

Transition Finance Council

By email: [transitionfinancecouncil@cityoflondon.gov.uk](mailto:transitionfinancecouncil@cityoflondon.gov.uk)

30<sup>th</sup> January 2026

Dear Transition Finance Council,

**RE: UK Private Capital Feedback on Updated Transition Finance Guidelines and Implementation Handbook**

With a membership of around 600 firms, UK Private Capital (formerly known as the British Private Equity and Venture Capital Association, or BVCA) represents UK-based private capital firms, as well as the wider ecosystem of professional advisers and investors. Private capital consists of private equity, venture capital and private credit. Private equity and venture capital make long-term investments to grow British businesses and build a better economy. Private credit and venture debt also provide active and engaged debt finance to businesses. The private capital industry backs 13,000 UK businesses, nine in ten of which are small or medium-sized enterprises (SMEs). Businesses backed by the industry employ 2.5 million people across the UK and contribute 7% to GDP. In 2024, £29.4bn was invested by private capital into UK businesses in sectors across the UK economy, ranging from consumer products to emerging technology. This increased investment has fuelled the growth of businesses across the UK, with six in ten (58%) of the businesses backed in 2024, located outside of the capital. These investments are long term, with an average investment period of six years, in contrast to less than a year in public markets.

**The role of private capital in global net zero ambitions and private capital's interplay with transition planning**

In our [response](#) to the August 2025 Transition Finance Guidelines consultation, we explained the Role of private capital in the Global Net Zero Ambitions and private capital's interplay with Transition Planning in detail. A condensed summary of this is provided below:

Private capital plays a critical role in addressing climate change by deploying long-term capital, shaping business strategies, and embedding sustainability across the economy. Private capital's active ownership model enables the companies it backs to reduce emissions and integrate environmental considerations, while its backing of innovative businesses accelerates the transition to low carbon.

According to [World Economic Forum \(WEF\) data](#), SMEs account for around 60% of global business emissions and are central to supply chains. As majority or significant minority owners of fast-growing SMEs (which make up nine in ten UK companies receiving private investment), private capital is uniquely positioned to drive decarbonisation where public markets cannot.

Transition planning and finance must support all sectors, including SMEs and hard-to-abate industries. Private markets' flexibility, operational expertise and tolerance for innovation risk make them essential for delivering the trillions required for net zero. By embedding sustainability into portfolio companies' core strategies, private capital enhances resilience, value creation and future viability.

The Transition Finance Council's guidance provides a framework for credible transition plans, enabling targeted capital allocation and mitigating greenwashing risks. To ensure widespread adoption and impact, guidance must remain proportionate, interoperable, and practical. Our comments in this response aim to suggest where the guidance can be shaped along those lines.

For clarity in our response below, private equity and venture capital structures generally involve General Partners (GPs) managing capital on behalf of Limited Partners (LPs) and investing in portfolio companies. Private credit follows a similar LP-GP model but focuses on deploying investor capital into debt instruments that provide non-bank financing to corporates.

**Positive key updates**

UK Private Capital welcomes the updated Transition Guidelines and the newly introduced Implementation Handbook. These enhancements address many of the accessibility points raised previously in our previous response in the following ways:

- We are encouraged by the inclusion of the implementation handbook which includes guidance around private equity and SME implementation. A wide market consideration is important to ensure the guidelines are designed to be proportionate, scalable and applicable across asset classes and jurisdictions, including emerging markets and medium-sized entities.
- We are encouraged by the mapping and cross-referencing exercises and case studies because they help users apply different frameworks in tandem and improve understanding on how to assess their transition finance activities.
- Case studies that illustrate how the Principles and Universal Factors are important, especially for private companies, provide valuable insights and practical guidance for embedding best practices effectively. These real-world applications help demystify the guidelines and provide actionable insights for entities at various stages of their transition journey.

### Key points to consider

- We support the overall structure of Principles, Universal Factors and Contextual Factors. However, clearer guidance is required on how these components are intended to operate together in practice. Clear articulation of interdependencies, supported by decision tools and worked assessments, would materially enhance practical usability.
- Proportional and stage-appropriate application of the Guidelines is critical, particularly for early-stage companies, unlisted SMEs, data-constrained entities and those operating in emerging markets. Without sufficient flexibility in evidentiary expectations, the Guidelines risk excluding credible, high-impact transition activities rather than enabling them.
- In practice, certain Universal Factors may be challenging to evidence at early stages for smaller companies. In such cases, directional indicators, stated assumptions, governance arrangements and time-bound commitments could be considered proportionate initial evidence that is easier, yet still valuable, to provide.
- Enabling activities that involve near-term emissions but are necessary for system-level emissions reductions over time need to be differentiated from activities that lock in long-term emissions. Greater clarity in the drafting would support this distinction.
- More practical guidance is needed to support consistent application of all factors and principles, including case studies that demonstrate holistic, judgement-based assessments across multiple principals or factors simultaneously.
- From a private credit perspective, the Guidelines should explicitly recognise lender influence and stewardship, including engagement and covenant-based oversight, as a relevant contributor to transition credibility, consistent with due-diligence-led investment approaches and responsible investment practices.
- There is a need to provide clearer guidance on how the Transition Finance Guidelines complement (rather than duplicate) established green and sustainability-linked lending frameworks. This can be done by explicitly setting out how entity-level loans should interface with the Guidelines and what additional credibility, comparability or decision-useful insights they are intended to deliver beyond current market practice.
- The Guidelines should consider providing a clearer explanation of the specific financing gaps they are intended to address and how lenders should prioritise or combine multiple existing frameworks, so that their adoption is understood as a meaningful advancement rather than an additional compliance layer.

Below is a more detailed response to the questions raised in the consultation.

*Responses to Questions relating to the Transition Finance Guidelines*

**Questions on Structure**

**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.**

We broadly agree with the overall structure with the following additional considerations.

It would be advantageous to clarify whether every factor must be assessed for each principle, and whether all the principles need to be satisfied for finance to qualify as credible transition finance. This requirement is not clearly articulated in the current wording, nor is it evident from the case studies, which appear to assess principles individually rather than collectively.

To make the structure simpler and more practical, we would recommend that the following is considered:

- Providing explicit guidance on the interdependencies between principles and factors;
- Including a visual framework or decision tree to illustrate how principles and factors interact in practice; and
- Offering examples that demonstrate a holistic assessment across multiple principles, rather than isolated evaluations.

Furthermore, to support with private credit transition implementation, the guidance should recognise lender influence as a core eligibility criterion, aligned with frameworks (e.g., Principles for Responsible Investment or PRI), linking due diligence and active stewardship to transition potential.

**Questions on Section 2.2: Principles**

**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?**

Yes, we are supportive of these.

**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?**

Yes, no further input.

**Questions on Section 2.3: Universal Factors**

**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?**

Yes, we agree with the overall themes of the Universal Factors. They reflect the right dimensions for assessing transition credibility and align conceptually with existing expectations under TCFD, ISSB and emerging transition plan standards.

**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?**

At early stages, the most challenging factors to evidence are likely to be:

- Interim targets and metrics, where data quality and baseline measurements are still evolving;
- Financial viability of the transition, given uncertainty around future revenues, capex requirements and policy environments; and
- Disclosure depth, particularly where existing reporting requirements already place a burden on small teams.

In practice, GPs would approach evidencing through a combination of clearly articulated assumptions, directional KPIs, governance processes and time-bound commitments, rather than fully developed quantitative disclosures at the outset.

**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”?**

Considering the above response, we support splitting the criteria into “essential” and “desirable”. For early-stage and medium-sized entities, a gating mechanism based on essential criteria is the most workable approach. This allows capital providers, including GPs and private credit providers, to rule in or rule out opportunities efficiently, while maintaining a pathway to progressively higher standards as companies scale. A grace period for meeting desirable criteria can also be appropriate, provided any expectations are clearly defined and time bound.

- 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)**

Further clarity would be needed on how the criteria would be classified as “essential” versus “desirable”. It would be helpful to understand whether the Transition Finance Council intends to prioritise certain criteria across all cases, or whether this would be determined on a case-by-case basis. For example, this could be informed through stakeholder and investor materiality assessments, helping to identify which criteria are most important to them and what relevant information is reasonably available. Please see response below regarding considerations around the disclosure of “essential” criteria.

**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?**

This approach is most appropriate for:

- Early-stage companies with limited operating history;
- Unlisted SMEs; and
- Transition-enabling technology providers where system-level impact is indirect.

In these cases, expectations should focus on intent, governance, strategy and credible pathways rather than full evidencing of outcomes. Credible pathways in this instance can refer to a clear, realistic and time-bound plan for achieving medium- and long-term sustainability objectives, which aligns with the goals of the Guidelines.

**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?**

While the Universal Factors are directionally appropriate, proportionality will be critical for emerging market entities and smaller companies. Flexibility around evidence requirements, particularly where data availability or regulatory alignment is limited, will be important to avoid unintentionally excluding high-impact transition opportunities.

**b) Are there any amendments required in relation to the carbon lock in wording?**

Clarification would be helpful to distinguish between:

- Activities that materially risk long-term lock-in
- Transitional or enabling activities that may involve near-term emissions but materially reduce system-level emissions over time

**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?**

Clear guidance on how the Universal Factors interact with existing frameworks and illustrative examples by company stage or sector, would significantly improve usability and consistency in application.

**Questions on Section 2.4: Contextual Factors**

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

No further comment.

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

No further comments.

[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?**

The overall purpose of the Implementation Handbook is broadly clear in intent, particularly in relation to setting out how the Transition Finance Guidelines are expected to be applied to entity-level general purpose financing (Category 4). However, from a debt and credit perspective, the scope clarification is unclear in relation to practical coverage.

In particular, the Handbook explicitly focuses on Category 4 financing, while Category 3 use-of-proceeds and activity-level lending represents a very significant proportion of transition finance delivered through debt

markets. This includes green loans and bonds, capex financing linked to decarbonisation of specific assets, and other project- or activity-level instruments that are fundamental to real-economy transition.

While Category 3 activity necessarily differs from full entity-level assessment, in practice it still requires the application of transition credibility principles (e.g. avoidance of lock-in, consistency with longer-term transition pathways, and contribution to measurable emissions reduction). The absence of a dedicated implementation approach for Category 3 therefore creates uncertainty as to how these Guidelines are intended to be applied across the full spectrum of transition-relevant debt financing.

Greater clarity would be helpful on whether:

- a separate Handbook or annex for Category 3 implementation is proposed; or
- Category 3 is ultimately expected to follow similar principles and evidencing logic, adapted proportionately to activity-level financing.

The absence of this clarity makes it difficult for lenders to understand how a large share of transition finance activity should be accounted for within the framework.

### **Questions on Section 3: Global interoperability of the Guidelines**

#### **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?**

Further clarity would be beneficial in relation to the evolving EU Sustainable Finance Disclosure Regulation (SFDR) framework, including the proposed SFDR 2.0 revisions and how the Transition Finance Guidelines might interact with Article 7 transition-labelled investments.

While we recognise that the SFDR framework remains subject to ongoing consultation and change, it would be helpful for the Handbook to acknowledge this direction of travel. Private capital users of the Guidelines are likely to consider how transition finance-aligned investments could support future Article 7-style disclosures and related reporting expectations.

Explicitly flagging this alignment—even at a high-level and on a forward-looking basis—would improve usability and help users anticipate how the application of the Guidelines may support compliance and transparency under emerging EU sustainable finance requirements.

**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*.**

The Global Interoperability section usefully acknowledges the existence of established debt market frameworks, including green loans, green bonds and sustainability-linked instruments. However, the value of applying the Transition Finance Guidelines alongside these frameworks is not as clear, particularly for credit providers.

Sections 18–22 of the Handbook reference the interaction between entity-level lending, general purpose loans and sustainable finance instruments. However, from a practical lending perspective the following remains unclear:

- how an entity-level loan that already targets a measurable decarbonisation outcome under an existing framework (e.g. Sustainability-Linked Loans (SLLs) or green loans) is expected to “plug into” the Transition Finance Guidelines; and
- what additional assessment or decision-useful insight the transition finance framework is intended to provide beyond well-embedded transition finance approaches.

Given that robust lending activity has been underway for several years using green and sustainability-linked frameworks, clearer articulation would be beneficial on how:

- transition finance implementation strengthens credibility, comparability or ambition beyond current market practice; and
- lenders should reconcile overlaps where outcomes (i.e. decarbonisation at entity or activity level) are already aligned.

Without clearer differentiation, there is a risk that the Transition Finance Guidelines could be perceived as duplicative rather than additive, potentially slowing adoption.

## **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?**

The issue is less one of direct conflict and more one of conceptual clarity and positioning. Existing debt market frameworks for green, sustainability-linked and sustainability-linked transition finance is already widely adopted, familiar to investment committees, and embedded in internal governance and reporting systems.

The consultation would benefit from a clearer explanation of:

- what specific financing gaps transition finance implementation is intended to fill; and
- how lenders should prioritise or layer multiple frameworks when assessing the same instrument or borrower.

The inclusions of this clarity would make it easier for lenders to explain internally, or to their counterparties, why the adoption of the Transition Finance Guidelines represent a meaningful advancement rather than an additional compliance exercise.

### **Questions on Section 4: Obtaining evidence required for assessment**

#### **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? 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?**

This section is useful and well suited to private capital investors. It appropriately reflects the data constraints common across private markets, particularly for SMEs and privately held companies, early-stage assets and investments in Emerging Markets and Developing Economies (EMDEs). The emphasis on an evidence-based but proportionate approach, including the use of qualitative information, estimates and proxies, aligns well with private capital investment, ownership and stewardship models.

The guidance would benefit from more practical examples tailored to private capital contexts. In particular, clearer explanations and illustrations of what constitutes credible primary and secondary data. Additional guidance on when proxy data is appropriate, how it could be weighted and how expectations should scale over the holding period would further enhance clarity.

### **Questions on Section 5: Factor and Principle assessment examples**

#### **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?**

The case studies are useful and add practical value by illustrating how the Guidelines may be applied in practice. However, their effectiveness could be improved through clearer articulation of how each case study interacts with the Transition Finance Guidelines, particularly in demonstrating in more detail how the Principles and Universal Factors are used to assess transition credibility.

In particular, for the SME case study, it would be helpful to explain more explicitly how and why the Guidelines are relevant to assessing the entity's eligibility for transition finance, including which criteria are most relevant given the company's size, data limitations and financing objectives.

Additionally, greater clarity could be provided through more descriptive case study titles, for example, by flagging at the outset that the case study relates to a company seeking debt finance for a specific purpose or transition-related investment, e.g. "company seeking/receiving debt transition finance for x reason". This would help users quickly determine relevance, reduce ambiguity, and improve the practical applicability of the examples.

**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?**

Both approaches could be useful, provided that in each case it is clearly specified which types of user, financing structure or asset class the case study is intended to apply to. This would reduce the risk of misinterpretation or inapplicability.

Higher-level case studies within the Implementation Handbook are valuable for illustrating at a conceptual level how the Principles and Factors are expected to be applied in practice, and for supporting initial user understanding. However, more detailed and technical case studies may be better suited to live web-based formats, which would allow for regular updates, greater sector-specific depth, and expansion over time, without materially increasing the length or complexity of the Handbook.

This hybrid approach would balance accessibility and flexibility, while supporting deeper learning for users seeking practical implementation guidance across different financing contexts.

**3 Which Universal Factors (or specific criteria) would it be useful to see additional case studies on?**

As mentioned, it would be good to see an example that covers more than one Universal Factor or specific criteria at once as it is difficult to see how a more complex assessment would play out.

**4 Do you have any other specific feedback on any of case studies in this section?**

No further feedback.

**Questions on Section 6: Implementation support for EMDEs and SMEs**

**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).**

The Guidelines could be strengthened by providing standardised "minimum requirements" questionnaires, practical templates and simplified models to support SMEs in identifying, asking and responding to the most relevant transition finance questions. Such tools would help reduce complexity and improve consistency in how SMEs assess and demonstrate the credibility of their transition pathways.

**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.**

Additional guidance for Category 3 (project/activity-level, use-of-proceeds) lending would be beneficial. The Implementation Handbook currently focuses on Category 4 (entity-level, general-purpose) financing, whereas a substantial portion of transition finance in credit markets is delivered via Category 3 structures (e.g., green loans and other capex facilities that decarbonise specific assets). We recommend a dedicated Category 3 implementation annex or handbook that applies the same transition-credibility logic (e.g., credible pathways,

carbon lock-in safeguards, evidencing thresholds, and reporting expectations) proportionately to activity-level financing. This would:

- Bridge well-established use-of-proceeds practices with the Transition Finance Guidelines;
- Clarify what “qualifies” as transition at project level and how to evidence it; and
- Support consistent lender and LP reporting where activity-level outcomes (not full entity transition) are the financing objective.

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

No further response.

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

**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?**

The structure of this section is intuitive and useful, including the distinction between pre-investment and post-investment considerations and its focus on strategy and data availability. However, the section should be designed to evolve over time as new challenges and practical solutions emerge. This can be achieved through both regulatory-driven and voluntary transition activities and associated reporting, as well as through experience applying the Guidelines in practice. As further regulations are introduced, the section may need to be expanded iteratively to maintain relevance and usability, while retaining a clear emphasis on simplification wherever possible.

**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).**

No further recommendations.

**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?**

From a credit perspective, the Guidance would benefit from deeper consideration of the differing starting points across the market.

Limited partner (LP) familiarity with transition finance-specific frameworks remains materially lower than with more established approaches such as:

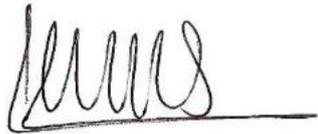
- NZAM-aligned portfolio metrics,
- Paris-alignment methodologies,
- PMDR-type borrower assessment tools, and
- SBT-based disclosures that assess climate performance irrespective of capital allocation type.

LPs that allocate capital across multiple managers are likely to expect reporting aligned to frameworks they already understand. Building familiarity with how loans or portfolios qualify as “transition” under a widely shared and clearly differentiated framework is therefore critical if LPs are to place confidence in transition finance reporting over time.

At present, clarity within the LP community on transition finance frameworks appears considerably lower than for alignment-based approaches. Addressing this gap explicitly—by clearly positioning transition finance implementation alongside, rather than in competition with established frameworks would help strengthen usability and adoption.

The UK Private Capital are supportive of the direction of travel of the proposed guidelines and see real value in their development, provided interoperability, proportionality and stage-appropriate implementation remains central to their application. For further engagement or to explore perspectives on private capital, please feel reach out to [Chris Khoury](#) or [Harriet Assem](#).

Yours sincerely,



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Lucie Mills, Chair, UK Private Capital Sustainability Committee