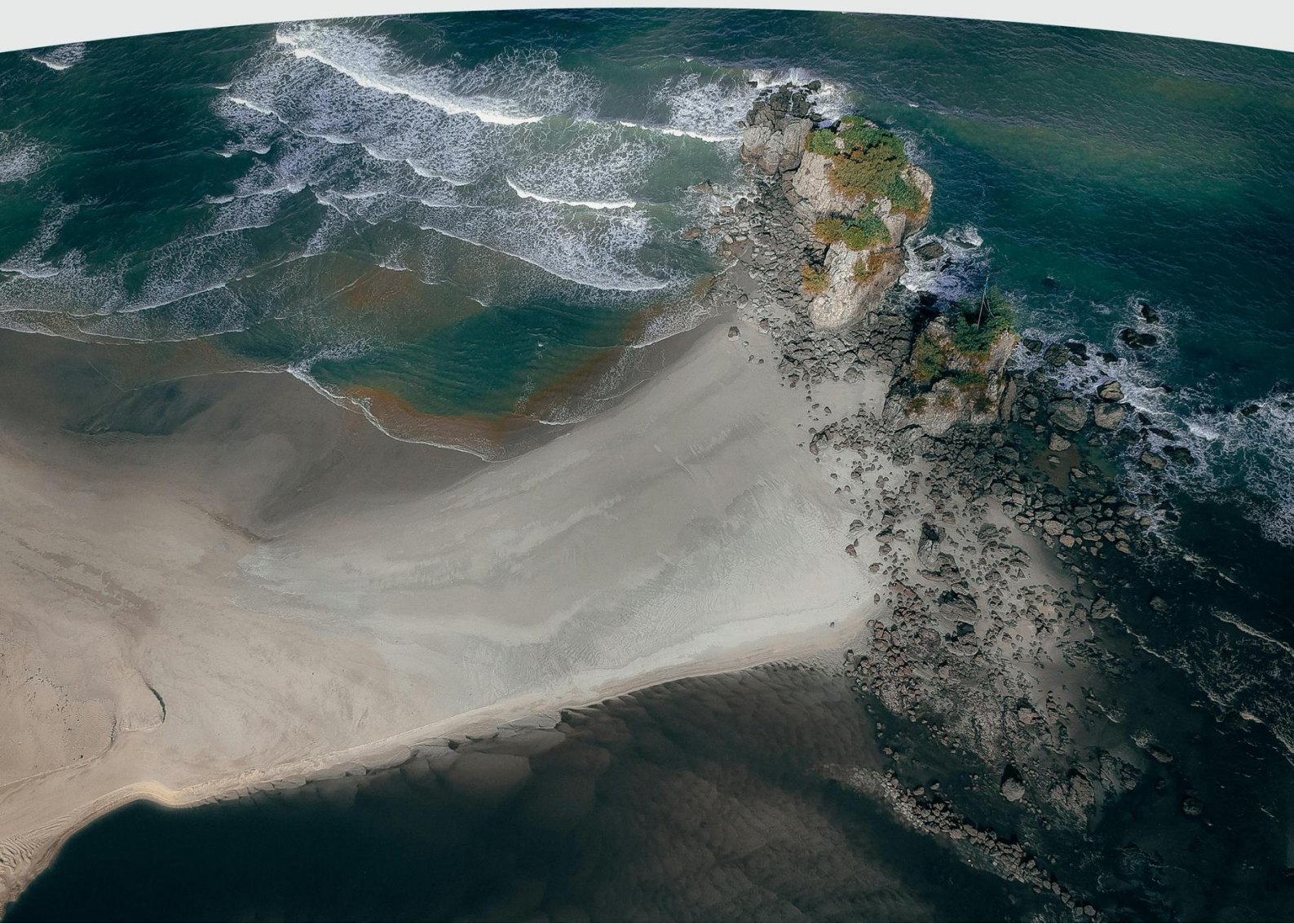


CDP Technical Note on ICMA paper: Transition Finance in the Debt Capital Market

CDP Corporate Questionnaire



Version

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1. Introduction

1.1 About this technical note

This technical note supports companies and financial institutions in disclosing to CDP's questionnaire and using CDP data.¹ It demonstrates how companies can disclose transition plan data in line with market guidance on transition finance from the International Capital Market Association's (ICMA) 2024 staff publication titled "Transition Finance in the Debt Capital Market."²

Section 1 broadly introduces the concept of transition finance and outlines the connection between the ICMA paper's findings and the CDP questionnaire.

Section 2 (Table 1) provides a mapping of specific questions from the CDP questionnaire to the transition plan indicators for transition finance elements outlined in ICMA's "Transition Finance in the Debt Capital Market".

Section 3 provides further resources to supplement the information detailed in this technical note.

1.2 Transition finance, transition plans and ICMA guidance

The landscape of climate transition planning has progressed rapidly over the past twelve months. Climate transition plan disclosure is now required by several standards including the IFRS S2 developed by the International Sustainability Standards Board (ISSB) and the European Sustainability Reporting Standards (ESRS) under the European Union's Corporate Sustainability Reporting Standards (CSRD). In addition to this the UK Transition Plan Taskforce (TPT) published its final Disclosure Framework with the UK Financial Conduct Authority (FCA) exploring how this guidance can support organizations disclosing transition plans under IFRS S2. These frameworks are now converging around consistent indicators of credible climate transition plans, as shown in the mapping to CDP's Key Transition Plan Indicators, which can be seen in CDP's report "[The State of Play: 2023 Climate Transition Plan Disclosure](#)". In an evolving landscape with a need for continued acceleration and alignment, CDP's disclosure platform is a crucial tool to support organizations across jurisdictions looking to develop, implement and disclose standardized credible climate transition plans in line with current and future global reporting standards.

To facilitate the transition of companies to achieve their emissions reduction and net zero targets, there is an opportunity for financial institutions to provide finance, henceforth transition finance. Transition finance has been defined by existing initiatives in a number of different ways, and the lack of common definition has been identified by market players as a barrier to growth of the transition

¹ This mapping has been conducted by CDP, to support companies to disclose comprehensively whilst simultaneously seeing how the questionnaire maps to ICMA's guidance on transition finance. This mapping is intended to be used only as a reference point by companies and financial institutions to support them in meeting ICMA's guidance on transition finance and displaying environmental leadership by disclosing to CDP.

² This publication is an ICMA staff paper benefitting from the input of ICMA committees and members but does not necessarily represent their views. The Climate Transition Finance Handbook (updated in 2023) represents the official voluntary market guidance of the Principles for transition finance in the sustainable bond market.

finance market.³ This technical note acknowledges these outstanding questions pertaining to the definition of transition finance, though it does not aim to address them.

Both market-driven and regulatory initiatives have acknowledged the role of corporate transition plans to drive forward the credible allocation of transition finance and create comparability across firms.

According to the Network for Greening the Financial System (NGFS)'s 2024 paper *Connecting Transition Plans: Financial and non-financial firms*, "Transition finance is necessary to ensure a timely and orderly transition towards a low-emission economy towards sustainability, but it can also provide new investment opportunities for financial institutions. The forward-looking information contained in transition plans developed by non-financial firms will allow identification of such investment opportunities. This financing opportunity could support the long-term viability of firms' business models in a low-emissions climate resilient economy."

The International Capital Market Association (ICMA) released a paper in 2024 titled "Transition Finance in the Debt Capital Market," which detailed the role of transition plans to provide the context for evaluating the transition of sustainability-linked bond (SLBs) issuers to avoid greenwashing, enhance KPI selection and offer vital context for the evaluation of failed targets where appropriate. Amongst its conclusions, the paper notes that the voluntary adoption of standardized transition plans can unlock the transition finance market and maps the actions and disclosures that constitute their interpretation of this standardization across the ICMA Climate Transition Finance Handbook, the IFRS S2 Standard, ESRS E1, and the UK Transition Plan Taskforce disclosure recommendations.

CDP recognizes the important role that ICMA plays in mainstreaming transition finance. This technical note demonstrates how the CDP questionnaire aligns with ICMA's Transition Finance in the Debt Capital Market paper findings and the integrated transition plan structure proposed thereunder, enabling companies disclosing through CDP to meet market recommendations for their investors, alongside the wider use cases that underpin their climate-related disclosures.

Data disclosed through CDP can complement pre- and post-issuance reporting of SLBs in line with ICMA's Guidance. Pre-issuance, ICMA's SLBs recommend that 'the sustainability strategy of the issuer should be well reflected in the selected KPIs, i.e., in material strategic dimensions, and, where applicable, supported by a transition plan, notably for hard-to-abate sectors.' CDPs detailed data on both transition plans and corporate sustainability strategies can therefore assist companies to align with ICMA's principles.

In its [Guidance Handbook](#), ICMA also highlights that companies are 'encouraged to ensure that their corporate-level disclosures are consistent with their SLB transactions, including all SLBs issued since the date of the relevant disclosures and/or Framework, to the extent permitted by applicable law'. While post-issuance reporting often requires less detail than corporate-level disclosure, the granularity of data captured through CDP can provide companies with the insights needed that meets further requirements. This can be useful for their investors that may be subject to jurisdictional disclosure requirements, including ISSB-aligned mandatory disclosure and more.

³ ICMA, RMI and the UK Transition Finance Market Review are three such examples of more in-depth discussions about the importance of a definition and what parameters are important within those definitions.

2. Coverage of CDP's climate transition plan elements and the integrated transition plan structure proposed in ICMA's paper

The table below identifies how CDP's 2024 and 2025 questionnaires map to the elements of the integrated transition plan structure identified in ICMA's paper, Transition Finance in the Debt Capital Market.

As outlined below, CDP covers aspects of all of the environmental elements identified by ICMA for a transition plan that cuts across the needs of IFRS S2, ESRS E1, UK TPT, and the ICMA Climate Transition Finance Handbook.

ICMA Element	ICMA Key Actions & Disclosures	CDP Module	2024 and 2025 CDP Questions Covering the ICMA Actions
Transition strategy, materiality & governance	Adopt a Paris-aligned (ideally its 1.5°C objective) and quantitatively measurable climate transition strategy and targets using science-based pathways provided by recognised third-party sources, where they exist, and disclose methodologies and scenarios used, as well as any third-party certification.	Business Strategy	5.1, 5.1.2, 5.2, 5.4, 5.4.1, 5.4.2
		Environmental Performance – Climate Change	7.53.1, 7.53.2, 7.54, 7.54.1, 7.54.2, 7.54.3, 7.54.4, 7.2, 7.9, 7.9.1, 7.9.2, 7.9.3
		Further information & Sign Off	13.1, 13.1.1
	Ensure that climate transition strategy is relevant to the environmentally material parts of the business model.	Identification, assessment, and management of dependencies, impacts, risks, and opportunities	2.2, 2.2.2 ⁴
		Disclosure of risks and opportunities	3.1, 3.1.1
		Business Strategy	5.2
	Ensure effective climate governance arrangements including senior management approval of the plan and accountability, remuneration/ incentive schemes linked to the transition strategy, and necessary skills and training across the organization.	Governance	4.2, 4.3, 4.3.1, 4.4, 4.5, 4.5.1
	Where relevant, consider “just transition” and disclose broader sustainability policies	Identification, assessment, and management of dependencies, impacts, risks, and opportunities	2.2.7 ⁵

⁴ Environmentally material parts of the business model can be disclosed as an outcome of processes disclosed in questions 2.2 and 2.2.2, and in relation to risk in questions 3.1 and 3.1.1. A credible climate transition plan should account for the environmentally material outcomes from any materiality assessment, and this can be qualitatively disclosed in the details of the transition plan in 5.2, although this is not a standalone datapoint within the question.

⁵ Companies can disclose how they assess the interconnections and tradeoffs between environmental dependencies, impacts, risks and/or opportunities in question 2.2.7. However, social considerations and wider just transition considerations are not the focus of this question.


	addressing negative sustainability impacts and trade-offs.	Governance	4.6, 4.6.1
	Position transition plan as a standalone document sitting alongside financial reporting.	Business Strategy	5.2
	Disclose GHG emissions covering all material Scopes as formulated in absolute (gross tCO2e), economic output (per net revenue), and industry-based metrics.	Environmental Performance – Climate Change	7.2, 7.46, 7.47, 7.48, 7.49, 7.50, 7.51, 7.6, 7.7, 7.8, 7.45, 7.52
Science-based targets & metrics	Adopt and disclose absolute gross (tCO2e), and where relevant, intensity-based targets for all material GHG Scopes. When only intensity targets set, disclose also the associated absolute values.	Environmental Performance – Climate Change	7.53, 7.53.1, 7.53.2, 7.54, 7.54.1, 7.54.2, 7.54.3
	Adopt short (ideally 3 years max.), medium, and long-term targets, and in any case for 2030, from which date baselines and targets should be updated every 5 years.	Environmental Performance – Climate Change	7.53.1, 7.53.2, 7.54.1, 7.54.2, 7.54.3
	There should not be any reliance on offsets except for residual (approx. 5-10%) emissions in net zero targets, in which case they should be disclosed separately and include credibility proof	Environmental Performance – Climate Change	7.54.3, 7.79, 7.79.1
Implementation transparency	Disclose all the relevant information on (i) planned changes to the business model, operations, products, as well as relevant policies and processes supporting those; (ii) actions for short (ideally 3-years max.), medium, and long term; (iii) planned investments, financial resources, and other financial metrics; (iv) internal carbon pricing; (v) engagement strategy and actions for value chains, with industry, public sector, and civil society.	Introduction	1.24
		Identification, Assessment, And Management Of Dependencies, Impacts, Risks, And Opportunities	2.2.2
		Disclosure of risks and opportunities	3.6.1
		Governance	4.10, 4.11, 4.11.1, 4.11.2
		Business Strategy	5.3, 5.3.1, 5.10, 5.10.1, 5.11.3, 5.11, 5.11.4, 5.11.5, 5.11.6, 5.11.7, 5.11.9
		Environmental Performance – Climate Change	7.55.2, 7.74.1

		Environmental Performance – Forests	8.13, 8.13.1
	Provide a credible link between the various levers and the transition strategy and quantify the contribution from different levers to climate objectives at least on an estimated basis.	Business Strategy	5.3, 5.3.1, 5.3.2, 5.4.1 ⁶
	Where relevant, consider “just transition” and disclose broader sustainability policies addressing negative sustainability impacts and trade-off	Identification, assessment, and management of dependencies, impacts, risks, and opportunities	2.2.7 ⁷
		Governance	4.6.1
Verification & reporting	Obtain an external review assessing the credibility of the entity’s strategy, its alignment to the referenced science-based trajectories, and its climate governance alongside any potential jurisdictional requirement required for sustainability reporting (e.g., limited or reasonable assurance).	Business Strategy	13.1, 13.1.1
		Environmental Performance – Climate Change	7.9.1, 7.9.2, 7.9.3
		Environmental Performance – Water security	9.3.2
		Further information & Sign Off	13.1, 13.1.1
	Report annually quantitative and qualitative information on the progress against the transition plan, targets, and metrics.	Business Strategy	5.2
		Environmental Performance – Climate Change	7.53.1, 7.53.2, 7.54, 7.54.1, 7.54.2, 7.54.3,
	Regularly update the transition plan (ideally every 3 years), and when there are significant changes	Business Strategy	5.2

⁶ Companies can disclose how environmental risks and opportunities have affected their strategy and financial planning and further quantify the alignment of their climate transition-aligned spending/revenue. However, the estimated contribution from different levers to their climate objectives is not captured in these questions.

⁷ See footnote 5.

Key:

 *Full coverage: There is full coverage of the disclosure recommendations set by this framework by CDP's questionnaire, via the components noted in the box. I.e. CDP's questionnaire meets (and in some cases, exceeds) the disclosure recommendations set by this framework.*

 *Partial coverage: There is partial coverage between CDP's questionnaire and the disclosure recommendations set by this framework*

 *Not applicable: The mapped framework does not require the disclosure of this information, whereas CDP's questionnaire does.*

3. Resources

- CDP [Climate Transition Plan: Discussion paper \(2021\)](#)
- [CDP Technical Note: Reporting on Transition Plans \(2024\)](#)
- CDP Transition Plan Report – [State of Play: 2023 Transition Plan Disclosure \(2024\)](#)
- [ICMA, Transition Finance in the Debt Capital Market \(2024\)](#)
- [ICMA, Climate Transition Finance Handbook \(2023\)](#)
- [ICMA, Guidance Handbook \(2024\)](#)
- [NGFS, Connecting Transition Plans: Financial and non-financial firms \(2024\)](#)
- [UK Transition Finance Market Review \(2024\)](#)
- [RMI, Unpacking Five Key Barriers to Transition Finance \(2024\)](#)
- [RMI, Defining Transition Finance: Exploring Its Purpose, Scope, and Credibility \(2023\)](#)