

Questions

Questions relating to the Transition Finance Guidelines

Questions on Structure

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

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

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

Questions on Section 2.2: Principles

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

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

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

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

Questions on Section 2.3: Universal Factors

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

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

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

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

4. If you believe certain entities are only required to meet 'essential' criteria, how would you set an expectation of what type of entity this is?

5. Do the Universal Factors set an appropriate threshold for transitioning entities including entities in emerging markets or medium-sized entities? a. If not, which criteria do you disagree with within the Factors and why? b. Are there any amendments required in relation to the carbon lock in wording?

6. Are there any other comments you would like to make about the Universal Factors, including other frameworks or guidance that should be referred to?

Questions on Section 2.4: Contextual Factors

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

1. . Do you agree with how and when Contextual Factors are considered? If not, how could it be made clearer or improved?

2. Are there any other comments you would like to make about the Contextual Factors?

Questions relating to the Implementation Handbook

Questions on Structure and purpose

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

Questions on Section 3: Global interoperability of the Guidelines

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

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

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

AREF's response

Business at OECD (BIAC) found that 57% of companies now spending over \$1 million annually on ESG reporting and 83% expecting these costs to rise further, guidelines must integrate seamlessly with existing frameworks like CRREM, SBTi, INREV, and EPRA to prevent market fragmentation and reduce compliance costs¹.

The urgency is underscored by the fact that nearly half of companies are dedicating at least 25% of their sustainability budgets to reporting compliance rather than actual project implementation (1). Fortunately, foundational work toward interoperability is already underway—the ARESI initiative addresses KPI ambiguities within European frameworks, while recent simplifications create stronger linkages between INREV and EPRA standards. JLL's collaboration with EPRA on The Carbon Transition Playbook demonstrates practical progress in

¹ The Risks of Divergence between Global ESG Reporting Standards, BIAC (2025): <https://www.businessatoecd.org/hubfs/The%20Risks%20of%20Divergence%20Between%20Global%20ESG%20Reporting%20Standards.pdf>

mapping and aligning carbon initiatives across the real estate sector, providing clear pathways for framework integration².

Building on this progress, we recommend the guidelines explicitly reference these established frameworks and provide clear mapping to avoid creating parallel reporting requirements that compound these already substantial compliance burdens.

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

Questions on Section 4: Obtaining evidence required for assessment

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

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

Questions on Section 5: Factor and Principle assessment examples

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

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

² The Carbon transition playbook, EPRA (2024): [EPRA_JLL_-_The_Carbon_Transition_Playbook_-_September_2024.pdf](#)

3. Which Universal Factors (or specific criteria) would it be useful to see additional case studies on?
4. Do you have any other specific feedback on any of case studies in this section?

Questions on Section 6: Implementation support for EMDEs and SMEs

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

1. How would you propose the Guidelines could better address challenges for EMDEs and SME? Can you provide examples of tools you have used or case studies in these contexts that helped address those challenges? (e.g. good practice for assessing the credibility of pathways for high-emitting sectors in emerging markets).

AREF's response

Verification and assurance costs can be prohibitive, requiring clear threshold examples for different asset sizes. The EU Commission estimates that CSRD compliance will cost companies an average of €100,000 each in the first two years, with total annual recurring costs of €3.6 billion across affected organisations³.

Compliance costs are estimated at hundreds of thousands annually for larger organisations. We recommend materiality thresholds scaling with transaction size. This tiered approach ensures proportionate requirements while maintaining market integrity and preventing smaller player exclusion.

2. Is there other guidance that is necessary for the Council to develop to support the interpretation and implementation of the Guidelines? Examples might include application to multi-national enterprises or multi-sector entities.

³ €4.8 Billion Of ESG Disclosure Spend Anticipated In 2022 And 2023 Due To The EU's Corporate Sustainability Reporting Directive, Verdantix (2021): <https://www.verdantix.com/client-portal/blog/4-8-billion-esg-disclosure-spend-anticipated-in-2022-and-2023-due-to-the-eu-s-corporate-sustainability-reporting-directive>

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

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

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

1. Is the structure of this section intuitive and useful? (i.e. splitting the content between pre investment and post-investment, addressing key themes like strategies and data availability). Do you have any suggestions of how to make this section more useful?
2. If you are interested in seeing this section expanded to other asset classes, please let us know which ones and whether you would be interested in collaborating in drafting? (the Council is currently planning on building out to real assets, private debt and potentially others, though this is dependent on capacity).

AREF's response

Real Assets Guidelines – Scope 3

While developing the guidance for Real Assets/Infrastructure it should be taken into consideration that Scope 3 emissions are not currently mandated despite their materiality in CRREM and SBTi standards. This creates decarbonisation gaps and undermines investor confidence, particularly in real estate where tenant energy represents 60-80% of building emissions.

PCAF already provides established 'whole-building' standards that capture all operational emissions, aligning with SBTi requirements for comprehensive Scope 3 reporting⁴. The guidelines for real estate proportionality should build on PCAF's proven framework and mandate Scope 3 inclusion where material, leveraging existing PCAF-SBTi interoperability rather than creating parallel requirements.

Infrastructure

⁴ Partnership for Carbon Accounting Financials (PCAF). GHG Emissions Real Estate Guidance: https://carbonaccountingfinancials.com/files/downloads/ghg_emissions_real_estate_guidance_1.0.pdf

We appreciate that guidance for Real Assets/Infrastructure is currently in development. These guidelines should take into consideration that buildings are evolving into active energy resources that generate, store, and manage power, with comprehensive system solutions unlocking 25-50% revenue increases through grid services participation⁵. The guidelines should recognise infrastructure investments—including EV charging, battery storage, and smart technologies—as eligible transition activities, given their critical role in grid stability and broader energy system decarbonisation.

3. Does the Handbook provide enough guidance in relation to Credible Pathways and compatibility with the Paris Agreement for users on how to satisfy these expectations? What, if anything, could be made clearer or improved?

AREF's response

JLL research identifies a price mismatch in the market where current green finance rates aren't attractive enough to mobilise take-up, with historical discounts of up to 20 basis points proving insufficient for widespread adoption⁶. We suggest enhanced incentives—including regulatory capital relief, extended tenor options, or covenant flexibility—with pricing benefits exceeding current marginal discounts to better reflect fundamental risk reduction and value enhancement.

⁵ Value Creation through energy-smart, low-carbon buildings, JLL (2025): <https://www.jll.com/en-uk/insights/value-creation-through-energy-smart-low-carbon-buildings>

⁶ Banks can save the world by unlocking climate finance, JLL (2024): <http://jll.com/en-uk/insights/banks-can-save-the-world-by-unlocking-climate-finance>

Other feedback

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

AREF's response

Retrofit

Market momentum is building, with 69% of surveyed organizations reporting a shift in their business mix towards retrofitting over the past three years (4). Despite this progress, retrofitting rates must increase fivefold—from 2.4% today to 13.2% of existing buildings annually—to meet decarbonization targets (3). Tightening MEES regulations in the UK and EPBD across Europe make retrofit financing essential for asset value preservation.

Energy-smart retrofits create value through reduced costs and enhanced tenant appeal, with efficiency improvements potentially increasing revenue by 25-50% (3). The guidelines should explicitly recognise project finance structures alongside entity-level financing to accelerate retrofitting at the scale required.

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

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