

Climate Transition Finance Handbook

Guidance for issuers

November 2025



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Introduction

An issuer's funding activities are a key component of the implementation of its climate transition strategy. Climate transition focuses principally on the credibility of an issuer's Greenhouse Gas (GHG) emissions reduction strategy, commitments, and practices. Significant capital reallocation and additional financing is needed to meet the goals of the [Paris Agreement](#), mainly to keep the average global temperature rise this century to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C ("science-based" targets). Capital markets have a critical role to play in enabling climate transition by ensuring the efficient flow of financing from investors to issuers wishing to address climate change.

To help facilitate and accelerate the financing flows, this document seeks to provide clear guidance and common expectations on the practices, actions and disclosures to be made available by issuers when raising funds for their climate transition strategy, whether this be in the format of:

1. Use of proceeds instruments, defined as those aligned to the [Green Bond Principles](#) ("GBP"), [Sustainability Bond Guidelines](#) ("SBG") and/or the [Climate Transition Bond Guidelines](#) ("CTBG");
2. General purpose sustainability-linked instruments aligned to the [Sustainability-Linked Bond Principles](#) ("SLBP").

Given that GHG emission reduction pathways must be tailored to the sector and operating geographies of an issuer and acknowledging that issuers generally have different starting points and are at different transition stages and on different pathways, this document does not seek to provide definitions or taxonomies of transition projects noting the growing availability of market and official guidance.¹ Rather, this document clarifies the entity-level practices, actions and disclosures that are recommended to credibly position the issuance of use of proceeds or sustainability-linked instruments to finance the transition, particularly of the hard-to-abate² and fossil fuel sectors.

It is notably recommended to apply the guidance in this Handbook to the following cases:

1. **GBP or SBG aligned instruments**, where the use of proceeds intends to make a meaningful contribution to an issuer's GHG emissions reduction strategy. This can include green projects that will make a direct contribution to an issuer's own GHG emissions trajectory, and/or projects (including social) tied to a "just transition".
2. **CTBG aligned instruments**, where all or a meaningful portion of the bond proceeds, as determined by the issuer, are intended to be allocated to eligible climate transition projects (CT Projects). CT Projects complement and go beyond the scope of Green Projects in pursuit of the goals of the Paris Agreement.
3. **SLBP aligned instruments**, where one or more of the KPIs are monitoring GHG emission reduction metrics – either direct results (i.e. absolute/intensity GHG emission metrics) or supportive proxies (i.e. metrics that act as levers to advance GHG emission reduction targets).

The recommended disclosures are based on:

1. the work conducted by the Climate Transition Finance working group³ – under the auspices of the [Executive Committee of the Principles](#).
2. analysis and existing climate change disclosure frameworks developed by relevant industry groups, regulatory bodies and the scientific community regarding climate change mitigation and adaptation. The recommendations in this Handbook leverage these frameworks and articulate their relevance to use of proceeds or sustainability-linked bonds.

¹ See Annex 1: Non-exhaustive list of wider official and market guidance for climate transition-themed sustainable bonds.

² Examples of "hard-to-abate" sectors from Anthony Robert Hobley, "Tackling the harder-to-abate sectors: Join the conversation on 7 July," WEF, July 1, 2020; Max Åhman, "Unlocking the 'Hard to Abate' sectors," World Resources Institute; Energy Transitions Commission, "Mission possible: Reaching net-zero carbon emissions from harder-to-abate sectors", November 2018.

³ A series of workshops and market consultations were undertaken in the second half of 2019 and the first half of 2020. This updated Handbook is the result of subsequent surveys and workshops conducted in the second half of 2022 and the first half of 2023. This Handbook has also been updated in November 2025 alongside the publication of the CTBG.

There are four key elements to these recommendations:

1. The issuer's climate transition strategy and governance;
2. Business model environmental materiality;
3. Climate transition strategy and targets to be "science-based"; and
4. Implementation transparency.

Disclosure on an issuer's climate transition strategy and governance should be referenced in connection with any applicable sustainable bond⁴ issuance. Relevant disclosures can be made in an issuer's annual reports, sustainability reports, climate transition strategy, statutory filings and/or investor presentations and should be publicly accessible.

Several international and jurisdictional initiatives provide frameworks for transition plans. In some jurisdictions, regulation has been developed which requires institutions to adopt, implement and/or disclose their climate transition plans. Best practice is to include this information in a dedicated, public transition plan, which should align to market guidance. Ideally, the disclosures should also be referenced in the bond framework and offering documentation.

Concurrently, the recommended independent review, assurance and verifications listed below could be included within a second party opinion (SPO), as part of the offering documentation, and/or provided in the context of an issuer's non-financial disclosures (in particular, the assurance and verification of any relevant data).

Issuers are encouraged to reference the most recent version of the Climate Transition Finance Handbook and align with the key elements contained therein to communicate their GHG emissions reduction strategy. Issuers can find further guidance on aligning with the case elements of this Handbook in the GBP, SBG, CTBG and the Guidance Handbook⁵.

Issuers can refer to Annex 1 of this document "Non-exhaustive list of wider official and market guidance for climate transition-themed sustainable bonds" that may be used in support of climate transition-themed financial instruments and Annex 2 of this document which provides an introduction to transition plan frameworks as well as tools and methodologies available to assess their credibility.

⁴ Sustainable bonds are defined as instruments aligned with the Green Bond Principles, Sustainability Bond Guidelines, Climate Transition Bond Guidelines or Sustainability-Linked Bond Principles.

⁵ See notably the Principles' Guidance Handbook Q 1.10.

Element 1. Issuer's climate transition strategy and governance

The green, sustainability or sustainability-linked financing should be directed toward enabling an issuer's GHG emissions reduction strategy in alignment with the goals of the Paris Agreement.

Rationale

Climate transition focuses principally on the credibility of an issuer's GHG emissions reduction strategy, commitments, and practices. The climate transition strategy should clearly communicate and provide detailed information on how an issuer intends to adapt its business model over time to reach the goals of the Paris Agreement. In this context, an issuer's ability to identify eligible climate-related expenditures and/or key performance indicators (KPIs) alone will not necessarily equate to a broader strategic intention to address climate change risks and opportunities in the long-term. A range of climate change scenario providers operate in the market today⁶ to inform strategy design. The choice of a relevant provider, or the decision to design an in-house scenario, are up to an issuer. However, regardless of the source, an issuer's climate transition strategy should be science-based (i.e. guided by the objective of limiting average global temperature increases ideally to 1.5°C and, at the very least, to well below 2°C compared to pre-industrial levels).

Disclosure

Disclosures regarding climate transition strategies may be aligned with recognised reporting frameworks, such as the recommendations of the [Task Force on Climate-Related Financial Disclosures](#) (TCFD) or similar frameworks⁷. These may be made according to the customary practices regarding corporate disclosures, e.g. via annual reporting, dedicated sustainability reporting, a dedicated climate transition strategy, statutory filings and/or investor presentations.

Recommended information and indicators:

- a long-term, science-based target to align with the goals of the Paris Agreement;
- relevant and credible interim science-based targets in the short and medium-term on the trajectory towards the long-term goal, in line with the relevant regional, sector, or international climate change scenarios;

- disclosure of an issuer's transition plan or climate transition strategy. This should include specific itemisation of the main levers towards GHG emissions reduction, such as a detailed capital expenditure (CapEx) plan and relevant technological implications (i.e. amounts to be spent, what carbon cost is considered for implementing such a CapEx programme, operational impacts, regulatory considerations, etc.);
- clear oversight and governance of an issuer's climate transition strategy, including management/board level accountability; and
- evidence of a broader sustainability strategy to mitigate relevant environmental and social externalities, including "just transition" considerations where appropriate, and contributions to the UN Sustainable Development Goals (UN SDGs).

Independent review, assurance, and verification

Provision of an independent technical review of an issuer's climate transition strategy may support investors in developing a view regarding the strategy's credibility. Such a review should include:

- alignment of both the long-term and short/medium-term targets with the relevant regional, sector, or international climate scenario;
- the credibility of an issuer's climate transition strategy to reach its targets; and
- level/type of independent governance and oversight of an issuer's climate transition strategy (e.g. by independent members of the board, dedicated board sub-committees with relevant expertise, or via the submission of an issuer's climate transition strategy to shareholders' approval).

⁶ Examples include, but are not limited to, (i) the Network for Greening the Financial System (NGFS) Climate Scenarios (<https://www.ngfs.net/ngfs-scenarios-portal/>) and/or (ii) International Energy Agency (IEA) Global Energy and Climate Model (<https://www.iea.org/reports/global-energy-and-climate-model>).

⁷ For example, sector corporate benchmarking developed by the Institutional Investors Group on Climate Change (IIGCC) (www.iigcc.org), and sector benchmarks and management quality frameworks developed by: (i) the Transition Pathway Initiative (www.transitionpathwayinitiative.org); (ii) Assessing Low Carbon Transition (ACT) initiative (www.actinitiative.org); (iii) the Climate Bonds Initiative (<https://www.climatebonds.net/>); (iv) the publications released by the Glasgow Financial Alliance for Net Zero (GFANZ) - "Towards a Global Baseline for Net-zero Transition Planning" and "Expectations for Real-economy Transition Plans"; and/or (v) the International Sustainability Standards Board (ISSB) Climate-related Disclosures and/or Sustainability Disclosure Standard.

Element 2. Business model environmental materiality

The climate transition strategy should be relevant to the environmentally material parts⁸ of an issuer's business model, taking into account potential future scenarios which may impact current determinations concerning materiality.

Rationale

Climate transition financing should be sought by an issuer to fund GHG emissions reduction from its “core” business activities over time or diversify into new low-carbon business activities. These “core” activities are the main drivers of an issuer's current and future environmental impacts. Climate transition financing is most relevant to and required by those industries with high GHG emissions that face the most complex climate transition and business transformation challenges. A climate transition strategy should address the most material areas of an issuer's activities from an environmental perspective. The trajectory should be science-based and consider an issuer's broader environmental and societal impact, and an issuer should seek to mitigate negative externalities.

Disclosure

Discussion on the materiality of the planned transition trajectory may be included in the disclosures referenced for Element 1 above. Existing market guidance regarding consideration of materiality may be applied in making such disclosure, for example the relevant guidance provided by accounting standards bodies or financial regulators. Where material, Scope 3 emissions should be disclosed.

Recommended information and indicators:

Discussion on the materiality of the planned climate transition strategy may:

- be disclosed in the form of a materiality matrix made publicly available by an issuer or be covered in an issuer's annual reports; and
- address the materiality of climate-related eligible projects and/or KPI(s) on the overall emissions profile of an issuer.

Where Scope 3 emissions are expected to be material but are not yet identified or measured, a timeline for reporting should be disclosed.

Independent review, assurance and verification:

Externally provided comfort around materiality considerations may not be appropriate in all cases; however, an independent external reviewer may provide guidance as required.



⁸ Examples of relevant material scopes by sector can be found in CDP guidance (https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/003/504/original/CDP-technical-note-scope-3-relevance-by-sector.pdf).

Element 3. Climate transition strategy and targets to be science-based

An issuer's climate transition strategy should reference science-based targets and transition pathways. There is scientific guidance around the required rate of GHG emission reductions (the "GHG emissions reduction trajectory"⁹) to align the global economy with the goals of the Paris Agreement.

The climate transition strategy should:

- be quantitatively measurable and aligned with the latest available methodology;
- be aligned with, benchmarked, or otherwise referenced to recognised third-party, science-based trajectories, where such trajectories exist; when third-party trajectories are not available, consider industry peer comparison and/or internal methodologies/historical performance;
- be publicly disclosed (ideally in mainstream financial filings), including interim targets; and
- be supported by independent assurance or verification.

Rationale

Science-based targets are targets that are in line with the scale of reductions required to keep the average global temperature increase to ideally 1.5°C, or at the very least to well below 2°C above pre-industrial temperatures¹⁰.

Sustainability performance targets are typically set in accordance with several considerations. These considerations include alignment with the Paris Agreement, market and stakeholder expectations, an issuer's transition stage, track record of achievements to date, and the feasibility of improvement measures, including economic and social constraints/cost-benefit analyses, and the existence of proven techniques or technologies which deliver the anticipated improvements.

As part of a credible climate transition strategy, issuers should reference appropriate benchmark, sector-specific GHG emission reduction trajectories (to the extent they exist). Aligning the business plans with a 1.5°C trajectory will be perceived as most credible; at a minimum, issuers should align to a well below 2°C trajectory. Note that to assist issuers, ICMA has published a Methodologies Registry¹¹, which includes a list of tools to specifically help issuers validate their emission reduction trajectories.



⁹ "Recognised" trajectories include but are not limited to: (i) "Climate Positive"; (ii) "Net Zero 2050"; (iii) Paris Agreement "2-Degrees Scenario"; (iv) "1.5 Degrees Scenario"; and/or (v) associated Transition Pathway Initiative benchmarks.

¹⁰ We note that the [Science Based Targets Initiative](#) (SBTi) is a branded verification body for science-based targets. While committing to the SBTi is one way in which issuers could meet the disclosure recommendations included here, Element 3 refers to any target that is based on a Paris Agreement-aligned methodology.

¹¹ The [Methodologies Registry](#) is a list of tools to specifically help issuers, investors, or financial intermediaries validate that their emission reduction trajectories/pathways are "science-based", specifically in the context of Element 3 of the Climate Transition Handbook.

Disclosure

There are a number of pre-existing disclosure frameworks¹², which issuers may find helpful when preparing to disclose their climate transition strategies. Such frameworks may also inform the structure of sustainable bonds and should reflect the progress and future goals of an issuer's GHG emissions reduction strategy, across the breadth of its carbon footprint (i.e. Scope 1, 2 and 3). It is acknowledged that other similar frameworks may be relevant, and that additional guidance may emerge over time.

Strongly recommended information and indicators

- short, medium, and long-term GHG emission reduction targets aligned with goals of the Paris Agreement;
- baseline year and historic emissions (including absolute emissions, where intensity metrics are the main indicator);
- scenario utilised and methodology applied (e.g. [ACT](#), [SBTi](#), [IEA](#), etc.). When third-party trajectories are not available, industry peer comparison and/or internal methodologies/historical performance;
- GHG emission objectives covering all scopes and most relevant sub-categories (Scopes 1, 2 and 3¹³);
- targets formulated in either intensity or absolute terms, noting, that where intensity targets are used, projections on the change to absolute emissions should also be provided; and
- where applicable, use of carbon capture technology as well as of high-quality and high-integrity carbon credits¹⁴, and their relative contribution to the GHG emissions reduction trajectory in line with best industry practices (e.g. [SBTi](#), [VCMi](#) and [ICVCM](#)).

Independent review, assurance and verification

A variety of external review providers offer independent review services which set out to review an issuer's proposed quantified "GHG emissions reduction trajectory",¹⁵ and deliver an opinion on the extent to which the proposed trajectory is aligned with reference trajectories noted above. An independent external review of the relevant historical datapoints should also be included. Such independent, expert reviews provide prospective investors with an assessment of whether the proposed climate transition strategy is aligned with the science-based trajectories or relevant regional, sector, or international climate change scenarios.



¹² Recognised guidance relating to external disclosure in this area includes, but is not limited to, (i) Task Force on Climate-Related Financial Disclosures (TCFD), (ii) [Sustainable Accounting Standards Board](#), and/or (iii) Climate Disclosure Project (CDP).

¹³ Note – it is acknowledged that development of an appropriate methodology to calculate Scope 3 emissions associated with certain industry sectors is still under way, and Scope 3 emissions may need to be estimated on a 'best-efforts' basis in the interim. Focus on most relevant Scope 3 sub-category for issuer, understanding there are 15 categories.

¹⁴ Use of carbon credits for offsetting purposes towards achievement of GHG emission reduction strategies should be kept to a minimum and used to abate residual emissions only. In case of carbon credits use, issuer should disclose the reasoning and need for use along with details on the internal carbon credits procurement policy and associated governance. Recognised guidance related to use of high-quality and high-integrity carbon credits includes the [Voluntary Carbon Market Initiative \(VCMi\)](#) and the [Integrity Council for Voluntary Carbon Markets \(ICVCM\)](#).

¹⁵ In the case of an instrument aligned with the Climate Transition elements, it is anticipated that such independent review would be focused on an issuer's overall GHG emission reduction strategy and trajectory and be accompanied by the recommended external review of the underlying/accompanying debt instrument.

Element 4. Implementation transparency

Market communication regarding the offer of a sustainable bond intended to fund an issuer's climate transition strategy should also be transparent, to the extent practicable, on the underlying investment program including capital and operational expenditures (CapEx and OpEx).

Rationale

Issuers, especially those from hard-to-abate and fossil fuel sectors, are under near-term pressure to announce GHG emission reduction strategies, targets and related commitments. Ultimately, the internal allocation of capital by an issuer to implement its climate transition strategy, alongside the governance that supports such allocation, will be key to achieving its emission reduction goals.

It is recommended that issuers be transparent regarding the planned CapEx and OpEx (including any internal cost of carbon) which will deliver the proposed climate transition strategy. Issuers should report qualitative and quantitative expectations of the climate-related outcomes and impacts that these expenditures are intended to enable.

This may include R&D-related expenditures, where relevant, details of where any expenditure is deemed “beyond business as usual”, and other relevant information indicating how this program supports implementation of the climate transition strategy, including details of any divestments, governance and process changes.

In addition to green expenditures that contribute to a proposed climate transition strategy, a transition may have positive or negative impacts for workers, communities, and surrounding environments. Therefore, where relevant, issuers should outline how they have incorporated consideration of a “just transition” into their climate transition strategy and may also detail any social expenditures that are considered relevant. This can particularly be pertinent to the phasing out of some activities and the subsequent decommissioning of related facilities and assets. Support or assistance to the workforce, economic ecosystem, and surrounding natural environment tied to those activities is strongly encouraged (e.g. through retraining of workers, mobility allowance, or pre-retirement schemes, etc.).

Disclosure

Annual disclosure of CapEx and OpEx plans (including the relevant assumptions on the carbon cost) and other relevant financial metrics to the extent that they relate to a climate transition strategy may be made in an issuer's annual report, sustainability report, climate strategy, statutory filings, use of proceeds framework, or bond allocation and impact report¹⁶. Disclosure of anticipated CapEx and OpEx line items may take the form of a simple table providing details on specific elements and their connection to the announced strategy, with estimated amounts involved.

Recommended information and indicators

- a CapEx roll-out plan consistent with the overall climate transition strategy and climate science and discussion of how it informs CapEx decision-making within the organisation;
- a phase-out plan regarding activities/products incompatible with the climate transition strategy (when such activities or products are significantly harmful or display levels of performance inconsistent with science-based GHG emission reduction trajectories);
- green CapEx, for example those referenced under the eligible green project categories in the Green Bond Principles, as a percentage of total CapEx and how the ratio may be expected to evolve over time;
- disclosure on the percentage of assets/revenues/expenditures/divestments aligned to the various levers;
- a qualitative and/or quantitative assessment of the potential locked-in GHG emissions from an issuer's key assets and products;
- assumptions on the internal cost of carbon; and
- disclosure on adverse impacts¹⁷ on the workforce, community and surrounding environment, and related strategies used to mitigate those negative impacts.

¹⁶ Issuers should consider the most appropriate methods to make these disclosures and the legal considerations for their respective jurisdictions.

¹⁷ For example, Principal Adverse Impact (PAI) indicators of the Sustainable Finance Disclosure Regulation (SFDR): <https://www.esma.europa.eu/document/joint-esas-final-report-its-under-sfdr> (vers.2021 from page 60) or adverse impacts mentioned in the UN Guiding Principles (UNGPs).

Independent review, assurance and verification

Specific assurance or verification of how CapEx and OpEx plans support an issuer's climate transition strategy is possible but may be challenging. If specific assurance or verification is not undertaken, an issuer should provide forward-looking analysis of how the CapEx and OpEx plans are expected to support the GHG emission reduction strategy.

Overall, several dimensions can be reviewed:

- the percentage/relative share of green/sustainability¹⁸ spending out of an issuer's total spending;
- the absolute amount of green/sustainability spending; and/or
- the GHG emission reduction outcomes or benefits achieved or expected to be achieved through such increased green/sustainability spending, and where available, the decreased non-green/significantly harmful spending.

¹⁸ Sustainability as related to sustainability bonds, i.e. green and social.

Appendix: Illustrative example of issuance disclosures

Element 1: Issuer's climate transition strategy and governance

Use of Proceeds Applicability		Sustainability-Linked Applicability	
At issuance	Annual reporting	At issuance	Annual reporting
Clearly link the issuance to a climate transition strategy in line with best practice. ¹⁹ Identify the estimated qualitative and/or quantitative contribution of eligible projects toward an issuer's GHG emission reduction goals.	Report progress against climate transition strategy; for example: - Annual GHG emissions reduction - Progress on committed GHG emission reduction targets % CapEx allocated to GHG emission reduction projects vs total CapEx	Clearly link the issuance to a climate transition strategy in line with best practice. Identify the estimated qualitative and/or quantitative contribution of KPI(s) and SPT(s) toward an issuer's GHG emission reduction goals.	Report progress against strategic transition plan. Include the actual contribution of the specific KPI(s) and SPT(s) toward an issuer's total GHG emission reduction goals.

Element 2: Business model environmental materiality

Use of Proceeds Applicability		Sustainability-Linked Applicability	
At issuance	Annual reporting	At issuance	Annual reporting
Issuers should demonstrate and identify how the eligible projects related to climate change mitigation are either leading to the GHG emissions reduction of an issuer's "core" activities or contributing to a meaningful diversification into new low carbon business activities.	Same as Element 1. Where applicable, the growth of new low-carbon business activities.	Issuers should demonstrate that the selected KPI(s) and SPT(s) apply to a significant majority of an issuer's GHG emissions profile across Scopes 1, 2 and 3. The Illustrative KPIs Registry ²⁰ highlights example KPIs that meet this criteria for different industries. Disclose the quantum of emissions covered by the defined KPI(s) compared to an issuer's total GHG emissions footprint (Scopes 1, 2 and 3).	Any change to the quantum of the emissions covered by the defined KPI compared to an issuer's total GHG emissions footprint (Scopes 1, 2 and 3).

¹⁹ As defined by SBTi, Climate Bonds Initiative, CDP, GFANZ or other similarly recognised GHG emission reduction guidance.

²⁰ The Illustrative KPIs Registry includes high-level recommendations as well as illustrative examples for the selection of Key Performance Indicators (KPIs) for Sustainability-Linked Bonds (SLBs).

Element 3: Climate transition strategy and targets to be science-based

Use of Proceeds Applicability		Sustainability-Linked Applicability	
At issuance	Annual reporting	At issuance	Annual reporting
Disclose emissions reduction benchmarking, or validation (for example Science Based Targets initiative). Same as Element 2.	Report progress focused on any emissions reduction benchmarking or validation. Same as Elements 1 and 2.	Issuers should demonstrate that the selected KPI(s) and SPT(s) are science-based as outlined in Element 3. Disclose emissions reduction benchmarking or validation. Where GHG intensity KPI(s) are selected, clear guidance on expected forward-looking trajectory of absolute emissions within the boundaries of the KPI(s).	Report progress on science-based emissions reduction. Ongoing guidance on the forward trajectory of absolute emissions. Historic absolute emissions performance.

Element 4: Implementation transparency

Use of Proceeds Applicability		Sustainability-Linked Applicability	
At issuance	Annual reporting	At issuance	Annual reporting
The percentage of assets/revenues/expenditures/divestments aligned to the various levers outlined in Element 1 above. CapEx roll-out plan consistent with the overall climate transition strategy and climate science. Phase-out plan regarding activities/products incompatible with the climate transition strategy. Green CapEx as a percentage of total CapEx. Qualitative and/or quantitative assessment of the potential locked-in GHG emissions from an issuer's key assets and products. Assumptions on internal cost of carbon.	Report on allocation to eligible project categories. Include relevant GHG emission reduction performance metrics (in addition to how supporting expenses enable them if appropriate). For Green eligible project categories, the impact on workforce, communities, and other non-environmental benefits can be reported for increased transparency. In the context of Allocation and Impact Reporting, update on whether GHG emissions reduction spending took place as anticipated. Updates on the climate transition plan guidance provided at issuance.	Same as of Use of Proceeds issuances, plus: Issuers should share sample projects and initiatives that are expected to enable progress toward the selected KPI(s) and SPT(s).	Report on the progress of projects and initiatives covered in the climate transition strategy that enabled progress toward the KPI(s) and SPT(s). Updates on the climate transition strategy guidance provided at issuance. Any related impacts on workforce, communities, and other non-environmental benefits can be reported for increased transparency.

Annex 1: Non-exhaustive list of wider official and market guidance for climate transition-themed sustainable bonds

The table below provides a non-exhaustive list of existing taxonomies and official sector and market guidance that may be used in support of climate transition-themed financial instruments. A more detailed overview of most of these third-party resources can be found under the [Climate Transition Bond Guidelines](#) initially published in November 2025. The table is also complementary to the [Methodologies Registry](#) released in 2022 which is dedicated purely to the validation of specific emission reduction trajectories/pathways. There are many tools, methods, scenarios and initiatives available in the market and each play a role and are often tailored towards different audiences. Usually, these resources complement each other and can be combined.

Official sector and market-based taxonomies	
ASEAN	Version 3 of the ASEAN Taxonomy ²¹ adopts the approach of a traffic-light system (“Green”, “Amber”, “Red”) based on (i) principles-based Foundation Frameworks (FF) which apply a qualitative assessment to activities through a sector agnostic decision tree and (ii) a Plus Standard (PS) with detailed technical criteria, metrics, and thresholds.
Australia	Version 1 of the Australian Taxonomy is focused on climate change mitigation prioritising six sectors based on their emissions share, role in facilitating transition and low-carbon opportunity. It accommodates both Green and Transition classifications. Transition criteria generally apply to entities seeking finance to decarbonise components of their economic activities (i.e. assets, projects, facilities) where the activity produces an output with a stable or growing demand profile in a post-net zero economy and has material Scope 1 and 2 emissions.
Chile	The inaugural version of Chile’s Taxonomy (T-MAS) launched in 2025, identifies nine eligible economic sectors chosen based on their current and potential contribution to Chile’s GDP and their current or prospective impact on the six defined environmental objectives within the T-MAS. It distinguishes three tiers of contribution to its environmental objectives: Direct Contribution activities, Enabling activities, and Transition activities. The latter capture activities whose substantial contribution to one or several Environmental Objectives is not direct but support a shift toward a climate neutral economy in a manner compatible with the 1.5 °C target to limit global temperatures above pre-industrial levels.
Climate Bonds Initiative	The Climate Bonds Taxonomy and its more detailed Sector Criteria constitute the cornerstone of its Certification Scheme which is now available for several high-emission and industrial sectors of the economy. These Sector Criteria are applicable at different levels to allow the certification of measures/projects, assets, entities and sustainability-linked bonds.
China	The 2025 version of China’s Green Finance Endorsed Project Catalogue harmonises the identification of projects eligible for green and transition finance across bond and loan markets. On transition, a new secondary category “green and low-carbon transition of key industrial sectors” has been added, targeting hard-to-abate industries, including but not limited to iron and steel, non-ferrous metals, petrochemicals, chemicals, and building materials on activities such as improvement of energy efficiency, process optimisation and equipment upgrades. The catalogue adopts a “white-list”, measure-based approach providing mainly descriptive eligibility criteria, with China’s national (GB) and industry-specific standards (such as GB/T) now applying to certain tertiary categories.
EU	The EU’s Taxonomy Regulation provides a definition for transitional activities under Art.10(2). Accordingly, Annex 1 of the Climate Delegated Regulation indicates specifically which activities are transitional and provides the technical screening criteria (TSC) for the Substantial Contribution and DNSH alignment of these activities. The TSC for transitional activities will be reviewed every three years and amended where appropriate, in line with scientific and technological developments.
ISO	The ISO Taxonomy (July 2022) covers the sector criteria, rationale for eligibility, potential environmental benefits and environmental performance indicators for the described projects, assets and supporting expenditures including for the purposes of transition of high-emitting sectors (e.g. cement, aluminium, iron & steel, etc.). Annex B of the Taxonomy provides exemplary thresholds, criteria, and exclusions also for these sectors/sub-sectors.
Malaysia	The Central Bank of Malaysia’s (Bank Negara Malaysia) Climate Change and Principle-based Taxonomy (CCPT) and the Securities Commission Malaysia’s Sustainable and Responsible Investment Taxonomy (SRI Taxonomy) are both principle-based taxonomies. They have decision trees and guiding questions to determine the classification results. Where an activity does not meet the criteria for the top category (“Climate Supporting” in CCPT or “Green” in SRI Taxonomy) but remedial efforts to mitigate harm have been taken, the activity can be classified as “Transitioning” in the CCPT or “Amber” in the SRI Taxonomy.

21 The 4th and final version is expected to be published in Q4 2025

Official sector and market-based taxonomies	
MDBs-IDFC Common Principles for climate mitigation finance tracking	The Common Principles accommodate and define “transitional activities” as those which are still part of GHG-emissions systems but are important for and contribute to the transition towards a climate-neutral economy, e.g. energy efficiency improvement in manufacturing that directly or indirectly use fossil fuels. The eligibility principles consist of: a) Lack of technologically or economically feasible very-low-emission alternatives; b) compliance with high performance country- or sector-specific standards, benchmarks or thresholds for GHG emissions or emission-intensity that significantly exceed expected performance in a sector or activity; c) not hampering the development or deployment of very-low-emission activities; and d) not leading to a lock-in of GHG-emission-intensive assets that is inconsistent with the long-term goal of net-zero GHG emissions. The Common Principles provide eligibility principles including for transitional activities as well as guidance on the greenfield vs. brownfield activity distinction for eligibility and on the exclusion of some activities. More specifically, the Common Principles provide a list of eligible activities consisting of 11 tables with relevant screening criteria and guidance for each activity.
Singapore	The Singapore-Asia Taxonomy (SAT) 2023 edition focuses on the climate change mitigation objective providing TSC for 10 sectors. It is based on a traffic-light system (“Green”, “Amber”, “Ineligible”) where the Green category includes both near-zero emission activities and those decarbonising in line with a 1.5 °C pathway while the Amber category, is mainly relevant to existing assets and brownfield investments and includes activities currently not on a 1.5 °C pathway, but either moving towards Green or facilitating significant emission reductions in the short term. In any case, amber activities have prescribed sunset dates as transition cannot last forever, usually by 2030, and for some hard-to-abate activities, by 2035.
South Africa	The South African Green Finance Taxonomy (1st Edition) covers at the moment the objectives of climate change mitigation and climate change adaptation for eight sectors. It also accommodates “transitional activities”: an economic activity for which there is no technologically and economically feasible low-carbon alternative, is considered to contribute substantially to climate change mitigation as it supports the transition to a low-carbon economy by phasing out greenhouse gas emissions, in particular from solid fossil fuels, where that activity: a) has greenhouse gas emission levels that correspond to the best performance in the sector or industry; b) does not hamper the development and deployment of low-carbon alternatives; and c) does not lead to a lock-in in carbon-intensive assets considering the economic lifetime of those assets.
South Korea	The K-Taxonomy classifies activities under “Green Sector” and “Transition Sector”. The latter includes seven economic activities which are deemed necessary at the current stage as an intermediate process for transitioning to carbon neutrality.
International and jurisdictional pathways and roadmaps and other topical guidance	
ASEAN	The ASEAN Transition Finance Guidance (v2) acknowledges that there are challenges for entities in ASEAN when selecting a reference pathway. It provides (i) a non-exhaustive list of commonly used reference pathways by sector with characteristics such as geographical granularity, emissions scope, emissions metric, and temperature outcome and (ii) guidance on how entities may augment reference pathways to more accurately reflect their operational and geographical setup.
Australia	In Australia, the Climate Change Authority released in October 2024 its review of the potential technology transition and emissions pathways for the Australian Government to reach net zero emissions by 2050. The review considers the pathways for six sectors – agriculture and land; built environment; electricity and energy; industry and waste; transport and resources – to decarbonise. It identifies barriers and proposes strategies and actions to address them.
China	At least a dozen guidelines on technical pathways for decarbonization in carbon-intensive industries have been issued and implemented at provincial, municipal, and city levels. At the national level, the People's Bank of China has made significant progress in developing sectoral standards notably for four key sectors (steel, coal power, building materials, and agriculture) with these standards currently being piloted in selected regions.
EBRD’ methodology on carbon lock-in risks	The Methodology to determine the Paris Agreement alignment of EBRD investments (March 2024) requires that qualifying projects present low likelihood of carbon lock-in and applies a detailed, publicly available methodology to give assurance that the project does not enable an emissions-intensive asset to continue to operate when economically preferable, lower-carbon options could replace it.
EU recommendations on transition finance	The European Commission (EC) published its recommendations on transition finance (together with an accompanying Annex) under its broader June 2023 Sustainable Finance package . The recommendations define the concepts of “transition”, “transition finance”, “transition plans”, and provide guidance and practice examples on how companies and the financial sector can use the various tools of the EU sustainable finance framework on a voluntary basis for transition purposes.
EU’s transition pathways for European industrial systems	The European Commission (EC) provides transition pathways for European industrial systems , among which the qualitative pathway for the chemical industry focused on green and digital transitions. The EC’s recommendations on transition finance (2023) recommend that entities consult these pathways when considering transition finance. The Clean Industrial Deal (February 2025) roadmap for competitiveness and decarbonisation also signals future and ongoing engagement with several emission intensive sectors for sector specific action plans.
France	The Environment and Energy Management Agency (ADEME) published sectoral transition plans for nine sectors.

International and jurisdictional pathways and roadmaps and other topical guidance	
IEA pathways and roadmaps	At an international level, the IEA scenarios and pathways have been particularly influential and authoritative. For example, the Net Zero by 2050 report (updated in 2023) provides over 400 key milestones and technologies on the pathway to reach net zero in relation to low emission sources of electricity, unabated fossil fuels in electricity generation, road transport, shipping and aviation, steel and aluminium, cement, primary chemicals, space heating, space cooling, energy efficiency and behavioural change, hydrogen, carbon capture, utilisation and storage, bioenergy, energy access and air pollution, and fossil fuel supply (see here). In October 2025, IEA also published its report Scaling Up Transition Finance which provides an analysis of the landscape for transition finance, explains why it matters, and highlights approaches that could move the debate forward. The report also examines the role of transition finance in the steel and cement, critical minerals, and natural gas sectors.
Japan's sectoral decarbonisation roadmaps	The Ministry of Economy, Trade and Industry (METI) and the Ministry of Land, Infrastructure, Transport and Tourism of Japan developed sectoral decarbonisation roadmaps for a number of GHG-intensive industries, providing emission pathways and action plans to transition toward achieving carbon neutrality in 2050. Companies can refer to the sectoral roadmap to develop their own strategies and climate change measures and to raise funds in alignment with Japan's Basic Guidelines on Climate Transition Finance .
Methane Finance Working Group	In June 2025, the Methane Finance Working Group published a thematic Guidance for Including Methane Abatement in Oil and Gas Debt Structuring .
Joint MDB methodology for Paris Agreement alignment	The Joint MDB methodological principles for assessment of Paris Agreement alignment provide a common technical approach for a range of financial instruments and financing types MDBs may use.
OECD guidance on avoiding carbon lock-in risks	The OECD report Mechanisms to Prevent Carbon Lock-in in Transition Finance (September 2023) points to the risk of carbon lock-in in transition finance, which occurs when fossil fuel infrastructure or assets (existing or new) continue to be used, despite the possibility of substituting them with low-emission alternatives, thereby delaying or preventing the transition to such alternatives. To prevent carbon lock-in to the extent possible, and ensure the environmental integrity of transition finance, relevant investments must be carefully selected and carried out with appropriate safeguards in place.
Republic of Türkiye	The Ministry of Industry and Technology developed sectoral low carbon pathways in collaboration with the EBRD for steel , aluminium , cement and fertiliser sectors in 2023 and 2024.
World Economic Forum	The World Economic Forum's Net Zero Industry Tracker (2024 edition) analyses the progress of eight sectors (aviation, shipping, trucking, steel, cement, aluminium, primary chemicals, and oil and gas) in achieving net-zero emissions by 2050. It offers stakeholders a framework and methodology to understand the key drivers of industrial emissions and highlights the key steps that the industries must take to further progress towards their respective emission reduction goals across five key dimensions of the readiness framework – technology, infrastructure, demand, capital and policy.

Annex 2: Introduction to transition plan frameworks and credibility assessment methodologies

Several international and jurisdictional initiatives provide frameworks for transition plans. In some jurisdictions, regulation has been developed which requires institutions to adopt, implement and/or disclose climate transition plans. To name a few:

- In June 2023, the **International Sustainability Standards Board (ISSB)** issued its [inaugural Standards](#), IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures (ISSB Standards). IFRS S2 defines a climate-related transition plan as “*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*”. Several jurisdictions have already taken steps to implement the ISSB Standards or expressed their intention to do so.²² In June 2025, the ISSB [published](#) new guidance dedicated to disclosing information about an entity’s climate-related transition, including information about transition plans, in accordance with IFRS S2. While not being officially part of the ISSB Standards and not changing or modifying them, it aims to enhance the understanding of IFRS S2’s transition-related disclosures including with selected examples.²³
- In December 2023, the **European Sustainability Reporting Standards (ESRS)** were released by the European Commission for use by companies subject to the Corporate Sustainability Reporting Directive (CSRD), which incorporates the Disclosure Requirement E1-1 -Transition plan for climate change mitigation.²⁴
- The **UK Transition Plan Taskforce**, launched by HM Treasury in April 2022, issued its final [recommendation](#) for a dedicated transition plan framework in October 2023. Currently hosted by [ISSB’s Knowledge Hub](#), there are also additional TPT resources for entities looking to develop and implement transition plans. These include: (a) dedicated sector guidance for Asset Managers, Asset Owners, Banks, Utilities, Food & Beverage Sector, Metals & Mining, Oil & Gas as well as a comprehensive Sector Summary (incl. recognised decarbonisation levers; metrics and targets) for 30 financial and real economy sectors; (b) Technical Mappings Against TCFD, IFRS S2, and ESRS; and (c) additional detailed guidance on transition planning cycle, legal considerations for transition plans, and considerations for EMDEs, SMEs, nature and resiliency. See the [ITPN website](#) for these resources.

These developments have built on or been influenced by other authoritative frameworks and resources put forward, notably by the [OECD’s Guidance on Transition Finance](#), GFANZ publications on both [real economy](#) and [financial sector](#) transition plan expectations, IOSCO’s [Report on Transition Plans](#) and ACMF’s [Transition Finance Guidance](#).

Various third-party methodologies, tools, and resources are also available to assess the credibility of transition plans and strategies. These include but are not limited to: [Technical Note on Reporting on Climate Transition Plans](#), Carbon Disclosure Project (CDP); [Guidance to Assess Transition Plans](#) and [Navigating corporate transitions – a tool for financial institutions to assess and categorise corporates by their transition credibility and maturity](#), Climate Bonds Initiative; [assessment tools](#) and [methodology](#) provided by Transition Pathway Initiative; the tool [TransitionArc](#); the UK Transition Finance Council’s entity-level [Transition Finance Guidelines](#) designed to support capital allocation to credibly transitioning entities across different asset classes and jurisdictions and [Sector Transition Plans: The Finance Playbook](#) which provides a practical framework for embedding finance into sector transition plans and technology scale-up roadmaps. Leading credit rating agencies and financial information providers also supply transition assessments and ratings.

²² See the [interactive map](#) provided by the International Transition Plan Network (ITPN) which tracks global transition plan requirements.

²³ The guidance builds on the materials previously developed by the UK Transition Plan Taskforce while incorporating adjustments for global applicability. It is however not part of ISSB Standards and does not add to or otherwise change the requirements of the Standards.

²⁴ It is expected however that the ESRS, including reporting elements related to transition plans, will be amended in the context of the EU’s simplification initiative for its sustainable finance regulations.

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