

The logo for the Transition Finance Council, featuring the text "Transition Finance Council" in white, stacked vertically, within a white square frame that is part of a larger white geometric shape.

Transition
Finance
Council



**THE
GLOBAL
CITY**

Transition Finance Guidelines

Consultation questions and update

November 2025

Responding to the consultation

Phased approach and timelines

The Council's ambition is to work with stakeholders globally to define effective internationally applicable Transition Finance Guidelines. This second consultation is to obtain views internationally to enable refinement and finalisation of the Guidelines.

This consultation is divided into three parts:

- Transition Finance Guidelines Consultation Questions and Update (this document)
- Draft Transition Finance Guidelines (Guidelines)
- Draft Implementation Handbook (Handbook)

This Consultation paper includes the questions on which we are consulting. The draft Guidelines and Implementation Handbook include updated content in response to feedback received in an initial, mainly UK-focused consultation which is summarised in Section 2 below. We hope to gather views across a range of institutions, companies and other stakeholders around the world, including neighbouring markets and the UK. We are particularly keen to engage with colleagues in emerging markets and developing economies to make sure we leverage their transition expertise and experience, and to test workability of these Guidelines for companies and investors in those markets.

The Council timeline is as follows:

1. First consultation on entity-level Transition Finance Guidelines (held 18 August to 19 September 2025)
2. Second consultation on entity-level Transition Finance Guidelines (open for feedback 3 November 2025 to 30 January 2026)
3. Finalised entity-level Transition Finance Guidelines published in Spring 2026

How to respond and who should respond

This consultation will be open for feedback until 12pm on the 30 January 2026. Responses are being collected via an online form found [here](#). It is not necessary to answer all questions. We welcome responses from all stakeholders where the questions are relevant to their work and experience. The following entities are the intended users of the Guidelines and the Handbook:

- | | |
|-------------------------------|--|
| • Real economy corporates | • regulators |
| • asset owners | • civil society and universities |
| • asset managers | • public financial institutions (PFIs) and |
| • credit providers | multilateral development banks (MDBs) |
| • financial service providers | • governments and international institutions |

1. Progress since August 2025 consultation

The August consultation was a short consultation to sense check our initial approach and focused primarily on UK stakeholders. We received 25 formal responses as well as informal inputs from working group members and other parts of the Transition Finance Council network over the summer. The feedback has helped us refine our approach, though timelines have meant we have not been able to progress all aspects of the feedback.

1.1 Key changes in the November consultation draft

The principal changes made since the August consultation have been:

- Revising the Universal Factors to ensure they are more streamlined and better capable of assessment
- Mapping the Guidelines to NZIF
- Clarifying the relationship between entity-level transition finance consistent with the Guidelines and green and sustainability-linked bonds and loans
- Updates to asset class guidance
- New case studies
- Separation of the Guidelines and a handbook of implementation guidance and case studies
- Inclusion of a reference catalogue for relevant frameworks and other methodologies

2.2 Feedback themes from our August consultation

Set out in the table are the key themes of this feedback and how these are being considered or are already incorporated into the present Consultation draft.

Feedback theme	The Council's response
1: Credible pathway – there was broad support for not prescribing 1.5 pathway. There was some confusion on what constitutes a credible pathway and which pathways can and can't be used. Pathways are required to be compatible with the common average temperature goal of Paris.	We have revised the text on 1.5 alignment and the definition of a 'Credible Pathway' to make it clearer. We have provided more examples of what can qualify as a credible pathway. The wording is now clearer that while alignment to 1.5 is preferred it is not required . This consultation offers another opportunity for input on this core component of the Guidelines.

2: Too many Universal Factor criteria and some criteria too hard to evidence. Concern they set too high a bar for Emerging Markets or for medium sized entities. Some respondents thought the criteria would be too onerous to apply (some concerned about engagement, governance and carbon lock-in criteria)	The criteria have been rewritten to reduce duplication, address evidencing challenges and to simplify wording. These changes do not substantially change their scope. We are considering how Factor criteria might be further refined. Views are sought in this consultation.
3: Carbon lock-in – feedback was mixed with stricter and more flexible approaches proposed. Consultees suggested adding context including local policy and better linkage to dependencies. More examples/references to assessment tools were requested.	No significant changes in this draft. Additional assessment methodologies have been included. This wording remains open to feedback in this consultation.
4: Scope 3 targets – broad agreement on not mandating Scope 3 emission reduction targets. Respondents asked for more guidance on other metrics to apply in absence of a GHG target.	We have included some more examples of acceptable substitutes for a Scope 3 GHG target.
5: Contextual Factors – respondents were broadly comfortable with Contextual Factors, though a few preferred simply weaving mentions of these into the principles. There was some confusion on when Contextual Factors are relevant and what is expected if they are.	We have not amended these. We expect to make clearer that many are already addressed through widely applied standards such as the Equator Principles, and IFRS S1 & S2 and where relevant through taxonomies.
6: Use cases – respondents wanted a better articulation of the overlap and interoperability with labelled product and labelled product guidance (LMA, CBI and ICMA).	The focus remains on general purpose financing and vanilla equity and debt investment. The draft Implementation Handbook discusses the relationship with labelled finance particularly SLB/SLLs.
7: Use cases - NZIF – there was consistent feedback for greater clarity on the additional value of the Guidelines for NZIF users and how the Guidelines are meant to overlay with NZIF.	The draft Implementation Handbook includes an NZIF mapping. The Guidelines form a TF baseline compatible with NZIF, while providing greater specificity as to transition credibility indicators.
8: Asia frameworks – consultees suggested that we should refer more extensively to Asian frameworks (e.g. Singapore, Japan, Malaysia) and detail how the Guidelines could be used alongside them.	We have included initial commentary at a high level and will continue more detailed work over the coming months. We welcome opportunities to collaborate on the Guidelines with these markets.
9: SRS2 and TPT mapping – many highlighted the importance of interoperability with the SRS2 requirements and by extension the TPT framework.	Initial work is included in our draft Implementation Handbook. We will provide detailed mapping to IFRS S2 and the TPT framework.
10: Create a references catalogue – a lot of good suggestions of references to make to other frameworks	A table of the frameworks and guidance referred to in the Guidelines is now included
11: Examples – consultation responses supported collection of more case studies that show how criteria are assessed – particularly for financial viability, dependencies, implementation.	More case studies are included but we recognise this is an area to build on. We continue to collect these for the final version.

Considerations for responding to the consultation

General guidance

Please take note of the following guidance for submissions:

- There are not questions on every section of the Guidelines or Handbook
- It is not necessary to answer every question, only answer the ones relevant to your work and experience.

Data protection and confidentiality

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004). If you want the information that you provide to be treated as confidential, please tell us, but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request. We will process your personal data in accordance with all applicable UK data protection laws. The personal data will only be made available to those with a legitimate business need to see it as part of the consultation process.

Use of Artificial Intelligence tools

Some of the analysis of the consultation responses may be carried out using an Artificial Intelligence (AI) tool. The AI tool processes data securely and does not copy or share data. The data will only be accessed and used by those authorised to do so.

Use of information

We may produce a high-level summary of themes from responses to this consultation and publish this as part of the materials on the Transition Finance Council website.

We note the recent UK Government consultation on transition plan requirements. The proposed Transition Finance Guidelines, while voluntary, could be complementary to sustainability reporting and transition plan disclosures. We are engaging with the UK Government and the Financial Conduct Authority in recognition of this complementarity and may share themes from responses to this consultation with them.

Questions

Questions relating to the Transition Finance Guidelines

Questions on Structure

Sections 1 (Context) and 2.1 (Structure of the Guidelines), explain the purpose and structure of the Guidelines, including the concept of the Principles and Factors and how they should be applied. Please refer to pages 4-8 of the Guidelines.

1. Is the **structure** of the Guidelines, Principles, Universal Factors and Contextual Factors appropriately explained and workable (*i.e. the construct and relationship between them, rather than the Principles and Factors themselves*)?
 - a) Yes, the overall structure is clear
 - b) I broadly agree with the overall structure but have comments or suggestions on how to improve it
 - c) No, I do not agree with the structure

Please explain your answer above and suggest how the structure could be made simpler to follow and more practical to implement.

Questions on Section 2.2: Principles

This section details the Principles – Credible Ambition, Action into Progress, Transparent Accountability and Addressing Dependencies. Please refer to pages 9-13 of the Guidelines.

1. Do you agree these are the right Principles?
 - a) Yes
 - b) No

If not, why? Which do you believe should not be Principles or which Principles are potentially missing?

2. Does the Credible Pathway definition (contained in the Credible Ambition Principle) achieve the right balance between 1) being practical to assess 2) driving decarbonisation and 3) acknowledging the energy security and development challenges of industrial operators in emerging markets? If not, are there builds or adjustments you would propose?

Questions on Section 2.3: Universal Factors

This section details the Universal Factors, Interim Targets & Metrics, Implementation, Financial Viability, Engagement, Governance and Disclosure. Please refer to pages 13-19 of the Guidelines.

- a) Do you agree with the overall themes of the Universal Factors? (*Interim Targets & Metrics, Implementation, Financial Viability, Engagement, Governance and Disclosure*)
- b) Yes
- c) No

If not, which Universal Factors are not universal and which Factors might be missing and why?

1. As either a capital provider or an entity, do you feel the assessment against the criteria in the Universal Factors is practically implementable and reasonable (considering the overlap with existing disclosure requirements)? Which Universal Factors do you foresee being most difficult to evidence and why? How would you practically approach that challenge of evidencing?
2. Do you believe an entity should be required to meet all the written criteria, or do you think it would be appropriate to split the criteria into categories of “essential” and “desirable”?
3. If you support the splitting of the criteria, please comment on the split suggested in the Guidelines and/or select which approach could practically work best and explain why.
 - 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 evidence points, before meeting the desired evidence points over a set time (e.g. 1-2 years from financing), or
 - c) certain entities (e.g. medium-sized companies, unlisted companies) need to meet the essential criteria only.
 - d) None of the above (please explain what could work better if so)
4. If you believe certain entities are only required to meet ‘essential’ criteria, how would you set an expectation of what type of entity this is?

5. Do the Universal Factors set an appropriate threshold for transitioning entities including entities in emerging markets or medium-sized entities?
 - a. If not, which criteria do you disagree with within the Factors and why?
 - b. Are there any amendments required in relation to the carbon lock in wording?
6. Are there any other comments you would like to make about the Universal Factors, including other frameworks or guidance that should be referred to?

Questions on Section 2.4: Contextual Factors

This section details the concept of Contextual Factors and how they might be applied. Please refer to pages 20-25 of the Guidelines.

1. Do you agree with how and when Contextual Factors are considered? If not, how could it be made clearer or improved?
2. Are there any other comments you would like to make about the Contextual Factors?

Questions relating to the Implementation Handbook

Questions on Structure and purpose

1. Is the purpose of the Implementation Handbook clear, and does it deliver on that purpose? If not, how do you think the structure, length, navigation could be improved?

Questions on Section 3: Global interoperability of the Guidelines

This section highlights how the Guidelines can be used in conjunction with other existing regulatory frameworks and voluntary guidance documents. Please refer to pages 13-22 of the Handbook.

1. How well does this section address the interaction of the Guidelines with other methodologies and frameworks? Do any areas require more clarity or are there any significant frameworks we have missed?

Following feedback from the previous consultation, we are particularly interested in opinions on new sections *3.4 Interoperability with the Net Zero Investment Framework* and *3.6 Interoperability with frameworks for public and private debt*.

2. Do you have concern that the Guidelines conflict or are inconsistent with other frameworks and taxonomies you use? If so, what conflicts or inconsistencies are you most concerned about?

Questions on Section 4: Obtaining evidence required for assessment

This section addresses how users of the Guidelines could approach data challenges and touches on the role of assurance providers. Please refer to pages 23-24 of the Handbook.

1. Is this section useful to you? If no, please suggest how it might be added to, e.g. is there a necessity to see examples of credible primary and secondary data, and when proxy data might need to be used?

Questions on Section 5: Factor and Principle assessment examples

This section includes case studies which aim to exemplify how to assess an entity against particular evidence points. Please refer to pages 25-31 of the Handbook.

1. Do the examples provided in this section make it clearer how certain criteria could be evidenced and what the threshold of expectation is? How could the structure/depth of the case studies be improved to be more practically useful?
2. Do you agree with the placement of the case studies within the Handbook? i.e. Is it useful to have them in one document, or would you prefer to have them as live web pages which would then reduce the length of the handbook?
3. Which Universal Factors (or specific criteria) would it be useful to see additional case studies on?
4. Do you have any other specific feedback on any of case studies in this section?

Questions on Section 6: Implementation support for EMDEs and SMEs

This section provides some additional detail on the challenges that entities in an EMDE or SME context may face in applying the Guidelines. It also provides some examples and references of ways assessors could address these challenges. Please refer to pages 32-38 of the Handbook.

1. How would you propose the Guidelines could better address challenges for EMDEs and SME? Can you provide examples of tools you have used or case studies in these contexts that helped address those challenges? (e.g. good practice for assessing the credibility of pathways for high-emitting sectors in emerging markets).
2. Is there other guidance that is necessary for the Council to develop to support the interpretation and implementation of the Guidelines? Examples might include application to multi-national enterprises or multi-sector entities.

3. Is there any other feedback you would like to give on this section?

Questions on Section 7: Applying the Guidelines across different asset classes

This section outlines typical considerations and barriers encountered within three asset classes (public equity, public debt and private equity) and proposes, where feasible, pragmatic approaches to help overcome them. Please refer to pages 39-47 of the Handbook.

1. Is the structure of this section intuitive and useful? (i.e. splitting the content between pre investment and post-investment, addressing key themes like strategies and data availability). Do you have any suggestions of how to make this section more useful?
2. If you are interested in seeing this section expanded to other asset classes, please let us know which ones and whether you would be interested in collaborating in drafting? (the Council is currently planning on building out to real assets, private debt and potentially others, though this is dependent on capacity).
3. Does the Handbook provide enough guidance in relation to Credible Pathways and compatibility with the Paris Agreement for users on how to satisfy these expectations? What, if anything, could be made clearer or improved?

Other feedback

Please let us know if you have any other feedback or suggestions to improve the Guidelines or Handbook. This may include removal of material or build out of areas you consider to be under-developed or absent.

We would be grateful for any case studies with relevance to these Guidelines. Particularly where challenges have been faced, or where it has been difficult to assess whether an entity meets the requirements to qualify as transition finance. Where assessment criteria used bear some resemblance to the Principles/Factors, we are very interested to know how this has been applied.

If you would prefer, please email your case studies to transitionfinancecouncil.cityoflondon.gov.uk