

**Accessing Transition Finance: A practical guide for issuers**

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## Contents

Executive summary .....	3
Background .....	4
Introduction .....	5
What is ‘transition finance’? .....	7
Why qualifying for transition finance matters for issuers .....	10
The market today and how it’s growing .....	12
1. Use of Proceeds Instruments .....	12
2. Sustainability-Linked Instruments .....	15
3. Blended-finance structures .....	18
4. Secondary-market instruments.....	21
5. Enabling initiatives .....	21
How to position your business to maximise your access to transition finance.....	24
1. Build a credible transition plan .....	24
2. Futureproof your approach using key global standards and initiatives .....	28
3. Choose the right instrument .....	32
4. Carefully consider your evidence and assurance .....	35
What’s next for transition finance? .....	39

## Executive summary

Transition finance that enables the economy and finance to move towards Net Zero and other sustainability-related goals is a significant opportunity for businesses and investors.

**Global climate finance**, which supports activities that are already green, reached **\$1.9 tr** in 2023 and is estimated to have **exceeded \$2 tr in 2024**.<sup>1</sup> These figures constitute a **mere fraction of the investment needed** to bring along the rest of the world – i.e. those parts of the economy that are not already ‘green’ – and stay on a pathway to achieving Net Zero by 2050.<sup>2</sup> As a result, there is a significant funding gap, estimated to range from **\$4.5 tr to \$7.8 tr annually** based on current spending. As net-zero deadlines approach and decarbonisation urgency intensifies (especially for ‘hard-to-abate’ sectors), a growing share of sustainable capital is expected to be directed towards transition finance.

This Guide is written for **issuers across all sectors**, including hard-to-abate industries and fast-growing, energy-intensive digital sectors, seeking practical direction on:

1. Why qualifying for **transition finance matters**
2. The **transition-finance market** and how it is **developing**
3. How to **best position your business** to take advantage of emerging and evolving transition-finance opportunities
4. **What is next** for transition finance

Unlike traditional green finance, transition finance does not require an issuer or its activities to be green today. Instead, it requires **credible pathways and evidence of progress** towards material improvements over time. As no single universal definition of ‘transition finance’ yet exists, **credibility, transparency, and comparability are central** to market access and continued market integrity.

Understanding transition finance is important for issuers because it enables them to: access **new, larger, focused pools of capital**, lower their **cost of capital**, improve **liquidity**, enhance **value creation and protection**, and gain a **head start on formal regulation**. This Guide outlines the **most significant current and emerging vehicles for transition finance** – from bonds and loans to blended finance – and **key considerations** for issuers that want to maximise their access to these opportunities.

The Guide also outlines how **issuers can best position their business** to take advantage of emerging and evolving transition-finance opportunities. This includes:

- Building a credible, strategic transition plan
- Futureproofing the business’ approach using key global standards and initiatives
- Choosing the right transition-finance instrument
- Carefully considering evidence and assurance

Looking ahead, the Guide explores **how transition finance is likely to develop** and **how the market is expected to evolve** over the coming years, becoming more structured through clearer definitions, taxonomies and embedded disclosure expectations. In the near-term, issuers facing regulatory divergence and uncertainty must **prioritise a strategic approach** that will **maximise their access to capital, protect their business from emerging sustainability risks** and **remain credible as standards tighten and evolve**.

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<sup>1</sup> <https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2025/>

<sup>2</sup> <https://www.aoshearman.com/en/insights/how-big-is-the-net-zero-financing-gap-2025>

## Background

Established in 1961, the WFE is the global industry association for exchanges and clearing houses.

Headquartered in London, it represents the providers of over 250 pieces of market infrastructure, including standalone CCPs that are not part of exchange groups. Of our members, 36% are in Asia Pacific, 43% in EMEA and 21% in the Americas. The WFE's 87 member CCPs and clearing services collectively ensure that risk takers post some \$1.3 trillion (equivalent) of resources to back their positions, in the form of initial margin and default fund requirements. The exchanges covered by WFE data are home to over 55,000 listed companies, and the market capitalization of these entities is over \$111tr; around \$124tr in trading annually passes through WFE members (at end-2023).

The WFE is the definitive source for exchange-traded statistics and publishes over 350 market data indicators. Its free statistics database stretches back more than 40 years and provides information and insight into developments on global exchanges. The WFE works with standard-setters, policymakers, regulators and government organisations around the world to support and promote the development of fair, transparent, stable and efficient markets. The WFE shares regulatory authorities' goals of ensuring the safety and soundness of the global financial system.

With extensive experience of developing and enforcing high standards of conduct, the WFE and its members support an orderly, secure, fair and transparent environment for investors; for companies that raise capital; and for all who deal with financial risk. We seek outcomes that maximise the common good, consumer confidence and economic growth. And we engage with policymakers and regulators in an open, collaborative way, reflecting the central, public role that exchanges and CCPs play in a globally integrated financial system. If you have any further questions, or wish to follow-up on our contribution, the WFE remains at your disposal.<sup>3</sup>

Website: [www.world-exchanges.org](http://www.world-exchanges.org)

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If you have any further questions, or wish to follow-up on our contribution, the WFE remains at your disposal. Please contact:

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<sup>3</sup> Our EU Transparency Register number is 973382524675-69

## Introduction

Transition finance is an important opportunity for both businesses and investors. Thoughtfully implemented, transition finance will support the reshaping of business models, activities, assets and value chains. Transition finance has the potential to surpass the existing green bonds and equity markets, which have seen sustained growth in recent years, both in volume and sectoral uptake.

To date, transition finance has arguably not received the attention it deserves (or requires), and because the scale of the challenge brings public markets into play. As with other major step changes in economic activity – digitisation, for example – only public markets can deliver the capital needed for transition finance to flourish. Public markets are able to do this because they have the requisite credibility, built on issuer disclosures and transactional transparency, to support robust, high-integrity markets.

To grow transition finance, policy makers must adopt a long-term view and ensure public markets remain attractive. Primary market activities must be not only robust, but also free from unnecessary bureaucracy. Secondary markets must, in turn, nurture the transparent, multilateral environment that underpins public confidence and the broader financial system.

**Global climate finance**, which supports activities that are already green, reached **\$1.9 tr in 2023**, and the Climate Policy Initiative estimates that climate finance **exceeded \$2tr for the first time in 2024**.<sup>4</sup> However, these figures constitute a **mere fraction of the estimated \$6.2tr to \$9.5tr that is needed annually until 2030** to keep the rest of the world – i.e. those parts of the economy that are not already ‘green’ – on a net-zero pathway. For the period 2031 to 2050, the investment required is estimated to increase to between \$6.9tr and \$11.3tr.<sup>5</sup> This investment is needed not only to support **greenhouse gas emissions reductions**, but also to realise a **wide range of economic benefits**, including **protection against the costs of inaction**, with forecasts estimating economic losses of 15% of global GDP by 2050 from 2°C of warming and 30% by 2100 from 3°C of warming.<sup>6</sup>

With the 2050 deadline set out in the Paris Agreement fast approaching and the acceleration of physical climate-related impacts, decarbonisation of the global economy, including the ‘hard-to-abate’ sectors that cannot easily align with a net-zero pathway, is becoming more urgent. As a result, a growing share of sustainable capital is expected to be directed towards transition finance. This is reflected in the focus of policymakers, who are increasingly taking steps to accelerate the growth of transition finance markets and establish their jurisdiction as a leading hub for transition finance.

The maturation of the transition-finance market is particularly important for companies in hard-to-abate sectors, who currently receive only 7% of transition investment despite representing the bulk of emissions.<sup>7</sup> Hard-to-abate sectors have been largely excluded from green capital flows, which have historically focused on activities that are already green. The new focus on transition finance and the emergence of standards that embed transparency, accountability and scientific rigour to transition-positive investments is a critical step in extending the reach of

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<sup>4</sup> <https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2025/>

<sup>5</sup> <https://www.aoshearman.com/en/insights/how-big-is-the-net-zero-financing-gap-2025>

<sup>6</sup> <https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2025/>

<sup>7</sup> [https://downloads.ctfassets.net/v7uy4j80khf8/6GJaTzrLVfZjfA0RqyQBRj/6ca3218583cefbf8db812e1eec33ad17/From\\_Plans\\_to\\_Capital.pdf](https://downloads.ctfassets.net/v7uy4j80khf8/6GJaTzrLVfZjfA0RqyQBRj/6ca3218583cefbf8db812e1eec33ad17/From_Plans_to_Capital.pdf)

sustainable capital flows to the companies and economies that need to transition most urgently.

As global transition-finance flows grow, businesses would benefit from early action to position themselves to benefit from transition finance and avoid missing out on opportunities for strategic and resilient long-term value creation. This is particularly true for companies in hard-to-abate sectors, who have historically struggled to access green finance but have the greatest decarbonisation needs and so stand to benefit most from the mobilisation of transition finance to meet Net Zero.

This Guide is relevant for businesses from all sectors – from traditional mining companies to crypto-mining companies; from companies that build critical infrastructure to companies that build AI platforms and tools.

The Guide outlines **the case for maximising your access to transition finance**, and for early alignment. The Guide provides **practical information on the different forms of transition finance** currently available and how they are evolving, as well as key considerations and insights on which specific instruments and vehicles may be most appropriate for businesses and how to maximise eligibility for each type of financing. The Guide also provides **advice on how a business should position itself to capture primary and secondary-market demand** for transition-positive investments, including the critical role of transition plans and how to design a strategic transition plan that will help you access transition finance. The Guide concludes by setting out **how transition finance is expected to evolve** in the coming years, and the key developments that businesses should bear in mind when designing and finessing their approach to transition finance.

## What is ‘transition finance’?

For the purposes of this Guide, transition finance is considered to be financing that enables the credible, science-aligned transitioning of business models, activities, assets and value chains towards Net Zero and other sustainability-related goals.

Transition finance does not require organisations or their activities to qualify as ‘green’ or ‘sustainable’. Rather, transition finance requires organisations to demonstrate verifiable, credible pathways and progress towards substantial improvements in their climate and sustainability performance over time. Transition finance is, therefore, particularly important for hard-to-abate sectors that would otherwise be excluded from green and sustainable financing opportunities to incentivise, and potentially even fund, their transition towards more sustainable models and practices.

The main ways in which organisations claim improved sustainability performance and outcomes are:

- Through their use of proceeds
- By improving the sustainability of specified activities
- By improving the overall sustainability performance of their entity
- Through managed phase-out strategies

There is a broad range of vehicles through which organisations can access financing for these improvements, including sustainability and transition-linked instruments, use of proceeds (UoP) instruments, direct investment in stocks and shares, and sustainable indices.

To date, there is no universally agreed definition for transition finance or transition investments, and organisations have multiple ways to claim sustainability performance improvements. Some of the more prominent conceptualisations of transition finance are listed below:

- The **Organisation for Economic Cooperation and Development (OECD)** [working definition](#) of transition finance is “*finance deployed or raised by corporates to implement their net-zero transition, in line with the temperature goal of the Paris Agreement and based on credible corporate climate transition plans*”.<sup>8</sup> This definition aims to distinguish tools and market practices that are focused on **the process of becoming sustainable** from those that are already sustainable by way of a point-in-time assessment.
- The **World Economic Forum’s (WEF)** [transition finance initiative](#) targets the mobilisation of capital *to support the adoption and scaling of early-stage technologies key to unlocking the Net Zero transition of hard-to-abate sectors*. The WEF’s focus on hard-to-abate sectors and enabling technologies indicates a potentially rather narrow conceptualisation of how transition finance should be prioritised and allocated.
- The **UK government, in its [Transition Finance Markets Review \(TFMR\)](#)**, describes transition finance as incorporating “*the financial flows, products and services that facilitate an economy-wide transition to net zero consistent with the Paris Agreement*”. While, at first glance, this seems like a narrow perception of transition finance that excludes environmental and social sustainability objectives beyond climate, the TFMR does note that “[r]elevant nature, adaptation and just transition-related factors should

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<sup>8</sup> [https://www.oecd.org/en/publications/oecd-guidance-on-transition-finance\\_7c68a1ee-en/full-report.html](https://www.oecd.org/en/publications/oecd-guidance-on-transition-finance_7c68a1ee-en/full-report.html)

*be considered in transition finance and any best practice financing*". Encompassing any product and services that 'facilitate an economy-wide transition' makes this conceptualisation one of the most inclusive in the market.

- The **European Union (EU)** treats transition finance as financing that will *reduce negative impacts on environmental factors and transition investments to a climate neutral and sustainable economy*. in a way that is *measurable and aligned with EU climate and environmental objectives*. As examples of transition finance, the EU cites investments in green production methods and reducing the environmental footprint of operations as far as possible where no green technologies are yet available.<sup>9</sup>
- The **Glasgow Financial Alliance for Net Zero (GFANZ) report on Scaling Transition Finance and real-economy Decarbonization** defines transition finance as *"investment, financing, insurance, and related products and services that are necessary to support an orderly real-economy transition to net zero"*. GFANZ additionally identifies key transition financing strategies that finance or enable the following: 1) Climate Solutions – Entities and activities that develop and scale climate solutions, 2) Aligned – Entities that are already aligned to a 1.5 degrees C pathway, 3) Aligning – Entities committed to transitioning in line with 1.5 degrees C aligned pathways 4) Managed Phaseout – The accelerated managed phaseout of high emitting physical assets. This definition is inclusive of a broad range of financing opportunities, though does not incorporate a broad range of sustainability objectives beyond climate, citing only nature-based solutions insofar as they reduce GHG emissions and store carbon.
- The **International Capital Markets Association (ICMA) Climate Transition Finance Handbook** and **Climate Transition Bond Guidelines** position climate transition finance in relation to bonds as encompassing *green, sustainable or sustainability-linked financing that is directed towards enabling an issuer's greenhouse gas (GHG) emissions-reduction strategy in alignment with the goals of the Paris Agreement*. The ICMA positioning is notable for its limitation to GHG emissions-related funding opportunities, perhaps because GHG emissions reduction is one of the more established components of sustainable transitioning and presents certain measurability advantages. This positioning may be expanded over time to acknowledge the need to ensure a nature-positive, just transition that achieves Net Zero while also protecting the planet's people and ecosystems.

Both how transition finance is defined and the standards that develop around demonstrating improvements and outcomes as hallmarks of credibility for investors will be critical in establishing and growing the market for transition finance.

A patchwork matrix of standards around transition finance has started to develop, enabled by the production, evolution and increasing adoption of international standards on sustainability disclosure and transition plan development. For example, disclosure standards such as the International Sustainability Standards Board (ISSB) Standards are being adopted in jurisdictions around the world to ensure that organisations publish information related to their sustainability performance. Meanwhile, the Transition Plan Taskforce (TPT) Framework is helping companies develop robust and credible transition plans that can be used as a basis for transition-finance allocation. The TPT Framework will eventually be integrated into the ISSB Standards to form a comprehensive set of standards for transparency and progress on sustainability.

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<sup>9</sup> [https://finance.ec.europa.eu/sustainable-finance/overview-sustainable-finance\\_en?utm\\_source=chatgpt.com#what-is-transition-finance](https://finance.ec.europa.eu/sustainable-finance/overview-sustainable-finance_en?utm_source=chatgpt.com#what-is-transition-finance)

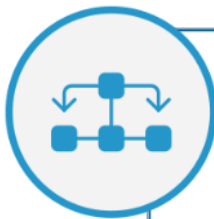
Although definitions and standards on transition finance are still evolving, generally organisations looking to access transition finance are required to demonstrate:



A **robust transition plan** for their entity and/or the activity that the transition finance relates to, with interim and long-term targets aligned to a 1.5°C (or at least well-below-2°C) pathway and meaningful key performance indicators (KPIs)



**Regular reporting on their progress** towards achieving the targets set out in their transition plan, with decision-useful disclosures on all relevant metrics, KPIs, governance processes, CapEx spending, strategy issues and risk management matters



**Meaningful governance processes** to ensure that progress is sustained and reported on regularly



**Verification/assurance** over data and reporting

## Why qualifying for transition finance matters for issuers

As physical and transition risks materialise, appetite for transition-positive investments and mandated transition allocations will increase, benefitting organisations with strong transition-related credentials. As a result, transition finance represents an opportunity for issuers to **access larger, more dedicated pools of capital** and **expand and diversify their investor base** through focused platforms, databases, indices and benchmarks and climate-transition funds. To make the most of that opportunity, issuers need a good understanding of the business case for strengthening their transition credentials, including the costs and implications associated with doing so.

To capitalise on the growth of transition finance, it will be critical that issuers ensure they feature on the key **platforms and databases** (like the [Climate Disclosure Project \(CDP\) database](#)), **indices and benchmarks** (such as Climate Transition Benchmarks (CTB) and Paris-aligned Benchmarks (PAB)) and **climate-transition funds** that investors consult to inform their capital allocation decisions. Featuring in these platforms and products will also improve issuers' discoverability on dedicated exchange segments, improving their **liquidity**.

Transition finance presents several potential advantages when it comes to the **cost of capital**. For example, organisations with robust transition-positive credentials may benefit from a **'greenium'** (i.e. a green premium from investors that are willing to pay more or accept lower yields in exchange for sustainable impacts). The emergence of a 'greenium' has been tracked for several years now,<sup>10</sup> with greeniums expected to become more statistically and economically significant over time.<sup>11</sup>

Issuers with strong transition credentials may also benefit from lower cost of capital via **use-of-proceeds (UoP)** and **sustainability-linked instruments** whereby there is a formalised link between the cost of capital for an entity and its sustainability performance or capital expenditure (CapEx). These instruments operate by imposing changes to the terms of financing (such as changes to debt service obligations) where entities miss their sustainability or CapEx targets and by offering investor benefits (such as coupon step ups) where entities meet their targets. Unlike UoP instruments, such as traditional green and social bonds, the proceeds from sustainability-linked instruments can be used for general corporate purposes, making them a particularly attractive fundraising vehicle for issuers.

Beyond financing, transition planning disciplines strategy, supporting **resilience and long-term value protection**. To qualify for transition finance, issuers will need to design a strategy that manages physical risks (such as flooding, wildfires and droughts) as well as transition risks (such as rapid regulatory change, regulatory penalties for inaction and reputational damage). Having a strategy in place that actively manages these risks will reduce the probability of assets becoming stranded or physically damaged, reactive compliance costs, reputational shocks, and issuers losing out in the face of changing market demand and consumer preferences. Taking a strategic approach to transitioning will set issuers up for long-term success so that, when sustainability-related risks materialise, their businesses are protected and their revenue streams remain tenable, affording them a competitive advantage over their less prepared peers.

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<sup>10</sup> For example:

[https://assets.ctfassets.net/1u811bvgvthc/5Nlw3usk3oMZVz2xkSjgoj/5984f37306db2b96ed44441e36248152/ESG\\_Strategist\\_-\\_Investigating\\_commonly-cited\\_factors\\_of\\_the\\_greenium.pdf](https://assets.ctfassets.net/1u811bvgvthc/5Nlw3usk3oMZVz2xkSjgoj/5984f37306db2b96ed44441e36248152/ESG_Strategist_-_Investigating_commonly-cited_factors_of_the_greenium.pdf)

<sup>11</sup> See '[Pricing of green bonds: drivers and dynamics of the greenium](#)' (European Central Bank)

Issuers that begin work now to transition their business and capitalise on early financing opportunities will additionally benefit from enhancing the strategic value of their transition planning and gain a **head start on formal regulation**.<sup>12</sup> Disclosure standards such as the International Sustainability Standards Board (ISSB) Standards (which includes disclosures on transition plans) are being adopted by jurisdictions around the world. Issuers that take action now to develop a strategic, evidence-based approach to transitioning their business, and evidence that transition, will lay the groundwork for **disclosure readiness** and place themselves in a position to quickly align with new regulations as they are introduced. Doing so will also minimise the risks of business disruptions, compliance burdens and rushed or reactive implementation associated with transformation to meet regulatory deadlines.

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<sup>12</sup> For more information on how the rapidly evolving regulatory environment will impact businesses, see [\*Transitioning Laws: Accounting for the impact of climate-related laws\*](#)

## The market today and how it's growing

Achieving the unprecedented levels of investment needed to decarbonise economies will depend heavily on private capital, channelled through financial markets, to bridge the funding gap for transition-positive activities and organisations. To support these critical capital flows, **an ecosystem of transition financing opportunities is emerging within capital markets** and is becoming more sophisticated to meet investor demand.

**Public markets are stepping up** to provide vital market integrity, credibility, price discovery, liquidity and transparency. In doing so, exchanges are supporting the growth of transition finance and ensuring a well-functioning, robust market with tailored funding solutions for companies and guardrails that protect investors.

Through public markets, investors interested in transition finance can increasingly benefit from **direct investment opportunities** on primary markets as well as the **diversification and hedging opportunities** offered by secondary markets, which will help bolster interest in transition-aligned securities and further growth on the primary markets.

As these offerings continue to develop, issuers should be aware of the evolving landscape of transition finance and eligibility requirements for emerging financing opportunities. Currently, **the bulk of transition financing opportunities are centred around debt offerings**, mirroring the growth trajectory that green finance has taken. There is, however, an expectation that, just as with green finance, **transition-related equity offerings such as equity designations will start to emerge**.

This section highlights some of the **most significant current and emerging vehicles for transition finance** and **key considerations for issuers** that are developing their transition strategy to maximise their access to growing transition-finance flows.

### 1. Use of Proceeds Instruments

Green and sustainable UoP instruments operate by providing businesses with access to financing based on CapEx dedicated to green and sustainable purposes, such as transition-positive activities and investments. Green and sustainable UoP instruments are an increasingly popular vehicle for **corporate transition-enabling funding**, providing an opportunity to **fund transition plans**.

In particular, **UoP bonds and loans** are emerging as key segments in transition finance. The success of UoP bonds and loans can be attributed in part to the development of standards that have provided certainty, integrity and comparability for market participants. Prevailing standards include the International Capital Market Association (ICMA)'s [Green Bond Principles](#) and [Climate Transition Finance Handbook](#), and the Loan Syndications and Trading Association (LSTA)'s [Green Loan Principles](#).

While transition-focused corporate bonds have existed for several years,<sup>13</sup> most UoP instruments designate funding for more general green or sustainable purposes that can then be channelled towards transition-positive activities. However, **transition-specific UoP bonds have recently gained more prominence** thanks to Japan's Ministry of Finance issuing its pioneering sovereign transition bonds (the first of their kind globally) in 2024. As set out in its

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<sup>13</sup> The first transition bond was issued by a [power company based in Hong Kong in 2017](#)

[Climate Transition Bond Framework](#), the Japanese Government has selected projects across a variety of carbon-emitting sectors to receive funding for their transition efforts. These transition efforts must align with the specific transition pathway designated for their field and their own entity-level transition plan over a 10-year period. The Japanese Government is targeting JPY¥20tn of issuance over 10 years to increase policy predictability and enhance public-private cooperation<sup>14</sup> with the hope of catalysing further promotion of transition finance in the private sector and internationally.

Building on the success of the Japanese Climate Transition Bond Framework, in November 2025, ICMA and the Executive Committee of the Green, Social, Sustainability, and Sustainability-Linked Bond Principles (GBSPS) unveiled their [Climate Transition Bond Guidelines](#). These global Guidelines aim to **formalise Climate Transition Bonds as a distinct category of UoP instrument** and mobilise investment for hard-to-abate sectors. It is hoped that they will also enhance international credibility and comparability in relation to transition-focused UoP instruments with investors.

UoP loans have seen a similar specialisation. In October 2025, LSTA, the Loan Market Association (LMA) and the Asia Pacific Loan Market Association (APLMA), published a [Transition Loan Guide](#). This Guide provides a global framework for how transition finance should operate in loan markets and sets out where transition loans fit in the wider sustainable finance toolkit. The Guide covers **both sustainability-linked loans** (covered in more detail below) **and UoP loans** for asset and project-level investments that drive real-economy emissions reductions, as well as hybrid structures that combine SLLs and UoP elements, reflecting the reality that borrowers may need both enterprise-level incentives and project-specific capital to execute transition strategies. The creation of the Transition Loan Guide is seen as particularly helpful for companies in hard-to-abate sectors that have been largely excluded from accessing 'green' and 'sustainable' loans in the past due to integrity risks.

The Transition Loan Guide guidance on UoP loans specifies safeguards including that the transition activities/assets must 'Do No Significant Harm' to environmental or social objectives. The Guide also contains an exposure draft for **Transition Loan Principles**,<sup>15</sup> a **dedicated framework for UoP transition loans**. The draft Transition Loan Principles mirror the structure of the existing Green Loan Principles and set out five core components of UoP transition loans:

1. Borrowers must evidence a credible entity-level transition strategy aligned with science-based pathways.
2. Projects should meaningfully contribute to decarbonisation targets with substantial, clear and quantifiable reductions in GHG emissions within a specified timeframe, and may include CapEx, operating expenditure (OpEx), research and development, early decommissioning and replacement.
3. Borrowers should anchor projects to sectoral pathways and taxonomies, ensure the absence of low-carbon alternatives that are technically or economically feasible in the local context, demonstrate consistency with their entity-level transition strategy, assess carbon lock-in risk and have robust internal governance.
4. As with other UoP loans, proceeds should be credited to a dedicated account or appropriately tracked by the borrower, with disclosure of any temporary treatment of unallocated balances.

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<sup>14</sup> [https://www.japan.go.jp/kizuna/2024/09/climate\\_transition\\_bonds.html](https://www.japan.go.jp/kizuna/2024/09/climate_transition_bonds.html)

<sup>15</sup> See p10 of the [Transition Loan Guide](#)

- At least annually, borrowers should disclose allocations and any expected and/or achieved impact.

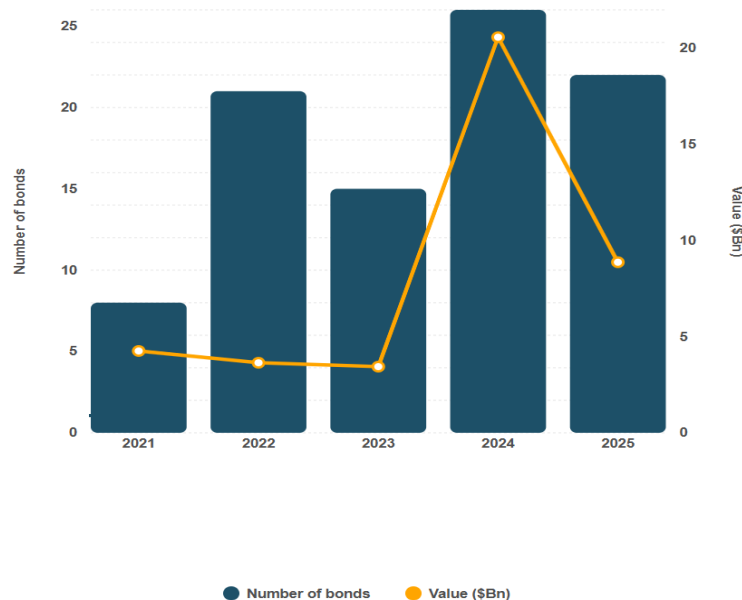
The Transition Loan Principles will be refined based on market feedback. The expectation is that a finalised version will be issued in 2026.

It appears that efforts to stimulate the market for transition-specific UoP instruments are working. While transition bond issuance was subdued in 2022 and 2023, with just \$3 bn issued (less than 1% of the annual sustainable bond issuance), there are signs of change. The value of transition bonds **peaked at around \$20 bn in 2024** (as shown in the graph below).<sup>16</sup> This surge in value coincided with Japan’s issuance of its debut sovereign transition bonds. While lower in 2025, the value of transition bonds remained higher than in the years preceding 2024.

### Bonds Market Growth

Filter by label

Transition bond



#### Key considerations for issuers:

- UoP bonds and loans present an opportunity for issuers, including high-emitting issuers, to access **funding for their transition plans**
- UoP instruments **may be particularly appropriate for high-emitting issuers** in the face of increasing scrutiny, confusion and complexity in the transition finance market as they offer visibility over where financing is directed, potentially mitigating the risk greenwashing allegations
- The development of **transition-specific UoP instruments could further allay fears of greenwashing allegations** by mitigating integrity concerns, **improving access** to transition finance
- The **market for UoP bonds and loans is expected to grow** now that Japan has set a strong precedent on sovereign transition bonds that successfully stimulated the market, and **global standards** on transition loans are being issued

## 2. Sustainability-Linked Instruments

Sustainability-linked instruments, including bonds and loans, with transition-related targets tie financing to sustainability performance and so present another opportunity for issuers to access **corporate transition-enabling funding**. Unlike UoP instruments, however, the funding raised through sustainability-linked instruments is **not ringfenced for specific projects or purposes**, such as funding an issuer's transition plan, and **can be allocated in line with an issuer's strategic priorities**.

While funding raised via sustainability-linked instruments does not necessarily have to be allocated to specific transition-positive projects or purposes, this flexibility comes at a cost, which is that relevant and ambitious targets must be met.

Inherent to sustainability-linked instruments is that the **cost of capital is tied to fixed sustainability performance targets (SPTs)** and so failure to demonstrate progress against specified key performance indicators (KPIs) could negatively impact the cost of capital. As a result, **issuers could face penalties** in the form of, for example, bond coupon step ups and less favourable loan interest rates where they fail to demonstrate the requisite progress. This makes it critical that issuers **balance ambition with feasibility** when committing to targets in order to qualify for financing through sustainability-linked instruments.

Standards on sustainability-linked instruments are emerging to provide certainty, integrity and comparability for market participants. In 2019, the LMA, APLMA and LSTA jointly published **Sustainability-Linked Loan Principles**, which they have since [updated](#) and supplemented with [Guidance](#). The Sustainability-Linked Loan Principles have been further supplemented by joint ICMA and LMA [Guidelines on the issuance of bonds dedicated to financing sustainability-linked loans \(SLL\)](#) (i.e. bonds exclusively used to finance or refinance a portfolio of SLL that are aligned with the Sustainability-Linked Loan Principles). The Guidelines are intended to further develop the market and support the credibility of sustainability-linked lending instruments. In August 2024, the Development Bank of Japan issued a JPY¥10 bn transition-linked loan bond (TLLB) that raised funds to allocate for transition and transition-linked loans.<sup>17</sup>

As noted in the section above on UoP instruments, the [Transition Loan Guide](#) published by LSTA, the LMA and the APLMA in October 2025 also covers general corporate financing via **SLLs calibrated to entity-level decarbonisation outcomes**, as well as hybrid structures that combine SLLs and UoP elements. The guidance on transition-focused SLLs is rooted in the 2019 Sustainability-Linked Loan Principles and aims to support **general corporate financing** by incentivising borrowers to achieve material, ambitious, pre-determined SPTs that **drive decarbonisation**. The guidance specifies that KPIs should be **core, material, measurable and benchmarkable**, and that SPTs must be calibrated **beyond business-as-usual and regulatory minima**, reflecting science-based pathways where available. The guidance on hybrid structures recognises that **SLL features may be combined with UoP loan elements** (e.g., linking SLL KPIs with specific project financing), to enable a blended approach so long as these structures meet SLLP integrity requirements while also ensuring traceability and reporting on the UoP aspects.

Standards on bonds have also started to emerge with ICMA's [Sustainability-Linked Bond Principles](#), published in September 2023. The Sustainability-Linked Bond Principles were designed to be accessible to all issuers, even those in high-emitting sectors, and **may be**

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<sup>17</sup> <https://www.environmental-finance.com/content/market-insight/the-latest-trends-in-transition-bond-issuance.html>

**applied by any issuer** so long as selected KPIs reflect issues which are ‘core’, material, and relevant, and the associated targets are ambitious.<sup>18</sup> As of January 2025, the sustainability-linked bond (SLB) market was estimated to be ten-times larger than the transition bond market.<sup>19</sup> The transition-bond market was not clearly defined prior to November 2025, when ICMA published its [Climate Transition Finance Handbook](#) and [Climate Transition Bond Guidelines](#), and so estimations will need to be revised accordingly, though this could indicate a **potential investor preference for more generalised sustainability-linked products**. This could be because sustainability-linked instruments reflect a more holistic approach to sustainability and transition finance based on the overall improvement in sustainability performance of an organisation over time.

However, there are fears that increasing scrutiny over the ambition of SPTs and accusations of greenwashing could negatively impact the growth of sustainability-linked instruments. **SLB issuance has contracted significantly** since seeing record highs of \$96 bn and \$77 bn annual issuance volumes in 2021 and 2022, respectively. In 2024, annual issuance volumes amounted to just \$40 bn, and this trend has continued into 2025 with just \$18 bn being raised in the first nine months of 2025, down 40% on the same period in 2024.<sup>20</sup> Similarly, while SLLs totalled \$227 bn in 2021 and rose to \$677 bn in 2022, they declined to \$483 bn in 2023<sup>21</sup> and have seen further decline since.<sup>22</sup>

Nevertheless, it should be noted that, to date, the majority of SLB targets have successfully been met (i.e. 156 out of 199 that were due by and before 2023 for which the status is available). Many of the relatively few missed targets are attributable to exceptional and often geopolitical circumstances.<sup>23</sup>

While the market for sustainability-linked products remains substantial, and SLB issuance remains significant, the recent contractions highlight the need for issuers to **consider and actively manage concerns about credibility and ambition** to foster investor confidence and market integrity.

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<sup>18</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/SLB-QA-2023-Sept-250923.pdf>

<sup>19</sup> <https://efdata.org/>

<sup>20</sup> <https://efdata.org/>

<sup>21</sup> <https://www.environmental-finance.com/content/news/lma-exploring-transition-loan-label-as-sustainability-linked-debt-flounders.html>

<sup>22</sup> <https://efdata.org/>

<sup>23</sup> [LGX STUDY Sustainability-Linked Bonds-2025.pdf](#)

Key considerations for issuers:

- Sustainability-linked instruments present an opportunity for issuers, including high-emitting issuers, to access funding not only for their transition plans but also their **broader strategic priorities**
- Like UoP instruments, sustainability-linked instruments, particularly those with a specific transition focus, present an opportunity for issuers to access sustainable capital without appearing to claim that they are currently a sustainable business, potentially **mitigating the risk greenwashing of allegations for high-emitting issuers** looking to access sustainable finance
- The outcomes-focused, forward-looking nature of sustainability-linked instruments means that they present **enhanced risk** (when compared with UoP instruments where adherence is more predictable for issuers) of increased cost of capital and greenwashing allegations in the medium-to-long term because **decarbonisation pathways are dynamic, nonlinear, context specific and will adjust over time**
- The **rising costs of gathering data and assurance** for sustainability-linked instruments are potential barriers to sustainability-linked borrowing
- The **market for sustainability-linked products is significant**, though has seen some constriction over the past couple of years, potentially due to concerns around credibility and SPT ambition

### 3. Blended-finance structures

As outlined earlier in this guide, the scale of financing required to transition the global economy requires private finance to be mobilised on a large scale. However, private-sector finance and financial markets alone will not be able to meet the financing needs of the transition, necessitating the **combination of public and private offerings**.

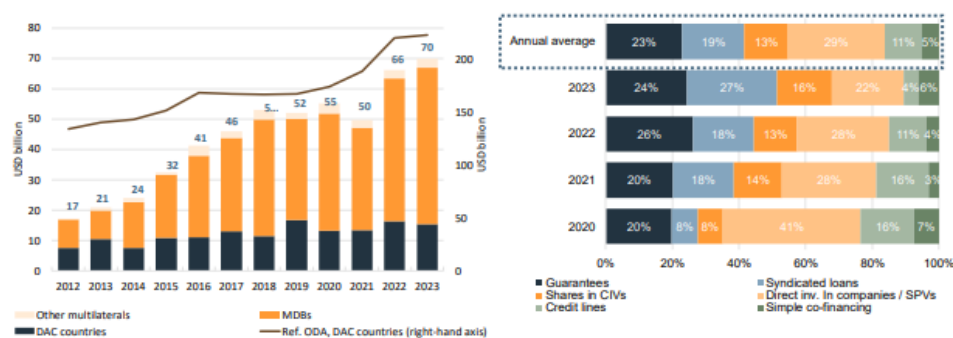
Blended finance, i.e. the **strategic use of public or philanthropic capital to attract and amplify private investment** for sustainable development, has unique advantages for issuers, including **reduced investment risk** and the **ability to tap into larger capital pools**.

As public funds are usually offered on concessional terms, i.e. terms more attractive than the prevailing market conditions, many blended financing structures offer reduced investment risk to draw in private capital that would otherwise not have been available. As a result, blended-finance instruments are **particularly suitable for transition-related projects with high upfront costs or uncertain returns**. Blended-finance instruments also offer additional **opportunities for issuers in emerging markets** where investors perceive heightened risks ranging from macro-financial risks (e.g. currency and inflation risk, credit risk etc) to political and regulatory risks (e.g. laws around investor protection, protection of property rights, unstable legal environments etc).<sup>24</sup>

International bodies such as the [G20](#), [UN institutions](#), the [Organisation for Economic Co-operation and Development](#) and the [International Energy Agency](#), as well as development finance institutions,<sup>25</sup> are increasingly supporting blended-finance initiatives as a way to address financing gaps for the transition to a more sustainable global economy and the UN Sustainability Development Goals (SDGs) more generally.

According to the OECD, there was a significant increase in private finance mobilised by official development finance interventions between 2012 and 2023, reaching a peak of \$70 bn in 2023,<sup>26</sup> as shown below:

**Figure 1. Private finance mobilised by official development finance interventions, 2012-23**



Notes: (Left-hand chart): Mobilised private finance by official development finance interventions in USD constant 2023 prices.  
(Right-hand chart): ODA by DAC countries in USD constant 2023 prices; measured on flow basis until 2017 and on grant equivalent basis from 2018

Source: OECD DAC Statistics (<http://data-explorer.oecd.org/s/n2>), <https://www.oecd.org/en/data/dashboards/mobilisation-of-private-finance-for-development.html>

<sup>24</sup> [https://www.oecd.org/en/publications/making-blended-finance-work-for-the-sustainable-development-goals\\_9789264288768-en.html](https://www.oecd.org/en/publications/making-blended-finance-work-for-the-sustainable-development-goals_9789264288768-en.html)

<sup>25</sup> <https://www.ifc.org/en/what-we-do/sector-expertise/blended-finance/how-blended-finance-works#dfiworkinggroup>

<sup>26</sup> [https://www.oecd.org/en/publications/tracking-private-finance-mobilisation\\_8d414cdb-en.html](https://www.oecd.org/en/publications/tracking-private-finance-mobilisation_8d414cdb-en.html)

As national Net Zero deadlines draw closer and public sector actors look for ways to stay on track with their commitments, it can reasonably be expected that the number of blended-finance initiatives will increase significantly in the coming years.

The main blended-finance mechanisms currently being pursued in the market include:

- **Debt**, through instruments such as loans, direct lines of credit and bonds (e.g. the Women’s Livelihood Bond, which pools loans made to social enterprises focused on empowering women in Southeast Asia<sup>27</sup>).
- **Equity**, where investors take a share in the ownership of a corporation or a certain project and derive a claim on the residual value of cash flow streams after creditors’ claims are met<sup>28</sup> (e.g. the AfricaGrow Fund, which utilises a ‘fund-of-funds’ structure to channel financial resources to African private equity and venture-capital funds that then select businesses in Africa to invest in<sup>29</sup>).
- **Grant funding**, i.e. the provision of financial resources free of interest or repayment obligations to decrease the total funding costs of a given investment (e.g. the Digital Invest Blended Finance Programme by the United States Agency for International Development, which promotes investment in digital infrastructure in developing countries<sup>30</sup>).
- **Public investors adopting ‘junior’ or ‘subordinated’ positions** to absorb higher risks by taking first losses compared to investors holding ‘senior’ debt and equity positions (altering the risk-reward proposition for investors).
- **Public investors offering guarantees** that protect financial institutions and investors from risk (e.g. NASIRA, a programme that provides a guarantee for a portfolio of loans from local financial institutions to stimulate lending to underserved groups<sup>31</sup>). Guarantees can be tailored to cover specific types of risk, which may be linked to the instruments for which they are used. There has been some suggestion that guarantees tend to be more effective than debt or equity instruments in mobilising private capital.<sup>32</sup>
- **Technical assistance** through grant-like resources used to ensure the quality, efficiency and sustainability of projects (such as the AfricaGrow Fund mentioned above, which has a technical assistance facility to support funds and portfolio companies<sup>33</sup>). In 2025, one quarter of blended-finance transactions included technical assistance.<sup>34</sup>

The below diagram from the UK Transition Finance Market Review Report on Scaling Transition Finance<sup>35</sup> provides a non-exhaustive indication of when different types of blended finance mechanism can best be deployed to maximise impact:

<sup>27</sup> <http://convergence.finance/resource/iix-women%27s-livelihood-bond-case-study/view>

<sup>28</sup> [https://www.oecd.org/en/publications/evaluating-blended-finance-instruments-and-mechanisms\\_f1574c10-en.html](https://www.oecd.org/en/publications/evaluating-blended-finance-instruments-and-mechanisms_f1574c10-en.html)

<sup>29</sup> [https://www.kfw.de/About-KfW/Newsroom/Latest-News/Pressemitteilungen-Details\\_552832.html](https://www.kfw.de/About-KfW/Newsroom/Latest-News/Pressemitteilungen-Details_552832.html)

<sup>30</sup> <https://www.lse.ac.uk/granthaminstitute/explainers/how-can-blended-finance-help-fund-climate-action-and-development-goals/>

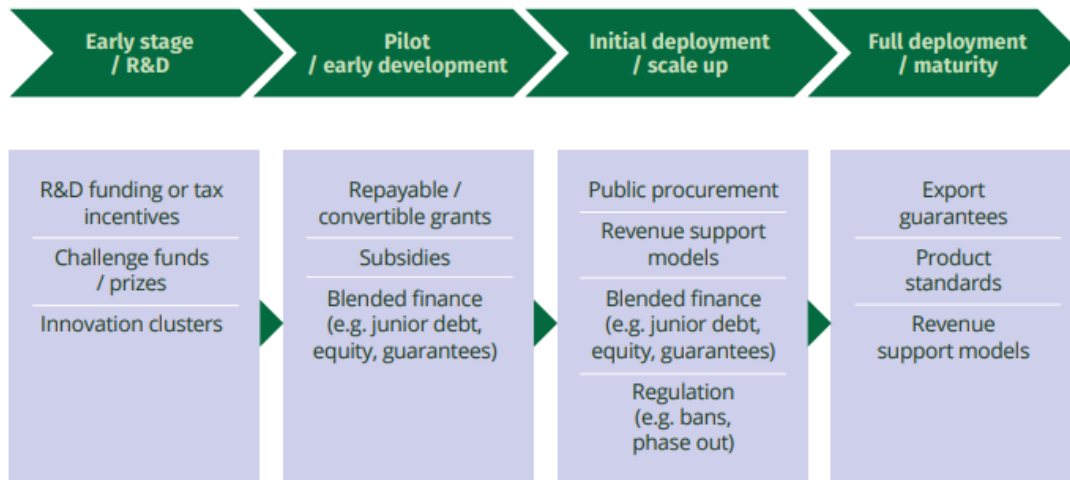
<sup>31</sup> <https://www.fmo.nl/nasira>

<sup>32</sup> [https://www.oecd.org/en/publications/the-role-of-guarantees-in-blended-finance\\_730e1498-en.html](https://www.oecd.org/en/publications/the-role-of-guarantees-in-blended-finance_730e1498-en.html)

<sup>33</sup> <https://africagrow.allianzgi.com/en-gb/investment-strategy>

<sup>34</sup> <https://www.convergence.finance/blended-finance#market-size>

<sup>35</sup> <https://www.theglobalcity.uk/PositiveWebsite/media/Research-reports/Scaling-Transition-Finance-Report.pdf>



In 2018, the OECD issued the [OECD DAC Blended Finance Principles for Unlocking Commercial Finance for the SDGs](#) to provide a clear definition and practical checklist for donors to ensure that initiatives are robust and impactful. The OECD's Blended Finance Principles can provide a useful starting point for issuers considering how best to position their bids for blended financing. It is hoped that Principles like these will support enhanced clarity from the public sector around the themes and approaches that will be prioritised for blended finance.

Key considerations for issuers:

- Blended finance has the potential to **enable projects that would not be feasible under purely commercial terms** and so should be considered by issuers that are facing high upfront costs or are uncertain about the viability of a given project
- Issuers with **new or novel propositions are more likely to benefit** from blended financing opportunities as public investors generally look for projects that can generate positive performance data to forge a path for the development and financing of similar projects or entities in the future
- Issuers should **align their bids for blended finance with themes that investors (public and private) are incentivised or required to invest in**, e.g. by anchoring their approach to the UN SDGs and aligning their projects and bids with the OECD Principles as far as possible to maximise their international appeal
- Before applying for blended finance, issuers should make sure that they have the **capability and capacity to produce the data needed for prospective investors**, e.g. consistent impact data on individual projects is often a key condition of blended finance

## 4. Secondary-market instruments

The **secondary markets can bolster opportunities for transition finance** by providing liquidity; facilitating the trading of transition-related securities; acting as a risk-management mechanism for investors; and establishing credible pricing for transition-related assets.

The **liquidity and credible pricing** provided by secondary markets boosts investor confidence, encouraging capital allocation towards transition-positive companies and products (such as UoP instruments and sustainability-linked instruments). The ability to trade transition-related securities on secondary markets additionally **enables investors to hedge their risk**, reducing barriers to investing in riskier transition-positive activities and companies.

Secondary markets can additionally **make it easier for companies to raise capital in the primary markets**, because investors know they can sell their holdings later, compounding the benefits provided by strong secondary markets.

As a result, it is important that issuers maximise their secondary-market appeal.

Key considerations for issuers:

- Issuers should **take note of what secondary-market products** their transition efforts could make them eligible for, such as transition-focused funds and PAB and CTB index products
- Once issuers have identified appropriate products, they should seek to **align with relevant requirements and incentives** (e.g. the [Commission Delegated Regulation \(EU\) 2020/1818](#) and the [MSCI EU CTB/PAB Index Framework](#), which specify decarbonisation trajectories of at least 7% annually, on average, for CTBs and PABs)

## 5. Enabling initiatives

In addition to opportunities for direct financing, issuers should maintain an awareness of enabling initiatives that could see their eligibility for transition finance and transition-focused finance flows improve.

*Exchange segments:*

One such enabling initiative is **exchange segments**. Stock exchanges are increasingly introducing green and transition-focused segments for issuers and instruments able to demonstrate that they are green and/or transitioning. Inclusion in an exchange segment helps issuers to access transition finance by boosting their **credibility and discoverability**. Currently, momentum is building in relation to **Green Equity Designations**, following the launch of the World Federation of Exchanges (WFE) [Green Equity Principles](#) in 2023. The WFE Green Equity Principles are the first global framework for designating stocks and shares as green, making them an important first step in helping to foster international consistency amongst global green equity designations.

Since their launch, **several exchanges, including B3,<sup>36</sup> SIX,<sup>37</sup> Nasdaq,<sup>38</sup> IDX<sup>39</sup> and NSE,<sup>40</sup> have either launched or announced segments** that are consistent with or incorporate the WFE Green Equity Principles. Some regulators, such as the Philippines Securities and Exchange Commission,<sup>41</sup> have even pursued **formal standards and guidelines** that are consistent with the WFE Green Equity Principles, further supporting internationally consistent growth in green equity designations.

While most equity designations currently focus on green issuers, e.g. issuers that generate more than 50% of their total annual revenues from activities that contribute to the green economy, thresholds are generally set at a level that does not preclude eligibility for issuers that still need to transition a significant proportion of their activities. Additionally, **some exchanges are proceeding with transition-focused designations** and the **WFE is considering whether tailored principles relating to transition-focused equities may be needed** to further support whole-of-economy transitions and provide access to transition finance for a broader range of issuers.

Once issuers are included in exchange segments like equity designations, they will become eligible for **automatic inclusion in any indices or other derivative products** that reference those segments. Inclusion in an exchange segment will also **improve investor awareness** of a given issuer as investors will often reference exchange segments when considering and identifying relevant and credible investment opportunities that meet their mandate.

#### *Labelling regimes:*

Labelling regimes offer another opportunity for issuers to **improve their credibility and discoverability** with investors. As sustainability-related disclosures are becoming embedded across markets and regulatory frameworks, labelling initiatives are being developed that categorise companies, projects and activities based on the information that has been disclosed.

One such labelling regime features in the **UK's Sustainability Disclosure Requirements (SDR) and Labelling regime**. The UK's labelling regime applies to investment products and explicitly accommodates for transition-focused investments via its **'Improvers' label** (for products investing to improve the sustainability of their underlying assets) and its **'Mixed Goals' label** (for products investing across different sustainability-related objectives and strategies). In November 2025, the EU published proposals to implement something similar by **transitioning the Sustainable Finance Disclosure Regulation (SFDR) towards being a labelling regime**.<sup>42</sup>

Like exchange segments, labelling regimes help **improve issuer credibility**, because the issuer and/or its activities need to meet certain criteria to qualify. Similarly, labelling regimes **aid discoverability** as investors with sustainable mandates will look for issuers that qualify as

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<sup>36</sup> <https://content.b3.com.br/green-equities/>

<sup>37</sup> <https://www.six-group.com/en/products-services/the-swiss-stock-exchange/listing/equities/climate-equity-flag.html>

<sup>38</sup> [https://www.nasdaq.com/docs/2025/04/03/1051-Q25\\_Nasdaq\\_Green\\_Designations\\_Factsheet.pdf](https://www.nasdaq.com/docs/2025/04/03/1051-Q25_Nasdaq_Green_Designations_Factsheet.pdf)

<sup>39</sup> <https://sustainability.idx.co.id/investment/green-equity-designation-development-stage>

<sup>40</sup> <https://www.ifre.com/esg/2331112/indias-green-equity-criteria-to-include-transition-category>

<sup>41</sup> <https://syciplaw.com/wp-content/uploads/2025/10/SEC-Memorandum-Circular-No.-13-s.-2025.pdf>

<sup>42</sup> [https://finance.ec.europa.eu/publications/commission-simplifies-transparency-rules-sustainable-financial-products\\_en](https://finance.ec.europa.eu/publications/commission-simplifies-transparency-rules-sustainable-financial-products_en)

sustainable under relevant labelling regimes in their jurisdiction, particularly where those labelling regimes are part of the regulatory framework.

To date, the adoption of labelling regimes and designations have not been widespread across jurisdictions, partly due to the need for a developed sustainable-finance ecosystem and supporting infrastructure. The effectiveness of labelling regimes and designations is typically strongest when coupled with clear, credible standards and transparent assessment processes that help investors interpret the labels and classifications consistently and reduce greenwashing concerns. As sustainable-finance ecosystems and supporting infrastructure continue to develop internationally, **issuers should prepare for further labelling regimes and designations** to be introduced.

Key considerations for issuers:

- Issuers should **review leading standards and guidelines** on sustainability segments, particularly those belonging to exchanges on which they are currently listed or may be listed in the future, and **assess their eligibility**
- Similarly, issuers should **assess their eligibility for labelling** and other enabling regulatory initiatives
- Wherever possible, issuers should **seek to take advantage of enabling initiatives** that could enhance their eligibility and discoverability for financing opportunities
- To maximise their eligibility for enabling initiatives across markets, issuers should adopt a **pragmatic approach** to their sustainability strategy that prioritises transparency, robust disclosure and interoperability.
- When applying for entity-level classification initiatives, issuers (particularly those from diversified groups) should be careful to **communicate any relevant boundaries, attribution methods and limitations** to their sustainable and transition-related activities to protect against allegations of greenwashing.
- Issuers may **showcase their data on exchanges** to bring visibility to their transition efforts (e.g. The Transition Finance Gateway from the Luxembourg Stock Exchange provides comprehensive data on the climate transition journey of non-financial corporate bond issuers listed on the exchange, made possible through collaborations with four globally recognised data providers: CDP, the Net Zero Tracker, the Science-Based Targets initiative and the TPI Global Climate Transition Centre)

# How to position your business to maximise your access to transition finance

## 1. Build a credible transition plan

While a transition plan is not sufficient on its own to make the most of available and emerging opportunities for transition finance, it is a **foundational step** in establishing eligibility for most transition-related financing opportunities.

However, designing and implementing a transition plan comes with many challenges for issuers, including capacity and capability gaps, inconsistencies in disclosure requirements, and a lack of clear standards and investor expectations.

This section focuses on how issuers can develop credible transition plans that drive value, enable access to the right financing opportunities and prepare issuers for evolving regulatory requirements, stakeholder expectations and sustainability-related risks and opportunities.

### *Be Strategic*

Transition plans can drive value, especially if they are designed to be strategic rather than being viewed as a compliance exercise. **Companies with transition plans identify significantly more opportunities** across all time horizons than those without – 51% versus 28% for short-term opportunities – and reported **\$54.4 bn in annual cost savings in 2024**, primarily from energy efficiency and low-carbon generation.<sup>43</sup>

Issuers that approach transition planning strategically are **more likely to realise value-creation and protection opportunities**. Strategic transition plans are robust, integrated into business strategy, and position businesses to capitalise on opportunities presented by the broader transition to a low-carbon economy. Issuers that view transition planning merely as a compliance exercise are less likely to realise associated value because they will tend to take a more short-term view that is less ambitious and more vulnerable to rapidly evolving regulatory and investor expectations.

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<sup>43</sup>[https://downloads.ctfassets.net/v7uy4j80khf8/6GJaTzrLVfZjfA0RqyQBRj/6ca3218583cefbf8db812e1eec33ad17/From\\_Plans\\_to\\_Capital.pdf](https://downloads.ctfassets.net/v7uy4j80khf8/6GJaTzrLVfZjfA0RqyQBRj/6ca3218583cefbf8db812e1eec33ad17/From_Plans_to_Capital.pdf)

To ensure a strategic transition plan, issuers should take the following steps:



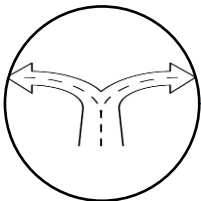
**1. Start with a long-term vision for the business and its success in a low-carbon world, rather than with what is required in the short term for compliance with rapidly evolving regulation.**

Although the details of the plan may need to be adapted over time, an ambitious vision that is rooted in broader societal net-zero targets will insulate issuers from regulatory changes intended to raise the 'floor' for companies' decarbonisation.



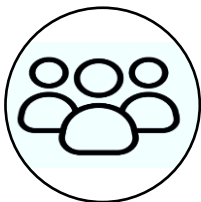
**2. Identify areas of competitive advantage and position the business to capitalise on those opportunities.**

Strategic transition plans integrate transition into the issuer's value proposition and wider business strategy. Once identified, areas of competitive advantage should be prioritised to maximise and embed benefits to the business and generate momentum. This may create the need for a front-loaded investment curve, facilitated by transition financing in the form of UoP and/or sustainability-linked instruments.



**3. Build in flexibility to accommodate for technology, regulatory, market adoption and capital availability uncertainty.**

As the global economy decarbonises, the economic activities considered to credibly contribute to the transition will change; new technologies will mature, and certain activities will need to be phased out. Challenges and the potential to fall short of desired outcomes are features of any complex transformation process. A strategic transition plan should be **dynamic** and should not lock a business into arbitrary courses of action or deadlines. Instead, issuers should design decision and plan-adjustment waypoints that are dependent on reductions in uncertainty and scenario analysis based on the Network for Greening the Financial System (NGFS) scenarios.



**4. Prioritise organisational alignment and buy in.**

Transition plans fail when there is no ownership at the executive level, governance processes do not adapt to change, and companies do not take a holistic approach that involves all parts of their organisation in the plan's design and implementation. Cross-functional input and responsibility is critical to whole-of-entity transformation, which must be driven from the top of an organisation and be embedded throughout its strategy, governance and risk-management processes. Investing in training, leadership and role redesign will equip an issuer with the capabilities needed to successfully implement its, credibility and investment. The narrative developed around a transition plan should create shared understanding of the strategic intent among employees, stakeholders and investors.



**5. Embed metrics that measure strategic progress, such as value realisation, risk reduction and capability maturity.**

Measuring these strategic objectives will help demonstrate the value of issuers' transition plans in the long term (both internally and externally), enhance issuers' appeal to investors and help attract a wider pool of investors to transition-focused financing (increasing issuers' access to capital).



**6. Contain a strong narrative and be accompanied by a clear communication plan.**

When it comes to transition plans, communication should not be an afterthought; narrative and clear communication shapes perception, which in turn has the power to drive adoption, credibility and investment. The narrative developed around a transition plan should create shared understanding of the strategic intent among employees, stakeholders and investors.

(For information and support on scenario analysis, see the NGFS [website](#) and its [Data & Resources hub](#))

### *Tailor targets, metrics and KPIs to your business*

To make sure that their transition plans are ambitious, consistent with broader societal goals and align with investors' financing objectives, issuers should **anchor their targets in relevant global and jurisdictional net-zero goals and sectoral pathways**. For example, all issuers should consider ensuring that their targets are consistent with any domestic Net-Zero commitments and Nationally Determined Contributions, particularly where they operate in regulated or nationally strategic sectors as these commitments will inform domestic policy, regulation and sectoral pathways. Issuers should also make sure that their targets are consistent with the Paris Agreement, international standards and best practice on metrics and targets, such as the [Transition Plan Taskforce \(TPT\) Framework and resources](#) and the [Science Based Targets initiative \(SBTi\)](#). Bearing these broader societal and international sustainability objectives in mind when designing their transition plan will help **guard against 'paper decarbonisation'** (i.e. greening an entity's own balance sheet in a way that does not contribute to greening the wider economy). Issuers that do not avoid this pitfall risk jeopardising financing opportunities focused on facilitating an economy-wide transition towards Net Zero.

Specific metrics, targets and KPIs should be carefully selected by the issuer based on their **strategic, business and sustainability priorities**, and should be **approved at Board level**. Where an issuer is considering sustainability-linked instruments, they should ensure that metrics, targets and KPIs are **'core', material, and relevant** to their business as well as being **genuinely ambitious**, as is required by frameworks such as the [ICMA SLB Guidelines](#).

Issuers must carefully **balance ambition with feasibility**. Targets and KPIs should be **clearly defined**, meaning that they should have a defined scope (e.g. the percentage of the issuer's total emissions to which a target is applicable) and calculation methodology (e.g. a clear definition of the denominator of intensity-based KPIs). Issuers should select their targets and KPIs based on a realistic assessment of their capabilities and capacity as well as advancements in science and technology. Issuers should consider the robustness and **integrity of their targets and KPIs in different climate scenarios**, including the 'Orderly', 'Disorderly', 'Hot house world' and 'Too little, too late' scenarios developed by the NGFS,<sup>44</sup> and whether they will need to be adapted for different scenarios.

Targets and KPIs should be **measurable** and (ideally) **externally verifiable on a regular and consistent basis** to enable ongoing progress updates and ensure continued eligibility for financing. Insofar as possible, issuers may wish to build their SPTs around metrics and KPIs that they already report on, minimising the additional burden posed to their business and providing a reference point on historical performance for stakeholders. Where KPIs have not previously been disclosed, many investors will require historical information to be provided.<sup>45</sup> In all cases, issuers must have a **clear rationale for the KPIs and SPTs chosen that they are able to communicate effectively** to investors.

### *Consider sustainability factors beyond climate*

To ensure an effective transition towards a more sustainable economy, issuers should identify, assess and take into account the **impacts and dependencies of their transition plan on stakeholders, society and the natural environment**.

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<sup>44</sup> See the NGFS [website](#) for more information

<sup>45</sup> Some standards and guidance, such as the [ICMA SLB Guidelines](#), require historical information

It is important that issuers consider these broader sustainability factors when designing their transition plan for a number of reasons, not least of which is that social and environmental factors pose their own risks and opportunities. For example, it is estimated that **55% of global GDP is moderately or highly dependent on nature.**<sup>46</sup>

Regulators are increasingly responding to sustainability risks beyond climate with new standards and regulation on nature and social equity. In November 2025, the **ISSB confirmed that it will be undertaking work to set standards on nature-related disclosures, building on the work of the Taskforce for Nature-related Disclosures (TNFD).**<sup>47</sup> Meanwhile, the [Taskforce on Inequality and Social-related Financial Disclosures](#) continues its work to develop **recommendations and guidance on reporting social-related risks and opportunities** with a view to informing future regulation and standards.

To develop a resilient transition plan with continued integrity in the face of new and accelerating sustainability-related physical and transition risks, issuers should proactively consider how to transition their business in a way that manages a broad spectrum of sustainability risks and capitalises on the opportunities presented by the broader global move towards sustainability. This concept of integrating social and broader environmental risks into an organisation's transition strategy is commonly referred to as seeking a 'just transition'. A just transition is one that benefits people and the planet in a broad sense rather than focusing solely on GHG reduction.

Social and environmental factors are important to consider as part of issuers' transition planning because they are **deeply interconnected with climate-related risks and opportunities.** Nature degradation and failures to address issues around social equity both exacerbate the effects of climate change and compound cascading systemic challenges. For example, land currently stores more carbon than anything else on the planet. It is estimated that, without efforts to restore and protect land, nearly 70 gigatonnes of additional carbon (which amounts to approximately 17% of current annual GHG emissions) will be emitted by 2050 due to land use change and soil degradation.<sup>48</sup> For more information on the interconnectedness of nature and climate factors, please see the WFE's paper on [Amplifying Climate Action and the Power of Nature](#). Issuers considering how to incorporate nature-related issues into their transition plan may find it useful to consult the World Wildlife Fund (WWF) report on [Catalysing Change: The Urgent Need for Nature Transition Plans](#).

Integrating broader environmental and social factors into their transition planning will be **particularly important for issuers looking to secure transition-focused blended financing and sustainability-linked financing.** Most blended financing and sustainable finance targeting whole-of-entity improvement is linked to sustainability objectives rooted in the UN SDGs and national or regional definitions of sustainability. These definitions often expressly exclude

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<sup>46</sup> <https://www.pwc.com/gx/en/strategy-and-business/content/sbpwc-2023-04-19-Managing-nature-risks-v2.pdf>

<sup>47</sup> [https://www.ifrs.org/news-and-events/news/2025/11/issb-welcomes-tnfd-support-nature-related-disclosure/?utm\\_medium=email&\\_hsenc=p2ANqtz--F--i1b1LiSgxHJB4sCsnuA-2t\\_gxvT654LSo\\_JnjtjFuU3RU23o8sXSb2WOegGX8iQB3RzRsAs3tLqjZJcGklzS7gy9XkhgUHWTO3s0yMNTQOLrg&\\_hsmi=121322537&utm\\_content=121322537&utm\\_source=hs\\_email](https://www.ifrs.org/news-and-events/news/2025/11/issb-welcomes-tnfd-support-nature-related-disclosure/?utm_medium=email&_hsenc=p2ANqtz--F--i1b1LiSgxHJB4sCsnuA-2t_gxvT654LSo_JnjtjFuU3RU23o8sXSb2WOegGX8iQB3RzRsAs3tLqjZJcGklzS7gy9XkhgUHWTO3s0yMNTQOLrg&_hsmi=121322537&utm_content=121322537&utm_source=hs_email)

<sup>48</sup> <https://www.un.org/en/climatechange/science/climate-issues/land#:~:text=Without%20efforts%20to%20restore%20and,current%20annual%20greenhouse%20gas%20emissions.>

businesses or activities found to be doing harm to environmental or social factors (regardless of whether they are also reducing their GHG emissions).<sup>49</sup>

When issuers integrate social and environmental factors beyond climate into their transition planning, they **amplify their impact, futureproof their strategy** and **protect their transition-focused capital flows**.

## 2. Futureproof your approach using key global standards and initiatives

The rapidly evolving and proliferating standards and regulation around transition finance can add to the challenges issuers face in developing a strategic approach. This section outlines the **main standard-setting and regulatory initiatives** that issuers should be referencing when designing, developing and implementing their approach to ensure its continued ambition and relevance.

### The International Sustainability Standards (ISSB)

The ISSB Standards make a great starting point for any global organisation considering its approach to sustainability. The ISSB Standards make a great starting point because they are being adopted by regulators around the world and so it is likely that issuers, particularly those with a global presence, will be **required to comply with them to some extent at some point**. The ISSB Standards have also subsumed and taken over the responsibilities of the Task Force on Climate-related Financial Disclosures (TCFD)<sup>50</sup> whose Recommendations preceded the ISSB Standards as the prevailing international standard and form the basis for most existing climate-disclosure regulation internationally. The ISSB Standards build on the TCFD Recommendations and are structured around the same core pillars: Governance, Strategy, Risk Management, and Metrics & Targets.

Both the ISSB Standards and the TCFD Recommendations set standards on transition planning, though only at a high level (reflecting the nascency of transition planning when compared with disclosures on climate-related financial risk). In 2021, the TCFD published its [Guidance on Metrics, Targets and Transition Plans](#), which signposts some characteristics of effective transition plans (such as quantitative elements and periodic review) and key aspects that should be reported on in public-facing disclosures. In 2025, the ISSB built on the TCFD's work with its [guidance on disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2](#). The ISSB's guidance, which is based on the work of the TPT (more information on which is provided below), is intended to supplement its existing standards and so **focuses on the disclosure of transition plans rather than how to design and develop them**.

### The Transition Plan Taskforce (TPT)

The TPT was launched by HM Treasury in April 2022 to develop a gold standard for private-sector climate transition plans and make recommendations to inform the UK's regulatory requirements on transition plan disclosures. The TPT has since published its [sector-neutral Disclosure Framework](#), [Sector Summary](#), [sector-specific deep-dive guidance](#) (including for

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<sup>49</sup> For example, the EU has embedded a 'Do No Significant Harm' principle in several pieces of its sustainable finance legislation, further information on which can be found [here](#)

<sup>50</sup> For further information, please see the official announcement [here](#)

hard-to-abate sectors) and a series of [real-world case studies](#), all of which are designed to complement and build on the components of a good transition plan identified by the Glasgow Financial Alliance for Net Zero (GFANZ) and the ISSB Standards. **The TPT Framework is now used globally as accepted best practice on transition planning.**

**The ISSB assumed responsibility for the TPT's disclosure-specific materials**, including the Disclosure Framework, Sector Summary and additional sector-specific guidance, in 2024. In taking forward the TPT's work, the ISSB hopes to reduce fragmentation in disclosures and enhance the quality and comparability of information provided by entities applying the ISSB Standards.<sup>51</sup> **The ISSB is expected to strengthen its requirements around transition planning based on the TPT materials** in the future.

Issuers should **review the TPT materials**, now maintained in a [dedicated section on the ISSB website](#), and look out for any future additions or updates issued by the ISSB. Issuers that align with the TPT recommendations early will benefit from **first-mover advantages** and **futureproof their sustainability strategies** and transition plans from strengthened regulatory expectations further down the line.

#### International Transition Plan Network (ITPN)

The ITPN was launched to support the development of global norms for transition plans and policies that incentivise and leverage transition plans internationally. The Network is a collaboration between the public and private sectors, and brings together finance ministries, regulators, civil society, academic experts and companies from around the world **to build momentum and consistency around transition planning.**

The ITPN is currently focused on five priority areas:

1. Demonstrating transition plans as a tool to mobilise transition finance
2. Strengthening the link between transition plans and climate policy
3. Widening the use of transition plans to inform different policy and regulatory decisions
4. Embedding adaptation and resilience into transition plans
5. The ITPN Learning & Exchange Series, which brings together global experts, policymakers, regulators, and supervisors for sessions across range of topics

In 2025, the ITPN published [Private Sector Transition Plans: A Critical Tool for Mobilising Finance](#), which sets out evidence about the relationship between private-sector transition planning and mobilisation of transition finance for public sector officials. The same year, the ITPN also published [Sector Transition Plans: A bridge between national ambition and company transition plans](#), which explores the opportunities for national policymakers presented by the creation of country-specific Sector Transition Plans.

Issuers should **monitor the work of the ITPN**, which will influence how transition plans are embedded and integrated into regulation and policy internationally and will continue to produce resources and learning opportunities for companies considering their transition planning.

#### The Taskforce for Nature-related Financial Disclosures (TNFD)

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<sup>51</sup> For further information, please see the official announcement [here](#)

The TNFD was set up to develop disclosure recommendations and guidance that encourage and enable businesses and other market participants to assess, report and act on their nature-related dependencies, impacts, risks and opportunities.

The TNFD published its Disclosure Recommendations in 2023 and has been updating and supplementing them ever since.<sup>52</sup> The [Recommendations](#) include the TNFD's sector-neutral Disclosure Framework with conceptual foundations, general requirements for nature-related disclosures (including materiality and scope) and a set of recommended disclosures. The TNFD has also published a suite of [additional guidance](#) to help organisations identify and assess nature-related issues and inform disclosure. The additional guidance issued by the TNFD includes:

- [Guidance on the TNFD's 'LEAP approach'](#) for identifying and assessing nature-related issues using four phases (Locate, Evaluate, Assess and Prepare)
- [Sectoral guidance](#) to support implementation and address sector-specific elements with guidance ranging from hard-to-abate sectors like oil and gas to financial services
- [Guidance on value chains](#) to support organisations in identifying and assessing dependencies, impacts, risks and opportunities in their upstream and downstream value chains, and address questions such as where the use of secondary data can be an acceptable alternative to direct measurement
- [Guidance on scenario analysis](#), including practical tools, templates and techniques to help organisations use scenario analysis to explore the possible consequences of nature loss and climate change, the ways in which governments, markets and society might respond, and the implications of these uncertainties for business strategy and financial planning

The TNFD Recommendations are structured around the same four pillars as the TCFD Recommendations and ISSB Standards, and are designed to be consistent with those standards with a view to **future integration with the ISSB Standards**.

Issuers should **explore the TNFD Recommendations and additional guidance**, as well as the resources on the TNFD's [Knowledge Hub](#), where the TNFD uploads its latest learning materials, webinars and resources to support nature-based assessment and reporting.

The ISSB is currently preparing to advance work on meeting investors' information needs through disclosures about nature-related risks and opportunities, drawing on the TNFD Framework.<sup>53</sup> Issuers that begin work now to integrate the TNFD Recommendations, guidance and LEAP approach into their sustainability strategies and reporting processes will **set themselves up to quickly align** with new regulations, standards and investor expectations on nature, futureproofing their sustainability strategies and transition plans. Issuers that start to consider nature now also stand to **benefit from any first-mover advantages** presented by the effective management of nature-related risks and opportunities, including via transition finance.

#### Taskforce on Inequality and Social-related Financial Disclosures (TISFD)

The TISFD was set up to develop recommendations and guidance for businesses and financial institutions to understand and report on **impacts, dependencies, risks, and opportunities**

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<sup>52</sup> The most recent version, published in 2025, can be found [here](#)

<sup>53</sup> <https://www.ifrs.org/news-and-events/news/2025/11/issb-welcomes-tnfd-support-nature-related-disclosure/>

**related to people.** The TISFD was launched in September 2024, and is a collaborative initiative set up by organisations spanning the private and public sectors.<sup>54</sup>

The TISFD is a relatively new organisation, but in October 2025 launched a **discussion paper on its proposed Conceptual Foundations** to bring clarity and coherence to how inequality and social issues are understood and addressed by different stakeholders. Once the Conceptual Foundations have been finalised, the TISFD intends to use the key terms, definitions and concepts established in the Foundations as a basis on which to develop a **disclosure framework** for reporting inequality- and social-related impacts, dependencies, risks and opportunities.

**The TISFD intends to release a beta-version disclosure framework by Spring 2026.**<sup>55</sup>

Following the success of the TNFD, the TISFD disclosure framework will bring together and build on existing frameworks, including by considering how inequality and social issues interact with climate and nature, with a view to **potential future integration with global standards such as the ISSB Standards.**

Issuers that want to take a long-term, strategic approach to transition planning, and futureproof their sustainability strategies and transition plans, should **consider how they could incorporate the TISFD's outputs** in preparation for evolving regulation and investor expectations.

#### EU legislation

The EU legal framework treats transition plans as companies' documented plans to align their business models with the EU's climate-neutrality pathways and Paris Agreement goals. The EU requires transition plans to set and monitor targets and actions, and to be embedded in strategy and governance processes.

The EU has introduced several pieces of legislation that relate to transition planning, most notably the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD). The CSRD requires companies to publish their transition plan where they have one, while the CSDDD requires companies to adopt and put into effect a transition plan to make their business model compatible with the Paris Agreement. The EU has produced several guidance documents and standards to support issuers in complying with these regulatory requirements.<sup>56</sup>

However, the EU has initiated an 'Omnibus Package' to streamline and simplify EU sustainability-related regulations and reduce the burdens posed to businesses. The Omnibus Package is expected to reduce the number of CSRD in-scope companies by about 80%, will remove the power for the European Commission to adopt sector-specific ESRS, will introduce a cap on the sustainability information companies should procure from their value chains, and will remove the requirement in CSDDD for companies to prepare transition plans compatible with the Paris Agreement.

On 9 December 2025, the Council of the European Union and European Parliament reached a **provisional agreement** on the EU's Omnibus Package, including that **companies would no**

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<sup>54</sup> <https://www.tisfd.org/about/founding-partners>

<sup>55</sup> <https://www.tisfd.org/news/tisfd-releases-its-conceptual-foundations-discussion-paper>

<sup>56</sup> See, for example, the European Sustainability Reporting Standards and EFRAG [Transition Plan Implementation Guidance](#)

**longer need to prepare a transition plan to make their business model compatible with the Paris Agreement under the CSDDD.** The rationale for removing this requirement is that the CSDDD is the wrong instrument for driving corporate decarbonisation strategy, and that the requirement was, in part, duplicative of the CSRD disclosure requirements on transition plans. The final text was formally approved in February 2026, providing much needed clarity for issuers on what their obligations will be.<sup>57</sup>

Issuers should take note of EU regulatory requirements and guidance because many EU legislative measures, including the CSRD and CSDDD, will have extraterritorial applications, meaning that non-EU companies that have a nexus with the EU may be impacted. Issuers should keep a close eye on EU regulatory developments in light of the Omnibus Package and seek to align their sustainability strategies and transition plans when there is sufficient legal certainty to do so.

### 3. Choose the right instrument

Consider the vehicles for transition finance outlined in this paper and how they each align with your existing business practices and realities. The section below outlines some example issuer profiles and factors that may be relevant in selecting the right instrument for each one.



#### **Example 1: An issuer operating in a hard-to-abate sector with an uncertain or unpredictable decarbonisation trajectory looking to fund its decarbonisation efforts**

Many issuers operating in hard-to-abate sectors have uncertain or unpredictable decarbonisation trajectories because they will rely on future technological or scientific advancements.

A high-emitting issuer may, therefore, wish to opt for a **UoP instrument** (where the terms of the financing are limited to particular projects and uses) rather than a sustainability-linked instrument (which would likely require the issuer to demonstrate incremental, whole-of-business decarbonisation). The issuer could then use that financing to, for example, fund initiatives to develop less carbon-intensive systems/technologies for part of its business without the fear of being penalised or accused of greenwashing if those systems/technologies take longer to materialise than originally hoped.

An issuer with this profile may choose to **opt for a UoP loan or bond** depending on how long-term they expect the project to be (opting for a loan where the project is relatively short term with high upfront costs, and bonds for longer-term projects).

If the issuer performs functions that are in the public interest, such as delivering critical public infrastructure, it may also wish to explore **potential blended financing opportunities** (particularly where the issuer's transition is likely to incur large upfront costs).

<sup>57</sup> <https://www.consilium.europa.eu/en/press/press-releases/2026/02/24/council-signs-off-simplification-of-sustainability-reporting-and-due-diligence-requirements-to-boost-eu-competitiveness/>



### Example 2: An issuer looking to fund its entity-level transition plan

An issuer looking to fund an entity-level transition plan that sets out a clear decarbonisation pathway for the business has a **broad spectrum of options available** and may choose to select an instrument based on the content of their transition plan.

For example, if the issuer has a clear, whole-of-entity transition plan that involves decarbonising its business across the board, they may opt for a sustainability-linked instrument. Doing so would enable them to allocate the funding to several different purposes, priorities and parts of the business as needed to achieve a holistic transition. Were the issuer’s transition plan to hinge on more targeted decarbonisation initiatives, such as phasing out a particularly harmful process or material, that issuer may instead opt for a UoP instrument that could be used to fund projects and technologies for achieving that decarbonisation. Taking this approach would enable the issuer to pursue more experimental and innovative decarbonisation methods where timelines for success are less predictable, as the financing would not be tied to incremental entity-level targets. In both cases, the issuer may want to consider a sustainability-linked or UoP **bond over a loan** as they will likely require longer term, rather than short-term or one-off, financing.

Where an issuer’s transition plan includes projects with positive sustainability impacts, such as social impact investing, or broader societal benefits, such as lowering the carbon footprint of essential public services, they should also **consider blended financing opportunities** such as guarantees, grant funding and technical assistance.



### Example 3: An issuer looking to raise capital for a particular project

Where an issuer is looking to raise capital for a particular project, the choice of instrument **will depend on a range of factors** including the type of project and the nature of the business.

Where the project will contribute towards or enhance the issuer’s decarbonisation objectives (e.g. adopting new technologies to decarbonise a specific part of the business) then a UoP instrument could be appropriate. Where, however, the project will not directly improve the issuer’s sustainability performance (e.g. the project is targeted at growing the business or improving business practices) then the issuer could perhaps instead opt for a general-purpose sustainability-linked instrument that is contingent on their broader sustainability performance. This second option would only be available to issuers with a robust and credible transition plan that are confident in their ability to demonstrate adequate incremental progress against that plan. Sustainability-linked instruments for specific projects may, therefore, be appropriate for issuers with sustainability at their core that are looking to expand their business and, consequently, their sustainable impact.

Where the project is short term, and particularly in the case of sustainability-linked instruments, the issuer **may want to consider a loan** rather than a bond to avoid being unnecessarily locked into long-term financing with entity-level conditions they must continue to meet once the project has been wound up.

**Blended finance, particularly debt and grant funding**, could also be an option for issuers looking to fund particular projects, especially where the issuer can show that they are pioneering an advancement in decarbonisation for their sector or are at the vanguard of creating viability for a sustainable business model.



**Example 4: An issuer with a clear aim to transition that is looking to raise capital for its strategic priorities**

Where an issuer wants to fund ongoing strategic priorities that will support its transition to net zero and/or grow its sustainability impact, they must turn to general-purpose instruments. This makes **sustainability-linked instruments** one of the natural choices. In particular, the issuer may want to look at instruments that will offer funding in the long-term, such as **bonds and blended financing opportunities where public investors adopt ‘junior’ positions or offer guarantees**.

When considering whether to opt for a sustainability-linked instrument or transition-labelled finance, an issuer must carefully consider whether they can comfortably demonstrate credible transition planning and/or incrementally improving sustainability performance or impact<sup>58</sup>. If an issuer is not confident in their ability to demonstrate the requisite transition planning and/or improvements, they should opt for another form of general-purpose financing to avoid potential increases in the cost of capital and greenwashing allegations further down the line. The rising costs of gathering data and assurance for sustainability-linked instruments should also be carefully weighed when considering whether to opt for sustainability-linked financing over another form of general-purpose financing.

In all the above examples, the issuer should additionally seek to **take advantage of enabling initiatives that could enhance their eligibility and discoverability** for financing opportunities. For example, issuers listed on an exchange with a Green and/or Transition Equity Designation should apply to be included in the segment, and issuers operating in a country with a regulatory labelling regime should consider whether they could qualify for a sustainability-related label.

It is also worth noting that, as their funding needs evolve, **issuers may change the financing instruments and vehicles that they opt for over time**. Issuers should **reassess their financing strategies regularly** to determine what they prioritise and, where appropriate, whether to stack multiple instruments as part of a multi-year funding plan.

<sup>58</sup> The [Transition Finance Guidelines](#) issued by the UK’s Transition Finance Council suggest voluntary minimum criteria required for issuers to be considered for a transition finance label.

## 4. Carefully consider your evidence and assurance

### *Evidence*

Accessing transition finance may require issuers to produce **new information** (to evidence ongoing compliance with the terms of their financing) and/or to disclose **information in new formats**. Issuers must ensure that their data collection and reporting processes will meet the needs of whichever instrument/s, KPIs and SPTs they select. This may mean designing new processes to track and log CapEx, produce regular reporting on specific SPTs and/or produce annual reporting on transition plans.

To help meet the additional reporting needs associated with transition finance, issuers should consider how they can **digitise their data collection and reporting processes**. Digital reporting, i.e. reporting that is produced in a computer-readable, structured data format (such as XBRL), is already widespread in financial reporting, with over 90% of listed companies (by global market capitalisation) being required to undertake digital financial reporting to some extent.<sup>59</sup> As a result, digital reporting is increasingly becoming an expectation amongst investors and other users of sustainability reporting.

Digitisation is popular amongst investors and regulators because it enables them to efficiently search, extract and compare disclosures, makes automation possible and reduces search costs. Having a central repository of data that can be easily searched and drawn from also **enables automation for issuers** that makes the process of producing reports, particularly where multiple sets of reporting are required, much more efficient. Digitisation can additionally **increase analyst coverage** (improving discoverability and fostering a broad and stable investor base) and enable **better, more efficient benchmarking and peer analysis**.

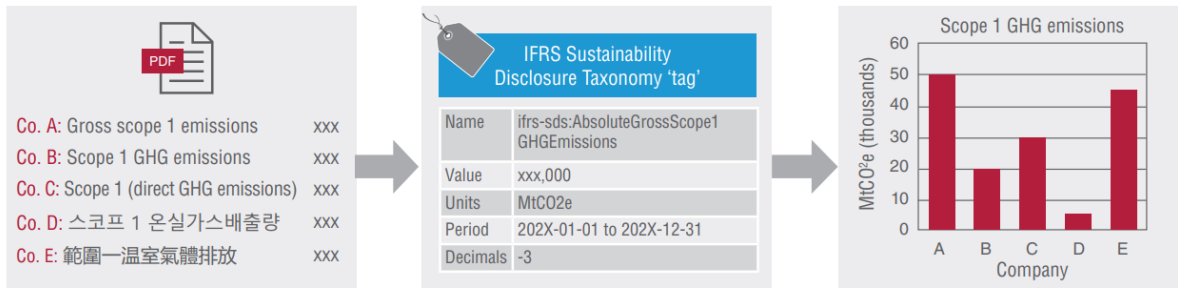
For digitisation to be effective, it is important that the classification of information is consistent and comparable across the market. For example, without standardisation, companies may use various descriptions when referring to their 'Scope 1 greenhouse gas emissions' (stemming from the regulatory or business norms in their jurisdiction) without it being clear whether each company is referring to the same concept. That is why the IFRS developed its Digital Taxonomies, which provide a list of defined elements (known as 'tags') which, when assigned to information, provide the clarity, structure, classification and standardisation necessary for that information to be computer readable and decision useful.

The diagram below from the IFRS<sup>60</sup> shows how the [IFRS Sustainability Disclosure Taxonomy](#) operates in practice to standardise digitally tagged, machine-readable information so that it can be analysed and compared, even where the terminology used in the reports themselves may differ.

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<sup>59</sup> <https://www.ifrs.org/content/dam/ifrs/standards/taxonomy/digital-financial-reporting/digitalreportingarticle-april2024.pdf>

<sup>60</sup> <https://www.ifrs.org/content/dam/ifrs/standards/taxonomy/digital-financial-reporting/digitalreportingarticle-april2024.pdf>



**The IFRS Sustainability Disclosure Taxonomy is a good place** to start for issuers that are considering digitisation because:

- It has been built around the ISSB Standards and the IFRS Accounting Standards, both of which are being/have been widely adopted globally, to provide a holistic digital reporting package.
- It contains common practice elements that allow companies to tag information that is commonly provided in sustainability reports.
- It has been designed to be used with XBRL, iXBRL and other digital reporting formats.
- The ISSB has worked to facilitate the interoperability of the IFRS Sustainability Disclosure Taxonomy with the EU’s ESRS XBRL Taxonomy,<sup>61</sup> the other sustainability-related digital tagging standard that is being widely adopted globally and setting the benchmark for regulation internationally.

Exploring digitisation now will help issuers prepare to comply quickly and efficiently with regulatory requirements based on the ISSB Standards and ESRS, both of which set standards on digital reporting and tagging, further down the line. To assist companies with the implementation of digital reporting and the IFRS Digital Taxonomies, the IFRS has created a [digital financial reporting page](#) that issuers may find it helpful to consult.

In addition to ensuring robust, efficient processes and controls to gather and disclose requisite data, issuers will also need to **review their governance framework** around their transition plan, sustainability strategy and sustainability-related disclosures and communications. Ongoing monitoring and governance are even **more important for transition-related finance** than for other forms of green finance because of the dynamic nature of transition finance. For example, companies will typically secure a second-party opinion at the point of issuance for a green bond but, while there will be ongoing reporting, ongoing reporting is not necessarily monitored in the same way over the life of the bond. This is not the case for transition finance. Instead, issuers benefitting from transition finance will be required to **proactively demonstrate ongoing credibility, transparency and improvement** throughout the term of their financing.

Issuers should make sure that their governance framework is built around Board-level buy in and oversight, regular review, involvement across the business and a clear plan for managing performance. Mechanisms for identifying and managing risks around fulfilment of SPTs as soon as possible, including ongoing internal tracking, investor dialogue and clear escalation plans, are important for ensuring that issuers can take timely action to mitigate risks. Governance processes and senior oversight around the information being reported and sustainability-

<sup>61</sup> <https://www.ifrs.org/content/dam/ifrs/publications/amendments/english/2024/issb-tu-2024-1-ifrs-sustainability-disclosure-taxonomy.pdf>

related communications is also critical to maintaining consistency across disclosures, communications and sustainability claims, helping to guard against greenwashing accusations.

It is critical that issuers **build these processes into their planning from the beginning** to avoid facing penalties for failing to demonstrate that they are making the progress required to fulfil the terms of their financing. Issuers that fail to do this could face being locked into bond coupon step ups or less favourable loan interest rates over time and could see their eligibility for refinancing based on lookback periods negatively impacted.

### *Assurance*

It is one thing for issuers to publish information about their transition plans and sustainability performance, but if investors can't trust that the information published will not be biased, incomplete or manipulated, it will only ever be of limited value.

Many issuers already produce transition and sustainability-related information, but taking the additional step of procuring **assurance is also important to support investor confidence** in that information and encourage investment in issuers with genuine, robust transition credentials.

There are two main types of assurance: limited and reasonable assurance. Limited assurance requires a review of the information and processes used to compile information, at the end of which the reviewer must declare if any material misstatements came to their attention during the review. Reasonable assurance is more thorough, involving more extensive testing and evidence at the end of which the reviewer will declare whether, in their opinion, there are no material misstatements. Reasonable assurance is normally required for audits of financial statements, while **limited assurance is more commonly required for non-financial information**.

Assurance is increasingly becoming a feature of sustainability regulatory regimes and an expectation held by investors. The EU's CSRD requires companies in scope to obtain limited assurance over the sustainability-related information they report. In the UK, the regulator does not currently require issuers to obtain assurance over climate-related financial disclosures, though has set an expectation that issuers consider doing so<sup>62</sup> and has noted an increase in demand for limited assurance of issuers' sustainability information.<sup>63</sup> The UK regulator is expected to consult on rules implementing the ISSB Standards for listed companies in 2026 and may choose to review its approach to assurance as part of that consultation. Further afield, many other jurisdictions are also adopting the ISSB Standards and setting their own assurance requirements. The ISSB Standards do not prescribe a particular level of assurance but are designed to enable and facilitate assurance.

**International standards are forming around sustainability assurance.** For example, in response to the global increase in regulation requiring companies to report on sustainability matters, the [International Standard on Sustainability Assurance \(ISSA\) 5000](#) was developed by the International Auditing and Assurance Standards Board (IAASB). The ISSA 5000 aims to **set a global standard for assurance practitioners on how to assure sustainability-related information**. The ISSA 5000 was designed to be applicable to any reporting framework, meaning that it can be applied to the assurance of information produced in line with the ISSB Standards,

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<sup>62</sup> <https://www.fca.org.uk/publications/multi-firm-reviews/tcf-aligned-disclosures-premium-listed-commercial-companies>

<sup>63</sup> <https://www.fca.org.uk/publication/policy/ps21-23.pdf>

CSRD and other domestic and regional initiatives. The availability of a baseline standard on assurance will improve the quality of assurance provision globally, and the fact that the ISSA 5000 can be applied internationally will reduce fragmentation and inconsistency across jurisdictions. Adoption of the ISSA 5000 into law and formal regulation is currently underway in several jurisdictions,<sup>64</sup> and the IAASB has produced a suite of implementation resources to support practitioners.<sup>65</sup>

To further support the quality of assurance provision globally, the [International Ethics Standards for Sustainability Assurance \(IESSA\)](#) were launched by the International Ethics Standards Board for Accountants (IESBA) in January 2025. The IESSA aim to ensure that sustainability reports are **prepared and assured in accordance with prescribed ethical benchmarks** by creating an ethics framework that supports the proper conduct of sustainability preparers and assurance providers globally. By setting standards on how sustainability reports are prepared and assured, it is hoped that the IESSA will support the ISSA 5000 in building trust amongst investors, customers and other stakeholders in the disclosures that companies publish.

As standards develop and are adopted in this space, it is important that issuers encourage their regulators and standard setters to **prioritise principles-based, internationally interoperable standards**. Building in flexibility and international consistency will support the broad range of assurance requirements that exist and are being developed around the world, from limited to reasonable assurance of sustainability information. It is important, therefore, that issuers encourage relevant regulars and standard setters to engage with other bodies that are developing sustainability assurance standards and that set broader assurance and accounting standards. IESBA is doing this via its work with the International Auditing and Assurance Standards Board (IAASB) and efforts to make the IESSA compatible with the ISSB Standards and ESRS.

Having the right data and being able to trust that it is accurate is a critical foundation for transition finance, and a key expectation already held by many investors. As a result, issuers should **think carefully about whether to voluntarily seek limited assurance** where this is not already required in their jurisdiction. Issuers should also **consider engaging with relevant regulators and standard setters** to ensure that any requirements or standards that are adopted are principles based and internationally interoperable. Not only will this strengthen investor confidence in an issuer's transition credentials, facilitating investment, but it will also bolster the issuer's eligibility for transition-focused investment opportunities and facilitate the creation and trading of transition-related products.

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<sup>64</sup> For further details, please see the 'ISSA 5000 Jurisdictional Adoption Details' section of the [IAASB website](#)

<sup>65</sup> <https://www.iaasb.org/focus-areas/understanding-international-standard-sustainability-assurance-5000>

## What's next for transition finance?

Despite rapid growth, transition finance still faces challenges and barriers that will shape its evolution over the next several years.

One development that could propel the growth of transition finance would be an **internationally agreed definition of what constitutes transition finance** to reduce confusion and support comparability for international investors. Standards that specify an acceptable minimum degree of transition could also mitigate barriers for issuers that are hesitant to apply for transition finance due to uncertainty about whether their decarbonisation pathways meet market expectations.

In the green bond market, investor confidence has grown alongside the emergence of credible market guidance, standards, principles and taxonomies. Over the coming years, **issuers should expect standards, taxonomies and guidance on transition pathways, transition plans and transition finance to continue to evolve and become embedded in regulation.** The ISSB Standards already prescribe disclosures on climate-related performance and transition plans that enable users to track companies' decarbonisation progress and make judgements about whether a company and its activities further global, regional or jurisdictional transitional efforts. The incorporation of the TPT Framework into the ISSB Standards will further strengthen and formalise regulation on transition plans internationally. In tandem, issuers should **expect the ecosystem surrounding transition finance, including enabling initiatives, to evolve** to support further growth in the market.

As regulation and best practice evolves, **issuers should also expect investor demand for comparable, decision-useful information on transition plans and progress to grow.** Investors increasingly see sustainability disclosures and transition plans as an opportunity to protect their investments from emerging risks and capitalise on opportunities presented by the global shift towards more sustainable and resilient solutions and business practices. As a result, investor demand for decision-useful transition information will only increase over the coming years. Issuers that meet that demand will benefit from investors and other sources of transition capital being better able to assess their transition trajectory and eligibility for transition-related financing opportunities, **strengthening their access to those opportunities.**

However, over the next several years, issuers will not only have to deal with evolutions in demand for transition plans and progress updates; they will also need to navigate **increasing regulatory uncertainty.** The global direction on sustainability transparency initiatives is becoming less clear and harder to navigate by the day, making it even more difficult for issuers to strategically plan their response to evolutions in demand for transition-related information.

The EU is currently amending the ambition of several key sustainability disclosure and due-diligence regulations as part of its Omnibus Package.<sup>66</sup> The Omnibus Package weakens obligations related to the preparation and publication of transition plans.<sup>67</sup> This regulatory sentiment is echoed in countries such as the US and Canada, where the regulatory trajectories are even less certain with progress having stalled altogether on some regulatory initiatives.<sup>68</sup> Meanwhile, in regions such as the Asia-Pacific (APAC) and amongst certain other major

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<sup>66</sup> [https://finance.ec.europa.eu/news/omnibus-package-2025-04-01\\_en](https://finance.ec.europa.eu/news/omnibus-package-2025-04-01_en)

<sup>67</sup> <https://www.europarl.europa.eu/news/en/press-room/20251106IPR31296/sustainability-reporting-and-due-diligence-meps-back-simplification-changes>

<sup>68</sup> For example: <https://www.sec.gov/newsroom/press-releases/2025-58>

economies, such as the UK and Australia, the picture looks different again. In these jurisdictions, consensus and momentum are building towards implementation of the ISSB Standards as an international baseline and an increasing focus on transition finance. For organisations that need to function in an increasingly global world, how to navigate the heightened demand for information on sustainability performance along with increasing regulatory uncertainty and international divergence is of critical importance.

The UK continues to position itself at the vanguard of transition finance, building on the success of its Transition Plan Taskforce. The UK Government launched its [Transition Finance Market Review](#) at the end of 2023, and now has several policy processes underway to improve its domestic positioning of transition-focused regulation, best practice and instruments. The most significant of these processes is a [2025 consultation on transition plans](#), which will inform how the UK's flagship disclosure regime, the Sustainability Disclosure Requirements (SDR) regime, can better accommodate and support transition-positive companies and activities. This will include **strengthened regulatory expectations for listed companies' transition plan disclosures**.<sup>69</sup> The UK's newly established [Transition Finance Council](#),<sup>70</sup> **which is currently consulting on entity-level Transition Finance Guidelines**, will provide a standing forum for regulators, financial institutions and issuers to shape policies and their implementation.

Globally, **transition taxonomies** are emerging to help fill the definitional void and set common minimum thresholds of ambition. For example, the Association of Southeast Asian Nations (**ASEAN Taxonomy**) explicitly recognises a role for transitional activities that are not yet aligned with Net Zero but are on a scientifically credible trajectory. As more jurisdictions adopt similar tools, cross-border alignment of transition-related criteria will improve, supporting more consistent capital allocation.

Communities of good practice and peer learning are also emerging to advance progress on transition planning globally. The establishment of initiatives such as **the ITPN are an important step towards advancing best practice on transition plans and supporting future global harmonisation** on what constitutes an ambitious, credible and decision-useful transition plan.

The continued **development of scenario analysis will result in more nuanced national and sectoral transition pathways, disorderly-transition variants and physical-risk extensions**, enabling more nuanced issuer transition plans. Financial institutions and regulators are converging around the **Network for Greening the Financial System (NGFS) scenarios**, which investors are increasingly integrating into their risk-assessment and portfolio-alignment processes. As a result, **issuers will face stronger expectations to factor scenario analysis into their transition plans** (by, for example, reflecting sector-specific cost curves, technology readiness and policy dynamics). Issuers will also be expected to demonstrate resilience under multiple transition pathways and build in flexibility to adapt their transition plan as different scenarios play out.

Finally, transition finance is broadening its focus beyond carbon emissions, and the groundwork is being laid for expectations to emerge that transition plans should consider **nature and social-related dependencies and impacts**. The ISSB advancing its work on nature-related disclosures, drawing on the TNFD Framework, will reinforce the direction of travel towards

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<sup>69</sup> <https://www.gov.uk/government/consultations/climate-related-transition-plan-requirements/transition-plan-requirements-implementation-routes-accessible-webpage>

<sup>70</sup> Of which the WFE is an Affiliate Member

integrated transition plans that consider climate, nature, social impacts and supply-chain resilience under a unified strategic framework.

Taken together, these developments point to a **more structured and multi-dimensional transition-finance landscape**. Issuers that invest early in robust, science-aligned and holistic transition strategies will be best positioned to access emerging pools of capital and to demonstrate credibility as expectations continue to tighten.