

ALIGNING TRANSITION PLANNING AND FINANCIAL PLANNING

A GUIDE FOR FINANCE TEAMS BY THE A4S NET ZERO TASKFORCE **TOOL 1** FINANCIAL PLANNING CHECKLIST

FINANCIAL PLANNING CHECKLIST

The Financial Planning Checklist is designed as a starting point to help identify the internal information needed to align transition planning and financial planning and highlight key considerations that may support this process. While not exhaustive, it provides a practical foundation to guide your approach.

The checklist is divided into five sections: capex, revenue, opex, value chain and financial institutions. While these areas are presented separately, they should be considered together for a comprehensive view.

CAPEX

Information to collect	Key considerations for financial planning	
Fixed asset register	Existing assets	New assets
Climate-related risk	Consider how existing assets align with climate, nature and people objectives	Identify new assets needed to support the organization's climate, nature and people objectives – including those needed for adaptation, resilience, and the development of new products and services; consider the associated resource requirements
Opportunities connected with assets	Map current asset inventory against transition risk exposure; this could include exposure to carbon taxes depending on operational emissions or the carbon intensity of asset outputs, and applying a carbon price as a proxy	
Emissions profile of assets	Assess physical risk exposure (eg flood risk) and estimate anticipated financial	Evaluate the financial implications of developing new assets in socially or environmentally sensitive areas (eq Indiannous land, areas with
Asset lifetimes and replacement cycles	impacts (flood mitigation costs)	high biodiversity or physical water risks), such as for engagement with
Refurbishment plans	forward; document proposed action, identifying any feasibility constraints or cross-	communities, reconciliation or restoration costs
Details of known locked-in	sector dependencies	Assess the technical feasibility and availability of required assets and technologies: highlight any key blockers or constraints
emissions ¹ and anticipated stranded assets ²	Compare the cost of accelerating asset replacement or refurbishment against the potential benefits (eg reduced maintenance costs, reduced retrofit needs if policies	Evaluate both operational and embodied carbon emissions of new assets and consider potential exposure to carbon taxes (eg from anticipated policy changes relating to operational emissions)
Retrofit plans	change, decreased exposure to future physical risk)	
Decommissioning costs	Evaluate the financial implications of decommissioning or disposing of assets relating to staff (eg retraining costs, relocation costs, redundancies)	Feasibility constraints
	Povalua write off impair or ratire	Identify limitations in oursent financing or desision making processes that
	nevalue, write oit, impair or retire interior in current linancing may restrict the organization's ability	may restrict the organization's ability to meet strategic objectives (such as
	Set out how valuations could be impacted based on climate considerations (eg increased exposure to physical risk or transition risk)	decarbonizing assets); eg some organizations may consider capex and operational budgets only in one-year cycles, meaning that longer-term value creation is not considered
	Consider early asset retirement or whether assets will become stranded (eg due to changing transition policy)	
	Identify any financing or insurance implications (eg implications for loan finance connected to asset valuation, or access to insurance linked to exposure to physical risk) and how they could further impact asset valuations	

1. Assets may give rise to 'locked-in' carbon for a set period, depending on the investment horizon of your organization and the availability of green technology at the time the investment was made. For example, a gas boiler may have an economic life of 20 years and will not be replaced before that term ends under current corporate policies. You will need to take this into account when developing your decarbonization plan, as you may need to drive action faster in other areas to compensate for locked-in emissions or replace assets earlier than at the end of their expected economic life. This in turn may affect balance sheet values, which may need to be impaired, and any associated financing.

2. A 'stranded asset' arises when changes in market perceptions and behaviour, demand for certain kinds of assets, and non-compliance with changing legislation result in a premature write-down in asset value, early obsolescence and devaluation.

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REVENUE

Information to collect	Key considerations for financial planning	
Information to collectSources of revenue by location and other relevant segmentsClimate-related risk exposure of revenueOpportunities connected with revenuesEmissions associated with revenuesProduct or service anticipated lifetimesNew sources of potential revenueAnticipated research and development (R&D) investment in products and services	 Key considerations for financial planning Existing products and services Segment your revenue into key sectors or activities; compare sources of revenue to emissions and climate-related risk exposure of revenues (including in the value chain) Identify sources of revenue (and costs of sales) not aligned with your transition strategy, identify implications for lost revenue and set out actions to mitigate this (eg via new sources of revenue) Develop understanding of operational, value chain and cross-sector contributions and challenges for net zero and adaptation, gaining clarity about the feasibility of transitioning and identifying complex or challenging 	 New products and services Identify what you can achieve within existing financial constraints and what is needed to support the development of new revenue, such as: Investment in R&D to develop new product lines Collaborations and joint ventures to support supply chain transitions or invest in the transformation of key sector-specific challenges (eg collaborations to develop or scale up low-carbon fuel, steel, concrete etc. which may be sectoral dependencies) Consider how and when the benefits from new revenue sources (eg from new renewable energy projects or similar) should be shared with local communities Destibility constraints Identify key areas of dependency, for example where significant value chain or cross-sector action is needed, and where strategic investment decisions may be required to catalyse change Compare the costs and benefits of collaborative action with the increased exposures of transition costs or transition risk exposures arising in the value chain
	 about the leasibility of transitioning and identifying complex of challenging sector-specific areas Set out how revenue-generating activities can be transformed now, and the associated financial implications (eg can existing products be modified to take steps towards transition alignment, such as by changing the raw materials used, and how would this change costs of sale?) Consider market receptiveness to transition-aligned products and services (such as anticipated demand for low-carbon products and ability to pass on any additional costs to customers) Evaluate whether any existing cash-generating units, goodwill or brand value need to be impaired based on climate considerations 	
	Circularity of products and services Identify new revenue streams from circularity measures (ie where markets are created for by-products which previously would have been considered waste) Consider financial and emissions savings arising from reduced spend on materials and compare this with the cost of facilitating circularity (ie additional resources needed to receive and process returned goods)	

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OPEX

Information to collect	Key considerations for financial planning	
Sources of energy, geography of energy source and potential fluctuations in the energy price	Energy Understand how grid decarbonization matches your transition plan targets geographically, or where additional consideration is needed of energy procurement,	
Local government grid transition expectations	energy generation or renewable investment, and develop an understanding of the cost of alternative solutions Compare the cost of alternative solutions to exposures of future carbon taxes or other transition risk (eg reputational risk)	
Existing transportation methods, emissions connected with these methods and alternatives	Transportation	
	Develop an understanding of the feasibility and financial implications of moving to low-carbon transportation and logistics, considering where additional costs or savings arise	
Expectations for how the nature of the workforce will change, eg need	Staff	
for green skills	Consider the team growth or training required, the financial implications for staff, and the timeline required for delivery to support strategic priorities	
Exposure to changing regulation and litigation risk	Understand how staff costs may change (eg as a result of training required or redundancies for product or service lines)	
Current policy and decision-making	Legal and compliance	
process for R&D investment	Assess the financial impact of changing regulation and litigation risk, and any implications for financing or insurance	
Nature, type and price of carbon offsets sourced by the organization	R&D	
Carbon offset policy	Consider how transition planning is incorporated into R&D development and identify where additional financing or investment may be needed, assessing whether value chain and cross-sector collaborations could support sharing of costs	
	Use of offsets	
	Estimate the purchasing strategy, insurance policies, future cost and reputational implications of carbon offsets, developing an understanding of how and when they could impact future cash flows	

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VALUE CHAIN

Information to collect	Key considerations for financial planning
Where action for transition planning will be focused (eg engagement with suppliers with significant emissions or value to the organization based on spend data) Risks and opportunities arising in the value chain Impacts and dependencies for the transition plan and areas of potential organizational influence	Determine who will be involved and how much time is needed to support value chain initiatives, estimating whether this can be achieved with existing personnel or whether more are required Identify additional costs and incentives relating to value chain engagement, such as benefits arising from collaborative investment Consider historic trends to understand the impacts of physical risks or supply chain shocks that the organization has observed in the last 12–24 months, and how this could be used as a proxy to understand future unmitigated costs Understand how value chain costs could be passed down through products and services and the implications for financial planning and decision making (this could include transition costs, sustainability practices or certification costs, exposure to carbon taxes or cross-border adjustment mechanisms, or costs arising from increased physical disruption such as to the supply chain) Explore whether increased supply chain costs could be passed down the value chain and the implications for revenue
Iransition plans of key suppliers and customers	
How value chain transition costs could be passed down	

FINANCIAL INSTITUTIONS

Information to collect	Key considerations for financial planning	
Financed and facilitated emissions ³	Financed and underwritten emissions	
Portfolio-level financed emissions (loans, investments, insurance underwriting) using $PCAF^4$ methodologies	Identify what would be required to reduce financed, underwritten and portfolio emissions Segment loan, investment and underwriting portfolios by sector and geography to assess risk exposure	
Exposure to high-carbon sectors and potential stranded assets in financial portfolios	Consider loan and investment lifetimes to align with decarbonization timelines and manage stranded asset risks, financial exposure and risk management	
Portfolio segmentation by sector, asset class and geography	Assess credit, market and underwriting risks linked to climate transition across lending, investment and	
Lending and investment lifetimes	insurance portfolios	
Loan or investment lifetimes (eg loan maturity dates, fund holding periods, insurance policy terms)	Identify potential stranded assets and determine the financial implications of decarbonization levers, eg engagement and divestment	
Alignment of investment horizons with climate transition pathways and sectoral	Conduct climate scenario analysis and stress testing to assess financial resilience under different transition pathways	
transition risks	Revenue and product development	
Projected capital reallocation needs based on net zero commitments and decarbonization targets	Identify new transition finance opportunities, such as green loans, sustainability-linked bonds, ESG investment strategies and climate-aligned insurance	
Revenue impacts	Assess the scalability and financial viability of transition-aligned products	
Projected revenue from transition finance products (eg green bonds, ESG funds,	Engage with borrowers, investee companies and insured clients to develop transition-aligned financing strategies	
sustainability-linked loans)	Operational considerations	
Assessment of shifting client demand for sustainable financial products	Allocate resources to comply with evolving disclosure and regulatory requirements, including ISSB, CSRD, SEC,	
Revenue risks from policy and regulatory changes, including carbon pricing and mandatory transition disclosures	SFDR and TCFD	
Value chain and systemic risks	Ensure internal capacity building through training on transition finance, climate risk management and regulatory obligations	
Climate risk exposure across supply chains, counterparties and financial markets	Invest in climate risk data, ESG analytics and portfolio monitoring tools to support risk assessment and strategic decision making.	
Transition plans of borrowers, investee companies and insured clients	Identify resources required to support cross-sector decarbonization (eg participation in industry or government	
Sectoral considerations that impact financial portfolio alignment with net zero targets	groups) Define the institution's role in decarbonization and supporting the transition to a low-carbon economy	
Operating costs and compliance	Identify opportunities for collaboration with policymakers, industry bodies and peers to overcome systemic transition barriers	
Costs related to climate risk modelling, scenario analysis and stress testing	Understand resources needed to engage directly with the portfolio of investment companies, to support the	
Compliance costs for climate-related financial disclosures	provision of data and to hold them to account on the management of climate-related risks and opportunities	
Investment in climate data, analytics and ESG integration systems		
Costs related to investments required		
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3. Use the A4S Net Zero Guidance on financed emissions, insurance-associated emissions and facilitated emissions to learn more about key considerations for financial institutions.

4. PCAF, The Partnership for Carbon Accounting Financials.