

The logo for the Transition Finance Council, featuring the text "Transition Finance Council" in white, stacked vertically, within a white square frame. A white rectangular shape is positioned behind and to the right of the frame.

Transition
Finance
Council



**THE
GLOBAL
CITY**

Draft Implementation Handbook

How to apply the Transition Finance Guidelines

November 2025

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1 Introduction

The Transition Finance Council, launched in response to the recommendations of the Transition Finance Market Review in 2024, released a first draft of its Transition Finance Guidelines¹ (Guidelines) in August 2025 for consultation. The Guidelines aim to support a consistent classification of credible, entity-level, transition finance to mobilise transition finance globally.

In this second November consultation, the Council is releasing the updated draft Guidelines, the Implementation Handbook (the Handbook) and consultation questions. The Handbook aims to support users of the Guidelines in their application, as an entity demonstrating they meet the threshold for a transition finance classification, or as an assessor, of another entity. **The Handbook offers practical support for users to apply the Guidelines effectively and is designed so users can navigate to sections most relevant to them.**



Figure 1, The Guidelines, The Handbook and the questions

The support offered by the Handbook is structured in the following manner:

- **1 Introduction:** Introduction to the purpose of the Handbook and how it fits into the document ecosystem for the November consultation.
- **2 Context:** This section provides additional context for why the Council was formed, the basis for the Guidelines, the intended users and uses of the Guidelines and how they are anchored to the common average temperature goals of the Paris Agreement.

¹ Transition Finance Council (2025), Transition Finance Guidelines.

- **3 Global interoperability of the Guidelines:** An explanation of how the Guidelines can have universal relevance, this section demonstrates how they connect with and build on existing key frameworks, standards, and taxonomies.
- **4 Obtaining evidence required for assessment:** This section details the challenges around collection evidence for the assessment as well as means to overcome them for both an assessing entity, as well as an entity preparing for assessment.
- **5 Factor and Principle assessment examples:** To support the interpretation of the Principles and the Factor criteria, this section provides worked examples of assessments using the Guidelines, giving explanation as to how the entity was assessed and the outcomes.
- **6 Implementation support for EMDEs and SMEs:** This section details constraints that entities in Emerging Markets and Developing Economies (EMDEs) and Small and Medium Sized Entities (SMEs) may have in relation to a transition finance classification, as well as the ways in which the Guidelines aim to overcome these constraints. There is also reference to ways in which entities might be able to access other support.
- **7 Applying the Guidelines across different asset classes:** This section outlines the considerations and barriers key asset classes may encounter when using the Guidelines and proposes, where feasible, pragmatic approaches to help overcome them.
- **8 Consequences of failure to perform:** This section details considerations assessing entities should make if an entity fails to deliver on its ambition and the consequences of declassification.

To ensure both the Guidelines and Handbook can be utilised globally, the Council is requesting feedback on the published drafts via its consultation process from the 3 November 2025 to 30 January 2026. We encourage all potential users, from countries across the world, to provide their views and suggestions on these documents. Please follow this [link](#) to respond to the consultation.

2 Context

2.1 The Transition Finance Market Review and the creation of the Transition Finance Council

The Transition Finance Market Review (the Review) was commissioned by the UK Government's Treasury and the UK's Department for Energy Security and Net Zero to look systematically at the barriers to scaling transition finance, and to propose solutions to industry, government and regulators. The Review, published in October 2024, set out a series of recommendations to scale high-integrity transition finance and establish the UK as a global hub for this activity.

The Transition Finance Council (the Council) was launched in February 2025 by the City of London Corporation and the UK Government. As part of its work to drive forward and build upon the Review's recommendations, the Council has worked on market-led Guidelines (building on initial work begun through the Review) designed to encourage global market alignment on classifying credible transition finance.

The timeline below indicates some of the key milestones the Council is working towards.

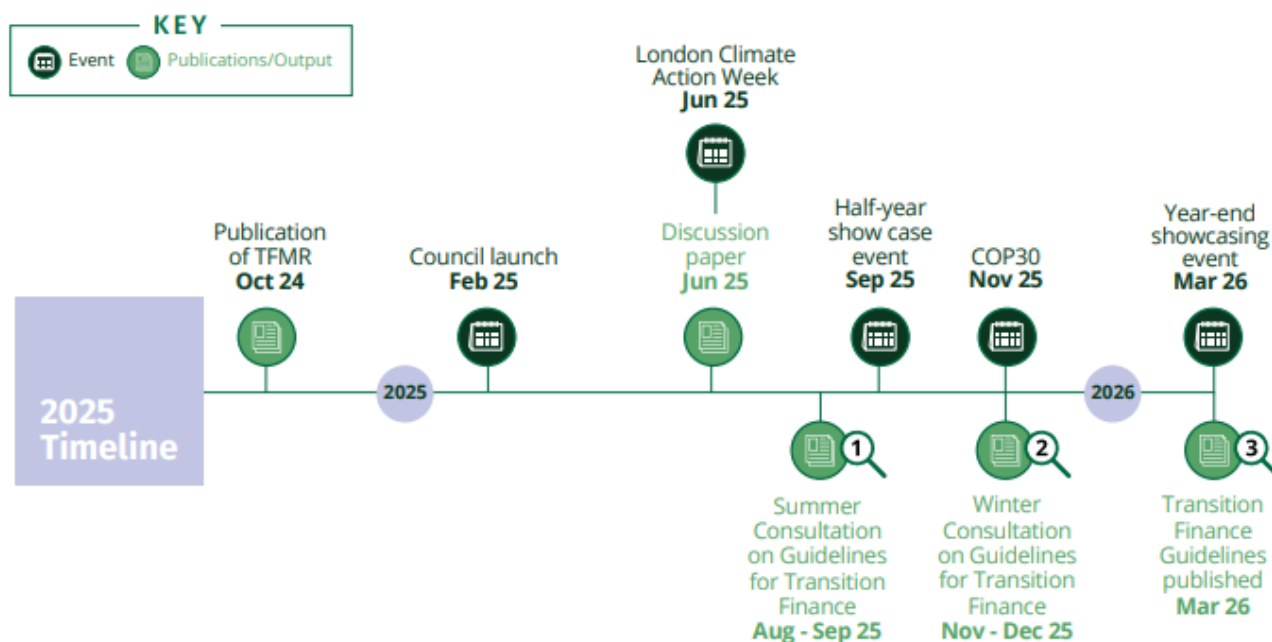


Figure 1, Timelines of the Transition Finance Council

2.2 The Transition Finance Classification System

The Council's work builds on the classification approach set out in the Review. To categorise the different types of transition finance, the Review proposed a Transition Finance Classification Systems (TFCS), (see Figure 2), informed by the transition strategies developed by the Glasgow Financial Alliance for Net Zero (GFANZ). The Council's work on the Guidelines has developed from these classifications.

Categories of transition finance	Activity-Level	Entity-level
Climate solutions and enablers	Category 1 Financing climate solutions activities and activities that enable climate solutions	Category 2 Financing 'pure play' companies with a minimum expected threshold* of revenue or assets within a portfolio are derived from climate solutions and enabling activities
Aligning and aligned	Category 3 Financing activities which support an entity aligning to a credible decarbonisation pathway	Category 4 Financing entities that are aligning/aligned and result in abatement in line with a credible transition strategy
Early retirement of high-emitting assets	Category 5 Financing activities which lead to early retirement of high-emitting assets which would otherwise continue to produce emissions	

Figure 2, The Transition Finance Classification System²

The Guidelines support transition at entity level (Category 4).³ Stakeholder engagement and feedback to the Council to date has highlighted that global finance tends to flow in greater volume at the entity-level than at project or activity-level, making it a key area for unlocking real-world impact. However, entity-level finance that is classified as transition themed is still relatively underdeveloped.

The Guidelines apply only to entities operating in real economy sectors. They are not intended to apply to sovereign issuers but rather to commercial entities.

² We recognise there are different minimum expected thresholds used across the market. We may return to assess these differences and consider them in future work.

³ The terms 'aligned/aligning' used in Category 4 are not currently tied to either NZIF or GFANZ's specific definition of what constitutes an aligned or aligning entity. We will give more consideration to how these definitions ought to converge in future iterations of these Guidelines. In practice the Guidelines do not differentiate between aligned and aligning and most entities are likely to be in the latter category at present.

2.3 The Transition Finance Guidelines

The objectives of the Guidelines are to:

- **Create consistent minimum expectations for transition finance:** these may be applied to entities across different sectors and jurisdictions, including those without transition plans.
- **Allow a practical assessment of credible transition:** using Factors to assess the capacity of the entity to deliver expected decarbonisation and financial outcomes in the short- and medium-term.
- **Complement existing frameworks:** the Guidelines need to be interoperable with existing global and domestic frameworks applicable in different parts of the market for transition finance.

The Guidelines consist of 'Principles' and 'Factors' for assessing financing of transitioning entities. The four Principles each address a dimension of credibility in relation to an entity's transition planning. They build from the Principles of the TPT framework and are used to assess whether an entity meets the minimum expectations for credible transition finance. The six Universal Factors are indicators of performance of the Principles. Contextual Factors should also be considered where they are material or required depending on the nature of the entity and the requirements of its home jurisdiction. In short:

- **Principles** = *What must be true* for transition finance to be credible.
- **Factors** = *What you assess against* to determine whether the Principles are met.

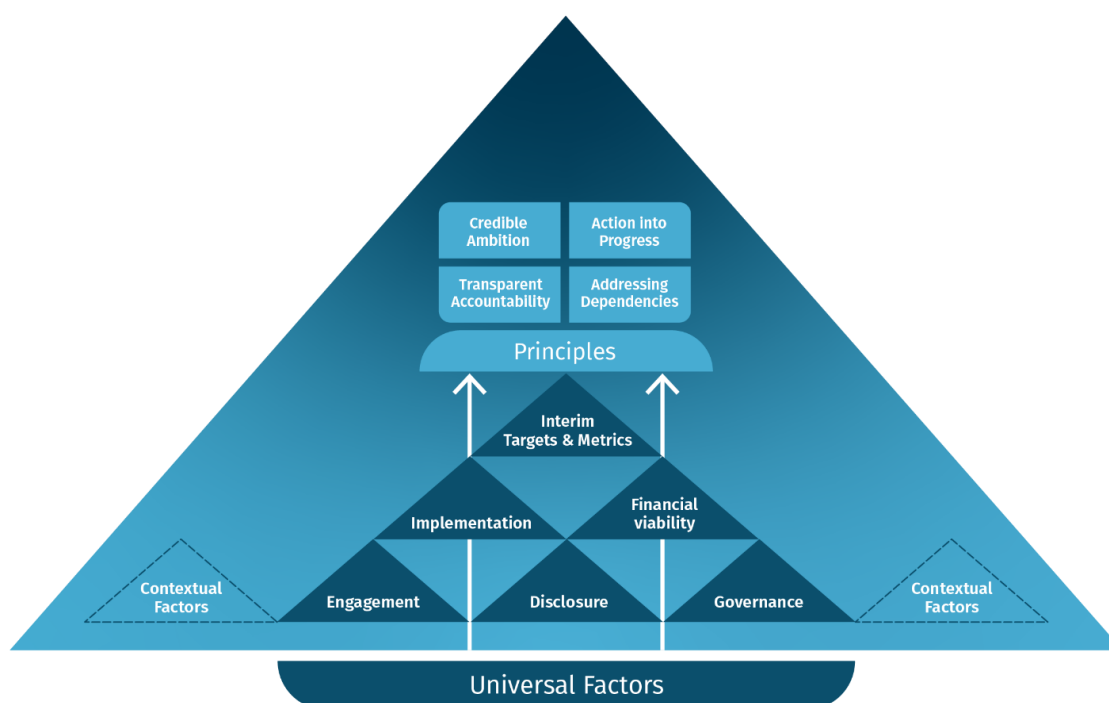


Figure 3, The Principles and Factors

2.4 Users and use cases of the Guidelines and the Handbook

Corporate transition planning is becoming a more common input to investment decision making.⁴ For entities in high-emitting sectors, in relation to which existing data can already be used to model exposure to medium term climate risks, with significant variance within the same sector, the quality of these plans could begin to impact investor interest and ultimately affect investment decisions and cost of capital⁵. There is growing interest on the sell side to develop, and on the buy side to invest in, transition themes but concern about greenwashing risk remains.

Reinforcing the materiality of climate ambition, recent analysis by CDP suggests a correlation between the ambition of climate targets and actual emissions performance: 46% of companies with 1.5-2.0°C aligned targets are ahead of schedule or on track to meet their targets, compared to 28% of those with targets >2.5°C⁶. This evidence challenges the perception that ambitious targets are purely aspirational, highlighting the importance of credible, high-quality transition plans – though these figures will vary by sector and region. For governments, there is also value in being able to monitor the trajectory of transition related investment at entity level.



Legitimacy:

Provide a clear signal that investing in or financing transitioning entities (particularly those that are high-emitting) is a necessary and legitimate way to support whole-of-economy decarbonisation. Applied responsibly, the Guidelines can support wider adoption of robust frameworks and processes that mitigate actual greenwashing risks and help address perceptions of greenwashing.



Scale:

Contribute to greater confidence in and scaling of transition finance across the market by providing a clear and credible basis for recognising and supporting transition efforts.



Transparency and comparability:

Increase transparency and offer a consistent approach to assessing the ambition and progress of entities in their transition. The guidelines are intended to be universally applicable, and capable of applying across sectors and geographies.

Figure 3, Market benefits from using the Guidelines

⁴ This is supported by an ITPN report which describes how credible transition plans serve as essential infrastructure for scaling transition finance markets and driving economic transformation. (ITPN (forthcoming), [Private Sector Transition Plans – A Critical Tool for Mobilising Finance](#). Currently under embargo).

⁵ See, for example, the ECB proposed climate change factor in the Eurosystem collateral framework that is designed to protect against declines in the value of collateral accepted in refinancing, in the event of adverse climate related transition shocks (European Central Bank (2025), [ECB to adapt collateral framework to address climate-related transition risks](#))

⁶ 'CDP (forthcoming, November 2025), [From Plans to Capital: Unlocking Credible Transition Finance at Scale](#)'

Use of a foundational set of Guidelines across the market has the potential to have broad policy and market benefits of the type summarised in Figure 3⁷. Different market participants will have their own drivers for financing transitioning entities and for wanting to classify finance as transition related. These Guidelines are intended to be used across the market, supporting institutions to help establish a clearer shared understanding of what credible transition finance looks like, and to support more consistent assessment. For example, for blended finance, they offer a common vocabulary for all parties to assess credibility across all market segments.

Intended users of the Guidelines*

- Real economy corporates
- Asset owners
- Asset managers
- Credit providers
- Regulators
- Civil society and universities
- Public financial institutions (PFIs) and multilateral development banks (MDBs)
- Governments and international institutions

**For a more detailed list of users and use cases of the Guidelines, please see Appendix A*

For corporates, the Guidelines can provide a practical reference point for their own transition planning and progress. They can help demonstrate alignment with investor expectations, improving engagement with capital providers and potentially improving access to finance on more favourable terms. Aligning to these Guidelines (or to frameworks derived from them) helps corporates respond to growing investor interest in climate risk exposure, whilst also supporting identification of climate-related opportunities.

These Guidelines are intended to work alongside rather than overwrite other commonly used labelling frameworks (such as those published by LMA and ICMA). Users may wish to leverage the Guidelines to voluntarily apply a transition label. They are likely to be particularly useful in reinforcing sustainability-linked finance. It is important to remember the Guidelines are focused on transitioning entities (and don't address traditionally 'green' activities or use of proceeds financing). On their own they are better suited to individual transition product or funds and less suitable for a wider transition investment strategy which could have a broader definition of transition finance. The distinction is important because the latter approach may lead to the inclusion of products within transition strategies that are labelled as 'green' by others in the market. Users should be transparent where they have chosen to apply a label using these Guidelines both as to their use and as to how they are being used. This is necessary to avoid creating confusion in existing product markets. For more detail on how transition labelling using these Guidelines can work practically alongside other market labels, see Section 3.6.

⁷ A recent FCA letter relating sustainability linked loans noted the value of alignment of approaches to transition finance, see <https://www.fca.org.uk/publication/correspondence/sustainability-linked-loans-market-2025-letter.pdf>

Beyond labelling, there are a range of other important applications across the financial system. Banks⁸ may draw on the Guidelines to engage clients, design transition-linked products, and monitor progress against sustainable finance targets. Asset managers can use them to inform stewardship and engagement activities. Public financial institutions and multilateral development banks may find them useful for developing transition focused products and for aligning approaches with private-sector partners and scaling participation in transition-relevant investments.

For further detail on the specific use cases for different market participants, including corporates, financial institutions, public actors and others. Please see Appendix A – Detailed users and use cases of the Guidelines’

2.5 Addressing compatibility with 1.5°C

These Guidelines are anchored to the Paris Agreement under the Credible Ambition Principle by requiring use of ‘Credible Pathways’ for all interim targets and metrics that the entity sets and for its overall ambition. The Credible Pathways concept leverages published methodologies developed **to be compatible with** the Paris goal of *‘holding the increase in the global average temperature to well below 2 degrees above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 degrees above pre-industrial levels’*.

While increasingly challenging to achieve, the Paris Agreement goal of holding global temperature rise to well below 2°C and pursuing efforts to limit it to 1.5°C remains the appropriate anchor for transition finance⁹. The escalating risks associated with warming beyond this level reinforce the need to retain this target as the benchmark for ambition. The purpose of transition finance is to enable companies contributing to this goal.

Accordingly, pathways that are aligned with published science-based methodologies consistent with the Paris temperature goal reflect the most credible pathways for use at a multinational or portfolio level¹⁰ (examples include SBTi; OECM; TPI, see Appendix C for a (non-exhaustive) list of frameworks compatible with a credible pathway). Given these typically represent global averages across sectors, variation in company-level pathways may be justified where differences in regional or sectoral circumstances support this. This is consistent with the principle of *Common But Differentiated Responsibilities and Respective Capabilities (CBDR-RC)* that applies at country level.

⁸ Investment banks may act either as lenders, with balance sheet exposure to entities, or as bookrunners/advisers, facilitating capital market (debt or equity) issuances without exposure to the issuer on their balance sheet. For greater clarity on how the Guidelines should be used by investment banks in their capacity in these two roles, please see Appendix A – Detailed users and use cases of the Guidelines.

⁹ The International Court of Justice recently affirmed the importance of the 1.5°C goal in its unanimous advisory opinion on states’ obligations in relation to climate change.

¹⁰ Financial institutions use Integrated Assessment Models (IAM) for target setting at portfolio level. IAMs have an underlying global carbon budget and temperature alignment can therefore be calculated by reference to IPCC models.

Entities may draw on global, regional, or national sector pathways, or recognised roadmaps compatible with the Paris Agreement goal, to create a Credible Pathway. Where a pathway is not aligned with 1.5°C - for example, reflecting local or sectoral constraints - the rationale and implications should be transparent, with clear disclosure relating to the level of ambition (temperature or emissions goal) that this is associated with it and justification of usage. An NDC (or NDCs for entities operating in several jurisdictions) may be one of the reference points considered in these instances, particularly as regards Scope 2 emissions that may be limited by national/regional energy mix or the country's net zero target year. However, given that the degree to which NDCs are science based can vary, NDCs are not included within the definition of Credible Pathway. Relevant sectoral pathways may be a more useful yardstick against which to judge an entity's ambition and credibility, where available, because of the wide variety of sectors that contribute to a national target for decarbonisation.

Where an appropriate national sector pathway or taxonomy is not available, as it may not be in some EMDEs, an entity may use a global pathway including with a longer timeline or use a specific EMDE-focused global pathway, such as the IEA's Sustainable Development Scenario, which is used in the IEA's 'Clean Energy Investments in EMDEs' model and is developed by reference to the Paris Agreement¹¹.

We acknowledge that some national or sectoral pathways often do not have an underlying global carbon budget assumption and so cannot be mapped precisely to a temperature alignment. Assessors will need to consider in the round the extent to which the pathway(s) used are compatible with the Paris goal. This involves acceptance of an inherent imprecision of temperature alignment computations at company level and a focus more on the "transition intelligence"¹² that a specific pathway provides, accepting that temperature alignment may not always be calculated precisely. In practice, therefore, some users, particularly financial institutions, may choose to apply multi-scenario and multi-metric approaches by leveraging both qualifying global models and regional / sector pathways.

¹¹ IEA and International Finance Corporation (2023), [Scaling up Private Finance for Clean Energy in Emerging and Developing Economies](#)

¹² RMI (2025), [Creating Transition Intelligence, Enhancing Corporate Transition Assessment for Financial Decision-Making](#)

3 Global interoperability of the Guidelines

The Guidelines envisage use of national sector pathways, roadmaps and taxonomies, science-based targets and internationally respected methodologies to demonstrate compatibility of approach with the goal of the Paris Agreement. They are also informed by ISSB standards, the TPT disclosure framework and other international standards and frameworks. In this consultation, we have highlighted some of the main interlocks and references used below to highlight how the Guidelines can be globally interoperable as this has been an area of significant engagement. In the final version, we anticipate moving the below interoperability maps into a standalone publication.

3.1 Interoperability with the UK SDR and the Sustainable Improvers label

The Guidelines are designed to work with the UK's Sustainability Disclosure Requirements (SDR), and the Sustainable Improvers label, which relates closely to transition finance and is also principles based. This label recognises investment products that support entities on a credible path toward improved sustainability outcomes. This is different from other SDR labels that focus on already-sustainable assets or measurable impact¹³. While there is clear alignment of purpose, classifying an investment as credible transition finance is not the same as qualifying a product for an SDR label. The Guidelines do not replicate all elements required for SDR labelling. Whereas the Sustainable Improvers label focuses on asset managers' product-level disclosure, the Guidelines address the credibility of transition finance at the entity-level more broadly, including across capital allocation, and engagement.

3.2 Interoperability with the EU SFDR

Over time, the Guidelines are also proposed to work alongside the EU's Sustainable Finance Disclosure Regulation (SFDR), which is undergoing review of its structure and potential transition-related categories. While SFDR currently presents challenges for classifying transition finance under Articles 8 and particularly Article 9, an opportunity for greater alignment may arise as revisions progress. The Council would welcome discussions with EU colleagues on interoperability.

3.3 Interoperability with the ISSB Standards and transition plan disclosure frameworks

While the Guidelines are not themselves a disclosure framework or standard, they have been designed to be interoperable with the TPT Disclosure Framework as well as the sustainability disclosure standards of the ISSB.

¹³ Department for Business and Trade (2025), [UK Sustainability Reporting Standards Handbook and documents](#)

Figure 4 illustrates the alignment between elements of the TPT Framework, and the Principles set out in these Guidelines, reflecting how the Guidelines are strongly informed by the TPT Framework. An entity disclosing in line with TPT will already provide much of the information needed to assess credibility against the Guidelines' Principles and Factors. However, because the TPT framework is non-normative, using it does not automatically guarantee alignment with the Guidelines' expectations.

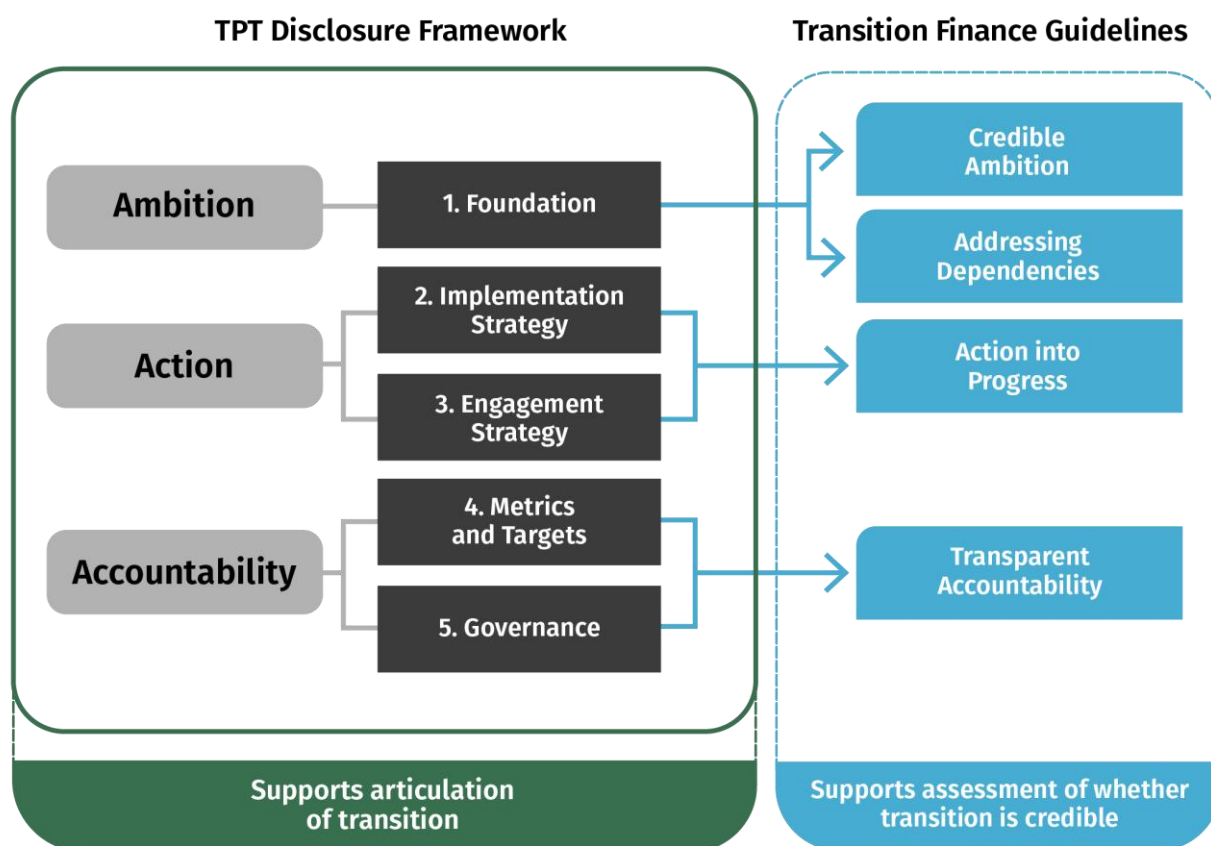


Figure 4, Mapping the elements from the TPT framework into the Council's Guidelines

The TPT framework was developed to build on the ISSB and support compliance with IFRS S2, evidenced explicitly through a technical mapping the TPT carried out, which identifies where IFRS S2 contains disclosure requirements relevant to transition planning¹⁴. In this way, there is a structural interoperability between these frameworks; the ISSB informed the development of the TPT framework, the TPT framework in turn has informed the Guidelines, therefore, entities disclosing in line with TPT and IFRS S2 are likely to already have the information required to

¹⁴ IFRS S2 Climate-related Disclosures – [TPT Disclosure Framework, Technical Mapping](#)

assess the criteria outlined in these Guidelines. Like S1 and S2, these Guidelines also use a financial materiality lens for assessment.

For further clarity, and to support users of the Guidelines who also apply the TPT framework and report under ISSB standards – or locally endorsed equivalents, such as the UK Sustainability Reporting Standards (UK SRS) – the Council will undertake further mapping work to make these interlinkages, particularly between the Guidelines and IFRS S2, more explicitly in future iterations.

In parallel, the Council is closely monitoring developments following the UK Government's summer 2025 consultations on the draft UK SRS – which propose the formal adoption of the ISSB Standards including IFRS S1 and S2 – and on climate transition planning requirements. While interoperable with existing frameworks and standards, the Guidelines also provide additional value. The additional value lies in providing a credibility lens, evaluating not just whether a plan exists, but whether the ambition is strong, the strategy is viable, and there is evidence of meaningful implementation and impact. In this way, the Guidelines serve a complementary function: while disclosure frameworks help entities communicate their plans, these Guidelines support capital providers in judging how credible those plans are.

While many large, listed firms in the UK already disclose transition plans in line with the TPT Disclosure Framework (which the ISSB has now assumed responsibility for¹⁵), adoption is not yet widespread across much of the global economy. It will take time for transition plans to embed even in the most advanced of markets. The Guidelines reflect this reality, setting expectations for entity level transition finance where a formal or disclosed transition plan may not yet exist.

3.4 Interoperability with the Net Zero Investment Framework

These Guidelines are designed to be used in conjunction with the Net Zero Investment Framework (NZIF)¹⁶. They offer a standard set of basic criteria for credible transition finance, to sit alongside an institution's application of NZIF.

NZIF is widely adopted by asset owners and asset managers as a tool to evaluate investments against a multi-criteria maturity scale of alignment with a net zero pathway. One of NZIF's principal strengths is that it supports investors in systematically measuring Net Zero alignment, identifying engagement priorities, and monitoring change over time. Some investors use NZIF to

¹⁵ ISSB's Handbook developed from the TPT Disclosure Framework (2025), [Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2](#)

¹⁶ The Net Zero Investment Framework (NZIF) is the most widely used guide by investors to develop their individual net zero strategies and transition plans. It is the core publication of the Paris Aligned Investment Initiative (PAII), a collaborative investor-led forum (coordinated by AIGCC, Ceres, IGCC and IIGCC) established in May 2019. It is to be used in conjunction with other IIGCC supplementary implementation guides/resources.

set asset alignment targets. NZIF also provides in depth guidance on assessment and management at the portfolio level including supplementary asset class Handbook.

While both NZIF and the Guidelines assess the credibility of an asset's transition, they serve distinct but mutually reinforcing purposes. NZIF focuses principally on what investors themselves should do to align their portfolios with the goals of the Paris Agreement, including how to approach governance structures, portfolio-level strategy, stewardship and engagement practices and policy advocacy. The Transition Finance Guidelines specify what lenders and investors need to see to be satisfied that investees are credibly transitioning.

Both frameworks incorporate forward looking assessments of the asset and encourage regular updates to this assessment. NZIF employs deliberately non-prescriptive criteria on an "implement or explain" basis, enabling investors to adapt assessments to their specific strategies, capacities, and fiduciary duties. The flexibility fosters innovation and allows for differences in approach across the market. This serves a different purpose to the Guidelines which create a uniform set of minimum baseline criteria to be applied across markets, asset classes, and sectors.

The two frameworks also differ in their treatment of thresholds and sectoral variation. The Guidelines act as a cross-market framework and provide a common starting point; they do not set different thresholds for different real economy sectors. NZIF was set up to consistently assess on a portfolio basis the progression of corporates and real assets towards alignment with a net zero pathway. The Guidelines are focused on minimum qualification criteria for allocation of finance for transition purposes.

We have compared the draft Guidelines against NZIF's 'Aligning to a net zero pathway' category as this seems the most similar to a 'minimum threshold' for transition finance (for more detail, please see Appendix B – Comparison of the Guidelines to NZIF criteria'). Given that NZIF is a relatively flexible framework and asset managers have the freedom to strengthen or weaken some of the criteria based on their circumstance, it is not always possible to reach a conclusion on whether an 'aligning' asset under NZIF meets all the criteria for transition finance within these Guidelines. While generally aligned, there are some divergences. We have highlighted key areas of difference below.

In summary at a high level, the themes of the criteria across NZIF and the transition finance guidelines are broadly consistent. Where NZIF most materially diverges from the guidelines is its recommendation for all assets to have a long-term target aligned to net zero by 2050 in order for them to qualify for the first category of alignment – 'committed to align'.

The Guidelines purposely do not require a long-term 2050 target and focus more on use of rolling interim targets, aligned to a Credible Pathway, coupled with a long-term ambition. This is partly to weight attention on nearer term action but also to avoid excluding companies in some markets (particularly state owned) that have longer national transition trajectories. NZIF contemplates flexibilities through its EMDE Handbook which articulates a need to incorporate

‘fair share’ principles and differentiated country pathways for EMDE investments. That Handbook acknowledges that alignment with a 2-degree scenario, or a longer timeframe may be acceptable for EMDEs.

There are a few additional areas an asset owner or asset manager may want to assess before drawing the conclusion that an asset that is classed as ‘aligning’ under NZIF meets the minimum the criteria for transition finance under the Guidelines:

- **Financial viability:** the Guidelines seek clarity on the entity’s capex and opex plans. Though these need not be quantified plans, financing processes ought to be in place.
- **Carbon lock-in:** the guidelines seek more deliberate consideration of carbon lock-in by the entity.
- **Dependencies:** though it is implicit under NZIF that dependencies are important to assessment through its emphasis on the investor’s role in policy advocacy, the guidelines more explicitly require identification of the entity’s key dependencies, consideration of how these impact on credibility of ambition and active management by the company of those material dependencies to the extent it has leverage to do so.

For more detail on how the NZIF criteria overlay with the Guidelines, please see Appendix B – Comparison of the Guidelines to NZIF criteria’.

3.5 Interoperability with taxonomies

Taxonomies remain valuable tools in determining the credibility of ambition of transition finance. Though the UK announced in its Financial Services Growth and Competitiveness Strategy of July 2025 that it would not proceed with a UK taxonomy¹⁷, UK institutions regularly draw upon the EU Taxonomy and taxonomies developed by Singapore, Hong Kong, China, Australia and other parts of the world¹⁸. While these Guidelines focus on entity-level transition finance, taxonomies are still relevant in relation to activities which entities participate in.

Various other jurisdictions or regional organisations have developed or are developing taxonomies with a transition focus (for example, ASEAN, and a range of other countries in Asia). Some of these countries also use transition plans at entity or municipal/regional level. These Guidelines contemplate the use of taxonomies that are designed to be compatible with the Paris Agreement as one of several potential types of methodology for assessing the credibility of an entity’s transition. The taxonomy applied should be appropriate to the country in which the entity’s activity occurs. Where taxonomies are used, they should be applied in a coherent way, including not just the relevant technical screening criteria but also any ‘do no significant harm’

¹⁷ UK Government (2025), [Financial Services Growth and Competitiveness Strategy](#)

¹⁸ A forthcoming paper from the Climate Bonds Initiative offers comparison of the different approaches to defining ‘transition’ across different global taxonomies (expected in early 2026)

and 'social safeguards' provisions. A transition taxonomy may contemplate time limits for the operation of an entity's certain activities, ratcheting of emissions standards to be met by specified times and/or require assets to be constructed 'transition ready'. Where these taxonomies are applied, the requirements they specify should be observed.

3.6 Interoperability with frameworks for public and private debt

The market for labelled sustainable finance instruments (such as green, social and sustainability-linked bonds and loans) has matured significantly in recent years. The Transition Finance Guidelines were intentionally designed to complement these frameworks. Figure 5 shows existing voluntary market guidance that is used across both debt capital markets and the private loan market.

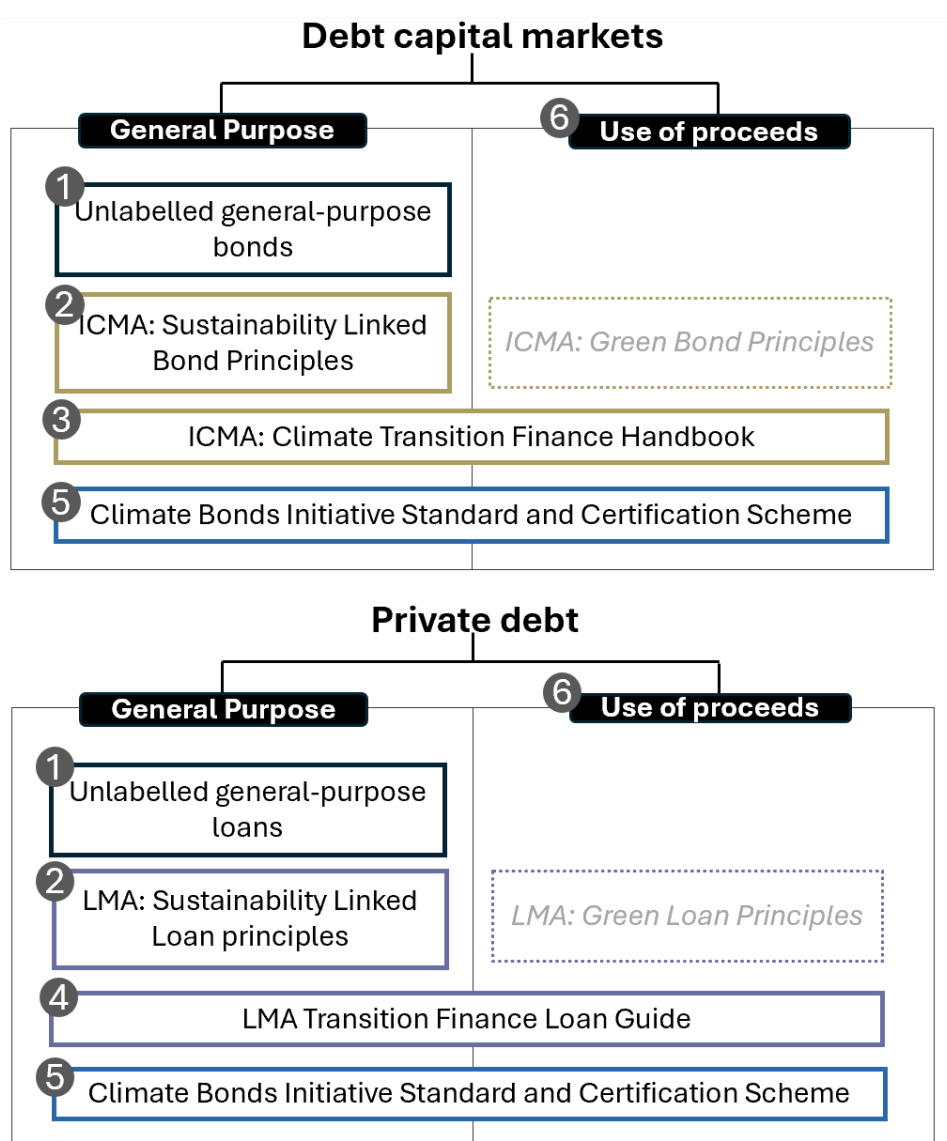


Figure 5, voluntary market guidance used across public and private debt markets

When assessing the criteria in the Guidelines, lead users are likely to differ between markets. In public debt markets, the issuer may be more likely to take the lead in assessing their own credibility against the criteria, potentially supported by sustainability advisors. This will be reviewed both by underwriters and by second-party opinion providers, who are involved to opine on alignment with market guidance. In private markets, this responsibility generally rests more directly with the capital provider or lender, who conducts due diligence, negotiates covenants linked to transition performance, and may benchmark alignment against the sectoral pathways defined in these Guidelines. However, these Guidelines do not assign responsibility for assessment as it will depend on each context. It is also assumed that all parties involved will be agreed on the outcome of the assessment before capital is deployed.

1) Unlabelled general-purpose bond and loans

For both capital providers in public debt markets and private market lenders, the Guidelines can be voluntarily adopted either to apply a transition finance label or classification to debt instruments or to strengthen due diligence and credit assessment processes more broadly.

Across both public and private markets, unlabelled debt currently represents the largest share of total debt issuance globally. The requirements for an issuer to qualify for a “green” label have fluctuated over time. Conceptually the scope of green labels is broad in terms of the wide range of sectors eligible. However, market perception that some instruments were insufficiently ambitious has led to a more cautious approach and discussion of a separate transition label. The use of a transition label could help channel capital toward entities who don’t meet the criteria for green labels, but because of their transition potential could still have a significant decarbonisation impact. For issuers, applying a transition classification using these Guidelines could expand access to sustainability-orientated investors and potentially improve financing terms. For investors and lenders this could help with institutional exposure to short to medium term climate risks and consequential impairment risk.

Please see Section 7.3 on ‘*Further Guidance on Public Listed Debt*’ for more practical measure to consider when applying the Guidelines to public debt instruments.

2) Sustainability-linked bonds and sustainability-linked loans

These Guidelines are particularly relevant to general-purpose instruments such as Sustainability-Linked Loans (SLLs)¹⁹ and Sustainability-Linked Bonds (SLBs)²⁰ - structures where performance is tied to an issuer’s or borrower’s overall sustainability or transition performance, rather than the allocation of funds to specific green assets/projects.

For capital providers already using sustainability-linked labels, the Guidelines do not introduce new standards or reporting obligations. Instead, they provide a complementary framework to assess whether the KPIs and sustainability performance targets (SPTs) embedded in SLBs or SLLs

¹⁹ LMA (2025), [Sustainability-Linked Loan Principles](#)

²⁰ ICMA (2024), [Sustainability-Linked Bond Principles](#)

are consistent with a credible transition pathway. This should support ongoing efforts to build confidence in this market, particularly as regards instruments with KPIs and SPTs that are decarbonisation focused.

Not all SLLs or SLBs would automatically qualify as “transition finance instruments.” Issuers and borrowers may select Key Performance Indicators (KPIs) across environmental as well as social, or governance dimensions. Not all sustainability-linked products will have a decarbonisation impact associated with them. Only those instruments that include KPIs directly or indirectly linked to decarbonisation or greenhouse gas (GHG) emissions reduction performance have the potential to qualify as credible transition finance under the Guidelines. It would be for the lender or SPO provider to assess whether the terms of a loan or bond meet the expectations set out in the Transition Finance Guidelines.

3) Products referencing ICMA’s Climate Transition Finance Handbook

ICMA’s Climate Transition Finance Handbook (CTFH)²¹ provides entity-level disclosure recommendations that are applicable to issuers of both general-purpose public debt instruments as well as use-of-proceeds instruments. The CTFH can be used in conjunction with the Transition Finance Guidelines. The Guidelines provide details on factors and dependencies that can be relevant to sustainable bond issuers.

While the Universal Factors contain slightly more specific criteria for assessment, the Elements (below) within the CTFH are broadly supportive of the criteria. It is the responsibility of the user of the Guidelines to assess the specific overlaps and divergences; but we have given a high-level overview of how each Element is reflective of the Guidelines below:

- **Element 1: Issuer’s climate transition strategy and governance** – Both frameworks call for clear, time-bound interim targets, defined implementation levers, and robust governance arrangements to oversee delivery.
- **Element 2: Business model environmental materiality** – The CTFH’s focus on forward-looking analysis of an issuer’s environmental risks and opportunities aligns with the Guidelines’ principle of addressing dependencies and scenario assumptions.
- **Element 3: Science-based transition strategy and targets** – Both frameworks require credible, Paris compatible strategies. ICMA’s Methodologies Registry complements the Guidelines by listing tools for an issuer to validate emissions-reduction trajectories.
- **Element 4: Implementation transparency** – Each framework stresses disclosure of capital and operating expenditure plans supporting the transition, mirroring the Guidelines’ “Financial Viability” factor.

²¹ ICMA (2023) [Climate Transition Finance Handbook](#)

Like the Guidelines, the CTFH recommends disclosure in relation to all four Elements and includes helpful signposting as to where the information for each Element could be found in an entity's existing reporting. CTFH also gives more detailed consideration of the role of independent review or assurance of each of the recommended Elements. In the appendix of CTFH, ICMA helpfully provides illustrative examples of sustainability-linked issuance disclosures²².

4) Products referencing LMA's Transition Finance Loans Guide

A recent and very useful resource for credit providers is the LMA's 'Guide to Transition Loans'²³ which also addresses entity-level transition financing. Similar to the Guidelines, LMA's Guide to Transition Loans emphasises the credibility of a borrower comes from its GHG emission reduction strategy - including its commitments, practices, and performance.

The Guide to Transition Loans also does not prescribe a requirement for a formal transition plan and instead offers practical direction on identifying credible indicators of transition. It highlights the importance of contextual, multiple indicators that, taken together, demonstrate a borrower's credibility. Borrowers are encouraged to articulate key dependencies, assumptions, and enabling conditions underpinning their ability to meet these indicators.

For lenders considering the Transition Finance Guidelines alongside the LMA framework, Section 3.1 General Corporate Financing of Entities of the latter is particularly relevant. This section addresses the use of carefully selected KPIs and sustainability performance targets as mechanisms to support credible transition outcomes. In common with the criteria within the Guidelines, it is recommended that KPIs cover the borrower's material Scope 1, 2, and, where material, Scope 3 GHG emissions. In cases where a Scope 3 GHG emissions KPI is not feasible, supportive proxy KPIs may be used instead. Ultimately, KPIs must also be core, material, measurable, quantifiable, and benchmarkable, as outlined in the Sustainability Linked Loan Principles.

The Council will continue to consider developments in other global frameworks, including those emerging from Climate Bonds Initiative (CBI), The ASEAN Industry Advisory Panel (IAP), and work in various jurisdictions including Australia, Canada, China, the EU, Japan, Singapore and UAE. Ongoing engagement with international initiatives will help ensure the Guidelines are framed to be globally relevant.

5) Products using Climate Bonds Initiative's standard and certification scheme

The Climate Bonds Initiative (CBI) provides a complementary role to the ICMA and LMA frameworks through its Climate Bonds Standard and Certification Scheme. Whereas ICMA's and LMA's principles set market expectations for the structure and disclosure of labelled

²² Please see p11 of ICMA's Climate Transition Finance Handbook

²³ LMA (2025), [Guide to Transition Loans](#)

instruments, CBI offers a science-based certification system underpinned by sector-specific technical criteria.

Certification under the Climate Bonds Standard can apply to green, transition, or sustainability-linked instruments, and can be obtained by both public market issuers and private market borrowers. The most recent Climate Bonds Standard²⁴ extends certification beyond individual instruments to entire entities, which is the most relevant area of interlock with the Transition Finance Guidelines. Similarly to assessing entities against the Universal Factors, to achieve certification through CBI, an entity must meet certain criteria. The majority of the requirements within the CBI standard are reflective of requirements within the Universal Factors, for example having a finance plan, clear governance, and implementation actions.

There are a few areas where the CBI standard requires additional detail to the Transition Finance Guidelines, for example requirements relating to adaptation and resilience and internal policy alignment. In the final iteration of the Guidelines, the Council are considering including a more detailed mapping of each of the requirements and are seeking views as to how this could be practical for users.

6) Relevance to use-of-proceeds labelled products

Transition Finance Guidelines are entity-level in nature and therefore use-of-proceeds frameworks across public and private markets, such as the ICMA Green Bond Principles (GBP)²⁵ and LMA Green Loan Principles (GLP)²⁶ serve a different objective. The GBP and GLP are aimed at financing environmentally beneficial projects or defined activities and require a clear allocation of proceeds to eligible green activities, as opposed to focusing on entity-level ambitions. These Guidelines are not directly relevant to products already aligned to these frameworks. The Guidelines may support due diligence processes that confirm that the relevant project, or activities which are the focus of the product are being carried out by an entity with a credible overall transition strategy. This helps manage the reputation risk arising from other aspects of the business that could undermine credibility.

²⁴ [Climate Bonds Standard V4.3 \(August 2025\)](#)

²⁵ [ICMA \(2025\), Green Bond Principles: Voluntary Process Guidelines for Issuing Green Bonds](#)

²⁶ [LMA \(2025\), Green Loan Principles](#)

4 Obtaining evidence required for assessment

4.1 Acknowledging data limitations

The Guidelines recognise that limitations in data availability, quality and consistency remain a significant challenge for transition assessment. These challenges are particularly acute for smaller entities, entities in certain geographies but also for specific transaction types, capital structures or sectors. Information, if available, is likely to be a mix of quantitative and qualitative data.

Considering this, the Guidelines encourage an evidence-based approach to assessment, using the best available information at the time of both initial and periodic evaluation. This applies to both assessors of entities, and to entities that are using the Guidelines to assess their own transition finance classification status. In contexts such as EMDEs, or in the case of smaller entities, assessors may need to take a more flexible approach in the evidence used while upholding the Principles and applying the Universal Factors. This could be through greater use of proxies, estimates and qualitative assessments.

4.2 Sources of information

The primary source of information for assessing an entity against the Guidelines will often be public disclosures. This may include, but is not limited to, climate-related disclosures (such as transition plans and sustainability reports) and general-purpose financial reporting. A company whose reporting is in line with ISSB's IFRS S1 and S2 is very likely to already have the information for assessment against the Guidelines as is one who is deploying the TPT Disclosure Framework. The Council intends to produce a formal mapping of how the disclosure requirements under S1 and S2 support the criteria in the Guidelines in the final iteration.

Where appropriate, assessors should seek to engage directly with the entity to supplement public information. In many cases, evidence will be shared privately through due diligence processes or bespoke reporting mechanisms.

Where entity disclosures are limited or incomplete, capital providers may consider what proxy data may be appropriate to take account of and how best to weight it. In such cases, the use of alternative data should be transparent well-reasoned and its relevance justified in the context of the entity. Use of sector averages is particularly challenging as there can be wide dispersion within sectors and entity climate risk profiles can be highly idiosyncratic.

When assessing medium sized companies and when looking at data from EMDE entities, capital providers should be mindful of the potential burden of data requests, and seek to manage these appropriately, for example by focusing on the most material information needs, accepting

proportionate disclosures, or phasing information provision over time. Further detail on SME and EMDE assessment can be found in Section 6, *'Implementation support for EMDEs and SMEs'*

4.3 Use of third-party data providers

Capital providers may also choose to supplement entity-sourced information with data from third-party providers, such as ESG ratings agencies, second party opinion providers, climate analytics providers, carbon emissions databases, climate scenario tools, and sectoral modelling resources. However, capital providers are expected to interrogate, contextualise and critically assess the reliability and relevance of any third-party data, particularly where it has a material bearing on credibility judgments or transition classification decisions.

4.4 Role of third-party assurance providers

Where entity disclosures have been independently assured, this will enhance the reliability of information used for assessment. While assurance is not currently a requirement under the Universal Factors, capital providers are encouraged to consider whether and where assurance can help mitigate risks of misclassification or greenwashing.

Assurance may be particularly relevant for information related to implementation progress, interim targets, or financial viability. Ratings or assessments that are subject to a defined assurance methodology may also play a role in increasing confidence in the quality of the data used.

In the case of large and listed entities, there is an increasing market expectation that third-party validation - including independent assessment of transition plans - will be part of the overall evidentiary base. Tools such as the SBTi Financial Institutions Net-Zero Standard (including its provisional implementation list) may serve as a reference point. This expectation may be less applicable to mid-sized or private entities, where data limitations are more pronounced.

5 Factor and Principle assessment examples

Based on feedback from the first consultation and conversations with market participants, we have included some worked examples to support entities in their application of the Guidelines. In this section, we include case studies showing how entities being assessed using the Guidelines meet the criteria for certain Universal Factors

We have provided examples which address the following:

- **Example 1: Assessing the Interim Targets and Metrics Factor**
- **Example 2: Assessing the Implementation Factor**
- **Example 3: Assessing the Financial Viability Factor**
- **Example 4: Demonstrating the Addressing Dependencies Principle**
- **Example 5: Applying relevant Contextual Factors**

In future versions of the Handbook, the Council would like to provide more practical examples. Please let us know through the consultation which other examples would be most useful for us to focus on.

5.1 Example 1: Assessing the Interim Targets and Metrics Factor

Context: Steel manufacturer

An Asian steel company principally engaged in the manufacture, processing and sales of steel products requires a loan from a Bank to support its decarbonisation agenda. The company has a decarbonisation target across Scope 1 and 2 of 25% by 2030, from a 2018 base year and has publicised its aim to be net zero by 2050. The company has a series of other targets including:

- Using 30% renewable energy for total energy consumption by 2030
- Producing steel using 95-100% scrap material feedstock by 2035
- Using Electric Arc Furnaces (EAFs) for 100% of its production by 2050

The company publishes annual updates to their progress on these targets, although does not have a formal transition plan in place. The bank is assessing whether the Interim Target and Metrics Factor criteria have been met.

The assessment of the Factor criteria

Quantitatively defined short- or medium-term decarbonisation targets

The entity has a short-term decarbonisation target across Scope 1 and 2 of 25% by 2030, which meets the SBTi's near-term target trajectory of Well-Below 2 Degrees (WB2D) (supporting the **Credible Ambition Principle**). To calculate this target, the company annually, publicly, demonstrates its alignment with the Greenhouse Gas Protocol's accounting standard (supporting **Transparent Accountability**).

They do not have an emissions target on Scope 3, but they have provided a sufficient link to show how their operational target, increasing use of scrap feedstock, relates to decarbonisation of a material Scope 3 emissions category, 'Purchased Goods and Services'. To demonstrate this link, they have published analysis to show an 80% reduction in emissions when comparing scrap feedstock to virgin feedstock, which would reduce their 'Purchased Goods and Services' emissions by over 50% by 2035, supporting the **Credible Ambition Principle**.

Long-term ambition

The company has publicly stated their ambition to reach net zero emissions by 2050. Even though there is not a formalised long term target in place, having a long-term ambition supports the **Credible Ambition Principle**.

Evidence of key dependencies

In the analyses provided, the company states that decarbonisation will occur as a result of their operational targets, but that it is regularly monitoring the below external factors:

EAF target: decarbonisation using EAF is dependent on the procurement of renewable electricity or decarbonisation of grids, without this, EAF-produced steel may not align to a credible pathway. This dependency is likely to be most significant in the medium to long term.

Scrap feedstock target: the ability to procure scrap feedstock is dependent on regional demand and prices for scrap, which could make the material uneconomic to procure and utilise. This dependency could materially affect their target in the short term.

Stating these dependencies indicates that the company is aware of the key issues that underpin future decarbonisation performance, supporting the **Addressing Dependencies Principle**. More information on its approach to mitigating those dependencies could be helpful.

Evidencing progress

The entity has published in its annual sustainability report detailed progress against each target, along with high-level details of their analyses on how their operational targets result in future decarbonisation. This report demonstrates both the **Action in Progress** and **Transparent Accountability Principles**. The absence of a formal transition plan is not required for this assessment, although encouraged as a medium to demonstrate impact and progress.

Key learnings

While it is recommended that companies have a Scope 3 target where possible, the Guidelines allow flexibility for transitioning entities that can clearly demonstrate the link between operational targets and material Scope 3 category decarbonisation.

5.2 Example 2: Assessing the Implementation Factor

Entity context: Public transport provider

A large UK public transport provider has set decarbonisation targets, which were approved by the SBTi in 2024. This includes a target to reduce absolute Scope 1, 2 and 3 emissions by 50% by 2032. The company has progressed extensively on actions required to meet these targets including:

- Placing its largest bus order for 170 fully EV buses, to be delivered over the next 3 years
- Introducing 'EV Bus Cities' in four cities, working closely with local authorities and the distribution network operators (DNO) to continue installing charging infrastructure alongside EV bus deployment
- Sourcing 100% renewable electricity directly from energy suppliers from 2024

Whilst it has made excellent progress, during their annual review process the company realised it was not on track to meet its target trajectory and would require further EV buses. Additional debt financing to procure the vehicles is needed to meet its targets and the company is releasing an updated investment plan to close the emissions gap. A lender is assessing the entity and whether it meets the Factors, specifically the Implementation Factor.

The assessment of the Factor criteria

Time-bound implementation actions

The company has clearly laid out time-bound actions to rectify the underperformance against its target (supporting the **Credible Ambition Principle**) through an updated implementation roadmap for procuring further EVs. This included the number of EVs procured and when their necessary charging infrastructure will be operational. They provided data on estimated distance travelled to be able to demonstrate how the actions would result in carbon reductions to meet their target (supporting the **Action in Progress Principle**).

Addressing implementation progress

The company recognised that their existing approach was not sufficient to meet their target through their periodic review process (supporting the **Transparent Accountability Principle**). This indicates that they have the internal processes in place to be able to react to underperformance against targets and apply corrective measures (demonstrating the **Action in Progress Principle**).

Actions to mitigate risks arising from dependencies

A key dependency for the successful rollout of EVs is adequate charging infrastructure. The company is able to provide detail on how it is engaging with local authorities to obtain the necessary development permits to install charging infrastructure at strategic locations in the city centres to aid rapid charging. They were able to provide details of the grid capacity assessment through the DNO to demonstrate the most economic options and mitigate high-cost sites (demonstrating the **Addressing Dependencies Principle**).

The need for a carbon lock-in assessment

As the company is exclusively procuring EV buses, there is limited risk of carbon lock-in. A brief statement was provided by the company to demonstrate that it was not purchasing any hybrid vehicles, which could carry risk of carbon lock-in due to their relatively high emissions and asset lifespans.

Key learnings

This example demonstrates that even entities in sectors that are not traditionally hard to abate can be considered for transition finance. This company demonstrated that their internal process for reviewing the progress of their implementation actions is adequate to recognise underperformance and update their strategy accordingly in a transparent manner.

5.3 Example 3: Assessing the Financial Viability Factor

Entity context: European gas infrastructure operator

A European operator in gas infrastructure, is engaged in the sectors of transportation, storage and regasification. Given their role in the market, their transition is essential for European decarbonisation, and they have invested heavily into their transition towards being future fit. In 2024, the company released its transition plan which was structured around several key frameworks including: the Transition Plan Taskforce (TPT) Disclosure Framework principles, the Taskforce on Climate-Related Financial Disclosure (TCFD) and CDP climate disclosure's principles. The plan was also materially shaped by extensive investor engagement ahead of publication, including targeted outreach to 10 major investors. Their feedback led to the integration of scenarios extending to 2050, a detailed explanation of the company's business model and Scope 3 positioning, and a stress test of infrastructure usage over the long term across different scenarios.

Using the public information available, an assessment was done as to whether the company would meet the criteria for the Financial Viability Factor.

The assessment of the Factor criteria

Implementation actions, targets and metrics are integrated into financial planning processes

The company's transition plan contains a 'Future-Proof Investment Plan' which showcases how it intends to invest into green and decarbonisation-based activities in the short- and medium-term, alongside the context of its wider investment and transition objectives (supporting the **Credible Ambition Principle**). This demonstrates how transition planning has been integrated into their financial planning processes.

Identifying key sources of key financial dependencies

The company's transition plan identifies major policy, regulatory, and technological dependencies and outlines qualitative mitigation actions. Whilst the plan is not explicit in

detailing all financial dependencies – further conversation with the company lead to evidence of how the dependencies referenced in the plan are integrated into standard financial analysis outside of the context of the report.

Budgeting for key implementation actions

The investment plan goes into enough detail to show how individual implementation actions are budgeted in terms of capex as well as a proportion of total committed funding, specifically through hydrogen-ready gas infrastructure and actions related to emissions reduction and green molecules (supporting the **Action in Progress Principle**). This includes investment into initiatives to support continued decarbonisation of their material Scope 1, 2 and 3 emissions.

Progress in increasing revenue, expenditures, or assets in line with ambition

The plan shows detail of how the company's capex in EU taxonomy-aligned, and SDG-aligned activities is increasing in two different timeframes and indicates the growing proportion of these activities in total committed funding. This shows the increase in these activities, as well as the decrease in investment in high emissions activities, which in this case is their gas infrastructure (supporting the **Action in Progress Principle**).

Key learnings

This example demonstrates how a company that is closely aligned to the TPT Framework can effectively meet the criteria for Factors, in this case, for the Financial Viability Factor. As the Guidelines are based on the TPT Framework, comparison and assessment were more efficient and clearer for an assessor in relation to the necessary financial detail. Where an area may lack detail, in this case, such as explicit financial dependencies, an assessor may need to engage with the entity to establish whether the requirement was met through non-public, or alternative evidence.

5.4 Example 4: Demonstrating the Addressing Dependencies Principle

Entity context: An energy infrastructure company

An asset manager of a transition finance fund is considering investing in an energy infrastructure company. Though part of its revenue comes from crude oil transportation and natural gas infrastructure, it has defined clear implementation actions to deliver decarbonisation impact. It is converting sections of its natural gas pipeline into a CO₂ transportation system to support its wider decarbonisation strategy. Supported by the local energy authority, the company is also developing a commercial-scale sequestration hub. Additional initiatives include hydrogen storage development and publicly funded carbon capture studies whilst also following best practices in methane leakage and abatement.

Demonstrating the 'Addressing Dependencies' Principle

For the entity, ensuring it meets the 'Addressing Dependencies' Principle is inherently subjective as its transition strategy relies on a number of forces outside its control. For the company to be

considered a credible transition finance investment there needs to be evidence that key sources of material financial dependencies (such as reliance on policy incentives or technology costs) are being managed or mitigated.

While the company has undertaken sensitivity analyses to test project viability under different policy scenarios, the robustness of these models is uncertain. However, the company can point to policy incentives such as tax credits as key to project economics. The asset manager probed whether downside cases assume abrupt or gradual changes to incentives and compared the company's assumptions with independent policy forecasts to gauge whether the company's contingency planning is sufficiently realistic.

Technology costs represent another critical financial dependency, particularly given the early-stage nature of hydrogen and carbon capture technologies. To address this the company is piloting autothermal reforming in partnership with government and several universities. Although these collaborations suggest a forward-looking approach, reliance on unproven technologies introduces uncertainty. The asset manager evaluated this dependency by reviewing government progress reports, comparing projected cost curves with independent market analyses, and assessing whether the company has structured its capital commitments in phases that limit exposure to early-stage cost overruns.

Key learnings

To make a judgement on whether the company is sufficiently addressing the 'Assessing Dependencies' Principle, the asset manager has evaluated key dependencies across technology, policy and finance. Capital providers need an in-depth understanding of the emerging policies and technologies for the sector, and engagement with the company to be able to sufficiently assess material dependencies.

5.5 Example 5: Applying relevant Contextual Factors

Entity context: An agricultural business

A large agricultural business has established Scope 1 and 2 emissions reduction targets and a Scope 3 target that covers its material indirect emissions, alongside a commitment to achieve net zero by 2050. The company has published a transition plan outlining actions it considers necessary to achieve these ambitions over the short-, medium-, and long-term.

To help finance specific decarbonisation initiatives, the company approaches a bank specialising in agricultural finance to explore eligibility for transition financing. The bank's sustainability and transition finance specialist conducts an assessment against the Transition Finance Guidelines and determines that the company meets most of the required criteria. However, the assessment identifies shortcomings in the level of detail provided on implementation actions and in how these actions demonstrate future alignment with the company's credible transition pathway.

Relevant Contextual Factors

The bank incorporates its sector expertise by considering additional contextual factors relevant to agriculture and nature, including the 'Adaptation and resilience' Factor and the 'Environmental and social risks' Factor.

On reviewing the company's implementation actions within its transition plan, the bank notes that the decarbonisation levers used to meet the short-term targets primarily focus on electrification and efficiency improvements in agricultural equipment, manure management systems, adjustments to fertiliser use, and emissions reductions from other land management practices.

While these measures could enable the company to meet its short-term emissions targets, the bank's expert analysis highlights gaps: the plan does not adequately address the resilience or deterioration of soils, the continuation of high-carbon tilling practices, and land-use change emissions associated with agricultural expansion. The absence of measures targeting soil health, sustainable land management, and ecosystem resilience raises concerns about the long-term credibility of the company's pathway to net zero.

As a result, the bank determines that while the company's actions may technically align with short-term decarbonisation targets, they do not sufficiently address key resilience and nature-related dependencies and risks that are material to the agricultural sector.

Key learnings

This example illustrates that a company may meet most transition finance eligibility criteria at face value, yet contextual sector factors can reveal gaps in the credibility of its implementation actions.

In this case, the bank continues financing the agricultural business but decides to refrain from classifying it as transition finance currently due to material concerns over medium-term credibility. However, the bank commits to further engagement and support to help the entity address nature-based and resilience risks, with the aim of achieving longer-term alignment with its transition pathway – potentially enabling the bank to update the classification in the future.

The bank may also choose to integrate these contextual risks more systematically into its assessment framework, given their materiality to agricultural businesses. This could involve developing sector-specific criteria to enable future financing decisions to consider both emissions reduction and nature-resilience dependencies systematically.

Ultimately, this example shows that contextual factors can be significant in assessing entities, depending on their sector- and entity specific materiality.

6 Implementation support for EMDEs and SMEs

The Guidelines have been designed to be globally operable, meaning they need to consider entities within EMDEs and entities of different sizes, such as SMEs. This section of the Handbook provides more detail on the challenges of applying the Guidelines in these specific contexts and what measures can be taken to alleviate these challenges.

The Council believes that this content would benefit from further discussion with institutions and companies operating or investing in EMDE markets or that are or engage with medium sized enterprises. We welcome constructive feedback and discussion with respondents to develop this section of the Handbook.

6.1 Key challenges that may disproportionately impact EMDEs

The countries that are often grouped with an EMDE category vary enormously and their pathways to net zero will differ at both the national level and sector level. Some of these countries have relatively modern fossil fuel power generation assets, significant industrial bases providing an important supply chain for global manufacturing sectors, and material, sometimes growing emissions.

An orderly global transition involves successful navigation by all countries taking account of the common but differentiated responsibilities and respective capabilities principle to lower carbon options while maintaining social and economic stability. Transition finance has a role to play here and is the focus of ongoing, sophisticated thinking in many of these markets.

Common But Differentiated Responsibilities and Respective Capabilities Principle (CBDR-RC)²⁷.

means that all countries share responsibility for environmental protection, but obligations vary by historical impact and current capacity. Stated in Article 2(2) of the Paris Agreement, it ensures developed nations lead in cutting emissions and providing finance and technology, while developing nations act within their means, increasing efforts as their capabilities, resources, and access to technology improve over time.

²⁷ UNFCCC (2015), [Paris Agreement Article 2.2 references to CBDR-RC principle](#)

Key challenges that entities in EMDEs might face when considering their transition are well documented through publications like NGFS's 'Tailoring Transition Plans: Considerations for EMDEs'²⁸, or NZIF's 'Considerations for Emerging Markets and Developing Economies Supplement'²⁹. These may include:

- **Different policy environments and pathways:** Growth and development policies and social needs for many emerging market nations are such emissions reductions in the short- to medium-term may not align to a 1.5°C pathway. EMDEs may have net zero target dates beyond 2050 because of these other priorities. They may observe the CBDR-RC principle. Some countries also do not have the long-term policy clarity that can facilitate investor confidence.
- **Data and reporting limitations:** Limited access to, or ability to produce, consistent, high-quality data and lack of sustainability reporting capability can make it hard for entities to set baselines, track progress, and meet disclosure expectations in transition finance frameworks.
- **Lower capacity and awareness:** entities face more significant capacity and awareness gaps in relation to transition planning. Climate expertise and understanding of climate and nature-related risks can be more limited and governance structures may be more varied, making these factors a key barrier to effective transition plan development and implementation.
- **More focus on financial resource for resilience:** EMDE entities that are more vulnerable to physical risks may struggle to meet both the cost of resilience as well as decarbonisation. This may limit their capacity to progress implementation actions aligned to a credible pathway. Even entities in EMDEs that are at less risk of physical risks will likely have a more challenging financial environment to invest into both resilience and decarbonisation.

The wider socio-economic context may be critical to a country's decarbonization journey. For example, for many emerging economies, achieving economic growth to reduce poverty and improving energy access are urgent challenges besides decarbonization. There is strong demand for finance in respect of energy-related infrastructure and activities in many emerging markets, including in Asia. ASEAN has several countries with high emitting sectors and growing energy demand due to population and economic growth trajectories. Concerns relating to energy access, energy security, economic growth and other social or structural factors may drive a longer process towards reducing emissions. Countries may decide to use energy-saving technologies or fuel switching from coal to gas as an intermediate step toward renewable technologies. See the Japan Public-Private Working Group in their report on Scaling "Inclusive" Transition Finance³⁰ for further discussion of these matters. While some of these activities may

²⁸ NGFS (2024), [Tailoring Transition Plans: Considerations for EMDEs](#)

²⁹ IIGCC (2024), [Emerging Markets NZIF supplementary guidance](#)

³⁰ Meti (2025), [Japan Public-Private Working Group's Report on Scaling "Inclusive" Transition Finance in the ASEAN Region](#).

mean that entities conducting them may not be capable of classification under the Guidelines³¹, financing these projects is still likely to form an important part of Asia's near-term investment program, contributing to the Nationally Determined Contributions (NDCs) of these emerging economies.

6.2 Key challenges that may disproportionately impact SMEs

For small companies, it is less likely they will be being viewed through a lens of potential investable transition opportunity (they are more likely to be involved in climate solutions or enabling activities). Due to their size and capacity constraints, it is also unlikely they'd be able to provide the information needed to classify as transition finance.

However, for medium sized companies that are expected to grow rapidly, or might already have some sustainability practices in place, the Guidelines are likely to be more relevant. Therefore, the below considerations are more aimed at medium-sized entities. The Council welcomes constructive feedback on this approach.

Key challenges for that may disproportionally impact medium-sized entities include:

- **Competing strategic objectives:** Many smaller businesses need to meet the requirements of funders, investors or internal stakeholders and will be focused on the growth of their business. This can come at the expense of being able to integrate sustainability and transition-relation processes and strategies in place, reducing their ability to meet the criteria in the Guidelines.
- **Competing financial priorities:** SMEs often face disproportionate costs to implement a transition plan depending on their size and sector. Competition for internal deployment of capital is often high, especially considering their strategic objectives as referenced, and can mean decarbonisation efforts are being given lower priority.
- **Lack of capacity and awareness:** SMEs can lack internal expertise, staff capacity, and resources to engage deeply with sustainability implementation actions and reporting required to reach the entities stated short-, medium and long-term ambition, preventing them from being able to meet the criteria. There will be, however, smaller businesses that can meet the criteria already. Acknowledging the wider spectrum of maturity within SME sectors is key.
- **Lack of specific guidance and standards:** Many existing guidelines and standards are often designed for large firms and not scaled appropriately to SMEs, although this is improving across certain areas like emissions accounting. This compounds the above issues on capacity.

³¹ For example, if other technological solutions consistent with a Credible Pathway are commercially viable or if lock-in issues arise.

6.3 The Guidelines' approach to overcoming challenges

The Guidelines have been designed to address some of the challenges outlined. The Council would welcome the opportunity to test this further with emerging market and medium sized companies.

Credible transition pathways and national context

The Guidelines, in reference to the Interim Targets and Metrics Factor, require a Credible Pathway compatible with the goal of the Paris Agreement to be demonstrated. National sector pathways, sector or technology roadmaps, science-based targets and taxonomies are contemplated as appropriate anchors under this definition (provided they were developed to be compatible with the Paris Agreement), so an entity's ambition and targets can take account of national or regional context³². The Transition Pathways Initiative's ASCOR framework³³ provides regional 2030 benchmarks for Paris compatible pathways based on the work from the 1.5°C national pathway explorer³⁴. Where an appropriate national sector pathway or taxonomy is not available, as it may not be in some EMDEs, an entity may use a global pathway including with a longer timeline or use a specific EMDE-focused global pathway, such as the IEA's Sustainable Development Scenario, which is used in the IEA's 'Clean Energy Investments in EMDEs' model and is compatible with the Paris Agreement³⁵. An NDC (or NDCs for entities operating in several jurisdictions) may be one of the reference points considered, particularly as regards Scope 2 emissions that may be limited by national/regional energy mix or the country's net zero target year. However, given that the degree to which NDCs are science based can vary, NDCs are not included within the definition of Credible Pathway.

Allow flexibility in targets

The Guidelines allow for emissions reduction targets (including intensity), and financial/operational targets and metrics for Scope 3, where the entity can demonstrate the link between the target and future decarbonisation (such as energy efficiency) aligned to the entity's credible ambition. The Scope for deploying financial or operational targets and metrics should enable additional proxies to be developed in cases where reliable emissions data is difficult to obtain. An assessor must still be able to identify which credible pathway the proxy target aligns to, so entities must provide information on their approach to linking their operational target.

Take a pragmatic approach to public disclosure and data

Recognising that public sustainability disclosure and formalised transition plans are less likely in some EMDEs and may not apply to SMEs, it is likely that some credibly transitioning entities may

³² The ITPN's report on Sector Transition Plans explores the opportunity for national policymakers to develop country-specific pathways tailored to local contexts, including how they help companies navigate complex dependencies and identify appropriate transition levers (ITPN (forthcoming), [Discussion paper - Sector Transition Plans: A bridge between national ambition and company transition plans](#). Currently under embargo).

³³ Transition Pathways Initiative (2024), [ASCOR framework: methodology note](#)

³⁴ 1.5°C national pathway explorer is a project developed by Climate Analytics.

³⁵ IEA and International Finance Corporation (2023), [Scaling up Private Finance for Clean Energy in Emerging and Developing Economies](#)

not ordinarily disclose such information publicly. The onus may therefore be on the capital provider assessing the entity to satisfy themselves, or seek direct information from the entity, that the necessary conditions for credible implementation of transition targets, metrics and actions are met. This could include, for example, obtaining energy data over emissions data, which may be more readily available and can be used as a proxy for decarbonisation over time.

Addressing constraints through differentiated criteria

One of the options being explored by the Council to support EMDEs and SMEs is the introduction of essential and desired criteria. This could allow entities with capacity constraints to still meet the threshold for transition finance by meeting the most critical criteria within each Factor. Further work is required to establish the eligibility for when an entity can use the essential criteria and when this should be the only criteria or an entry level requirement (with desired criteria to be satisfied over time). It is likely that both EMDE's and medium sized entities could benefit from this flexibility. Specific questions on this are included in the Consultation.

Further support for SMEs or entities in EMDEs

Where entities are still not able to meet the necessary thresholds for meeting the criteria, they may find the information and resources in the specific guidelines, standards, tools and services listed useful in collecting evidence to meet the classification.

Examples of SME-specific support

Global stakeholders are developing frameworks useful to SMEs in this space, such as the EU's Voluntary Sustainability Reporting Standard for SMEs (VSME)¹ developed by EFRAG, Malaysia's Simplified ESG Disclosure Guide (SEDG) for SMEs¹, and the OECD Platform on Financing SMEs for Sustainability¹, which, while not a formal standard, is also focused on overcoming barriers to SME sustainable finance.

Other initiatives, though not exclusively SME-focused, still provide valuable support to SMEs, including India's BRSR Lite¹, and Singapore's MAS "Gprnt" platform¹. Encouraging SME collaboration through business networks which are already highly utilised, like Singapore's SME Sustainability Hub¹, can lead to knowledge-sharing and distribution of case studies between businesses.

Capital providers can also support entities by providing, or signposting to, these assets. The expectation should not be that financial institutions directly deliver capacity-building for strategy development, governance practices or disclosure, but rather that they play a more facilitative role by ensuring entities know where to access relevant resources. By promoting the use of open-access toolkits and international good practice frameworks, credit institutions and investors can reduce the burden on entities and enable them to align more effectively with transition finance expectations in the future, even if they do not meet requirements at this stage.

The case studies below demonstrate how companies have utilised publicly available tools to support their ability to potentially qualify for transition finance through the Guidelines.

Case study: Supporting technical capacity development in EMDEs

Context

The International Finance Corporation (IFC) recognised that many businesses in EMDEs lacked the technical capacity and access to expertise to measure their energy and resource use, benchmark performance, or identify cost-effective efficiency interventions. Without these capabilities, there was little visibility over their consumption and were missing out on operational savings and opportunities to demonstrate credible transition to capital providers. EDGE (Excellence in Design for Greater Efficiencies) is a digital tool¹ and certification system created by IFC to make green building design accessible and affordable for entities in EMDEs, allowing them to rapidly upskill and generate some of the verifiable data and credentials needed to qualify for transition finance.

Key features

EDGE combines local baselines for energy, water, and materials with cost-benefit modelling that shows upfront costs, savings, and payback periods, giving firms a clear business case for efficiency. Its low-cost, fast certification process ensures credibility at a fraction of traditional schemes, enabling EMDE entities to demonstrate sustainability credentials.

Impact

EDGE has scaled rapidly across nearly 140 countries, becoming a trusted benchmark for developers, banks and governments for efficient buildings management. By providing clear, verifiable data on energy, water, and material savings, the tool reduces information gaps that often deter investors and allows developers to present stronger business cases. For example, in Colombia, Vietnam, Kenya, and India local banks are beginning to offer preferential financing for EDGE-certified projects. While in South Africa, certified housing projects have secured concessional funding from development finance institutions that recognised the credibility of the certification process. IFC estimates that green building investment opportunities in emerging market cities could reach USD 24 trillion in the coming decade, with EDGE helping to unlock that market.

EDGE projects typically add only about 2% to upfront construction costs, with payback achieved in 2–3 years. This affordability has brought efficiency improvements into the mainstream for developers and SMEs, lowering barriers for participation and making EMDE entities more credible candidates for transition-aligned capital in the building sector. While not a complete solution to investor requirements, EDGE plays a critical role in enabling firms to evidence their sustainability credentials and connect to emerging pools of finance that prioritise credible, measurable efficiency improvements.

Case study: An SME harnessing the power of collaboration to develop capacity

Multi Décor India and its financing challenges

Multi Decor India Private Ltd. (MDIPL), a small enterprise based in Faridabad, produces prefabricated steel buildings and has built a reputation for delivering high-quality projects across India. The company has invested in clean energy, water conservation, and waste management. However, initially financing these initiatives was a persistent challenge, along with technical capability. The upfront costs of technologies like solar panels, gas gensets, sewage treatment plants, and insulation systems placed significant pressure on its limited financial resources, making it difficult to implement projects at scale and pace.

Accessing loans and receiving support

To overcome financing barriers, MDIPL turned to the SME Climate Hub, which provided a platform for engagement with financial institutions. This collaboration and engagement effort led to a loan with the Small Industries Development Bank of India (SIDBI) to install solar panels and gas-powered generators. Beyond funding, MDIPL also drew on technical expertise by collaborating with engineers, architects, and renewable energy providers to integrate complex systems such as solar arrays, insulation, sewage treatment, and upcoming water-from-air technology. The SME Climate Hub's role in convening stakeholders and creating access points to finance and knowledge proved vital to moving these projects forward. Highlights of the impact include:

- Solar panels now supply around 40% of energy needs, reducing emissions and reliance on the grid.
- High-quality insulation cut energy costs and improved employee comfort.
- A zero-waste sewage treatment plant recycles water for irrigation and cleaning.
- A composting system is being introduced to turn food waste into soil enrichment.
- New capacity for tracking and reporting data provided reliable metrics to loan providers, strengthening credibility and transparency.

The power of knowledge-sharing and partnerships

MDIPL's progress illustrates how knowledge-sharing platforms and partnerships with financial institutions are critical to enabling SMEs to act on climate. By leveraging the SME Climate Hub to access finance and expertise, the company overcame barriers that might otherwise have stalled its sustainability journey. This collaboration demonstrates that when SMEs are supported with the right tools, funding, and networks, they expand capacity and technical capability quickly, potentially allowing them to become eligible for different types of funding.

7 Applying the Guidelines across different asset classes

7.1 Overview of asset-specific guidance

Using the Guidelines to assess and classify investments as ‘transition finance’ can vary significantly by asset class. This is due to differences in characteristics such as data availability, investment structures and time horizons. To address these differences, this section outlines typical considerations and barriers encountered within each asset class and proposes, where feasible, pragmatic approaches to help overcome them.

Each set of asset-specific guidance focuses on two key areas:

- *Assessment and identification of transition finance opportunities (pre-investment)* – supporting investors in interpreting and applying the Principles and Factors when evaluating potential investees; and
- *Ongoing monitoring and enhancing impact (post-investment)* – providing direction on how users can continue to engage with, monitor, and support investees to have decarbonisation impact

For the consultation, we have developed two sets of asset-specific guidance, starting with **Public Equities**, **Public/Listed Debt** and **Private Equity**. These are prioritised due to their prominence in institutional portfolios and the comparatively stronger availability of issuer-level data and disclosure.

Guidance for **Real Assets/Infrastructure** and **Private Credit** is **currently in development** and will be incorporated into future iterations. Additional asset classes may be included in the final version of the Guidelines, scheduled for release in Spring 2026, where relevant.

While distinct in purpose, the Net Zero Investment Framework (NZIF)³⁶ may offer further useful, complementary insights for users of the Guidelines. As a portfolio-level tool to support net zero alignment, NZIF includes practical guidance across asset classes such as listed equity, corporate fixed income, real estate, infrastructure, private equity, and private debt. (Please see Section 3.4 Interoperability with the Net Zero Investment Framework for more information).

³⁶ PAII (2024), [NZIF 2.0 The Net Zero Investment Framework](#)

7.2 Further Guidance on Public Equity

Assessment and identification of transition finance opportunities (pre-investment)

In the context of public equities, several factors influence an investor's ability to assess whether investments in entities may be classified as 'transition finance'.

Data availability and quality

Public companies generally provide more climate-related disclosures than private entities due to regulatory requirements and widely adopted frameworks such as TCFD³⁷ and ISSB³⁸. However, critical data gaps or uncertainties can remain, especially around Scope 3 emissions, capex alignment, and short- to medium-term decarbonisation targets. Equity investors can use information from third-party sources such as CDP³⁹, the Transition Pathway Initiative⁴⁰, SBTi⁴¹, and ESG data providers to gather information on corporate climate strategies, in order to enable a consistent, scalable approach across multiple portfolios. They can also look in more depth at company disclosures or source additional information via engagement with the company, depending on the strategy type.

Strategy type

An investor's ability to assess whether a public equity investment can be labelled as transition finance is shaped by the underlying strategy of the fund or mandate, and the information available. Active strategies typically offer greater flexibility to incorporate detailed, company-level climate data into research and decision-making, apply bespoke or third-party frameworks (such as NZIF⁴²), and directly engage with issuers on their transition plans. In contrast, passive and quantitative strategies are often constrained by index composition and may lack the discretion to exclude or underweight misaligned companies or select holdings based on transition alignment.

As such, applying a transition finance label to passive strategies is particularly challenging. Future iterations of this Handbook will explore this challenge further. We welcome feedback and suggestions on how best to approach this. Investors may also consider setting and disclosing minimum thresholds for transition-aligned holdings – see 'Portfolio diversification and transition thresholds' below.

Portfolio diversification and transition thresholds

Given the nature of public equity markets and the need for portfolio diversification, transition-focused equity funds may not be fully invested in transition-aligned companies. Investors may

³⁷ Task Force on Climate-related Financial Disclosures (2023), [TCFD Recommendations](#)

³⁸ IFRS (2025), [Introduction to the ISSB and IFRS Sustainability Disclosure Standards](#)

³⁹ CDP (2025), [CDP Scores and A Lists](#)

⁴⁰ Transition Pathway Initiative (2025), [Sectors](#)

⁴¹ Science Based Targets Initiative (2025), [Target Dashboard](#)

⁴² PAII (2024), [NZIF 2.0 The Net Zero Investment Framework](#)

therefore consider disclosing the proportion of investments at any given time that meet the criteria or setting minimum thresholds for transition-aligned assets within a fund. These thresholds can be informed by internal policies or external standards, such as regional fund labelling frameworks (e.g., ESMA's sustainable fund naming requirements⁴³), and should be transparently disclosed as part of the fund's transition finance classification rationale.

Ongoing monitoring and enhancing impact (post-investment)

Ownership in public equities is typically widely dispersed and new capital raising through equity issuance is rare. As most trading involves existing shares rather than fresh financing, engagement and stewardship are critical tools for supporting credible transition outcomes and encouraging companies' alignment with transition finance criteria over time. To encourage this alignment, transparency is essential to understand how a fund applies the Guidelines, including:

- Whether the fund is invested fully or partially in companies that already meet the Factors.
- Whether it uses engagement to support alignment over time, with clarity on:
 - The intended timeframe for progress,
 - The escalation strategy if progress is insufficient (e.g., voting action, divestment), and
 - How performance will be measured.
- Whether a combination of these approaches is used.

Stewardship strategies

Investors can implement a range of stewardship strategies to monitor and influence transition progress at the entity level, including:

- Direct engagement through dialogues, written communications, and participation in annual general meetings to assess companies' transition commitments and encourage improvements⁴⁴,
- Strategic use of voting rights to support credible transition efforts and hold companies accountable for progress,
- Supporting or requesting "Say on Climate" votes to enhance transparency and track companies' progress against their climate commitments.
- See the IIGCC Net Zero Stewardship Toolkit⁴⁵ which provides a foundational framework and Handbook to enhance investors' stewardship practices to deliver rapid acceleration in decarbonisation.

⁴³ European Securities and Markets Authority (2024), [Guidelines on funds' names using ESG or sustainability-related terms](#)

⁴⁴ For example, investors working under an existing framework may wish to use criteria in these Guidelines in engagements with poorer performing transitioners to encourage improvement.

⁴⁵ IIGCC (2022), [Net Zero Stewardship Toolkit](#)

Wider market engagement

Investors may also seek collaborative engagement opportunities, joining formal initiatives like Climate Action 100+⁴⁶, or the Net Zero Engagement Initiative⁴⁷, or forming informal alliances focused on specific sectors or geographies. They should also extend stewardship beyond investee companies. It is particularly important for investors to be engaging with policymakers and regulators to advocate for robust market frameworks and policies that support real economy transition objectives.

7.3 Further Guidance on Public Listed Debt

In contrast to most public equity investments made in the secondary market, creditors provide new and ongoing capital, via participation in primary issuance. General purpose bonds can enable the issuer to carry out their stated Capex plans that support their transition strategy.

Given the Guidelines support the assessment of entity-level financing, this section addresses issues in assessing the transition credibility of general-purpose bonds, rather than use-of-proceeds bonds.⁴⁸ For more detail on how different labelling frameworks interact with these Guidelines please see the section on '*Global interoperability of the Guidelines*'.

Assessment and identification of transition finance opportunities (pre-investment)

Understanding use of financing in unlabelled general-purpose bonds

In the context of unlabelled general-purpose bonds, there is no requirement for the issuer to disclose use of proceeds beyond general corporate purposes. Therefore, thorough due diligence would be required to determine whether it would be appropriate to apply a transition label.

In their discussions with issuers, capital providers should push for more granular detail on how the issuance of unlabelled bonds will be part of the Capex plans that support the entity's interim targets.

Alignment with KPIs on sustainability-linked bonds

The structure level details of a sustainability linked bond (SLB) may not always reflect broader entity transition strategies which could satisfy the Transition Finance Guidelines. For example, an energy utility debt issuer may have a GHG decarbonisation linked KPI in line with the SLB principles, however if there is carbon lock-in risk that hasn't been addressed the entity is unlikely to qualify as credible transition finance under these Guidelines. Therefore, assessments must

⁴⁶ [Climate Action 100+ \(2025\) Homepage](#)

⁴⁷ [IIGCC \(2025\), Net Zero Engagement Initiative](#)

⁴⁸ Sovereign bonds are out of scope of these Guidelines.

always consider both instrument features and entity transition alignment to classify transition finance.

Data availability

Disclosure can be less granular and uneven across credit rating bands, with investment-grade issuers typically providing more detail than high-yield or lower-rated issuers (e.g. prospectuses rarely include forward-looking emissions data). Capital providers should push for integration of climate disclosures into bond documentation (e.g. prospectuses or offering circulars). They should also encourage rolling covenant-based disclosure obligations, ensuring issuers provide annual updates on transition metrics even between refinancing events.

Time horizon and tenor alignment

Clear short, medium and long-term milestones – supported by disclosure of interim decarbonisation targets – along with granular disclosure on the activities funded by proceeds, will help investors see decarbonisation within the timeframe of the bond tenor. Medium and longer tenors can provide opportunities to better reflect medium to long-term transition strategy, targets and progress, especially in SLBs with time-bound KPIs.

Ongoing monitoring and enhancing impact (post-investment)

Engagement and stewardship

While debt investors lack equity voting rights, as the ongoing providers of capital, they can still influence transition progress at the entity level via direct issuer engagement and dialogue. Debt investors can engage with an issuer at any time, especially when there is a long-standing lending relationship, but influence can be particularly effective through pre-issuance dialogue in conjunction with:

- structuring and arranger banks;
- credit rating agencies;
- ongoing engagement on covenants;
- KPIs (link to methane abatement taskforce work);
- Investor initiatives (see both the IIGCC Net Zero Bondholder Stewardship Handbook⁴⁹⁵⁰ and ICMA's Green Bond Principles⁵¹).

Covenants, triggers and reporting

Investors can encourage issuers to include climate-related covenants (e.g. mandatory annual reporting on emissions intensity, and where relevant penalties for KPI slippage). Credibility is

⁴⁹ IIGCC (2023), [Net Zero Bondholder Stewardship Guidance](#)

⁵⁰ The IIGCC Bondholder Stewardship Handbook (2023) guides bondholders on engaging issuers to ensure debt financing aligns with entity-level net-zero transition plans. It emphasizes evaluating corporate transition strategies, capital allocation, and climate disclosures, and provides best practices for transparency, target-setting, and engagement, enabling investors to influence corporate decarbonisation across the entire capital structure.

⁵¹ ICMA (2025), [Green Bond Principles](#)

undermined if covenant breaches have limited financial consequences. Stronger penalties, or linking coupon step-ups to material credit risk, can reinforce alignment.

Wider market engagement

To support the successful decarbonisation impact of their financed entities, debt investors could work with arranger banks to embed more robust transition-linked features in future issuances, encourage credit rating agencies to systematically integrate and disclose climate risk exposure into credit assessments (see the PRI's ESG in Credit Risk and Ratings Initiative⁵² for an example of progress made in this area), and coordinate with other bondholders to create stronger collective signals. Public signalling of expectations and outcomes, alongside targeted capital allocation decisions (e.g. preferring refinancing structures that are aligned with credible transition pathways), helps set market-wide benchmarks. By engaging across these external channels, investors not only manage issuer-level risks but also contribute to raising transition standards across the broader debt market.

7.4 Further Guidance on Private Equity

As these Guidelines support the financing of entities that already have a transition aim and strategy, they are most applicable to private equity (PE) investments in companies with sufficient resources and maturity to demonstrate credible decarbonisation intent. While early-stage companies – including seed, start-up, and venture capital – can play a vital role in climate solution/enabling activities that may qualify them for green finance, they are less likely to be assessed purely through a transition lens due to limited operational history, data availability, and maturity. Therefore, this guidance is primarily aimed at PE investors pursuing strategies across the growth equity to large-cap buyout spectrum⁵³ – including lower mid-market, mid-market, and IPO-focussed funds – where portfolio companies, often SMEs, are more likely to have, or be supported to develop, transition strategies. The focus is particularly on the more mature end of the SME spectrum. Additionally, while acknowledging that Limited Partners (LPs) may not always have formalised sustainability or transition-focused expectations, this Handbook assumes that such expectations have been set at either the company or fund level – whether through fund-specific mandates or side letters. Consequently, the recommendations below are directed at General Partners (GPs), who are the key stakeholders responsible for applying the Guidelines during pre-investment assessment.⁵⁴⁵⁵

⁵² PRI (2025), [ESG in Credit Risk and Ratings Initiative](#)

⁵³ Please see page 9 of the BVCA's July 2025 report, [Investing in a better economy](#), for a simplified chart outlining the different investment stages and how private capital firms support the businesses they back.

⁵⁴ While this Handbook is primarily aimed at GPs, LPs may also find the guidance useful – particularly where they have access to comprehensive look-through data – to inform engagement with GPs on transition finance alignment.

⁵⁵ For LP-level guidance, see frameworks such as [NZIE](#), and tools like the [IPLA DDQ](#) and [ESG Data Convergence \(EDCI\)](#) questionnaires, which support LP-GP engagement on sustainability and transition topics.

Assessment and identification of transition finance opportunities (pre-investment)

Data availability and standardisation

Data availability in private markets is typically limited and less standardised. This is largely due to the absence of mandatory disclosure requirements and less developed climate strategies – both at a GP level and across portfolio companies – and capital allocation plans, particularly within growth equity funds. As a result, GPs may often face uncertainty when assessing an entity's transition status. For example, many companies across the PE spectrum may only report Scope 1 and 2 emissions and lack Scope 3 data or forward-looking decarbonisation targets, making it difficult to judge the credibility of their transition pathway and ambition.

To address these challenges, GPs can take practical steps to improve not only data access, but also the standardisation and prioritisation of information – with a sharper focus on what's most material for assessing transition potential in the PE context. This is most likely to be effective if framed by reference to business case (e.g. identification of transition related investment with a clear ROI, impact on value, ability to access capital, IPO-readiness) rather than being approached as reporting. Developing tailored pre-investment questionnaires aligned with private market-specific Handbook and methodologies — such as the Net Zero Investment Framework (NZIF)⁵⁶, which offers support for assessing the credibility of a portfolio company's transition strategy, the Private Markets Decarbonisation Roadmap (PMDR)⁵⁷, and the Institutional Limited Partners Association (ILPA) DDQ⁵⁸ — can help GPs obtain relevant transition-related information and interpret it in a way that accounts for private market specificities. Similarly, templates such as the ESG Data Convergence Initiative (EDCI)⁵⁹ provide standardised and comparable ESG metrics across themes including GHG emissions and decarbonisation, supporting converging GP/LP reporting for PE.

Private Equity strategy

GPs should consider how the nature of their investment strategy – across the PE spectrum – impacts their ability to assess and influence an investee's transition credibility and their aggregated exposure to and ability to manage transition risk at portfolio level.

For example, for strategies at the maturer end of the spectrum, such as large-cap and potential IPO, GPs have a higher level of influence over their assets, typically involving active control ownership⁶⁰, often with board representation⁶¹. This influence creates strong opportunity for GPs to embed transition expectations into both the fund's conditions, and the terms of the

⁵⁶ PAII (2024), [NZIF 2.0 The Net Zero Investment Framework](#)

⁵⁷ iCI, Sustainable Markets Initiative's Private Equity Task Force, Bain & Company (2024), [Private Markets Decarbonisation Roadmap](#)

⁵⁸ ILPA (2021), [Due Diligence Questionnaire 2.0](#)

⁵⁹ EDCI (2025), [ESG Data Convergence Initiative Homepage](#)

⁶⁰ BVCA (2025), [Investing in a better economy](#) (p.8)

⁶¹ iCI, Sustainable Markets Initiative's Private Equity Task Force, Bain & Company (2024), [Private Markets Decarbonisation Roadmap](#)

investment at portfolio company level (e.g. sustainability targets, reporting requirements and governance structures)⁶², enabling better alignment with the ambition of the Guidelines and supporting robust classification of the investment as transition finance. Additionally, given the more advanced maturity of these companies and their greater resourcing and relevance, they are more likely to adopt or align with established decarbonisation frameworks and scenario analysis — such as the TPT⁶³, IEA⁶⁴, and SBTi⁶⁵ — which can, in turn, support and streamline the GP's pre-investment assessment by providing recognised, credible reference points. This is likely to contribute to IPO readiness and is also relevant for mid-market buyout stage companies.

For strategies within the growth and scale-up stage of the PE spectrum, including growth equity, lower-mid- and mid-market, ownership is typically through active large minority or majority stakes⁶⁶. While not the same level of control as large-cap and IPO potential strategies, this ownership still gives GPs influence which can and should be maximised. That said, companies at this stage are less mature, which can make it more difficult to gather robust data during pre-investment assessment and then to encourage action in response. Despite fewer growth-specific taxonomies or frameworks, they can still draw on core elements of the guidance laid out above for more mature companies. Another consideration is that companies in this part of the PE spectrum are typically focused on rapid scaling, which can often lead to near-term emissions increases, especially for those in higher-emitting sectors. As such, GPs may need to lean into areas of the Guidelines that allow for emissions intensity targets, where absolute emissions reductions are not yet feasible, and where transition targets are difficult to set in the first instance, as well as look to forward-looking alignment⁶⁷.

Ongoing monitoring and enhancing impact (post-investment)

Engagement and disclosure

Engagement is critical to driving credible transition alignment. GPs should engage regularly with portfolio companies to review and challenge transition strategies, ensuring they remain credible, forward-looking, and responsive to changing dependencies. This includes monitoring progress against targets, identifying when course corrections are needed, and supporting companies in adapting their plans over time. Where companies fall short, GPs should be prepared to escalate engagement or adjust their approach.

LPs also have a role in seeking clarity from GPs on how transition-aligned the fund's portfolio is, asking questions such as; what portion of the portfolio currently meets the Transition Finance Guidelines, what strategies are in place to increase this share over time, what engagement

⁶² Please see the PRI's July 2025 report, [Sustainability Value Creation](#), which provides more detail on identifying material sustainability topics and key value-driving initiatives at the portfolio company level.

⁶³ Transition Plan Taskforce (2023), [TPT Disclosure Framework](#)

⁶⁴ IEA – International Energy Agency (2025), [Homepage](#)

⁶⁵ Science Based Target Initiative (2025), [Homepage](#)

⁶⁶ BVCA (2025), [Investing in a better economy](#) (p.8)

⁶⁷ See the [NZIF 2.0 The Net Zero Investment Framework](#) for more detail.

efforts are underway with non-aligned companies, and how progress is being tracked and reported. Encouraging GPs to adopt and disclose against standardised criteria can significantly enhance comparability and accountability across the market. Recommended engagement actions for both LPs and GPs are also included in NZIF's PE component (pp. 19–22).⁶⁸

Transparency on transition alignment is also essential in the post-investment phase.

Wider market engagement

LPs and GPs also have an important role to play in shaping the wider private markets ecosystem for transition finance. This includes engagement with other shareholders, industry groups, as well as active participation in collaborative initiatives such as the EDCI⁶⁹, the ILPA⁷⁰, and the IIGCC⁷¹. By supporting the adoption of harmonised voluntary frameworks and methodologies – including NZIF⁷², the PMDR⁷³ and the Transition Finance Guidelines – they can help drive convergence around best practices. Policy advocacy could also play a larger role, calling for inclusion of finance considerations in real economy policy (see for example the Council's 'Sector Transition Plans: The Finance Playbook'⁷⁴), incentives for private markets to transition, and interoperability with other jurisdictions.

⁶⁸ PAII (2024), [NZIF 2.0 The Net Zero Investment Framework](#)

⁶⁹ EDCI (2025), [ESG Data Convergence Initiative Homepage](#)

⁷⁰ Institutional Limited Partners Association (2025), [Homepage](#)

⁷¹ The Institutional Investors Group on Climate Change (2025), [Homepage](#)

⁷² PAII (2024), [NZIF 2.0 The Net Zero Investment Framework](#)

⁷³ iCI, Sustainable Markets Initiative's Private Equity Task Force, Bain & Company (2024), [Private Markets Decarbonisation Roadmap](#)

⁷⁴ Transition Finance Council (2025), [Sector Transition Plans: The Finance Playbook](#)

8 Consequences of failure to perform

Common criticisms of transition finance are that it can expose investors or lenders to an entity's failure or decision not to perform and therefore, outcomes where there is no real-world decarbonisation impact. This is a particular issue for entity-level investment, noting that the actions available to the capital provider in the event of a failure to perform will depend on the asset class, the terms of any relevant instrument and the size of the capital provider's interest in the entity.

A balanced approach is necessary: for the classification to have value, failure to transition must have potential consequences and declassification must be a potential outcome. In some cases, the structure or scaffolding of the transaction may already contemplate this (for example, in the case of a sustainability linked loan or bond where a KPI is either not reported against or not met). These existing precedents show that context is important. A failure to satisfy a target because of a unilateral decision by management to change strategy is likely to be perceived differently as compared to a failure that is attributable to forces demonstrably outside the control of the entity.

There are lessons to be drawn from experience in the sustainability linked loan market (as articulated in several FCA letters), including in seeking to mitigate the risk of disproportionately penalising entities that are ambitious and show progress, but somewhat less than originally contemplated. The entity and the capital provider will have a common interest in avoiding fine triggers where timely remediation is possible. This is particularly true since sustained performance failures could potentially drive disinvestment by some investors. In the case of failures arising because of unforeseeable external factors or dependencies whose outcome was unexpected, if the entity takes all reasonable steps to try to mitigate their effects, some latitude may be appropriate. This reinforces the importance, to the entity and the capital provider alike, of the entity's scoping and active management of material dependencies and their potential forward impact throughout the period of investment.

Capital providers should consider carefully how to address these issues as part of their development of transition frameworks or strategies and post financing engagement. They should put appropriate governance in place to support their approach to transition challenges. Any decision-making should be evidence-based, principled and aim for consistency in approach within each asset class and, where appropriate, between them. Periodic reviews should be undertaken to ensure the capital provider's process keeps pace with market development

9 Appendices

Appendix A – Detailed users and use cases of the Guidelines

The list below, though not exhaustive, describes some more specific use cases for the Guidelines

User	Use case
Real economy corporates <i>(for example listed and private companies across different global markets and sectors, including high-emitting sectors)</i>	• Improve awareness of credibility expectations with regards to an entity's transition planning and delivery • Reduce the expectations gap between investors assessing transition and corporates reporting their plan and progress, potentially improving access to capital. • Help articulate their transition planning to investors by using the guidelines as a reference baseline • Demonstrating a credible transition plan in line with the Guidelines may result in a carbon intensive corporate not being "screened out" for inclusion in a fund that applies negative screening or has portfolio decarbonisation targets and may result in it being "screened-in" for inclusion in a fund that applies positive screening for transition.
Asset Owners (for example pension funds, insurance companies (in their role as asset owners) and sovereign wealth funds)	• Guide capital allocation toward credible entities in high-emitting sectors. • Support mandate-setting and investment policies using a common reference for transition finance. • Use as a reference when selecting or screening asset managers, to assess the credibility of their transition finance policies. • Build confidence in transition finance as a legitimate and scalable investment theme. • Inform benchmarks or inclusion/exclusion criteria for screening or passive strategies.
Asset Managers (for example private market investors, Impact investors and hedge funds)	• Inform security selection and portfolio construction by acting as a minimum threshold for transition. • Measure what percentage of the of the total portfolio can be categorised as a transition investment • Support stewardship and engagement with corporates, providing a credible reference to advocate for better transition plans. • Increase effectiveness of engagement by using consistent, principles-based expectations with investees. • Support origination and deal flow for transition investments by providing a consistent framework across banks and asset managers. • Justify holdings in high-emitting issuers in portfolios that have a comply-or-explain portfolio decarbonisation objective
Credit institutions (for example commercial and investment bank – banks play role as both credit providers and capital market facilitators)	• Act as external market guardrails for institutions to build from and reference when creating their own transition finance frameworks. • Grounding an institution's transition finance framework in the baseline expectations of these Guidelines could support consistent assessment of risks and opportunities. • Underpin the analysis of their client base and the evolution of the share of clients that are credibly transitioning. This should bring more confidence and credibility when institutions are calculating and reporting

	on performance against sustainable finance targets. In turn, this could increase banks' appetite to include finance to credibly transitioning clients within sustainable finance targets.
Insurance Providers <i>(for example re/insurers, development insurers, and insurance-linked securities arrangers)</i>	• Support the development and scaling of innovative climate risk transfer instruments, which can facilitate capital flows to EMDEs and vulnerable sectors. • Foster collaboration with capital markets, MDBs, and governments to de-risk investments in high-emitting sectors transitioning to low-carbon models.
Regulators	• Enhance market integrity with market led Handbook that is compatible with regulatory disclosure and label regimes • Offer opportunity to create a feedback loop to align market and regulatory approaches and to benchmark against peers
Public Financial Institutions (PFIs), Export Credit Agencies, Multilateral Development Banks	• Help PFIs assess opportunities to scale participation in transactions relating to transition relevant assets and entities • Support collaboration with private sector institutions through broad alignment on transition finance principles • Facilitate the development of innovative financial instruments, particularly for countries and corporates in EMDEs facing capital access challenges.
Governments	• Support measurement of investment flows and year-on-year trends, including ratio of public: private finance achieved • Offer evidence of market engagement in relation to real world decarbonisation impact, highlighting real absolute emissions reductions • Understand barriers and dependencies in relation to credible transition strategies of corporates, which can inform public policies and national roadmaps
Financial Advisors	• Use the Guidelines as a reference point when advising clients on credible transition investment opportunities and portfolio alignment. • Support clients in understanding market expectations for credible transition plans, enhancing decision-making and risk management.
Second party opinion providers	• Provide independent opinions on the sustainable finance frameworks of issuers regarding their alignment with these proposed Guidelines. • Enhance the robustness and credibility of external reviews by referencing a market-recognised baseline for credible transition activity.
Ratings agencies	• Integrate the Guidelines into credit and sustainability rating methodologies to assess the credibility of issuers' transition strategies. • Support market confidence by providing data and insights on the extent to which rated entities align with credible transition pathways.

Appendix B – Comparison of the Guidelines to NZIF criteria

NZIF puts forward ten 'baseline criteria' which include Ambition, Targets, Emissions performance, Disclosure, Decarbonisation plan, Capital allocation alignment, Climate policy engagement, Climate governance, just transition and Climate risk and accounts.

The baseline criteria are not prescriptive, therefore NZIF also puts forward suggested criteria for each category of alignment for listed equity and corporate fixed income, real estate, infrastructure, private equity and private debt⁷⁵. The table below compares NZIF's 'aligning to a net zero pathway' category for each of these asset classes against the Transition Finance Guidelines and indicates where, on average, the Universal Factors have a higher level of granularity in required criteria compared to the average of the requirements across the NZIF asset class specific criteria.

Key

MG - the Universal Factors ask for more granular detail than the NZIF 'aligning to a net zero pathway' criteria

C - the Universal Factors are broadly consistent with the NZIF 'aligning' criteria

LG - the Universal Factors ask for less granular detail than the NZIF 'aligning criteria

NZIF: 'Aligning to a net zero pathway' criteria	Universal Factors	Granularity comparison	Commentary
Capital allocation alignment	Financial Viability	C	The Guidelines are broadly consistent though for some asset classes, could be considered to require slightly more granular detail. Under NZIF, Listed Equity & Corporate Fixed Income capital allocation in line with a net zero pathway is an explicit requirement For private equity and private debt, only high impact sectors are expected to detail the capex and opex plans required to meet their target. Real estate and Infrastructure require a quantified plan, though no explicit requirements around financial planning
Governance	Governance	C	As governance is an explicit requirement for most of the NZIF asset classes, the Guidelines are broadly consistent with NZIF. 'Management responsibility' is a requirement for real estate and infrastructure.

⁷⁵ NZIF 2.0 (June 2024) also provides asset class specific criteria for sovereign bonds. We do not include these criteria in our analysis as sovereign bonds are out of scope for the transition finance guidelines.

			Board oversight and annual discussion on climate strategy at board are requirements for private equity, though for high impact sectors only for private debt.
Decarbonisation plan	Implementation	LG	For listed equity & corporate fixed income and real estate, NZIF goes further than the guidelines to state that measures must be quantified. For infrastructure, the NZIF criteria asks for the development and implementation of a plan. A proportionate 'climate strategy' that sets out plans rather than a specific decarbonisation plan is required for a private equity and private debt.
Disclosure	Disclosure	LG	For most asset classes NZIF requires public disclosure of Scope 1, 2 and material Scope 3. Whereas the Universal Factors do not require public disclosure.
Targets	Interim targets and metrics	LG	NZIF similarly has a focus on short and medium science-based targets. For real estate and infrastructure, sectoral decarbonisation plans should be used where available, with the minimum being a global or regional average pathway. However, for some asset classes a target covering material Scope 3 emissions is required, which isn't required within the Guidelines.
Ambition	Ambition	LG	NZIF Requires long-term goals consistent with net zero 2050. Though the Guidelines look for a long-term ambition, alignment to 2050 is not specified.

Appendix C – References Catalogue

Theme	Description	Examples
Transition planning and transition plan disclosure frameworks and guidance	Frameworks and guidance for corporate-level net zero transition strategies, outlining key information on an entity's plan to align with net zero and support credibility assessments and financial decision-making.	ISSB
		TPT
		EU
		GFANZ
		ATP-Col
		TransitionArc
		A4S's 'Aligning Financial Planning and Transition Planning Guide'
		ITPN's 'Private Sector Transition Plans - A Critical Tool for Mobilising Finance' (under embargo)
Sustainability reporting standards and disclosure requirements	Standards for disclosure of sustainability-related risks, opportunities, impacts, and targets, enabling consistent and comparable data for assessing transition progress.	ISSB
		EU CSRD
		UK SDR
		UK SRS (draft)
		Brazil CVM Rule 193
		GHG Protocol
		EFRAG
		IFRS S1
Taxonomies	Classification systems for green and/or transition-aligned activities, including criteria for 'transition' or 'amber' activities.	EU Taxonomy for Sustainable Activities
		ASEAN Taxonomy for Sustainable Finance
		Australian Sustainable Finance Taxonomy

		China Green Finance Endorsed Project Catalogue Singapore-Asia Taxonomy for Sustainable Finance Hong Kong Taxonomy for Sustainable Finance World Bank's Just Transition Taxonomy
Product labelling and classification	Approaches for classifying or labelling financial instruments that meet sustainability and transition criteria, helping differentiate credible products and avoid greenwashing.	UK SDR EU SFDR LMA Sustainability-Linked Loan Principles and Guide to Transition Loans ICMA Sustainability-Linked Bond Principles , Green Bond Principles , and Climate Transition Finance Handbook APLMA LSTA
Transition Finance frameworks	Frameworks defining the overarching objectives and parameters of credible transition finance, guiding its development and use by market participants, policymakers, and regulators.	GFANZ OECD G20 ASEAN Transition Finance Guidance Japan ICMA ISO Net Zero Transition Planning (draft standard)
National and sector transition pathways and roadmaps	National or sectoral strategies that outline expected emission reduction trajectories, and associated implications, to achieve net zero or sectoral decarbonisation targets.	Japan (Meti) US (Liftoff reports) Australia ADEME

Credible pathway methodologies	Examples of widely recognised frameworks and pathways that can support the assessment of alignment with a credible transition pathway. (Inclusive of taxonomies).	Malaysia (National Energy Transition Roadmap (NETR))
		The Finance Playbook
		ACT (Assessing Low Carbon Transition) Framework
		ASEAN Taxonomy for Sustainable Finance
		Australian Sustainable Finance Taxonomy
		Climate Bonds Initiative Taxonomy and Criteria
		CCREM (Carbon Risk Real Estate Monitor)
		CGFI Climate Scenario Taxonomy
		EU Sustainable Finance Taxonomy
		Hong Kong Taxonomy for Sustainable Finance
		IEA Net Zero Emissions (NZE) Scenario
		IEA Sustainable Development Scenario (SDS)
		IPCC AR6 Pathways
		Mission Possible Partnership (MPP) Sector Transition Strategies
		NGFS Climate Scenarios
		One Earth Climate Model (OECM)
		PAII Net Zero Investment Framework (NZIF)
		RMI – Leveraging Transition Pathways (report)
		RMI - Regionalizing Transition Intelligence (report)
		RMI transition scenario depository (currently under embargo)
		Science Based Target Initiative (SBTi)
		Singapore-Asia Taxonomy for Sustainable Finance

		Transition Pathway Initiative (TPI)
		Transition Pathway Initiative (TPI) ASCOR Framework
		UK Climate Change Committee (CCC) Carbon Budgets & Net Zero Pathway
Net Zero frameworks	Frameworks enabling businesses to demonstrate how they align with established decarbonisation pathways, set targets, and monitor progress toward net zero through clear milestones and investment signals.	Science-Based Targets Initiative
		CDP
		ISO Net Zero aligned organisations (draft standard)
		NZIF 2.0
		IMO Net Zero Framework
Carbon pricing mechanisms	Resources and instruments relating to assigning a cost to carbon emissions through taxes or markets.	China National Emissions Trading Scheme (ETS)
		Carbon Border Adjustment Mechanism (CBAM) (EU)
		Singapore Carbon Pricing Act
		ICVCM's Core Carbon Principles and Assessment Framework
		VCM's Claims Code of Practice
		University of Oxford's Principles for Net Zero Aligned Carbon Offsetting
		CORSIA
		UK's Coalition to Grow Carbon Markets
		UNFCCC's Article 6
EMDEs	Resources focussing on transition finance in developing contexts, addressing challenges of capital access, policy frameworks, and data to support inclusive, just transitions.	NGFS's 'Tailoring Transition Plans: Considerations for EMDEs
		IIGCC's 'Emerging Markets NZIF supplementary guidance'
		Meti's 'Report on Scaling "Inclusive" Transition Finance in the ASEAN Region
		IEA and IFC's 'Scaling up Private Finance for Clean Energy in Emerging and Developing Economies'
		NZIF's 'Considerations for Emerging Markets and Developing Economies Supplement'

		IEA's 'Decarbonisation Pathways for Southeast Asia' Prudential's 'Financing the Transition framework, A just and inclusive approach with regards to emerging markets'
SMEs	Resources supporting consideration of SMEs' roles and needs in the transition, including finance access, capacity-building, and simplified disclosure, ensuring an inclusive transition.	B4NZ's 'From Burden to Benefit: Streamlining SME Data Sharing to Unlock Green Finance & Economic Incentives' BSI's 'Flex 3030:2024 v2 Net Zero Transition Plans for SMEs - Code of Practice' OECD Platform on Financing SMEs for Sustainability OECD's 'Guidance note on fostering convergence in SME sustainability reporting' EU's Voluntary Sustainability Reporting Standard for SMEs (VSME) Malaysia's Simplified ESG Disclosure Guide (SEDG) for SMEs India's BRSR Lite Singapore's MAS "Gprnt" platform Singapore's SME Sustainability Hub
Carbon lock in	Resources supporting carbon lock in assessment of new or upgrades to long-lived assets.	OECD's 'Mechanisms to Prevent Carbon Lock-in in Transition Finance' EBRD Methodology
Adaptation and resilience	Frameworks and resources addressing climate adaptation and resilience-building alongside mitigation, ensuring that transition finance supports climate-resilient development pathways.	IIGCC's Climate Resilience Investment Framework PCRAM 2.0 methodology UN PRI's technical guides on adaptation and private markets UNEP FI's measurement framework ITPN's Building Climate-ready Transition Plans: Including adaptation and resilience for comprehensive transition planning approaches NGFS' Input paper on Integrating Adaptation and Resilience into Transition Plans WBCSD's Adaptation Planning for Business – Navigating uncertainty to build long-term resilience

Environmental and social risks	Resources supporting consideration of the broader environmental and social impacts and risks associated with transition activities.	UNEP FI's 'Just Transition Finance, Pathways for Banking and Insurance'
		Grantham Research Institute's 'Making Transition Plans Just: How to Embed the Just Transition into Financial Sector Net Zero Plans'
		IGCC's 'Investor Expectations for Corporate Just Transition Planning'
		Howden's 'The insurability imperative' report
		Do No Significant Harm and Social Safeguard provisions in taxonomies (e.g. European Commission's Official Technical Guidance on DNSH)
		The Equator Principles
		IFC Performance Standards
		World Bank EHS Guidelines
		EBRD Performance Requirements
		Impact Investing Institute's Just Transition Criteria
		PRI's guide for investor action
		Amundi and Clifford Chance's 'Just Transition: A Framework for Investor Engagement'
		ITPN's 'Just Transition Report'
		GRI's 'GRI 102: Climate Change'
		TNFD Recommendations and LEAP approach
		Finance for Biodiversity Initiative's target-setting framework
		UNEP FI's 'Guidance on Biodiversity Target-setting'
		MSCI's 'Investor's Guide to Nature and Biodiversity Risks and Impacts'
		PRI's 'Introduction to responsible investment: Biodiversity for asset owners'
		GFI's 'Assessing the Materiality of Nature-Related Financial Risks for the UK'
		NZIF 2.0

Investor guidance and resources	Guidance documents, tools, and principles supporting investors in assessing, engaging, and allocating capital toward credible transition-aligned activities and issuers.	ICI's 'Private Markets Decarbonisation Roadmap'
		ESMA's 'Guidelines on funds' names using ESG or sustainability-related terms
		IIGCC's 'Net Zero Stewardship Toolkit'
		IIGCC's 'Net Zero Engagement Initiative'
		IIGCC's 'Net Zero Bondholder Stewardship Guidance'
		Climate Action 100+
		PRI's 'ESG in Credit Risk and Ratings Initiative'
		ILPA's 'Due Diligence Questionnaire'
		EDCI's 'ESG Data Convergence Initiative Homepage'
		Prudential's 'Framework for investing in climate transition in the capital markets'
		CPP Investments' 'The Decarbonisation Imperative'