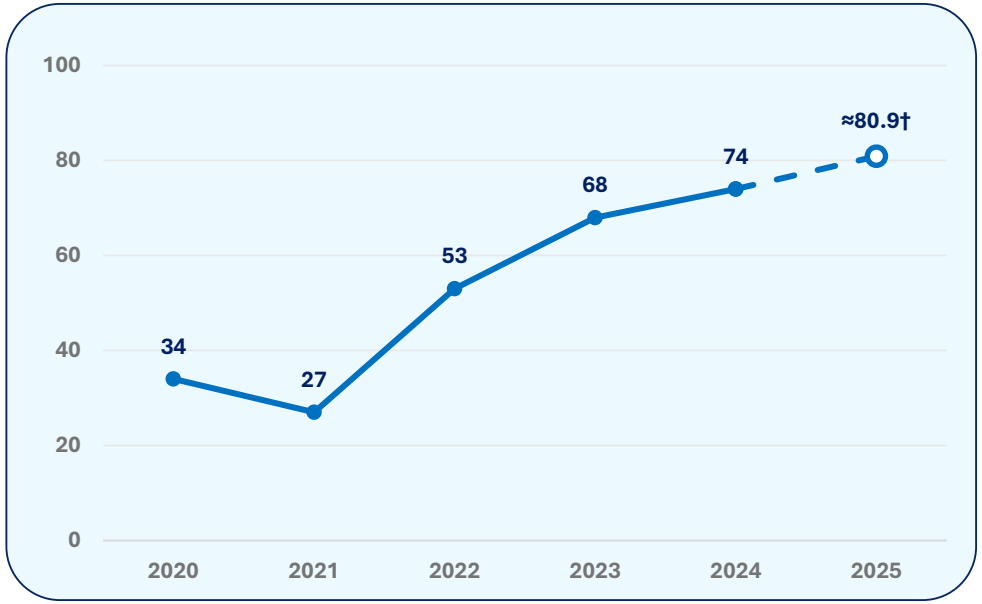
WHAT CAN INVESTORS CONCLUDE?

Company A's reported green-financing activity increased sharply between 2020 and 2021 and remained broadly stable through 2023. The decline **should not automatically be interpreted as an equivalent withdrawal of capital from transition activities.** Changes in transaction volumes, market conditions, reporting methodologies, eligibility criteria and the composition of financial products can materially affect the annual indicator. The key investor question is whether **Company A** provides sufficient explanation to distinguish changes in underlying financing activity from changes in how eligible transactions are defined/reported.

The approximately €25 billion reported for H1 2025 covers only part of the year and is therefore not directly comparable with the preceding full-year observations. More broadly, the indicator measures financing activity rather than the ultimate allocation and real-economy impact of capital. Investors still cannot readily determine which sectors and transition activities received financing, how much constituted genuinely new capital, or what measurable transition outcomes resulted.

Key observations from BETTER FINANCE longitudinal study

Company B: Socially responsible/sustainable investment AuM € billion



The indicator represents approximately 118% growth from its 2020 level. Applying the latest reported growth rate would produce an illustrative 2025 value of approximately €81 billion, but this projection should not be treated as a reported observation.

+9%
Latest reported annual change (2023 → 2024)

≈+118%
2020 → 2025†)

2020 - 2021

Initial decline

2021 - 2022

Strong recovery

2022 - 2024†

Sustained expansion

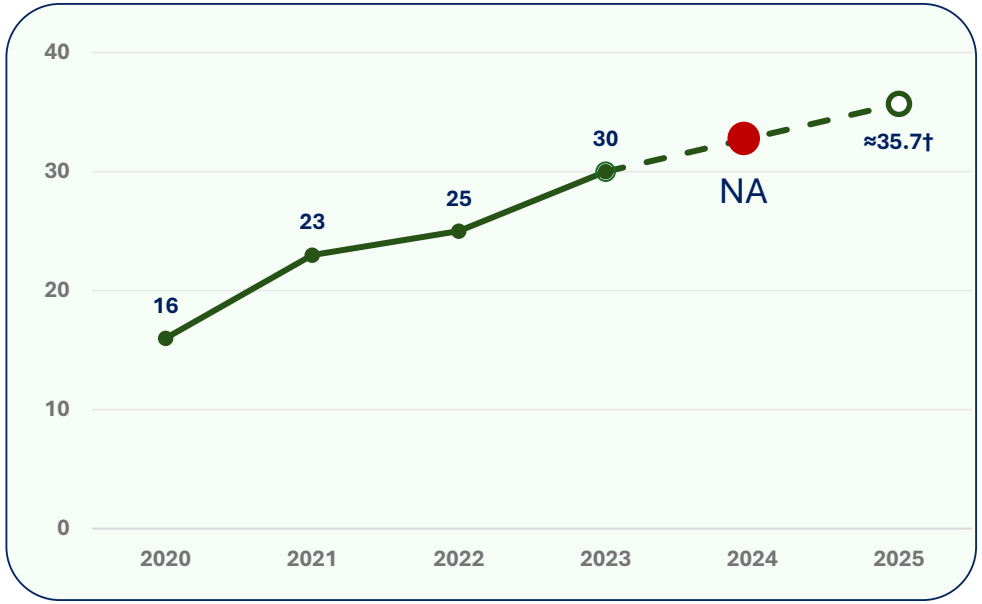
WHAT CAN INVESTORS CONCLUDE?

Company B's socially responsible and sustainable investment AuM reported series provides a clear directional signal of sustained growth following the initial decline. However, increasing assets under management do not necessarily represent an equivalent amount of new capital allocated to sustainable or transition activities. As an AuM stock indicator, the figure may be affected by net investor inflows, market valuation changes, acquisitions, product reclassification and changes in the reporting perimeter or methodology.

Based on the available disclosures, investors cannot readily determine how much of the increase reflects new investment, market appreciation or reporting changes. Nor can they easily identify the proportion directed specifically towards transition-linked companies, sectors and activities or assess the resulting real-economy outcomes. **More granular and consistent disclosure of net flows, sectoral allocation, investment strategies and transition-related outcomes would make the indicator more useful to investors.**

Key observations from BETTER FINANCE longitudinal study

Company C: Green investment € billion



Reported value Not available Derived value

The indicative €35.7 billion value is derived by applying the latest reported annual growth rate of approximately 19% to the 2023 figure of €30 billion. It is an illustrative scenario only and does not represent a reported 2025 value or evidence that the earlier trend continued.

+20%
Latest reported annual change (2023 → 2023†)

≈+88%
2020 → 2025†)

2020 - 2021

Early expansion

2021 - 2023

Continued growth

2024 - 2025†

Disclosure gap

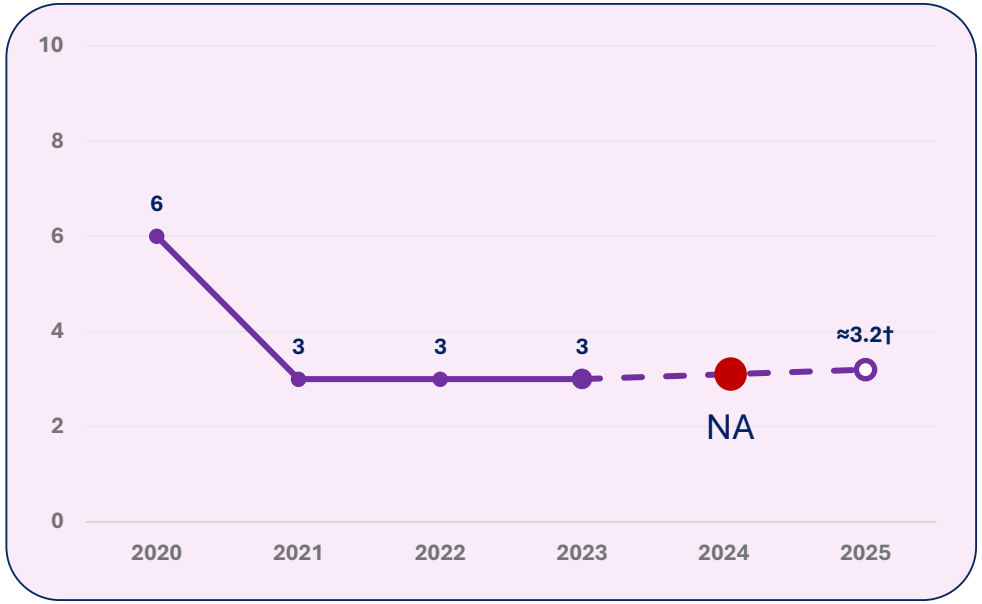
WHAT CAN INVESTORS CONCLUDE?

Company C's reported green investments increased in every reported period between 2020 and 2023, rising from €16 billion to €30 billion. This positive trajectory, however, cannot substitute for consistent annual disclosure. No comparable observations were identified for 2024 or 2025, making it impossible to determine whether the earlier growth continued, stabilised or reversed. Moreover, the headline indicator provides limited information about the composition of the green-investment portfolio. Investors cannot readily determine which sectors and activities received investment, how much related specifically to transition-linked assets or whether growth resulted from new investment, market valuation changes, reclassification or changes in methodology.

Transition-specific disclosure therefore remains less developed than **Company C**'s broader green-investment reporting. Consistent annual figures, accompanied by sectoral allocation, net investment flows and measurable outcomes, would enable investors to assess whether the reported growth supports real-economy transition.

Key observations from BETTER FINANCE longitudinal study

Company D: New green/sustainable investments € billion



Reported value Not available Derived value

These figures are not directly comparable: the 2020 observation covers three years, whereas the subsequent values principally represent annual investment activity or progress under a separate 2021-2025 target.

>€6bn
Cumulative investment (2018 - 2020)

≈ €3bn
(2021 → 2025†)

2020

Cumulative total

2021 - 2023

Annual investment

2024 - 2025†

Disclosure gap

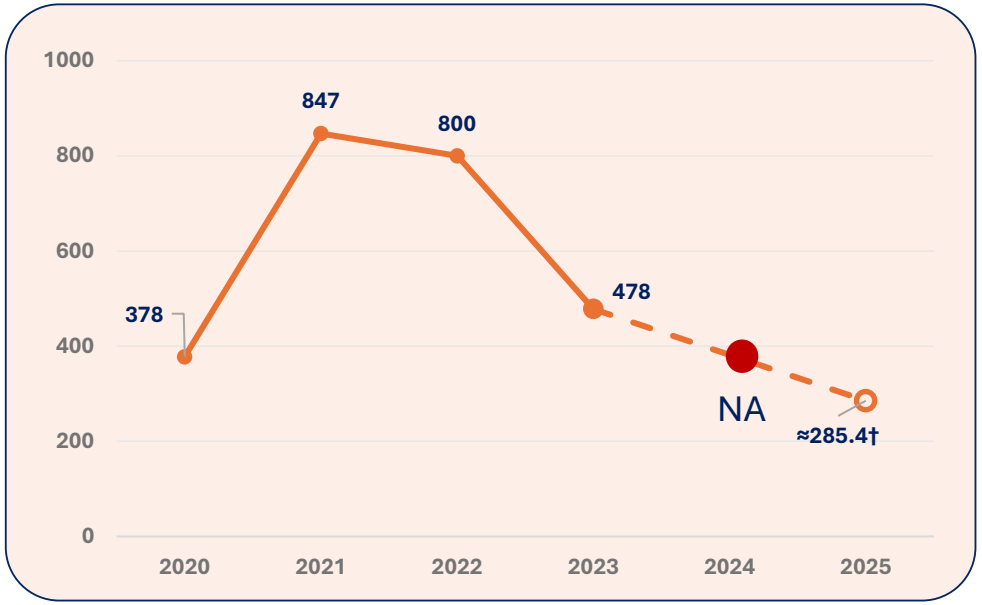
WHAT CAN INVESTORS CONCLUDE?

The available disclosures provide evidence of continued investment in green and sustainable activities. The €6 billion observation covers three years, whereas the subsequent figures principally reflect annual investment activity or progress under a separate 2021–2025 investment programme. The change therefore reflects different reporting periods rather than an equivalent reduction in investment. The later observations suggest broadly stable annual investment activity, but the available disclosures do not allow investors to determine consistently how much was directed towards particular sectors, activities or transition-linked assets.

Changes in targets, reporting periods and indicator presentation also complicate longitudinal comparison. Transition-specific disclosure remains less developed than **Company D**'s broader reporting on green and sustainable investments. More consistent annual figures, supported by sectoral allocation and measurable outcomes, would help investors assess whether these investments support sustained real-economy transition.

Key observations from BETTER FINANCE longitudinal study

Company E: Responsible investments AuM



Reported value ● Not available ○ Derived value

The illustrative €285.4 billion value applies the latest reported decline of approximately 40% to the 2023 figure. It is not a reported 2025 observation or evidence that the earlier decline continued.

+124%
Reported change (2020 → 2021)

-40%
2022 → 2025†)

2020 - 2021

Sharp expansion

2021 - 2023

Sharp contraction

2024 - 2025†

Disclosure gap

WHAT CAN INVESTORS CONCLUDE?

Company E's reported responsible-investment AuM series shows significant volatility rather than a consistent direction of travel. These movements should not be interpreted as equivalent changes in underlying capital allocation. As an AuM indicator, the figures may be affected by market valuations, investor flows, acquisitions, changes in product classifications and revisions to the definition or reporting scope of responsible investment.

Based on the available reporting, investors cannot easily determine how much of the increase in 2021 or subsequent decline resulted from investment decisions rather than methodological and perimeter changes. The absence of a comparable 2024 observation further limits the ability to assess whether the decline continued or reversed. The headline figures also provide limited information about the sectors, activities and transition-linked assets underlying the reported AuM. More consistent definitions, reconciliation of year-on-year changes, net-flow data and transition-specific allocation would make the indicator more useful for assessing real-economy capital allocation.

Key observations from BETTER FINANCE longitudinal study: meaning for investors

Reported trends reveal direction within institutions, but the indicators do not provide comparable evidence of capital allocation. The central finding of the report does not equate more disclosure with more comparable capital allocation evidence. Companies report fundamentally different measures. Indexing makes the direction and magnitude of change visible within each institution, but it cannot standardise the underlying indicators or support rankings across institutions. Can investors distinguish genuine changes in sustainable and transition-related capital allocation from market movements, reclassification and methodological changes? Individual investors should not have to navigate a maze of complex disclosures or conduct technical screening simply to understand what an indicator represents. When information remains difficult to interpret, reconcile and compare, it can restrict investors' ability to allocate capital in line with their preferences and make informed investment decisions. Disclosure should enable informed choice, not transfer the burden of decoding inconsistent indicators onto individual investors.

WHAT INVESTORS CAN OBSERVE?	**Direction with each series** Whether an institution's indicator increased, declined or remained stable.	**Reporting continuity** Whether comparable annual observations remain available over time.	**Type of reported amount** Whether the indicator represents a stock, annual flow or cumulative amount.
WHAT INVESTROS CANNOT INFER?	**Exact capital allocation** Growth in AuM or portfolio value does not necessarily represent new investment.	**Withdrawal or divestment** A lower figure may reflect market movements, reclassification, scope changes or transactions.	**Transition impact** Headline amounts rarely show what measurable outcomes resulted.
WHAT ARE INVESTORS' NEEDS?	**A clear reporting basis** Identify whether each indicator is a stock, annual flow or cumulative amount.	**Reconciled annual data** Separate new investment from market movements,net flows, re-classification.	**Outcome evidence** Report sectoral allocation, transition-linked activities and real-economy outcomes.

LOOKING AHEAD

The following pages examine investor stewardship: what role can active ownership and engagement play in turning transition disclosure into tangible progress and real-economy outcomes?

Stewardship and active engagement

While capital allocation determines where financial resources are invested, stewardship determines how investors seek to influence companies once capital has been allocated. Through voting, engagement, escalation and policy dialogue, stewardship has become one of the defining features of transition investing, enabling investors to encourage companies to strengthen transition plans, improve governance, align capital expenditure and address transition-related risks over time. The role of stewardship is particularly important in sectors where divestment alone may have limited influence on corporate behaviour. Selling shares transfers ownership from one investor to another, but it does not necessarily encourage companies to change their business models, reduce emissions or accelerate implementation of their transition strategies. Active ownership, by contrast, allows investors to remain invested while using engagement, voting and escalation to influence governance, capital allocation and long-term strategic decisions. Stewardship therefore complements capital allocation by helping to ensure that investee companies continue to make measurable progress. In this context, stewardship should be understood as a mechanism of accountability. It enables investors to assess whether transition plans remain credible, whether interim milestones are being achieved and whether financial resources continue to support stated transition objectives.

Why this matters for individual investors?

Retail investors usually exercise stewardship through asset managers and pension funds. They therefore need to know what objectives were pursued, what progress resulted and whether managers escalated when companies failed to respond.

STEWARDSHIP FRAMEWORKS ARE BECOMING MORE FORMALISED[44]

Stewardship requirements have expanded across markets. In the EU, SRD II, sustainability disclosures and stewardship codes increasingly require institutional investors to explain their voting policies, engagement activities and conflicts of interest. A coherent European framework is still developing.

VOTING MATTERS, BUT CANNOT DELIVER TRANSITION ALONE[45]

Voting remains an important accountability tool, although support for climate-related resolutions has weakened in some markets. Investors increasingly combine voting with engagement and escalation focused on transition plans, capital allocation and financially material risks.

REPORTING REMAINS UNEVEN AND INCOMPARABLE[46]

Some institutions disclose engagement objectives, escalation measures and outcomes. Others report only activity metrics, such as meetings held, companies engaged or votes cast, without showing whether engagement changed corporate behaviour.

Stewardship and active engagement

A high number of engagements does not necessarily indicate effective stewardship. Good practice increasingly requires investors to explain why engagement was undertaken, what objectives were pursued, how progress was assessed, how companies responded and what escalation measures were applied where progress proved insufficient. Without this information, clients and beneficiaries have limited ability to evaluate whether stewardship is contributing to genuine transition outcomes. The next phase of transition stewardship should therefore move beyond reporting activity towards demonstrating outcomes. Institutional investors should increasingly disclose not only that engagement occurred, but also whether companies strengthened transition plans, adopted interim targets, aligned capital expenditure with transition objectives, improved governance arrangements or addressed material transition risks as a consequence of investor engagement. From an individual investor perspective, this evolution is particularly important. Retail investors are increasingly investing through funds and products that claim to support sustainability or transition objectives, yet they exercise stewardship largely through financial intermediaries. If stewardship forms part of an investment strategy, investors should be able to understand how it has been exercised and whether it has contributed to meaningful corporate change. The relevant question is therefore no longer simply whether asset managers vote or engage, but whether they use their influence to support credible transition outcomes in the long-term interest of their clients. A mature transition stewardship, requires clearer expectations of objectives, improved and targeted disclosure specifically on actions and progress, effective escalation process and evidence of whether stewardship enables measurable outcomes to transition-related changes.

Credible transition plans & effective stewardship
Pathways, milestones and investor dialogue

Transparent disclosures
Reported information that is easy to understand for investors

Accessible investment opportunities
Connecting transition-focused opportunities

Supportive public policy
An enabling regulatory framework with safeguards

Why this matters for individual investors?

Stewardship can help bridge financial markets and real-economy transformation, but only as part of a broader investor-centered ecosystem. Long-term success depends on these elements working together, whereby stewardship is assessed through measurable outcomes, rather than activity alone. The final chapter therefore considers how transition investing can continue to evolve and sets out BETTER FINANCE's vision for a mature, investor-centric transition investing ecosystem, as well as recommendations for policymakers.

CHAPTER IV

SHAPING THE FUTURE OF TRANSITION INVESTING: vision and recommendations...

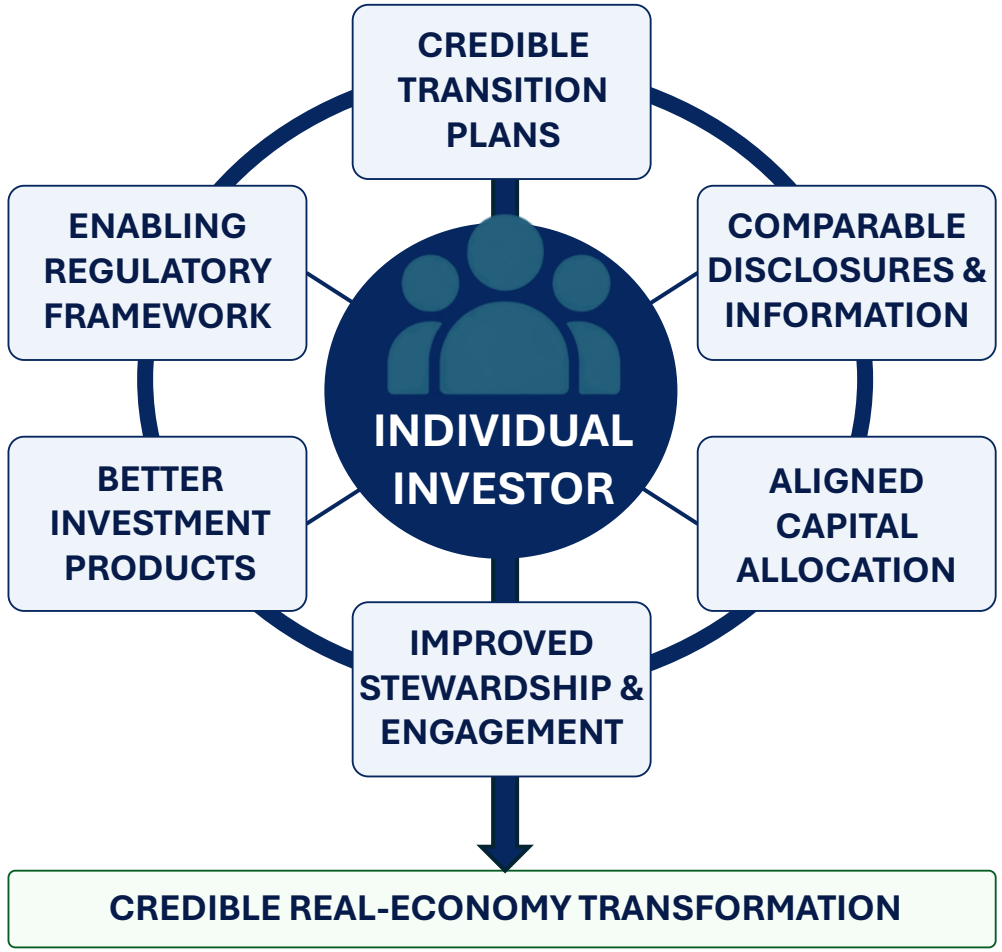
The continued evolution of transition investing requires a broader shift in perspective. Much of the sustainable finance architecture developed over the past decade has understandably focused on the obligations and responsibilities of companies, financial institutions and public authorities responsible for designing and overseeing the regulatory framework.

Ultimately, however, the purpose of transition investing is not to maximise reporting or expand regulatory frameworks for their own sake. Its primary objective is to improve investment decision-making and channel capital towards companies capable of delivering credible long-term economic transformation. The individual investor should therefore remain at the centre of the transition investing ecosystem. Every component of the sustainable finance architecture should ultimately be evaluated against one simple question: **Does it enable investors to make better long-term investment decisions?**

INVESTOR-CENTRIC TRANSITION ECOSYSTEM

Transition plans become more valuable when accompanied by comparable disclosures. Stewardship becomes more effective when investors receive decision-useful information. Capital allocation becomes more credible when companies regularly demonstrate progress against their stated objectives. Together, these mechanisms improve investors' ability to distinguish between companies that merely communicate ambition and those demonstrating measurable implementation.

An investor-centric ecosystem therefore prioritises usability, comparability and accountability over reporting complexity. Information should help investors understand not only where companies stand today, but whether transition risks are being effectively managed, opportunities are being captured and business models remain on track to create sustainable long-term value. Such an approach also reinforces one of the central themes of this report: **transition investing should increasingly be assessed through implementation rather than ambition alone.**



The long-term credibility of transition investing will ultimately depend not only on the quality of its individual frameworks, but on how effectively they operate together to support informed investment decisions and efficient capital allocation throughout the economy.

BETTER FINANCE vision for 2030

Transition plans remain **practical, decision-useful and regularly updated**, enabling investors to easily monitor implementation over time.

Retail investors have **transparent, affordable and diversified access** to credible transition investment opportunities across capital markets and packaged retail investment products.

Capital allocation demonstrates genuine **alignment** with published **transition strategies** through investment, financing and operational decision-making.

Transition finance increasingly **reaches sectors and activities** where investment is most needed to support real-economy transformation.

BETTER FINANCE vision for 2030

Stewardship contributes to **measurable improvements** in **governance**, implementation and long-term value creation rather than simply reporting engagement activity.

Corporate disclosures remain **proportionate**, **comparable** and **decision-useful**, allowing investors to distinguish credible transition pathways from aspirational commitments.

Investment products marketed as relying on **transition strategies** demonstrate **clear** implementation criteria, **robust** governance and ongoing accountability throughout the investment lifecycle.

Progress is assessed through **measurable** delivery of KPIs, rather than solely through forward-looking **commitments** allowing investors to evaluate whether transition objectives are being achieved in practice.

BETTER FINANCE vision for 2030

Transition investing has evolved rapidly over recent years and is likely to remain an increasingly important component of European capital markets throughout the remainder of this decade. As the market continues to mature, BETTER FINANCE believes that its long-term success should be judged not by the sophistication of its regulatory frameworks or the number of transition-labelled products available, but by its ability to finance credible and measurable economic transformation, while delivering sustainable long-term value for investors. From an individual investor perspective, transition investing should remain firmly anchored in the real economy. Its primary purpose is not to maximise disclosure, increase compliance obligations or create additional product categories. Rather, it should enable investors acting directly on capital markets to identify companies capable of successfully navigating the transition, allocate capital efficiently and participate in the long-term opportunities created by Europe's economic transformation. Likewise, transition investing should help the majority of individual investors using packaged retail investment products to select those investment products that genuinely ensure their savings are invested to achieve the same objectives. The next phase of transition investing should therefore prioritise implementation over commitments, accountability over process and measurable outcomes over activity. Frameworks, disclosures, stewardship and investment products all play an essential role, but they are ultimately means to a broader objective: improving investment decisions and ensuring that capital supports companies delivering credible transition pathways.

> ***Transition investing should ultimately strengthen the relationship between financial markets and the real economy by directing capital towards businesses capable of delivering resilient, competitive and more economically sustainable growth in the mid and long term. Achieving this objective will require continued cooperation between policymakers, companies, financial institutions and investors, while maintaining a clear focus on the needs of the end user: the individual investor.***

Mariyan Nikolov, Senior Research & Policy Officer

Recommendations and priority actions

Realising this vision will require coordinated action across the transition investing ecosystem. Based on the findings of this report, BETTER FINANCE identifies the following priorities for policymakers, financial institutions, listed companies and other market participants.

POLICYMAKERS

Improve the conditions for a credible and investor-friendly transition ecosystem.

- Prioritise implementation of existing frameworks and attract capital towards transition-critical sectors.
- Enable greater participation of individual investors via transparent and accessible investment opportunities.
- Improve comparability of information while maintaining proportionality.

ASSET MANAGERS & FINANCIAL INST.

Improve the measurable outcomes and report progress in a clear way.

- Develop credible, reliable **("WYSIWYG")*** investor-centered transition products.
  *What You See Is What You Get
- Integrate transition plans consistently into investment processes.
- Demonstrate clearer stewardship outcomes.

LISTED COMPANIES

Utilise transition plans for long-term value creation for your shareholders.

- Align capital allocation with shareholder preferences on transition where possible.
- Strengthen board accountability.
- Publish practical transition plans.

ANNEX: endnotes

1. BloombergNEF (2026), *Energy Transition Investment Trends 2026*. Available at: BloombergNEF
2. International Energy Agency (2026), *Global Energy Review*. Available at: IEA
3. See Morningstar Sustainalytics (2025), *Investing in Times of Climate Change: Climate Fund Assets Hit Record Highs, Led by Transition-Focused Strategies* and European Securities and Markets Authority (2025), *Emerging Trends in Transition Fund Strategies*, TRV Risk Analysis, ESMA50-1949966494-3925
4. See Frank Bold (2025) *Delivering on Sustainability*: Evidence from the First Year of CSRD Implementation and PwC (2025), *In search of sustainable value: The CSRD journey begins*. Results vary according to the sample examined.
5. See KPMG (2025) *The first wave of CSRD reporting*: What you need to know. These results are based on a voluntary survey carried out by ESG assurance and advisory client service teams at KPMG member firms in March 2025.
6. BETTER FINANCE (2026), *Transition Investing 2026*. Longitudinal assessment of publicly available disclosures (annual reports) from five major European financial institutions, including HSBC, Santander, AXA Group, Generali and Amundi.
7. See European Commission (2023), Recommendation (EU) 2023/1425 on facilitating finance for the transition to a sustainable economy; OECD (2023) *Better Regulation for the Green Transition. Available at: OECD* Platform on Sustainable Finance (2025) *Building Trust in Transition: Core Elements for Assessing Corporate Transition Plans. Available at:* EU PSF
8. See International Platform on Sustainable Finance (2024), *Annual Report*. Available at: IPSF
9. See International Capital Market Association (2025), Climate Transition Finance Handbook: *Guidance for issuers*.
10. Japan Ministry of Economy, Trade and Industry (METI) (2021), Basic Guidelines on Climate Transition Finance. Introduced one of the world's first comprehensive national transition finance frameworks, providing sector-specific guidance for financing credible transition pathways across hard-to-abate industries and influencing subsequent international transition finance initiatives.
11. Glasgow Financial Alliance for Net Zero (2022), Financial Institution Net-zero Transition Plans.
12. European Commission (2023), Commission Recommendation (EU) 2023/1425
13. See European Financial Reporting Advisory Group (EFRAG) (2024) and Climate Bonds Initiative (2024), Financing Credible Transitions: Climate Bonds Transition Finance Handbook.
14. See European Commission (2025), Targeted Consultation on the Functioning of the Sustainable Finance Disclosure Regulation (SFDR) and European Commission (2025), Summary Report of the SFDR Stakeholder Workshop.
15. See PwC (2025), The State of Corporate Sustainability Reporting in the First Year of the CSRD. Reviews the first wave of Corporate Sustainability Reporting Directive implementation, identifying increasing publication of transition plans, climate targets and sustainability disclosures, while highlighting implementation challenges and emerging reporting practices.
16. See CFA Institute Research and Policy Center (2024), Investment Innovations Toward Achieving Net Zero: Voices of Influence. Examines how institutional investors are integrating transition-related considerations into portfolio construction, stewardship, risk management and long-term investment processes.
17. See CDP (2025), Corporate Health Check. Available at: CDP
18. See OECD (2022), OECD Guidance on Transition Finance: Ensuring Credibility of Corporate Climate Transition Plans; European Commission (2023), Commission Recommendation (EU) International Sustainability Standards Board (ISSB) (2024), Guidance on Disclosures Related to Transition Plans; Principles for Responsible Investment (PRI) (2023), Making Stewardship Effective; CFA Institute Research and Policy Center (2024), Investment Innovations Toward Achieving Net Zero: Voices of Influence; United Nations Environment Programme Finance Initiative (UNEP FI) (2023), Guidance on Credible Net Zero Transition Plans for Banks; Climate Bonds Initiative (2024), Financing Credible Transitions: Climate Bonds Transition Finance Handbook; Platform on Sustainable Finance (2025), Building Trust in Transition: Core Elements for Assessing Corporate Transition Plans; European Securities and Markets Authority (ESMA) (2024), Final Report on Greenwashing.
19. See United Nations Conference on Trade and Development (UNCTAD) (2024), The Role of the G20 in Promoting Green and Just Transitions.
20. See International Renewable Energy Agency (IRENA) (2025), World Energy Transitions Outlook. Reviews global investment patterns across the energy transition, finding that capital remains concentrated in a relatively small number of mature technologies and sectors, while investment in several transition-critical activities remains comparatively limited.
21. See International Energy Agency (IEA) (2025), World Energy Investment 2025.
22. See Mission Possible Partnership (2024), Making Net-Zero Industry Possible. Examines investment needs across hard-to-abate sectors including steel, cement, chemicals, aviation and shipping, concluding that these sectors continue to experience significant financing challenges despite their central importance for achieving net-zero emissions.
23. IRENE 2025 *op.cit.*
24. BETTER FINANCE's qualitative assessment draws on IRENA (2025), *World Energy Transitions Outlook 2025*; IEA (2025), *World Energy Investment 2025*; Mission Possible Partnership (2024), *Making Net-Zero Industry Possible*; and Energy Transitions Commission (2023), *Financing the Transition: A Guide for Investors*. The overview synthesises evidence on investment patterns, technology maturity and financing barriers; its categories are indicative and should not be read as directly comparable investment totals.
25. See World Economic Forum (2025), *2024 Global Retail Investor Outlook*. Based on a survey of more than 13,000 people across 13 countries, the report examines changing retail investor participation, including younger investors, women and the role of digital investment tools.
26. Eurostat (2025), 'Households – statistics on financial assets and liabilities', *Statistics Explained*, section 'Assets and liabilities'. Available at: Eurostat
27. *Ibid.*
28. See Morningstar Sustainalytics (2025), *Investing in Times of Climate Transition*; European Securities and Markets Authority (ESMA) (2025), *Emerging Trends in Transition Fund Strategies*.

29-32. *Ibid*.

33. See European Investment Bank (2024), Unlocking Private Capital for Europe's Green Transition.
34. OECD/INFE (2024) International Survey of Adult Financial Literacy. Demonstrates the relationship between financial literacy and long-term investment participation and World Economic Forum (2025), Global Retail Investor Outlook.
35. *Ibid.*
36. ESMA (2025), Retail Investor Journey. Examines operational barriers including onboarding, disclosures, suitability assessments and administrative frictions that continue to discourage retail participation in European capital markets.
37. Institutional investors generally have broader access to long-term infrastructure, private-market and specialised investment opportunities. Individual investors can access listed products, but their access to these other assets is more limited and often depends on suitable investment funds. The revised ELTIF framework aims to widen retail access to long-term assets while retaining investor protections. See European Commission (2022), *Political agreement on the review of the European long-term investment funds regulation*; Regulation (EU) 2023/606.
38. See Platform on Sustainable Finance (2025), Building Trust in Transition: Core Elements for Assessing Corporate Transition Plans.
39. See Natixis Corporate & Investment Banking (2025), Investors' take on transition planning.
40. See Climate Action 100+ (2025), Net Zero Company Benchmark. Evaluates whether companies are translating climate commitments into implementation through governance, capital allocation, climate policy engagement and delivery against transition objectives and the Transition Plan Taskforce (TPT) (2023), Disclosure Framework.
41. BETTER FINANCE reviewed the annual and sustainability reports of five European financial institutions from 2020 onwards. Each institution's reported indicator is indexed to its own 2020 value (= 100) to show change over time. The indicators measure different things - including financing flows, investment amounts and assets under management - so the indexed lines show trends within each institution and should not be used to compare their investment levels or performance against one another.
42. To illustrate the direction and scale of change over time, each institution's reported indicator was indexed to 2020 = 100. Subsequent values were calculated relative to the institution's own 2020 value. For example, Company A's 2021 value of €82 billion corresponds to an index value of 186.4 $(82 \div 44) \times 100$. Where no absolute 2025 value was available, an indicative figure was derived by applying the latest reported annual change and is marked with ≈ and †.
43. The five institutions report different indicators, including annual financing or investment flows, portfolio values and assets under management. The following pages therefore assess each institution's reported trend individually, taking account of changes in definitions, reporting periods and data availability. This helps investors understand what the disclosures show without treating the figures as directly comparable measures of capital allocation.
44. See The Generation Foundation (2024), The Rise of Systems Stewardship: Practical Guide for Asset Owners and Asset Managers; Principles for Responsible Investment (PRI) (2024), Active Ownership 2.0: The Evolution Stewardship Urgently Needs; European Fund and Asset Management Association (EFAMA) (2023), Stewardship and Engagement Report; European Commission (2026) Consultation on Shareholder Rights Directive - evaluation and review; Financial Reporting Council (FRC) (2025), UK Stewardship Code Review: Emerging Effective Practice; Financial Conduct Authority (FCA) (2024), Vote Reporting Group Recommendations.
45. See Morningstar Sustainalytics (2025), Proxy Voting Trends: Global Review; ShareAction (2025), Voting Matters; Georgeson (2025), Annual Corporate Governance Review.
46. European Banking Authority (2026) Amended European Sustainability Reporting Standards. Available at: EBA

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