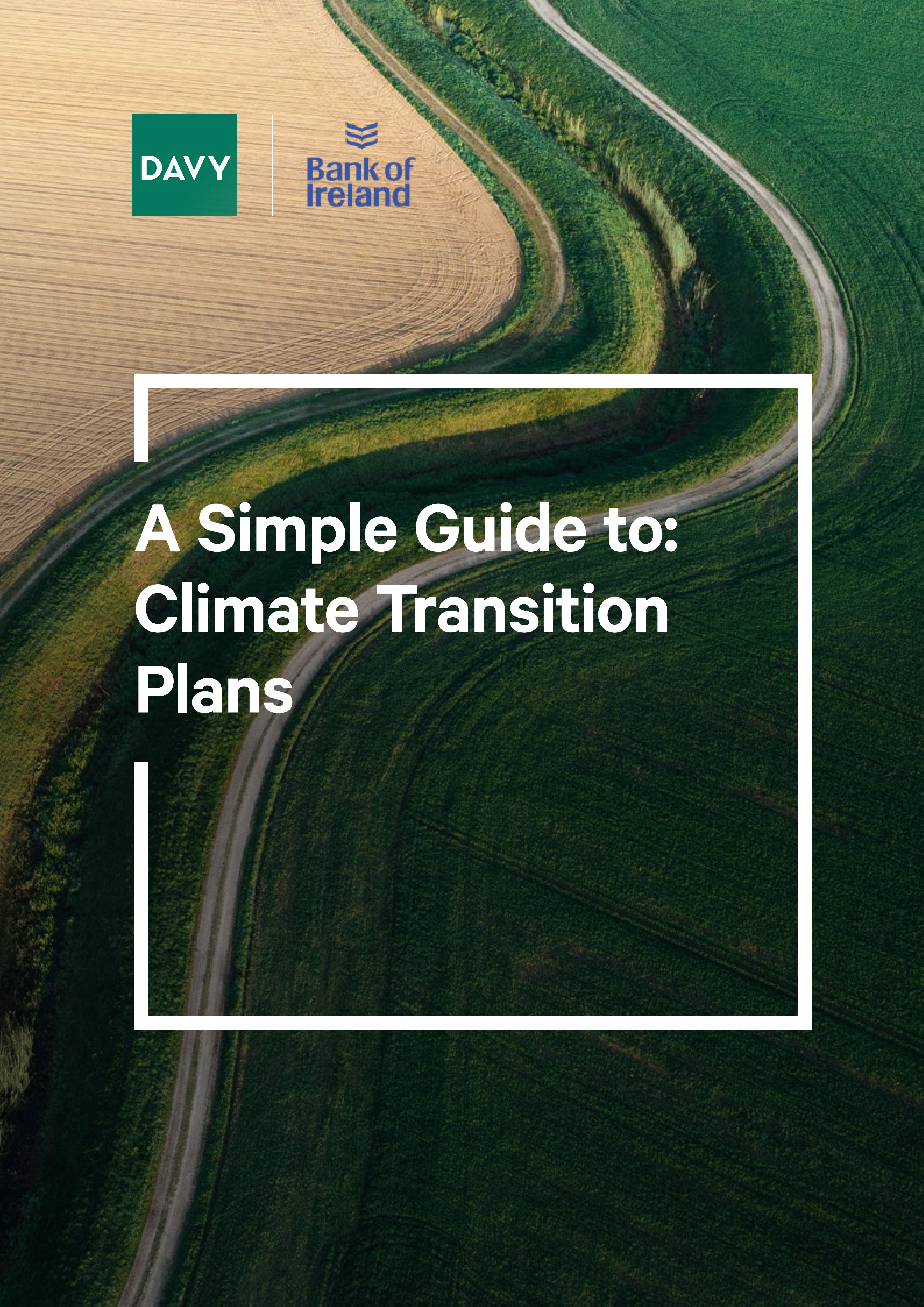

A Simple Guide to: Climate Transition Plans

Foreward

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Bank of Ireland Group provides a series of lending and sustainability support tools with the aim of empowering our Corporate and Commercial customers to decarbonise their businesses to align with Ireland's net zero ambitions.

This Simple Guide to Climate Transition Plans, has been developed with our sustainability advisory experts Davy Horizons as a tool to help our customers as they plan for a lower emission future. Aligned with our other customer initiatives, this document guides companies to consider measuring their carbon footprint, identify key actions that can be taken to reduce emissions and develop transparent cost & investment plans to support short & long term decarbonisation. This useful tool can help Irish businesses to shape their own sustainability plans but also provide guidance on how they can communicate to key stakeholders. BOI and Davy Horizons are delighted to launch another practical tool to support businesses of all sizes which guides management teams to identify both risks and opportunities.

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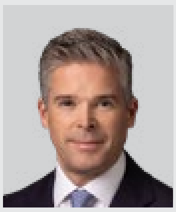

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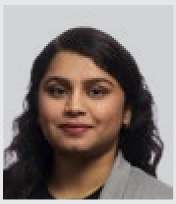

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Managing the risks and opportunities the green transition brings is core to good business. Climate Transition Plans (CTP) are essential to prove climate risks[1] are being credibly managed. Banks, insurers, capital providers and Business-to-Business (B2B) customers require these to meet their own due diligence and reporting requirements. A short guide on what, why and how to get started on your CTP is outlined below.

As the urgency of climate change increases, businesses must act swiftly to align their operations with sustainability goals. A critical aspect of this process is creating a CTP, which guides businesses on how to reduce their carbon footprint and adapt to a low-carbon economy.
This guide provides a step-by-step overview of how businesses can develop an effective CTP, based on international frameworks and best practices including from Carbon Disclosure Project (CDP) and the International Transition Plan Network[2] (ITPN).

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1 Climate change impacts, risks and adaptation – European Environment Agency
2 The International Transition Plan Network, 2024

Introduction

A Climate Transition Plan (CTP) defines a business's approach to cutting Greenhouse Gas[3] (GHG) / "carbon" emissions and aligning its operations with national and EU climate objectives, such as Ireland's Climate Action Plan[4] and the EU's Green Deal[5]. It serves as a strategic guide to help businesses shift from a carbon-heavy to a low-carbon economy. The plan generally outlines targets, actions and investment needed to reduce GHG emissions. These could be by enhancing energy efficiency, shifting to renewable electricity sources, and integrating green technologies like low or zero carbon vehicles or fuels. Additionally, it is a strategic way to ensure your business stays ahead of regulatory changes and an opportunity to embrace innovation, attract investment, and secure a competitive edge in the green economy.

Why develop a Climate Transition Plan?

There are several reasons for developing a CTP driven by regulatory, financial, market and reputation as illustrated below. In particular, CTP are mandatory for businesses to disclose under the EU Corporate Sustainability Reporting Directive[6] (CSRD) assuming climate change materially impacts the business, which is the case for most. Under CSRD the European Sustainability Reporting Standard[7] (ESRS) E1 requires disclosure of a 1.5°C aligned reduction target and a CTP on how to get there. Additionally, voluntary accreditations such as the Science Based Targets initiative[8] (SBTi) and benchmarking schemes like Carbon Disclosure Project[9] (CDP) motivate businesses to adopt this approach. In a nutshell, a CTP helps businesses address climate change risks and opportunities, demonstrating to stakeholders that the organisation is committed to a 1.5°C transition pathway[10] and remains competitive as the economy transitions towards a net-zero[11] future.

Regulatory Compliance	The global shift towards sustainability is reflected in stricter environmental regulations. Developing a CTP helps businesses stay ahead of regulatory requirements, avoid penalties, and proactively adapt to the changing legal landscape such as CSRD (ESRS E1), International Financial Reporting Standards[12] (IFRS) S2, and CDP.
Future-Proofing	A successful transition to a low-carbon economy ensures your business remains competitive and resilient in the long term. With the accelerating effects of climate change and shifting consumer preferences, businesses that adapt early will have a distinct competitive edge.
Operational Efficiency	Sustainable practices can improve operational efficiency, leading to cost savings and better resource management.
Financial Benefits	Transitioning to sustainable practices, such as improving energy efficiency, reducing waste, and optimising resource management, can lead to long-term cost savings. Having a CTP in place also opens opportunities for green investments, including government grants, funding, and tax incentives aimed at supporting sustainability initiatives.

3 Corporate Accounting and Reporting Standard – GHG Protocol
4 Ireland's Climate Action Plan, 2024
5 The European Green Deal – A roadmap for making the EU's economy sustainable, 2019
6 Corporate sustainability reporting – European Commission, 2023
7 The Commission adopts the European Sustainability Reporting Standards – European Commission, 2023
8 Ambitious corporate climate action – Science Based Targets Initiative
9 CDP – Turning Transparency to Action
10 A report by SBTi on – Business Ambition For 1.5°C Campaign, 2024
11 SBTi's Corporate Net-Zero Standard, 2024
12 International Financial Reporting Standards – IFRS S2 Climate-related Disclosures

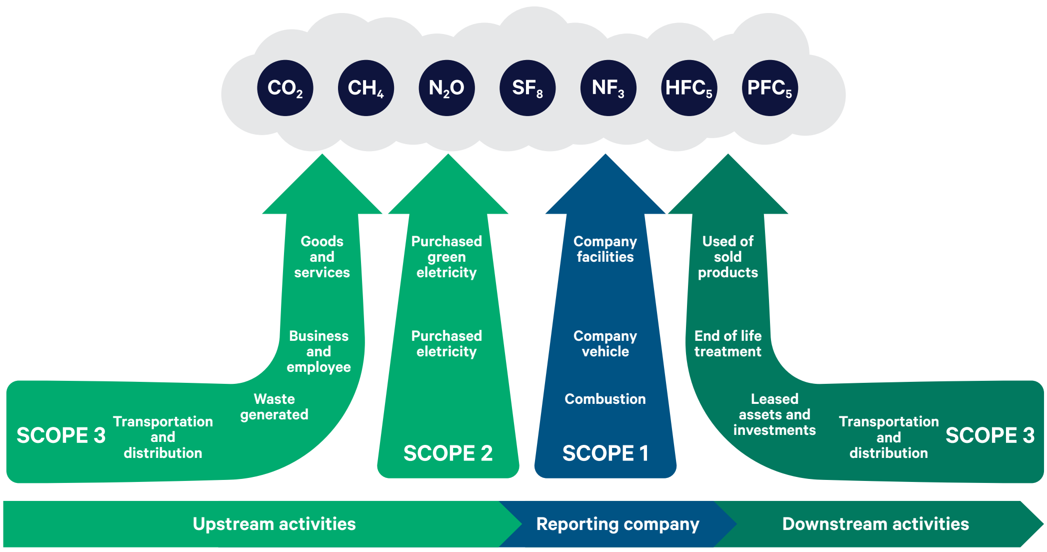
Brand Image and Consumer Demand	As consumers and investors increasingly prioritise environmental responsibility, businesses that adopt sustainable practices can strengthen their reputation and attract loyal customers. A strong CTP enhances your brand image and positions your business as a responsible corporate entity.
Investor Confidence	Many investors now seek companies with clear sustainability goals, making a CTP an important tool for attracting capital.

How to get started?

Starting a CTP can be overwhelming but breaking it down into manageable steps can help you approach the task systematically. Your plan will need to cover both the technical and financial aspects of your business.

- **Measure GHG emissions**

  Like financial accounting, GHG accounting is used to measure corporate emissions across Scope 1, 2 and 3 aligned to GHG Protocol Standard[13], ensuring compliance with CSRD (ESRS E1), IFRS S2 and CDP disclosure requirements. As illustrated, GHG emissions are accounted for under three categories, dependent on the organisation's ability to control and influence its emissions.



- **Set GHG emissions reduction targets and develop a CTP**
  - **Set emissions reduction targets:** Set ambitious, but achievable GHG emission reduction targets aligned with climate science and the SBTi for both the near-term[14] and long-term. This will help establish measurable and science-based goals that align with global efforts, such as limiting temperature rise to below 1.5°C per the Paris Agreement[15] and as required by CSRD.

13 Greenhouse Gas Protocol
14 SBTi Corporate Near-Term Criteria, 2024
15 The Paris Agreement – United Nations

Focusing on energy efficiency and renewable energy transition	Implement measures such as upgrading lighting, heating, cooling systems, and machinery to reduce operational costs and emissions. Shift to wind, solar, or geothermal energy. Businesses in Ireland can explore Sustainable Energy Authority of Ireland[16] (SEAI) grants for support.
Sustainable Supply Chain Management	Identify carbon-intensive areas in the supply chain and implement strategies to reduce emissions, such as sourcing sustainable materials, optimising transport logistics and switching to low or zero carbon fleets and fuels.
Circular Economy & Waste Management	Reduce waste, recycle, and reuse materials to lower environmental impact and cut costs on raw materials.

- **Develop a CTP:** The primary focus for businesses should be on implementing strategies to lower emissions and promote sustainability, with sector-specific approaches, investment plans, and carbon reduction initiatives to ensure alignment with EU Taxonomy[17] for sustainability-focused investments and initiatives. This aligns under the transition-related disclosures under IFRS S2 Climate-related Disclosures[18].
- **Conduct Climate Scenario Analysis:** By conducting climate-related scenario analysis[19], businesses can assess climate-related risks including physical and transition risks and opportunities to understand how these might affect your business, utilising best practice for structured risk disclosures in financial reports. The analysis supports emissions reduction target setting, enhances risk forecasting, and ensures compliance with CSRD and IFRS S2.

- Planning financial investments: Executing a CTP normally requires investment which can lead to short and long-term cost savings and grow existing customer markets or enable new markets. Allocating funds for energy-efficient technologies, and transitioning to renewable energy, leveraging support programs like SEAI's Energy Contracting Support Scheme help support businesses in terms of grants. Other financial supports can include green capex loans, transition and sustainability-linked financing. Regularly monitor the financial impact of the CTP, as referred in the CDP's Climate Transition Plans and Financial Assessment[20], to evaluate short-term costs with long-term savings and Return on Investment and ensure financial sustainability.

The SEAI estimates that the typical Irish Small and medium-sized enterprises[21] (SME) can reduce its energy costs by up to 30% by implementing energy efficient measures. It is also worth noting that a 10% saving can typically be achieved with little to no capital outlay. While some expenditure may be required to achieve the additional 20% the payback for energy efficiency investments can be as short as 1.5 years.[22]

- Aside from increasing margins – and insulating your business from future energy price increases – investing in energy efficiency can improve your businesses reputation with staff and customers while also potentially increasing the value of your property

- Reporting and disclosing progress meeting reduction targets through CTP actions achieved.

A CTP requires ongoing evaluation through collaboration with internal teams (sustainability, finance, risk, operations) and external stakeholders (suppliers, industry partners) to drive innovation and achieve targets. Regular reporting, training, and stakeholder updates—aligned with CSRD, EU Taxonomy Regulation, IFRS S2, CDP, and SBTi—enhances transparency and accountability.

16 SEAI's Energy contracting support scheme
17 EU taxonomy for sustainable activities - European Commission
18 IFRS - Transition Plan Taskforce resources
19 A report on Comparison IFRS S2 Climate-related Disclosures with the TCFD recommendations
20 CDP's The State of Play 2023: Climate Transition Plan Disclosure
21 SMEs represent 99% of all businesses in the EU. The definition of an SME is important for access to finance and EU support programmes targeted specifically at these enterprises – SME definition - European Commission
22 SEAI's SME Guide to Energy Efficiency

Key climate regulations and reporting frameworks

The table 1 below compares the key requirements across various climate reporting frameworks, including CSRD, EU Taxonomy Regulation, IFRS S2, CDP, and SBTi.

Requirement	CSRD	EU Taxonomy Regulation	IFRS S2	CDP	SBTi
Framework	Mandatory	Mandatory	Voluntary (becoming Mandatory in some regions)	Voluntary	Voluntary
Scope	Large EU companies, listed SMEs, non-EU companies with significant EU activity	Companies subject to CSRD	Global scope for companies reporting on climate-related risks and opportunities	Widely used by investors & companies	Businesses committing to science-based climate targets
GHG Emissions (Scope 1, 2, 3)	Full Scope 1, 2, and 3 disclosure	Emissions must align with sustainability criteria	Detailed Scope 1, 2, and 3 disclosure	Detailed Scope 1, 2, and 3 disclosure	Scope 1, 2, and mandatory Scope 3 for target validation
Decarbonisation Targets & Mitigation Strategies	CTP required, if no plan exists, the business must state if it plans to adopt one and by when[23]	Required to demonstrate alignment with taxonomy-aligned economic activities	Climate-related risks, strategies, transitions and targets must be disclosed inlcuding financial impacts analysis	Companies scored on climate targets & strategies	Targets must align with 1.5°C pathways
Financial Investments and disclosures	Must report financial risks & investments in sustainability	Must report proportion of revenue, CapEx, and OpEx from sustainable activities[24]	Requires disclosure of financial risks and opportunities related to low carbon initiatives	Financial transparency on climate initiatives encouraged	Not required
Risk & Impact Assessment	Requires assessment of physical & transition risks[25]	Identifies risks and contribution to sustainability goals	Requires assessment of climate-related risks and opportunities integrated with financial risks	Climate risks assessed in detail	Climate risks must be assessed for target setting
Progress & Compliance Reporting	Ongoing tracking, audit, and disclosure required	Annual disclosure in financial statements	Ongoing monitoring and reporting of progress and risks, applicable globally	Scored annually on climate action & performance	Progress reporting required for target validation

23 Report on Building trust in transition: core elements for assessing corporate transition plans – EU Platform On Sustainable Finance, 2025

24 Application of the EU Taxonomy for Companies

25 The physical risks of climate change involve more frequent and severe weather events, such as flooding, droughts, and storms, as well as ecosystem degradation due to declining pollinators and deforestation, while transition risks stem from shifting to a carbon-neutral economy and regulatory changes that restrict the use of natural resources – European Central Bank

How can Bank of Ireland and Davy Horizons help?

Bank of Ireland provides green transition funding to support businesses as they progress their sustainability journey.

Product	Purpose	EU Taxonomy / Green Eligibity Aligned	Sustainable Finance	Amount	Term
Green Business Loan	Finance for Green Initiatves	Yes	Yes	€5k-300k	3-7 years
GSLS	SBCI / Gov. Loan Energy saving / ACRES initiatives	No	Yes	€25k-€2m	7-10 years
Enviroflex	Sustainability Linked Loan – embedded in Agri Sustainability programmes	No	Yes	€10k-€500k	3-7 years
Green CAPEX Loan	Finance for Green Initiatives	Yes	Yes	Bespoke for Corporate customers	3-5 years
Sustainability Linked Loan (and Co-Ordinator)	Performance linked loans with sustainability KPIs	No	Yes	Bespoke for Corporate customers	5-7 years
Green Bond Framework-related Lending	Use of Proceeds loans for large Green initiatives	Yes	Yes	Bespoke for Corporate customer projects	5-30 years

Warning: If you do not meet the repayments on your credit facility agreement, your account will go into arrears. This may impact your credit rating and future access to credit facilities.

Warning: The cost of your repayments may increase. The entire amount that you have borrowed will still be outstanding at the end of the interest-only period.

Davy Horizons offers a range of advisory services to support businesses in developing, implementing, and reporting on Climate Change strategies to meet regulatory, shareholder and wider stakeholder requirements. We support companies to manage climate change risk and maximise the opportunities that a transition to a low and zero economy brings. We can work with you to do the following:

- Measure and disclose GHG inventory Scope 1-3 in addition to Scope 4[26] aligned to best practice
- Identify and set reduction targets – near-term and long-term to SBTi and the Net-Zero Standard
- Develop Climate Transition Plans
- Conduct risk and climate scenario analysis to determine physical and transitional risks
- Develop annual reports such as CSRD and TCFD
- Conduct engagement training/webinars for value chain suppliers, employees incluging senior management and board.
- Submit CDP questionnaires and improve CDP rating
- Annual GHG emissions progress reporting in annual/sustainability reports
- Assurance of GHG emissions data meeting ISO14064:3[27] requirements for reporting, disclosure, and lender applications
- Advisory and reporting under the EU Carbon Border Adjustment Mechanism[28] (CBAM)

26 Estimating and Reporting Avoided Emissions – GHG Protocol
27 ISO 14064-3:2019 - ISO 14064 Part 3: Verification & validation of greenhouse gas statements
28 Carbon Border Adjustment Mechanism – European Commission

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Are you ready to take the next step?

Talk to us today.

Email **Davy Horizons:** sustainability@davy.ie or visit davy.ie/horizons

Email **Bank of Ireland:** colette.shirley@boi.com or visit Business Green Hub - Bank of Ireland

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