

Thematic notes on clear, fair & not misleading sustainability-related claims

Addressing greenwashing risks in support of sustainable investments

Fourth Note: Transition claims about climate change mitigation

I. General expectations

1. Thematic notes are prepared for the attention of market participants with an educational objective and build on observed market practices¹. They do not create new regulatory requirements but aim to remind market participants about their responsibilities to make clear, fair and not misleading claims.
2. The fourth note focuses on climate transition claims. Other thematic notes will follow, as judged necessary.

Why do sustainability claims matter?

3. Market participants have a responsibility to communicate sustainability information in line with the principle of “fair, clear, and not-misleading information”. Sustainability claims are related to key aspects of the sustainability profile of an entity or a product.
4. Sustainability claims are made by market participants such as issuers, investment managers, benchmark administrators and investment service providers. Such claims may risk being misinterpreted and investors may be misled, regardless of whether or not this is the intention of the market participant.
5. In line with the work carried out by ESMA on greenwashing, market participants should acquaint themselves with the below four principles to ensure that all sustainability claims are clear, fair, and not misleading. Claims can be misleading in particular because of cherry-picking, exaggeration, omission, vagueness, inconsistency, lack of meaningful comparisons or thresholds, misleading imagery or sounds.

Four principles to follow

6. ESMA’s starting point in designing these principles is the ESA’s Progress Reports on Greenwashing² that recognised misleading sustainability claims being a concern from an investor protection perspective, regardless of whether they are specifically covered by the EU sustainable finance Rulebook or not. Certain EU legal texts go further in defining the meaning of ‘clear, fair and not misleading information’³.
7. The principles apply to non-regulatory oral and written communications (‘communications’). Regulatory information is understood as that required by specific disclosure standards (e.g. fund or bond prospectuses, management reports, funds’ KIDs, benchmark statements), while non-regulatory information covers all other types of communications such as marketing material and voluntary reporting. Communications aimed at retail investors may vary in length and may need to rely on the use of layering, with additional information accessible through links or references.

¹ When combined, the notes should be read as a thematic study.

² ESAs have been aligning their work i) through setting out a common high-level understanding of greenwashing and ii) in their expectations to market participants as included in the [ESMA Progress Report on Greenwashing](#) and in the final reports of [EBA](#) and [EIOPA](#).

³ For further details, see Annex 2 of the [ESMA Final Report on Greenwashing](#).

FIGURE 1: FOUR PRINCIPLES TO FOLLOW



1) Accurate

- Sustainability claims should fairly and **accurately** represent the entity's sustainability profile, and/or that of its financial products. This should be done without exaggeration and **consistently** across all communications while avoiding falsehoods.
- Claims should be precise and be based on all relevant positive and negative aspects. **Omission and cherry-picking** should be avoided. Claims should steer clear of **vagueness** and excessive references to irrelevant or non-binding information.
- Market participants should make sure that the **ESG terminology and non-textual imagery or sounds** used are **consistent** with the sustainability profile of the entity or product and do not overshadow the other contents.



3) Substantiated

- Sustainability claims should be substantiated with **clear and credible** reasoning, facts and processes.
- Substantiation should be based on **methodologies** (including **comparisons, thresholds or underlying assumptions**) that are fair, proportionate and meaningful. Limitations of information, data and metrics used in a claim should be made available. Comparisons should make clear what is being compared, how the comparison is made and, if possible, compare "like with like".



2) Accessible

- Sustainability claims should be based on information that is **easy to access** and easy to browse through by readers and at an appropriate level of detail so they are understandable. Moreover, claims should not be **oversimplistic** but should be easy to understand.
- Sometimes more explanation is desirable beyond the space provided, or when the aim is not to overwhelm the reader with information. This is particularly important in the case of short marketing materials aimed at retail investors. Further substantiation can then be presented to the reader in **layers** in the case of documents distributed in electronic format, ensuring substantiation is easy to find.



4) Up to date

- Sustainability claims should be based on information that is **up to date** with any material change to be disclosed in a timely manner.
- The clear indication of the analysis' date and perimeter could be useful for this purpose.

II. Sustainability claims about climate transition

Reasoning

8. Transition claims often relate to the gradual improvement of the climate performance⁴ of companies, assets or activities towards a climate-neutral economy.
9. Such claims are becoming increasingly common⁵, in particular in relation to high-climate-impact and hard-to-abate sectors,⁶ where achieving climate neutrality requires long term and sustained efforts. Transition claims may refer, for example, to companies pursuing climate transition strategies, assets or activities expected to improve their climate performance over time, or financial products and benchmarks reflecting transition related objectives.
10. Unlike sustainability claims based on current environmental characteristics, climate transition claims are inherently forward-looking. They typically involve commitments about future climate performance of specific companies, assets, activities or financial products, and the associated strategies, action plans or policies intended to achieve it. Such commitments rely on assumptions and may also depend on external factors that evolve over time, such as technological progress, public policy developments, the availability of certain infrastructures and resources, or future market conditions. As a result, transition claims involve an inherent degree of uncertainty and may need to be adjusted as circumstances, data and methodologies evolve.
11. However, uncertainty regarding future outcomes and evolving market practices do not diminish the need for transition claims to be communicated in a clear, fair and non-misleading manner. This entails clearly communicating on:
 - (i) **the transition ambition pursued**, including, where relevant, the objectives, targets and metrics underpinning that ambition, together with the base value and base year serving as a reference point for measuring progress. It should also be explained how and to what extent the ambition contributes to headline climate objectives at EU or global level, including through references to science-based and Paris-aligned scenarios or pathways;
 - (ii) **the implementation strategy and action plan** to substantiate the transition ambition, supported by appropriate communication on key actions or policies to deliver on the ambition (e.g. the main elements of a fund's investment strategy or portfolio construction methodology, or, for bonds, the activities to be financed and their selection criteria), as well as material assumptions and dependencies underpinning the implementation strategy;
 - (iii) **the progress achieved** towards the transition ambition, including the process for monitoring and assessing progress against the relevant metric(s).
12. It should be noted that appropriate governance arrangements and remuneration schemes also underpin the credibility of transition claims, by ensuring that the delivery of the transition ambition is effectively overseen and embedded in decision-making processes.

⁴ [Commission Recommendation 2023/1425](#) recognizes that transition finance may also support other environmental objectives. This note focuses on climate change mitigation, for which market practices and public and market-led frameworks are currently more developed.

⁵ As of Q1 2026, 413 UCITS and AIFs used transition or transition-related words (e.g. 'improve', 'progress', 'net-zero') in their names representing approximately EUR 230bn in assets under management. Of these, 334 were UCITS funds, compared with 220 identified in Q1 2025.

⁶ For example, energy, transport, construction, real estate and certain energy-intensive industries.

Observed market practices

13. Market practices relating to climate transition products are evolving. Market participants are adopting different approaches to communicate transition claims, in some cases strengthening their substantiation through the use of science-based targets, clearly articulated **transition ambitions** and detailed **implementation strategies**.
14. For investment funds⁷, transition claims are substantiated in different ways depending on the transition objective pursued. Some funds define their ambition in terms of portfolio-level performance, such as reductions in portfolio emissions. Others focus on portfolio construction criteria, involving, for example minimum or increasing exposure to companies with credible transition plans. Last, some managers may also state their ambition in terms of contribution to real-economy decarbonisation. To substantiate how they will deliver their objectives, fund managers may use different combinations of exclusions, positive screening and engagement strategies targeting investee companies. For asset selection, fund managers may explain how they rely on in-house analysis and third-party ESG ratings, scores or assessments. Moreover, funds may replicate or be managed in reference to a benchmark, or rely on a benchmark alongside other criteria to substantiate the transition claim. Depending on its role, the benchmark methodology and performance may play an important role in understanding the fund's transition objective, how it is expected to be achieved and progress towards it.
15. For benchmarks, transition claims are generally reflected in the methodology, laying out the transition objective of the benchmark and the index construction rules meant to deliver that objective (including explanations of the selection and weighting criteria, together with the data used to assess those criteria). Beyond minimum standards applicable to EU Climate Benchmarks, administrators may develop alternative methodologies, for instance applying systematic tilts towards companies displaying stronger transition characteristics.
16. In the bond⁸ market, transition claims are also substantiated in different ways depending on the nature of the instrument. For use-of-proceeds bonds, issuers generally disclose the projects, assets or activities being financed. For general purpose bonds, claims are generally substantiated through information on the issuer's broader transition strategy, climate targets and transition plans. However, in some cases, the link between the financing instrument and the stated transition ambition is not clearly articulated.
17. Observations relating to the **transparency on progress achieved** remain more limited. While transition claims are typically accompanied by forward-looking ambitions and targets, fewer examples were identified of market participants reporting systematically on progress achieved against previously stated transition ambitions. Information on whether progress remained on track, assumptions underpinning the reported progress, or the reasons for any deviation from the stated transition trajectory was often limited.
18. The practical do's and don'ts and examples that follow aim to provide useful guidance to market participants making climate transition claims. Their relevance and level of detail will depend on the nature of the claim, product, strategy and asset class, while communications to investors should remain clear and concise.

⁷ For more details, see [ESMA TRV risk analysis "Emerging trends in transition fund strategies"](#) of October 2025.

⁸ Certain 'poor practices' presented in this note may not satisfy the disclosure requirements for non-equity securities advertised as taking into account ESG factors or pursuing ESG objectives set out in Annex 23 of Commission Delegated Regulation (EU) 2019/980.

Clarity of the transition ambition



Do's

- Do explain the ambition and intended transition outcome (e.g. reducing portfolio emissions, real-economy decarbonisation, exposure to transitioning investments).
- Do describe the science-based scenarios, decarbonisation pathways, or other frameworks underpinning the ambition, in alignment with the Paris Agreement and EU climate objectives.
- Do explain the scope of the transition ambition, including, where relevant, the asset classes or emission scopes covered.
- Do explain how achievement of the ambition will be assessed and measured, based on decision-useful, quantitative metrics, including their meaning, scope and any material data limitations.
- Where targets are disclosed, do specify the metrics, time horizon, relevant base year, base value and intermediate milestones.
- Do explain key assumptions and challenges that may affect the achievability of the ambition.



Good practices

Example 1 - Clear and measurable ambition



A fund communicates an ambition to reduce carbon intensity of its portfolio by 30% by the end of 2029 relative to its 2024 baseline.

- ✓ It specifies the ambition, base year, time horizon and intermediate milestones to achieve the target.
- ✓ Target is set in terms of tons of CO₂e per million invested, covering scope 1 and 2 emissions.
- ✓ The fund clarifies that its target concerns portfolio carbon intensity and should not be interpreted as a target for real-economy emissions reductions.
- ✓ Data gaps and challenges are explained. Scope 3 emissions are reported separately.

Example 3 - Clear and measurable targets



An energy company establishes a transition financing framework for the issuance of use-of-proceeds bonds to support the issuer's decarbonisation efforts.

- ✓ The issuer discloses intermediate targets relative to a specified base year.
- ✓ It explains that the transition ambition is informed by a recognised climate scenario and describes how it has been used to define the targets.
- ✓ It explains the metric that will be used to assess progress, the emissions scopes covered and rationale for the methodological choices made.



Don'ts

- Don't rely solely on broad aspirational statements, without explaining how achievement of the transition ambition will be assessed.
- Don't use metrics or alignment claims without sufficiently explaining their meaning, scope and limitations.
- Don't present portfolio decarbonisation targets in a way to suggest that portfolio decarbonisation equates to real-economy emissions reductions.
- Don't refer to external validation or independent opinions without clearly explaining their scope, what has been assessed and any material limitations.



Poor practices

Example 2 - Ambition not clearly substantiated



A company issues a bond under its sustainable finance framework to support its transition towards net zero, but fails to provide key elements needed to assess the ambition:

- ✗ base year, intermediate milestones or metrics used to assess progress.
- ✗ whether a recognised science-based decarbonisation pathway or reference framework is used.
- ✗ explanation of the intended transition outcome or how achievement of the transition ambition will be assessed.

Example 4 - Insufficient explanation of methodologies



An investment fund states that 80% of the portfolio will be invested in issuers classified as transition leaders under its proprietary assessment framework. However:

- ✗ It does not explain what "transition leader" means in the context of the stated transition ambition.
- ✗ It is not clear whether the ambition is based on transition plans, emissions reduction targets, capital expenditure alignment, emissions performance or other indicators.
- ✗ It does not explain why those criteria are considered appropriate indicators of progress towards the stated transition ambition.

Adequacy of the implementation strategy and action plan



Do's

- Do explain how the underlying holdings, constituents or financed activities support the stated transition ambition.
- Where a benchmark is replicated or used as a reference in the transition strategy, do explain its role and how it relates to the fund's transition objective.
- Do clarify how any exposure to fossil fuel-related activities or other high-emitting sectors is consistent with the transition ambition.
- Do explain the extent to which investee companies' transition plans are underpinned by validated or science-based climate transition targets.
- Do describe any exclusions and positive screening criteria used to identify investments in line with the transition ambition.
- For debt instruments, do explain how the financed activities or projects support the issuer's ambition and achievement of transition objectives.



Don'ts

- Don't present transition ambitions without explaining the key elements of the implementation strategy.
- Don't rely on ESG ratings, scores or proprietary assessments without explaining the underlying methodology and relevance to the transition ambition.
- Don't refer to stewardship or engagement without explaining how they support the transition ambition, including any escalation mechanisms.



Good practices

Example 5 - Transparent benchmark methodology



A transition benchmark seeks to increase exposure to companies that are considered transition leaders.

- ✓ The methodology clearly explains the climate-related data points used to select and weight companies in line with the transition objective.
- ✓ It identifies the relevant ESG rating products used and explains their role in the benchmark methodology.
- ✓ It explains the main climate-related factors underpinning the assessment, such as emissions performance, green revenues, fossil fuel exposure and companies' climate transition commitments.

Example 7 - Clear link between financed activities and objectives



A utility company establishes a sustainable finance framework under which proceeds are used to finance specific categories of activities supporting its transition strategy.

- ✓ It identifies the activities eligible for financing and how they support the transition ambition.
- ✓ It explains the criteria used to assess project eligibility and applicable exclusion criteria.
- ✓ It explains how proceeds are allocated and monitored and reports on progress against relevant indicators.
- ✓ It discloses the use of an independent second party opinion and explains its relevance to the financing framework.

Poor practices

Example 6 - Limited explanation of ESG ratings



A fund seeks to identify companies that are well positioned to contribute to the transition to a low-carbon economy, using a proprietary methodology, an external ESG rating product and active engagement with investees. However:

- ✗ It does not explain key criteria, assumptions and underlying methodology underpinning the proprietary assessment, or why it is relevant to the ambition.
- ✗ It does not identify the external ESG rating product or explain its methodology or role in the investment process.
- ✗ It describes engagement in general terms, without explaining objectives or escalation mechanisms.

Example 8 - Limited explanation on the financing



An issuer in a high-emitting sector issues a use-of-proceeds bond financing its transition strategy. The bond framework identifies categories of eligible activities and refers to the issuer's broader transition objectives. However:

- ✗ It does not explain how financed activities contribute to the implementation of the strategy and transition objective.
- ✗ It does not explain how the activities were selected or prioritised.
- ✗ It does not distinguish between activities expected to drive the issuer's transition and those that form part of its ordinary business operations.

Transparency on progress achieved



Do's

- Do regularly report progress against previously communicated ambition, targets and milestones, in an easily identifiable manner.
- Do explain any material data limitations, estimation techniques or assumptions affecting interpretation of the reported progress.
- Do report on the progress of exposures in high-emitting sectors, including fossil fuel-related activities.
- Do communicate, in a timely manner, where progress falls below expectations or targets are no longer considered achievable, including the reasons and any corrective actions.
- Where the ambition is to support real-economy decarbonisation, do report progress using metrics relevant to that objective (e.g. attribution analysis⁹ or the number of portfolio companies reducing their emissions).
- Do ensure that hyperlinks to supporting information are active, up to date and easily accessible.



Don'ts

- Don't communicate progress solely through broad narratives or scattered references across various documents.
- Don't report selectively on positive developments while omitting material delays or challenges.
- Don't present progress using metrics and methodologies inconsistent with those originally communicated.
- Don't make material changes to the methodologies or indicators used to report progress without clearly explaining the reasons and their implications.
- Don't present progress on individual actions, investments or activities as overall progress towards the stated ambition.
- Do not refer to external assurance or verification without explaining its scope, the information assessed and any material limitations.



Good practices

Example 9 - Transparent and comparable reporting



A transition fund aiming for net zero emissions by 2050 reports progress against the previously disclosed interim milestones.

- ✓ It uses metrics consistent with those originally communicated and explains any material changes.
- ✓ It explains material data limitations and assumptions relevant to the interpretation of the reported progress.
- ✓ It includes comparisons with previous reporting periods, allowing to assess progress over time.

Good practices

Example 11 - Progress against specific targets



An issuer has an outstanding bond with climate-related targets and reports annually on progress against them.

- ✓ It reports performance against each of the identified KPIs and targets linked to the bond.
- ✓ It explains whether the targets remain on track against the previously communicated trajectory.
- ✓ Where relevant, it explains any deviations or adjustments and their implications.

Poor practices

Example 10 – Limited transparency on progress



A transition fund reports that it remains on track to achieve its long-term decarbonisation objective and that the portfolio continues to satisfy its carbon intensity requirements. However,

- ✗ No quantitative information is provided to substantiate that conclusion.
- ✗ No clarification is given on the underlying indicator values, changes achieved during the reporting period or progress over time.
- ✗ No clear explanation is provided on how the indicators demonstrate progress towards the fund's ambition.

Poor practices

Example 12 – Absence of transparency on progress



An issuer has an outstanding bond with climate-related targets and continues to communicate how the bond supports its transition strategy. However:

- ✗ Its annual reporting does not provide information on progress against the targets linked to the bond.
- ✗ It does not indicate whether the issuer remains on track to achieve the targets or explain any material developments affecting their achievement.

⁹ By running attribution analyses, industry participants can track emission reductions driven by investees' action versus reductions driven by portfolio reallocation or other factors, thereby assessing the extent to which real-economy outcome was achieved.