

IRSG response to the entity-level Transition Finance Guidelines consultation (to be submitted via an online questionnaire)

Section 3.1: Global Interoperability

Question 1: Which standards or frameworks are most important for the Guidelines to align with to ensure interoperability?

The Guidelines should align with internationally recognised disclosure and classification frameworks to ensure consistency, comparability, and confidence in transition finance across jurisdictions. Alignment with the International Sustainability Standards Board (ISSB) standards and the UK Sustainability Disclosure Requirements (SDR) is particularly important, as these frameworks are widely adopted and provide a coherent basis for assessing transition planning and performance.

In addition, the Transition Plan Taskforce (TPT) Disclosure Framework has proven to be a valuable starting point as a voluntary disclosure tool, offering companies a practical and credible reference for developing transition plans. Its emphasis on decision-useful information has helped build early momentum and consistency in market practice. However, given the evolving nature of transition planning, any move towards mandating the TPT framework should follow the standard policymaking process, including full regulatory consultation and broad industry engagement, to ensure future obligations are proportionate, practicable, and informed by real-world experience.

The Guidelines should also broadly align with the EU Sustainable Finance Disclosure Regulation (SFDR), especially as it undergoes review to introduce transition-related product categories. This alignment is essential to avoid duplicative reporting obligations and support cross-border investment. As and when the SFDR introduces a transition category, the guidance should incorporate that development to ensure consistency and minimise regulatory fragmentation.

The Guidelines should also remain compatible with voluntary market frameworks such as the Climate Bonds Initiative, ICMA's Climate Transition Finance Handbook, and GFANZ's transition finance guidance. These frameworks are used by capital providers to assess credibility and support capital allocation decisions. Ensuring interoperability will help reduce duplication, support global capital flows, and enable users to apply the Guidelines alongside existing tools and standards.

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

The IRSG does not currently identify direct conflicts between the Guidelines and other frameworks. However, the Guidelines must remain flexible and principles-based to accommodate differences and future developments in regulatory approaches, market maturity, and data availability across jurisdictions. The IRSG has highlighted the importance of interoperability and the need to avoid duplicative reporting obligations for multinational firms.

While we support the call for coherence in applying taxonomies, the expectation to fully implement technical screening criteria, Do No Significant Harm (DNSH), and Social Safeguards (SS) provisions is likely to be unrealistic. Industry concerns persist particularly around the EU taxonomy, regarding its rigidity and binary nature, which can limit its suitability for transition finance. DNSH and SS provisions are often based on EU-specific considerations and may not be feasible or applicable across all jurisdictions. We recommend treating these elements as reference points, with flexibility to deviate where justified by specific entity circumstances, investment types, technologies, or local regulatory and infrastructure constraints.

Section 3.2: Proportional Application and Alignment to 1.5°C

Question 3: How would you propose the Guidelines could better address challenges for entities in EMDEs?

The IRSG recommends that the Guidelines explicitly incorporate flexibility for entities in emerging markets and developing economies (EMDEs), recognising that transition pathways may be more gradual or less clearly defined and challenges regarding data access and availability. One of the universal factors is ‘interim targets and metrics’; however, metrics will be especially challenging for EMDEs and, in particular, for SMEs operating within these markets. We recommend that the Guidelines acknowledge these constraints and encourage proportional approaches to data and metrics, including the use of foundational or proxy data where appropriate. Transition planning frameworks should be adapted to accommodate local context, including national net zero targets, infrastructure constraints, and economic development priorities.

To support EMDEs, the Guidelines should:

- Allow for differentiated timelines and expectations based on country-specific pathways, for example, recognising the greater granularity in some regional approaches (such as those developed in Asia – ACE Energy Outlook¹ – or by the Network for Greening the Financial System [NGFS]²) compared to more generic ones like those from the International Energy Agency (IEA’s Net Zero Emissions by 2050: A Roadmap for the Global Energy Sector³).

¹ <https://aseanenergy.org/the-8th-asean-energy-outlook/>

² https://www.ngfs.net/system/files/2025-05/NGFS%20Short-term%20scenarios_Presentation_1.pdf

³ <https://www.iea.org/reports/net-zero-roadmap-a-global-pathway-to-keep-the-15-0c-goal-in-reach>

- Avoid rigid alignment with global temperature targets such as 1.5°C, which may not be credible or feasible for all jurisdictions. Technological limitations and infrastructure or policy constraints may lock certain investments in place, making strict adherence difficult. Companies making genuine progress should not be penalised—similar to the approach taken in Japan’s Transition Framework and Taxonomy as it was stated “it is unrealistic to accurately predict the success or failure of various technological developments and innovations towards 2050. It is necessary to continuously determine the priorities of policies and technological developments based on the latest information while setting the ambitious goal of achieving carbon neutrality by 2050”⁴.
- Encourage capacity building, technology transfer, and climate finance strategies that support decarbonisation in EMDEs.
- Promote international collaboration and engagement with local stakeholders to ensure that transition planning reflects regional realities. Support from governments and multilateral development banks (MDBs) or international financial institutions (IFIs) will be key, given their historical and ongoing role in enabling transition finance in emerging markets.
- Provide flexibility regarding metrics, recognising limited access and availability of high-quality, granular and forward-looking data.
- Promote the use of concessional finance instruments, which are critical for supporting transition efforts in emerging markets and developing economies. The Guidelines could reference programmes such as the EBRD-GCF initiative for the corporate sector, which provides a practical model for mobilising blended finance in transition contexts.⁵

The IRSG also supports the integration of just and inclusive transition principles, which can help bridge the financing gap and ensure that transition planning contributes to sustainable development in EMDEs.

Section 4.1: Introducing Principles and Factors

Question 1: Do you broadly agree with the structure of the Principles and Factors (i.e. the construct and relationship between them, rather than the Principles and Factors themselves)? Please explain your answer above and suggest how the structure could be made simpler to follow and more practical to implement.

⁴https://www.mof.go.jp/english/policy/jgbs/topics/JapanClimateTransitionBonds/climate_transition_bond_framework_eng.pdf

⁵ <https://www.greenclimate.fund/project/fp140>

We broadly agree with the structure. The separation between Principles and Factors provides clarity and supports practical application. The Principles set out the core dimensions of credibility, while the Factors offer tangible evidence points for assessment.

Section 4.2: Principles

Question 2: Does the Credible Ambition Principle, and its lock-in requirements (contained in the Implementation Factor) achieve the right balance between 1) driving decarbonisation and 2) acknowledging the energy security and development challenges of industrial operators in emerging markets? If not, are there builds or adjustments you would propose?

The IRSG supports the Credible Ambition Principle and its carbon lock-in requirements, provided they are applied proportionately. The IRSG cautions against rigid alignment with 1.5°C pathways, noting that such targets are non-static and may not be feasible for all sectors or jurisdictions. Entities should be allowed to disclose how their plans contribute to the goals of the Paris Agreement and explain any deviations. This approach supports ambition while recognising real-world constraints.

Section 4.3: Universal Factors

Question 1: Do you agree with the overall themes of the Universal Factors? (Interim Targets & Metrics, Implementation, Financial Viability, Engagement, Governance and Disclosure)

Yes. The IRSG agrees that these themes reflect the practical components necessary to assess the different dimensions of credibility. In particular, the inclusion of financial viability and governance is essential to ensure that transition plans are not only ambitious but also deliverable. The IRSG has emphasised the importance of implementation levers, resource allocation, and internal capacity building as decision-useful elements of a transition plan.

Question 2: Do the Universal Factors set an appropriate threshold that is proportional for contextual differences (e.g. entities in emerging markets or SMEs)? If not, which Factors do you disagree with and why? Please comment on specific detail within the Factors where possible.

The IRSG supports proportionality in the application of Universal Factors. It recommends a modular approach, with simplified expectations for SMEs and more detailed obligations for larger entities. The IRSG also supports flexibility in emissions reporting, including exemptions for Scope 3 Category 15 emissions where data and methodologies are limited.

Question 4: Which Universal Factors do you foresee being most difficult to evidence and why?

The IRSG anticipates that several Universal Factors may be challenging to evidence, particularly for smaller firms and those operating in emerging markets or sectors with limited data availability.

- **Implementation Strategy and Levers:** While critical to credibility, these are often highly qualitative and context specific. Companies may struggle to provide robust, comparable evidence of how their strategies will be operationalised, especially where dependencies on external factors (e.g. policy, technology) exist.
- **Supporting Factors** (Governance, Culture, Incentives, Skills, Capacity Building): These “softer” elements are essential for assessing alignment and achievability but are difficult to quantify. Disclosure in these areas may be narrative-driven and lack standardised metrics, making comparability and verification challenging.
- **Financial Viability:** Demonstrating the financial viability of a transition plan requires forward-looking financial modelling, which may involve commercially sensitive information. Companies may be reluctant to disclose such detail, and assumptions may vary widely across sectors.
- **Scope 3 Emissions:** The IRSG has highlighted the complexity of measuring and reporting Scope 3 emissions, particularly Category 15 (financed emissions). These emissions are often outside a company’s direct control and subject to significant data and methodological limitations.

To address these challenges, the IRSG recommends that the Guidelines allow for flexibility in how evidence is presented, encourage proportionality, and avoid overly prescriptive requirements that could deter meaningful disclosure. This flexibility should also extend to any considerations on ongoing monitoring and declassification within the Guidelines. It will also be important for the Guidelines to allow for qualitative assessments, recognising the data limitations for certain markets and sectors and the challenges in measuring and reporting Scope 3 emissions.

Section 5: Application of the Guidelines

Question: Are the Guidelines sufficiently clear on how they should be applied across different asset classes, geographies, and entity types? What improvements would you suggest?

The IRSG supports the Guidelines’ ambition to be applicable across asset classes and jurisdictions, but recommends clearer implementation guidance. Further clarity on application from a banking and asset management perspective would be helpful, particularly in relation to lending products, capital markets instruments, structured financing, and risk management tools. Specifically, the IRSG calls for:

- Recognition of group-level reporting for multinational firms to avoid duplicative disclosures.
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- Flexibility in emissions reporting, including exemptions for Scope 3 Category 15 emissions where data is limited.
- Clear sequencing of requirements aligned with the UK's broader sustainable finance framework, including the UK SRS.

These recommendations aim to ensure that the Guidelines are practical, proportionate, and interoperable with global standards.