

Global financial institutions zero in on net zero

The 2025 South Pole Net Zero Report

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Long-term benefit or short-term gain?



Dr. Daniel Klier
CEO, South Pole

As the world faces the growing impacts of climate change, the financial sector is at a critical crossroads.

Leaders of financial institutions must balance managing climate risks with safeguarding financial returns. Our latest research, surveying 350 financial institutions globally, shows growing recognition of the importance of decarbonisation—yet significant roadblocks remain.



Capital drives decisions—and it is in the long-term interest of financial institutions to make sure it is directed towards a resilient, low-carbon future.

One of the most striking findings is that nearly three-quarters of financial institutions have no plans to reduce their fossil fuel exposure over the next decade. The main reason for this inactivity is an uncertain political and regulatory landscape, which hampers commitments to long-term decarbonisation. This lack of clear policy has created an environment where incentives for decarbonisation are at an all-time low. Indeed, 47% of surveyed financial institutions cite unclear regulation as a major barrier to reaching net zero emissions.

As the survey demonstrates, financial institutions are grappling with the tension between short-term profit and long-term sustainability. Investments in green assets have seen a material increase, and nearly half of survey respondents expect this to accelerate. But the reality is that energy demand is rising faster than the investment in low-carbon solutions. As countries work to secure reliable, affordable energy, they must also navigate the delicate balance between meeting the immediate needs of the economy and fulfilling the sustainability

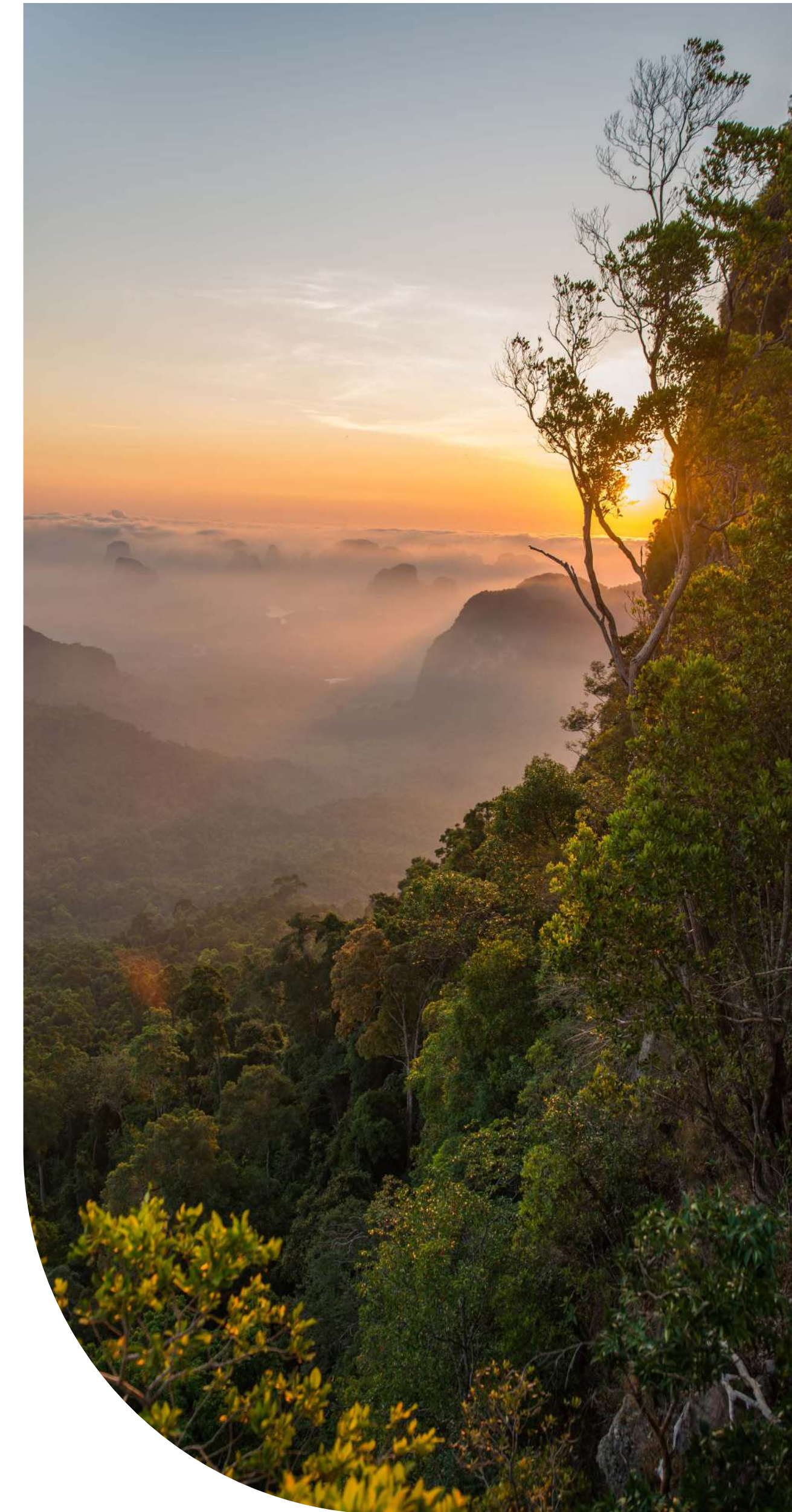


Nearly three-quarters of financial institutions have no plans to reduce their fossil fuel exposure over the next decade.

imperative. This tension is being passed on to the financial sector.

The survey results also show that there is growing recognition that climate risk is no longer a peripheral issue: the rising frequency and severity of climate-related damage highlight the urgent need to address climate-related financial risks. As a result, the vast majority of surveyed financial institutions state that engagement with investee companies is on the rise. Most institutions expect their clients to have transition plans and attribute a positive impact on access to finance to such climate transition plans.

If we stay on our current path, we are likely to lose control over our climate, resulting in an uninsurable planet, escalating physical climate impacts, and stranded assets. But there is still another option within our reach: capital drives decisions—and it is in the long-term interest of financial institutions to make sure it is directed towards a resilient, low-carbon future.





A focus on financial institutions

This year's Net Zero Report focuses on financial institutions.

We have chosen to do this because financial institutions have the power to lead the market. As they say, move the money, change the world.

They also provide a window into the priorities of the business world as a whole, allowing us to see trends at scale.

This year's report saw us survey **350** financial institutions across **13** countries.

Key findings include:

Most surveyed financial institutions report they are on track for net zero, despite a reported lack of regulation and progress from portfolio companies and clients.

Financial hubs and large-scale companies are the most ambitious and are also making the most progress.

Regulation is proving to be a major driving force behind the shift to net zero.

Financial institutions surveyed want to see climate transition plans and carbon credit strategies from portfolio companies, which will unlock access to finance.

Financial institutions are keen to engage with portfolio companies on net zero but aren't planning on reducing exposure to fossil fuel assets.

Climate claims are becoming more conservative. This may be, in turn, driving more conservative ambitions.





What's in a word?

Key definitions and how they relate to the financial services industry

Net zero

Net zero for the finance sector refers to a state where a financial institution reduces its greenhouse gas (GHG) emissions to as close to zero as possible, with the residual emissions balanced by carbon removals.

Net zero involves addressing emissions from all scopes: 1 (direct), 2 (indirect) and 3 (primarily financed emissions, insurance associated emissions and other finance-related emissions).

Financial Services Transition Plans

CDP's transition plan guidance focuses on the key aspects that financial institutions need to address in their transition to net zero.

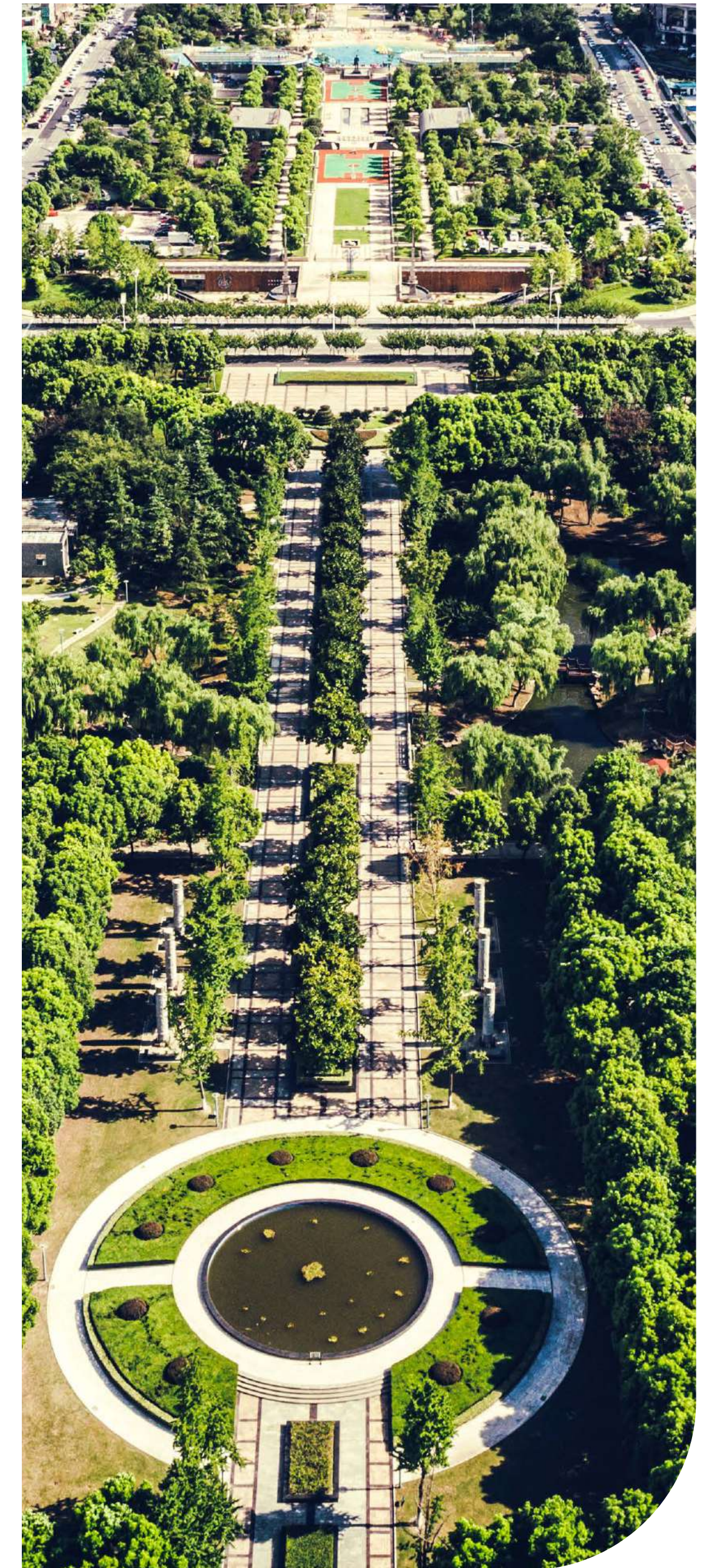
These include establishing strong governance structures that ensure accountability for climate-related risks and opportunities, setting science-based targets that align with credible net zero pathways, and developing risk management frameworks to identify, assess and mitigate climate-related financial risks.

Financial institutions are also encouraged to outline clear actions, milestones and defined timelines to achieve decarbonisation, and establish metrics and monitoring systems to track progress and maintain transparency in reporting.

Transition Plan Taskforce (TPT) guidance for asset managers, asset owners and banks calls for integrating climate risks and opportunities into investment strategies and decision making, and conducting robust climate risk assessments to evaluate both physical and transition risks and their potential financial impacts.

TPT's guidance emphasises the approach to capital allocation, directing funds toward low-carbon and sustainable investments, while encouraging engagement with portfolio companies and stakeholders to drive meaningful climate action.

Regular monitoring and reporting is crucial to maintain credibility and provide transparency to stakeholders on transition efforts.



Findings





On track to net zero

Financial institutions say they are on track, despite citing several obstacles to achieving net zero.

South Pole's 2025 net zero survey asked 350 financial institutions about their progress on net zero or any relevant near-term targets. The majority (52%) are 'on track', and a much larger majority (86%) are either on track or at least 'partially on track'.

Zooming in on regional responses, financial institutions in the Americas are more aspirational on net zero and report more progress than APAC and Europe. In fact, the Americas are home to the most financial institutions who are 'on track', with a vast majority (93%) reportedly 'on track', or 'partially' on track to meet their climate goals.

While different financial institutions had similar responses on performance, there was a notable difference in how owners and C-suite level experts reported progress compared to respondents in less senior positions, with the former being significantly more likely to report their company being 'on track'.

We surveyed

350

financial institutions across 13 countries

86%

of respondents say they are 'on track' or 'partially on track' to meet their climate goals

Those 'on track' include:

59%

of investment companies

56%

of commercial banks

43%

of insurers

Not everyone agrees. Those higher up in organisations are more likely to say the company is 'on track':

63%

of company owners

59%

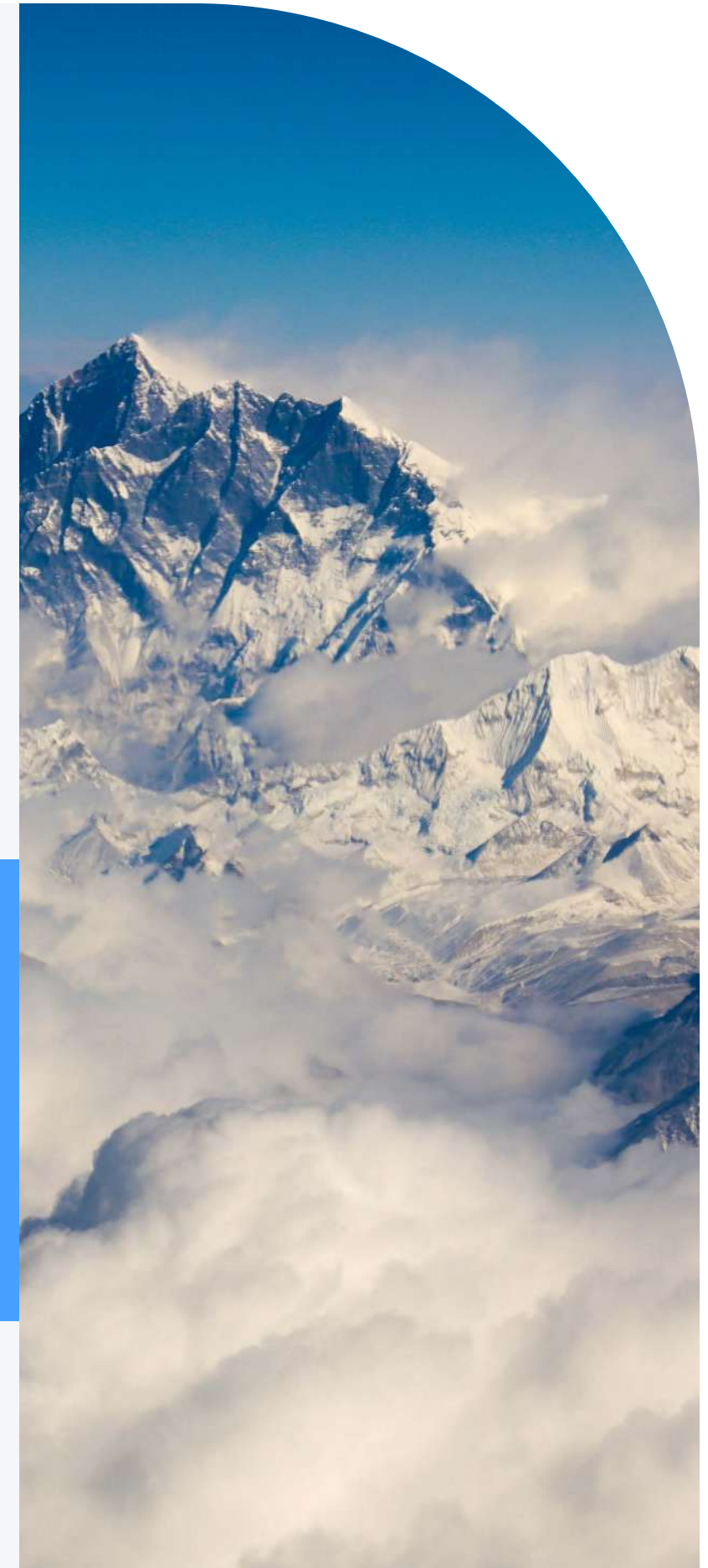
of C-suite

49%

of directors

39%

of senior managers and managers





The South Pole view



It is possible that the individuals in senior positions surveyed were notably more confident in reporting their organisations as being 'on track', a perspective that may reflect their broader strategic view and long-term vision. This optimism can be a powerful driver of momentum. The findings suggest that while confidence at the top can inspire progress, it is equally valuable to bridge perspectives across teams to ensure shared understanding and direction.



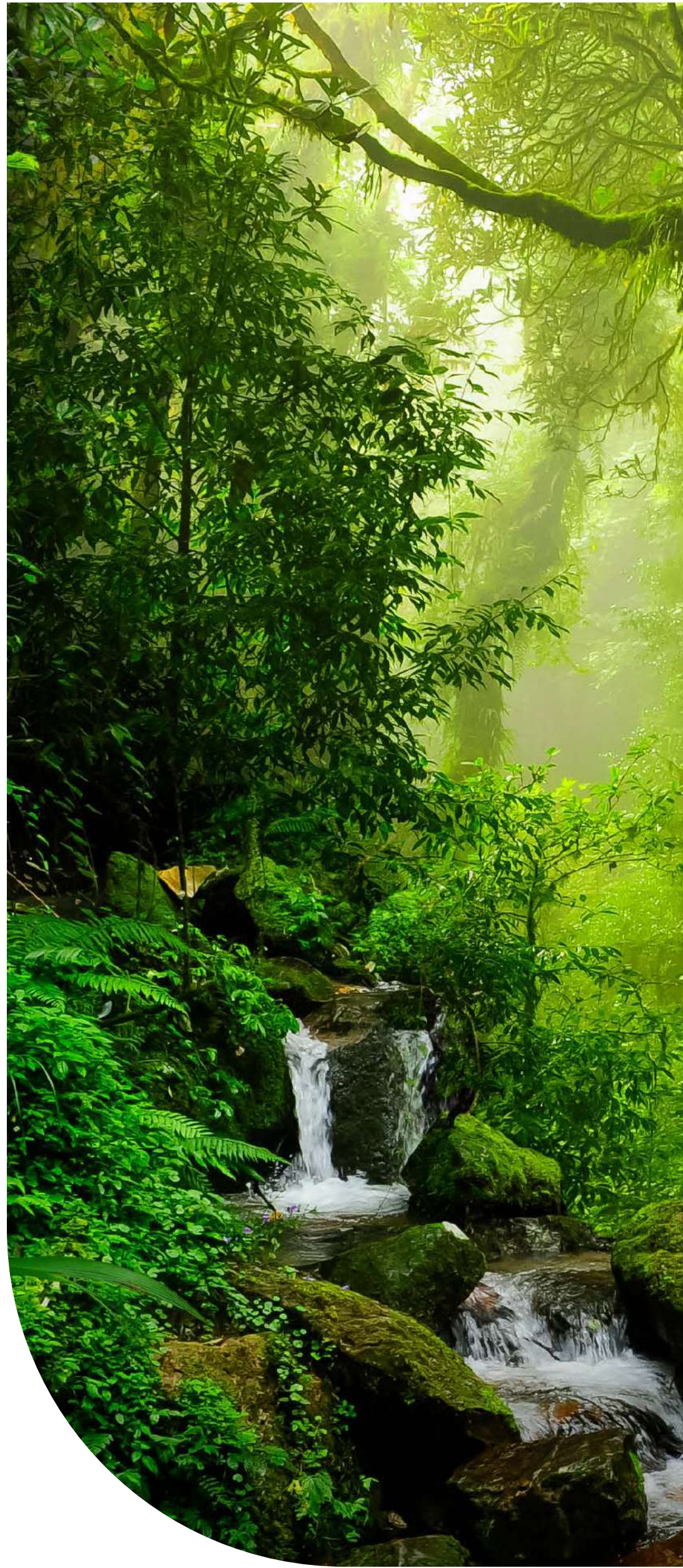
Michelle Loi, Principal Consultant, Sustainable Finance



It will be fascinating to see which group ultimately has the clearer view of progress over time. Owners and executives often bring a broad, strategic perspective that highlights overall momentum, while those closer to day-to-day operations tend to surface the real friction points early. Both perspectives are valuable, and the truth likely lies somewhere in between.



Chris Heysel, Regional Director Climate Advisory, North America



What's slowing progress?

While the majority of surveyed financial institutions claim to be 'on track' towards their targets, they also cite limitations making progress on net zero more challenging.

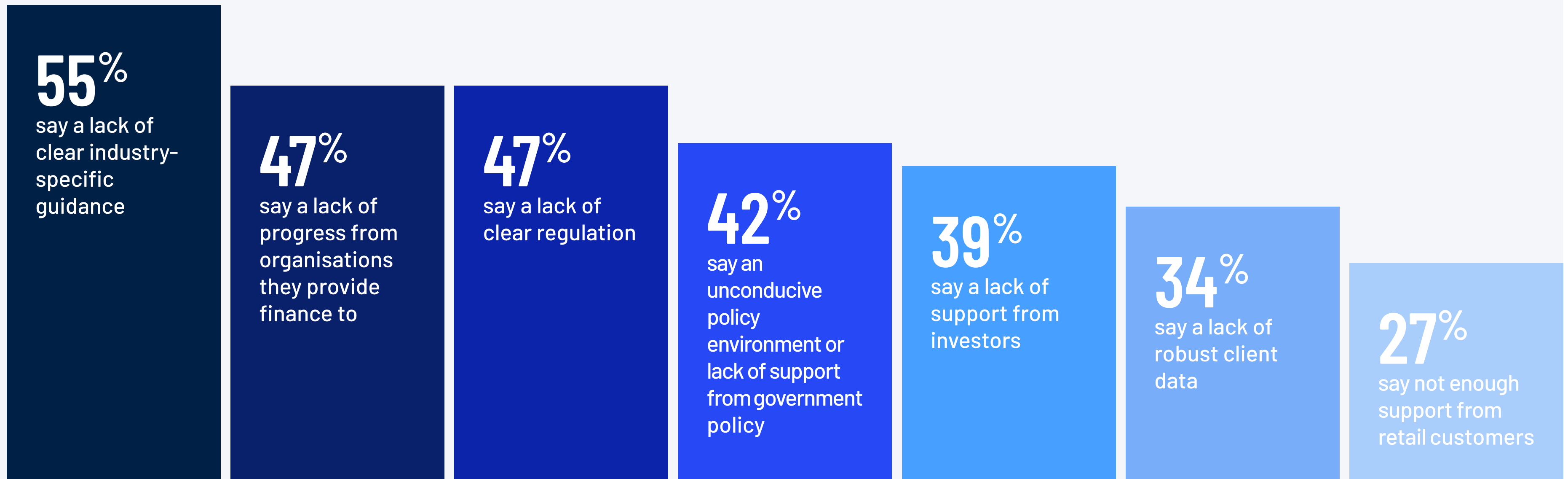
Over half (55%) claim that a lack of clear industry guidance is making reaching net zero even more challenging. This means that many who claim to be 'on track' are also struggling with a lack of guidance.

Almost half (47%) also cite a lack of clear regulation and a lack of progress from the organisations they finance.

When it comes to Europe, the majority (58%) cite a lack of clear industry guidance as a key roadblock. This is despite Europe being home to several leading governing bodies and organisations that provide detailed net zero guidance.

Financial institutions in Europe are also the most likely (52%) to say that the main reason holding back their progress is the organisations they finance, compared to those in APAC (39%) and the Americas (40%).

What's holding back financial institutions?





The South Pole view



While industry guidance does exist for financial institutions, there are still gaps that may explain the high number in Europe citing a lack of clear guidance.

Existing voluntary frameworks, like the one provided by the Glasgow Financial Alliance for Net Zero (GFANZ), and regulatory guidelines from the European Banking Authority and the European Insurance and Pensions Authority provide financial institutions with direction on addressing climate risks. However, the need to adapt these to specific business models, varying implementation timelines, and evolving regulations create a new level of complexity.



Souad Koliaï, Global Associate Director, Centre of Excellence for Sustainable Finance



The barriers financial institutions encounter on their net zero journey often stem from broader structural challenges in the real economy—from policy uncertainty to inertia from portfolio companies. Many are navigating a lack of clear guidance and regulation, such as in Europe, where regulatory frameworks are more advanced but still evolving.

Financial institutions also report that progress is hampered by the slow decarbonisation of the companies they finance, highlighting the interconnected nature of climate transition. While these barriers may sit outside a financial institution's direct control, supporting the transition of portfolio companies through capital allocation and engagement remains essential to driving progress.



Michelle Loi, Principal Consultant, Sustainable Finance



The EU's CSRD aims to direct financing toward companies with stronger ESG performance by ensuring that reported ESG information is machine-readable. This would help investors allocate capital to ESG-focused companies while demonstrating real improvements in the ESG performance of investees.

However, if the latest Omnibus Package is adopted into legislation, it would reduce the number of companies subject to reporting requirements by 80% while also delaying and simplifying the data required from those that remain in scope. As a result, investors may have to rely on voluntarily reported data and incentivise investees to collect and process ESG data. This would limit the granularity of insights available for portfolio ESG assessments, including climate risk scenario analysis, which is essential for understanding potential climate change future impacts on portfolio valuation.



Bernardina Vieytes Saavedra, Consultant, Climate Risks & Opportunities



Climate regulation is one of the most effective ways to accelerate meaningful change. It brings a wide range of companies into the conversation and creates a level playing field. But the real challenge is finding the right balance, between driving transparency and enabling action.

When regulation is well-designed, it gives businesses the clarity and direction they need to invest in real environmental progress.

When regulation becomes too complex or burdensome, it risks turning sustainability into a reporting exercise instead of a strategic priority. The goal should always be to empower businesses to reduce their environmental risk and impact—not just document it.



Chris Heysel, Regional Director Climate Advisory, North America



Most financial institutions have climate transition plans in place

Progress on net zero is linked, to some extent, to the number of financial institutions that have climate transition plans (CTPs).

In total, exactly half (50%) of those surveyed globally have an 'extensive and credible' CTP in place, and the vast majority (88%) claim to have at least some form of a climate transition plan.

A majority (61%) of financial institutions in the Americas have extensive CTPs, and the vast majority (91%) have some form of a CTP.

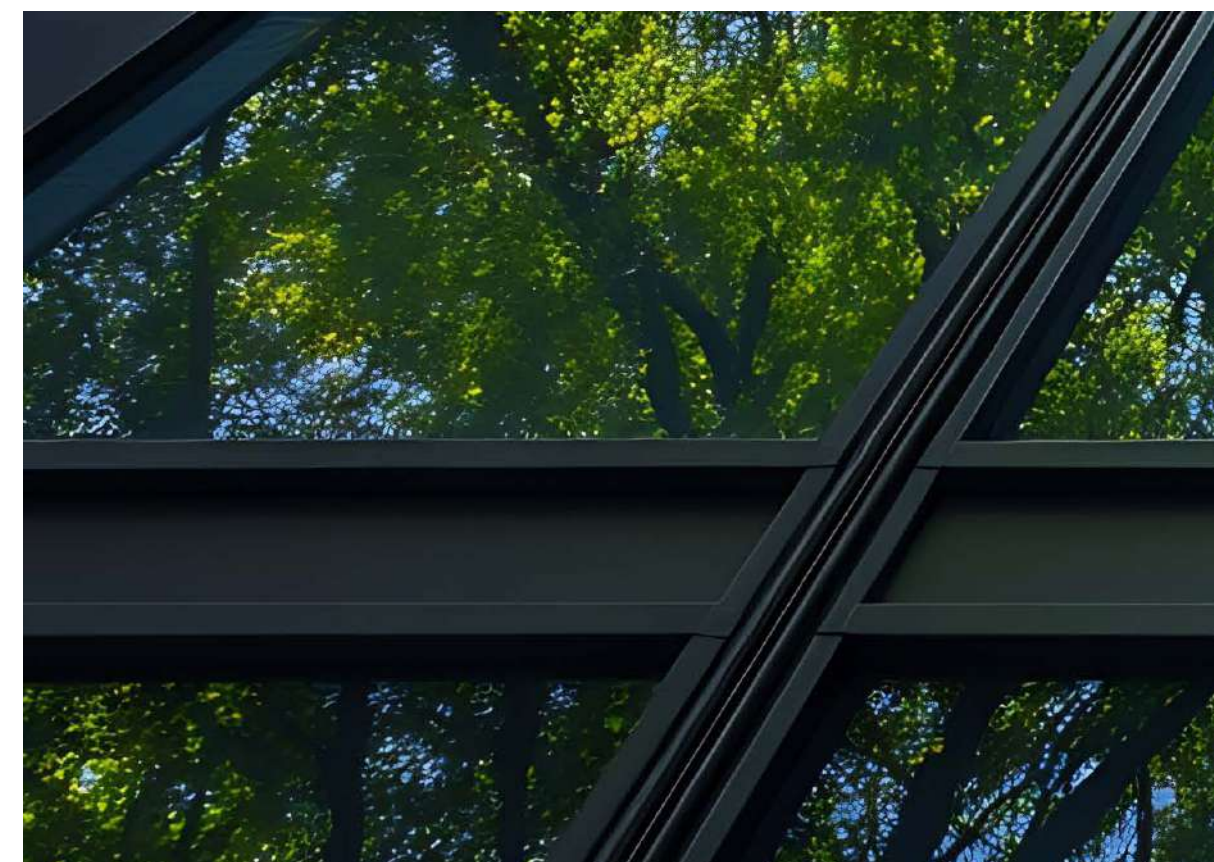
Comparatively, less than half of financial institutions in both APAC (43%) and Europe (48%) have extensive CTPs, and a smaller majority, 82% and 89% respectively, have some form of a CTP.

Looking further into the regional breakdowns, financial hubs tend to boast the highest number of financial institutions with CTPs—94% of financial institutions in Singapore and 93% of both US and UK-based financial institutions claim to have a CTP in place.

Globally, 50% of all surveyed financial institutions have an extensive CTP, while 88% have some form of CTP.

Financial institutions with total assets and assets under management of more than \$100 billion are more likely to have extensive CTPs (63%) or any form of CTP (96%) compared to the global average.

Financial institutions with less than \$100 billion in total assets and assets under management are less likely to have extensive CTPs (43%) or any form of CTP (84%) compared to the global average.



50%

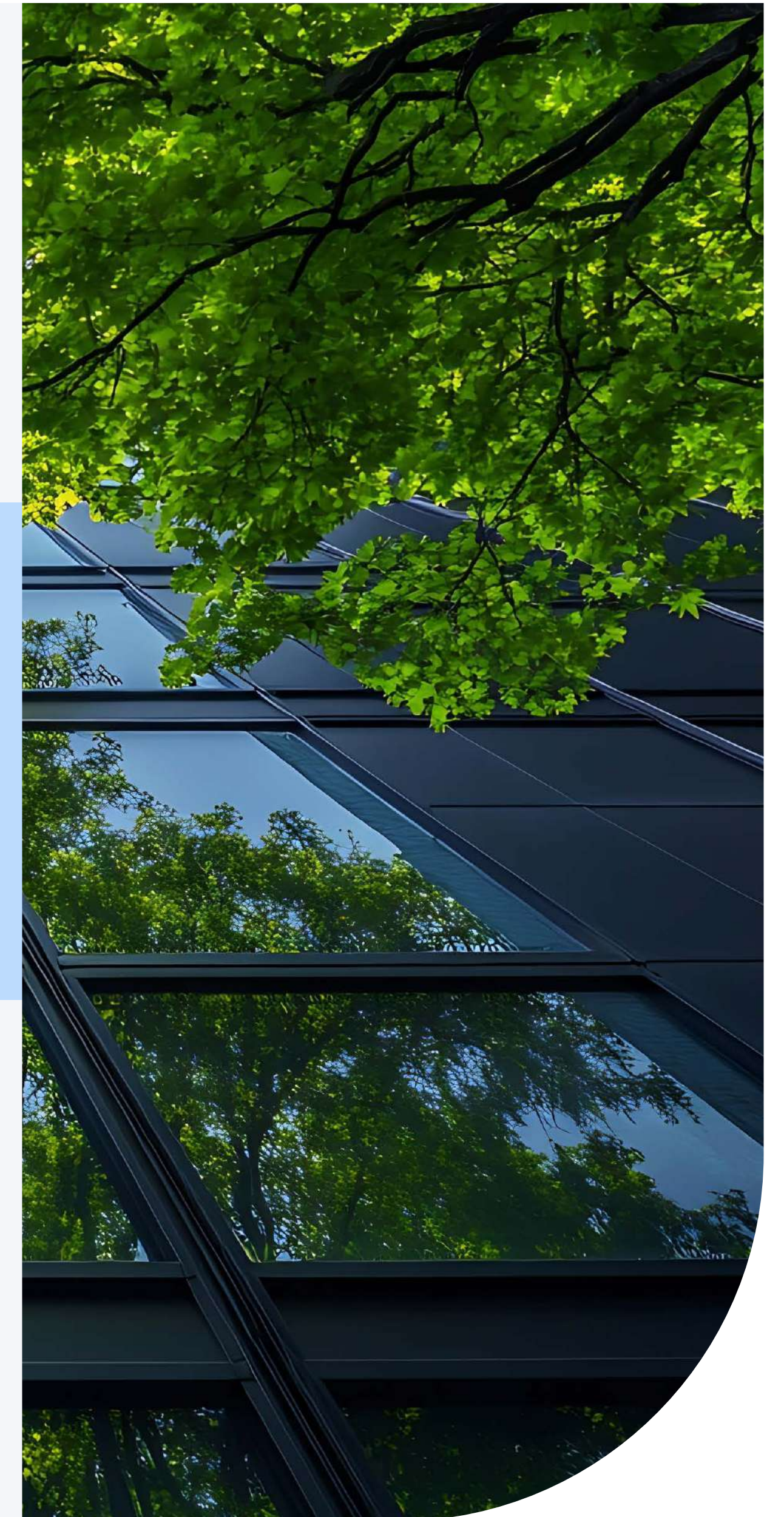
of financial institutions surveyed globally have an 'extensive and credible' CTP in place

88%

claim to have some form of a CTP in place

96%

of those with more than **\$100B** under management have some sort of CTP in place





The South Pole view

Beyond the research data alone, larger financial institutions are typically making more significant strides in their climate transition plans compared to their smaller counterparts.

These institutions are actively exploring investment opportunities within the net zero transition, having thoroughly assessed their exposure to climate risks.

Their transition plans aim not only to reduce this exposure, but also to size up and seize sustainable investment opportunities arising from the shift to a low-carbon economy. With more diverse and expansive portfolios, large financial institutions are generally more attuned to the systemic risks posed by climate change.

For these institutions, implementing transition plans is a strategic approach to mitigate potential financial losses tied to climate risks. In this context, risk management drives their commitment to transition planning. Ignoring climate risk is no longer an option; it has become a financial imperative, shaped by evolving market opportunities, risk management needs, and regulatory demands.



It's important to acknowledge that CTPs are still in their infancy—but progress is being made, and we anticipate that these statistics will only increase over time once we see more clarity on CTPs and any relevant regulation. The reason is simple: a strong climate transition plan does more than meet regulations—it can fuel innovation, boost resilience, and build trust with investors and customers. Complying with climate standards is just the start: transformation is ultimately the expectation.



Bence Cserna, Global Associate Director, Centre of Excellence or Decarbonisation Strategy



The Quickguide to Climate Transition Plans



V1.2 / Nov 2024



Learn more about climate transition plans

[DOWNLOAD THE QUICKGUIDE](#)



#2

Capital is flowing to climate-conscious companies

Financial organisations are looking for companies that are prepared for a changing climate—and those with net zero ambitions that match or exceed their own.

Many surveyed financial institutions are creating extensive climate transition plans, yet almost half (47%) of all respondents find that meeting their climate ambitions is more challenging due to lack of progress from the companies they finance.

When asked about their expectations around climate transition plans among portfolio companies, over three-quarters (77%) of financial institutions globally find portfolio companies more attractive if they have CTPs.

The same trends are emerging from large-scale financial institutions and financial institutions based in financial hubs. When asked about the attractiveness of CTPs among portfolio companies, these companies sit above the global average.

84% of UK-based financial institutions, 83% of Singapore-based financial institutions and 81% of US-based financial institutions say they find companies with CTPs more attractive to invest in.

Surveyed financial institutions with total assets and assets under management of over \$100 billion are also more likely (80%) to find companies with CTPs more attractive to invest in.



77%

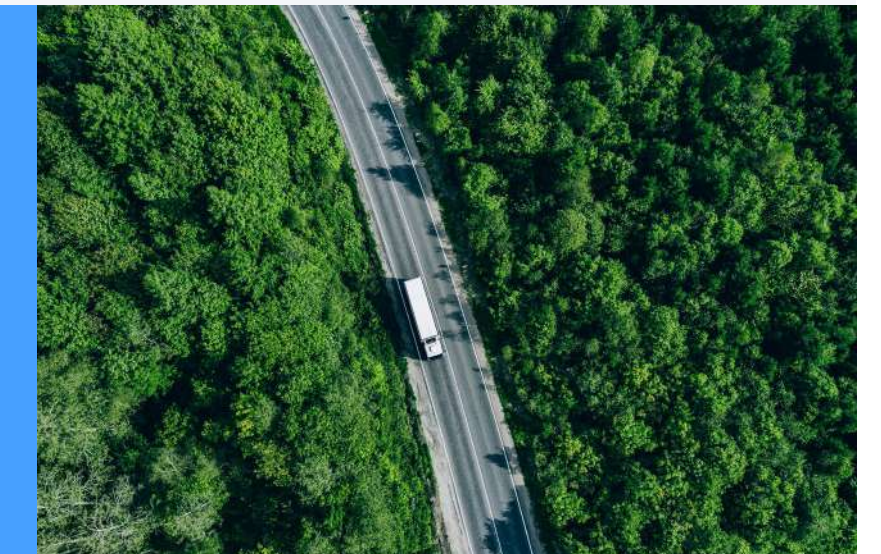
of financial institutions globally find portfolio companies more attractive if they have climate transition plans

What do financial institutions want portfolio companies to disclose?

56%
Net zero strategy

48%
Annual sustainability report

45%
Climate transition plan



Demand for portfolio companies to disclose net zero strategies varies by region, with US leading the way:



USA

80%



UK

41%



Singapore

33%





The South Pole view

Financial institutions are increasingly investing in sustainable companies to manage climate risks and are focusing on supporting portfolio companies in their decarbonisation efforts.

This reduces their exposure to climate risks and positions them as long-term, sustainable investors. This percentage is likely to increase, especially across Europe when the EU CSRD is fully established, as it will require more transparency and ambition from companies with reporting obligations.

While the exact definition of CTPs outside Europe is still somewhat ambiguous, it is clear that access to capital improves when financial institutions can see a clear, practical commitment to net zero goals: financial institutions want portfolio companies to show, not just tell, how they are preparing for the physical and regulatory impacts and risks of a changing climate.

In this way, CTPs are becoming essential for financial institutions and their portfolio companies

This is due to several factors:

- financial institutions' targets are tied to their portfolio companies' actions, as most emissions (99%) come from financed emissions and investments (scope 3) and not direct operations.
- CTPs are becoming part of mandatory sustainability reporting
- CTPs are more detailed than net zero plans, and can better prepare financial institutions on ways to plan for future resilience

Climate reporting has shifted from optional to mandatory in many countries, requiring companies to report on climate impacts, risks, and decarbonisation plans. This explains the growing demand from financial institutions for clear, concrete CTPs from their investees, and also from their own organisational teams.



Financial institutions are seeking investment opportunities in sustainable companies to hedge their exposure to climate risks. However, they are also looking at investments to support their portfolio companies decarbonise with the same objective of reducing their exposure to climate risks and becoming a sustainable long-term investor.



Souad Koliaï, Global Associate Director, Centre of Excellence for Sustainable Finance



There are many dimensions to future-proofing your business. This can include reducing your exposure to climate risks by ensuring that the companies you provide finance to are also taking similar steps to de-risk against climate change. In the near term, it will also enhance a company's ESG rating, making them more favourable to work with.



Denis Jorsch, Global Director, Centre of Excellence for Compliance & Digital



Carbon credit strategies are encouraged

Financial institutions look favourably on portfolio companies that have existing carbon credit strategies.

Almost three-quarters (73%) of financial institutions globally want to finance portfolio companies with carbon credit strategies.

Financial institutions in financial hubs tend to be above the global average when it comes to encouraging a carbon credit strategy for portfolio companies: 80% of both US and UK-based financial institutions and 72% of financial institutions in Singapore.

81%

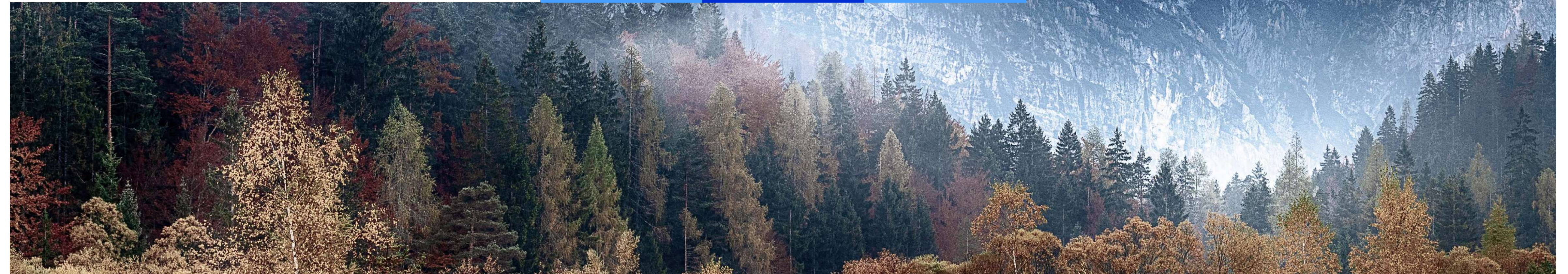
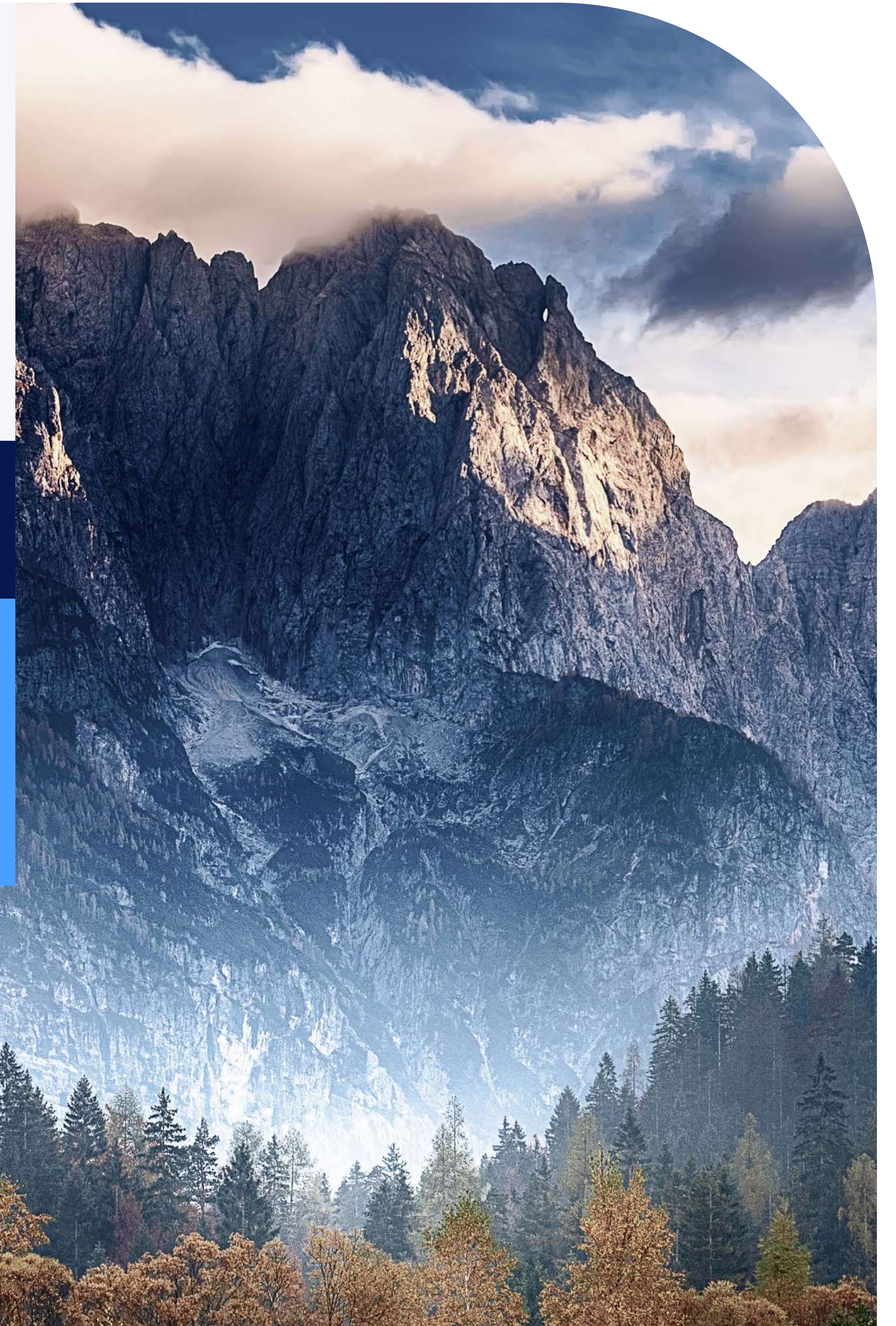
of financial institutions have some form of carbon credit strategy, including 89% of larger institutions.

Those with a carbon credit strategy focus on the following credit types:

56%
Carbon avoidance

30%
Carbon removal

44%
Both removal and avoidance





The South Pole view

Today, carbon credits play several key roles in a net zero strategy:

- for beyond value chain mitigation and to increase overall ambition on decarbonisation
- to neutralise any remaining emissions to help a company reach net zero at the end of their decarbonisation journey

When financial institutions are already ambitious on decarbonisation, and are ready to develop financing mechanisms internally, they can create investment opportunities to finance the transition.

Due to increased demand for high-quality carbon credits, specifically carbon removal credits, investors are eyeing carbon markets and carbon projects as a potential new asset class.

For example, nature-based or technological carbon removal projects that generate carbon credits—such as reforestation and direct air capture—need to scale up to meet growing demands for these types of credits.

Risk-taking capital is moving into this sector, with players such as commodity traders, development banks and infrastructure investors increasingly investing in carbon projects.



Companies investing beyond their value chain are companies with a long-term strategy, willing to address global climate challenges.

Extreme weather events, nature loss and social inequalities can disrupt supply chains and corporate performance. Investing beyond the value chain is about contributing to fill the finance gap to meet global challenges and invest in ambition on global decarbonisation. Financial institutions can play a role in advising and incentivising their portfolio companies on their long-term net zero strategies.



Souad Koliaï, Global Associate Director, Centre of Excellence for Sustainable Finance



The case is clear: natural carbon projects—whether they involve reforestation, regenerative agriculture, or coastal restoration—are multi-decade efforts. They don't run on election timetables. And they certainly aren't only about carbon.

Biodiversity, water and resilience—these are the hidden fundamentals that markets are just beginning to price in. Investors who understand this aren't chasing volatility; they're underwriting the future. The momentum is real, but so is the need for thoughtful capital, patient strategy, and systems thinking.



Kushal Bhimjiani, Group General Counsel



As we move closer to the urgent need to reach net zero, removals are becoming essential to that transition. Financial institutions and any organisation would be advised to adopt a dynamic portfolio that phases removals over time and not rely solely on avoidance strategies.

Financial institutions play an important role in advising portfolio companies on their net zero strategies, including the use of carbon credits. The approach they take should cascade down from the institutions' own strategies and be incorporated into their advisory mandates.



Michael Weber, Director, Technological Carbon Removals



From a regional perspective, the case is quite different in Asia: without mandatory requirements in most places—barring places like Singapore—fewer financial institutions have developed carbon credit strategies. The real opportunity, however, lies in actually generating credits by combining access to capital with technical expertise.

As compliance markets like CORSIA and the UN Article 6 gain momentum, the expectation is that both demand and pricing for these compliance credits will rise, making them increasingly attractive investments. The emerging trend is clear: with compliance credits gaining significance, demand for capital is growing, and the financial sector is well-positioned to capture this opportunity.



Bhagyesh Dash, Director, Climate Projects Structuring & Senior Commercial Director - MENA



#3

Engagement is on the increase

Financial institutions are exploring levers to future-proof their investments.

Polled financial institutions say that, over the upcoming decade, they plan to prioritise efforts to increase exposure to portfolio companies with CTPs and green assets over reducing their exposure to fossil fuels.

The majority of surveyed financial sector firms (88%) said they expect to increase how much they engage with their portfolio companies on decarbonisation over the next two years, with many (44%) saying that they would significantly increase their level of engagement.

Large financial institutions are most likely (53%) to anticipate a significant increase in engagement with portfolio companies on decarbonisation (53%).



88%
of surveyed financial institutions plan to increase engagement with their portfolio companies on decarbonisation

53%
of large financial institutions anticipate a significant increase in engagement

Financial institutions in Japan are exercising more caution than other respondents:

74%
are increasing engagement compared to the global average of **88%**

Around **1/10** are significantly increasing engagement compared to the global average of **44%**



Top priorities for decarbonisation

Exposure to green assets and CTPs are the top priorities.

When it comes to decarbonisation over the next ten years, the top two priorities to financial institutions are increasing exposure to green assets (44%) and growing the number of companies with climate transition plans or net zero strategies (44%).

Only one in four financial institutions (28%) say they are planning to reduce their fossil fuel exposure as their top tactic to decarbonise over the next ten years. Insurers are substantially more likely (43%) to reduce their fossil fuel exposure over any other kind of financial institution.

Top priorities to decarbonise over the next ten years:

44%

Increase exposure to green and sustainable assets

44%

Increase exposure to companies with CTPs or net zero strategies

37%

Integrate climate risk into financial decision-making

37%

Reduce operational carbon footprint

35%

Enact more stringent requirements for portfolio companies to decarbonise

31%

Reduce absolute financed emissions

28%

Reduce fossil fuel exposure

2%

Do not plan to decarbonise



Exposure to fossil fuels

Zooming in, smaller financial institutions are slightly more likely (30%) to reduce their fossil fuel exposure compared to larger financial institutions (26%).

Despite the EU leading progress on decarbonisation, countries in the EU are no more likely to reduce exposure to fossil fuels (28%) compared to the global average (28%). The same applies to financial hubs like the UK (29%) and US (26%).

To contextualise these results, the 2024 US election result was known to the financial institutions surveyed, but the Trump Presidency's more recent policy u-turns and funding freezes had not taken place. Yet, over a quarter (26%) of financial institutions in the US are reducing exposure to fossil fuels, in line with the global average. The full effect of the election result on the net zero goals of financial institutions is yet to be determined.



30%

of smaller financial institutions are reducing their fossil fuel exposure compared to 26% of larger financial institutions

Who's measuring what?

Just under

1/3

of financial institutions measure the real economy decarbonisation of their portfolios to a granular level

Just under

1/2

measure real economy decarbonisation to an approximate level

Only

26%

of smaller institutions measure to a granular level

Only

16%

of insurers measure to a granular level



The South Pole view

Financial institutions play a crucial role in helping heavy industry players transition their business models or decarbonise their processes through transition financing.

It is important to clarify that "reducing fossil fuel exposure" does not equate to divestment. While financial institutions may reduce their exposure to fossil fuels, this doesn't necessarily mean they are exiting investments or financing entirely.

Divestment refers to a complete exit from an investment or financing arrangement, which should be the final step in a well-structured engagement strategy, and one that may require escalation if necessary. In many cases, phased or partial divestment can allow financial institutions to more effectively leverage finance, potentially accelerating climate action.

Uncertainty, combined with short-term fiduciary duties, is often stalling investors' ability to fully support corporate initiatives aimed at achieving net zero targets. As companies move from setting targets to implementing them, there are many unknowns, including the cost of implementing their net zero action plans.

Investors, who are highly sensitive to risk, may hesitate to back corporate climate initiatives, often due to poor-quality or nonexistent data. Accessing reliable, incremental data would require significant engagement from financial institutions, which they may be reluctant to pursue if there are no penalties for inaction.

This risk is growing as regulation evolves. However, many investors have realised that waiting for perfect data or timing may be unrealistic. As a result, climate transition planning has emerged as a vital tool, alongside net zero strategies, to manage both physical and regulatory risks.



Financing wields influence. Most financial institutions we speak to are highly engaged with their portfolio companies in the fossil fuel sector to help them transition—rather than simply exiting their positions.

This also aligns with the research results, which point to the vast majority (88%) of surveyed financial institutions planning to increase their engagement with investee companies.

Beyond the survey, we are seeing slightly different approaches emerge across regions. In APAC, for example, we see a strong preference for engagement, with financial institutions working collaboratively with companies to reach net zero targets and transition business models—a good example of this is Singapore.



Shruti Singh, Regional Director Climate Advisory, Asia Pacific



At this point, there is little debate—the climate is changing. Regardless of where public sentiment lands on ESG today or tomorrow, financial institutions deploying capital at scale are moving forward.

They are increasingly factoring in the physical and transitional risks of climate change, as well as the opportunities emerging from new, more efficient technologies.

The businesses best positioned to thrive will be those that can accurately predict what's coming, adapt to shifting conditions, and lead through the transition. In a rapidly changing world, agility and foresight are fast becoming the most valuable assets.



Chris Heysel, Regional Director, Climate Advisory North America



Financial institutions will follow the money. And in an increasingly warming world, they will need to think long term about de-risking their businesses.

By integrating physical climate risks into their decision making, we will see more and more financial institutions manage their risks and identify opportunities more proactively to strengthen their climate resilience and fulfill their fiduciary duty.

This will enable them to make informed decisions on climate risks, future-proof vital assets, and adapt to climate change whilst driving economic opportunities in the long term.



Denis Jorisch, Global Director, Centre of Excellence for Compliance & Digital



#4

More communication, more conservatively

Financial institutions are ramping up communications while scaling back bold climate commitments and staying tightly aligned with regulations.

Previous South Pole Net Zero Reports played a key role in popularising the term 'greenhushing', which refers to organisations intentionally decreasing their climate communications.

While earlier reports highlighted a rise in this phenomenon across various sectors, financial institutions consistently bucked the trend by actually increasing their communications on net zero.

This year is no different. Over half (53%) of financial institutions globally are increasing communications on their net zero strategy.

Looking at a regional breakdown, we can again see the Americas—US and Colombia—leading the way with a majority (65%) increasing communication compared with Europe (59%) and APAC (39%).

The UK is the regional hub least likely to increase communication, with 39% reportedly doing so.



53%

of financial institutions globally are increasing communications on their net zero strategy

62%

of larger companies (managing over \$100B) are increasing communications

Just over 1/3

of insurers are increasing communications on climate action, much less than the global average of 53%



Less greenhush, but less ambition too.

Financial institutions are choosing to increase communications.

But the data also reveals that they are choosing to make less ambitious claims overall, with one in four (27%) making more conservative claims on their net zero strategy specifically.



Top 3 factors influencing how financial institutions communicate their net zero strategy:

Percentage of institutions in financial hubs making more conservative claims:

Around **1/4** financial institutions are choosing to make more conservative claims on their net zero strategy

UK **43%**



US **33%**



Singapore **33%**



48%
Industry requirements and regulation

48%
Availability of sufficient data

48%
Heightened scrutiny from investors



The South Pole view

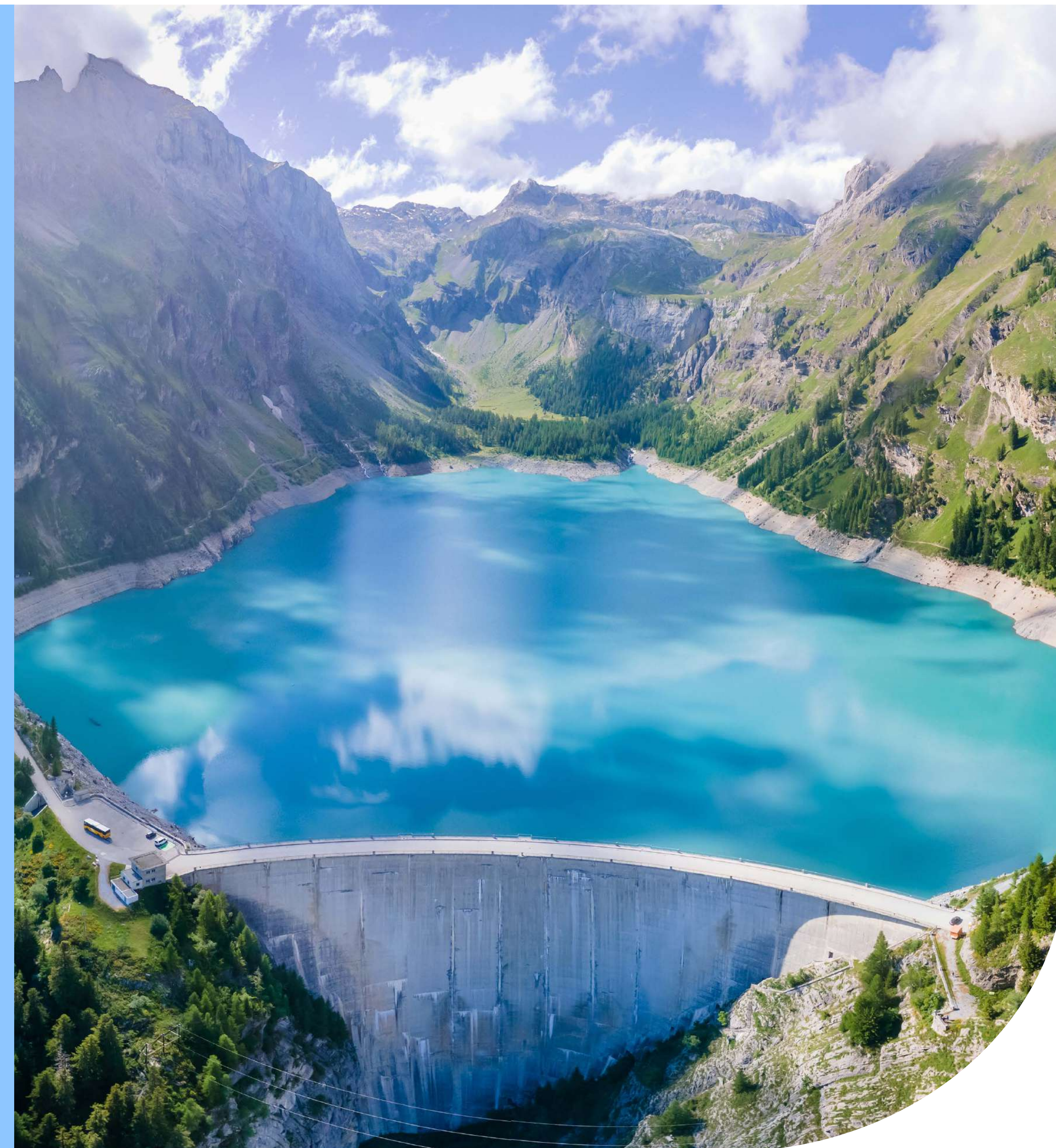
Financial institutions are facing unprecedented scrutiny, leading many to adopt less ambitious claims to avoid the risks of being accused of either greenwashing or greenhushing.

Greenhushing has shifted to vague, less assertive statements as financial institutions navigate a complex landscape where they can be sued for saying too little—and sued for saying too much.

In this environment, where regulatory complexity, political pressures, and data limitations intersect, it is easy to see why financial institutions are adopting cautious communication strategies. They prefer general risk statements instead of detailed climate risks, and limited disclosures about carbon-intensive sectors to mitigate political and legal risks associated with their initiatives.

This cautious approach is gaining traction due to the unpredictable political climate in the US, evolving regulations, and the slow pace of decarbonisation in the real economy and the very businesses that financial institutions help finance—putting financial institutions' own targets at risk. For example, 'many US-based financial institutions, following recent elections, are scaling back support for flagship net zero initiatives while maintaining ties with fossil fuels'.

But does this caution come at a cost? As financial institutions continue to navigate these complexities, their reluctance to fully disclose material risks or impacts may, over time, undermine trust and transparency in their actions and the credibility of the net zero transition overall.





Regulation: the compass for net zero

As well as making more conservative claims, financial institutions are taking measures to change their net zero strategy to align more closely with regulation and to improve transparency.

Over half (52%) of financial institutions are aligning more closely with regulation, and almost half (48%) claim that industry requirements and regulation are the most likely factors to impact the communication of their net zero strategy.

A majority (57%) of financial institutions are also changing their claims to improve transparency, responding to greater calls for transparency amongst net zero progress.

57%

of financial institutions are changing their claims to improve transparency



52%

are aligning more closely with regulation

48%

cite industry requirements and regulations as the factors most likely to impact their net zero communications



The South Pole view

While the political mood in the UK and Europe remains supportive of sustainable investment, trust among the public is low and concerns over greenwashing are still high. Regulation is clamping down on greenwashing and funds are being forced to explain more clearly to investors what they are trying to achieve.

Financial institutions right now, like many sectors, are at a challenging junction. Regulation is becoming more challenging and ambitious, but there is also political pushback on broader climate ambitions and progress.

Clearly, many financial institutions want to tick the regulatory boxes, quiet down on their own progress but continue to push for change regardless.

It's clear that the climate transition is underway, therefore, the sector is wise to continue to invest in the transition whilst also making decisions that will benefit them in the short term, likely no immediate divestment from fossil fuels coupled alongside making more conservative claims.

Conclusion





Climate risk is financial risk

And financial institutions are responding accordingly.

Investors are not waiting for sustainability regulations to catch up with their climate risk management.

Risk management remains the primary driver for investments in the transition to a low-carbon economy. For investors, reducing their exposure to climate-related risks and achieving net zero means decarbonising their portfolio companies.

Engagement with these companies is one of the main levers investors use to support decarbonisation strategies, helping guide their transition while managing climate-related risks.

For banks in particular—representing nearly a third of the survey respondents—the focus is on financial stability and risk management, with climate risk playing a critical role in their strategies.

Banks are subject to stringent regulations from regional and local financial authorities, such as the European Banking Authority (EBA) in the EU. Their sustainability strategies must go hand in hand with the assessment of climate risks and their impact on the banks' credit risk and liquidity risks.

What does best-in-class look like today?

Assess and manage climate-related risks

Climate leaders in the financial sector should integrate climate considerations in their decision-making and thus in their risk management.

Managing climate-related risks can be done through either the reduction of exposure to carbon-intensive companies through portfolio reallocation (i.e. virtual emissions reduction) or engaging the portfolio companies to support them to decarbonise (i.e. real emissions reduction).

While portfolio reallocation (i.e. divestment) alone has not yet proven effective in reducing emissions in the real economy, stewardship and robust engagement strategies are gaining traction. These approaches allow investors to fulfill their fiduciary duty by acting in the best interests of clients and stakeholders, driving meaningful change while managing financial risk.

Climate risk management is part of a wider climate transition plan a climate leader should develop and implement.

Develop and implement a climate transition plan

Climate leaders in the financial sector should seek to integrate climate and wider environmental factors into investment decisions that are data-led and bespoke through a climate transition plan that is aligned with globally recognised frameworks such as International Sustainability Standards Board (ISSB), the Task Force on Climate-related Financial Disclosures (TCFD), and the Science-Based Targets initiative (SBTi).

This will help to identify climate and nature-related risks, design and implement robust strategies for climate and nature action while streamlining disclosure to regulatory or voluntary frameworks. Market leaders demonstrate their long-term commitment by adhering to globally recognised standards, regardless of immediate policy changes.

This proactive approach reassures investors, mitigates reputational risk and ensures continued progress toward necessary decarbonisation, aligning with both evolving market expectations and the scientific imperative to reduce emissions.

Enhance internal accountability and transparency

Best-in-class financial institutions ensure that climate transition plans are not just high-level commitments but are embedded across all levels of the organisation.

This means:

- setting clear, measurable targets
- following a data-driven approach to modelling climate-related risks
- fully integrating the CTP into the business, backed by financial resources
- establishing clear governance mechanisms that empower teams beyond leadership to take ownership of climate goals

Transparent reporting on internal progress can bridge this perception gap and drive more consistent climate action.

An aerial photograph of a dense, vibrant green forest. A dark blue river winds through the center of the forest, creating a natural path. The trees are thick and varied in shades of green, suggesting a healthy, mature ecosystem. The overall scene is peaceful and natural.

About the research



A global survey

For this year’s report, South Pole surveyed 350 financial sector organisations across 13 countries.

Each had a dedicated sustainability or corporate social responsibility (CSR) lead who was asked to look at how proactive they are—or not—moving towards net zero emissions and the challenges they face.

Since 2022, South Pole has expanded the scope of its net zero research by working with leading market research consultancy Sapio Research.

This year, Sapio Research helped South Pole conduct the survey across a variety of financial institutions: asset managers, insurers, private equity and impact funds, financial institutions, asset owners, commercial banks, asset management firms, and pension funds.

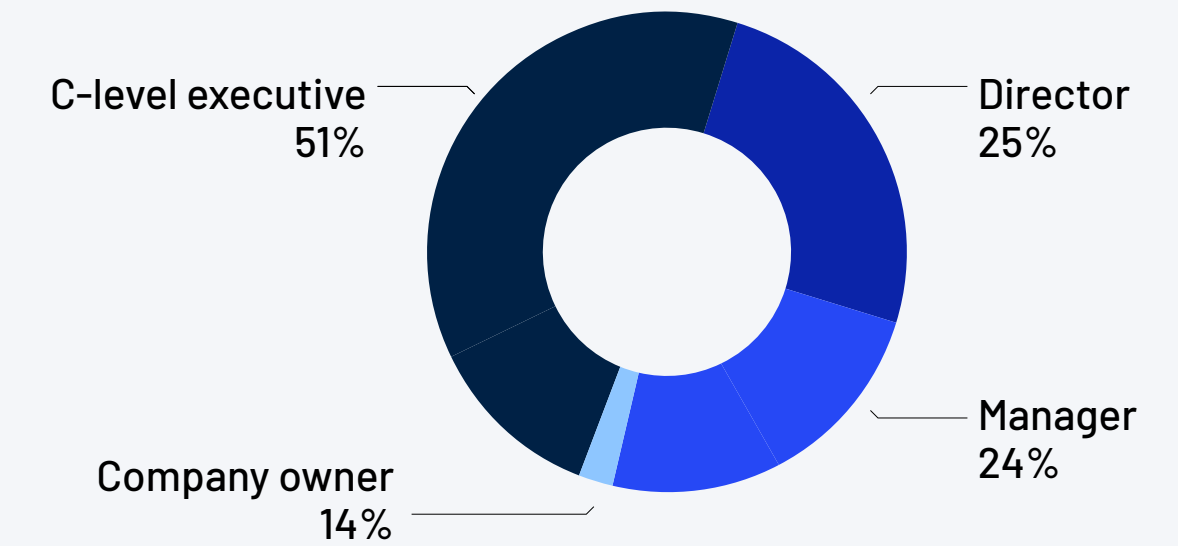
Most respondents (51%) held owner or C-suite level positions, but the sample also included directors (25%), and senior managers (24%).

Respondents came from 13 globally representative regions: Australia, Belgium, Colombia, Germany, Switzerland, France, Japan, Netherlands, Singapore, Sweden, UK, US and Italy, with businesses in the finance sector.

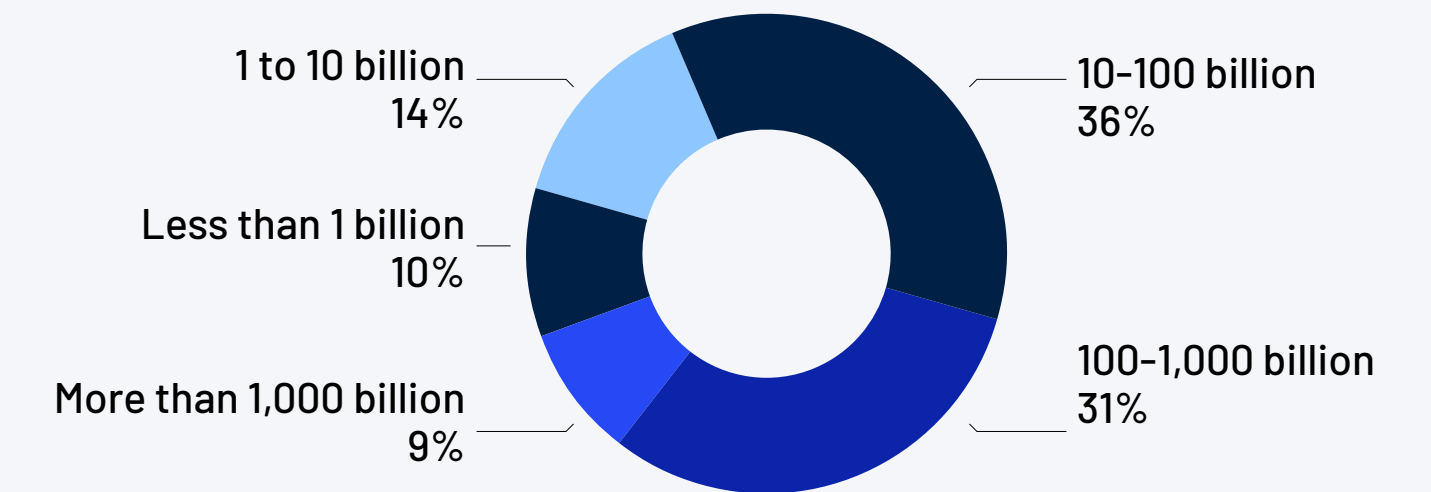
The survey, comprising multiple choice questions on net zero targets, climate transition plans, decarbonisation efforts, disclosure expectations and carbon credit strategies, was conducted in 2024 via email invitation to an online survey. There is a high level of confidence in the results.

We surveyed **350** financial institutions across 13 countries

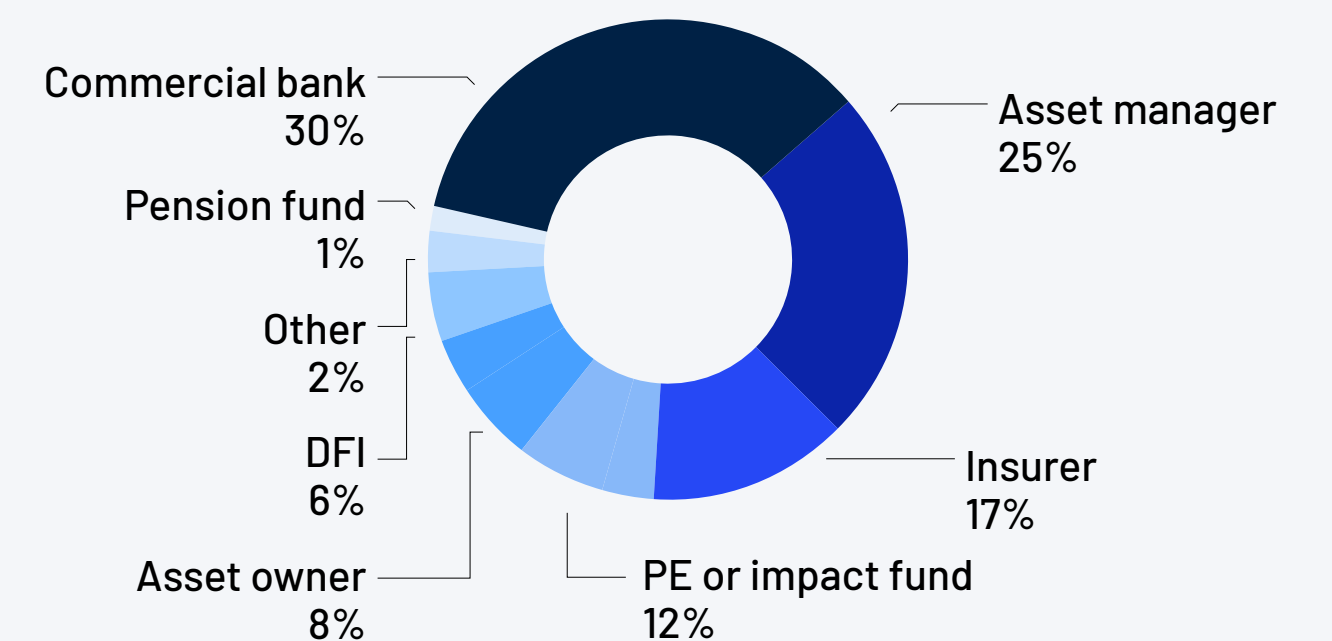
Role of respondent



Total assets under management



Sectors represented



Introducing South Pole





South Pole. The Climate Company.

Helping organisations decarbonise and navigate the complexities of climate in ways that are good for business, people and planet.

Established

2006

in Zurich,
Switzerland

800+

employees

1,000+

organisations helped
to decarbonise

World's

#1

expert in
climate projects

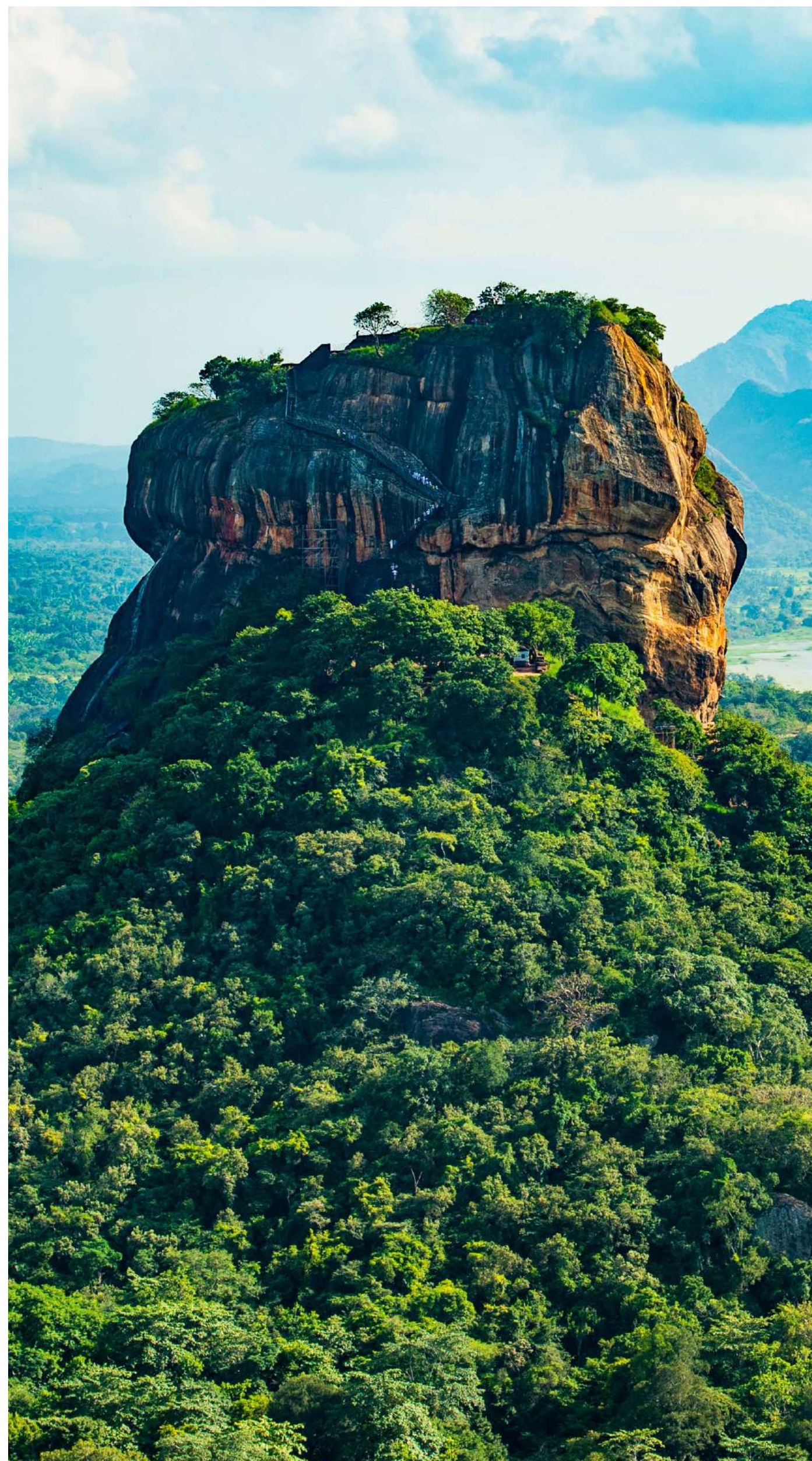
Experts in

30+

countries with
projects in
many more

200+

million metric
tonnes of CO₂
abated



Unique experience

With almost 20 years of experience, we can help you navigate challenges and changes in the market.

Specialist expertise

Climate is not something we do, it's what we do.

Global presence

With offices and representations in over 30 countries, we think global and act local.



Three areas of expertise. One world class offer.

Climate Advisory

Ready your business for a sustainable future

- Measure & report impact, opportunities & risks
- Set targets & net zero roadmaps
- Act on value chain & engage stakeholders

Environmental Certificates

Find and fund a world of impact projects

- Carbon credits
- Energy Attribute Certificates
- Biodiversity & other environmental credits

Project Finance

Finance decarbonisation at scale

- Evaluate feasibility, establish methodology
- Design, action & certify your project
- Commercialise voluntary or Article 6 credits



Ready your business for a sustainable future

Comply

Navigate regulations. Measure & report impact & risks.

- Environmental footprint
- Risk & opportunities
- Reporting & compliance

Transform

Set targets & roadmaps. Mitigate risks & build resilience.

- Targets & net zero roadmaps
- Finance & funding
- Nature, removals & renewable energy

Engage

Act on value chain, engage internal & external stakeholders.

- Value chain action
- Stakeholder engagement
- Brand & communications

1,000+

organisations helped on their decarbonisation journey

We can also advise on

- Science Based Targets
- Biodiversity
- Insetting & certificates
- Power purchase agreements
- Climate labels
- Planetary boundaries

Specialist

in all global and regional frameworks, including:

- ISO
- CDP & GRI
- CSRD
- Net-Zero
- ISSB
- ASRS
- TPT
- SBT

Digitally enabled

Without good climate data you are in the dark. Our digital platform, Luumo, gives you insights and tools to streamline sustainability actions, supported by experts every step of the way.





Find and fund a world of impact projects

Plan

Understand the fast changing market, plan a future-ready portfolio

- Sourcing strategy
- Portfolio planning
- Net-Zero integration

Purchase

Choose purchase-ready carbon credits & environmental certificates

- Carbon credits (tech-based, nature-based, industrial)
- Energy Attribute Certificates
- Other environmental certificates

Invest

Secure a long-term stream of removals or Article 6 credits

- Nature-based removals
- Tech-based removals
- Article 6 credits



#1

expert in carbon projects, globally

We can also advise on

- Biodiversity credits
- Biomethane credits
- Plastic credits
- Credible claims

World leading verification

As a pioneer of global carbon markets, South Pole invests heavily to ensure the quality and verifiability of all certificates.



Finance decarbonisation at scale

Evaluate

Evaluate your project's feasibility. Establish the best methodology.

- Feasibility assessment
- Methodology design & selection

Develop

Design and action your project. Earn carbon market certification.

- Design
- Certification
- Compliance with regulations

Commercialise

Commercialise voluntary or Article 6 credits.

- Investor acquisition
- Credit commercialisation
- Ongoing monitoring, reporting & verification

850+

climate projects enabled across 20+ countries

Specialist

in the carbon market and all project types, including:

- Article 6
- CORSIA
- Community projects
- Heavy industry
- Insetting
- J-REDD

Examples include



Coal plant decommissioning



Low-carbon cement processing



EV charger network creation



Large scale removals



Article 6 projects

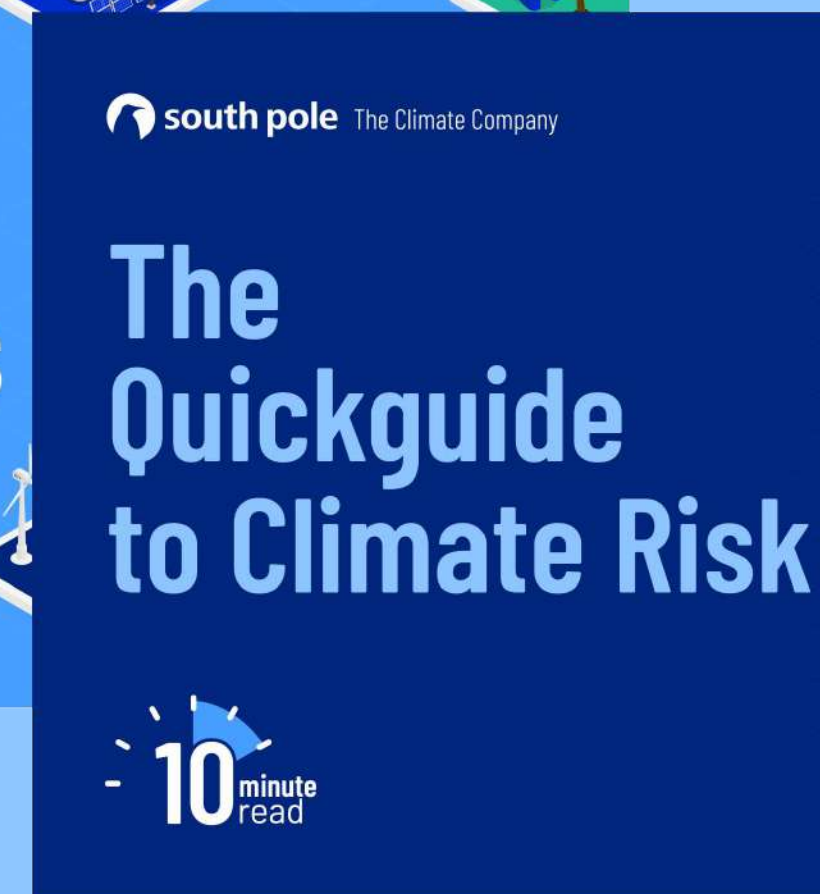
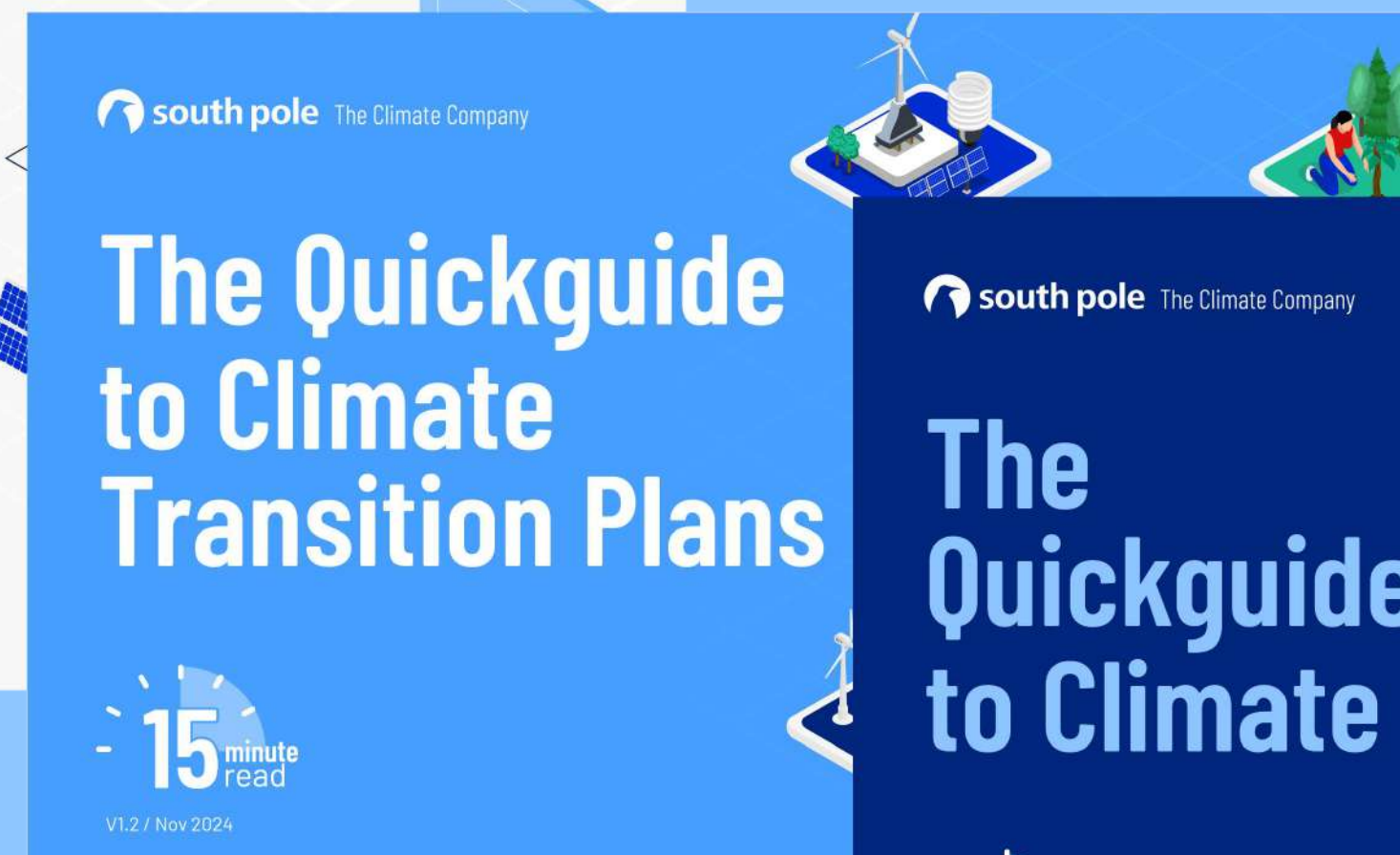
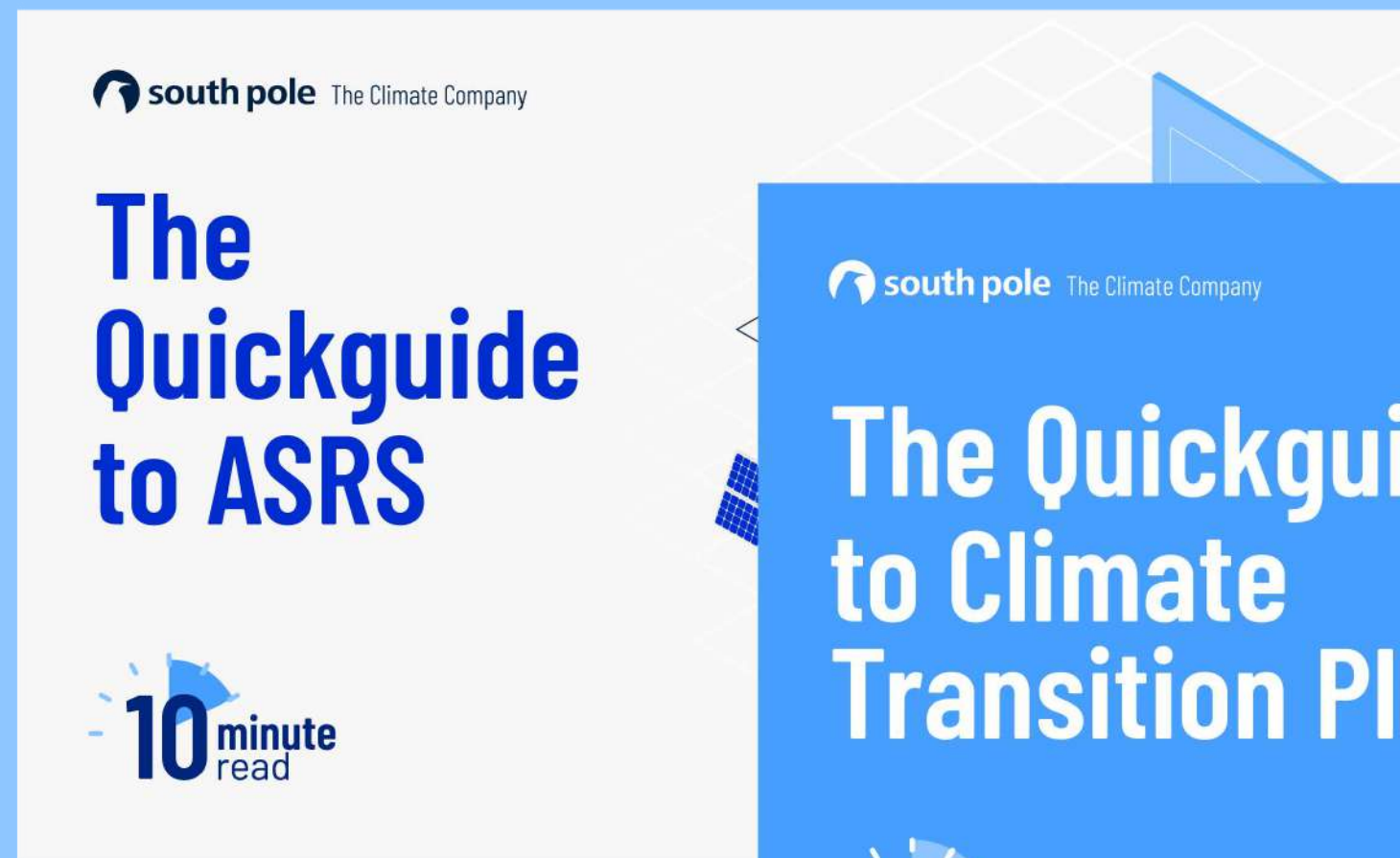


Have you read our Quickguides?

South Pole's Quickguides simplify the complexities of climate into fast easy reads.

There are plenty of topics to choose from and more coming out on a regular basis.

[Download one](#)





Expert contributors

Dr. Daniel Klier, *CEO*

Nadia Kähkönen, *Global Senior Director, Marketing & Communications*

Kushal Bhimjiani, *Group General Counsel*

Dara Olufon, *Executive Director, Advisory*

Ben Peacock, *Brand and Creative Director*

Jonathan Jones, *Senior Manager, Communications and Media*

Souad Koliaï, *Global Associate Director, Centre of Excellence for Sustainable Finance*

Michelle Loi, *Principal Consultant, Sustainable Finance*

Valeria Melli, *Consultant, Sustainable Finance*

Andrea Crosswell Patlan, *Consultant, Sustainable Finance*

Bence Cserna, *Global Associate Director, Centre of Excellence for Decarbonisation Strategy*

Denis Jorisch, *Global Director, Centre of Excellence for Compliance & Digital*

Bernardina Vieytes Saavedra, *Consultant, Climate Risks & Opportunities*

Christopher Heysel, *Regional Director Climate Advisory, North America*

Shruti Singh, *Regional Director Climate Advisory, Asia Pacific*

Michael Weber, *Director, Technological Carbon Removals*

Bhagyesh Dash, *Director, Climate Projects Structuring & Senior Commercial Director - MENA*

A special note of appreciation to our talented designers and creatives:

Lisa Fritsch, *Senior Specialist, Content & Copy, Brand & Creative*

Laura Arias Gómez, *Senior Designer, Brand & Creative*

Giles Kershaw, *Designer*



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For further inquiries or additional information, please contact us at info@southpole.com. To learn more about our services and how we can support your climate journey, visit southpole.com.



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