

January 30, 2026
Japanese Bankers Association

JBA Comments on Transition Finance Guidelines and Implementation Handbook by the UK Transition Finance Council (TFC)

| # | Question | Comment |
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| Questions relating to the Transition Finance Guidelines | | |
| Questions on Structure | | |
| 11 | Is the structure of the Guidelines, Principles, Universal Factors and Contextual Factors appropriately explained and workable (<i>i.e. the construct and relationship between them, rather than the Principles and Factors themselves</i>)? | <ul style="list-style-type: none">I broadly agree with the overall structure but have comments or suggestions on how to improve it. |
| 12 | Please explain your answer and suggest how the structure could be made simpler to follow and more practical to implement. | <ul style="list-style-type: none">We support the TFC's approach to regard the Principles and Factors as a foundation for guidance on entity-level transition plans applicable across geographies and sectors. Given that the objective is to enable stakeholders to assess the credibility of a transition plan for capital-allocation decisions, it is essential that the assessment processes of key stakeholders—such as investors and credit institutions—are aligned with the new guidance.We welcome the Implementation Handbook's emphasis on interoperability with global disclosure frameworks such as ISSB and TPT, existing LMA and ICMA guidance, and other regulatory frameworks. Credit institutions and investors are already subject to transition planning and reporting requirements from both disclosure and prudential perspectives.To enhance usability, we recommend that the TFC guidance include a clear, easy-to-use matrix that cross-references all Principles and Factors with relevant disclosure frameworks, LMA and ICMA guidance, and other initiatives or frameworks listed in the Appendix. This would help ensure consistency and facilitate practical implementation across stakeholders. |

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| Questions on Section 2.2: Principles | | |
| 13 | Do you agree these are the right principles? | <ul style="list-style-type: none"> • Yes |
| 15 | 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? | <ul style="list-style-type: none"> • We support efforts to simplify the Credible Ambition Principle to ensure broader and practical adoption of the guidance. However, several elements of the Principle would benefit from further clarification to avoid ambiguity: <ul style="list-style-type: none"> 1) Long-term ambition vs target The statement that "a long-term target is not required, but the entity should have a long-term ambition consistent with a Credible Pathway" requires further explanation. The guidance should more explicitly define how an ambition differs from a target. 2) Clarification of timeframes The expected timeframes for mid-term and long-term targets or ambitions should be clearly defined. 3) Scope 3 targets The recommendation on Scope 3 targets (or targets that enable Scope 3 emission reduction) should be emphasised, particularly for entities whose emissions profiles are predominantly Scope 3. 4) Examples for hard-to-abate sectors With reference to the definition of "Credible" on page 9, the guidance should include illustrative examples explaining why certain pathways may not align with a 1.5°C trajectory. This is particularly important for hard-to-abate sectors, as their efforts are critical to achieving global decarbonisation. To support users' understanding, such examples could address the absence of commercially viable technology, regional or sectoral pathway benchmarks with differing net zero commitments, just transition requirements and related constraints. |
| Questions on Section 2.3: Universal Factors | | |
| 16 | Do you agree with the overall themes of the Universal Factors? (<i>Interim Targets & Metrics, Implementation, Financial Viability, Engagement, Governance and Disclosure</i>) | <ul style="list-style-type: none"> • Yes |

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| 17 | If not, which Universal Factors are not universal and which Factors might be missing and why? | <ul style="list-style-type: none"> • We generally agree with the Universal Factors as presented; but additional clarification of several concepts would enhance their practical usability. Specifically, it would be helpful to clarify: <ul style="list-style-type: none"> (i) the definition of “material emissions,”; (ii) the distinction between a “target” and an “ambition,”; and (iii) the expected extent to which transition plan levers should be integrated into an entity’s financial planning and resource allocation processes. |
| 18 | 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? | <ul style="list-style-type: none"> • We consider the assessment against the criteria in the Universal Factors to be broadly implementable and reasonable, particularly given their alignment with existing disclosure requirements. The emphasis on interoperability with established frameworks such as the ISSB, LMA, and ICMA is essential to avoiding duplication. However, we foresee several practical challenges, especially for entities operating in hard-to-abate sectors: <ol style="list-style-type: none"> 1) Consistency with Credible Pathways Ensuring alignment with Credible Pathways may be challenging when sector-specific or regional pathways diverge from a 1.5°C trajectory due to constraints such as technology availability, regional benchmarks, policy environments, infrastructure limitations, or just transition considerations. 2) Scope 3 Targets and Data Quality Setting and evidencing Scope 3 targets requires sophisticated methodologies, particularly given the complexity and breadth of value chains. Ensuring adequate traceability, data quality, and comparability remains a significant challenge for many entities. 3) Mapping Financial Dependencies Across Transition Actions Identifying and evidencing financial dependencies associated with transition actions may be complex. Clearer guidance on how to assess and report these dependencies would be helpful. 4) Evidencing Budget Alignment with Transition Plans As sustainability considerations become more embedded in corporate strategy, capital allocation decisions are influenced by a wide array of factors—including market trends, technology developments, and decarbonisation targets. Demonstrating how budgets align with transition plans may therefore be challenging and would benefit from practical examples. |

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| 19 | 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”? | <ul style="list-style-type: none"> • If the guidance is intended to accommodate SMEs and emerging market and developing economies (EMDEs), it would be appropriate to distinguish between “essential” and “desired” criteria. Many SMEs and entities in EMDEs are at an early stage of their decarbonisation journey, and the “actions” required to demonstrate credible transition planning may reasonably differ from those expected of larger companies operating in more mature markets. • We also support the concept of a “gating” mechanism. However, we are concerned that a “grace period” approach could introduce implementation challenges and could increase the risk of perceived “greenwashing”, as actions to meet the criteria would occur after financing has been provided. |
| 20 | 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. | <ul style="list-style-type: none"> • None of the above (please explain what could work better if so) |
| 21 | Further comments on your answer to the above question. | <ul style="list-style-type: none"> • We believe that distinguishing between “essential” and “desired” criteria is particularly important for SMEs and entities in EMDEs. In this context, we respectfully request that the TFC consider the approach adopted by the LMA within the Transition Loan Principles. |
| 22 | 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? | <ul style="list-style-type: none"> • Thresholds for defining SMEs should align with the classifications established by individual countries or regional jurisdictions, such as those adopted in the EU. For entities in EMDEs, the relevant thresholds should be based on globally recognised definitions, including those provided by the World Bank. |

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| 23 | <p>Do the Universal Factors set an appropriate threshold for transitioning entities including entities in emerging markets or medium sized entities?</p> <p>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?</p> | <ul style="list-style-type: none"> • Please refer to our comment in No.18 |
| Questions on Section 2.4: Contextual Factors | | |
| 25 | Do you agree with how and when Contextual Factors are considered? If not, how could it be made clearer or improved? | <ul style="list-style-type: none"> • Yes |
| 26 | Are there any other comments you would like to make about the Contextual Factors? | <ul style="list-style-type: none"> • Regarding third-party assurance, the guidance should clarify the differences in the nature and timing of the three types of verification: <ul style="list-style-type: none"> 1) Assurance of GHG emissions and other non-financial KPIs, which is typically conducted as part of non-financial reporting cycles under sustainability disclosure standards; 2) Verification of alignment with LMA or ICMA Principles for labelled finance, which focuses on assessing whether financing instruments meet the criteria set by these frameworks; and 3) Assessment of the ambition and credibility of the Entity Transition Plan (ETP), which is a more strategic evaluation requiring expert judgment to determine whether the plan's ambition and pathway are credible and aligned with recognised transition principles. • Clear guidance on the scope, timing, and applicable assurance standards for each type will help avoid confusion and ensure consistency across stakeholders. |

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| Questions relating to the Implementation Handbook | | |
| Questions on Structure and Purpose | | |
| 27 | 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? | <ul style="list-style-type: none"> Yes |
| Questions on Section 3: Global Interoperability of the Guidelines | | |
| 28 | <p>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?</p> <p><i>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</i></p> | <ul style="list-style-type: none"> This section provides a comprehensive approach to interoperability with the main frameworks and regulatory disclosures. To enhance usability, it would be helpful to include a matrix that allows entities to easily confirm the alignment between the Principles and the Factors. |

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| 29 | 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? | <ul style="list-style-type: none"> • A key area where the TFC differs from global disclosure frameworks, such as the ISSB, is its strong emphasis on “resource confirmation.” This requires entities to demonstrate that sufficient financial resources—including capital expenditure, operating expenditure, and financing arrangements—have been allocated to implement the actions set out in their transition plans. We agree that confirming financial resources is essential to translating transition plans into concrete action. The approach should allow entities either to confirm resources for near-term actions or to present multiple scenarios for future resource allocation. This flexibility is particularly important for emerging markets, where resource availability may depend on blended finance structures or support from development finance institutions. • However, this requirement also presents challenges. As transition plans increasingly converge with broader business plans, it may become difficult to isolate and evidence resource allocation dedicated specifically to transition-related actions. Moreover, companies operate in dynamic environments where transition strategies depend on evolving market conditions, technology availability, and regulatory developments. These factors make resource confirmation inherently complex and require flexibility in the guidance to accommodate the dynamic nature of the energy transition and the current geopolitical context. |
| Questions on Section 4: Obtaining evidence required for assessment | | |
| 30 | 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 and when proxy data might need to be used? | <ul style="list-style-type: none"> • Yes, this section is helpful. With regard to the sources of information, we welcome the mapping to ISSB's IFRS S1 and S2. |
| Questions on Section 5: Factor and Principle assessment examples | | |
| 31 | 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? | <ul style="list-style-type: none"> • It would be beneficial to include examples referencing other existing frameworks, particularly where current disclosures or compliance with those frameworks indicate alignment with the guidance, or partial alignment with specific Universal Factors or Principles. |

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| 32 | 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. | <ul style="list-style-type: none"> Case studies are valuable, but it is important to update them regularly to reflect developments in existing frameworks and market practice. For this reason, it may be more effective to publish the case studies on the website rather than include them in the handbook. |
| 33 | Which Universal Factors (or specific criteria) would it be useful to see additional case studies on? | <ul style="list-style-type: none"> Interim Targets and Metrics and Financial Viability Factor |
| 34 | Do you have any other specific feedback on any of the case studies in this section? | <ul style="list-style-type: none"> Case studies should have global coverage, and include examples from sectors and geographies where transition-related financing has been limited—such as hard-to-abate sectors and regions in the Global South. |
| Questions on Section 6: Implementation support for EMDEs and SMEs | | |
| 39 | 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 | <ul style="list-style-type: none"> The development of a cross-reference matrix which maps the TFC Principles and guidance to other disclosure frameworks (e.g., ISSB, TPT, LMA, ICMA) would be valuable. It would also be helpful to provide guidance for multinational and/or multi-sector entities on how to apply the TFC guidance in verifying a consolidated transition plan. |

(End)