

G20 TRANSITION FINANCE FRAMEWORK (TFF)

WHAT IS TRANSITION FINANCE?

Transition finance refers to financial services supporting the whole-of-economy transition, in the context of the Sustainable Development Goals (SDGs), towards lower and net-zero emissions and climate resilience, in a way aligned with the goals of the Paris Agreement.

TRANSITION FINANCE FRAMEWORK GOAL

To shape policies and financial services to support the climate-related transition, will eventually expand to cover other sustainability goals like nature & biodiversity, pollution control or circular economy.

Adoption is voluntary, can be phased in, and is supported by international capacity-building.

22 PRINCIPLES ACROSS 5 PILLARS



PILLAR 1 • Approaches to Identification of Transitional Activities and Investments Should

- 1 **Implement a taxonomy, principles, or another method** to help financial institutions and firms identify transition activities and investments, lowering barriers, costs, and risks of “transition-washing”.
- 2 **Ensure that the identification of transition activities and investments** is based on transparent, credible, comparable, accountable, and timebound climate goals aligned with the Paris Agreement.
- 3 **Be applicable to potential use cases** at the project, entity, industry, and aggregate levels.
- 4 **Offer guidelines for verifying transition activities and investments**, such as transparency measures and independent checks.
- 5 **Stay adaptive** to evolving science, market developments, technology, policies, and developmental priorities.
- 6 **Include strategies for an orderly, just and affordable transition**, minimizing negative impacts on jobs, communities, and other Sustainable Development Goals (SDGs), while maintaining energy security and price stability.
- 7 **Promote cross-border compatibility** by ensuring approaches are comparable and interoperable across jurisdictions, in line with G20 Sustainable Finance Roadmap.



PILLAR 2 • Reporting of Information on Transition Activities and Investments

- 8 **Disclose current transition plans** featuring credible, science-based interim and long-term goals with timelines.
- 9 **Regularly report progress**, including mitigation and adaptation goals, using current scientific methods.
- 10 **Disclose climate data**, including Scope 1 and 2 GHG emissions, and phase in Scope 3 data as it becomes possible. Report on underlying disclosure methods and reference policies.
- 11 **Disclose corporate governance structures that ensure proper implementation of transition activities or plans**, including risk management and due diligence processes.
- 12 **Disclose the methodologies for measuring transition progress and achievements**, and how these align with internationally recognized scenarios.
- 13 Depending on the financial instrument: **disclose either how proceeds from transition finance instruments are used, or relevant key performance indicators and specific performance targets**.



PILLAR 3 • Transition-Related Financial Instruments

- 14** Fundraisers should provide a detailed, science-based transition plan aligned with the Paris Agreement, using a credible alignment approach to inform the market about their transition goals.
- 15** Fundraisers should follow transition-related disclosure guidance and all relevant jurisdictional requirements to ensure transparency of transition activities, targets, metrics, KPIs, and implementation of safeguards and corrective measures as needed.
- 16** Transition finance instruments may include incentives or penalties significant enough to encourage strong performance on GHG emission reduction and other climate or sustainability targets.



PILLAR 4 • Designing Policy Measures

- 17** Policymakers should create policies and incentives to boost the bankability of transition activities and attract private sector investment, considering national context and poverty eradication goals. Providing forward guidance can offer regulatory certainty to investors.
- 18** International Organizations (IOs) and Multilateral Development Banks (MDBs) could be instrumental in offering technical assistance and long-term financing, particularly to developing countries, for creating and executing policies that support transition projects.
- 19** Promote international cooperation to ensure transparency and understanding across approaches and exchange good practices and expertise.



PILLAR 5 • Assessing and Mitigating Negative Social and Economic Impact of Transition activities and Investments

- 20** Encourage fundraisers to evaluate and mitigate the potential socioeconomic impacts of their transition plans and to disclose mitigation measures or net positive impacts.
- 21** Create demo cases of just transition. International organizations should collaborate with the private sector to develop transition finance examples that include “just” elements and update the SFWG accordingly.
- 22** Enhance collaboration among government agencies, employers, workers, market regulators, academia, civil society, and the private sector to create a comprehensive strategy for mitigating negative economic and social implications.

