

Transition Finance Guidelines

Draft entity-level Transition Finance Guidelines

November 2025

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Executive Summary

Transition finance must play a central role in supporting a net zero global economy. While investment in mature green sectors is growing rapidly, much less capital is identified as flowing to high emitting sectors for transition purposes, despite their contribution to global emissions. Supportive sectoral policy is essential to increase investable opportunities, but investors also need robust tools to assess whether companies and other entities (such as real asset vehicles) are credibly transitioning.

The UK Transition Finance Council (the Council), co-launched by the City of London Corporation and HM Government, is developing voluntary Transition Finance Guidelines (the Guidelines). These apply to general purpose capital provided to listed, large and medium sized entities (rather than financing at activity or project level). The Council is consulting on these draft Guidelines and the related Implementation Handbook, seeking international feedback. This consultation is open for 10 weeks from 3 November 2025 to 30 January 2026. The Council is aiming to publish the final form Guidelines in Spring 2026. These Guidelines have potential for international application, and we would welcome engagement with other markets focused on transition finance.

Using a core set of transition-related expectations for use across all [asset classes](#), the draft Guidelines leverage existing public methodologies for assessing compatibility with the Paris Agreement. They build on key frameworks – such as those developed by the Transition Plan Taskforce (TPT) and International Sustainability Standards Board (ISSB) and the Net Zero Investment Framework (NZIF). Disclosure frameworks help companies communicate their transition plans; these Guidelines focus on how capital providers can assess the credibility of an entity's near-term transition planning. They can be applied where a formal transition plan is not yet in place assuming the entity's strategy incorporates transition.

The Guidelines set out four Principles that each address a dimension of credibility. These are supported by Universal Factors containing practical criteria for assessing whether the Principles are satisfied. These are designed to be capable of application across asset classes, capital types, and jurisdictions - including for emerging markets and medium-sized entities. Acknowledging data gaps, the Guidelines encourage use of the best available information. Additional, Contextual Factors may also need to be considered, depending on the profile of the transitioning entity. Where contextual factors are material, the Guidelines refer to existing standards to assess them. This Consultation includes inputs from a short UK consultation run in August 2025. A key change was streamlining the Universal Factors to make them easier to apply at scale. Materials have been split into these draft Guidelines the draft Implementation Handbook (which includes further material to support with the implementation of the Guidelines, such as asset class guidance and case studies) and the Consultation Questions Paper. We are grateful to Council members for all their inputs in the preparation of this Consultation, to the Secretariat, and to everyone who responded to our initial consultation and has worked with us to date.

1 Context

1.1 Transition Finance Council and Transition Finance

The UK Transition Finance Market Review (the Review) was commissioned by the UK Government to look systematically at barriers to scaling credible transition finance, and to propose solutions to industry, government and regulators. The Review was published in October 2024 and set out a series of recommendations to scale high-integrity transition finance and establish the UK as a global hub for this activity¹.

The Transition Finance Council (the Council) was launched in response to the Review in February 2025. One of its first projects has been to develop these voluntary Guidelines classifying credible transition finance at entity-level. Stakeholder engagement and feedback to the Review 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 designated as “transition finance” is still relatively underdeveloped outside of Japan, and early efforts in the UK and Europe were the subject of criticisms.

This work interconnects with another Council workstream led by Chris Skidmore OBE which has developed ‘Sector Transition Plans: The Finance Playbook’² which provides guidance on what transition investment planning must deliver to attract finance to support the development of sector transition roadmaps.

Transition finance in the broadest sense, incorporates the financial flows, products and services that facilitate an economy-wide transition to net zero consistent with the Paris Agreement. It encompasses both investing in low-carbon technologies, as well as the investment needed for companies to shift toward lower-carbon, more sustainable business models. Without credible assessment frameworks, both capital providers and transitioning entities risk exposure to greenwashing claims, particularly in respect of those in high emitting sectors. These Guidelines respond to that need, anchoring assessments to ambition and action to align the transitioning business with a credible pathway compatible with the Paris Agreement.

¹ TFMR (2024), [Transition Finance Market Review](#)

² Transition Finance Council (2025), [Sector Transition Plans: The Finance Playbook](#)

1.1 What is the scope of the Guidelines?

These draft Guidelines support entity-level financing³ of transitioning companies operating in the real economy and real assets (collectively referred to from here on as entities). This falls within Category 4 of the Review's transition finance classification system⁴. Further details on the classification system can be found in 'The Transition Finance Classification System' section of the Handbook. The Guidelines are designed to be capable of application across sectors, asset classes, capital types, and jurisdictions with limited exceptions.⁵ They build on the ISSB standards and TPT materials: consistent with that approach they apply financial materiality, though it is open to users to undertake double materiality assessments if they wish.

While it is useful to categories entities and activities separately, when viewing through the lens of financial transactions, there is obvious interconnectedness between entities and their economic activities, asset base and capital plan. While use of proceeds and taxonomy-based frameworks are most obviously used to support activity-level financing⁶, they can be relevant for assessing transition planning at entity level. Equally, these Guidelines may be useful in the context of use of proceeds financing to confirm that an activity is being carried out by an entity with a credible overall transition strategy. This reduces the risk of other aspects of the entity's business undermining the investment's credibility. Activity-level considerations would also be required. These fall outside this consultation but were discussed in Chapter 1 of the Review⁷.

1.2 What is the objective of the Guidelines?

The Guidelines accommodate a variety of starting points and contexts. They can be used for entities that do not yet have fully developed or disclosed transition plans. They draw from the TPT Disclosure Framework, building on it by setting normative expectations regarding ambition and action. Further details on interoperability with other frameworks can be found in 'Section 3: Global Interoperability of the Guidelines' in the Handbook. The intention is to encourage a continuous and reinforcing cycle between transition planning and the mobilisation of transition finance.

³ Entity-level financing means investment in or general-purpose financing of any non-financial, natural or legal person engaged in economic activities.

⁴ To categorise the different types of transition finance, the Review proposed a Transition Finance Classification Systems (TFCS), informed by the transition strategies developed by the Glasgow Financial Alliance for Net Zero (GFANZ). The Council's work on the Guidelines developed from these classifications.

⁵ The Guidelines are not suitable for application to transitioning entities within the financial services industry, due to the nuanced requirements of their transition. They are also not applicable for sovereign debt.

⁶ Activity-level financing means the use-of-proceeds financing or investment in an identified activity (or activities) or project.

⁷ TFMR (2024), [Transition Finance Market Review](#)

An entity's transition planning acts as a foundational input for application of the Guidelines, which then facilitates the mobilisation of finance to support credible transition actions. This enables more effective transition progress, which in turn generates insights that inform and strengthen future transition planning and action. Though the Principles are likely to remain static, the detail within the Universal Factors is expected to require more regular review, to ensure they remain in line with market developments and changing expectations over the coming years.

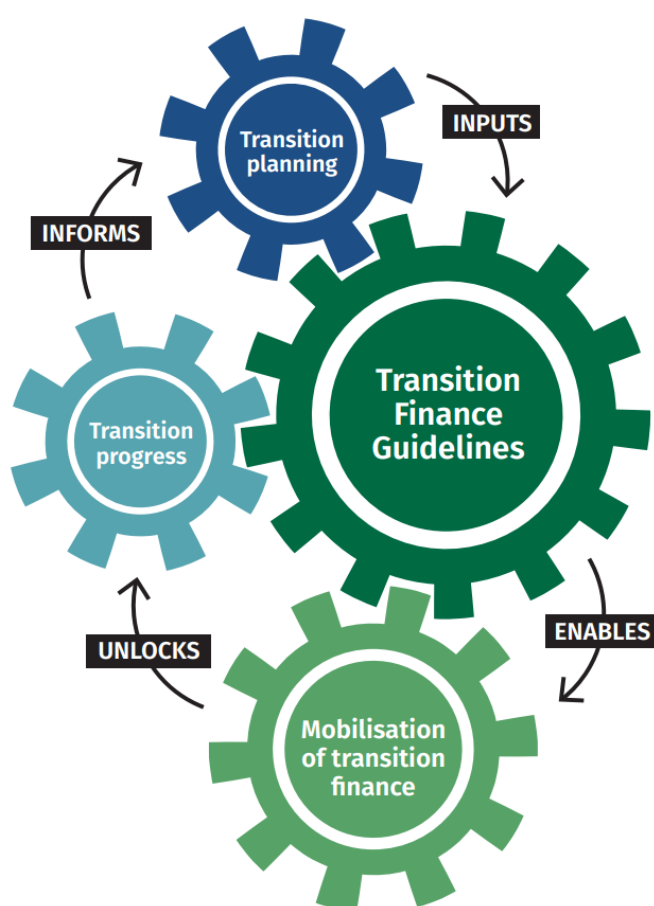


Figure 1, Mechanism for mobilising transition finance

Not all finance to transitioning entities can or should be classified as transition finance under the Guidelines. Even in a transition context, other strategic or regulatory drivers may result in certain entities adopting a longer trajectory towards decarbonisation than contemplated under these Guidelines.

1.3 The Implementation Handbook

In this second November consultation, the Council is also releasing 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. These Guidelines reference where further detail and support can be found in the Handbook.**



Figure 2, The Guidelines, The Handbook and the consultation questions

2. The Guidelines

2.1 The Structure of the Guidelines: Principles and Factors

The Guidelines are made up of Principles and Factors. Each Principle represents a dimension of credibility, building from the Principles of the TPT framework. These are mandatory and used to assess whether an entity meets the minimum expectations for credible transition finance. Factors set out evidence points for assessing whether the Principles are being met.

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

The six Universal Factors are indicators of performance of the Principles and must always be evidenced. Some Contextual Factors may also be relevant, but this will depend on the significance of the issue to the entity or the policy environment in which it operates. For further support on how to assess the Factors and Principles, please see the worked examples in the ‘5. Factor and Principle assessment examples’ section of the Handbook.

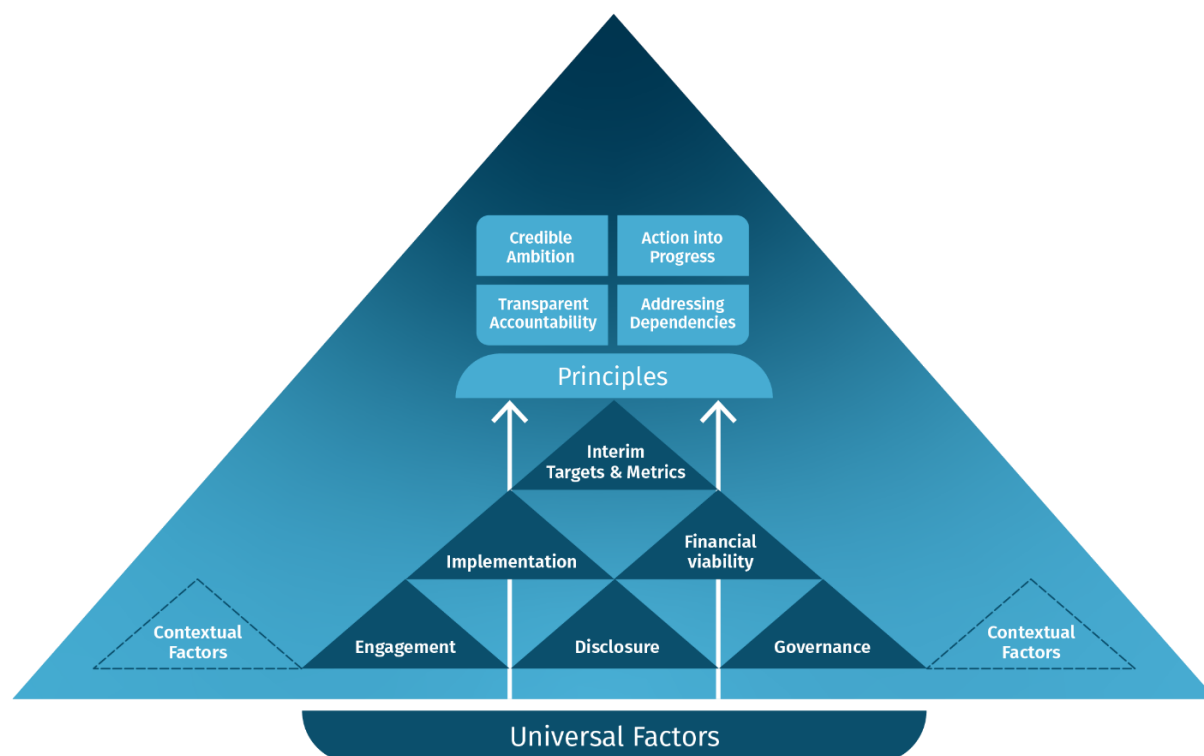


Figure 3, The Principles and Factors

2.2 Principles

1. Credible Ambition.

The entity has the ambition and capacity to substantially reduce emissions in a structured way, consistent with a Credible Pathway or Pathways. This includes having clear interim targets, metrics and implementation actions consistent with this Credible Pathway; and an intention to avoid or minimise carbon lock-in.

This Principle builds on the TPT's Principle of 'Ambition'. It sets a normative expectation that the entity should demonstrate ambition to substantially reduce emissions and set achievable interim targets and metrics that are consistent with a Credible Pathway.

Credible Pathway

A 'Credible Pathway' is one that is based on one or more published methodologies of the kinds listed below that have been 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*'. These are:

- published science-based methodologies representing global averages across sectors,
- regional, or national sector pathways, or recognised roadmaps that are compatible with the Paris goal,
- Taxonomies compatible with the Paris goal and, or
- multi-scenario and multi-metric approaches that use a combination of qualifying global methodologies and regional / sector pathways

The pathway may take into account the maximum level of technologically and economically feasible decarbonisation potential given the entity's geographical and sectoral footprint. Where available, the pathway may reference sector-specific emissions intensity benchmarks.

Consistent with the principle of *Common But Differentiated Responsibilities and Respective Capabilities*, other Paris compatible pathways may be used where there are regional or sectoral constraints. Where the pathway is not aligned with 1.5 degrees, the rationale for the pathway selection and its implications should be explained.

For suggestions of other frameworks that are compatible with the definition of a credible pathway, please see the Appendix.

For more contextual background on why the Guidelines don't require alignment to 1.5°C in every circumstance and how pathways not aligned to 1.5°C should be assessed (including the potential referencing of NDCs), please see the 'Addressing compatibility with 1.5°C section of the Handbook.

Emission reduction targets are expected for Scope 1 and Scope 2 GHG emissions and are preferred for Scope 3 emissions. If an entity does not yet have a Scope 3 emissions reduction target, it should have alternative targets for performance of actions to reduce Scope 3 emissions.

Before capital is provided - and at regular intervals thereafter - an entity should be able to demonstrate that its interim emission reduction targets are realistically achievable. Where external influences, such as policy incentives, affect the feasibility of an entity's transition planning, capital providers may want to understand how these impact the credibility of ambition.

If emissions reductions are not immediately demonstrable in the short- to medium-term, incorporating financial or other operational targets and metrics, as credible proxies for future emissions reductions, can enhance the overall credibility of ambition.

Though having a public long-term target is desirable it is not required. However, the entity should have a long-term ambition consistent with a Credible Pathway that goes beyond the short- or medium-term to show strategic direction.

Avoiding carbon lock-in is important for achieving the goals of the Paris Agreement. Entities should avoid or minimise investment in new (or extensions to existing) high emitting assets or activities whose operational life will continue beyond the time set pursuant to the relevant Credible Pathway. More detail on how to evidence carbon lock-in assessment is set out in the Implementation Factor.

While reducing emissions is central to setting a Credible Ambition, ambition is more robust when it reflects a strategic and rounded approach. This may include actions that support long-term value, manage physical and transition risks, and respond to broader transition objectives such as adaptation, resilience, or a just transition. These elements can reinforce the integrity of ambition and may be relevant Contextual Factors. For more detail on how 'Credible Ambition' is assessed across each Universal Factor, see Section 2.3

2. Action into Progress.

Capital providers must be satisfied that the entity is reasonably capable of progressing implementation actions with the purpose of meeting any interim targets and metrics it has set, consistent with delivery of its Credible Ambition. During the investment the entity should use all reasonable efforts to do so. Avoidance or mitigation of environmental and social risks or adverse impacts will strengthen the credibility of delivery.

This Principle builds on the TPT's Principle of Action and focuses on the need to perform implementation actions in support of short- and medium-term targets.

The capital provider will need to periodically assess the sufficiency of the entity's approach, including adequacy of financial budgeting and other resourcing and expected financial performance. This assessment should connect with the entity's identification and plan to address dependencies, and any implementation risks associated with them.

Having granular information on how planned actions support delivery of interim targets and metrics and assessment of when key milestones are going to be met supports credibility. Expert third party assessment of the transition plan is likely to be useful and may offer a benchmark against sector and jurisdictional good practice.

Carbon reductions are often achieved on a non-linear basis and may be impacted by external dependencies. Unexpected challenges may sometimes justify a slower trajectory for a limited period. Any such case and may result in additional conditions of investment, for example, more regular monitoring and reporting.

Where significant issues arise in implementation, the entity will need to be transparent as to the causes of the lack of progress and how it proposes to correct matters within a reasonable period. If implementation actions or interim targets and metrics are persistently missed, this will negatively impact the outcome of the capital provider's assessment of credibility.

For more detail on how 'Action into Progress' is assessed across each Universal Factor, see Section 2.3 below, in particular the Implementation Factor and Financial Viability Factor.

3. Transparent Accountability.

Capital providers must be satisfied that the entity's implementation actions, and interim targets and metrics are integrated into its business planning, organisational processes and governance. Whether through public disclosure or other means, material information on ambition, targets and progress must be transparent.

This Principle is grounded in the TPT's 'Accountability' Principle. Accountability is achieved through transparency on ambition, action and challenges. This means being clear about implementation actions and interim targets and metrics, including, where appropriate, links to budgeting, roles and responsibilities, and remuneration structures as part of broader governance.

Transparency on timelines is important. Where decarbonisation involves long lead times or significant upfront investment, clear disclosure on anticipated timing of impacts helps capital providers understand how implementation is expected to unfold. This may include instances where emission reduction outcomes take several years to materialise.

Periodic provision of information by the entity to the capital provider will support the ongoing assessment of credibility. This may be through financial and sustainability reports or through direct reports provided to the capital provider. The capital provider may also draw on information from third-party data providers and ratings agencies. Please see paragraph on 'The role of third-party data providers/assessors' in the Implementation Handbook.

Any form of evidence should be clear, balanced, understandable, sufficiently detailed and data driven where possible. Capital providers should seek to interrogate this information, both at inception and throughout the capital arrangement. Capital providers should balance the demand for detailed reporting with what is feasible for entities in jurisdictions with limited market data, recognising that some estimation methodologies and proxy data may have to be used.

The entity has a responsibility to be transparent about climate-related dependencies that are likely to have a substantial bearing on delivery of their plan. For more information on how to consider dependencies, please see the Addressing Dependencies Principle below. For more information on how 'Transparent Accountability' is considered across each Universal Factor, see Section 2.3.

4. Addressing Dependencies.

Capital providers must be satisfied that the entity has analysed and taken account of dependencies in determining its implementation actions, and interim targets and metrics, and manages those in relation to which it has leverage, prioritising the most impactful of these.

A dependency includes any uncertainties or sensitivities that could directly or indirectly affect the entity's interim targets and metrics positively or negatively. Dependencies differ greatly across jurisdictions and can be linked to external macro-economic conditions (such as dependencies on government policy), an entity's internal operations (a dependency on collecting accurate and reliable data) physical (availability of infrastructure, resources) or major environmental or social risks⁸.

Judgement is required to determine whether the dependency genuinely limits the level of ambition and interim targets and metrics that can be set and/or delays progress against the target. Understanding an entity's dependencies and, most importantly, its approach to addressing them enables users to better assess the robustness of the entity's transition planning. In circumstances where the dependency has significant bearing on the achievement of the target, the entity should be transparent about the mitigating actions it is taking to proactively address the dependency. For example, this might relate to how it engages to influence external stakeholders that have more direct control over the dependency.

If a significant dependency is unlikely to resolve within a reasonable period in a manner consistent with the entity's ambition, then this could result in the entity not meeting the

⁸ Types of dependencies can include policy, regulatory frameworks, public acceptance, market conditions, consumer and client behaviour, environmental and social links, infrastructure availability and logistics, resource availability and technological limitations (Assessing Transition Plan Collective (ATP-Col)). They would not normally include world or regional crises, major events or conflicts.

requirements for credible transition finance (please see the 'Consequences of failure to perform' section in the Handbook).

Identifying dependencies through both a sector specific and a national lens is an important part of credibility assessment. Pathways to net zero vary significantly by sector and geography, depending on the underlying technologies, regulatory pressures, and decarbonisation levers available. Capital providers should have capacity and capability to understand the sectoral and situational context of an entity's dependencies.

More information on how dependencies, including sector specific dependencies, should be identified is included within each Universal Factor in Section 2.3 below.

2.3 Universal Factors

Universal Factors set the minimum expectations of an entity to be ruled in or out of a credible transition finance classification. They emphasise the practical actions, and clear evidence points required to satisfy the Principles. Contextual Factors, when they are material for the entity, may also be considered alongside Universal Factors (see Section 5.4 for more information on Contextual Factors and how to use them).

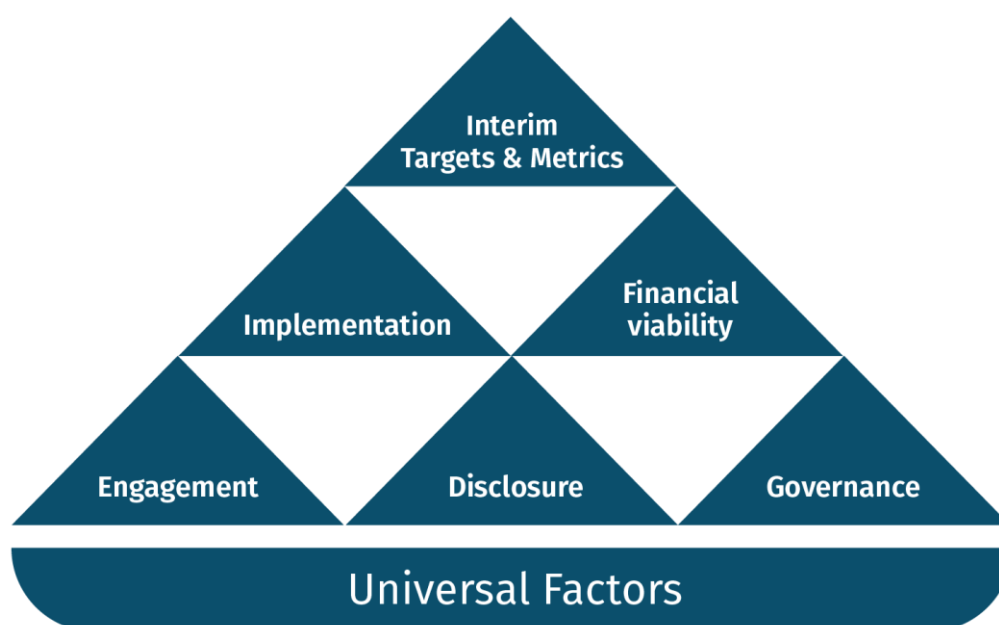


Figure 4, The Universal Factors

Through satisfying the criteria within the Universal Factors, the Principles are addressed and the baseline expectation for credible transition finance is met.

The Universal Factors use neutral language and do not assign fixed responsibility for evidencing, leaving it to the entity and capital provider to determine the most appropriate split of responsibility in each context. In some cases, due to practical, legal or information constraints, the entity may not be able to provide the evidence required. In these cases, the capital provider would need to consider whether they are able to take a reasonable approach to using proxies, estimates or qualitative assessments to draw a conclusion on whether the criteria are met. For more guidance on data and information considerations for all entities, including medium-sized entities and entities within EMDEs, please see the 'Obtaining evidence required for assessment' and 'Implementation support for EMDEs and SMEs' sections within the Handbook.

The tables below show the criteria required under each Universal Factor, and how each criteria supports the overarching Principles. Where another guidance framework or methodology may be relevant to support understanding of assessment, these have been underlined and included at the end of each Universal Factor table.

Important updates to the Universal Factors since the previous draft

Based on feedback from the first consultation over Summer 2025, in this draft the Council have tried to make the criteria in the Universal Factor tables more precise, streamlined and practical to evidence.

In this consultation we are keen to continue to obtain views on whether the criteria are easy to use and set the appropriate threshold for entities across markets and jurisdictions to credibly qualify as transition finance.

A potential iteration we are particularly interested to consult on is whether the criteria require further refinement into 'essential' and 'desired' to create a lower, more proportional threshold to compare entities that are either SMEs or from EMDEs. We are in the early stages of iterating and are seeking views on whether this split could be used to

- a) Create a 'gating' mechanism that allows assessors to quickly rule in/rule out entities that meet the essential criteria, before then also assessing them against the desired criteria, or
- b) Give a grace period to some entities that only initially need to meet the essential criteria before meeting the desired criteria over a set time period (e.g. 1-2 years from financing), or
- c) certain entities need to meet the essential criteria only.

Grey italics is used to denote which criteria could be considered 'desired'. We would appreciate views on whether this approach of essential and desired is practical, which of the options above might be the best approach and, in the case of options b) and c), how you might know when to only apply the essential criteria.

Interim Targets and Metrics Factor

Criteria	Link to Principles
❖ There should be quantitatively defined short- or medium-term (interim) decarbonisation targets that: - cover <u>material emissions sources</u> across Scopes 1, 2 and, where possible, Scope 3* - are consistent with a <u>Credible Pathway</u> (Paris-compatible efforts, and clearly stating pathway used and temperature outcomes it aligns to) - evidence the rationale, baseline year and methodology used, - justify the selected timeframe within the entity's context (though it is expected to be within the range of 5-10 years as very short-term targets are unlikely to have significant transition impact)	Credible Ambition Transparent Accountability
❖ There should be a long-term ambition for overall emissions reductions, though a quantified long-term target is not required.	Credible Ambition
❖ There should be evidence of key dependencies and assumptions that affect the credibility of achieving the targets, which: - gives at least a qualitative indication of the scale and timing of the potential impact on the interim targets if the dependencies do not hold - is reviewed periodically [see Implementation Factor below on how these are addressed] - are assessed using sectoral context	Addressing dependencies
❖ There should be evidence of progress made against the interim targets**, that: - is monitored on an annual basis - informs periodic reviews and updates to the targets and other changes consistent with a Credible Pathway(s) (e.g. reflect in corporate or group structure changes, or sector or policy changes) (Note, where an intensity target is used, progress in absolute emissions should also be reported)	Action into Progress Transparent Accountability

*If the entity's short- or medium-term decarbonisation target does not cover Scope 3 emissions or all its material Scope 1 and 2 emissions sources, they must have a clear and demonstrable link to an operational target that serves as a credible proxy for future emissions reductions. Metrics from sector-specific and sector neutral standpoint may be used to evaluate and monitor the progress made towards targets.

EXAMPLE

The most relevant operational targets and metrics are closely linked to the entity's value chain and are reflective of sectoral specificities in the entity's emissions profile. Examples may include, but are not limited to:

Targets/metrics as proxies for upstream emissions reduction

- **Supply chain:** % of suppliers with validated net-zero targets, % of procured materials using low carbon feedstock, % of suppliers covered by engagement programme, inclusion of carbon criteria in supplier contracts.
- **Capital and investment alignment:** % of CapEx/OpEx directed to transition initiatives, use of internal carbon pricing
- **Operations:** renewable energy usage, share of EVs in fleet, proportion of alternative fuel, utilisation of fossil fuel plants
- **Materials & inputs:** energy intensity of purchased goods, % of inputs from recycled/renewable sources,

Targets/metrics as proxies for downstream emissions reduction

- **Product & Service Portfolio:** % of green revenues (using appropriate taxonomy), product mix targets (e.g., increasing share of electric, energy-efficient, or circular products), % of R&D spend on sustainable product development
- **Customer & Market Engagement:** % of customers participating in carbon reduction programs, % of sales including sustainability-linked criteria
- **Circular & End-of-Life:** Product reuse, or recycling rate, availability of circular service models

***As progress is unlikely to be linear in many sectors, other metrics (such as CapEx spend) which show progress on actions should be provided. Contextual information that explains anticipated trajectory of progress should also be provided.*

References to other frameworks, standards, guidance, and tools:

- **Material emissions sources:** Frameworks such as the GHG Protocol⁹, CDP¹⁰, EFRAG¹¹, and IFRS S1¹² provide guidance on identifying and disclosing material sources of greenhouse gas emissions across Scopes
- **Short- and medium-term:** The SBTi¹³ offer methodologies around setting science-based short- and medium-term emissions reduction targets that align with a 1.5°C pathway.
- **Credible Pathway:** See 4.1 Credible Pathways methodologies.
- **Green revenue:** Where entities use green revenue as a metric, clarity is needed on the definition of 'green'. The EU Taxonomy¹⁴, for example, provides detailed technical screening criteria to determine whether revenues are derived from environmentally sustainable activities. Other taxonomies such as from China, Singapore, ASEAN and India also provide similar screenings.
- **Key dependencies:** The ISSB¹⁵ (via IFRS S1 and S2) and ESRS¹⁶ frameworks provide guidance on identifying and disclosing sustainability-related risks and opportunities, including climate-related dependencies, that could reasonably be expected to affect an entity's prospects.

Please see **Section 5.1 of the Implementation Handbook** for a case study about the assessment of this Interim Targets & Metrics Factor, and **Section 5.4** for a case study about assessment of dependencies.

Table 1, Interim Targets and Metrics

⁹ GHG Protocol (2015), [Corporate Accounting and Reporting Standard](#)

¹⁰ Carbon Disclosure Project (CDP) (annual updates), [Disclosure Framework and Reporting Guidance](#)

¹¹ European Financial Reporting Advisory Group (EFRAG) (2024), [Sustainability Reporting Standards Framework](#)

¹² International Financial Reporting Standards Foundation (IFRS) (2023), [IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information](#)

¹³ Science Based Targets initiative (SBTi) (latest 2024), [Science-based Target Setting Manual](#)

¹⁴ European Commission (2024), [EU Taxonomy for Sustainable Activities](#)

¹⁵ International Sustainability Standards Board (ISSB) / IFRS Foundation (2023), [IFRS Sustainability Disclosure Standards \(IFRS S1 and S2\)](#)

¹⁶ European Financial Reporting Advisory Group (EFRAG) (2024), [European Sustainability Reporting Standards \(ESRS\) Workstreams](#)

Implementation Factor	
Criteria	Link to Principles
❖ There should be prioritised time-bound implementation actions that are related to (but are not limited to) the entity's <u>operations, its products and services, or its policies</u>. They should: - directly support the entity's interim targets and metrics, in line with its stated ambition <i>describe the expected contribution towards the entity's target and indicate when this progress is planned to occur</i> <i>include reasonable steps to avoid or mitigate adverse environmental or social risks or impacts,</i>	Credible Ambition / Action into Progress
❖ There should be a clear approach to reviewing and updating implementation progress, such that: - the entity periodically reviews and updates its implementation actions to reflect progress made and to account for changes in circumstances (e.g. corporate or group structure changes, or sector or policy changes) to remain consistent with the Credible Pathway(s) - where progress is not made as originally expected, a clear explanation is provided, along with proposed corrective measures (see the 'Consequences of Failure to Perform' section in the Handbook for more detail)	Action into Progress / Transparent Accountability
❖ There should be clear planned actions to try to mitigate implementation risks arising from key dependencies in relation to which the entity has degree of control or influence.	Addressing Dependencies
❖ Where the entity is investing in new carbon-intensive assets/projects or the life extension of existing carbon intensive assets/projects (i.e. through retrofit) the entity should identify the materiality of these to the entity's interim targets, metrics and ambition.	Credible Ambition
❖ For such assets/projects that are identified as material and not already aligned with a conservative benchmark derived from a Low Carbon Pathway (LCP), there should be a carbon lock-in assessment using a reputable assessment methodology which - includes consideration of the lifetime of the asset/project, whether its plan extends outside of the Credible Pathway or is incompatible with the sector pathway's emission trajectory and what technologically feasible and/or commercially viable lower carbon solutions are available in that location. - clearly documents and, where appropriate, discloses the results of the assessment, including identified risks and planned mitigation measures. ❖ <i>Where there is carbon lock-in risk, there should be commitment from the entity to either phase out or transition the asset to a technologically feasible and commercially viable low-carbon alternative* within its lifetime (e.g. application of sunset clauses, transition readiness, targets consistent with phase out).</i>	Action into Progress/Addressing Dependencies Transparent Accountability

* If transitioning to a low carbon alternative, the asset should -a) make a significant impact in reducing the entity's overall GHG emissions b) have an operating life consistent with the entity's decarbonisation targets. c) be compatible with a Credible Pathway.

References to other frameworks:

- Operations, products and services, policies and conditions:** Please see the TPT framework¹⁷ for further examples.
- Carbon lock-in assessment:** Lock in is addressed in some taxonomies (see for example the Singapore Transition Taxonomy and Singapore Asia Transition Taxonomy) through setting sunset clauses, requiring more stringent emissions criteria over time, or requiring readiness of certain operations to permit carbon capture or hydrogen conversation. Other examples include the Joint MDB Methodological Principles for Paris Alignment, and the EBRD methodology¹⁸ that determines the Paris Agreement alignment of EBRD investments. The 2023 OECD report on Mechanisms to Prevent Carbon Lock-In in Transition Finance also provides several good practice examples¹⁹.

Please see **Section 5.2 of the Implementation Handbook** for a case study about assessing the Implementation Factor.

Table 2, Implementation

¹⁷ Transition Plan Taskforce (TPT) (2023), Transition Plan Taskforce Disclosure Framework

¹⁸ European Bank for Reconstruction and Development (EBRD) (2024), Paris Agreement Alignment Methodology for EBRD Investments

¹⁹ OECD (2023), Mechanisms to Prevent Carbon Lock-in in Transition Finance

Financial Viability Factor	
Criteria	Link to Principles
❖ The entity's implementation actions, targets and metrics should be integrated into its financial planning (e.g. as to capital expenditure, R&D and operational expenditure, revenues) and any financial forecasts or financial reporting.	Credible Ambition
❖ The key sources of financial dependencies should be identified , such as reliance on policy incentives, infrastructure availability, regulatory gates or technology costs, and how these are being managed or mitigated. *	Addressing Dependencies
❖ The entity has budgeted for key implementation actions either in planned capital or operating expenditure are or impact on expected cash flows.**	Action into Progress
❖ <i>There should be observable or anticipated progress prior to the interim target date of the entity increasing its transition-related revenue, capital expenditures or assets mix targets in line with its ambition. Progress is not required to be linear.</i>	Action into Progress
<i>*If material to the business, the entity should demonstrate awareness and management of stranded asset risk.</i> <i>**If precise figures are not available; it should be clear which decarbonisation actions require investment and there should be an alternative assessment of how these will be financed. For example, this could be expressed as a percentage of planned capital expenditure or new investment directed towards decarbonisation.</i> References to other frameworks: ▪ Budgeted implementation actions: Information on the financial viability of decarbonisation levers can be found at CPP Investments²⁰, Accounting for Sustainability²¹ (A4S), and the Transition Finance Council's Finance Playbook²². Please see Section 5.3 of the Implementation Handbook for a case study about the assessment of the Financial Viability Factor.	

Table 3, Financial viability

Engagement Factor	
Criteria	Link to Principles
❖ The entity should identify any key external stakeholders critical to the achievement of their ambition.	Addressing Dependencies/ Action into progress
❖ Where key stakeholders are identified, there should be clear responsibilities for engagement to support implementation actions. <i>This should include:</i> • updates on progress and active escalation where progress is not achieved or is slow. • clarity on how the engagement is affecting the entity's dependencies.	Credible Ambition / Transparent Accountability/ Addressing Dependencies
❖ <i>There should be no evidence of engagement activities by the entity that demonstrably undermine its stated ambition and/or ability to meet its interim targets and metrics. This could be satisfied by a confirmation statement from the entity.</i>	Credible Ambition

Table 4, Engagement

²⁰ CPP Investments (2022), [The Decarbonisation Imperative](#)
²¹ Accounting for Sustainability (A4S) (latest), [Aligning Financial Planning and Transition Planning Guide](#)
²² Transition Finance Council (2025), [The Finance Playbook](#)

Governance Factor	
Criteria	Link to Principles
❖ There should be evidence that interim targets and metrics and transition planning are approved by senior-decision makers (e.g. executive team or Board (where the entity has a Board)), reflecting a considered view of long-term risks, opportunities, and value.	Credible Ambition
❖ There should be periodic monitoring and review of actions and performance against metrics/targets conducted by senior decision-makers, and an escalation and remediation process for actions or targets at risk of under delivery or delay, ❖ <i>There should be periodic monitoring by senior decision-makers and appropriate escalation processes in relation to the entity's dependencies.</i>	Transparent Accountability
❖ <i>The entity should have clear allocation of responsibility for senior-decision makers for their delivery of implementation actions. This may include:</i> <i>financial incentives at entity or management level such as sustainability-linked financing facilities or remuneration or performance-based pay for senior management that are linked to the achievement of transition-related targets or milestones.</i>	Action into Progress / Transparent Accountability
❖ <i>Where structural governance changes affect transition planning, they should be addressed in any senior management or Board review and reflected in related information for capital providers or for public disclosure.</i>	Transparent Accountability

Table 5, Governance

Disclosure Factor

Disclosure, though a Universal Factor, functions differently to the others. The expectation is that each of the criteria in the other Universal Factors – Interim Targets and Metrics, Implementation, Financial Viability, Engagement and Governance - will form the evidence points to disclose, whether that be through public reporting or privately between the entity and the capital provider. The cadence and format of disclosure will depend on the nature of the entity, the investment and asset class. However, the below considerations should guide that process:

❖ There should be clarity on the mechanisms through which the entity will report progress against its planned actions (i.e. either through public or private disclosure).
❖ Where applicable, disclosure and reporting to capital providers should be aligned to regulatory and market standards.
❖ While the reporting cadence will vary depending on the use case and practical considerations, large entities should be expected to report at least annually, either publicly or to the capital provider (or auditors/assessors whose opinion can be relied upon).
❖ Information should be at least qualitative commentary initially, and quantitative commentary wherever possible.
❖ Disclosure of the entity's plan consistent with the TPT Disclosure Framework or an equivalent transition plan disclosure framework represents best practice. Multinationals, listed and large entities should be aiming to gradually align the disclosure of their strategy and progress with such a framework.

2.4 Contextual Factors

An entity should also consider Contextual Factors, in addition to the Universal Factors, where these could materially affect an entity's ability to deliver a credible transition. These will vary depending on sector, geography and market characteristics.

Like Universal Factors, Contextual Factors are matters that capital providers may wish to consider as part of their due diligence (i.e. criteria for assessment). The process for determining the materiality of potential Contextual Factors is at the discretion of the capital provider.²³

The Factors outlined in this section are illustrative and non-exhaustive. They reflect areas that may require incorporation into an entity's transition planning, depending on the materiality of specific risks. Where relevant, references are made to other frameworks and methodologies which support the identification and appropriate management of these risks.

Adaptation and resilience Factor

The relevance of physical climate risks will vary depending on the entity's geography, operations, and exposure to climate-sensitive assets, suppliers, markets or infrastructure. For those operating in high-risk areas or with long-lived physical assets, adaptation and resilience may be critical to the credibility and durability of the transition.

Where physical climate change impacts are likely to pose a significant risk to the entity's business, the entity should ensure that any transition implementation actions are designed to be resilient to direct and indirect physical climate risks. Capital providers may wish to consider whether climate risk is material and, if so, how it is being addressed.

Evidence that an entity has undertaken a climate risk assessment and that adaptation and resilience planning is embedded into overall business strategy, including ownership of actions, budget, and implementation timelines, may indicate that the entity is actively managing any physical risk related dependencies and is positioned to maintain progress under changing conditions.

Resources available include:

- the *IIGCC's Climate Resilience Investment Framework*²⁴
- *PCRAM 2.0 methodology*²⁵, which provide practical guidance on integrating physical climate risk into investment processes

²³ While the approach to determining the materiality of Contextual Factors may draw useful reference from the Double Materiality Assessment (DMA) process under the EU Corporate Sustainability Reporting Directive (CSRD), users are not expected to undertake a full DMA. These Guidelines interconnect with IFRS S1 and S2 which assume financial materiality only. For background, see [European Financial Reporting Advisory Group \(EFRAG\), Implementation Guidance 1 – Materiality Assessment](#)

²⁴ IIGCC (2025), [Climate Resilience Investment Framework](#)

²⁵ IIGCC (2025), [The Physical Climate Risk Appraisal Methodology \(PCRAM\) 2.0](#)

- the *UN PRI's technical guides* on adaptation and private markets²⁶
- the *UNEP FI's measurement framework*²⁷, which offers adaptable metrics for assessing resilience impact
- the *ITPN's Building Climate-ready Transition Plans*²⁸
- the *NGFS' Input paper on Integrating Adaptation and Resilience into Transition Plans*²⁹; and
- the *WBCSD's Adaptation Planning for Business – Navigating uncertainty to build long-term resilience*³⁰

Publicly stated long-term targets Factor

Having a long-term, publicly stated climate target consistent with broader climate goals can be a strong signal of strategic intent, if coupled with detailed short- and medium-term strategy and targets. Not all entities have a publicly stated long-term target. This may be because of uncertainties as to technologies, a lack of national or regional sectoral pathways or policies or other national or state characteristics which make expression of such an ambition challenging.

Capital providers may wish to consider whether the Credible Pathway used by the entity and its transition ambition are sufficient to support the overall credibility of the entity's transition.

Third-party assurance or verification Factor

The role and availability of third-party assurance still vary depending on the entity's size, location, complexity and sector, the financial asset class involved and regulatory and market expectations.

Third party assurance of emissions and other data is common for issuers of labelled bonds and for large, listed UK or European companies but may be less prevalent in other markets and for privately owned medium sized companies. Assessment of transition planning in addition to data assurance is generally expected in labelled finance (e.g. second party opinions (SPOs) for ICMA Principles-aligned sustainable bonds); and wider uses are growing. The expected overall trend is for assurance and assessments to become more prevalent over the short- and medium-term.

It is highly desirable for an entity's reported emissions data (and other sustainability linked data where possible) to be subject to third-party assurance or verification. Third party assessment of an entity's transition planning is also useful and may be an important input to any due diligence process where available. Whether the entity engages independent third parties to provide assurance over key metrics, methodologies, or disclosures, or whether it references external

²⁶ UNPRI (2025), [Climate Change – Technical guides](#)

²⁷ UNEP FI (2024), [Adaptation & Resilience Impact: A measurement framework for investors](#)

²⁸ ITPN (2024), [Building Climate-ready Transition Plans: Including adaptation and resilience for comprehensive transition planning approaches](#)

²⁹ NGFS (2025), [NGFS Input paper on Integrating Adaptation and Resilience into Transition plans](#)

³⁰ WBCSD (2025), [Adaptation Planning for Business – Navigating uncertainty to build long-term resilience](#)

credibility assessments, including net zero ratings or scoring frameworks, both can support accountability and help validate the entity's approach. It may also provide insight into how the strategy compares to peers and market expectations, reinforcing credibility of ambition.

Environmental and social risks Factor

For a case study that provides an example of when this Factor should be considered, see Section 5.5 of the Implementation Factor.

This includes objectives such as social impacts, just transition, nature and biodiversity.

While all entities are expected to take reasonable steps to avoid causing or contributing to significant harm (this is the usually the expectation under applicable law), the specific risks associated with transition activities can vary widely depending on the sector, geography, and entity's transition planning. For entities undergoing large-scale operational change, these risks may be more significant. Capital providers may wish to consider these issues in due diligence.

Entities should take reasonable steps to assess, avoid, mitigate and manage environmental and social risks and adverse impacts, consistent with good industry practice. Environmental and social risks should be monitored and managed on an ongoing basis by the entity, with clear processes for escalation and oversight. Where appropriate, communication of how risks are being addressed, including through public disclosures, can support accountability. Where dependencies intersect with environmental or social risks, entities should seek to manage and mitigate these risks as part of the entity's broader transition planning.

For those with large workforces, large scale operations in economically dependent communities, or significant supply chain exposures, the transition may carry considerable risks for people and livelihoods. Entities should take reasonable steps to mitigate social impacts to avoid lasting harm to stakeholders where possible, particularly workers, suppliers, surrounding communities, and consumers. Where local employment, community infrastructure, or regional economic resilience are at risk, these can create dependencies that can challenge delivery of the transition plan. Cumulative impacts associated with wider transition within a region may have an amplifying effect. Where the transition is likely to result in significant adverse social impacts, a stakeholder risk assessment and social strategy may be necessary to mitigate those impacts. Evidence of proactive engagement with affected groups, public collaborations with government, public sector bodies, or civil society, can support transparent accountability and reinforce the credibility of ambition.

The relevance of nature-related risks impacts and opportunities will also vary depending on the entity's sector, location, and value chain. For those with land-intensive operations, or with nature-related dependencies directly or within their supply chain, it may be an important factor to manage within the entity's transition.

Integration of nature-related objectives into transition planning, including actions to avoid or reduce adverse impacts or to restore, or regenerate nature, can help ensure the entity is managing its key nature-related risks. This could include assessing whether the entity's implementation actions satisfy "do no significant harm" criteria under applicable taxonomies or other third-party standards, as regards ecosystems, species, and other natural resources. It may be relevant to evaluate whether the entity has conducted a risk and opportunity assessment aligned with the TNFD LEAP approach³¹, identifying both dependencies and impacts across its value chain. In some cases, and where available, application of science-based targets for nature, time-bound goals, and clear governance mechanisms may also demonstrate credible ambition and transparent accountability.

The following guidance, frameworks and tools can be referenced to further support entities in managing these risks and impacts:

With regards to overall environmental and social risks and impacts:

- Do No Significant Harm and Social Safeguard provisions in taxonomies (e.g. European Commission's Official Technical Guidance on DNSH³²)
- *The Equator Principles*³³, *IFC Performance Standards*³⁴, *World Bank EHS Guidelines*³⁵;
- *EBRD Performance Requirements*³⁶ and relevant legal and regulatory frameworks.

With regards to just transition risk and impacts:

- *Impact Investing Institute's Just Transition Criteria*³⁷, which provides product-level guidance and metrics;
- the *PRI's guide for investor action*³⁸, which outlines strategic and engagement approaches;

³¹ TNFD (2022), [The LEAP approach](#)

³² European Commission (2025). [Technical guidance on applying the 'do no significant harm' principle under the Social Climate Fund Regulation](#)

³³ Equator Principles (2020), [The Equator Principles](#)

³⁴ International Finance Corporation (IFC) (2012), [Performance Standards on Environmental and Social Sustainability](#)

³⁵ International Finance Corporation (IFC) (2007), [World Bank Group Environmental, Health, and Safety \(EHS\) Guidelines](#)

³⁶ EBRD (2023), [Performance Requirement Guidance \(1&2\)](#)

³⁷ Impact Investing Institute (2023), [Just Transition Criteria](#)

³⁸ UNPRI (2018), [Climate change and the just transition – A guide for investor action](#)

- Tools from the *Investor Group on Climate Change*³⁹, *Amundi and Clifford Chance*⁴⁰, the *World Bank*⁴¹, the *Grantham Institute*⁴², the *ITPN*⁴³, and the *Global Reporting Institute*⁴⁴, offering practical checklists, engagement templates, taxonomies and just transition metrics.

With regards to nature and biodiversity risk and impacts:

- the *TNFD Recommendations* and *LEAP approach*⁴⁵ for identifying and disclosing nature-related risks;
- the *Finance for Biodiversity Initiative's target-setting framework*⁴⁶; and
- guidance from *UNEP FI*⁴⁷, *MSCI*⁴⁸, *UN PRI*⁴⁹, and the *Green Finance Institute*⁵⁰, which offer sectoral insights, metrics, and engagement strategies.

Offsetting Factor

Many entities rely on carbon credits to offset their residual emissions. Some entities also use carbon insetting to reduce emissions from within their value chains, although this is easier for some sectors (e.g. fast-moving consumer goods) than others.

Where carbon credits are used, the entity should be able to show that these are high-quality and qualify as such under a relevant international certification standard. Entities should consider how a balanced portfolio of reductions and removals can best meet their requirements. Any carbon removals, reductions or avoided emissions that generate credits should be additional to activities that would have happened in anyway (e.g. under applicable regulation). The activities or projects that generate the credits should have a low risk of reversal and avoid significant environmental or social harm. These activities, projects and related credits should have been the subject of monitoring, verification and appropriate accounting treatment. Over time transition credits (whose issuance may be in respect of emissions avoided upon the early closure of coal

³⁹ IGCC (2024), [Investor Expectations for Corporate Just Transition Planning](#)

⁴⁰ Amundi Asset Management and Clifford Chance LLP (2024), [Just Transition: A Framework for Investor Engagement](#)

⁴¹ World Bank Treasury Sustainable Finance & ESG Advisory Services Program & World Bank Extractives Global Unit (2024), [Just Transition Taxonomy](#)

⁴² Grantham Research Institute on Climate Change and the Environment, London School of Economics (2022), [Making Transition Plans Just: How to Embed the Just Transition into Financial Sector Net Zero Plans](#)

⁴³ ITPN (2024), [Just Transition Report](#)

⁴⁴ GRI (2025), [GRI 102: Climate Change](#)

⁴⁵ TNFD (2023), [Taskforce on Nature-related Financial Disclosures \(TNFD\) Recommendations](#)

⁴⁶ Finance for Biodiversity Foundation (2024), [Nature Target Setting Framework for Asset Managers and Asset Owners](#)

⁴⁷ UNEP FI (2021), [Guidance on Biodiversity Target-setting](#)

⁴⁸ MSCI (2023), [An Investor's Guide to Nature and Biodiversity Risks and Impacts](#)

⁴⁹ PRI (2024), [An introduction to responsible investment: Biodiversity for asset owners](#)

⁵⁰ GFI (2024), [Assessing the Materiality of Nature-Related Financial Risks for the UK](#)

fired power stations) may also offer an additional form of offset as the market becomes more established.

Entities should have robust governance mechanisms in relation to offsetting and be transparent as to its contribution to meeting any longer-term ambition, demonstrating transparent accountability. A range of frameworks and tools are available to support an entity's approach to offsetting, and mitigate risk, including:

- the ICVCM's *Core Carbon Principles and Assessment Framework*⁵¹
- the VCMI's *Claims Code of Practice*⁵²
- the University of Oxford's *Principles for Net Zero Aligned Carbon Offsetting*⁵³
- carbon credit ratings agencies
- carbon credit insurance policies

⁵¹ Integrity Council for the Voluntary Carbon Market (ICVCM) (2024), [Core Carbon Principles and Assessment Framework](#)

⁵² Voluntary Carbon Market Integrity Initiative (VCMI) (2024), [Claims Code of Practice](#)

⁵³ University of Oxford (2024), [Oxford Principles for Net Zero Aligned Carbon Offsetting \(revised 2024\)](#)

3. Glossary

Definitions

Activity means an activity or project that supports an entity in delivering towards its Credible Ambition.

Aligned and aligning means the process of aligning either an activity or an entity's economic activities as a whole (as the context may require) to a Credible Ambition and achieving and maintaining that alignment, as contemplated in Category 3 of the Transition Finance Classification System as regards activities and Category 4 of the Transition Finance Classification System as regards entities.

Carbon insetting means reducing a company's carbon emissions by investing in emission-reduction projects within its own supply chain or value chain, usually via a credit-based mechanism. Unlike carbon offsetting, which funds external projects, insetting focuses on actions that benefit both the climate and the company's operations, such as sustainable farming, renewable energy, or reforestation with suppliers.

Carbon lock-in in the context of assessing transition finance occurs when high-emission infrastructure, assets or projects are built or extended, locking in future emissions, despite the possibility of substitution with technologically feasible, economically viable low-carbon alternatives. Carbon lock-in is distinct from but connected to the concept of stranded assets (please see stranded assets definition).

Carbon lock-in assessment is an assessment of the potentially locked-in GHG emissions from a particular asset or project in the case of activity-level investment or finance or from an entity's new or extended or refurbished assets and projects in the case of entity-level investment or finance. Any assessment should have regard to climate science, transition pathways, the investee's plans to transition or retire such assets or products as well as potentially relevant geographic or sectoral context.

Capital providers are individuals or institutions that allocate financial resources - such as equity, debt, or other forms of capital - to entities or activities with the expectation of a financial return.

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

Contextual Factors means those risks or adverse impacts arising from the entity's business activities, operating context or market characteristics that could materially affect an entity's ability to deliver a credible transition of its business that capital providers should consider in addition to Universal Factors in relation to any entity-level investment or finance.

Credible Pathway or Pathways A 'Credible Pathway' is one that is based on one or more published methodologies of the kinds listed below that have been 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*'. These are:

- published science-based methodologies representing global averages across sectors,
- regional, or national sector pathways, or recognised roadmaps that are compatible with the Paris goal,
- Taxonomies compatible with the Paris goal and, or
- multi-scenario and multi-metric approaches that use a combination of qualifying global methodologies and regional / sector pathways

The pathway may take into account the maximum level of technologically and economically feasible decarbonisation potential given the entity's geographical and sectoral footprint. Where available, the pathway may reference sector-specific emissions intensity benchmarks.

Consistent with the principle of *Common But Differentiated Responsibilities and Respective Capabilities*, other Paris compatible pathways may be used where there are regional or sectoral constraints. Where the pathway is not aligned with 1.5 degrees, the rationale for the pathway selection and its implications should be explained.

Entity means any non-financial natural or legal person engaged in economic activities.

Factors means Universal Factors and Contextual Factors.

Principles means the four guiding Principles of credible transition finance, namely Credible Ambition, Action into Progress, Transparent Accountability, and Addressing Dependencies.

Stranded Assets are investments or physical assets that become financially non-viable before the end of their expected life because they are incompatible with a low-carbon economy or future regulatory environments. Consideration of stranded assets focuses on the financial consequences of failing to transition, rather than a forward-looking assessment of future locked in emissions (please see carbon lock-in assessment).

Transition Finance Classification System means the classification system for transition finance set out in Chapter 1 of the Transition Finance Market Review.

Universal Factors are evidence points for assessing whether the Principles of the Guidelines are satisfied. In other words, they are indicators of performance against the Principles and must be met by the entity receiving the finance. The capital provider should use these Universal Factors in all cases to determine whether an entity's transition planning is credible enough for finance to be classified as transition finance.

4. Appendix

4.1 Credible Pathway methodologies

To support the assessment of alignment with a credible transition pathway, the assessor should look for the use of recognised methodologies – such as published scenarios, models, or roadmaps – developed to be compatible with the Paris Agreement to benchmark the ambition and direction of the entity's transition.

The table below provides a non-exhaustive list of examples of widely recognised frameworks and pathways that can support this assessment. Where sector- or region-specific pathways are unavailable, entities may instead draw on internationally recognised, 1.5°C and well below 2°C - aligned scenarios or third-party guidance compatible with the Paris Agreement.

Framework / initiative	Description
ACT (Assessing Low Carbon Transition) Framework⁵⁴	Sector-specific methodology for assessing companies' low-carbon transition strategies and alignment with Paris goals; often used with SBTi.
ASEAN Taxonomy for Sustainable Finance⁵⁵	Provides a common framework for classifying sustainable and transition economic activities across ASEAN member states, supporting the region's sustainability goals and commitments under the Paris Agreement. Developed by the ASEAN Taxonomy Board (ATB).
Australian Sustainable Finance Taxonomy⁵⁶	Provides a common classification system for sustainable and transition activities aligned with Australia's net zero commitments, developed by the Australian Sustainable Finance Institute (ASFI).
Climate Bonds Initiative Taxonomy and Criteria⁵⁷	Science-based criteria and sector-specific pathways for determining whether assets or activities are aligned with Paris goals; widely used in labelling green and transition bonds.
CCREM (Carbon Risk Real Estate Monitor)⁵⁸	Provides pathways and carbon intensity benchmarks to assess climate alignment of real estate assets in line with 1.5°C scenarios.
CGFI Climate Scenario Taxonomy⁵⁹	Standardised classification and mapping of climate scenarios for financial institutions to assess Paris alignment, transition risk, and physical risk. UK-focused but globally relevant.

⁵⁴ ACT (2024), ACT Framework, [Assessing the transition towards low GHG emissions](#)

⁵⁵ ATB (2024), [ASEAN Taxonomy for Sustainable Finance](#)

⁵⁶ ASFI (2025), [Australian Sustainable Finance Taxonomy](#)

⁵⁷ Climate Bonds Initiative (2021), [Climate Bonds Taxonomy](#)

⁵⁸ CREM (2025), [CCREM Pathways](#)

⁵⁹ CGFI (2024), [A Climate Scenario Taxonomy for the Financial Sector](#)

EU Sustainable Finance Taxonomy⁶⁰	Defines environmentally sustainable activities across sectors; based on Paris alignment and climate science.
Hong Kong Taxonomy for Sustainable Finance⁶¹	Defines environmentally sustainable activities across key sectors to support green finance and capital mobilisation. Developed by the Hong Kong Monetary Authority (HKMA).
IEA Net Zero Emissions (NZE) Scenario⁶²	Comprehensive global energy sector roadmap for net-zero emissions by 2050. Serves as a widely used corporate and sector benchmark to align strategies with 1.5°C limit, ensuring no temperature overshoot
IEA Sustainable Development Scenario (SDS)⁶³	Scenario aligned with the Paris Agreement, used in the IEA's Clean Energy Investments in EMDEs model. Provides a globally consistent pathway for sustainable energy development.
IPCC AR6 Pathways⁶⁴	Scientific scenarios assessing pathways consistent with 1.5°C and well-below-2°C outcomes, including mitigation strategies.
Mission Possible Partnership (MPP) Sector Transition Strategies⁶⁵	Decarbonisation roadmaps for hard-to-abate sectors (e.g., aviation, cement, steel), aligned with 1.5°C.
NGFS Climate Scenarios⁶⁶	Widely adopted macroeconomic and financial risk scenarios aligned with Paris goals; includes disorderly/failed transition and 1.5°C pathways.
One Earth Climate Model (OECM)⁶⁷	Provides detailed, science-based decarbonisation pathways for GHG emissions across sectors and regions, aligned with a 1.5°C trajectory without overshoot. Designed for financial institutions and corporates to assess alignment with Paris-consistent transition pathways. Includes regional differentiation and sectoral granularity.
PAII Net Zero Investment Framework (NZIF)⁶⁸	Provides investors with a framework to align portfolios with the Paris Agreement; used by many asset owners in the UK and globally.

⁶⁰ EU (2020), [EU taxonomy for sustainable activities](#)

⁶¹ HKMA Banking Regulatory Document Repository (2024), [Hong Kong Taxonomy for Sustainable Finance](#)

⁶² IEA (2024), [Global Energy and Climate Model](#)

⁶³ IEA (2025), [Scenario trajectories and temperature outcomes](#)

⁶⁴ IPCC (2023), [Sixth Assessment Report](#)

⁶⁵ MPP (2025), [Sector Transition Strategies](#)

⁶⁶ NGFS (2024), [Scenarios portal](#)

⁶⁷ University of Technology Sydney (UTS), UNEP, (2022), [One Earth Climate Model: Sectoral Pathways to Net-Zero Emissions](#)

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

RMI – Leveraging Transition Pathways (report) ⁶⁹	Provides practical guidance on interpreting and applying sectoral transition pathways to assess corporate climate alignment. It includes stylised examples of how to benchmark ambition and evaluate critical indicators of credibility.
RMI - Regionalizing Transition Intelligence (report) ⁷⁰	Focuses on adapting global transition scenarios to regional contexts. It includes guidance on selecting appropriate regional pathways.
RMI transition scenario depositary (currently under embargo)	<i>More information to be included in the Spring 2026 iteration once the depositary has been published.</i>
Science Based Target Initiative (SBTi) ⁷¹	Provides companies with methodologies to set GHG reduction targets in line with 1.5°C or well-below-2°C pathways. Includes sector-specific guidance.
Singapore-Asia Taxonomy for Sustainable Finance ⁷²	Introduces “green,” “amber (transition),” and “ineligible” classifications for economic activities across eight priority sectors. Developed by the Monetary Authority of Singapore (MAS) to reflect regional transition pathways and support Paris-aligned finance across Asia.
Transition Pathway Initiative (TPI) ⁷³	Provides sector-specific decarbonisation pathways and benchmarks that assess companies' alignment with 1.5°C-compatible transition scenarios, aiding investor and corporate decision-making.
Transition Pathway Initiative (TPI) ASCOR Framework ⁷⁴	Provides a framework for assessing sovereign debt issuers' climate performance and alignment. Includes regional 2030 benchmarks for Paris-compatible pathways based on the 1.5°C National Pathway Explorer, supporting consistent regional assessments.
UK Climate Change Committee (CCC) Carbon Budgets & Net Zero Pathway ⁷⁵	UK-specific legally binding carbon budgets and detailed sector pathways to reach Net Zero by 2050; aligned with the UK's Paris Agreement obligations.

⁶⁹ RMI (2025), [Leveraging Transition Pathways](#)

⁷⁰ RMI (2025), [Regionalizing Transition Intelligence](#)

⁷¹ Science Based Targets Initiative (2025), [Target Dashboard](#)

⁷² Monetary Authority of Singapore (2023), [Singapore-Asia Taxonomy for Sustainable Finance](#)

⁷³ TPI (2025), [Homepage](#)

⁷⁴ TPI (2024), [ASCOR tool](#)

⁷⁵ CCC (2025), [The Seventh Carbon Budget](#)