Guidance note



Guidance on Transition Loan Principles

November 2026

LMA Loan Market Association | 30 YEARS SHAPING MARKETS. THEN AND NOW. | LSTA ADVANCING THE CORPORATE LOAN MARKET | APLMA Asia Pacific Loan Market Association

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Interpretation of terms

The following definitions provide guidance or understanding and implementing this Guidance on Transition Loan Principles:

- **"Shall": Indicates a mandatory requirement.**
- **"Should": Indicates a recommendation.**
- **"May": Indicates an optional course of action.**
- **"Can": Indicates possibility or capability, for example, that an organization or individual is able to act.**

For all other terms, a plain English approach is adopted.

01 Introduction

The Transition Loan Principles (*TLP*) were originally launched in exposure draft format as part of the 'Transition Loans Guide' in 2025. Following on from this, they were released as a full set of principles in 2026, providing a framework to articulate the fundamental characteristics of a transition loan. In order to promote the development of this product, and to underpin and strengthen its integrity, the APLMA, LMA, and LSTA considered it appropriate to develop this Guidance, drawing on that found in the 'Transition Loans Guide', such as to provide market practitioners with clarity on the TLP's application and promote a harmonised approach.

While the TLP apply specifically to use of proceeds transition loans, the term "transition loan" may also be used more broadly to encompass a decarbonisation-focused, transition-themed sustainability-linked loan, with sustainability-linked loans serving as a transitional instrument to support a borrower's transition journey[1].

This Guidance is specific to, and should be read alongside, the TLP. The overarching features applicable to use of proceeds loan instruments are addressed in the Guidance on the Green Loan Principles and Social Loan Principles.

02 Fundamentals

A. Is there a definition of transition loans?

Transition loans are any type of loan instrument and/or contingent facility (such as bonding lines, guarantee lines, or letters of credit) where the proceeds or an equivalent amount shall be exclusively applied to finance, re-finance or guarantee, in whole or in part, new and/or existing eligible Transition Projects (as defined under Use of Proceeds below) and which are aligned to the five core components of the TLP. "Transition Projects" include assets, investments, activities and related expenditures that may not yet be aligned with the goals of the Paris Agreement but contribute meaningfully to the decarbonisation of the real economy. These projects should be on a credible pathway compatible with the goals of the Paris Agreement, with quantifiable, substantial and clearly defined emissions reductions within an identified timeframe in line with the borrower's overall transition strategy. The pathway should be appropriate to the relevant sector and geography and supported by an evidence-based assessment of the technologies, investments and operational changes required to deliver the anticipated emissions reductions. The definitions of transition loans will be reviewed on a regular basis in light of the development and growth of the transition loan market.

[1] See the sections 2.A, 2.E and 3.B.I.h) of the Guidance on Sustainability-Linked Loan Principles (November 2026) for further guidance on sustainability-linked loans as transitional instruments and the structuring of decarbonisation-focused, transition-themed sustainability-linked loans.

B. What are the benefits of transition loans?

Transition loans recognise financing that supports credible decarbonisation and climate transition activities, particularly in sectors where achieving net zero emissions requires significant operational, technological and capital investment. Unlike green loans, which generally finance activities that are already considered environmentally sustainable or low-carbon, transition loans are designed to finance investments that support movement from a higher-emissions baseline towards a pathway compatible with the goals of the Paris Agreement.

One of the key benefits of transition loans is that they help bridge a longstanding gap in the sustainable finance market. Many businesses, particularly those operating in hard-to-abate or emissions-intensive sectors, require substantial capital expenditure (*CapEx*), research and development (*R&D*), infrastructure replacement and operational transformation in order to decarbonise. Transition loans provide a financing framework for recognising and supporting transition investments, even where the underlying assets, technologies or operations may not qualify as "green", but nonetheless contribute to a credible decarbonisation pathway consistent with the goals of the Paris Agreement.

Transition loans also support the scaling of climate finance by directing capital towards the transformation of existing assets, industrial processes and business models that are critical to economy-wide decarbonisation. This is particularly relevant in hard-to-abate sectors and in emerging market and developing economies (*EMDEs*), where transition pathways, available technologies and financing needs may differ according to local circumstances. By recognising credible transition activities alongside already low-carbon activities, transition loans support additional meaningful greenhouse gas (*GHG*) emissions reductions through financing the overall transition to net zero.

For borrowers, transition loans can help demonstrate alignment between financing and a credible transition strategy and/or local decarbonisation pathway, providing greater transparency regarding how financed activities contribute to climate objectives. They may also broaden access to sustainable finance markets and diversify funding sources by attracting lenders and investors seeking to support credible transition activity. As expectations around transition planning, disclosure and climate governance continue to evolve, transition loans can help organisations demonstrate preparedness for changing regulatory, market and stakeholder expectations.

C. Who can borrow a transition loan?

Subject to any applicable law, regulation credit assessment and any relevant lender internal policies or procedures, any type of borrower (including both corporates and financial institutions) can borrow a transition loan, provided the transaction structure can be aligned with the five core components of the TLP.

Although transition finance is particularly relevant for hard-to-abate and/or high-emitting sectors, transition loans may be utilised across a broader range of industries and geographies where the financed activities are aligned with applicable eligibility criteria and credible decarbonisation pathways. This reflects the recognition that pathways to net zero are not uniform and will vary according to the borrower's sector, technology, regional and jurisdictional context, as well as its starting point and operational profile.

D. How should the principles be applied in asset-level or project finance structures (e.g. special purpose vehicles (*SPVs*))?

For asset-level or project finance structures, including financing through an SPV, the TLP should be applied primarily at the asset level, while also considering, where relevant, the broader transition context in which the asset operates. This may include the sponsor's or parent company's broader transition strategy; the role of key project counterparties, users or offtakers; the asset's contribution to credible sectoral, regional or national decarbonisation pathways; and the applicable policy and regulatory framework, particularly where this materially influences the asset's role, operating profile or long-term decarbonisation pathway.

These considerations should be applied on a proportionate basis and where relevant evidence is reasonably available. Not all will be relevant to every project, and the absence of a direct contribution to the sponsor's own decarbonisation should not, by itself, preclude TLP alignment where the asset demonstrates a credible and material transition contribution in its relevant sector, value chain or geographic context. Such considerations should complement, rather than replace, the asset-level assessment.

03 Core components

I. Entity-level Transition Strategy

a) How can a borrower demonstrate a credible transition strategy?

A credible transition strategy demonstrates whether a borrower's transition strategy and activities are consistent with a long-term Paris-aligned transition, while accounting for sectoral, regional and operational context.

A borrower may demonstrate a credible transition strategy through various means, including but not limited to:

- a transition plan or planning process (see Para 3.I.b)); or
- in cases where a transition plan or planning process does not exist, other credible evidence of alignment with recognised transition themes and decarbonisation pathways (see Para 3.I.c)).

The assessment of any transition strategy should be grounded in the facts at hand, considering the complexity and scale of the borrower.

For example, large or diversified companies may publish a single transition plan supported by different decarbonisation pathways, targets or implementation measures across business lines, geographies or activities, while investment funds may articulate transition strategies at the group, fund or portfolio level. Where possible, the strategy should reflect a borrower's governance structure(s), stakeholder engagement, and adaptability to evolving climate policies and market conditions.

b) What is a transition plan or transition planning process?

A transition plan provides a useful tool when assessing a borrower's eligibility for transition finance. It is an "aspect of an entity's overall strategy that lays out the entity's targets, actions or resources for its transition towards a lower-carbon economy, including actions such as reducing its greenhouse gas emissions"[2].

Robust transition plans are typically science-based and aligned with recognised international and national frameworks (see Appendix 1). These frameworks help validate the credibility of a borrower's climate commitments and decarbonisation efforts.

The key elements of a transition plan[3] typically include:

1. Strategy – the borrower's ambition and enabling conditions that set the vision and roadmap for the transition.
2. Strategy Implementation – concrete actions and decarbonisation levers employed to realise the strategy.
3. Metrics and Targets – quantitative and qualitative indicators that track progress over time, including, but not limited to, GHG emissions reduction, the share of CapEx, operational expenditure (*OpEx*), and revenues linked to carbon-intensive versus low-carbon activities.
4. Governance – mechanisms for monitoring, accountability, and adjustment of delivery against the plan.

Borrowers may adopt existing or forthcoming national, regional, or voluntary transition planning frameworks, as applicable, in preparing their transition plans. Regardless of the framework chosen, plans should clearly detail the borrower's contribution to economy-wide transition, the key measures and timelines for delivery, the governance approach, and how progress will be tracked, reported, and regularly reviewed. Where relevant, plans should also identify the material assumptions, dependencies and enabling conditions underpinning delivery, including relevant policy measures, infrastructure, technology availability, commercial viability and market conditions.

[2] IFRS, Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRSS2, June 2025.
[3] These key elements are consistent with the Transition Planning Taskforce (TPT) Framework, grounded in Glasgow Financial Alliance for Net Zero (*GFANZ*).

c) How can a credible transition strategy be demonstrated in absence of a (public) transition plan or planning process?

Where a (public) transition plan or planning process is unavailable, evidence from climate disclosures and other documentation may serve as a proxy. Such documentation may include, but is not limited to:

- publication of climate-related disclosures or relevant reporting;
- corporate governance structures and processes for overseeing the transition strategy's implementation and monitoring;
- integration of transition and decarbonisation objectives into corporate strategy, decision-making, and remuneration;
- expected (absolute and by physical output) GHG emissions reductions aligned with Nationally Determined Contributions (*NDCs*)[4], sector-specific pathways, taxonomies, national carbon budgets or other official frameworks consistent with the goals of the Paris Agreement;
- time horizons for phasing out high-emitting technologies, assets, or sites;
- allocation and share of CapEx and OpEx and disclosure of relevant joint venture and off-balance sheet investment toward transition-aligned activities, including adoption of decarbonisation levers and circular transition solutions;
- investment in R&D for low-carbon technologies or practices;
- technology adoption milestones;
- engagement strategies involving value chains, industry peers, governments, public sector bodies, communities, and civil society; and/or
- performance benchmarks, such as carbon intensity relative to industry averages.

While each indicator may provide insight, it is the collective presence of several indicators that can more robustly demonstrate a borrower's commitment to the transition and help avoid excluding those who currently lack the resources for a full transition plan. Therefore, the borrowers should use multiple indicators.

Borrowers should, where relevant, articulate any key dependencies, assumptions, and enabling conditions that underpin their ability to meet these indicators. This may include reliance on external policy measures (e.g., carbon pricing, subsidies, etc.), sectoral decarbonisation pathways, supporting infrastructure, technology availability or market access. Transparency around such dependencies can assist lenders to assess the feasibility of transition progress and identify risks or barriers that may need to be mitigated or monitored throughout the financing period. The existence of a dependency should not, of itself, undermine the credibility of a transition strategy, provided that it is transparently identified and its implications for delivery are appropriately considered.

d) What sources should be used to determine whether a borrower's transition strategy is aligned with credible pathway?

There is no single prescribed source or pathway that must be used to assess whether a borrower's transition strategy is aligned with a credible pathway. The assessment should consider the relevance and robustness of the reference pathway or roadmap used, including whether it:-

- is supported by credible scientific evidence;
- reflects the relevant sector and geographic context;
- is consistent with the goals of the Paris Agreement;
- identifies or supports an appropriate emissions trajectory and timeframe; and
- is underpinned by transparent assumptions regarding relevant technologies, infrastructure, policy and other enabling conditions.

[4] Given NDCs reflect a country's political commitment to decarbonisation, they represent its willingness and capacity to act, rather than an objective, science-based assessment of compatibility with the Paris Agreement goals at the level of economic activity. The NDCs of many countries currently fall short of a 1.5°C, or even 2°C, trajectory, and some operate on timelines beyond 2050 under the Paris Agreement. Caution should therefore be exercised when referencing NDCs as asole benchmark for alignment with credible net zero pathways.

Where available, borrowers and lenders should have regard to recognised science-based transition pathways[5], as well as relevant national, regional or sector-specific pathways and roadmaps. These sources may provide useful benchmarks for assessing the ambition and expected emissions trajectory of a borrower's transition strategy.

However, national, regional or sector-specific pathways may not be available in all jurisdictions. In addition, some pathways, technology roadmaps or policy scenarios may not have an explicit underlying global carbon budget assumption or may not be directly mapped to a specific temperature alignment trajectory. Where such pathways are used, borrowers and lenders should consider their suitability and credibility, including the methodology, assumptions, emissions trajectory, sector coverage, technological assumptions and alignment with broader climate objectives.

Ultimately, the assessment of a borrower's transition strategy should focus on whether it is supported by an appropriate and credible reference pathway, taking into account sectoral and regional circumstances, rather than relying solely on the existence of a single pathway or roadmap. A credible reference pathway provides an external benchmark against which the ambition and expected emissions trajectory of the borrower's strategy or the relevant Transition Project can be assessed. It should not be treated as a substitute for assessing the borrower's own implementation actions, resources, governance and progress.

e) How should transition strategies account for the borrower's sector, regional realities, and/or market best practice?

Transition plans and/or associated indicators shall be context-specific, taking into account the borrower's sector, type of operations, geographical context and regulatory and market context (including best practices). This contextualisation is particularly, but not exclusively, crucial for small and medium-sized enterprises (*SMEs*) and EMDEs, who often face greater challenges in aligning to long-term net zero pathways due to technological, economic, and/or infrastructural constraints. In such cases, shorter-term targets and implementation measures may provide a more realistic and credible basis for transition financing than distant net zero ambitions. However, such measures should form part of a continuing decarbonisation pathway compatible with the goals of the Paris Agreement, rather than representing improvements in emissions performance in isolation. Strategies should therefore focus on achievable, commercially and technologically feasible steps at the time of capital deployment, while supporting continued decarbonisation over time and being periodically updated and enhanced as conditions evolve.

II. Use of Proceeds

a) Do the Transition Loan Principles recognise broad categories of eligible Transition Projects?

No. The TLP do not prescribe or define broad categories of eligible Transition Projects. Rather, they adopt a principles-based approach, recognising that transition finance is an evolving area and that the eligibility of financed activities will depend on the borrower's credible transition strategy, the characteristics of the activity and the relevant sector and jurisdiction.

In identifying eligible Transition Projects, borrowers and lenders may have regard to recognised market frameworks and guidance as they continue to develop. These may include national or regional taxonomies, sector-specific transition pathways and market guidance. Such materials can provide useful reference points but should be applied in the context of the borrower's overall transition strategy and/or the objectives of the financing, rather than as prescriptive or exhaustive lists.

As market practice evolves, participants should continue to monitor developments in taxonomies, industry guidance and investor expectations when assessing the eligibility of Transition Projects.

[5] For example, those provided by the International Energy Agency (IEA), the Intergovernmental Panel on Climate Change (IPCC) and Science Based Targets Initiative (SBTi).

b) How should the Transition Loan Principles be applied where regional frameworks permit both green and transition activities to form part of a borrower's transition pathway?

There is no universally accepted boundary between "green" and "transition" activities, and the distinction may vary across jurisdictions, taxonomies and market frameworks[6]. Accordingly, the categorisation of financed activities remains between the borrower and its lenders. It should be based on the applicable framework, the characteristics of the activities and the borrower's credible transition strategy, supported by a transparent methodology aligned with the TLP and this Guidance, and capable of being evaluated by lenders and other stakeholders.

In making this assessment, borrowers may have regard to: (i) the levels of ambition and technical performance thresholds in relevant taxonomies (including technical screening criteria and decarbonisation measures); (ii) sectoral net zero and decarbonisation pathways; (iii) recognised market guidance and lender expectations; (iv) relevant contextual and technical factors, including the ambition and credibility of the borrower's transition strategy and/or local decarbonisation pathway, and (v) the alignment with necessary safeguards on environmental and social risks and externalities.

III. Process for project evaluation and selection

Transition Projects should directly support the borrower's transition strategy, as well as meet lenders' lending criteria/policies.

As stated in the TLP, borrowers may evidence this by displaying alignment with relevant market-based taxonomies and roadmaps (see Appendix 2), sectoral decarbonisation pathways or performance benchmarks, and the borrower's overarching climate transition strategy and GHG reduction targets.

a) How should borrowers communicate their internal decision-making process for the selection of eligible Transition Projects to lenders?

In communicating their internal decision-making process, borrowers may demonstrate how the selected project(s):

- align with relevant categories under regional, national, or market-based taxonomies and roadmaps (see Appendix 2);
- correspond to recognised sectoral decarbonisation pathways or performance benchmarks; and
- support the borrower's overarching climate transition strategy and GHG reduction targets.

Where applicable, and to substantiate eligibility, borrowers should reference recognised sectoral decarbonisation pathways (e.g. IEA NZE scenario, APS scenario or IPCC 1.5°C or 2.0°C scenarios), as well as relevant taxonomies, national climate policy frameworks, science-based targets, and/or government backed industry roadmaps[7]. These resources provide structured benchmarks for GHG emissions reduction and broader sustainability goals within specific sectors.

In jurisdictions where formal taxonomies or transition roadmaps exist, alignment with these is encouraged provided they are compatible with the goals of the Paris Agreement. Similarly, sector specific targets set by official industry platforms may also support credibility.

Where the borrower has a transition plan, the project's consistency with that plan, as well as its material contribution to the plan's implementation, should be assessed. Where a transition plan is not yet in place, the evaluation should focus on how the project aligns with decarbonisation indicators in the borrower's transition strategy. In either case, the assessment should consider whether the project is consistent with an appropriate and credible reference pathway and whether any material assumptions, dependencies or enabling conditions affect its expected contribution to the borrower's transition.

[6] For example, certain jurisdictions or regional frameworks may classify as transition activities assets or activities that may be recognised as green in other jurisdictions. Such differences may reflect variations in local taxonomies, decarbonisation pathways, economic circumstances and the relevant starting point for transition.
[7] For example, the decarbonisation roadmaps developed by the Ministry of Economy, Trade and Industry (METI) in Japan for the sectors of iron and steel, chemicals, power, gas, oil, pulp and paper, cement, and automobile: Transition Finance / METI Ministry of Economy, Trade and Industry.

b) To what extent should the geographical and/or sectoral context of a borrower be taken into consideration by lenders when evaluating the selection of eligible Transition Projects?

The geographical and sectoral context of a borrower is an important consideration when evaluating the eligibility of Transition Projects. While the objective of supporting decarbonisation consistent with the goals of the Paris Agreement is common, the pathways to achieve that objective will differ across jurisdictions and sectors, reflecting differences in available technologies, energy systems, carbon intensity of the grid, infrastructure, natural resources, economic conditions, regulatory frameworks and the feasibility of particular decarbonisation measures.

Accordingly, lenders should recognise that progress towards decarbonisation will not follow a uniform path across all geographies or sectors. Transition Projects should therefore be assessed against credible reference pathways that are appropriate to the borrower's sector and operating environment, while remaining consistent with the goals of the Paris Agreement. This is particularly relevant for hard-to-abate sectors, SMEs and borrowers in EMDEs, where transition pathways may require different technologies, investment sequencing or implementation timeframes.

A regionally and sectorally appropriate transition pathway should not be regarded as less credible solely because it differs from that adopted in another jurisdiction or market, provided it is transparent, supported by a credible transition strategy, appropriately manages transition risks and contributes meaningfully to real-economy decarbonisation in a manner consistent with the goals of the Paris Agreement.

c) Can R&D investments be considered as eligible Transition Projects?

Where relevant, investment in R&D of emerging low-emission technologies may be considered, particularly when such efforts support the broader sectoral transition and accelerate decarbonisation pathways.

d) How might a borrower communicate the processes by which perceived, actual or potential environmental and social (*E&S*) risks and externalities associated with a proposed Transition Project are identified and managed?

Any communication on how a borrower identifies perceived, actual or potential E&S risks and externalities associated with the proposed Transition Project should include demonstrating that the project does not materially harm other environmental or social objectives, in line with broader principles of sustainable development and the integrity of transition finance.

While the primary aim of transition finance is to support decarbonisation, such efforts must not come at the cost of significant negative impacts on other sustainability goals. Project planning and implementation should include, but not be limited to, considerations that:

- avoid significant harm to biodiversity, ecosystems, land and water use, and pollution levels;
- consider social equity and just transition principles, including respect for human rights, community health, inclusiveness, and energy access/security; and
- ensure that any environmental and/or social trade-offs, particularly in sensitive sectors such as extractives, infrastructure, or land-use, are transparently assessed, minimised, and, where necessary, mitigated as appropriate.

Therefore, in assessing a project's eligibility for transition finance, the borrower should communicate not only the project's contribution to climate mitigation, but also whether it avoids materially compromising other E&S objectives.

An integrated approach, one that balances environmental, social, and climate outcomes, is essential to building a just, inclusive, and environmentally sound transition to a net zero economy.

e) What is carbon lock-in, and how should it be assessed during the project eligibility selection process?

"Carbon lock-in occurs when fossil fuel infrastructure or assets (existing or new) continue to be used, despite the possibility of substituting them with low-emission alternatives, delaying or preventing the transition to near-zero or zero-emission alternatives."[8]

Where proceeds are used to finance such infrastructure or assets (existing or new), the borrower should assess whether the proposed project risks locking in carbon-intensive practices that may delay or undermine long-term decarbonisation goals, taking into account the borrower's transition strategy and applicable sectoral or regional decarbonisation pathways.

This assessment should consider, where relevant, the expected lifetime of the financed activity; utilisation rates, emissions trajectory and cumulative emissions; displaceability and reversibility (e.g., retrofit, repurposing, or repowering potential); readiness for future integration of lower-carbon feedstocks or end-use transition; adoption of best available technologies or practices; and, where feasible, monitoring of end-use emissions.

Carbon lock-in risk should be assessed over the expected lifetime of the financed activity and against the applicable decarbonisation pathway, recognising that the period during which an activity can appropriately be regarded as a Transition Project is inherently time-limited[9]. Borrowers should demonstrate that the activity supports, rather than delays, the relevant transition pathway and does not perpetuate carbon-intensive operations beyond the relevant transition period. Over time, the activity should be expected either to meet the criteria for a low- or zero-emissions activity, no longer present material carbon lock-in risk, or be retired or phased out in a manner consistent with the applicable decarbonisation pathway.

For further guidance on avoiding carbon lock-in risks, see ICMA's Climate Transition Bond Guidelines (November 2025), Annex 2[10].

f) How should carbon lock-in be managed if found to be present within a Transition Project?

Interim investments in lower-emission alternatives that present carbon lock-in risk may, in certain circumstances, be necessary, particularly in hard-to-abate sectors and/or high-emitting sectors, EMDEs or where lower-emission alternatives are constrained by current technological limitations. Where such investments form part of a credible transition pathway, borrowers should demonstrate that they are:

- time-bound, with defined sunset clauses or phase-out plans;
- aligned with credible transition pathways; and
- justified by regional, technological or economic constraints.

g) How should technologies with contested or evolving roles in the transition be assessed (e.g. natural gas or other transitional activities)?

Technologies with contested or evolving transition roles should be assessed against the requirements of core component 2 of the TLP, Use of Proceeds. Eligibility should depend on whether the activity meets relevant technical criteria, supports the borrower's credible transition plan, delivers measurable emissions reductions, avoids time-bound carbon lock-in and does not displace viable lower-carbon alternatives. Where taxonomies or roadmaps are incomplete or evolving, lenders should apply enhanced due diligence, document the rationale for eligibility, and reassess the activity as market standards, regulation and technology pathways develop.

[8] OECD2023, Mechanisms to Prevent Carbon Lock-in in Transition Finance, https://www.oecd.org/en/publications/mechanisms-to-prevent-carbon-lock-in-in-transition-finance_d5c49358-en.html

[9] Where decarbonisation measures are applied to an existing asset, continued operation to the end of its existing useful economic life may be consistent with the applicable decarbonisation pathway where this is contemplated by, or consistent with, that pathway. In such cases, the assessment should consider the expected remaining useful economic life of the asset alongside its emissions trajectory and any applicable phase-out, retirement or replacement expectations under the relevant pathway.

[10] https://www.icmagroup.org/assets/documents/Sustainable-finance/2025-updates/Climate-Transition-Bond-Guidelines-CTBG-November-2025.pdf

04 Review

a) Is external review required for a transition loan?

External review is not mandatory under the TLP. Where appropriate, borrowers should consider appointing an external review provider to assess the alignment of the transition loan, associated financing framework and/or Transition Projects with the TLP and applicable eligibility criteria. This may be particularly relevant where a borrower does not have sufficient internal expertise, resources or governance arrangements to assess and demonstrate such alignment.

Recognising that the loan market is relationship-driven and that lenders may have an existing understanding of the borrower and its activities, self-certification by a borrower may be sufficient where the borrower has established or developed the necessary internal expertise to assess and confirm alignment with the key elements of the TLP.

Where a borrower relies on self-certification, it should clearly document the basis for its assessment, including relevant internal processes, governance arrangements and the expertise and capabilities of personnel involved. Such information should be made available to participating financial institutions as agreed in the relevant financing documentation. Where appropriate, and taking into account confidentiality and competitive considerations, borrowers are encouraged to make publicly available information on the parameters used to assess Transition Projects and the internal capabilities supporting those assessments.

Where appropriate, borrowers should leverage existing reporting and disclosure materials to support these assessments, promoting consistency, efficiency and transparency.

Appendix 1

Non-exhaustive list of existing guidance for robust and credible transition plans

This appendix lists technical guidance, standards, and tools for assessing, preparing, or evaluating entity climate transition plans as at 3 November 2026.

- AFME (2024), Climate transition plans: current and emerging frameworks for the European financial services sector | AFME, July 2024.
- Assessing Transition Plan Collective (2024), Assessing the credibility of a company's transition plan: framework and guidance, September 2024.
- CDP (2024), CDP Technical Note on Climate Transition Plans, August 2024.
- Climate Bonds Initiative (2023), CBI Guidance to Assess Transition Plans, September 2023.
- Climate Bonds Initiative (2024), Navigating Corporate Transitions: A tool for financial institutions to assess and categorise corporates by their transition credibility and maturity, May 2024.
- EFRAG (2024), Implementation Guidance Transition Plan for Climate Change Mitigation, August 2024.
- EFRAG (2025), European Sustainability Reporting Standards (ESRS E1: Climate Change), July 2025.
- EU Platform on Sustainable Finance (2025), Building trust in transition: core elements for assessing corporate transition plans, January 2025.
- European Bank for Reconstruction and Development (2024), Methodology to determine the Paris Agreement alignment of EBRD Investments, March 2024.
- GFANZ (various dates), GFANZ transition plan publications.
- Hong Kong Monetary Authority (2024), Good Practices on Transition Planning, December 2024.
- Hong Kong Monetary Authority (2026) Transition Finance Operational Reference Guide – Phase 1 Report: Mobilising Finance for the Transition of the Technology Sector, May 2026.
- IEA (Various Reports).
- IFRS Sustainability (2025), Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS 2, June 2025.
- IFRS Sustainability Disclosure Standards (2023 Issued), (IFRS S1 General Requirements for Disclosure of Sustainability-related Financing Information 2023 and IFRS S2 Climate-related Disclosures 2023).
- International Capital Market Association (2023), Climate Transition Finance Handbook, June 2023.
- International Transition Plan Network (various dates), Transition Plan Taskforce publications, 2024.
- IOSCO (2024), Report on Transition Plans, November 2024.
- FSA, METI, MOE (2025), Basic Guidelines on Climate Transition Finance
- METI and MLIT (2021-2023; revised in 2025-2026), Japan Sectoral Technology Roadmaps.
- Science Based Targets (various dates), SBTi initiative, 2025.
- Transition Finance Council (2026), Transition Finance Guidelines: Exposure Draft, March 2026.
- Transition Finance Council (2026), Implementation Handbook.
- WBCSD (2025), A practical guide on transition plan dependencies, September 2025.

Appendix 2

Non-exhaustive list of existing taxonomies, roadmaps, and market guidance covering transition activities

This appendix includes technical classification systems, roadmaps, and market tools used to assess the alignment of specific economic activities or sectors with credible net-zero pathways as at 3 November 2026.

- ASEAN Taxonomy Board (2025/2026), ASEAN Taxonomy for Sustainable Finance – Version 4, June 2026.
- Australian Sustainable Finance Institute (2025), Australian Sustainable Finance Taxonomy, June 2025.
- China's Catalogue of Green Finance Supported Projects (2025 Edition).
- Climate Bonds Initiative (2025), The Climate Bonds Initiative Sector Criteria.
- Climate Bonds Initiative (2021), The Climate Bonds Taxonomy, September 2021.
- European Union Lex (2020), EU taxonomy for sustainable activities, June 2020.
- Hong Kong Monetary Authority, Hong Kong Taxonomy for Sustainable Finance (Phase 2A), January 2026
- Hong Kong Monetary Authority, Prototype of Hong Kong Taxonomy for Sustainable Finance (Phase 2B), September 2026
- IEA (2023 Update), IEA Net Zero Roadmap: A Global Pathway to Keep the 1.5OC Goal in Reach, January 2023.
- IEA (2023), IEA Energy Technology Perspectives, January 2023.
- METI and MLIT (2021-2023; revised in 2025-2026), Japan Sectoral Technology Roadmaps.
- Monetary Authority of Singapore (2023), Singapore-Asia Taxonomy for Sustainable Finance –2023 Edition, December 2023.
- National Treasury Republic of South Africa (2022), South African Green Finance Taxonomy, March 2022.
- Transition Pathway Initiative (2022), TPI Sectoral Decarbonisation Pathways, February 2022.

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