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# Implementation Handbook

How to apply the Transition Finance Guidelines

## The Transition Finance Council's outputs

Each of the Transition Finance Council's publications address a different part of the challenge of scaling transition finance and together they form a coherent pathway for scaling credible transition finance.

The Year-End Progress Report sets out the background to the Council and its mandate, before presenting the outputs of the Council's three working groups and an overview of the UK market and international engagement done during the year. Finally, it provides an update on the fulfilment of the recommendations made in the TFMR.

The Finance Playbook sets out how government, industry and finance should codesign sector transition plans and technology roadmaps that integrate credible finance plans from the outset. Where the Guidelines help assess corporate level credibility, the Playbook helps design sector and technology level pathways that make those credible transitions deliverable.

The Technology Scale-Up Roadmap on Long-Duration Energy Storage (LDES) applies the Playbook's cocreation and finance integration principles to a specific emerging technology area.

The Policy Briefs are a set of four targeted, evidence-based recommendations for government that address the structural barriers to scaling transition finance. They include a focused push to support recent transition finance guidance and to popularise transition labelled instruments, and they drive delivery by embedding co-creation across sectors and technologies, consistent with the Finance Playbook



> **The Transition Finance Guidelines**  
(March 2026)



> **The Policy Briefs**  
(March 2026)



> **The Progress Report**  
(March 2026)



> **The Finance Playbook**  
(September 2025)



> **The LDES Roadmap**  
(January 2026)

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# 1. Introduction

The Handbook provides materials to inform and support use of these Guidelines. This support is structured in the following manner:

- **1. Introduction:** This section provides a brief overview of the Guidelines, including the intended users and uses cases.
- **2. Information sources, independent assessments and performance management:** This section outlines key sources of information to draw on, including public disclosures, supplementary data and analytical tools. It also describes the role of corporate climate assessments, assurance, and external reviews in supporting credible evaluation. Finally, it sets out how capital providers may respond where performance diverges from expectations.
- **3. Implementation in EMDEs:** This section details differences in the transition context for Emerging Markets and Developing Economies (EMDEs), as well as ways these constraints may be addressed.
- **4. Relevance for SMEs:** This section touches on the issues faced by SME's, the likelihood that the Guidelines are less likely to be of direct relevance and examples of SME-specific frameworks and approaches.
- **5. Case studies:** To support the interpretation of the Principles and the Assessment Factor Criteria, this section provides worked examples of assessments using the Guidelines, giving an explanation as to how the entity was assessed and the outcomes.
- **6. Uses of the Guidelines with other standards:** An explanation of how the Guidelines correspond with existing key frameworks, standards, and taxonomies.
- **7. Applying the Guidelines across different asset classes:** This section outlines the considerations and challenges key asset classes may encounter when using the Guidelines and proposes, where feasible, practical approaches to help overcome them.

## 1.1 Transition Finance Council Guidelines context and uses

For investors and for businesses operating in the real economy, particularly those in high-emitting sectors, resilience to climate risk is becoming more relevant to credit quality, asset valuation and portfolio performance. There may be significant variation between the climate risk profiles of leaders and laggards in the same sector and country. As entities embed transition planning in business strategy, and data and analytic tools improve, the robustness of an entity's transition planning and execution is an input of increasing relevance to capital allocation.

The Guidelines are intended for unlabelled general equity and debt investment and finance. They provide a methodology for investors and lenders (referred to as capital providers) to assess the credibility of a real economy entity's transition ambition, planning and investment, and are anchored to the Paris Agreement average temperature goal. They are particularly relevant to entities in high-emitting sectors. They may be used as a tool to qualify investment in credible transitioning companies as transition finance as well as informing transition finance frameworks and other transition assessment processes.

As the market's interest in transition finance grows, a broader understanding has developed as to the different forms it can take. It is worth distinguishing transition finance in this context, from the wider concept of "financing the transition", which refers to the of any capital towards decarbonisation of the economy, whether labelled or unlabelled, intentional or not and which also includes financing of green technologies. Transition finance, that is, the financing of transition activities or credibly transitioning companies, is a subset of this. Transition finance can be focused on individual projects or defined activities (activity-level) or may apply in respect of the entity as a whole. Recent work has resulted in guidance for transition loans and bonds in the labelled market, where the primary opportunities are in respect of projects and defined activities.

Where real economy entities raise capital for the transition by issuing labelled bonds or through a labelled loan, they will in the first place have to align with the respective guidance from the International Capital Market Association (ICMA) and the Loan Market Association (LMA) for credibility. In the case of labelled sustainability linked sustainability-linked instruments, these Guidelines can be used as additional complementary guidance. They are not applicable to use of proceeds finance, to businesses whose core activities relate to climate solutions, nor to sovereign issuers or to assessing the transition planning of financial institutions.

The Guidelines provide a common cross-jurisdictional and cross-sector assessment framework for use by capital providers to evaluate the credibility of an entity's transition ambition and implementation. They:

- support capital providers by defining expectations for credible Paris compatible transition planning and delivery, helping to reduce greenwashing and transition risk;
- serve as an external reference in designing transition themed funds and other products;
- support qualification of unlabelled general equity and debt finance as entity-level transition finance; and
- clarify for entities the expected areas of focus of capital providers.

The Guidelines consist of 'Principles' and 'Assessment Factors', used to assess whether an entity's approach to transition qualifies under the Guidelines.

There are four Principles, and each Principle represents a dimension of credibility, namely Credible Ambition, Action into Progress, Transparent Accountability and Addressing Dependencies. These draw from the Principles of Ambition, Action and Accountability under the TPT disclosure framework<sup>1</sup>. There are five Assessment Factors that support the Principles and are used to assess whether an entity meets the expectations for credible transition finance. The Assessment Factors are broken down into practical Criteria to demonstrate whether the Principles are satisfied.

Other matters, connected with the entity's transition planning and arising from its business activities and operating context, may also be relevant to a capital provider's assessment. This may be because they give rise to material risks or impacts or are inconsistent with the investment objectives or the policies of the capital provider. These are referred to as "**Contextual Factors**".

For further information, please see Section 2.1 'Structure of the Guidelines' in the Guidelines for additional information. In short:

- **Principles** = *What must be true* for transition finance to be credible.
- **Assessment Factors** = *What you assess* to determine if the Principles are met.

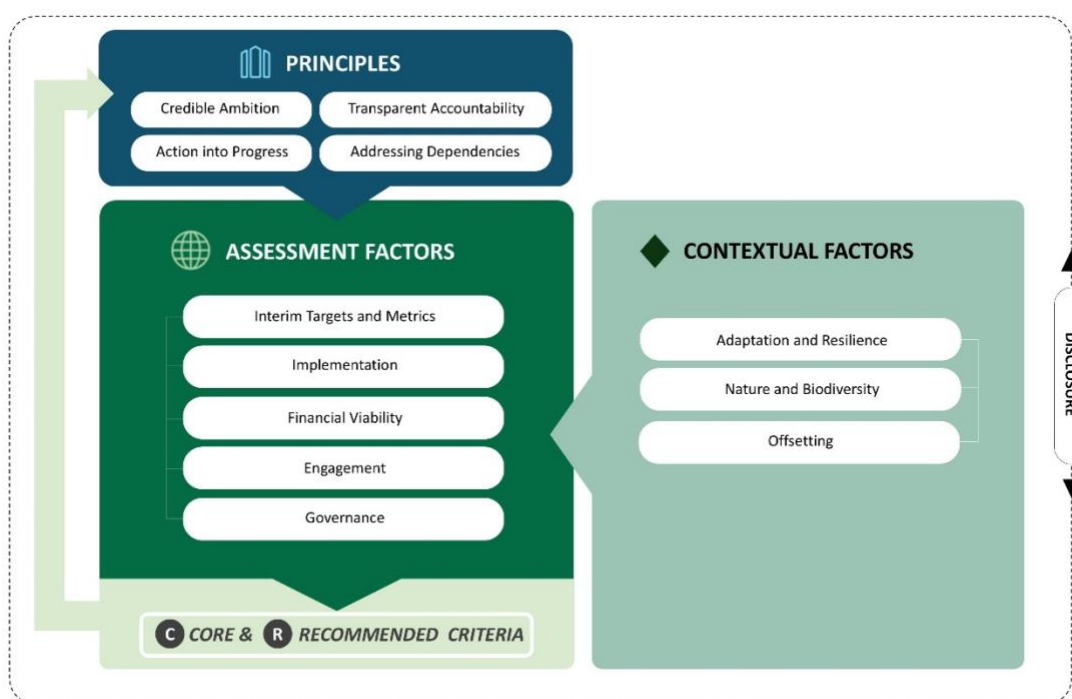


Figure 1, The Principles and Assessment Factors

## Worked examples

This Handbook contains three illustrative assessments in Appendix A – 'Illustrative examples' which use publicly available reports issued by the Kier Group, Anglo American and SSE. They have been conducted from the perspective of an assessor evaluating the company's alignment with both the 'Core' and 'Recommended' Criteria in the Guidelines. The assessment exercise was carried out by the TFC Secretariat who have discussed the outputs with the relevant companies involved; in each case the assessment is a simulation which has been done on a non-reliance basis, and only for the

<sup>1</sup> Transition Plan Taskforce (TPT) (2023).

purposes of modelling use of the Guidelines. The Council very much appreciates their participation in this process.

## 1.2 Users and use cases of the Guidelines

The Guidelines are developed for a range of users and use cases. They offer a common vocabulary to support assessment of entity-level transition planning and implementation. The value of the Guidelines lies in providing a credibility lens that assesses not only whether a plan exists, but also whether its ambition is compatible with the Paris Agreement's average temperature goal of well below 2°C, and whether its strategy is feasible. In this way, the Guidelines are a build on disclosure frameworks. Disclosure frameworks help entities communicate their plans, these Guidelines support capital providers in judging how credible those plans are.

### Intended users of the Guidelines

The Guidelines are likely to be used in a range of different ways across the financial system and may be used in full, or to inform the approaches of individual institutions. Banks<sup>2</sup> may draw on the Guidelines to engage clients, design transition-related products, and monitor progress against sector targets (in which case they would apply their own targets as the benchmark pathway instead of the Guidelines Credible Corporate Pathway). Asset managers can use them in fund creation, to measure transition progress within a portfolio and to inform stewardship and engagement activities.

Some key users and use cases are outlined in the table. The Council note there are additional use cases for regulators, civil society, universities, governments and international institutions, among others. For a fuller description of potential use cases, please refer to Appendix B – Detailed users and use cases of the Guidelines.

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<sup>2</sup> Investment banks may act either as lenders, with balance sheet exposure to entities, or as bookrunners/advisors, facilitating capital market (debt or equity) issuances without exposure to the issuer on their balance sheet. For greater clarity on how the Guidelines should be used by investment banks in their capacity in these two roles, please see 'Appendix B – Detailed users and use cases of the Guidelines'.

User	Use cases
<b>Real economy entity</b>	<ul style="list-style-type: none"> <li>• A reference tool to inform and help articulate transition planning to address expected areas of focus for investors.</li> <li>• Support engagement with sustainable investors – applying the Guidelines may help entities avoid being “screened out” of funds that use negative screening or portfolio decarbonisation targets and may increase likelihood of being “screened-in” to funds that apply positive screening for transition.</li> </ul>
<b>Asset owners</b>	<ul style="list-style-type: none"> <li>• Guide capital allocation toward credibly transitioning entities in high-emitting sectors.</li> <li>• Support mandate-setting and investment policies using a common assessment framework.</li> <li>• Use as a reference when selecting or screening asset managers and investment consultants, to assess their transition assessment approaches.</li> </ul>
<b>Asset managers</b>	<ul style="list-style-type: none"> <li>• Inform security selection and portfolio construction by reference to Guidelines Criteria.</li> <li>• Provide indicators to measure investee progression through transition, increase effectiveness of engagement.</li> <li>• Justify holdings in high-emitting issuers in portfolios that have a comply-or-explain portfolio decarbonisation objective.</li> </ul>
<b>Credit providers</b>	<ul style="list-style-type: none"> <li>• Reference for institutions creating their own transition finance frameworks.</li> <li>• Potential input to analyses of transitioning entity client base and tracking of its evolution, Criteria may also be used in tracking own sector targets.</li> <li>• Framework for assessing general-purpose finance to credibly transitioning clients in relation to sustainable or transition finance targets.</li> </ul>

*Table 1, Users and Use cases*

## Interaction with labels and wider transition investment strategies

By focusing on general investment and finance, rather than labelled finance, the Guidelines are intended to complement labelling frameworks (such as those published by the LMA and ICMA) and other standards such as the taxonomy of the Climate Bonds Initiative and not to overlap with them. The Guidelines are focused on transitioning entities (and do not address traditionally ‘green’ activities or green use-of-proceeds financing). The labelling frameworks have their own guidance on the transitioning of entities whose projects are the subject of labelled finance. There may be use cases in relation to climate-related sustainability-linked loans and bonds, where they could be used as an additional resource (Section 6.6 ‘Relationship with frameworks for public and private debt’).

The Guidelines are suited to supporting funds focused on transitioning entities, applying as an additional lens at entity-level while fund regulation requirements apply at the fund level. A wider transition investment strategy could have a broader approach that includes not only transitioning entities but may also include investments in climate solutions or enabler businesses. In these instances, care would be required to ensure any reference to use of the Guidelines was accurately

communicated (i.e. in respect of transitioning real economy entities only). If the Guidelines are used and referenced in marketing or other materials in relation to a financial product, this should be clearly and accurately communicated to avoid confusion.

## 2. Information sources, independent assessments and performance management

### 2.1 Public disclosures

The Guidelines are intended to serve as a practical tool for capital providers to assess the credibility of an entity's transition planning and implementation. They do not comprise a disclosure or reporting framework. Rather, disclosure is the mechanism by which credibility is evaluated against the Assessment Factors and any relevant Contextual Factors. The primary source of information for assessing an entity against the Guidelines will often be public disclosures. This will include climate-related disclosures (such as transition plans and sustainability reports) and general-purpose financial reporting and may include other public documents issued by the entity. With the aim of facilitating their use, the Guidelines have been mapped against three key reporting frameworks – IFRS S2, the Transition Plan Taskforce (TPT) Disclosure Framework, now an educational resource hosted on the IFRS website, and the CDP Framework 2025 questionnaire.

A company that is aligning its reporting with IFRS S2 is very likely to be disclosing much of the information relevant for assessment against the Guidelines, as is an entity who uses the TPT Disclosure Framework. As these standards and frameworks do not set a threshold for credibility, disclosing against them does not guarantee alignment with the Guidelines' expectations.

Entities whose reporting aligns to the EU Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) are also likely to have disclosed much of the information required for assessment under the Guidelines.

### 2.2 Other sources of information

Some users may wish or need to supplement public disclosures by asking for additional evidence from the entity or by using other publicly available information (for example controversy and special interest group data base searches). Capital providers may supplement entity-sourced information with data from third-party providers, such as ratings agencies, second party opinion providers, external reviewers, climate analytics providers, carbon emissions databases, climate scenario tools, and sectoral modelling resources. Capital providers should consider the reliability and relevance of third-party data when making credibility judgments.

### 2.3 CDP data points

The Guidelines have been mapped to determine how they correspond to, and can be applied using, data disclosed through CDP. CDP is a widely used environmental disclosure systems globally, and its scale, density and standardisation made it a useful reference point for assessing data availability for applying the Guidelines in practice.

This assessment is designed to help institutional investors and other capital providers leverage widely used disclosure systems and frameworks to access the information required to evaluate the credibility of transition finance.

With the mapping, each Assessment Factor – Interim Metrics and Targets, Implementation, Financial Viability, Engagement, and Governance – has been linked to the relevant CDP question(s) where

corresponding information can be sourced. To support users further, CDP has also identified the specific question columns most applicable to each factor, enabling more consistent and efficient application by capital providers. The Council is grateful to the CDP for its work on this.

The mapping demonstrates that all the TFC Assessment Factors show partial to full correspondence to CDP datapoints, demonstrating broad compatibility when using this data source to apply the Guidelines. However, professional judgement is still required when selecting specific datapoints, as full correspondence is not present in every case. Please see Appendix E – ‘Mapping the Guidelines to CDP’ for the full mapping.

## 2.4 Corporate climate assessments

Corporate climate assessments are increasingly being used by financial institutions. They provide an independent evaluation of how a company may be affected by transition risk and how it is responding to these risks, using public data, and, in some cases, proprietary data or information obtained directly from the entity. Physical risk assessment may be addressed within this or separately. These assessments can be useful to multiple teams within an institution, including for engagement, relationship management, business development and strategy and portfolio risk management. Whereas data assurance verifies reported metrics, and SPOs (see below) address alignment of financing instruments with recognised principles, these assessments examine the entity's energy transition risk exposure and the credibility, coherence, and ambition of the entity's approach.

At present, conducting detailed ‘transition due diligence’ on a potential investee or a client can be time-consuming, costly and constrained by challenges in data sourcing. As a result, detailed assessment may only be undertaken inhouse for higher priority entities, depending on the client/investee profile, strategic objectives and regulatory context of the institution. Some institutions use multi-level assessments, sending their full portfolio through a more automated light touch assessment to identify potential flags and reserving more detailed assessment for clients with larger exposure or in priority transition sections. Where the process is unautomated, this is itself a significant barrier to wider application and scaling across portfolios.

Corporate transition assessments may be offered by commercial analytics vendors, rating agencies, or not-for-profit providers, or may be undertaken inhouse teams and typically consider governance, target-setting, capital allocation, and implementation plans. Assessments can also benchmark strategies against peers and sectoral pathways, supporting transparency and investor due diligence. Their scope, methodology, and prevalence continue to evolve, and their use is likely to grow as market expectations in relation to transition risk assessment develop. They may involve assessment of transition plan targets and implementation actions using a multi-metric approach<sup>3</sup> that considers global models as well as regional pathways and country data<sup>4</sup> (discussed in the Section 3.1 ‘Credible Corporate Pathways and Credible Reference Pathways’ of the Guidelines).

Engagement and collaboration between financial institutions and providers is likely to drive continued improvements in these assessments.

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<sup>3</sup> RMI: *Leveraging Transition Pathways – How financial institutions can use pathways to inform transition intelligence*.

<sup>4</sup> *The RMI Transition Pathway Repository*.

## The Growth of Climate and Transition Intelligence

The analytics market is starting to adapt to the emerging opportunity. Use of third-party data sets and automation of some elements of corporate climate assessments will drive wider uptake and improve the decision-useful information available to capital providers. Collaboration between financial institutions and ratings agencies, analytics firms and other providers will build the sophistication of these assessments and generate more “transition intelligence”. Areas which are likely to develop in importance include:

- **Footprint mapping:** bottom-up analysis of asset level information relating to location, life cycle and activities;
- **Alignment of planned investments:** comparison of interim targets with investment pipelines, changes in production strategy or technology mix, combined with external benchmarking; and
- **Dependency mapping:** mapping of external constraints to test plan feasibility and highlight key dependencies.

*RMI: Creating transition intelligence; Enhancing Corporate Transition Assessment for Financial Decision-Making 2*

As assessments continue to develop, they should become more widely adopted and more relevant to credit risk analysis, capital allocation and client engagement. Development of assessment tools (including any that incorporate the Guidelines’ Criteria) will support wider and deeper understanding of the financial implications of an entity’s risk exposure and the credibility of its response. This is likely to increase the importance of transition planning as a risk mitigant and differentiator and begin to influence pricing and capital allocation.

## 2.5 Proxies, estimates, qualitative information and explaining approaches to dependencies

Where entity disclosures (whether publicly or privately made) are limited or incomplete, capital providers may consider what proxy data may be appropriate to use. Some examples of proxies for Scope 3 emissions targets are provided under the Interim Targets and Metrics Assessment Factor table in the Guidelines. Qualitative or quantitative proxies for Scope 1 and 2 quantitative emissions targets may be considered by capital providers. Care would be needed in assessing the relationship between the any such proxy and the Credible Corporate Pathway. Where forward looking financial planning information is not available or is incomplete, proxies such as information on changes in the technology mix or changes in generation capacity or production volumes of high and low carbon products may be useful.

In all such cases, the use of alternative data should be transparent, well-reasoned and its relevance justifiable in the context of the entity. Use of sector averages is challenging as there can be wide dispersion within sector, even in the same geography. While default data may be used, its appropriateness to the specific case should be evident or justified.

## 2.6 Third party assurance and assessment

It is important to distinguish between different forms of external review that can support credible application of the Guidelines, as they vary in scope and timing. Third-party assurance typically forms

part of periodic non-financial reporting cycles and focuses on the reliability of disclosed metrics and qualitative information. This is distinct from Second Party Opinions, which assess alignment of a financing framework or instrument with recognised labelled finance principles.

## Assurance

Third-party assurance of sustainability-related information is becoming increasingly common, particularly among large, listed companies. This most frequently includes greenhouse gas emissions data but may also extend to other quantitative sustainability metrics. Expectations and availability vary by jurisdiction, sector, asset class and market maturity.

Though it is not a pre-requisite for applying these Guidelines, it is desirable for an entity's reported emissions data to be subject to independent third-party assurance. Where feasible and proportionate, assurance of other sustainability-linked metrics and relevant qualitative disclosures may further strengthen transparency and credibility.

Where assurance is obtained, the entity should clearly disclose the level of assurance provided (i.e. limited or reasonable) and specify which data, metrics or disclosures are covered. There is ongoing debate about the appropriate use of reasonable and limited assurance, and when each level is most suitable to be applied. The choice between them should be proportionate and reflect the entity's circumstances, including the complexity of its operations, applicable regulatory and market expectations.

## Second-Party Opinion providers

Second-Party Opinions (SPOs) are a type of external review which is commonly obtained in labelled bond and loan markets to provide an independent assessment of alignment with recognised recognized market principles and the coherence of an issuer's sustainability strategy<sup>5</sup>. Issuers may in due course seek external reviews that reference the extent to which a framework reflects the objectives and core elements of the Guidelines. Where such reviews are obtained, the scope of assessment, the Criteria applied, and any limitations should be clearly described.

SPOs and similar external reviews differ from assurance engagements. They generally provide an assessment of alignment, credibility or consistency with stated principles, rather than verification of underlying data. In the context of transition finance, they may consider the ambition and coherence of transition targets, governance, capital allocation plans and consistency with relevant sectoral pathways.

Although not required under these Guidelines, an external review may support transparency and investor confidence, particularly in labelled or publicly marketed transactions. The role and methodologies of SPO providers continue to evolve alongside market practice, and their relevance may expand as expectations around transition planning and disclosure become more established.

## 2.7 Performance outcomes and response mechanisms

Transition finance classification can expose capital providers to an entity's unwillingness or inability to meet requirements over time. The actions available to the capital provider in such a scenario will depend on the asset class, the terms of any relevant instrument, achieving broader outcomes for end beneficiaries, and the size of the capital provider's position in the entity. For investors,

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<sup>5</sup> For more information, see ICMA's *Guidelines for External Reviewers* (2022).

divestment following engagement as part of a stewardship strategy may be challenging and is often viewed as a last resort.

A balanced approach that considers the context is necessary. In relation to labelled bonds and loans, where sustainability-linked instruments can be used to raise finance in relation to an entity's decarbonisation strategy, they incorporate financial and/or structural characteristics which can vary depending on whether the selected KPI(s) reach (or not) the predefined sustainability performance target (SPT). If SPTs are not reached this can, for example, lead to a coupon step-up which can be considered a penalty mechanism.

Broader lessons may be drawn from the sustainability-linked loan market (as articulated in several UK FCA publications issued in 2025<sup>6</sup>). The risk of disproportionately penalising entities that are ambitious and show progress, but somewhat less than originally contemplated, is not trivial. The entity and the capital provider will have a common interest in avoiding overly binary judgements and should allow for timely remediation where possible. For example, if there are temporary variances against a target this should be explained by the entity and steps to remediate implemented. A short-term failure to meet an interim target should not invalidate the credibility of an entity's transition. This reinforces the importance, to the entity and the capital provider alike, of the entity's scoping and active management of key dependencies and their potential forward impact throughout the period of investment. External events which are outside an entity's control should not be viewed in themselves as a basis for invalidating the entity's approach where these may delay progress but outcomes can be managed by adjustment of targets, actions or timelines.

Capital providers may wish to consider carefully how to address these issues as part of their development of transition frameworks or strategies and ongoing engagement. Appropriate governance mechanisms can strengthen approaches to transition challenges by providing for evidence-based, principled decision making and some consistency of approach within asset classes and, where appropriate, between them. Periodic reviews may be useful to ensure the capital provider's process keeps pace with market development.

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<sup>6</sup> See the FCA letter on sustainability linked loans and a published speech *here* (letter) and *here* (speech).

### 3. Implementation in EMDEs

This section addresses challenges particularly relevant to EMDE entities and how these are addressed under the Guidelines. Please also see Case study 6 and Case study 8 which apply a sub-set of the Criteria in a EMDE context.

Following publication of the Exposure draft of the Guidelines, the Council hopes to engage institutions and companies operating or investing in EMDE markets to inform more targeted EMDE-related material. We welcome constructive feedback and discussion with respondents during this Exposure draft phase of the Guidelines to develop this section of the Handbook.

#### 3.1 Differences in transition context

The countries that are often grouped with an EMDE category vary enormously and their pathways to a low carbon economy will differ at both the national level and sector level. Some of these countries have relatively new fossil fuel power generation assets with long lifespans. They also often have significant industrial bases providing an important supply chain for global manufacturing sectors. Emissions in EMDE contexts are also, in some cases, continuing to rise.

The wider socio-economic context may be critical to a country's decarbonization approach. For many emerging economies, achieving economic growth to reduce poverty and improving energy security and access are more acute challenges<sup>7</sup>. Given the focus on energy resilience, there is strong demand for project finance in respect of energy-related infrastructure and activities in many emerging markets, including in Asia (see box). These Guidelines focus on Paris-aligned, entity-level transition planning (recognising that longer decarbonisation timeframes are contemplated under the Paris Agreement in EMDE). The Guidelines are not intended for project-level contexts.

##### Scaling “Inclusive” Transition Finance

ASEAN has several countries with high-emitting sectors and growing energy demand due to population and economic growth trajectories. Concerns relating to energy access, energy security, economic growth, and other social or structural factors may drive a longer process towards reducing emissions.

Countries may decide to use energy-saving technologies or fuel switching from coal to gas as an intermediate step toward renewable technologies. Financing these projects is likely to form an important part of Asia's near-term investment program, contributing to the Nationally Determined Contributions (NDCs) of these emerging economies. See the Japan Public-Private Working Group in their report on Scaling “Inclusive” Transition Finance for further discussion of these matters.

In its second year, the Council hopes to engage more broadly in relation activities that fall under the category of “inclusive transition” or “transitioning towards transition”.

<sup>7</sup> [NGFS \(2024\), Tailoring Transition Plans: Considerations for EMDEs](#)

## EMDE Credible Corporate Pathways

The Guidelines use the concept of Credible Reference Pathways and Credible Corporate Pathway in relation to an entity's ambition and interim targets. For the full definition of what constitutes a Credible Pathway, see the Transition Finance Guidelines (p.24).

The Guidelines acknowledge that global scenarios and models compatible with the Paris Agreement that represent global sector averages may not always be useful for entities with operations primarily in EMDE. The Guidelines reference both the Paris Agreement's goal of holding the increase in global average temperature to well below 2°C, and its provisions recognising that developing country emissions will take longer to peak and that expectations of reaching balance for these countries may fall into the second half of the century. Entities based in or with operations in EMDE may apply reference pathways that take account of the longer decarbonisation timeframes, through using national and regional pathways or taxonomies.

A growing number of national or regional-level sector pathways, plans, or transition taxonomies have been developed that align with the Paris Agreement. However, there are sectors and countries for which they are not available or where the pathway or other benchmark is not Paris aligned. If qualifying pathways and taxonomies do not exist, other options such as EMDE focused global pathways with longer timelines may also be used.

## Flexibility in targets and metrics

The Guidelines propose some flexibility in relation to the form of the targets applied, particularly with regard to Scope 3. This is addressed in the Guidelines in the Interim Metrics and Targets Factor tables, please see p.17 of the Guidelines.

## Evidencing the Core Criteria

Data availability, quality and consistency vary between geographies. This is particularly true if sustainability reporting is at an early stage in the jurisdiction. Recognising that public sustainability disclosure and transition plans are variable, information can also be used from other sources. The capital provider or its advisors may seek direct information from the entity, or use public sources, and ratings agencies or climate analytics platforms to draw evidence for Core Criteria in application of the Guidelines.

In EMDE contexts, where direct data is not available, it is acceptable for the capital provider to take a reasonable approach to using proxies, estimates, qualitative narratives or third-party estimates to draw a conclusion on whether Core Criteria are addressed (this would also extend to Recommended Criteria if applied). Where used, proxy information, estimation and qualitative content should fairly represent the entity's approach.

Examples of potentially useful proxy information could include energy data, share of renewables/fuel mix changes, fleet turnover rate to electrified transport, technology feasibility assessments, and qualitative supplier engagement plans. Use of sector averages should be avoided as there is the potential for a wide spread of performance between leaders and poorer performers within a sector, and this risks misrepresenting entity-level performance. Also, if an entity's governance and engagement processes are less formally documented, the assessor may need to take a practical approach to collecting evidence. For example, can the entity describe its broad approach to engagement? Can it confirm approval processes with key decision makers, even if this outside of a

formal Board approval process? See Section 2.5 'Proxies, estimates and qualitative information' for further information.

### **Capacity constraints**

Entities face more significant capacity constraints in relation to transition planning in EMDE. These Guidelines, though applicable for all real economy sectors, are likely to be most useful for those in high-emitting sectors. They currently work best for entities who have progressed work on transition planning and have set interim targets, identified actions to achieve them and are working on implementation. Although the management of capacity constraints is beyond the scope of this work, Appendix F – 'Case Study: Supporting technical capacity development in EMDEs' provides examples of approaches that may assist entities experiencing capacity challenges, as well as an illustration of a potential proxy information tool.

## 4. Relevance for SMEs

The primary application of the Guidelines in their initial years is likely to be in assessing transitioning entities who principally fall into the large and listed company categories. However, they may also be relevant for other companies that are integrating transition planning into their strategy. The Council recognise that project or use of proceeds finance (outside of the scope of the Guidelines), including green finance, may be more appropriate for SMEs.

SMEs often receive information requests from their larger customers to support those customers' transition planning and related disclosures. Digital, data-sharing approaches that leverage open banking models could support SMEs in generating and sharing the data required by their larger customers. Lists of simple, low-cost or free options of this nature would significantly support SMEs and local financial institutions. This is outside the scope of these Guidelines, but the Council notes the value of this type of resource and is communicating this need to other relevant UK bodies.

### **Global frameworks and initiatives supporting SMEs**

Global stakeholders are developing frameworks useful to SMEs in this space, such as the EU's Voluntary Sustainability Reporting Standard for SMEs (VSME) developed by EFRAG, Malaysia's Simplified ESG Disclosure Guide (SEDG) for SMEs, and the OECD Platform on Financing SMEs for Sustainability, which, while not a formal standard, is also focused on overcoming barriers to SME sustainable finance.

Other initiatives, though not exclusively SME-focused, may provide valuable support to SMEs, including India's BRSR Lite, and Singapore's MAS "Gprnt" platform. Encouraging SME collaboration through business networks which are already highly utilised, like Singapore's SME Sustainability Hub, can lead to knowledge-sharing and distribution of case studies between businesses.

Please see Appendix G – 'Case Study: An SME Harnessing the Power of Collaboration to Develop Capacity'. This case study illustrating how the Guidelines can be applied to an SME, highlighting the role of knowledge-sharing platforms and financial partnerships in helping SMEs overcome capacity barriers and accelerate climate action.

## 5. Case Studies

Based on conversations with market participants and insights gathered through both consultations, this section includes a series of worked examples to help capital providers and entities apply the Guidelines in practice. These case studies illustrate how to consider whether entities meet specific Assessment Factor Criteria and demonstrate alignment with selected Principles. They are intentionally simplified and are a mix of real examples and fact patterns developed from a range of different real examples.

For comprehensive illustrative examples of entity assessment that cover the full set of Guidelines and Criteria, please see Appendix A – 'Illustrative examples'.

The case studies cover the following:

Case study:	Entity type	Assessment theme	Criteria number
1	Steel company	Interim Targets & Metrics	1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7, 1.8
2	Public transport provider	Implementation	2.1, 2.2, 2.3
3	Gas infrastructure	Financial Viability	3.1
4	Energy infrastructure	Addressing Dependencies	1.8, 2.2, 2.5
5	Food and Retail	Contextual Factors	Nature and Biodiversity Adaptation and Resilience
6	Energy company	Credible Corporate Pathway	1.1, 1.3
7	Power generation	Financial Viability	3.1
8	Retail & consumer Goods	Interim Targets & Metrics and Implementation	1.3, 1.8, 2.2
9	Mining	Interim Targets & Metrics, Implementation	1.8, 2.2

*Table 2, Case studies and mapping to the Criteria*

**Key:**

 EMDE-specific case study



## Case study 1: Steel company | Interim Targets & Metrics

### Introduction

Case Study 1 aims to highlight common challenges in demonstrating alignment to a Credible Corporate Pathway. It shows how the Guidelines allow for flexibility on the part of entities to meet the Core Criteria as long as their targets demonstrate sufficient transparency and credible ambition.

### Context: Steel Manufacturer:

An Asian steel company principally engaged in the manufacture, processing and sales of steel products requires a loan from a bank to support its decarbonisation agenda. The company has a decarbonisation target across Scope 1 and 2 of a 25% reduction by 2030, from a 2018 base year, and has publicised its aim to be net zero by 2050.

The company has a series of other targets including:

- Using 30% renewable energy for total energy consumption by 2030.
- Producing steel using 95-100% scrap metal feedstock by 2035.
- Using Electric Arc Furnaces (EAFs) for 100% of its production by 2050.



The company publishes annual updates to their progress on these targets, although does not have a formal transition plan in place. The bank is assessing the Core Criteria relating to the Interim Target and Metrics Factor.

### Assessment of Interim Targets & Metrics Factor Criteria

- Criterion 1.1:** *The entity has quantitatively defined interim decarbonisation targets which cover material emissions sources across Scopes 1 and 2.*

The entity has a short-term decarbonisation target across Scope 1 and 2 of 25% by 2030, which meets the SBTi's near-term target trajectory of Well-Below 2°C.

- Criterion 1.2:** *The entity has quantitatively defined interim decarbonisation targets which cover emission sources in material Scope 3 categories or an operational target(s) or other measurable objective(s) aimed at addressing Scope 3. Though a quantitative emissions reduction target is preferred, if the entity's interim decarbonisation targets do not cover its material Scope 3 emissions:*

- *there is a clear and demonstrable link to a credible proxy (either an operational target(s) or another measurable objective(s)) aimed at addressing decarbonisation of Scope 3 categories; and*
- *the entity has or is currently developing actions to improve its Scope 3 GHG data.*

The entity does not have a Scope 3 emissions target, but demonstrates how its operational target, increasing the use of scrap feedstock, directly relates to decarbonising its most material Scope 3 emissions category, "Purchased Goods and Services". To evidence this link, the entity has published analysis showing that scrap feedstock generates around 80% lower emissions than virgin feedstock. Based on this, the entity projects that increasing their scrap use could reduce its Purchased Goods and Services emissions by over 50% by 2035.

- Ⓒ **Criterion 1.3:** *It is clear how interim target(s) are consistent with a Credible Corporate Pathway(s) which references one or more Credible Reference Pathways.*

The entity can demonstrate alignment with a Credible Corporate Pathway through its adoption of the SBTi framework. The SBTi methodology is recognised as a Credible Reference Pathway as it is designed to be compatible with the Paris Agreement goal.

- Ⓒ **Criterion 1.4:** *Quantitative interim target(s) outline the baseline year, target year and the methodology used. Target year is justifiable, i.e. consistent with market practice, and not so short as to significantly limit the potential for transition impact.*

The steel company has clearly disclosed the baseline year (2018), target year (2030) and the methodology used to calculate the emissions for its Scope 1 and 2 interim target. These disclosures align with SBTi requirements for target validation, making the evidence straightforward to verify.

- Ⓒ **Criterion 1.5:** *Progress against the target(s) is monitored on an annual basis.*

The entity reports detailed progress against each of its targets in its annual sustainability report.

- Ⓒ **Criterion 1.6:** *There is progress made against the interim targets over the target period. Where progress is not linear, other metrics or information which show progress on actions are evident.*

In its annual sustainability report, the entity offers high-level analysis explaining how its operational targets contribute to future decarbonisation. Although the entity does not yet have a formal transition plan, this is not required to meet the criterion, though such a plan is a useful vehicle for demonstrating impact and ongoing progress.

- Ⓒ **Criterion 1.7:** *The entity has a long-term ambition for overall emissions reductions, although a quantified long-term target is not required.*

The entity has publicly stated its ambition to reach net zero emissions by 2050. Although it has not yet formalised a long-term target, this ambition is sufficient to demonstrate the criterion.

- Ⓒ **Criterion 1.8:** *Key dependencies and assumptions that may reasonably affect the achievement of the target(s) have been considered, and this consideration includes an understanding of the potential impact if the dependencies do not hold.*

The achievement of the company's decarbonisation targets has two material dependencies: access to renewable electricity; and the availability and affordability of scrap feedstock. The company acknowledges that grid decarbonisation is critical to medium-and long-term performance, while scrap-market dynamics could affect progress in the near-term. By

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recognising that failure to secure either input would materially impact its targets, the company demonstrates an understanding of the key assumptions underpinning its pathway.

### **Key learnings**

While it is recommended that companies have a Scope 3 target where possible, the Guidelines allow flexibility for transitioning entities that can demonstrate the link between operational targets and material Scope 3 category decarbonisation. This case study demonstrates that sufficient transparency and ambition can be evidence, even where elements of the transition plan are still evolving.



## Case study 2: Public transport provider | Implementation

### Introduction

Case study 2 has been included because it reflects a common challenge for companies: demonstrating credible implementation when real-world delivery diverges from the planned trajectory. It was selected to illustrate how entities should demonstrate that they can identify underperformance, adjust planned investment, and update implementation actions to respond decisively to implementation gaps.

### Context: Public transport provider

A large UK public transport provider has set decarbonisation targets, which were approved by the SBTi in 2024. This includes a target to reduce absolute Scope 1, 2 and 3 emissions by 50% by 2032. The company has progressed extensively on actions required to meet these targets including:

- Placing its largest bus order for 170 fully EV buses (c.25% of its total fleet), to be delivered over the next three years.
- Introducing “EV Bus Cities” in four cities by 2028, working closely with local authorities and network operators to continue installing charging infrastructure.
- Sourcing 100% renewable electricity directly from energy suppliers from 2024.



During its annual review process the company realised it was not on track to meet its 2032 target and would require further EV buses to do so. Additional debt financing to procure the vehicles would be needed. The company released an updated investment plan to close the emissions gap. A lender is assessing whether it meets the Implementation Assessment Factor.

### Assessment of the Implementation Factor Criteria

**Criterion 2.1:** *The entity has time-bound implementation actions that are related to (but are not limited to) the entity's operations, engagement, its products and services and its policies. The actions:*

- *directly contribute to the entity's interim targets and metrics in line with its Credible Corporate Pathway; and*
- *focus on achievable, commercially and technologically feasible steps at the time of capital deployment.*

*Note: How actions are directly contributing towards the entity's target(s) can be shown either quantitatively or qualitatively.*

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The company has clearly laid out time-bound implementation actions to rectify the underperformance against its target through an updated implementation roadmap for procuring further EV buses. This includes the number of EV buses procured and when their necessary charging infrastructure will be operational. It has provided data on estimated distance travelled to be able to demonstrate how the actions would result in carbon reductions, and, therefore, directly contribute to the entity's interim targets and metrics. This shows that the company has taken the appropriate steps to demonstrate time-bound action by investing in technology that is available at the time of capital deployment.

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- © **Criterion 2.2:** *The entity has taken reasonable steps to mitigate or manage key dependencies, where the entity has the ability to influence them.*

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A key dependency for the successful rollout of EVs is the availability of adequate charging infrastructure. The company has demonstrated active management of this dependency by engaging with local authorities to obtain the necessary development permits for installing charging infrastructure at strategic city-centre locations to enable rapid charging. It has also undertaken grid capacity assessments to identify the most economic options and mitigate high-cost sites. Together, these actions demonstrate that the company is taking reasonable steps to mitigate a key dependency and reduce the risk that infrastructure constraints could impede delivery of its targets.

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- © **Criterion 2.3:** *The entity periodically reviews and, when necessary, updates its actions and interim targets, informed by progress or changes in key dependencies (for example, sector or policy changes or changes in corporate or group structure.)*

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The company has demonstrated periodic review of progress through its annual assessment, which identified a shortfall against its 2032 target. In response, it updated its implementation actions by revising its investment plan to include additional EV buses, supported by new debt financing. This reflects a clear link between underperformance and corrective action. Updated assumptions on fleet rollout and infrastructure readiness further show actions are informed by evolving conditions.

## Key learnings

This company demonstrated that through reviewing the progress of its implementation actions it can recognise an underperformance issue. The company updated its strategy accordingly in a transparent manner.



## Case study 3: Gas infrastructure | Financial Viability

### Introduction

Case study 3 highlights a common challenge for entities in high-emitting sectors needing to demonstrate the financial viability of their transition strategy. Even when a company produces a well-structured, transition plan and engages actively with investors, the critical hurdle is showing that its long-term financial strategy genuinely underpins its transition ambitions. This example is selected to illustrate that integrating transition objectives into capital allocation decisions and including sufficient detail for assessors to test the resilience of their investment pathways is integral to credibility.

### Context: Gas infrastructure

The company is a Europe based operator in gas infrastructure, engaged in the sectors of transportation, storage and regasification. Given its role in the market, its transition is essential for European decarbonisation, and they have invested heavily in their transition towards being future fit. In 2025, the company released its transition plan which was structured around several key frameworks including: the Transition Plan Taskforce (TPT) Disclosure Framework Principles, the Taskforce on Climate-Related Financial Disclosure (TCFD) and CDP climate disclosure principles.



Using available public information, an assessment was done as to whether this company would meet the Criteria for the Financial Viability Assessment Factor.

### Assessment of the Financial Viability Factor Criteria

- © **Criterion 3.1:** *Where financially material spend or changes to income streams are required for the entity's implementation actions, these are reflected or achievable within its financial planning and budgeting processes (for example capital or operating expenditure, or R&D budget). If precise quantitative financial information is not available, it is clear where investment may be required, and that it is being considered within financial plans or budgeting processes. (For example, this could be actions or milestones that support the required investments towards the target(s)).*

The company's transition plan contains a detailed investment plan that clearly embeds the company's transition actions within its financial planning and budgeting processes. The plan sets out how individual implementation measures, such as emissions reduction initiatives, hydrogen-ready gas infrastructure, and investments in green molecules, are allocated within multiyear capex programmes, and how these investments represent a defined share of total committed funding.

This includes funding directed toward continued decarbonisation of the company's material Scope 1, 2 and 3 emissions, supported by targeted programmes for methane reduction, electrification of compressors, and supply chain decarbonisation measures. The plan also shows how capex in EU Taxonomy aligned and SDG aligned activities increases across different planning timeframes, indicating a growing proportion of transition relevant activities within total committed funding and a corresponding decline in higher emitting legacy investments. Together, this demonstrates that the financial resources required for company's transition are identified and integrated into its formal financial planning.

### **Key learnings**

This case study illustrates how a company reporting its transition plan in line with the TPT Framework can efficiently demonstrate information to support the Guidelines' Criteria, in this case the Financial Viability Factor. Because an entity disclosing in accordance with the TPT Framework already provides much of the information required under the Guidelines' Principles and Assessment Factors, assessors can more easily identify and verify the relevant financial detail.



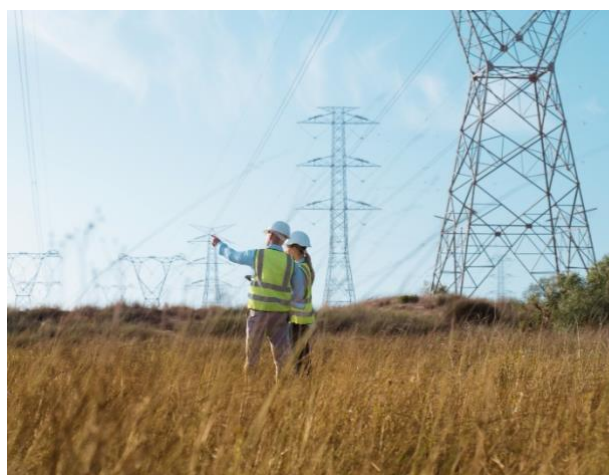
## Case study 4: Energy infrastructure | Addressing Dependencies

### Introduction

Case study 4 illustrates how understanding these dependencies affecting the company's Credible Corporate Pathway and the robustness of mitigation and management measures is important in assessing the feasibility of the entity's strategy and targets.

### Context: Energy Infrastructure

An asset manager is considering investing in an energy infrastructure company. Though part of the company's revenue comes from natural gas infrastructure, it has defined clear implementation actions to deliver on its decarbonisation targets. This includes converting sections of its natural gas pipeline into a CO<sub>2</sub> transportation system to support its wider decarbonisation strategy. Supported by the local energy authority, the company is also developing a commercial-scale sequestration hub. Additional initiatives include hydrogen storage development and publicly funded carbon capture studies whilst also following best practices in methane leakage and abatement.



### Assessing the "Addressing Dependencies" Principle

- C **Criterion 1.8:** *Key dependencies and assumptions that may reasonably affect the achievement of the target(s) have been considered, and this consideration includes an understanding of the potential impact if the dependencies do not hold.*

*Note: Dependencies and assumptions are context specific, they might include but are not limited to finance, policy, incentives, infrastructure availability, regulatory gates, technology risk, demand creation and environmental or social impacts.*

While the company has conducted sensitivity analyses to test project viability under different policy and market scenarios, the robustness of these models remains uncertain. It has, however, identified several key dependencies, such as the continuation of tax credits, regulatory support for CO<sub>2</sub> transport infrastructure, and permitting timelines, and acknowledged their material influence on project economics. The asset manager examined whether the company's downside cases capture both abrupt and gradual changes to these dependencies, including delays or reductions in policy support, and assessed these assumptions against independent policy forecasts. This provided a basis for evaluating whether the company has realistically considered the potential impact should its key assumptions not hold.

- C **Criterion 2.2:** *The entity has taken reasonable steps to mitigate or manage key dependencies, where the entity has the ability to influence them.*

Technology costs represent another critical financial dependency, particularly given the early-stage nature of hydrogen and carbon capture technologies. To manage this, the company is piloting autothermal reforming in partnership with government bodies and university research centres. This allows it to test technical feasibility, generate cost data and also de-risk deployment before committing to full-scale investment. Although these collaborations suggest a forward-looking approach, reliance on unproven technologies introduces uncertainty. The asset manager evaluated this dependency by reviewing government progress reports, comparing projected cost curves with independent market analyses, and assessing whether the company has structured its capital commitments in phases that limit exposure to early-stage cost overruns.

**R** *Criterion 2.5: The entity is taking reasonable steps to avoid or mitigate adverse environmental or social risks or impacts.*

Due to the nature of the sector, the company is required to maintain a detailed understanding of the potential environmental and social risks associated with developing and operating energy infrastructure. It provides formal disclosure in its sustainability report outlining the processes it uses to identify, avoid and mitigate adverse impacts. These include environmental assessment procedures, compliance with permitting requirements, and measures to prevent ecosystem disturbance during construction and operation. The company also reports on how these mitigation steps are embedded into their project planning and execution. Together, these actions evidence reasonable steps to manage the most material environmental and social risks, satisfying the expectations of the capital provider.

## Key learnings

In this case study, the asset manager needed to build a clear understanding of the company's exposure to technological, policy and financial dependencies to judge whether it met the Core Criteria underpinning the "Assessing Dependencies" Principle. For capital providers, this highlights that effective evaluation of transition focused entities depends not only on disclosed information but potentially also on active dialogue to determine whether material dependencies are well identified and whether reasonable steps are being taken to mitigate or manage them.

Other examples of addressing dependencies include:

- **Regenerative agriculture.** Widespread adoption of regenerative agriculture depends on supportive regulations and incentives that reduce farmers' transition risks. To counter this dependency, the agricultural company is proactively shaping the policy landscape by collaborating with stakeholders in the US, EU, and India to advance subsidies and incentive schemes. The company are also expanding project implementation into additional regions to help accelerate regulatory readiness. By driving this momentum directly, the agricultural company area reducing reliance on external policy progress and enabling faster emissions reductions across our supply chain.
- **Energy Infrastructure.** Delivering Company X's planned energy capacity depends partly on external factors such as regulators and transmission operators approving new grid connections, but the key determinant of progress is Company X's internal capital allocation choices. While the company cannot fully control grid related delays, it can influence outcomes by prioritising investment in shovel-ready, low carbon projects and by actively

engaging with system operators to accelerate connection timelines. These actions show how the company is addressing this material dependency and using its own levers to mitigate constraints.

- **Public transport.** Full fleet electrification depends on utilities upgrading substations and local distribution networks to support higher power demand, which remains a material external dependency. While Company X cannot control the pace of these upgrades, it can materially influence outcomes by engaging with government, participating in industry campaigns, and working directly with network operators to prioritise required infrastructure. These actions demonstrate how the company is actively addressing the dependency rather than remaining a passive recipient of system constraints. Internal investment and external engagement therefore need to progress in tandem to enable a complete transition.



## Case study 5: Food and retail business | Contextual Factors

### Introduction

Case study 5 illustrates why capital providers may wish to consider an entity's material Contextual Factors. Within the food and agriculture sector, nature-related risks and opportunities can be as material as emissions reduction. This makes it essential for an entity to demonstrate how nature-related risks and opportunities are managed alongside decarbonisation. This example was selected to show how gaps in management of nature-related issues risk undermining an otherwise credible transition plan, and how financial institutions can draw on existing guidance from the TNFD to consider sector-specific Contextual Factors that should be assessed under these Guidelines.

### Context: Food and retail business

A large food retail business has set Scope 1 and 2 emissions-reduction targets, and a Scope 3 target that covers its material indirect emissions by 2030, alongside a commitment to achieve net zero by 2050. The company has published a transition plan outlining actions it considers necessary to achieve these ambitions.

To support the financing of its decarbonisation initiatives, the company engages a bank to explore eligibility for transition finance. The bank conducts an initial assessment against the Guidelines.



### Assessment of material Contextual Factors

On reviewing the company's time-bound implementation actions, the analyst notes that its decarbonisation levers primarily focus on energy efficiency improvements. The company is also pursuing the procurement of 100% renewable electricity in its direct operations, as well as electrifying and improving the efficiency of agricultural equipment in its supply chain. While these measures would enable the company to meet its interim emissions targets, the bank identifies important gaps when assessing the materiality of potentially relevant Contextual Factors.

The analyst draws on the TNFD's sector guidance for the food and agriculture sector to identify the most material nature-related impacts, dependencies, risks, and opportunities across: (i) agricultural production; (ii) meat, poultry, and dairy; (iii) processed foods; and (iv) food retail. This information allows the bank to assess additional Contextual Factors from the Guidelines, including:

- "Nature and biodiversity" Factor
- "Adaptation and resilience" Factor

### Nature and Biodiversity Contextual Factor

The TNFD sector guidance clarifies that food retail businesses depend on soil health, pollination services, freshwater supply for irrigation, agrobiodiversity, as well as on resilience to climate

impacts in their supply chains. Agricultural production also directly impacts these ecosystem services and environmental assets, including through land-use change, such as deforestation, freshwater consumption and pollution from chemical inputs.

The sector guidance details risks and opportunities which can arise from these dependencies and impacts. Indicative risks include higher production and sourcing costs driven by water stress and increased compliance costs linked to the company's dependency on forest risk commodities<sup>8</sup> in jurisdictions with regulatory requirements. Opportunities include lower input costs resulting from investment in precision farming technologies, as well as potential to increase revenue growth from sustainably certified food offerings.

The business does not have a TNFD report, nor does it adequately reference the material nature-related risks and opportunities identified as relevant to the sector in its other climate disclosures. The bank determines that although the company's actions support its emission targets, it does not have sufficient evidence that the business is effectively managing interrelated nature and climate issues in an integrated way, undermining the credibility of its path to net zero.

To better address nature-related risks and opportunities, the company could engage with their suppliers to ensure products are certified as deforestation-free, or fund technical assistance for their supply chain farmers to reduce synthetic chemical inputs. To better address its exposure to water risks, the company could identify "hot spots" of water scarcity in its supply chain. It could also support the co-development of water stewardship plans in partnership with local stakeholders.

### **Adaptation and Resilience Contextual Factor**

The entity has not incorporated adaptation measures to create resilience, such as incentivising farmers in its supply chain to enhance soil health on farms to build resilience to climate impacts like flooding and drought. Measures could include adding a premium to the prices paid to farmers tied to the implementation of a menu of practices, such as reduced or no-tillage cultivation, crop rotation, application of natural fertilisers, or cover cropping.

### **Key learnings**

This case study shows that a company may satisfy the Core Criteria in the Assessment Factors, yet sector-specific Contextual Factors can reveal material gaps in the credibility of its transition plan, including how it manages nature-related risks and opportunities. For capital providers, this illustrates the relevance that a Contextual Factors may have in classifying an investment.

Nature is likely to be a material Contextual Factor for a variety of sectors such as metals and mining, chemicals, biotechnology and pharmaceuticals, real estate, engineering and construction services, electric utilities and power generators, apparel, fishing and aquaculture, marine transportation and cruise lines, forestry, pulp and paper, water utilities and services, oil and gas, and alternative fuels.

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<sup>8</sup> Forest-risk commodities are agricultural commodities whose production is linked to deforestation and the conversion of natural ecosystems, such as palm oil, cocoa, soy and cattle products.



## Case study 6: Energy company | Credible Corporate Pathway

### Introduction

Case study 6 is an example of how an entity operating in an emerging market with a need to develop new fossil fuel assets may be considered as regards its alignment to a Credible Corporate Pathway.

### Context: Southeast Asian Energy Company

A private power provider based in Southeast Asia, focused on the generation, transmission and distribution of electricity across the region. It publicly discloses its operational assets and generation capacity on an annual basis as part of its integrated disclosures. The company has set a 2050 net zero target informed by the International Energy Agency (IEA) Announced Pledges Scenario (APS).



The company's operational assets are located throughout Southeast Asia, with varying barriers limiting large-scale renewable installations or commercially viable alternatives to ensure reliable electricity supply in regions with less developed grid infrastructure. The company is focused on upgrading infrastructure and providing a resilient electricity supply while aiming to diversify its portfolio from a mixture of conventional fossil fuels to highly efficient gas-based power projects and renewables to reduce its average emissions intensity.

To a potential capital provider, the entity exhibits high risk of maintaining a Credible Corporate Pathway as Combined Cycle Gas Turbines (CCGTs) typically have operational life cycles over 25 years to be economically viable. Furthermore, the CCGT's efficiency will degrade over time and have a detrimental impact on the company's average emissions intensity. The company's capital allocation plans and net zero trajectory calculations allow for the construction of modern CCGTs, which will exhibit lower emissions intensities than their current portfolio. The timing of bringing these modern CCGTs into operation will have a significant impact on whether their interim target(s) are aligned with a Credible Corporate Pathway.

- © **Criterion 1.1:** *The entity has quantitatively defined interim emissions targets which cover material emissions sources across Scopes 1 and 2.*

To support its net zero commitment, the company has set a target to expand its renewable capacity (including solar, wind and hydropower) to over 50% by 2030 as well as setting interim emissions intensity targets for its operational portfolio.

- © **Criterion 1.3:** *It is clear how interim target(s) are consistent with a Credible Corporate Pathway(s) which references one or more Credible Reference Pathways.*

A possible capital provider will need to consider how existing and new assets could affect the alignment of the company's interim target to a Credible Corporate Pathway. However, as the

company operates across emerging market regions, the Guidelines also offer some flexibility by stating that a Credible Reference Pathway based on an EMDE regional or national pathway may take into account longer decarbonisation timeframes contemplated under the Paris Agreement.

The company has assessed the energy transition plans of each region and set its strategy in line with the planned uptake of renewables in each location. The majority of new gas projects are focused in regions where gas constitutes part of the national energy strategy. The older CCGT assets the company currently owns are still a lower carbon alternative compared to the existing grid which is typically reliant on coal, oil and other ageing inefficient gas facilities.

The company's decarbonisation strategy is more progressive than the Nationally Determined Contributions (NDCs) of the main markets it operates in with new gas plants only installed in markets where gas plays a role in the regional national energy strategy. Additionally, many projects are financed through joint ventures with government and state-owned entities and act as a lower emission fuel source while renewable plants and associated infrastructure (alongside hydrogen infrastructure) are developed. Many of these assets are located in developing countries where gas acts as an interim solution beyond 2035.

The modern CCGT plants will have a short-term benefit to reduce emissions intensity in line with the company's interim targets by replacing ageing fossil fuel power plants. However, they may cause emissions intensity to plateau towards 2050 as the CCGTs progress through their operational life cycle. The entity has justified the investment due to technological constraints in certain regions in which it operates.

Planning for this, the company has ensured each new modern CCGT demonstrates technical and economic low carbon readiness through capability of hydrogen co-firing in line with requirements defined in regional taxonomies. For example, the Singapore-Asian taxonomy requires CCGTs to have the capability to co-fire with hydrogen up to 50 vol % by 2029 and 100 vol % from 2033.

The company is transparent that their strategy is dependent on the gas plant needing to fully fire on hydrogen by 2033 and associated hydrogen infrastructure, particularly in markets which are alternative energy disadvantaged.

## Key Learnings

In this example, the capital provider will need to assess whether the potential risk to the Credible Corporate Pathway is justified by clear regional technological constraints that limited large-scale renewable alternatives in certain Southeast Asian markets today and mitigated by the company's proposed strategy.

The use of the APS scenario and Singapore Asia taxonomy fall within the parameters of the Credible Reference Pathway. The APS is not fully aligned with the 1.5°C threshold but has been assessed as coming below 2°C. The Singapore-Asia taxonomy is designed to be compatible with the 1.5°C threshold. The Guidelines allow for any EMDE regional or national pathways and taxonomies to take account of the longer decarbonisation timeframes contemplated under the Paris Agreement.

The company evidenced that its planned CCGT investments would deliver significant near-term emissions reductions by replacing older, higher-emitting assets, consistent with its interim targets. It also outlined a credible pathway to manage longer-term risks by ensuring all new gas plants were designed with technical and economic readiness for hydrogen co-firing, in line with regional taxonomy criteria. This creates a dependency on future hydrogen availability, and the company had clearly identified this risk, assessed the implications for its net-zero trajectory, and established processes to monitor regional hydrogen infrastructure development.

Assessment of the policy and market environment for adoption of hydrogen availability for co-firing in the Southeast Asian region and measuring the consequential impact of aging CCGTs emissions intensity would all be helpful context to the capital provider in making its assessment. Depending on its analysis, it may be reasonable for a potential capital provider to conclude that the risks have been appropriately considered, managed and embedded into the company's long-term planning. Ongoing monitoring and consideration of these issues would be required during the life of the transaction as part of the implementation, financial viability and dependencies assessment. Deep decarbonisation technologies, such as CCUS and low carbon hydrogen are still relatively less mature and require associated infrastructure build out and supportive regulation in many cases.



## Case study 7: Power generation | Financial Viability

### Introduction

Case study 7 illustrates how an entity can effectively evidence the Core Criteria for the Financial Viability Factor by clearly demonstrating how transition-related capital expenditure is incorporated into financial planning. It highlights that large-scale investment programmes can temporarily weaken a company's financial profile but that clear disclosure of the anticipated financial trajectory, including expected recovery as strategic investments mature, can strengthen investor confidence. Regular, publicly available updates help investors evaluate whether the entity can finance its transition without compromising its competitive position.

### Context: Multi-national Power Generation

A multi-national power generation utility company operates across renewable energy, fossil-fuel-based generation, and energy-from-waste (EfW) operations.

The company's 2025–2035 strategic plan entails a significant increase in capital expenditure driven by energy transition-related investments. These are focused on the development of wind and solar capacity additions, storage solutions to reduce reliance on CCGT plants for grid stability and investments in carbon capture and storage technology (CCS) to address the carbon intensity of its EfW operations for municipal customers. The strategic plan targets significant market share growth and an expanded operating footprint across the renewable energy and EfW activities, while phasing out fossil fuel-based power generation.



Public policies in the company's main markets support electrification and clean energy. Reducing fossil fuel consumption and the acceleration of renewable energy deployment is a strategic priority for regional policymakers.

The achievement of the company's carbon intensity targets most notably requires the gradual decarbonisation of its EfW activities, which will rely on the timely and successful deployment of carbon capture technologies and associated investments.

### Assessment of Financial Viability Factor

- Criterion 3.1:** *Where financially material spend or changes to income streams are required for the entity's implementation actions, these are reflected or achievable within its financial planning and budgeting processes (for example capital or operating expenditure, or R&D budget). If precise quantitative financial information is not available, it is clear where investment may be required, and that it is being considered within financial plans or budgeting processes. (For example, this could be actions or milestones that support the required investments towards the target(s)).*

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As a result of its capital expenditure and growth investments, the company expects to be free-cash-flow negative over a three-year forecast horizon. Key credit metrics are expected to weaken during this period, before strengthening again to assume a successful execution of its strategic programme. The company carries public credit ratings from two major international credit rating agencies and benefits from a diversified banking group.

In its recent capital markets presentation, the company provided guidance on size and sequencing of the contemplated investments, funding strategy and liquidity position. It also provided details on key assumptions regarding market trends and policy support. The company committed to provide updates on the implementation of its capital investment programme on an annual basis in a publicly available format.

Capital providers used this information to assess whether the company can maintain sufficient financial flexibility. This includes evaluating its liquidity and access to capital markets to fund transition investments without materially weakening its financial position or competitive standing positioning.

Capital providers were able to determine whether – in their view – material concerns exist in relation to the entity's ability to finance all capital expenditures required in support of the stated decarbonisation objectives. Within their individual assessments, capital providers also considered other industry insights available to them, such as peer group comparisons. Two international credit rating agencies also provided updates to their credit opinions, commenting on the implications for the company's debt capacity and potential rating implications.

### **Key Learnings**

This case study shows how transparent disclosure of planned transition-aligned capital expenditure, funding needs, and financial impacts strengthens confidence among capital providers. By specifying the scale, timing, and purpose of its planned investments, alongside the expected temporary pressure on cash flow and credit metrics, the company enables investors and rating agencies to assess whether its transition strategy is financially achievable. This level of transparency supports robust assessments of the company's liquidity, debt capacity, and overall financial flexibility to deliver the transition plan.



## Case study 8: Retail & consumer goods | Interim Targets & Metrics, Implementation

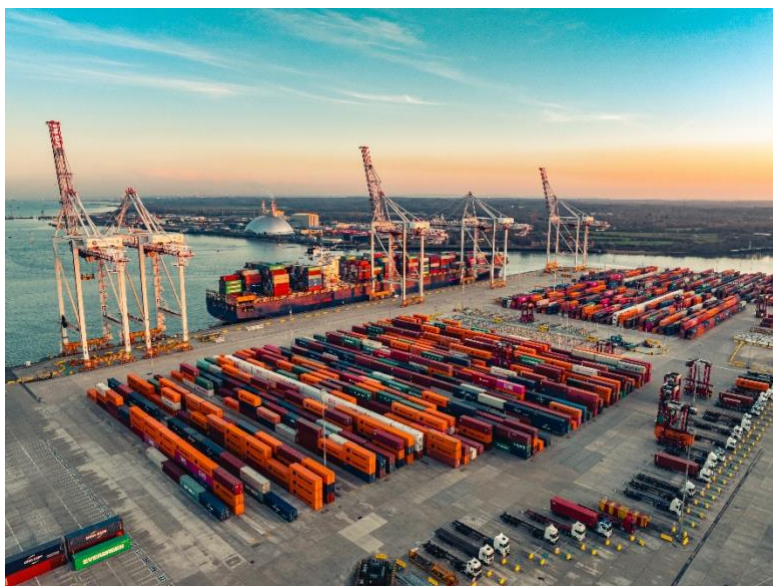
### Introduction

Case study 8 is an example of how a company in an emerging market might demonstrate robust evidence against Criteria relating to its targets and dependencies.

### Context: Retail and Consumer Goods

The company is a large Retail and Consumer Goods company based in South and Southeast Asia, with manufacturing, transport and retail facilities across multiple countries. The company has set absolute Scope 1 & 2 net zero targets by 2035 from a 2022 base year alongside an interim emissions intensity reduction target of 60% by 2030 from all locations (for Scope 1 & 2 emissions). It has also implemented other targets and initiatives including:

- Increase renewable energy utilisation to 25% by 2025, and 50% by 2032.
- Engage with 50% of suppliers in Purchased Goods and Services by 2032.
- Reduce energy consumption by 30% by 2028.



These initiatives and targets are reported annually in line with TCFD recommendations, and the company has progressed towards achieving its targets consistently year-on-year. The company supports the UN SDGs and aligned their “Sustainability Ambition” against these.

### Assessment of Interim Targets & Metrics and Implementation Factors Criteria

- Criterion 1.3:** *It is clear how interim target(s) are consistent with a Credible Corporate Pathway(s) which references one or more Credible Reference Pathways.*

*Note: Quantitative emissions targets may be absolute or intensity based if they are consistent with the Credible Corporate Pathway.*

The entity has a net zero target and interim targets across Scope 1 and 2 informed by the International Energy Agency (IEA) Net Zero Emissions by 2050 (NZE) scenario. As a globally recognised 1.5°C pathway aligned with the Paris Agreement and updated annually to reflect technological and investment trends, the IEA NZE is a Credible Reference Pathway. Alignment with it supports the company's Credible Corporate Pathway. The entity has not set a quantitative Scope 3 target but has set a measurable objective for Scope 3 which is likely to improve its Scope 3 GHG data.

- Criterion 1.8:** *Key dependencies and assumptions that may reasonably affect the achievement of the target(s) have been considered, and this consideration includes an understanding of the potential impact if the dependencies do not hold.*

*Note: Dependencies and assumptions are context specific; they might include but are not limited to finance, policy, incentives, infrastructure availability, regulatory gates, technology risk, demand creation and environmental or social impacts.*

### **Dependency 1: Barriers to renewable energy integration**

Scope 2 emissions account for approx. 60% of the entity's total global Scope 1 and 2 emissions, which are directly reduced by renewable energy integration and energy efficiency measures. The company has calculated emissions at a facility level to support the identification of its hot spots of high-emitting warehouses and commercial units. The company has several facilities which operate on captive generators powered by furnace oil or diesel, and some of these have barriers to large-scale on-site renewable installations.

The company also operates in several markets where the national grid is heavily reliant on fossil fuels and renewable energy projects remain limited. Therefore, the entity recognises limited renewable integration into regional grid networks as a main constraint to their ability to fully transition to renewable energy across their facilities.

Some of these countries are also implementing carbon pricing for fossil fuel consumption. To assess the potential financial impact of carbon pricing, the entity conducted sensitivity analysis for individual projects under different policy scenarios. The sensitivity analyses included the identification of carbon tax mechanisms implemented across markets in which they operate and assessed the potential impact of carbon prices on operational costs. This allowed the entity to understand where carbon taxes will have the most material financial impact and has been used to inform decarbonisation project prioritisation.

### **Dependency 2: Technology readiness for product decarbonisation**

The part of the business that manufactures products is highly dependent on future technology readiness to decarbonise products, and to address high-emitting facilities. Technologies include hydrogen co-firing for fossil fuel activities, and carbon capture technologies.

- Criterion 2.2:** *The entity has taken reasonable steps to mitigate or manage key dependencies, where the entity has the ability to influence them.*

### **Dependency 1: Approach to mitigating barriers to renewable energy integration**

The company has created a roadmap to reduce these emissions by setting time-bound implementation actions for renewable energy targets (with specific locations included in this roadmap). Where facilities still operate on captive generators powered by furnace oil or diesel, their decarbonisation strategy for these locations focuses on on-site renewable installations to reduce fossil fuel consumption.

At sites where barriers exist for large scale renewable integration, it has purchased green power through third-party Power Purchase Agreements (PPAs) to ensure renewable energy consumption targets are met. The entity has assessed the availability of policy incentives where governments are offering various financial mechanisms to encourage the adoption of the renewable PPAs and

deployment of renewable energy projects. For example, in Malaysia, the company's investment in green technology has been approved for the national Green Investment Tax Allowance (GITA) which has allowed it to obtain a 100% tax allowance for the installation of solar projects to power operations. Each policy incentive is assessed based on availability and the forecast timeline, for example, the Malaysia GITA is only available until 2026 and therefore the project's timeline was accelerated to benefit from the tax incentive.

### **Dependency 2: Technology readiness for product decarbonisation**

To reduce reliance on unproven technologies, the company assesses potential upgrades using cost curves and technology readiness levels, and reviews government transition strategies to evaluate viability of options such as hydrogen co-firing or carbon capture. It continues monitoring emerging policies and programmes aimed at supporting high-emitting sectors.

### **Key Learnings**

Dependencies for EMDE companies may stem from ongoing reliance on fossil fuels in regional energy systems and evolving work on national transition pathways. Understanding how the company assesses policies and manages its transition planning against its Credible Corporate Pathway will be a key part of the assessment where these issues apply.



## Case study 9: Multi-jurisdictional company | Addressing Dependencies

### Introduction

Case study 9 is about Anglo American shows how recognition of jurisdiction-specific dependencies strengthens the credibility of a company's transition pathway. By setting out the processes used to identify and manage key dependencies, and demonstrating influence where direct control is limited, Anglo American provides investors with a realistic basis to judge feasibility. This level of clarity supports more grounded assessments of how external constraints may affect delivery of transition goals and enhances confidence in the company's overall approach.

### Context

This case study sets out how an asset manager might use the Transition Finance Guidelines to assess the eligibility of the general-purpose financing of the global mining company, Anglo American. It is designed to be illustrative.

An asset manager is assessing Anglo American for inclusion in its transition debt fund. Anglo American operates mining assets across South America, Southern Africa and Australia and is developing projects around the world, including in Europe. The company is headquartered in London and listed on exchanges in London and Johannesburg.



In line with the Transition Finance Guidelines, a key component of the fund's assessment is whether the company has identified and actively managed external dependencies and assumptions that could materially affect its ability to meet its interim decarbonisation targets. Given Anglo American's multi-jurisdictional footprint, exposure to varying regulatory requirements, infrastructure availability and technological readiness could significantly influence implementation timelines, costs, and emissions outcomes.

To qualify, key dependencies must be identified and understood. Where the company has influence, there may be actions to mitigate these dependencies. The following example examines this requirement in relation to one material dependency for the company: the energy mix of regional electricity grids.

- © **Criterion 1.8:** *Key dependencies and assumptions that may reasonably affect the achievement of the target(s) have been considered, and this consideration includes an understanding of the potential impact if the dependencies do not hold.*

*Note: Dependencies and assumptions are context-specific, they might include but are not limited to finance, policy, incentives, infrastructure availability, regulatory gates, technology risk, demand creation and environmental or social impacts.*

## Anglo American's Approach to Decarbonisation of Electricity Supply

Anglo American has identified regional availability of fossil-free electricity, grid carbon intensity and, in some places, reliability of electricity supply system as external dependencies. Such dependencies are often material across the mining sector. For Anglo American, Scope 2 emissions represent a significant material share contribution (11.1% – equivalent to 0.7 Mt CO<sub>2</sub>e) total operational emissions (Scope 1 and 2) and electrification is a central decarbonisation lever.

The asset manager can draw comfort that Anglo American has a strong understanding of these dependencies and the potential impact on its targets as the company has:

- Adopted a structured, region-by-region approach to evaluate the nature of regional electricity grids, including the carbon intensity, reliability and the extent to which grid dependence could impact the ability to deliver interim targets. This involved assessing each region's contribution to the company's overall emissions to determine the materiality of the dependency and to prioritise mitigation actions. For example, in countries where the carbon intensity of the grid is relatively low (e.g. Brazil), as electricity generation is largely based on fossil-free sources (hydroelectric, solar and wind), grid dependency is assessed as low risk. In addition, in countries where there is an increasing availability of additional fossil-free electricity, thereby reducing the carbon intensity of the national grid and available to purchase through PPAs, grid dependency is not considered a major risk. In South Africa, where the grid is dominated by coal-fired generation, the grid dependency is assessed as higher risk, with the potential to significantly undermine near-term targets if unmitigated.
- Identified where grid dependency poses the greatest risk to meeting interim targets. South Africa emerged as the highest-risk region, accounting for 100% of Anglo American's Scope 2 emissions in 2025 – equivalent to 0.7 MtCO<sub>2</sub>e. Due to South Africa's grid being dominated by coal-fired generation, Anglo American identified the potential risk that South Africa's grid decarbonisation ambition and timelines may not align with Anglo American's interim decarbonisation targets.

Reviewed its dependencies periodically to reflect changes in grid performance, policy developments and operational footprint.

### **Criterion 2.2:** *The entity has taken reasonable steps to mitigate or manage key dependencies, where the entity has the ability to influence them.*

The asset manager also assesses that Anglo American has planned actions to mitigate or manage this dependency where the entity has degree of control or influence. In October 2022, Anglo American formulated a partnership with EDF Renewables to create a jointly owned company, Envusa Energy. Envusa Energy is expected to develop a regional renewable energy ecosystem in South Africa, with the aim of meeting Anglo American's operational power requirements. In 2023, Envusa Energy was granted a licence to trade electricity in South Africa, and the company has made significant progress in the delivery of its mature pipeline of more than 600 MW of solar and wind power to Anglo American's operations. This reduces exposure to carbon-intensive grid electricity while strengthening local supply resilience. This approach allows Anglo American to decarbonise at scale, hedge against grid instability, and support broader system transition.

The asset manager assesses that Anglo American, to the best of its ability is actively managing this risk through long-term power arrangements, and regional infrastructure development.

## Key Learnings

The following insights reflect the key learnings identified by the assessor during the review of Anglo American's transition plan and variations in dependencies across jurisdictions:

- **Transparency beats artificial consistency:** For multinational companies, uneven progress across regions is inevitable. Anglo American gains credibility by acknowledging differentiated timelines and pathways rather than presenting a uniform narrative. This transparency allowed assessors to evaluate credibility region by region, avoiding the perception of unrealistic optimism.
- **Process maturity underpins credibility:** Assessors may place weight on the robustness of decision-making processes – specifically, how the organisation identified key dependencies and takes reasonable steps to mitigate those within its control or influence. This process orientation can provide confidence even where external conditions remained unpredictable, helping to reinforce overall credibility beyond what outcome metrics alone could demonstrate.
- **Influence matters more than ownership:** The company demonstrated influence through partnerships and coordinated infrastructure developments. Assessors may value this proactive engagement and mitigation of dependencies.

## 6. Uses with other standards

The Guidelines are designed to be used alongside the existing international architecture of climate-related frameworks, policies and voluntary guidance materials. This section focuses on how the Guidelines fit alongside, and draw upon, established international standards and methodologies. These include internationally recognised reporting frameworks including IFRS S2 and the TPT disclosure framework. In this exposure draft version of the Guidelines, we highlight linkages and reference points to demonstrate how the Guidelines can work in support of or alongside common frameworks and standards.

The table below sets out which frameworks have been mapped against the Guidelines and others where the Guidelines may play a complementary role.

REGULATION / FRAMEWORK	PUBLISH DATE	ANALYSIS	MAPPING LINK:
<b>International Sustainability Standards Board (ISSB) IFRS S2</b>	2023	<b>M</b>	<i>Appendix C</i>
<b>Transition Plan Taskforce (TPT) Disclosure Framework</b>	2023	<b>M</b>	<i>Appendix C</i>
<b>EU proposed Sustainable Finance Disclosure Regulation (SFDR) 2.0</b>	2025	<b>C</b>	<i>N/A</i>
<b>UK Sustainable Disclosure Requirements (SDR)</b>	2023	<b>C</b>	<i>N/A</i>
<b>Net Zero Investment Framework (NZIF)</b>	2021	<b>M</b>	<i>Appendix D</i>
<b>Taxonomies</b>	<i>Various (EU Taxonomy: 2020)</i>	<b>C</b>	<i>N/A</i>
<b>The International Capital Market Association (ICMA) Climate Transition Finance Handbook</b>	2025	<b>C</b>	<i>N/A</i>
<b>Loan Market Association (LMA) Transition Finance Loans Guide</b>	2023	<b>C</b>	<i>N/A</i>
<b>Climate Bonds Initiative (CBI) Standard and Certification Scheme</b>	<i>v4.3 August 2025</i>	<b>C</b>	<i>N/A</i>

*Table 3, Compatibility Mapping*

### Key:

- C** Compatible with the Guidelines
- M** Compatible with and mapped to the Guidelines

## 6.1 Uses with the/ ISSB Standards & TPT Disclosure Framework

The ISSB standards (IFRS S1 and S2) were created to develop a global baseline for sustainability-related financial reporting focused primarily on investor relevant information<sup>9</sup>. The TPT Disclosure Framework which guides entities on how to prepare a transition plan and make transition plan disclosures was designed to be consistent with and to build on IFRS S2 *Climate-related Disclosures*. The TPT resources are now hosted on the IFRS knowledge hub<sup>10</sup>.

The Guidelines are not a disclosure framework, but an entity that is aligning its reporting with IFRS S2 is likely to be disclosing a lot of the information required for assessment against the Guidelines, as is an entity that uses the TPT Disclosure Framework. The additional value brought by the Guidelines lies in providing a credibility lens, evaluating not just whether a plan exists, but whether the ambition is strong, the strategy is viable, and there is evidence of meaningful implementation and impact. In this way, the Guidelines serve a complementary function: While disclosure frameworks help entities communicate their plans, these Guidelines support capital providers in judging the credibility of those plans. Please see Appendix C ‘Mapping of the Guidelines to TPT/ISSB Disclosure Frameworks’ for more detail.

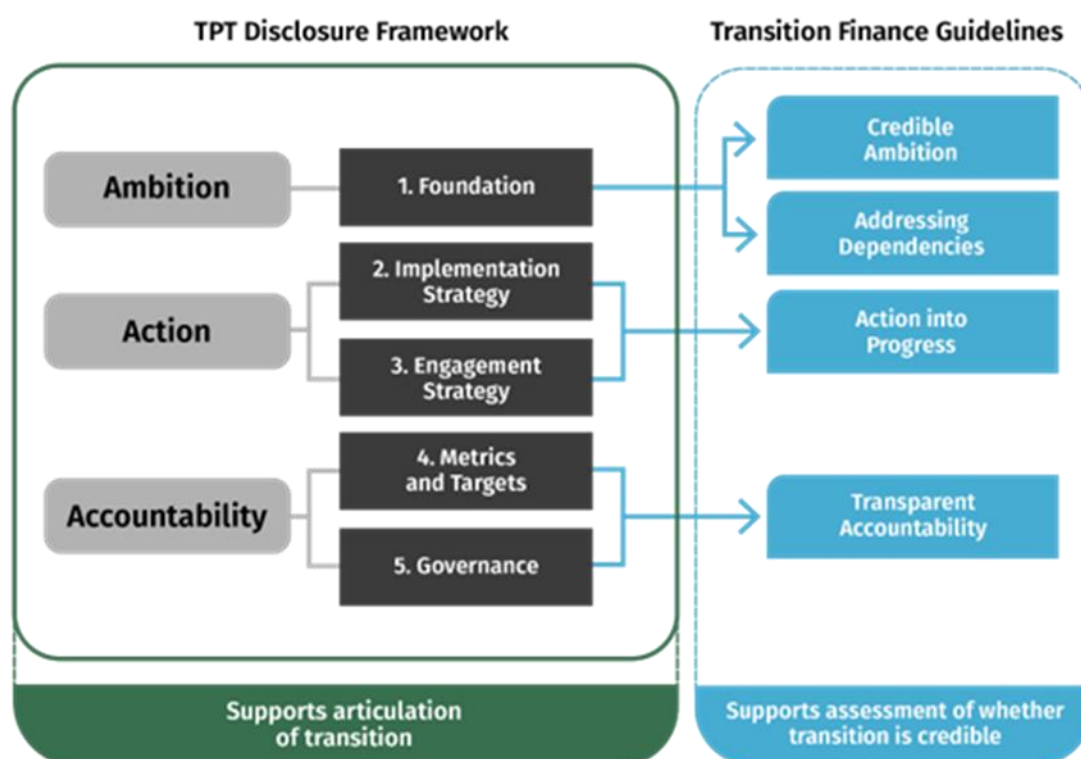


Figure 2, Mapping the elements from the TPT framework into the Council's Guidelines

<sup>9</sup> IFRS – International Sustainability Standards Board.

<sup>10</sup> IFRS – Transition Plan Taskforce resources.

## 6.2 Potential uses with the EU SFDR 2.0

The proposal for a set of amendments creating a Sustainable Finance Disclosure Regulation 2.0 (SFDR 2.0) was published in November 2025. The Guidelines could be useful in relation to the proposed transition category under new Article 7, depending on how this evolves in the legislative process.

The current proposal under Article 7 is a category for channelling investments towards companies and/or projects that are not yet sustainable but on a credible transition path, or investments that contribute towards improvements in climate, environmental or social transition-related areas. The Explanatory Memorandum supporting the amendments notes in this regard that *“the SFDR thus contributes to the aims of: (i) helping to attract private funding to facilitate the transition towards greater sustainability”*. In the context of climate mitigation, the proposal anticipates alignment with the Paris Agreement ambition and transition options in this context may include the use of a credible transition plan.

The Guidelines would have most relevance where the nature of the transition is focused on climate mitigation and applicable in relation to undertakings or economic activities that have science-based targets or a credible transition plan. The Guidelines do not replicate all the elements proposed for this new label (e.g. the Guidelines have a decarbonisation focus whereas Article 7 is broader and, in the context of climate mitigation, Article 7 proposes exclusions by reference to sectors and particular activities, whereas the Guidelines do not). Article 7 would also focus on product-level disclosure, while the Guidelines address the credibility of transition planning and implementation at the entity-level.

As work continues on SFDR 2.0, and given the broad alignment in stated aims, there is an opportunity to discuss thinking on what amounts to credibility in relation to transition plans between the EU and the UK.

## 6.3 Potential uses with UK Sustainability Improvers label

The UK's Sustainability Disclosure Requirements (SDR) is a UK regulatory framework which aims to reduce greenwashing and help consumers navigate the sustainable investment market and make informed choices. Investment firms are required to meet naming and marketing rules for funds marketed to retail investors, meet disclosure requirements and can choose to use labels for funds that meet the criteria<sup>11</sup>.

SDR defines introduces four investment labels for funds with sustainability objectives. These include funds that invest in already-sustainable assets, aim to deliver measurable impact<sup>12</sup> or that support entities with the potential to become more sustainable over time (Sustainability Improvers).

The Sustainability Improvers label and the Guidelines can complement each other because they are designed to operate at different levels of the investment chain. SDR labels apply at fund level, and the Guidelines apply at entity (issuer, whose issues are fund holdings) level. The Guidelines have a decarbonisation focus whereas Improvers funds may have sustainability objectives beyond decarbonisation, such as a social objective. Where decarbonisation is in the objectives of an SDR

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<sup>11</sup> [Sustainability disclosure and labelling regime | FCA](#)

<sup>12</sup> The four investment labels are Sustainability Impact, Sustainability Focus, Sustainability Improvers and Sustainability Mixed Goals (FCA) (2026) [PS23/16: Sustainability Disclosure Requirements \(SDR\) and investment labels | FCA](#)

labelled fund, there could be some interaction between the criteria for the Improvers label and the Guidelines. As investment firms must be able to satisfy themselves that fund holdings have the potential to improve over time, assessing entities (fund holdings) against the Guidelines could be one way to credibly evidence that potential.

## 6.4 Uses with the Net Zero Investment Framework

The Net Zero Investment Framework (NZIF)<sup>13</sup> is widely adopted by asset owners and asset managers as a tool to evaluate investments against a multi-criteria maturity scale of alignment with a net zero pathway<sup>14</sup>.

NZIF and the Guidelines serve distinct but mutually reinforcing purposes. NZIF is a portfolio-level guide for investors to measure their net zero alignment and, in some cases, structure asset alignment targets<sup>15</sup>. The framework sets out alignment categories<sup>16</sup>. However, the “indicators” for classifying assets within an alignment category are purposefully non-prescriptive and on an “implement or explain” basis. When refining indicators for practical application at asset level, users of NZIF have flexibility to reference other frameworks such as “CA100+ Benchmark”, TPI’s “Management Quality and Carbon Performance”, and IIGCC’s “Investor Expectations of Corporate Transition Plans”. This flexibility allows for differences in approach across the market, enabling investors to adapt assessments to their specific strategies, capacities, and fiduciary duties.

The additive value of the Guidelines is that they offer more binary, prescriptive “Criteria” at the asset level which can be leveraged as a threshold for credible transition. The purpose is to foster more consistency across market participants. The Guidelines could therefore be used as a reference point within the structure the NZIF framework provides. Where NZIF is a guide supporting investors to make their own decisions, the Guidelines offer a granular reference point to help make those decisions.

For example, an asset manager may want to reference the Criteria in the Guidelines when mapping an asset to NZIF’s “aligning” category and could use the Criteria to supplement NZIF’s “alignment indicators”. NZIF’s “aligning” category describes a similar threshold to the Criteria in the Guidelines with the high-level themes being broadly consistent. However, NZIF is not a “standard” and thus there is no definitive answer to mapping each set of Criteria exactly. A level of judgment must always be applied when determining whether an asset already classified in the “aligning to net zero” category meets the “Core” Criteria in the Guidelines and vice versa. Please see Appendix D – “Use of NZIF alongside the Transition Finance Guidelines” for more detail.

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<sup>13</sup> The [Net Zero Investment Framework](#) is the core publication of the Paris Aligned Investment Initiative (PAII), a collaborative investor-led forum established in May 2019. It is to be used alongside other IIGCC supplementary implementation guides and resources.

<sup>14</sup> The NZIF contemplates flexibilities through its EMDE Handbook which articulates a need to incorporate ‘fair share’ principles and differentiated country pathways for EMDE investments. That Handbook acknowledges that alignment with a 2°C scenario or a longer timeframe may be acceptable for EMDEs.

<sup>15</sup> NZIF also contains guidance on how to approach portfolio-governance, portfolio-level strategy, stewardship and engagement practices and policy advocacy.

<sup>16</sup> NZIF alignment categories are ‘Not aligning’, ‘Committed to aligning’, ‘Aligning to a net zero pathway’, ‘Aligned to a net zero pathway’ and ‘Achieving net zero’.

## 6.5 Taxonomies

The Guidelines contemplate the use of taxonomies that are designed to be compatible with the Paris Agreement goal as one of several potential types of methodology for assessing the credibility of an entity's transition ambition under the Credible Reference Pathway definition. A transition taxonomy may contemplate ratcheting of emissions standards to be met by specified times, the application of sunset provisions for higher emitting activities, and/or require assets to be constructed "transition ready". The taxonomy applied should be appropriate to the country in which the entity's activity occurs. Though the UK announced in its Financial Services Growth and Competitiveness Strategy of July 2025 that it would not proceed with a UK taxonomy<sup>17</sup>, UK institutions regularly draw upon the EU Taxonomy and other taxonomies. Those other taxonomies may include those developed by, for example, Singapore, Hong Kong, China, Australia and other parts of the world<sup>18</sup>.

## 6.6 Relationship with frameworks for public and private debt

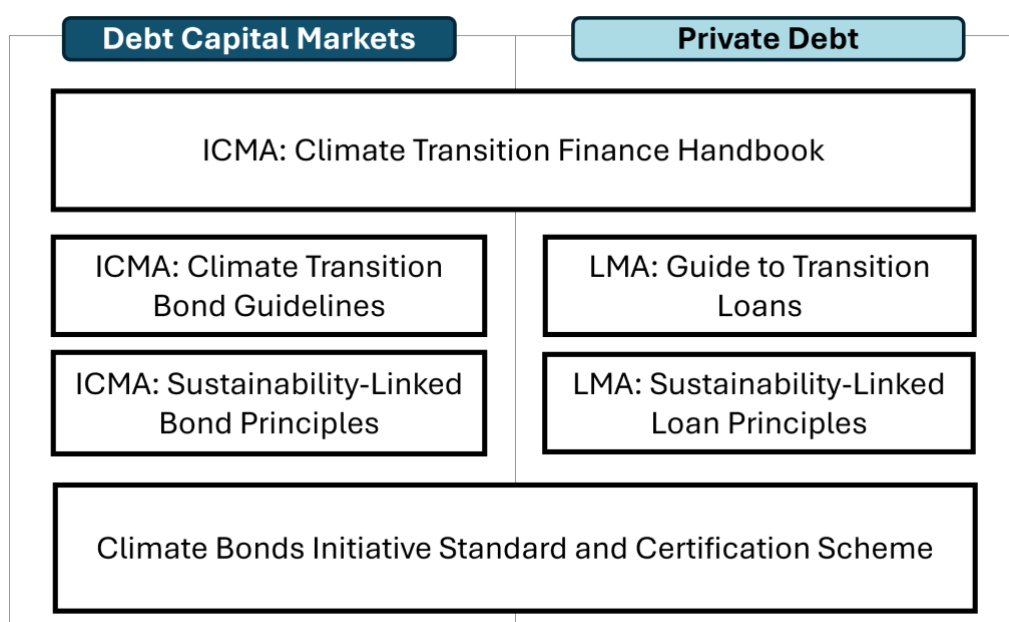


Figure 3, Transition finance labelled market guidance used across public and private debt markets

### How the Guidelines interact with the labelled debt market

Where real economy entities raise capital for the transition by issuing labelled bonds or through a labelled loan, they will in the first place have to align with the respective guidance from the International Capital Market Association (ICMA) and the Loan Market Association (LMA). In the case of labelled sustainability linked instruments, these Guidelines can then be used as additional complementary guidance. They are not intended for application to project or activity-level finance.

ICMA's The Climate Transition Finance Handbook (CTFH) acts as additional guidance on entity-level for issuers seeking to utilise use-of-proceeds instruments such as green bonds, sustainability bonds (mix of green and social) and climate transition bonds, or general-purpose bonds such as sustainability-linked bonds towards the achievement of their climate transition strategy. When

<sup>17</sup> UK Government (2025), [Financial Services Growth and Competitiveness Strategy](#).

<sup>18</sup> A forthcoming paper from the Climate Bonds Initiative offers comparison of the different approaches to defining 'transition' across different global taxonomies (expected in early 2026).

raising funds for climate transition-related purposes, issuers are encouraged to reference the recommendations outlined across the four key elements of the CTFH in their reporting. ICMA's Climate Transition Bond Guidelines (CTBG) provide issuance-level guidance that supplements entity-level practices, actions and disclosures recommended by the CTFH for issuers of sustainable bonds when raising funds for their climate transition strategy.

LMA's Guide to Transition Loans offers practical direction on identifying credible indicators of transition. It highlights the importance of contextual, multiple indicators that, taken together, demonstrate a borrower's credibility. The Guide covers both use-of-proceeds and general-purpose loans; though Section 3.1 General Corporate Financing of Entities] is the most directly comparable to the Guidelines. This section addresses the use of carefully selected KPIs and sustainability performance targets as mechanisms to support credible transition outcomes.

Issuers willing to commit explicitly to future emission reductions at the entity-level can also issue Sustainability-Linked Bonds ("SLBs") aligned with the Sustainability-Linked Bond Principles ("SLBP") to finance the implementation of their transition strategy.

The Climate Bonds Standard is a science-based certification system underpinned by sector-specific technical criteria, for public market issuers and private market borrowers. It can apply to green, transition, or sustainability-linked instruments. The most recent Climate Bonds Standard<sup>19</sup> extends certification beyond individual instruments to entire entities, which is the most relevant area of interlock with the Guidelines. The majority of the requirements within the CBI standard are reflective of requirements within the Guidelines, for example having a finance plan, clear governance, and implementation actions.

Complementary to these guidance frameworks, these Guidelines may be useful to demonstrate additional granularity and credibility on entity-level instruments. The additive value of the Guidelines is that they provide a framework focused on an entity's transition planning, interim targets and action. This may be helpful for borrowers or issuers particularly those in high-emitting sectors who wish to provide additional evidence to reinforce their articulation of the credibility of their approach to investors. Please see Section 7.3 – 'Further Guidance on Public Listed Debt' for a practical discussion on consideration when applying the Guidelines to public debt instruments.

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<sup>19</sup> [Climate Bonds Standard | Climate Bonds](#).

## 7. Applying the Guidelines across different asset classes

### 7.1 Overview of asset-specific guidance

Application of the Guidelines will be impacted by asset class. This is due to differences in asset class characteristics such as data availability, investment structures and time horizons. To address these differences, this section outlines typical considerations and barriers encountered within each asset class and proposes, where feasible, practical approaches to help overcome them.

Each set of asset-specific guidance focuses on two key areas:

- **Assessment and identification of transition finance opportunities (pre-investment)** – supporting capital providers in interpreting and applying the Principles and Assessment Factors when evaluating potential investees; and
- **Ongoing monitoring and enhancing impact (post-investment)** – providing direction on how capital providers can continue to engage with, monitor, and support the entity to have decarbonisation impact.

Asset-specific guidance is provided in relation to **Public Equities, Public/Listed Debt, Private Equity, Private Credit, and Real Assets** (with a focus on commercial real estate).

While distinct in purpose, the Net Zero Investment Framework (NZIF)<sup>20</sup> may offer further useful, complementary insights for users of the Guidelines. As a portfolio-level tool to support net zero alignment, NZIF includes practical guidance across asset classes such as listed equity, corporate fixed income, real estate, infrastructure, private equity, and private debt. (Please see Section 6.4 ‘Uses with the Net Zero Investment Framework’ for more information).

### 7.2 Further Guidance on Public Equity

Public equity guidance is aimed at investors assessing whether listed companies meet the Criteria in the Guidelines. Given the breadth of public markets, the Guidelines are most relevant where investors can use company level information to evaluate transition ambition and implementation, and where stewardship and engagement form part of the investment approach. The focus is on how these investors can interpret the Principles and Assessment Factors when assessing potential holdings, and how they can support credible transition outcomes over time.

#### Assessment and identification of transition finance opportunities (pre-investment)

##### *Data availability and quality*

Public companies generally provide more climate-related disclosures than private entities due to regulatory requirements and widely adopted frameworks such as TCFD<sup>21</sup> and IFRS S2<sup>22</sup>. However, critical data gaps or uncertainties can remain, especially around Scope 3 emissions, capex alignment, and short- to medium-term decarbonisation targets. Equity investors can use information from third-

<sup>20</sup> PAII (2024), [NZIF 2.0 The Net Zero Investment Framework](#).

<sup>21</sup> Task Force on Climate-related Financial Disclosures (2023), [TCFD Recommendations](#).

<sup>22</sup> IFRS (2025), [Introduction to the ISSB and IFRS Sustainability Disclosure Standards](#).

party sources such as CDP<sup>23</sup>, the Transition Pathway Initiative<sup>24</sup>, SBTi<sup>25</sup>, and ESG data providers to gather information on corporate climate strategies, in order to enable a consistent, scalable approach across multiple portfolios. They can also look in more depth at company disclosures or source additional information via engagement with the company, depending on the strategy type.

### *Strategy type*

An investor's ability to assess whether a public equity investment meets the Guidelines will be shaped by the underlying strategy of the fund or mandate, and the information available. Active strategies typically offer greater flexibility to incorporate detailed, company-level climate data into research and decision-making, apply bespoke or third-party frameworks (such as NZIF<sup>26</sup>), and directly engage with issuers on their transition plans. In contrast, passive and quantitative strategies are often constrained by index composition and may lack the discretion to exclude or underweight misaligned companies or select holdings based on transition alignment. These Guidelines are unlikely to be useful in the context of passive strategies.

### *Portfolio diversification and transition thresholds*

Given the nature of public equity markets and the need for portfolio diversification, transition-focused equity funds may not be fully invested in transition-aligned companies. Investors may disclose the proportion of investments at any given time that meet the Criteria in the Guidelines and set minimum thresholds for transition-aligned assets within a fund. These thresholds can be informed by internal policies or external standards, such as regional fund labelling frameworks (e.g., ESMA's sustainable fund naming requirements<sup>27</sup>), and should be transparently disclosed as part of the fund's transition finance classification rationale.

## **Ongoing monitoring and enhancing impact (post-investment)**

Ownership in public equities is typically widely dispersed and new capital raising through equity issuance is rare. As most trading involves existing shares rather than fresh financing, engagement and stewardship are critical tools for supporting credible transition outcomes and encouraging companies' alignment with Assessment Factor Criteria over time. To encourage this alignment, transparency from the investor is essential to understand how a fund applies the Guidelines, including:

- Whether the fund is invested fully or partially in companies that already meet the Assessment Factors.
- Whether it uses engagement to support alignment over time, with clarity on:
  - The intended timeframe for progress;
  - The investors escalation strategy if progress is insufficient (e.g. voting action, divestment); and
  - How performance will be measured.
- Whether a combination of these approaches is used.

<sup>23</sup> CDP (2025), [CDP Scores and A Lists](#).

<sup>24</sup> Transition Pathway Initiative (2025), [Sectors](#).

<sup>25</sup> Science Based Targets Initiative (2025), [Target Dashboard](#).

<sup>26</sup> PAII (2024), [NZIF 2.0 The Net Zero Investment Framework](#).

<sup>27</sup> European Securities and Markets Authority (2024), [Guidelines on funds' names using ESG or sustainability-related terms](#).

### *Stewardship strategies*

Investors can implement a range of stewardship strategies to monitor and influence transition progress at the entity-level, including:

- Direct engagement through dialogues, written communications, and participation in annual general meetings to assess companies' transition commitments and encourage improvements<sup>28</sup>;
- Strategic use of voting rights to support credible transition efforts and hold companies accountable for progress; and
- Supporting or requesting "Say on Climate" votes to enhance transparency and track companies' progress against their climate commitments.

Please see the IIGCC Net Zero Stewardship Toolkit<sup>29</sup> which provides additional information regarding stewardship strategies, including a foundational framework and Handbook to enhance investors' stewardship practices to deliver rapid acceleration in decarbonisation.

### *Wider market engagement*

Investors may have common engagement opportunities, through formal initiatives<sup>30</sup> like Climate Action 100+<sup>31</sup> or the Net Zero Engagement Initiative, or programmes focused on specific sectors or geographies. It is also particularly important for investors to be engaging with policymakers and regulators to advocate for robust market frameworks and sector and financial policies that are workable in terms of real economy transition objectives.

## **7.3 Further Guidance on Public Listed Debt**

The Guidelines support the assessment of entity-level financing. Therefore, this section addresses challenges in assessing the transition credibility of general-purpose bonds, rather than use-of-proceeds bonds<sup>32</sup>. General purpose bonds can enable the issuer to carry out their stated Capex plans that support their transition strategy. The guidance in this section focuses on creditors providing new and ongoing capital, via participation in primary issuance.

For more detail on how different labelling frameworks interact with these Guidelines please see Section 6.6 – "Relationship with frameworks for public and private debt".

In public debt markets, the issuer may be more likely to take the lead in assessing their own credibility against the Criteria, potentially supported by sustainability advisors. This will be reviewed both by underwriters and by external reviewers, who are involved to opine on alignment with market guidance<sup>33</sup>. The Guidelines do not assign responsibility for assessment as it will depend on each

<sup>28</sup> For example, investors working under an existing framework may wish to use criteria in these Guidelines in engagements with poorer performing transitioners to encourage improvement.

<sup>29</sup> IIGCC (2022), [Net Zero Stewardship Toolkit](#).

<sup>30</sup> Climate Action 100+ (2025), [Homepage](#).

<sup>31</sup> IIGCC (2025), [Net Zero Engagement Initiative](#).

<sup>32</sup> Sovereign bonds are out of scope of these Guidelines.

<sup>33</sup> In private markets, this responsibility generally rests more directly with the capital provider or lender, who conducts due diligence, may negotiate covenants linked to transition performance, and may benchmark alignment against the sectoral pathways defined in these Guidelines.

context. It is also assumed that all parties involved will align on the outcome of the assessment before capital is deployed.

## **Assessment and identification of transition finance opportunities (pre investment)**

### *Understanding use of financing in unlabelled general-purpose bonds*

In the context of unlabelled general-purpose bonds, there is no requirement for the issuer to disclose use of proceeds beyond general corporate purposes. Therefore, thorough due diligence would be required to determine whether the issuer meets the requirements of the Guidelines.

In their discussions with issuers, capital providers may push for more granular detail on how the issuance of unlabelled bonds are part of the financing plans that support the entity's interim targets.

### *Alignment with KPIs on sustainability-linked bonds*

The structure-level details of a sustainability linked bond (SLB) may not always reflect broader entity transition strategies which could satisfy the Transition Finance Guidelines. For example, an energy utility debt issuer may have a GHG decarbonisation-linked KPI in line with the SLB principles. However, investments in high-emitting technologies jeopardise the entity's ability to follow a credible corporate pathway, this should also be considered. Where the Guidelines are used, assessments should consider both SLB instrument features and the Criteria within these Guidelines.

### *Data availability*

Disclosure can be less granular and uneven across credit rating bands, with investment-grade issuers typically providing more detail than high-yield or lower-rated issuers (e.g. prospectuses rarely include forward-looking emissions data yet). Capital providers may push for integration of climate disclosures into bond documentation (e.g. prospectuses or offering circulars). They may also encourage rolling covenant-based disclosure obligations, ensuring issuers provide annual updates on transition metrics even between refinancing events.

### *Time horizon and tenor alignment*

Clear short, medium and long-term milestones along with granular disclosure on the activities funded, will help capital providers see decarbonisation within the timeframe of the bond tenor. Medium and longer-term tenors can provide opportunities to better reflect medium to long-term transition strategy, targets and progress, especially in SLBs with time-bound KPIs.

### *Engagement and stewardship*

While debt investors lack equity voting rights, they can still influence transition progress at the entity-level via direct issuer engagement and dialogue. Debt investors can engage with an issuer at any time, especially when there is a long-standing lending relationship, but influence can be particularly effective through pre-issuance dialogue in conjunction with:

- structuring and arranger banks;
- credit rating agencies; and

- investor initiatives (see both the IIGCC Net Zero Bondholder Stewardship Handbook<sup>34</sup> and ICMA's Green Bond Principles<sup>35</sup>).

## Ongoing monitoring and enhancing impact (post-investment)

### *Covenants, triggers and reporting*

Debtors may encourage issuers to include climate-related covenants (e.g. mandatory annual reporting on emissions intensity). Mechanisms that link pricing adjustments more clearly to underlying credit risk can reinforce alignment. However, the design of such mechanisms is subject to accounting constraints, including under IFRS 9, which may limit the extent to which pricing variability can be increased without affecting instrument classification or earnings treatment. Within these constraints, financial consequences should remain sufficiently meaningful to support incentive alignment.

### *Wider market engagement*

To support the successful decarbonisation impact of their financed entities, debt investors could work with arranger banks to embed more robust transition-linked features in future issuances, encourage credit rating agencies to systematically integrate and disclose climate risk exposure into credit assessments (see the PRI's ESG in Credit Risk and Ratings Initiative<sup>36</sup> for an example of progress made in this area), and engage with other bondholders to create stronger market signals. Public signalling of expectations and outcomes, alongside targeted capital allocation decisions (e.g. preferring refinancing structures that are aligned with credible transition pathways), helps set market-wide benchmarks. By engaging across these external channels, investors not only manage issuer-level risks but also contribute to raising transition standards across the broader debt market.

## 7.4 Further Guidance on Private Equity

These Guidelines are most applicable to private equity (PE) investments in companies with sufficient resources and maturity to demonstrate credible decarbonisation intent. While early-stage companies – including seed, start-up, and venture capital – can play a vital role in climate solution/enabling activities that may qualify them for green finance, they are less likely to be assessed purely through a transition lens due to limited operational history, data availability, and maturity.

Therefore, this guidance is primarily aimed at PE investors pursuing strategies across the growth equity to large-cap buyout spectrum<sup>37</sup> – including lower mid-market, mid-market, and IPO-focussed funds – where portfolio companies, often SMEs, are more likely to have, or be supported to develop, transition strategies. The focus is particularly on the more mature end of the SME spectrum. Additionally, while acknowledging that Limited Partners (LPs) may not always have formalised sustainability or transition-focused expectations, this Handbook assumes that such expectations have been set at either the company or fund level – whether through fund-specific mandates or side

<sup>34</sup> The IIGCC Bondholder Stewardship Handbook (2023) guides bondholders on engaging issuers to ensure debt financing aligns with entity-level net-zero transition plans. It emphasizes evaluating corporate transition strategies, capital allocation, and climate disclosures, and provides best practices for transparency, target-setting, and engagement, enabling investors to influence corporate decarbonisation across the entire capital structure. IIGCC (2023), [Net Zero Bondholder Stewardship Guidance](#)

<sup>35</sup> ICMA (2025), [Green Bond Principles](#)

<sup>36</sup> PRI (2025), [ESG in Credit Risk and Ratings Initiative](#)

<sup>37</sup> Please see page 9 of the BVCA's July 2025 report, '[Investing in a better economy](#)', for a simplified chart outlining the different investment stages and how private capital firms support the businesses they back.

letters. Consequently, the recommendations below are directed at General Partners (GPs), who are the key stakeholders responsible for applying the Guidelines during pre-investment assessment.<sup>38</sup>

## Assessment and identification of transition finance opportunities (pre-investment)

### *Data availability and standardisation*

Data availability in private markets is typically limited and less standardised. This is largely due to the absence of mandatory disclosure requirements and somewhat less developed climate strategies – both at GP level and across portfolio companies – and capital allocation plans, particularly within growth equity funds. As a result, GPs may often face uncertainty when assessing an entity’s transition status. For example, many companies across the PE spectrum may only report Scope 1 and 2 emissions and lack Scope 3 data or forward-looking decarbonisation targets, making it difficult to judge the credibility of their transition pathway and ambition.

To address these challenges, GPs may take practical steps to improve not only data access, but also the standardisation and prioritisation of information – with a sharper focus on what’s most material for assessing transition potential in the PE context. This is most likely to be effective if framed by reference to business case (e.g. identification of transition-related investment with a clear ROI, impact on value, ability to access capital, IPO-readiness) rather than being approached as reporting. Developing tailored pre-investment questionnaires aligned with private market-specific methodologies may help— see the Net Zero Investment Framework (NZIF)<sup>39</sup>, which offers support for assessing the credibility of a portfolio company’s transition strategy, the Private Markets Decarbonisation Roadmap (PMDR)<sup>40</sup>, and the Institutional Limited Partners Association (ILPA) DDQ<sup>41</sup>. Similarly, templates such as the ESG Data Convergence Initiative (EDCI)<sup>42</sup> provide standardised and comparable ESG metrics across themes including GHG emissions and decarbonisation, supporting converging GP/LP reporting for PE.

### *Private Equity strategy*

GPs should consider how the nature of their investment strategy impacts their ability to assess and influence an investee’s transition credibility and their aggregated exposure to and ability to manage transition risk at portfolio level.

For example, for strategies at the maturer end of the spectrum, such as large-cap and potential IPO, GPs have a higher level of influence over their assets, typically involving active control ownership<sup>43</sup>, often with board representation<sup>44</sup>. This influence creates strong opportunity for GPs to embed transition expectations into both the fund’s conditions, and the terms of the investment at portfolio

<sup>38</sup> While this Handbook is primarily aimed at GPs, LPs may also find the guidance useful – particularly where they have access to comprehensive look-through data – to inform engagement with GPs on transition finance alignment. For LP-level guidance, see frameworks such as [NZIF](#), and tools like the [IPLA DDQ](#) and [ESG Data Convergence \(EDCI\)](#) questionnaires, which support LP-GP engagement on sustainability and transition topics.

<sup>39</sup> PAII (2024), [NZIF 2.0 The Net Zero Investment Framework](#)

<sup>40</sup> iCI, Sustainable Markets Initiative’s Private Equity Task Force, Bain & Company (2024), [Private Markets Decarbonisation Roadmap](#).

<sup>41</sup> ILPA (2021), [Due Diligence Questionnaire 2.0](#).

<sup>42</sup> EDCI (2025), [ESG Data Convergence Initiative Homepage](#).

<sup>43</sup> BVCA (2025), [Investing in a better economy \(p.8\)](#).

<sup>44</sup> iCI, Sustainable Markets Initiative’s Private Equity Task Force, Bain & Company (2024), [Private Markets Decarbonisation Roadmap](#).

company level (e.g. sustainability targets, reporting requirements and governance structures)<sup>45</sup>, enabling better alignment with the ambition of the Guidelines. Additionally, given the more advanced maturity of these companies and their greater resourcing, they are more likely to adopt or align with established decarbonisation frameworks<sup>46</sup> which can, in turn, support the GP's pre-investment assessment by providing recognised, credible reference points. This is likely to contribute to IPO readiness.

For strategies within the growth and scale-up stage of the PE spectrum, including growth equity, lower-mid- and mid-market, ownership is typically through active large minority or majority stakes<sup>47</sup>. While not the same level of control as large-cap and IPO potential strategies, this ownership still gives GPs influence. Companies at this stage are less mature, which can make it more difficult to gather robust data during pre-investment assessment and then to encourage action in response. They are also typically focused on rapid scaling, which can often lead to near-term emissions increases. As such, GPs may need to lean into the Guidelines allowance of emissions intensity targets.

## Ongoing monitoring and enhancing impact (post-investment)

### *Engagement and disclosure*

Engagement is critical to driving credible transition alignment. GPs should engage regularly with portfolio companies to review and challenge transition strategies, ensuring they remain credible, forward-looking, and responsive to changing dependencies. This includes monitoring progress against targets, identifying when course corrections are needed, and supporting companies in adapting their plans over time. Where companies fall short, GPs should be prepared to escalate engagement or adjust their approach.

LPs also have a role in seeking clarity from GPs on how transition-aligned the fund's portfolio is. Encouraging GPs to adopt and disclose against standardised Criteria, such as the Transition Finance Guidelines, can significantly enhance comparability and accountability across the market. Recommended engagement actions for both LPs and GPs are also included in NZIF's PE component (pp. 19–22)<sup>48</sup>.

### *Wider market engagement*

LPs and GPs also have an important role to play in engaging with other shareholders and industry groups to encourage the scaling of transition finance. This could include active participation in collaborative initiatives such as the EDCI<sup>49</sup>, the ILPA<sup>50</sup>, and the IIGCC<sup>51</sup>. By supporting the adoption of harmonised voluntary frameworks and methodologies – including NZIF<sup>52</sup>, the PMDR<sup>53</sup> and the Transition Finance Guidelines – they can help drive convergence around best practice.

<sup>45</sup> Please see the PRI's July 2025 report, *Sustainability Value Creation*, which provides more detail on identifying material sustainability topics and key value-driving initiatives at the portfolio company level.

<sup>47</sup> BVCA (2025), *Investing in a better economy* (p.8).

<sup>47</sup> BVCA (2025), *Investing in a better economy* (p.8).

<sup>48</sup> PAII (2024), *NZIF 2.0 The Net Zero Investment Framework*.

<sup>49</sup> EDCI (2025), *ESG Data Convergence Initiative Homepage*.

<sup>50</sup> Institutional Limited Partners Association (2025), *Homepage*.

<sup>51</sup> The Institutional Investors Group on Climate Change (2025), *Homepage*.

<sup>52</sup> PAII (2024), *NZIF 2.0 The Net Zero Investment Framework*.

<sup>53</sup> iCI, Sustainable Markets Initiative's Private Equity Task Force, Bain & Company (2024), *Private Markets Decarbonisation Roadmap*.

## 7.5 Further Guidance on Private Credit

Private credit is a powerful instrument in enabling the economy wide transition. Debt capital can contribute to financing the transition at scale and is likely to have wider application than equity capital.

This guidance focuses on direct lending and infrastructure credit to real-economy entities, outside the activity or use of proceeds context. The Guidelines will be most useful where lenders have an opportunity to assess the borrower's transition strategy and capital allocation, and where transition outcomes can be most easily monitored.

Where borrowers have not embarked on transition planning, they may still identify transition-related projects, activities or efficiencies. If private credit is provided by way of project or use of proceeds finance, it will be outside the scope of these Guidelines but may benefit from transition guidance and labels under LMA or ICMA methodologies.

### **Assessment and identification of transition finance opportunities (pre-investment)**

#### *Spectrum of private capital strategies*

Assessing credibility of transition in private capital can vary significantly by borrower, deal structure and sponsorship. This creates challenges for private credit providers seeking consistency of assessment across sponsor-backed and sponsorless transactions, where influence, governance rights and structuring options may differ materially.

In sponsor-backed deals, if the sponsor has a transition strategy, this is likely to be rolled out to its portfolio companies, whether through mandating of science-based targets or application of decarbonisation ratchets. In these cases, the lender may wish to align with the sponsor's approach. Lenders can then leverage the private equity sponsors' governance and transition strategies. Proactive pre-deal engagement on transition with the sponsor can support alignment with the Guidelines. By understanding what transition strategies and reporting requirements have been put into place by the private equity sponsor, the lender can then evaluate the extent to which these align with their own requirements.

For example, looking ahead to the implementation of SFDR 2.0, if the sponsor is making the investment from a fund under the proposed Article 7 transition themed label, this would be a signal that the investment is intended to be compatible with a transition finance categorisation.

In sponsorless deals, lenders may have greater ability to engage directly to assess transition strategies.

#### *Data availability, quality and sponsor-led information asymmetry*

The provision of good quality, complete and consistent sustainability data (particularly in UK and European private markets) is improving but remains variable. At the pre-investment stage, insufficient clarity on data robustness risks undermining the lender's ability to track transition progress over the life of the loan. Sustainability data may often be siloed between equity and debt, which may limit effective due diligence and post transaction monitoring, and may result in incongruent goals between equity and credit sponsors.

Where transition classification delivers tangible benefits (e.g. eligibility for sustainability-linked margin ratchets or SLLs), this can incentivise borrowers and sponsors to provide better-quality data. Data challenges in the private credit space may be somewhat mitigated by introducing a standardized, industry-level due diligence template to assess transition finance applicability, which may be informed by the Guidelines. Lenders should embed minimum data standards and reporting expectations through proportionate information covenants and engage early with sponsors and company management to reduce information asymmetry. Where appropriate to the size of the transaction, a sustainability committee involving key stakeholders (lenders, management and sponsors) can further support alignment, information and ongoing oversight of transition progress.

#### *Borrower size and sophistication*

Borrower size and sophistication may represent a transition challenge in private credit. In many cases, SMEs may lack the resources and technical expertise to credibly meet certain Criteria within the Guidelines. As a result, they may be unable to independently qualify for entity-level transition finance and may need support from external advisors, or closer collaboration with lenders or sponsors, to structure and evidence a credible transition approach. Activity-level finance may be a better early-stage solution.

Transition support for SMEs should be delivered through collaborative arrangements between lenders and sponsors, combining simplified guidance, shared resources and coordinated monitoring. Effective support will more typically be delivered in partnership with sponsors, reflecting their ownership position and influence over portfolio companies. This could include standardised templates for transition plans and emissions baselines, access to vetted external advisors through lender partnerships, and embedding transition milestones into loan agreements with linked pricing incentives. This can be done by linking interest margins to the achievement of clearly defined, operationally focused targets, such as reductions in Scope 1 and 2 emissions intensity. As an example, the loan margin could decrease if the borrower meets agreed annual decarbonisation milestones and increase if targets are missed, with performance assessed through simplified reporting and light touch third-party assurance.

#### *Mismatch between loan/credit tenor and achievable transition outcomes*

Private credit instruments span a wide range of maturities, from short-dated bridge loans to long tenor- infrastructure lending. Transition outcomes, however, require time to materialise. A key pre-investment challenge is ensuring that the ambition and structure of transition targets are realistic within the lender's holding period to maturity. Short-term facilities may be structurally unsuitable for meaningful transition delivery.

Transition expectations should be aligned with the effective period of lender influence, not solely the initial loan tenor. While private credit maturities may be short, repeat lending and refinancing can extend engagement and support longer-term transition objectives. Transition milestones should therefore be realistic and deliverable within the lender's expected involvement.

Credibility can be strengthened through sustainability-linked structures or sustainability-linked margin ratchets with outcome-based targets achievable within the loan term (e.g. emissions reductions rather than procedural commitments, though other quantitative or qualitative targets may also be appropriate). Transition targets should be embedded to ensure continuity beyond the initial loan term. Transition credit should also not overstep credible transition plans that are already in place but rather seek to work with them and build on them positively with as little added burden

as possible. For short-dated facilities, transition expectations need to be proportionate where credit providers have ability to make an impact. However, as mentioned, covenants with broad entity-level transition expectations are often not fit for purpose for short-dated facilities – shorter term, specific actions may work better.

#### *Transition capex and enterprise-level assessment*

Transition finance eligibility in private credit may be assessed through confidential pre-investment due diligence, rather than public disclosure, including as to financial planning. Entity-level lending should be supported by credible, enterprise-wide transition targets, such as defined transition outcomes to be achieved over the loan tenor (e.g. emissions intensity reductions from a stated baseline). Lenders can assess a borrower's credible intent and capacity to transition by reviewing non-public evidence that implementation actions are realistic, financed and integrated into the borrower's business strategy, consistent with the Core Criteria under the Guidelines. This can include strategic and capital allocation plans that reflect transition priorities, aggregated, multiyear capex budgets and financial forecasts that incorporate transition investment, defined governance (and incentive) structures with clear accountability and confidential reporting that enables lenders to track progress against agreed milestones.

#### *Ambiguity of transition outcomes and risk of greenwashing*

There is a risk of greenwashing in private credit if it is unclear how borrowed funds will support genuine transition objectives. Comfort is obtained from clarity as to the borrower's transition ambition (through any interim targets) and the feasibility of implementation actions, reflected in integration into financial planning and governance.

From a private capital perspective, this challenge may be minimised via the development of robust loan structuring anchored in covenants linked to verifiable transition outcomes. Covenants may be embedded within SLLs or incorporated as standalone loan conditions, requiring the borrower to meet clearly defined performance thresholds by specified dates. Failure to achieve these outcomes may trigger financial penalties, pricing step-ups or remediation obligations.

### **Ongoing monitoring and enhancing impact (post-investment)**

#### *Tracking transition progress*

Many private credit transactions have multi-year loan tenors, meaning that annual or periodic reporting over the life of the loan can provide a sufficient cadence to track progress towards agreed transition outcomes, provided, however, expectations are clearly defined at origination. Monitoring borrower progress against agreed transition objectives may be complex for shorter tenors, particularly where lenders perceive misalignment between transition milestones and credit monitoring practices.

Lenders can request regular reporting against a defined set of pre agreed transition KPIs that are aligned with the borrower's transition plan and business strategy. Loan structures such as SLLs, pricing step-ups or step-downs and well-designed covenants can reinforce delivery of critical transition milestones, particularly in entity-level lending. As indicated within the Assessment Factors, delivery of transition milestones may be subject to delays and challenges, when dependencies do not develop as the entity had hoped. In these circumstances lenders may need to show some flexibility, particularly where the issue is multi-party or where the entity is taking reasonable steps to try to mitigate the issue.

Where appropriate, external verification or second-party opinions can be used to validate achievement of outcomes, with the scope and responsibility for such validation determined through lender, sponsor and borrower negotiation in private markets.

Alignment with industry frameworks (ESG Data Convergence Initiative, or EDCI, and the Invest Europe ESG Reporting Template) for data collection can lighten the burden of reporting. Certain data collection platforms also allow for the reporting entity to upload documents which populate data points with AI. This can further support monitoring whilst reducing burden.

#### *Engagement for continuous improvement*

Lender influence on transition outcomes post investment is often more limited than that of equity sponsors and varies significantly by transaction. The level of lender engagement depends on sponsor and borrower expectations, sustainability capabilities, resource availability and the extent to which transition performance is linked to commercial value and exit outcomes. Post-investment knowledge sharing and structured engagement may help ensure delivery against agreed transition targets.

## 7.6 Further Guidance on Real Assets

This guidance is deliberately high-level to apply across real assets generally but with a focus on commercial real estate. It is recognised that transition challenges and considerations for application of the Guidelines vary by real asset type, lifecycle position (e.g. greenfield development, operational brownfield assets, and late-life assets), investment strategy (e.g. core, value-add, opportunistic, or credit<sup>54</sup>) and investment structure (including equity and debt exposures, and direct and pooled investments).

While these differences can be material, many challenges are structural and recur across all types of real assets. This guidance therefore focuses on some key considerations that are broadly relevant across this asset class, while highlighting where certain challenges are likely to be more pronounced in commercial real estate contexts.

### **Assessment and identification of transition finance opportunities (pre-investment)**

#### *Entity-level assessment vs asset-level reality*

Transition performance in real assets is driven primarily at the individual asset-level, while the Guidelines are applied at the entity-level. In the context of investments in assets pooled through a fund or trust structure, or equity or debt exposure to real estate companies or infrastructure funds, the underlying assets will often span multiple geographies, vintages, and regulatory contexts, each with distinct emissions profiles, technologies, and feasible transition pathways. As a result, entity-level aggregation of emissions, targets, and progress can be complex and may obscure materially different asset-level transition dynamics.

Capital providers should look to assess whether entity-level targets and disclosures are underpinned by a robust asset-level understanding. This could include how assets are segmented within transition planning, how hard-to-abate or misaligned assets are identified and managed, and whether asset-level transition pathways meaningfully inform entity-level interim metrics. For example, does the entity demonstrate strategic coherence across its portfolio rather than assuming uniform

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<sup>54</sup> Please see [Private Markets Decarbonisation Roadmap 2.0](#) (page 39) for descriptions of core, value-add, opportunistic, or credit investment strategies.

performance across all assets? Transparent aggregation methodologies become indicators of credibility, with capital providers needing to place weight on the entity's ability to identify priority assets that drive emissions and transition risk.

#### *Asset lifetimes and investment strategy constraints*

Real estate (and infrastructure) assets typically have long operational lifetimes that extend beyond the investment or loan horizon. Emissions reductions are often non-linear, occurring through infrequent but material interventions such as major retrofits, technology replacements, or redevelopment. Because these assets are long-lived and intervention opportunities are infrequent, early decisions carry a heightened risk of carbon lock-in. Transitioning these assets is often capital-intensive, requiring significant upfront expenditure with long paybacks and may have uncertain impacts on asset valuation or cash flows. This dynamic is particularly relevant for long holding periods (often ten to thirty years), where near-term emissions reductions may appear limited despite credible long-term decarbonisation pathways.

Shorter-hold equity and credit strategies may have limited ability to deliver full asset-level transition outcomes within their investment horizon. Influence in these cases may be time-bound and indirect. As a result, decarbonisation impact may not be achieved during the holding period.

Capital providers should assess whether the entity's approach is aligned with both the asset lifecycle and its degree of influence. This includes evaluating whether carbon lock-in risks are considered in the context of the Credible Corporate Pathway, whether transition planning provides clarity on the timing of major interventions and capital planning assumptions, and how financing constraints are addressed, given the high upfront costs and long paybacks of key interventions.

Where full asset-level delivery is not feasible within the holding period, the focus may shift to whether the strategy facilitates transition outcomes – such as financing key interventions, strengthening covenants, or securing ongoing performance that benchmarks to the Credible Corporate Pathway alongside the overall credibility of the entity's approach to influencing decarbonisation within its sphere of control.

#### *Governance in Multi-Stakeholder Settings*

Decisions on setting a practical transition strategy and timelines for real assets can be influenced by multiple stakeholders, ownership arrangements and operational structures. This fragmentation can slow an asset owner's ability to directly implement transition measures, even where ambition exists. This consideration is particularly relevant for leased real estate, joint ventures, and credit strategies where influence is more indirect. For capital providers assessing transition credibility, this can make it difficult to determine whether there is sufficient authority, decision rights and instruments to deliver upon the ambition.

Capital providers should pay particular attention to the degree of control the entity holds over key transition levers. This includes clarity on decision rights, aligned incentives across counterparties, and contractual mechanisms – such as obligations in leases, concession terms, or loan covenants – that give the entity the ability to implement required transition actions.

#### *Data availability and quality*

Asset-level emissions and performance data may be incomplete, estimated, or inconsistent, particularly for tenant-controlled energy use. Embodied carbon from construction and decommissioning assets is also difficult to calculate. These difficulties are compounded by the

breadth of stakeholders involved in collating real estate data, across owners, operators, tenants, and service providers, and by continued reliance on manual or legacy systems. Such limitations can make it harder to form a robust assessment of an entity's overall transition credibility. Please see Section 2.5 "Proxies, estimates, qualitative information" for additional information on data sources.

Where data gaps exist, capital providers should focus on whether any proxy data is appropriate to the criterion and specific to the entity and whether the entity can improve data quality over time. Measures to improve data quality could include governance arrangements for data collection, minimum data standards for new investments and contractual data sharing requirements. Reasonable estimates and proxies should be used in the interim. For example, where meter readings or reported consumption data are missing for a building, entities may estimate energy use or emissions using property type, floor area, and relevant energy use or emission factors. In addition, recent building certifications or recent EPC ratings<sup>55</sup> may serve as proxies for energy efficiency, though the robustness and comparability of these may need consideration. Engagement between the multiple stakeholders involved remains crucial to continuously improve data quality and reduce estimation over time.

#### *Utilising CRREM to set transition pathways in real estate*

Interpreting emissions trajectories and forming a credible forward-looking view of real estate decarbonisation can be complex. Assessors need to understand not only current emissions performance but also how planned updates, refurbishments, and operational changes will influence future pathways. Bringing these elements together in a coherent analysis creates uncertainty around when properties may diverge from decarbonisation expectations.

The Carbon Risk Real Estate Monitor (CRREM) provides a structured way to assess how real estate assets align with science-based decarbonisation pathways<sup>56</sup>. It can be applied at both the asset and portfolio level, allowing users to identify the point at which individual properties – or an aggregated portfolio – may become misaligned or exposed to transition risk if planned upgrades are not implemented. CRREM also enables portfolio-wide aggregation to create a consolidated view of alignment across holdings. The tool provides a clear and widely recognized methodology for forward-looking transition assessment for real estate.

#### *Dependence on regulation and public policy*

Transition outcomes for real assets are often strongly influenced by policy and regulatory changes – building and technical standards, planning regimes, grid decarbonisation, etc. This is particularly relevant for assets where grid decarbonisation is policy driven.

The "Addressing Dependencies" Principle in the Guidelines asks capital providers to identify the dependences that could affect the entity's target. This includes assessing whether the entity demonstrates a clear understanding of its regulatory and policy context and integrates this into its transition planning. Awareness of policy changes is essential not only to mitigate regulatory and compliance risks but also to identify and act on transition opportunities – for example, enhancing asset value by exceeding minimum policy requirements.

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<sup>55</sup> Recent studies have highlighted the lack of standardisation in energy labelling between countries, so it is recommended that entities seek to utilise actual energy performance where feasible.

<sup>56</sup> Currently CRREM does not cover all geographies or have high take up in some markets, whilst work is being undertaken to address this, other methodologies may be considered.

## Ongoing monitoring and enhancing impact (post-investment)

### *Stakeholder engagement where influence is indirect or contractually constrained*

Meaningful engagement should span the full property value chain, including upstream activities such as construction, materials sourcing and professional services, as well as downstream impacts associated with building use and occupation. Addressing these interconnected stages is critical for robust transition planning. However, the large number of stakeholders often involved in a real asset's value chain (e.g. tenants, contractors, and facility managers) can make it difficult for engagement to be successful.

The multiple stakeholders across the real estate ecosystem, if managed effectively, can become a strength by focusing on areas where influence is realistically achievable. Clear escalation processes are necessary where collaboration breaks down, for example, in cases of strategic misalignment between general partners or where occupiers are unwilling or unable to participate meaningfully in transition planning. In such circumstances, pre-agreed contractual mechanisms and transparent governance structures can help maintain momentum and protect the integrity of the overall transition strategy. Taken together, engagement across the value chain, supported by contractual levers and escalation pathways, is essential to delivering a credible decarbonisation impact<sup>57</sup>.

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<sup>57</sup> See TPT RE Sector Guidance.

## 8. Glossary

**Activity** means an activity or project that supports an entity in relation to its transition.

**Assessment Factors** are the evidence points used to determine whether the Principles of the Guidelines have been met. Capital providers should use these Assessment Factors in all cases to evaluate whether an entity's transition planning is sufficiently credible for the associated finance to qualify as transition finance.

**Capital providers** are individuals or institutions that allocate financial resources – such as equity, debt, or other forms of capital – to entities or activities with the expectation of a financial return.

**Carbon insetting** means reducing a company's carbon emissions by investing in emission-reduction projects within its own supply chain or value chain, usually via a credit-based mechanism. Unlike carbon offsetting, which funds external projects, insetting focuses on actions that benefit both the climate and the company's operations, such as sustainable farming, renewable energy, or reforestation with suppliers.

**Common But Differentiated Responsibilities and Respective Capabilities (CBDR-RC principle)** means that all countries share responsibility for environmental protection, but obligations vary by historical impact and current capacity. Stated in Article 2(2) of the Paris Agreement, it ensures developed nations lead in cutting emissions and providing finance and technology, while developing nations act within their means, increasing efforts as their capabilities, resources, and access to technology improve over time.

**Contextual Factors** means matters, connected with the entity's transition planning and arising from its business activities and operating context, that may be relevant to a capital provider's assessment of the entity. This may be because they give rise to material risks or impacts or are inconsistent with the investment objectives or the policies of the capital provider.

**Core Criteria** are Criteria specified as core under the Assessment Factors that the assessor should apply to satisfy the Principles.

**Credible Corporate Pathway** means a corporate transition pathway that aligns with a Credible Reference Pathway or is aggregated from more than one Credible Reference Pathways and matched to the entity's business, geographies and sectors.

**Credible Reference Pathway(s)** means any publicly available science-based models, scenarios, pathways, taxonomies or other methodologies compatible with the common average temperature goal of the Paris Agreement and that represent:

- global temperature averages including across a sector or sectors; or
- regional or national pathways (multi-sector or sector-specific).

Any EMDE regional or national pathway or taxonomy may take account of the longer decarbonisation timeframe contemplated under the Paris Agreement.

**Dependencies** mean matters upon which the entity's ability to undertake implementation actions and meet its interim targets depend. They may be physical or non-physical and may include matters such as technological development, economic trends, policy and regulation, the natural environment, the physical impacts of a changing climate, and dependencies on stakeholders such as the workforce, customers and the local community. Often, they may be outside the entity's direct control – external dependencies.

**Entity** means any non-financial natural or legal person engaged in economic activities.

**Entity-level Finance** refers to capital provided to a company for general corporate purposes, without being restricted or ringfenced to specific projects or activities.

**Financing the Transition** refers to the mobilisation of any capital towards decarbonisation of the economy, whether labelled or unlabelled, intentional or not and which also includes financing of green technologies.

**Key dependencies** are those which have a significant bearing on an entity's ability to deliver on its interim targets.

**Long-term Ambition** refers to a goal or objective that an organisation aspires to achieve over an extended period, often taking decades to realise.

**Material or Materiality:** Where the term “material” or “materiality” is used (for example, in relation to information or risks) it means an issue or fact that could reasonably be expected to influence the decisions that investors or lenders or other creditors (together capital providers) take in relation to that entity in applying the Guidelines.

**Material emission sources** should be determined using the definition and guidance on materiality set out in the methodology used for calculating and reporting those emissions. If no materiality definition and guidance are provided in the methodology used, another well-known methodology (e.g. SBTi or CDP) which addresses materiality may be used.

**Principles** means the four guiding Principles of credible entity-level transition finance, namely Credible Ambition, Action into Progress, Transparent Accountability, and Addressing Dependencies.

**Recommended Criteria** are criteria specified as recommended under the Assessment Factors that the assessor may consider, particularly for already mature entities in mature markets or as the entity matures over time.

**Transition Finance** is the financing of transition activities or credibly transitioning companies. Transition Finance can be focused on individual projects or defined activities (activity-level) or may apply in respect of the entity as a whole (entity-level).

## 9. Appendices

### Appendices Contents

Appendix A – Illustrative examples

Appendix B – Detailed users and use cases of the Guidelines

Appendix C – Mapping of Guidelines to TPT/ISSB Disclosure

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Appendix F – Case Study: Supporting technical capacity development in EMDEs

Appendix G – Case Study: An SME Harnessing the Power of Collaboration to Develop Capacity

Appendix H – References Catalogue

## Appendix A – Illustrative examples

This section contains three illustrative assessments which use publicly available reports issued by Kier Group, Anglo American and SSE plc. They have been conducted from the perspective of an assessor evaluating the company's alignment with both the "Core" and "Recommended" Criteria in the Guidelines. The assessment exercise was carried out by the TFC Secretariat who have discussed the outputs with the relevant companies involved; in each case the assessment is a simulation which has been done on a non-reliance basis. Relevant dates and sources of publicly available information used by the TFC Secretariat to conduct this assessment exercise are provided below.

The Guidelines require assessors to exercise their own judgement when assessing a company against the Criteria. These illustrative assessments have been prepared with the aim of helping an assessor to consider the potential information that could be utilised and highlight where they may need to exercise more interpretive judgement in evaluating whether a criterion has been wholly met. These illustrative examples are not intended to provide a prescriptive template for applying the Guidelines but provide a suggested approach to evidencing Criteria using interpretive judgement.

Following its assessment, the TFC Secretariat concluded that Kier Group, Anglo American and SSE plc are aligned with all the Core and Recommended Criteria set out in the Guidelines. This represents the view of the Secretariat only, other assessors may reach different conclusions.

When performing the three assessments, the Secretariat documented which Criteria required relatively more judgment to evidence. The table below indicates which Criteria, on average, typically have a "low", "medium" or "high" level of interpretative judgment and therefore are likely to take longer to assess. This level of judgment required may vary depending on the context and circumstance of the company and the objectives and risk aversion of the assessor.

We are very grateful to Kier Group, SSE plc and Anglo American for the assistance and feedback they provided to the Secretariat in preparing the illustrative assessments in this section<sup>58</sup>.

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<sup>58</sup> These assessments reflect the TFC Secretariat's judgment only and should not be copied or applied identically. It is not intended as a definitive guide for applying the TFC guidelines. Other assessors may reach different conclusions.

**Key:**

Low interpretative judgement  
Medium interpretative judgement  
High interpretative judgement


Criteria Number	Interpretative Judgement		
<b>Interim Targets &amp; Metrics Factor</b>			
1.1			
1.2			
1.3			
1.4			
1.5			
1.6			
1.7			
1.8			
1.9			

Criteria Number	Interpretative Judgement		
<b>Implementation</b>			
2.1			
2.2			
2.3			
2.4			
2.5			

Criteria Number	Interpretative Judgement		
<b>Financial Viability</b>			
3.1			
3.2			
3.3			

Criteria Number	Interpretative Judgement		
<b>Engagement</b>			
4.1			
4.2			

Criteria Number	Interpretative Judgement		
<b>Governance</b>			
5.1			
5.2			
5.3			
5.4			

The tables below set out:

- the Core and Recommended Criteria;
- the evidence points relevant for each Criteria, all these evidence points were found in publicly available information; and
- a comment on the interpretative judgement required to conclude the Criteria had been fully met.

## Illustrative example 1 – Anglo-American PLC

Anglo American plc is a London-headquartered multinational mining company focused on the extraction and processing of key metals and minerals. Its core products are copper, premium iron ore and, in the future, crop nutrients. It is in the process of concluding the divestments of its diamond, nickel and steelmaking coal businesses. Anglo American’s products are key components in multiple value chains including construction, manufacturing and energy transition technologies. The group operates primarily across southern Africa and South America, with development and exploration projects across multiple other countries. Anglo American has its primary listing on the London Stock Exchange and is a constituent of the FTSE 100, with a secondary listing on the Johannesburg Stock Exchange. The following public reports have been used to complete this illustrative example: *Anglo American Transition Plan 2026 – 2028, Integrated Annual Report 2025, Sustainability-related Disclosure Statement 2025, and Anglo American Scope 1, 2 and 3 Methodology 2026*. The assessment against the guidelines is based upon Anglo American’s revised climate targets, as set out in these documents.

**CRITERIA:** **C** 8 of 9 Criteria are Core | **R** 1 is Recommended

### INTERIM TARGETS AND METRICS FACTORS

	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
C	<p><b>1.1</b> The entity has quantitatively defined interim decarbonisation targets which cover material emissions sources across Scopes 1 and 2.</p>	<p>CREDIBLE AMBITION</p>	<p>Anglo American have set the following interim decarbonisation target: Scope 1 &amp; 2 - 30% reduction by 2030, against a 2020 baseline.</p> <p>Anglo American state that they will strive to go further to achieve a Scope 1 &amp; 2 - 35% reduction by 2030, against a 2020 baseline.</p> <p><i>Transition Report, page 25</i></p>	<p>Low interpretative judgement – there is clear supporting evidence that Anglo American have quantitatively defined interim targets covering Scope 1 and 2 emissions.</p>

CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
<p><b>C</b> 1.2 The entity has quantitatively defined interim decarbonisation targets which cover emission sources in material Scope 3 categories or an operational target(s) or other measurable objective(s) aimed at addressing Scope 3.</p> <p>Though a quantitative emissions reduction target is preferred, if the entity's interim decarbonisation targets do not cover its material Scope 3 emissions:</p> <ul style="list-style-type: none"> <li>there is a clear and demonstrable link to a credible proxy (either an operational target(s) or another measurable objective(s)) aimed at addressing decarbonisation of Scope 3 categories; and</li> <li>the entity has or is currently developing actions to improve its Scope 3 GHG data.</li> </ul>	<p>CREDIBLE AMBITION</p>	<p>Anglo American's processing and use of their iron ore by their customers is by far the largest contributor to their Scope 3 emissions, accounting for 74.4Mt (86% of total 2025 Scope 3 emissions). As a consequence, this is the focus for addressing their Scope 3 emissions.</p> <p><i>Transition Report, page 17</i></p> <p>Anglo American's long-term Scope 3 target supports a Paris-Aligned trajectory for the steel industry by targeting on average emissions intensity of 1.3t CO2e per tonne of crude steel made from their iron ore by 2040.</p> <p><i>Transition Plan, page 25</i></p> <p>Anglo American do not have a shorter-term, or interim, Scope 3 target. They state this is predominantly because a significant portion of our iron ore must still be used in direct-reduced iron steelmaking, with only a small share being hydrogen-based. Achieving their target is, therefore, dependent on the steel industry continuing to evolve its processes and technologies. They state <i>"we have limited influence on that sector but will continue to work with our customers and through Industry Associations to encourage progress. In addition, supportive regulation has a role to play."</i></p> <p><i>Transition Report, page 17</i></p>	<p>High interpretative judgement as Anglo American's Scope 3 intensity target is more of a long-term target rather than an interim target.</p> <p>However, this target covers their most material Scope 3 category. The reason for not setting a nearer term target is clearly justified as the delivery is dependent on continued technological and process evolution within the steel industry. Anglo American also continue to engage actively with customers and industry associations to mitigate this dependency.</p> <p>Anglo American have also established measurable objectives to support progress. These include annually assessing the proportion of customers with externally verified net-zero targets – in 2025, these customers accounted for 39% of iron ore sales by volume. Anglo American is also working with customers to test and optimise iron ore specifications to reduce emissions through process improvements and efficiency gains. This is in addition to their approach to surveying their top 200 suppliers.</p> <p>The reasons above show that though Anglo American doesn't have an interim Scope 3 decarbonisation target, they have implemented measurable steps with a clear and demonstrable link to decarbonisation of their Scope 3. Have a quantified long-term target and active actions to address the dependency of this target supports the</p>

CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
		<p>Anglo American don't have an explicit target on their supply chain emissions, though they clearly have a quantified strategy as they have commissioned a survey targeting their top 200 suppliers by absolute emissions to be concluded before the end of 2025. This represents over 50% of their total upstream emissions.</p> <p><i>Transition Plan, page 33</i></p>	<p>conclusion that the evidence for this criterion is sufficient.</p>
<p><b>C</b> <b>1.3</b> It is clear how interim target(s) are consistent with a Credible Corporate Pathway(s) which references one or more Credible Reference Pathways.</p> <p><i>Note: Quantitative emissions targets may be absolute or intensity based if they are consistent with the Credible Corporate Pathway.</i></p>	<p>CREDIBLE AMBITION</p>	<p>Anglo American's Scope 1 &amp; 2 target of 30% absolute emission reduction by 2030 is not Paris aligned. However, in mapping their projected emissions pathway trajectory, they have used the SBTi 1.5°C pathway and an adapted IEA NZE 2050 global pathway as reference points. Anglo American state that they will strive to achieve a 35% emissions reduction by 2030, which would be aligned with a well below 2°C scenario. Though this is not a formalised target.</p> <p><i>Transition Report, page 25</i></p> <p>The key challenge for Anglo American is the development of renewables and pace of regulatory reform taking longer than expected in South Africa. The remaining reductions in Scope 2 emissions require the transition to renewable power of their Kumba Iron Ore mining operations in South Africa. State-owned Eskom continues to own most coal-fired generating assets, while only a small share of generation comes from independent renewable power producers. Eskom also owns the transmission and distribution grid, with renewable projects requiring Eskom's approval for grid access.</p>	<p>High interpretative judgement as Anglo American's Scope 1 and 2 2030 target is not formally Paris-aligned. However, the Guidelines definition of a Credible Reference Pathway permits 'any EMDE regional or national pathway or taxonomy may take account of the longer decarbonisation timeframe contemplated under the Paris Agreement.'</p> <p>Given that the company's remaining Scope 2 decarbonisation efforts are clearly concentrated in an EMDE region, where structural dependencies constrain its ability to set Paris-aligned targets, some flexibility may be warranted.</p> <p>Furthermore, we note that the lack of third-party product-specific, science-based pathways for diversified mining companies complicates precise Paris-alignment mapping.</p> <p>Anglo American state that it is striving to reach a Paris-aligned 35% reduction by 2030, and carbon neutral by 2040 provided key regulatory and technological</p>

	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
			<p><i>Transition report, page 29</i></p> <p>Furthermore, progress in future absolute Scope 1 emission reduction depends on the existence of commercially viable technology solutions for diesel decarbonisation, which the company does not expect to occur until the 2030s.</p> <p><i>Transition report, page 25</i></p>	<p>barriers are resolved. Therefore, the evidence for this criterion to be met has been judged to be sufficient.</p>
C	<p><b>1.4</b> Quantitative interim target(s) outline the baseline year, target year and the methodology used. Target year is justifiable, i.e. consistent with market practice, and not so short as to significantly limit the potential for transition impact.</p>	<p>TRANSPARENT ACCOUNTABILITY</p>	<p>Anglo American's target has a baseline year of 2020, target year of 2030 (30% absolute reduction), with its Greenhouse Gas (GHG) emissions fully documented publicly. Anglo American also provide the following justification for its target year: <i>'In selecting 2020, we considered prevailing best practice, such as that supported by the SBTi or provided for in the EU's Corporate Sustainability Reporting Directive (CSRD), for the near-term target year to not exceed a period of 10 years from the baseline year'</i>.</p> <p><i>Transition Plan, page 26</i></p>	<p>Low interpretative judgement - Anglo American clearly outline the baseline year, target year, as well as the methodology for each GHG category in their public reports. The target year is justifiable and consistent with market practice.</p>
C	<p><b>1.5</b> Progress against the target(s) is monitored on an annual basis.</p>	<p>TRANSPARENT ACCOUNTABILITY</p>	<p>Anglo American disclose progress against targets on page 27 of its Transition plan (in graph), and annually in sustainability report.</p> <p><i>Transition Plan, page 27</i></p>	<p>Low interpretative judgement – Anglo American review progress against target on an annual basis in public reporting, as well as a summary of emissions per year since the baseline year.</p>
C	<p><b>1.6</b> There is progress made against the interim targets over the target period. Where progress is not linear, other metrics or</p>	<p>ACTION INTO PROGRESS</p>	<p>Anglo American provide evidence of progress against its interim targets. Between 2020 and 2025, the GHG intensity for total Scope 1 and Scope 2 (tCO<sub>2</sub>e) per tonne copper equivalent decreased from 2.4 tCO<sub>2</sub>e per tonne to 1.6 tCO<sub>2</sub>e per tonne. Scope 3 emissions have decreased</p>	<p>Low interpretative judgement – Anglo American can demonstrate that progress has been made over the target period, evidenced by improvement compared with the baseline year. While year-on-year Scope 1 emissions have increased slightly, progress is not</p>

CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
<p>information which show progress on actions are evident.</p>		<p>from 92 MtCO<sub>2</sub>e in 2024 to 86.4 MtCO<sub>2</sub>e in 2025, demonstrating YoY reduction.</p> <p><i>Transition Plan, page 57</i></p>	<p>expected to be linear, as set out in the Criteria. Drawing on sector-specific knowledge, Anglo American's key decarbonisation lever and dependency is diesel replacement. As a result, Scope 1 decarbonisation may follow a non-linear trajectory until this key dependency is resolved.</p>
<p><b>C</b> 1.7 The entity has a long-term ambition for overall emissions reductions, although a quantified long-term target is not required.</p>	<p>CREDIBLE AMBITION</p>	<p>Anglo American demonstrate long-term ambition through setting a Scope 1 &amp; 2 carbon neutrality target by 2040, and Scope 3 intensity target, targeting on average emissions intensity of 1.3t CO<sub>2</sub>e per tonne of crude steel made from our iron ore by 2040.</p> <p><i>Transition Plan, page 25</i></p>	<p>Low interpretative judgement – Anglo American have a clearly defined long-term ambition.</p>
<p><b>C</b> 1.8 Key dependencies and assumptions that may reasonably affect the achievement of the target(s) have been considered, and this consideration includes an understanding of the potential impact if the dependencies do not hold.</p> <p><i>Note: Dependencies and assumptions are context specific, they might include but are not limited to finance, policy, incentives, infrastructure availability, regulatory gates, technology risk, demand creation and environmental or social impacts.</i></p>	<p>ADDRESSING DEPENDENCIES</p>	<p>Anglo American provide detailed understanding of its key dependencies. It's two key dependencies for Scope 1 and 2 include renewable energy procurement in South Africa, and diesel replacement.</p> <p>Renewable energy dependencies hinge on the pace of regulatory reform taking longer than expected in South Africa.</p> <p>Diesel replacement key dependencies include:</p> <ul style="list-style-type: none"> <li>• Technology maturity: Commercial availability of reliable solutions appropriate for each mine site.</li> <li>• Infrastructure readiness: Timely development of both off-site and site-level energy systems, including</li> <li>• renewable power, charging/refuelling and grid upgrades.</li> </ul>	<p>High interpretative judgement is required to determine dependencies that 'reasonably affect' an entity's target, and whether there is an 'understanding' of their potential impact. This does not mean there is an expectation for the entity to disclose the potential impact, only that there is evidence they have considered the impact or tried to understand it.</p> <p>Anglo American clearly outlines the key dependencies across two of its major decarbonisation levers: renewable energy and diesel replacement The impact of these dependencies is also evident, as Anglo-American states that achieving a 35% reduction by 2030 (aligned with the Paris Agreement) is only possible if this dependency materialises later than the current trajectory.</p>

	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
			<ul style="list-style-type: none"> <li>Supply chain capacity: Availability of critical components such as batteries, fuel cells, and power electronics.</li> <li>Regulatory and market signals: Supportive policy environments, including those relating to permitting,</li> <li>and well-designed carbon-pricing mechanisms.</li> </ul> <p>Anglo American state that ~70% of their diesel usage is by heavy haul trucks. They also state that '<i>replacing the diesel we consume with low-emissions alternatives is essential to achieving carbon neutrality by 2040.</i>' However, the scale and complexity of this transition is significant. This, along with the above dependencies demonstrates an understanding that this target may not be achieved without this category's decarbonisation.</p> <p>Anglo American are transparent that they cannot achieve Paris-aligned (35%) reduction in Scope 1 and 2 emissions without renewable electricity and diesel replacement technology becoming available.</p> <p><i>Transition Plan, page 29</i></p>	
R	<p><b>1.9</b> Dependencies are reviewed periodically.</p> <p><i>Note: See Implementation Factor Table below on how dependencies are addressed.</i></p>	ADDRESSING DEPENDENCIES	<p>Anglo American state that the transition plan will be reviewed and updated at least every 3 years, this demonstrates that dependencies will be reviewed periodically.</p> <p><i>Transition Plan, page 2</i></p>	<p>Low interpretative judgement due to Anglo American periodically reviewing dependencies every three years aligned with updating its transition plan.</p>

**CRITERIA:** **C** 3 of 5 Criteria are Core | **R** 2 are Recommended

**IMPLEMENTATION FACTOR**

CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
<p><b>C</b> <b>2.1</b> The entity has time-bound implementation actions that are related to (but are not limited to) the entity's operations, engagement, its products and services and its policies. The actions:</p> <ul style="list-style-type: none"> <li>• directly contribute to the entity's interim targets and metrics in line with its Credible Corporate Pathway; and</li> <li>• focus on achievable, commercially and technologically feasible steps at the time of capital deployment.</li> </ul> <p><i>Note: How actions are directly contributing towards the entity's target(s) can be shown either quantitatively or qualitatively.</i></p>	<p>ACTION INTO PROGRESS</p>	<p>Anglo American provide a graph that demonstrates how the following time-bound implementation actions will contribute to the achievement of their targets:</p> <ul style="list-style-type: none"> <li>• <i>“Further delivery of renewable power to Kumba Iron Ore operations by 2031</i></li> <li>• <i>Completion of feasibility work, studies and trials to replace diesel across our haulage fleet at operating sites working closely with OEMs and our mining partners by 2035</i></li> <li>• <i>Curated portfolio of internal carbon compensation projects piloted and further developed by 2032/3</i></li> <li>• <i>Retirement of credits from compensation projects to address residual emissions.”</i></li> </ul> <p><i>Transition Plan, page 27</i></p>	<p>Medium level of interpretative judgment – this is due to the criterion requiring the entity to demonstrate how its time-bound implementation actions directly contribute to interim targets and metrics. The interpretation therefore lies in assessing what constitutes a sufficient level of direct contribution for each time-bound action.</p> <p>Anglo American outlines the time-bound actions required to meet its decarbonization targets, as well as provides a graph to demonstrate how the actions contribute to the achievement of their targets.</p>
<p><b>C</b> <b>2.2</b> The entity has taken reasonable steps to mitigate or manage key dependencies, where</p>	<p>ADDRESSING DEPENDENCIES</p>	<p>Anglo American provide disclosure on the key actions they are taking to mitigate and manage its key dependencies.</p> <p>For its renewable electricity dependency, these include:</p>	<p>High interpretative judgement due to the need to assess what constitutes “reasonable steps” and to determine whether an entity has influence over its dependencies.</p>

CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
<p>the entity has the ability to influence them.</p>		<ul style="list-style-type: none"> <li>• <i>“We are working hard through Envusa Energy (our jointly owned company with EDF Renewables) and directly with public and private sector partners across South Africa to create new renewable electricity production capacity.</i></li> <li>• <i>Early works commenced in late 2025 on a 63 MW solar photo voltaic (PV) plant at Sishen, our largest iron ore mine in South Africa. Commissioning is anticipated by early 2027, delivering an estimated 33% reduction in Sishen’s Scope 2 emissions.”</i></li> </ul> <p><i>Transition Plan, page 29</i></p> <p>For its diesel replacement dependency, these include:</p> <ul style="list-style-type: none"> <li>• <i>“Partnering with industry and Original Equipment Manufacturers (OEMs): Anglo American’s engagement with the ICMM, which brings together mining companies, OEMs and technology suppliers in a non-competitive space to help accelerate the development of zero-emission haulage solutions and improve existing technologies.</i></li> <li>• <i>In 2025, Anglo American joined both the Komatsu Greenhouse Gas Alliance and the Caterpillar Pathways to Sustainability programmes. These important initiatives allow Anglo American, together with other mining industry leaders, to work directly with the OEMs that supply the heavy haul trucks to the four largest of its managed operations.”</i></li> </ul> <p><i>Transition Plan, page 31</i></p>	<p>However, Anglo American is able to demonstrate that it is taking reasonable steps, evidenced by the actions and investments underway to address the dependency it faces. Through its collaboration with Envusa Energy to develop new renewable electricity capacity, the entity shows that it is taking proactive measures that go beyond relying solely on the regional context.</p>

CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
<p><b>C</b> <b>2.3</b> The entity periodically reviews and, when necessary, updates its actions and interim targets, informed by progress and changes in key dependencies (e.g., sector or policy changes, or corporate or group structure changes).</p>	<p>TRANSPARENT ACCOUNTABILITY</p>	<p>Anglo American demonstrate that they periodically review its actions, interim targets and transition plan to reflect progress, and changes in key dependencies (e.g. based on group structure changes). This is demonstrated through its understanding that the transition plan will need to be updated based on a recent merger with Teck Resources.</p> <p><i>"In September 2025, we announced agreement to combine Anglo American and Teck Resources through a merger of equals to form Anglo Teck Plc... 'Once the merger is complete, we will update our transition plan – including our climate ambition and targets – to reflect the combined company".</i></p> <p><i>Transition Plan, page 2.</i></p>	<p>Low interpretative judgement due to the fact that Anglo American clearly outline that they will update their transition plan to reflect group structure changes.</p>
<p><b>R</b> <b>2.4</b> Where progress is not made as originally expected, it is explained, along with any planned corrective actions to be undertaken.</p>	<p>ACTION INTO PROGRESS</p>	<p>Anglo American provide evidence of progress against its interim targets. Between 2020 and 2025, the GHG intensity for total Scope 1 and Scope 2 (tCO<sub>2</sub>e) per tonne copper equivalent decreased from 2.4 tCO<sub>2</sub>e per tonne to 1.6 tCO<sub>2</sub>e per tonne. Scope 3 emissions have decreased from 92 MtCO<sub>2</sub>e in 2024 to 86.4 MtCO<sub>2</sub>e in 2025, demonstrating YoY reduction.</p> <p><i>Transition Plan, page 57.</i></p>	<p>Medium interpretative judgement – this is due to the level of interpretation required to assess whether progress has been ‘not made as originally expected’. For the purposes of this review, this has been taken to mean to considering whether targets remain on track to be met and whether decarbonisation has occurred aligned with their target trajectory.</p> <p>Anglo American 2025 Scope 1 and 2 emissions have decreased compared with the baseline, demonstrating progress is being made as originally expected.</p> <p>While Scope 1 emissions have risen slightly year-on-year, progress is not expected to be linear, as set out in the Criteria. Drawing on sector-specific knowledge, Anglo American’s key decarbonisation lever and dependency is diesel replacement. As a result, Scope 1 decarbonisation</p>

CRITERIA		PRINCIPLES	EVIDENCE	COMMENT
				<p>may follow a non-linear trajectory until this key dependency is resolved.</p> <p>Overall, Anglo American is able to demonstrate that progress is being made as originally expected, given the progress across Scope 1 and 2 since the baseline, and that a non-linear trajectory is expected in this sector.</p>
R	<p><b>2.5</b> The entity is taking reasonable steps to avoid or mitigate adverse environmental or social risks or impacts.</p>	<p>ADDRESSING DEPENDENCIES</p>	<p>Anglo American illustrate that it is taking reasonable steps to avoid or mitigate adverse environmental or social risks or impacts through disclosure identifying its interdependencies. Anglo American discuss how climate change, biodiversity and water are interconnected, and how they are mitigating any adverse impacts. Anglo American state that '<i>Climate Change, Biodiversity and water are intricately interconnected. It is also clear that our relationships between our business activities and their environmental, social and cultural impacts on communities and ecosystems are complex and multi-faceted.</i></p> <p><i>Transition plan, page 7</i></p>	<p>There is a medium level of interpretive judgement involved in assessing what constitutes 'reasonable steps,' as there is a degree of flexibility in interpretation.</p> <p>Anglo American states how its transition plan and climate goals are interconnected with other environmental and social adverse impacts, detailing how it plans to mitigate and avoid these impacts.</p>

CRITERIA: **C** 1 of 3 Criteria are Core | **R** 2 are Recommended

FINANCIAL VIABILITY FACTOR			
CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
<p><b>C</b> 3.1 Where financially material spend or changes to income streams are required for the entity's implementation actions, these are reflected or achievable within its financial planning and budgeting processes (for example, capital or operating expenditure, or R&amp;D budget). If precise quantitative financial information is not available, it is clear where investment may be required, and that it is being considered within financial plans or budgeting processes. (For example, this could be actions or milestones that support the required investments towards the target(s)).</p>	<p>ACTION INTO PROGRESS</p>	<p>Anglo American provide extensive evidence within its transition plan that financially material spend or changes to income stream have been reflected within its financial planning and budgeting progress.</p> <p>Anglo American state: <i>"The actions to execute our plan are embedded into our Group's planning and budgeting processes, ensuring the associated costs are considered as part of our broader capital investment and material operational spend decision making. The Board monitors financial performance and discusses progress against the annual budget and five-year plan."</i></p> <p><i>"Growing production of our future-enabling products, of copper, premium iron ore and crop nutrients, is central to our transition plan. All near-term guided growth capital expenditure for 2026–2028 (c.\$0.9 billion in 2026, c.\$0.6 billion in 2027 and c.\$0.3 billion in 2028) is earmarked towards projects in these products. Our exploration activities are also focused on these commodities."</i></p> <p>Transition Plan, page 20.</p>	<p>Low interpretative judgement – this is because Anglo American provide a breakdown of the anticipated growth in capital expenditure to fund their transition plan from 2026-2028.</p>
<p><b>R</b> 3.2 The entity takes reasonable steps to integrate the financial impacts of its transition strategy (for example, impacts on expected cash flow and financial</p>	<p>TRANSPARENT ACCOUNTABILITY</p>	<p>Anglo American considers the impact of transition on its cash flows through its climate scenario analysis work and assessed this against their risk tolerance.</p> <p>Transition plan, page 12.</p>	<p>Medium interpretative judgement – this is due to public disclosures not typically showing how transition-related financial impacts are directly embedded into financial statements and what constitutes 'reasonable steps' being open to interpretation.</p>


CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
forecasts) into its financial reporting.		<p>Anglo American also consider the potential impairment for certain operations and non-current assets that are exposed to physical climate change risks such as managing an excess or scarcity of water resources.</p> <p><i>Transition plan, page 20.</i></p>	<p>Anglo American has considered how transition scenarios are expected to impact future cash flows and assessed where certain assets may need be impaired. This could be considered as reasonable steps towards full integration of financial impacts of transition into their financial statements.</p>
<p><b>R</b> <b>3.3</b> The entity's revenue, R&amp;D expenditure, capital expenditures or assets mix targets is moving in line with its Credible Corporate Pathway (this is not required to be linear).</p>	<p>ACTION INTO PROGRESS</p>	<p>Anglo American provide evidence for required capital expenditure, providing the quantitative figures from 2026 – 2028.</p> <p>This is evidenced in the following statements: <i>'Growing production of our future-enabling products, of copper, premium iron ore and crop nutrients, is central to our transition plan. All near-term guided growth capital expenditure for 2026–2028 (c.\$0.9 billion in 2026, c.\$0.6 billion in 2027 and c.\$0.3 billion in 2028) is earmarked towards projects in these products. Our exploration activities are also focused on these commodities.</i></p> <p><i>Transition Plan, page 20.</i></p>	<p>Low interpretative judgement – this is due to Anglo American demonstrating that the required investment for its transition plan between 2026 and 2028 has been assessed and is moving in line with its Credible Corporate Pathway.</p>

CRITERIA: **C** 1 of 2 Criteria are Core | **R** 1 is Recommended

ENGAGEMENT FACTOR				
CRITERIA	PRINCIPLES	EVIDENCE	COMMENT	
<p><b>C</b> 4.1 Direct or indirect engagement activity by the entity does not demonstrably undermine its Credible Corporate Pathway or its ability to meet its interim targets and metrics.</p>	<p>CREDIBLE AMBITION</p>	<p>Anglo American disclose that it has a rigorous internal governance procedure to ensure that engagement with stakeholders aligns with its own position on climate change. Anglo American state that this governance <i>"should ensure that misalignments in advocacy do not occur and, if they do, that appropriate action is taken"</i>.</p> <p>Anglo American state that it is committed to completing and disclosing an independent review of the alignment of industry associations with Anglo American's public policy position every two years. The results of this are disclosed as follows: <i>"The fourth, and most recent, review was published in 2025. The review demonstrated that, in the vast majority of cases, the industry associations of which we are a member are either aligned with our approach or do not take a position on climate change"</i>.</p> <p><i>Transition Plan, page 49.</i></p>	<p>Medium interpretative judgement – this is due to it being inherently difficult to evidence the absence of engagement activities that may undermine a company's targets.</p> <p>Anglo American shows that its engagement activities are overseen through internal governance review processes, including established mechanisms to assess whether any engagement conflicts with the goals of the Paris Agreement. The latest review, completed in 2025, found that Anglo American's engagement activities are either aligned with the company's climate approach or refrain from taking a position on climate change.</p>	
<p><b>R</b> 4.2 There is an understanding of how engagement with external stakeholders by the entity is linked to the mitigation of the entity's dependencies and how engagement activity is managing exposure to dependencies so far as reasonably possible.</p>	<p>ADDRESSING DEPENDENCIES</p>	<p>Anglo American demonstrate that engagement with external stakeholders is a key element of their approach to mitigating a critical dependency.</p> <p>The following statement from Anglo American's transition plan illustrates that the company understands how proactive stakeholder engagement can help mitigate dependencies and manage associated exposures.</p>	<p>High interpretative judgement - this is due to "managing exposure so far as reasonably possible" requiring judgement about what constitutes sufficient action.</p> <p>Anglo American demonstrates that engagement with external stakeholders a is key action required to mitigate the entity's dependencies. This is particularly evident in the company's collaborative efforts to address the transition away from diesel use.</p>	

CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
		<ul style="list-style-type: none"> <li>• <i>“Through our membership of the ICMM, we are an active participant in its Innovation for Cleaner, Safer Vehicles initiative. This brings together mining companies, OEMs and technology suppliers in a non-competitive space to help accelerate the development of zero-emission haulage solutions and improve existing technologies.”</i></li> <li>• <i>“In 2025, we joined both the Komatsu Greenhouse Gas Alliance and the Caterpillar Pathways to Sustainability programmes. These important initiatives allow us, together with other mining industry leaders, to work directly with the OEMs that supply the heavy haul trucks to the four largest of our managed operations.”</i></li> </ul> <p><i>Transition Plan, page 31.</i></p>	

CRITERIA: **C** 2 of 3 Criteria are Core | **R** 1 is Recommended


 GOVERNANCE FACTOR				
	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
<b>C</b>	<b>5.1</b> Interim targets and metrics and transition planning are approved by senior-decision makers (for example the leadership team or the Board where the entity has a Board).	CREDIBLE AMBITION	<p>Anglo American evidence that interim targets and transition planning are approved by senior-decision makers: <i>“The Board directly approves the Group’s approach to climate change. Climate-related activities, including our decarbonisation pathway, are discussed by the Board throughout the year as stand-alone agenda items and as part of strategic discussions.”</i></p> <p><i>“The Board approved this transition plan on 19 February 2026 and will continue to be updated on progress against targets through management reports at scheduled Board meetings.”</i></p> <p><i>Transition Plan, page 46.</i></p>	Low interpretative judgement – this is due to Anglo American’s governance arrangements demonstrating that the Board directly approves its approach to climate change, and its transition plan.
<b>C</b>	<b>5.2</b> Responsibility for delivery is allocated to one or more governance bodies and/or senior executives.	TRANSPARENT ACCOUNTABILITY	<p>Anglo American evidence that responsibility of delivery of the transition plan is allocated to the Board. This is demonstrated in the following extract:</p> <p><i>“The Board approved this plan and the details of the climate ambition and targets, alongside the broader Anglo American Sustainability Strategy, and we receive regular updates on implementation progress”.</i></p> <p><i>Transition Plan, page 4</i></p>	Low interpretative judgement – this is due to Anglo American’s Board being responsible for the delivery of its transition plan.

	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
R	<p><b>5.3</b> The entity applies financial incentives at entity or management level, such as remuneration or performance-based pay for senior management, that are linked to the achievement of transition-related targets or milestones.</p>	<p>TRANSPARENT ACCOUNTABILITY</p>	<p>Anglo American are able to demonstrate that financial incentives are provided to the Board for the achievement of the transition plan: <i>“Accountability up to our Board, remuneration linked to performance against the Transition Plan.”</i></p> <p><i>Transition plan, page 5.</i></p> <p>Further details on the remuneration offered to senior leaders is provided in the following statement: <i>“For senior leaders, a proportion of their variable pay each year is tied to the delivery of climate-related goals. This is predominantly incorporated into the performance measures through the Group Long Term Incentive Plan (LTIP). We have linked 20% of the 2025 LTIP to environmental, social and governance (ESG) measures.”</i></p> <p><i>Transition Plan, page 47</i></p>	<p>Low interpretative judgment – this is due to clear evidence that Anglo American links Board remuneration to its performance against the Transition Plan.</p>
R	<p><b>5.4</b> Where there are current or anticipated changes to the entity's business model or governance affecting transition planning or interim targets and metrics, this is addressed by a senior management or Board review.</p>	<p>ADDRESSING DEPENDENCIES</p>	<p>Anglo American recognise that any anticipated changes to the business model need to be reflected in their transition plan. This is demonstrated through Anglo American recognising that their recently announced merger with Teck Resources will require its transition plan to be updated: <i>“In September 2025, we announced agreement to combine Anglo American and Teck Resources through a merger of equals to form Anglo Teck Plc... ‘Once the merger is complete, we will update our transition plan - including our climate ambition and targets - to reflect the combined company”.</i></p> <p><i>Transition Plan, page 2</i></p>	<p>Low interpretative judgement – this reflects clear evidence that Anglo American intends to update their transition plan to align with recent changes to its corporate structure and will revise the plan accordingly.</p>

## Illustrative example 2– Kier Group PLC

Kier Group plc (Kier) is a leading construction, infrastructure services and property group, headquartered in the UK. The tier one contractor develops, designs, builds and maintains major economic and social infrastructure in its chosen sectors, including nuclear, defence, education, healthcare and transport as well as urban regeneration and private commercial. The Group is a strategic supplier to the UK Government and also works with local councils, regulated bodies and blue-chip customers. Kier is publicly listed on the London Stock Exchange. The following public reports have been used to complete this illustrative example: *Carbon Reduction Plan, FY25 Climate and Nature Report, Annual Report and Accounts 2025, 2025 CDP Corporate Questionnaire*.

**CRITERIA:** **C** 8 of 9 Criteria are Core | **R** 1 is Recommended

 <b>INTERIM TARGETS AND MATRICS FACTORS</b>				
	<b>CRITERIA</b>	<b>PRINCIPLES</b>	<b>EVIDENCE</b>	<b>COMMENT</b>
<b>C</b>	<p><b>1.1</b> The entity has quantitatively defined interim decarbonisation targets which cover material emissions sources across Scopes 1 and 2.</p>	<p>CREDIBLE AMBITION</p>	<p>Kier has defined interim near-term absolute emissions reduction targets by FY30: 71.5% reduction in Scope 1, 98% reduction in Scope 2, and 42% reduction in Scope 3. Kier has Science Based Target Initiative (SBTi) validated targets to achieve net zero by 2039 in Scope 1 and 2, and by 2045 in Scope 3.</p>	<p>Low interpretative judgement – there is clear supporting evidence of SBTi-aligned targets across Scope 1 and 2.</p>
<b>C</b>	<p><b>1.2</b> The entity has quantitatively defined interim decarbonisation targets which cover emission sources in material Scope 3 categories or an operational target(s) or other measurable objective(s) aimed at addressing Scope 3.</p> <p>Though a quantitative emissions reduction target is preferred, if the</p>	<p>CREDIBLE AMBITION</p>	<p>Kier has a SBTi validated target to reduce Scope 3 by 42%.</p> <p>Kier notes that while mandatory reporting uses a subset of Scope 3 categories (PPN 06/21 required), only including upstream transportation and distribution, waste, employee commuting (including working from home), and business travel in their base year. Additional Scope 3 categories are included within other public disclosures, such as its Climate Report, Annual Report and Accounts and CDP disclosure.</p>	<p>Low interpretative judgement– there is clear supporting evidence of SBTi-aligned targets across Scope 3.</p>

	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
	<p>entity's interim decarbonisation targets do not cover its material Scope 3 emissions:</p> <ul style="list-style-type: none"> <li>there is a clear and demonstrable link to a credible proxy (either an operational target(s) or another measurable objective(s)) aimed at addressing decarbonisation of Scope 3 categories, and</li> <li>the entity has or is currently developing actions to improve its Scope 3 GHG data.</li> </ul>			
<p><b>C</b></p>	<p><b>1.3</b> It is clear how interim target(s) are consistent with a Credible Corporate Pathway(s) which references one or more Credible Reference Pathways.</p> <p><i>Note: Quantitative emissions targets may be absolute, or intensity based if they are consistent with the Credible Corporate Pathway.</i></p>	<p>CREDIBLE AMBITION</p>	<p>Kier's interim targets (2030) and net zero targets have been validated by the SBTi and are aligned to the Paris Agreement goal of limiting global warming to 1.5°C.</p>	<p>Low interpretative judgement – Kier's interim targets are aligned to the Science-based Target Initiative which is aligned with the Paris goal of limiting global warming to 1.5°C.</p>

	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
C	<p><b>1.4</b> Quantitative interim target(s) outline the baseline year, target year and the methodology used. Target year is justifiable, i.e. consistent with market practice, and not so short as to significantly limit the potential for transition impact.</p>	<p>TRANSPARENT ACCOUNTABILITY</p>	<p>Baseline years (FY19 for Scopes 1 and 2, and FY22 for Scope 3) are clearly defined with rationale: FY19 is used to avoid the building emissions distortion created by the Covid-19 pandemic and FY22 was the first year Scope 3 was calculated. The methodology follows the GHG Protocol and is verified to ISO 14064-1 with reasonable assurance.</p>	<p>Low interpretative judgement – Kier clearly outline the baseline year, target year, as well as the methodology for each GHG category in their public reports. The target year is justifiable and consistent with market practice.</p>
C	<p><b>1.5</b> Progress against the target(s) is monitored on an annual basis.</p>	<p>TRANSPARENT ACCOUNTABILITY</p>	<p>Greenhouse Gas performance and progress against SBT targets is tracked and reported annually. For example, FY25 data is presented in the Annual Report and the Climate &amp; Nature Report.</p>	<p>Low interpretative judgement – Kier is committed to disclosing its progress in its annual report.</p>
C	<p><b>1.6</b> There is progress made against the interim targets over the target period. When progress is not linear, other metrics which show progress on actions are evident.</p>	<p>ACTION INTO PROGRESS</p>	<p>Kier reports significant absolute reductions against the interim targets with a 70.9% reduction in Scope 1 and 2 since the FY19 baseline and 29.5% reduction in Scope 3 since the FY22 baseline. Scope 1 and 2 has shown an annual year-on-year reduction in absolute emissions since FY22, providing confidence to the credit provider.</p> <p>In FY25, Scope 3 reduced by 13% from FY24. Kier attributes this to increasing delivery of low carbon projects and improved reporting methodologies.</p> <p>Carbon reduction projects to date, as well as ongoing and future projects, are provided in tables 9 and 10 of the carbon reduction plan.</p>	<p>Low interpretative judgement – there are clear year-on-year reductions, and therefore progress being evidenced in public reporting.</p>
C	<p><b>1.7</b> The entity has a long-term ambition for overall emissions</p>	<p>CREDIBLE AMBITION</p>	<p>Kier commits to achieving net zero emissions by 2045 across all scopes.</p>	<p>Low interpretative judgement – Kier has a clearly defined long-term ambition.</p>

	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
	<p>reductions, although a quantified long-term target is not required.</p>			
<p><b>C</b></p>	<p><b>1.8</b> Key dependencies and assumptions that may reasonably affect the achievement of the target(s) have been considered, and this consideration includes an understanding of the potential impact if the dependencies do not hold.</p> <p><i>Note: Dependencies and assumptions are context specific, they might include but are not limited to finance, policy, incentives, infrastructure availability, regulatory gates, technology risk, demand creation and environmental or social impacts.</i></p>	<p>ADDRESSING DEPENDENCIES</p>	<p>Kier identifies five key climate-related dependencies: 1) Technology and material innovation, 2) Renewable energy infrastructure, 3) Government policy, 4) Supply chain action, and 5) Data quality.</p> <p>Sector-specific dependencies are included, referencing the need for low-carbon materials for their sector (e.g. green steel and cement alternatives), and therefore have a dependency on technology and material innovation. Reliance on government regulation and incentives (Government Policy) is also referenced.</p>	<p>High interpretative judgement is required to determine dependencies that 'reasonably affect' an entity's target, and whether there is an 'understanding' of their potential impact. This does not mean there is an expectation for the entity to disclose the potential impact, only that there is evidence they have considered the impact or tried to understand it.</p> <p>While Kier state the dependencies their interim targets rely on; there is not a clear statement outlining the potential impact on target if the dependency was not to hold.</p>
<p><b>R</b></p>	<p><b>1.9</b> Dependencies are reviewed periodically.</p> <p><i>Note: See Implementation Factor Table below on how dependencies are addressed.</i></p>	<p>ADDRESSING DEPENDENCIES</p>	<p>Dependencies management is integrated into the ESG governance structure and reviewed by the Board ESG Committee.</p> <p>The 2025 CDP response indicates that dependencies, impacts, risks, and opportunities are assessed in both a qualitative and quantitative manner on an annual basis.</p>	<p>Low interpretative judgement due to Kier reviewing dependencies on an annual basis.</p>

CRITERIA: **C** 2 of 5 Criteria are Core | **R** 3 are Recommended

**IMPLEMENTATION FACTORS**

	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
<b>C</b>	<p><b>2.1</b> The entity has time-bound implementation actions that are related to (but are not limited to) the entity's operations, engagement, its products and services and its policies. The actions:</p> <ul style="list-style-type: none"> <li>directly contribute to the entity's interim targets and metrics in line with its Credible Corporate Pathway; and</li> <li>focus on achievable, commercially and technologically feasible steps at the time of capital deployment.</li> </ul> <p><i>Note: How actions are directly contributing towards the entity's target(s) can be shown either quantitatively or qualitatively.</i></p>	<p>ACTION INTO PROGRESS</p>	<p>Kier provides a comprehensive milestone plan with time-bound actions set for 2025, 2026, and 2027, such as an internal carbon pricing trial, fleet electrification roadmap, and set concrete and steel targets.</p> <p>There is also a list of all 'carbon reduction projects' whether in progress, ongoing or planned. For example, actions like the HVO roll out and fleet electrification commitments are explicitly designed to deliver Scope 1 and 3 reductions toward the net zero targets.</p> <p>Kier also provides the duration and estimated carbon saving (tCO2e) for each key initiative – this includes for early grid connections, and HVO roll out. This supports an understanding of the direct contribution the initiative is having towards achieving Kier's near-term targets.</p>	<p>Medium level of interpretative judgement – this is due to the criterion requiring the entity to demonstrate how its time-bound implementation actions directly contribute to interim targets and metrics. The interpretation therefore lies in assessing what constitutes a sufficient level of direct contribution for each time-bound action.</p> <p>Kier states that its milestone plan is informed by performance data, prioritising action on its most significant emissions sources and those over which it has the greatest control and influence. The plan sets out time-bound implementation actions alongside the potential carbon reductions each action could deliver, enabling the assessor to clearly understand their contribution to the overall target.</p> <p>Therefore, Kier provides a relatively full picture of how its actions directly contribute to decarbonising some of its most material emission sources.</p> <p>Given several actions are underway, it gives comfort that Kier is focusing on achievable, commercially and technologically feasible actions.</p>

	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
C	<p><b>2.2</b> The entity has taken reasonable steps to mitigate or manage key dependencies, where the entity has the ability to influence them.</p>	<p>ADDRESSING DEPENDENCIES</p>	<p>Kier lists specific management actions to mitigate all five identified dependencies, including actively trialling new solutions for technology dependency, rolling out and trialling electric and hydrogen-powered plant and vehicles to reduce reliance on fossil fuels, and enhancing data collection/automation for the data quality dependency</p>	<p>High interpretative judgement – this is due to the need to assess what constitutes ‘reasonable steps’. and to determine whether an entity has influence over its dependencies.</p> <p>In their FY25 Climate and Nature Report, Kier name five management actions being taken across each area of operations to manage their dependencies. This demonstrates that Kier has adopted a structured and reasonable approach to managing the climate-related dependencies across the business.</p>
R	<p><b>2.3</b> The entity periodically reviews and, when necessary, updates its actions and targets, informed by progress or changes in key dependencies (e.g., sector or policy changes, or corporate or group structure changes), to remain aligned with its Credible Corporate Pathway(s).</p>	<p>TRANSPARENT ACCOUNTABILITY</p>	<p>In 2023, as Kier had already achieved a substantial reduction in emissions since the base year, the company chose to increase the level of its near-term ambition. This revised target was then submitted and validated by the SBTi.</p> <p>Kier also reports having reviewed the impact of a recent acquisition (Buckingham Group). However, the GHG impact of the acquisition was assessed to be below the significance threshold (5%), and therefore targets were not required to be updated. This demonstrates that Kier has a process to review structural changes.</p>	<p>Medium interpretative judgement – this reflects the fact that Kier has no recent examples of changes in key assumptions or external factors that have prompted updates to the transition plan/ However, there is evidence that progress informed an update to Kier’s target in 2023. There is also evidence that Kier undertook a full review when changes to the business structure occurred (e.g. Buckingham Group), but these changes did not trigger any material adjustments requiring updates to the plan.</p>
R	<p><b>2.4</b> Where progress is not made as originally expected, it is explained, along with any planned corrective actions to be undertaken.</p>	<p>ACTION INTO PROGRESS</p>	<p>Kier Group have disclosed progress to date year-on-year and demonstrated that emissions have decreased in line with their target trajectory. Therefore, there is no requirement to implement corrective actions.</p>	<p>Medium interpretative judgement – this is due to the level of interpretation required to assess whether progress has been ‘not made as originally expected’, as this assessment will vary by assessor. For the purposes of this review, this has been taken to mean to considering whether targets remain on track to be met</p>

	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
				<p>and whether decarbonisation has occurred aligned with their target trajectory.</p> <p>Based on this interpretation of “not made as originally expected,” Kier demonstrates that progress has been made as in line with expectations. This is evidenced by year-on-year progress against the target since the base year, as well as the company’s decision to set more ambitious targets to reflect that progress.</p>
R	<p><b>2.5</b> The entity is taking reasonable steps to avoid or mitigate adverse environmental or social risks or impacts.</p>	<p>ADDRESSING DEPENDENCIES</p>	<p>Kier operates an ISO 14001 certified Environmental Management System (EMS) since 2005. Social risks are mitigated through Kier’s sustainability framework, building for a Sustainable World, which includes social and environmental topics and measures. Kier also has an Ethical Labour strategy and requirements for suppliers to work toward UK Real Living Wage accreditation.</p> <p>Kier’s FY25 Climate Nature report states ‘Site-specific controls and mitigation plans are embedded into delivery processes, helping safeguard natural habitats, prevent ecosystem degradation, and support nature-based solutions that contribute to climate resilience and long-term value creation’.</p> <p>Management steps are provided for all nature risks identified and disclosed.</p>	<p>There is a medium level of interpretive judgement involved in assessing what constitutes ‘reasonable steps’, as there is a degree of flexibility in interpretation.</p> <p>One way to evidence ‘reasonable steps’ in this criterion might be adherence to any specific standards, use of policies or alignment to any regulation. Kier’s use of established environmental and social frameworks, formal certifications, supplier requirements, and site-specific mitigation measures provides a structured and proactive approach to managing risks. Taken together, these actions indicate that Kier is taking steps that are reasonable to avoid or mitigate potential adverse environmental and social impacts from its transition activities.</p>


CRITERIA: **C** 1 of 3 Criteria are Core | **R** 2 are Recommended

**FINANCIAL VIABILITY FACTOR**

	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
<b>C</b>	<p><b>3.1</b> Where financially material spend or changes to income streams are required for the entity's implementation actions, these are reflected or achievable within its financial planning and budgeting processes (for example, capital or operating expenditure, or R&amp;D budget). If precise quantitative financial information is not available, it is clear where investment may be required, and that it is being considered within financial plans or budgeting processes. (For example, this could be actions or milestones that support the required investments towards the target(s)).</p>	<p>ACTION INTO PROGRESS</p>	<p>Kier discloses key, material implementation actions requiring significant investment planned (e.g. EV charger partnership, commercial vehicle transition). While financial impact is recognized in risk assessment, quantitative confirmation of specific budget allocations (CapEx or OpEx) for these transition actions is absent.</p> <p>In FY25, Kier developed internal financial assessments to better understand the cost of mitigation for climate risks.</p> <p>Kier Group state that the Board ESG Committee <i>"weaves ESG priorities into the annual budget process"</i>.</p> <p>Kier is also trialling various internal carbon pricing methodologies (fee, trading and shadow pricing). They intend to roll out to certain business divisions in 2026 and, if successful, will be reviewed for wider roll out in 2027.</p>	<p>Medium interpretative – This is because Kier's public disclosures lack a specific quantitative breakdown of CapEx/OpEx explicitly earmarked for decarbon actions. Currently, this is not uncommon for corporate disclosures as disclosing explicit quantitative figures can often be commercially sensitive (though firms required to disclose against the EU Taxonomy will likely have more detail on their financial planning).</p> <p>However, Kier qualitatively indicates which actions they anticipate will need significant investment in their FY25 Climate and Nature Report (e.g., EV charger partnership, commercial vehicle transition).</p> <p>There is also evidence that related climate expenditure is considered in internal processes, from financial assessments of mitigation costs to the integration of ESG priorities into annual budgeting. Kier's ongoing efforts to trial internal carbon pricing further demonstrate a structured approach to understanding and embedding potential climate-related costs.</p> <p>Taken together, these actions provide reasonable confidence that the entity is identifying where significant investment may be required and reflecting it appropriately within financial planning, satisfying the intent of the Criteria.</p>


	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
R	<p><b>3.2</b> The entity takes reasonable steps to integrate the financial impacts of its transition strategy (for example, impacts on expected cash flow and financial forecasts) into its financial reporting.</p>	<p>TRANSPARENT ACCOUNTABILITY</p>	<p>Kier integrates climate scenarios into its Going Concern and Viability assessments, concluding that ESG requirements will be offset by market opportunities in sustainable infrastructure. Within its TCFD reporting, Kier identifies the 'Primary potential financial impact' for transition risks (e.g., 'Increased emission-related costs').</p> <p>Kier acknowledges that due to the long-term nature of some of their climate-related risks and opportunities, there are challenges associated with aligning these to financial planning and corporate risk processes.</p>	<p>Medium interpretative judgement – this is due to public disclosures not typically showing how transition-related financial impacts are directly embedded into financial statements.</p> <p>Kier's disclosures quantify potential impacts using broad magnitude ranges (e.g. "Medium: £10m–£50m") rather than integrating them into specific expected cash flow projections. However, climate-related risks and opportunities are incorporated into the company's core financial resilience assessments, and the potential financial impacts of transition risks are identified within its TCFD disclosures.</p> <p>While Kier notes challenges in aligning longer-term climate risks with financial planning processes, these practices indicate that transition-related financial implications are being considered within financial reporting processes.</p>
R	<p><b>3.3</b> The entity's revenue, R&amp;D expenditure, capital expenditures or assets is moving in line with its Credible Corporate Pathway (this is not required to be linear).</p>	<p>ACTION INTO PROGRESS</p>	<p>Kier measures and reports Green Revenue (71% of total revenue in FY25).</p> <p>The qualifying revenue is broken down by tier and relevant micro-sector on the following page. To calculate these totals, they identify the relevant micro-sector for each project or contract and sum the total revenues within each micro-sector.</p> <p>Progress on asset mix targets is tracked via the 39% uptake of EV/PHEV in the company car fleet due to the fleet electrification commitments.</p>	<p>Low interpretative judgement – this is due to Kier having demonstrated observable increases in transition-related revenue since its interim target.</p>

CRITERIA: **C** 1 of 2 Criteria are Core | **R** 1 is Recommended

 <b>ENGAGEMENT FACTOR</b>				
	<b>CRITERIA</b>	<b>PRINCIPLES</b>	<b>EVIDENCE</b>	<b>COMMENT</b>
<b>C</b>	<p><b>4.1</b> Direct or indirect engagement activity by the entity does not demonstrably undermine its Credible Corporate Pathway or its ability to meet its interim targets and metrics.</p> <p><i>Note: This criterion may be considered satisfied if there is no significant issue identified based on adverse screenings performed.</i></p>	<p>CREDIBLE AMBITION</p>	<p>In Kier’s 2025 CDP response they describe that where external engagement activities are proposed or planned, these are raised either through their sustainability or communications forums or on an ad hoc basis through sustainability and communications teams.</p> <p>The proposals/plans are escalated to their head of environmental sustainability and head of social sustainability for review against the Group sustainability framework, and ultimate approval to proceed is provided by their Chief People Officer. Their engagement is also conducted in line with our communications policy which defines the rules of engagement. This policy is available on their website.</p>	<p>Medium interpretative judgement – this is due to it being inherently difficult to evidence the absence of engagement activities that may undermine a company’s targets.</p> <p>Kier has established governance processes requiring proposed engagement to be reviewed against its sustainability framework and approved by senior leadership. Engagement activities are also guided by a formal communications policy. Taken together, these oversight and approval mechanisms indicate that engagement activities are reviewed for alignment with the Group’s sustainability objectives, and there is no indication that they demonstrably undermine its pathway or interim targets.</p>
<b>R</b>	<p><b>4.2</b> There is an understanding of how engagement with external stakeholders by the entity is linked to the mitigation of the entity’s dependencies and how engagement activity is managing exposure to dependencies so far as reasonably possible.</p>	<p>ADDRESSING DEPENDENCIES</p>	<p>Kier outlines several commitments and memberships that form part of its engagement strategy, including Race to Zero, Contractors Declare, Considerate Constructors Scheme and Rebuilding Nature. They also achieved a Supplier Engagement Assessment (SEA) A score from CDP.</p> <p>Engagement is linked to mitigating supply-chain dependencies through collaboration with suppliers via the Supply Chain Sustainability School, including support for SMEs and requirements aligned with the Science Based Targets initiative. Kier also engages with government and industry bodies to shape climate policy and improve the enabling environment for sector decarbonisation. In</p>	<p>High interpretative judgement - this is due to “managing exposure so far as reasonably possible” requiring judgement about what constitutes sufficient action.</p> <p>Kier provides relatively strong evidence that engagement activities are linked to addressing key dependencies, including supply-chain capability, policy frameworks, and data availability. These activities demonstrate a structured approach to managing dependencies through collaboration, policy engagement, and improved data practices, indicating</p>

	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
			<p>addition, the company works with suppliers to improve emissions data quality through enhanced data collection and reporting processes.</p>	<p>that the company is taking reasonable steps to manage its exposure in line with the intent of the criterion.</p>

CRITERIA: **C** 2 of 4 Criteria are Core | **R** 2 are Recommended


 <b>GOVERNANCE FACTOR</b>				
	<b>CRITERIA</b>	<b>PRINCIPLES</b>	<b>EVIDENCE</b>	<b>COMMENT</b>
<b>C</b>	<b>5.1</b> Interim targets and metrics and transition planning are approved by senior-decision makers (for example the leadership team or the Board where the entity has a Board).	CREDIBLE AMBITION	<p>Kier's Carbon Reduction Plan is signed off by the Chief Executive.</p> <p>The Board, supported by the ESG Committee, provides oversight of ESG matters, including environmental strategy and risk management.</p> <p>The Board is responsible for how the Group manages risk and for the Group's risk management.</p>	Low interpretative judgement – this is due to Kier's governance arrangements demonstrating that interim targets, metric and transition planning are subject to senior review and oversight.
<b>C</b>	<b>5.2</b> Responsibility for delivery is allocated to one or more governance bodies and/or senior executives.	TRANSPARENT ACCOUNTABILITY	<p>The Management Board, chaired by the CEO, oversees the implementation of strategy and policies set by the Board.</p> <p>Responsibility for delivering the climate strategy and environmental targets sits with senior operational leadership (e.g., sustainability and operations teams), supported by central and regional sustainability functions.</p>	Low interpretative judgement – this is due to the delivery of Kier's transition plan being allocated to a senior executive.
<b>R</b>	<b>5.3</b> The entity applies financial incentives at entity or management level, such as remuneration or performance-based pay for senior management, that are linked to the achievement of transition-related targets or milestones.	TRANSPARENT ACCOUNTABILITY	<p>Executive and senior management remuneration is linked to carbon emission reduction via the Long-Term Incentive Plan (LTIP), which carries a 10% weighting.</p> <p>Kier reports that performance targets have been achieved over a three-year period. A reduction in carbon emissions carries a 10% weighting of the overall LTIP award.</p>	Low interpretative judgement – this is due to evidence being provided that Kier links remuneration to achievement of transition-related target.

	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
R	<p>5.4 Where there are current or anticipated changes to the entity's business model or governance affecting transition planning or interim targets and metrics, this is addressed by a senior management or Board review.</p>	<p>ADDRESSING DEPENDENCIES</p>	<p>Kier confirms that structural and governance changes (e.g., restructure of one of their business units, Infrastructure Services) are addressed in review and reflected in targets/disclosures to ensure consistency.</p> <p>Kier discloses that since the previous reporting year, their targets and data performance have been amended to reflect the restructure of the Infrastructure Services part of our business from Kier Highways, Kier Infrastructure, and Kier Utilities to Kier Transportation and Kier Natural Resources, Nuclear &amp; Networks.</p> <p>Kier's Carbon Reduction Plan is signed off by the Chief Executive and Board.</p>	<p>Low interpretative judgement – this is due to clear evidence that recent changes to the business model has been incorporated into Kier's transition planning, and this has been signed off by Kier's Board.</p>

## Illustrative example 3 – SSE PLC

SSE PLC is a multinational energy company headquartered in the UK. It operates a series of UK power stations, whilst SSE Renewables builds and operates onshore and offshore wind farms in the United Kingdom and Ireland and also has hydroelectric operations in Scotland. SSE also has a joint venture with Wheelabrator Technologies, operating multi-fuel power stations at Ferrybridge, West Yorkshire. It is listed on the London Stock Exchange. The following public reports have been used to complete this illustrative example: *2025 Net Zero Transition Plan*, *Embedding a Just Transition 2025*, *2025 Sustainability Report*.

**CRITERIA:** **C** 8 of 9 Criteria are Core | **R** 1 is Recommended


 INTERIM TARGETS AND MATRICES FACTORS				
	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
<b>C</b>	<b>1.1</b> The entity has quantitatively defined interim decarbonisation targets which cover material emissions sources across Scopes 1 and 2.	<div style="border: 1px solid #007060; padding: 5px; text-align: center; color: #007060; font-weight: bold;">CREDIBLE AMBITION</div>	<p>SSE has defined interim near-term Scope 1 &amp; 2 targets by 2030: “Reduce absolute Scope 1 and 2 Greenhouse Gas (GHG) emissions by 72.5%” and “Reduce carbon intensity of Scope 1 GHG emissions 80%” by 2030 from a 2017/18 base year.</p> <p>SSE’s interim near-term Scope 1 &amp; 2 targets cover 100% of their Scope 1&amp;2 inventory.</p>	<p>Low interpretative judgment – there is clear supporting evidence of Science Based Targets Initiative (SBTi)-aligned targets interim near-term targets across Scope 1 and 2.</p>
<b>C</b>	<b>1.2</b> The entity has quantitatively defined interim decarbonisation targets which cover emissions sources in material Scope 3 categories, or has an operational target(s), or other measurable objective aimed at addressing Scope 3.	<div style="border: 1px solid #007060; padding: 5px; text-align: center; color: #007060; font-weight: bold;">CREDIBLE AMBITION</div>	<p>SSE has two interim near-term targets for Scope 3 emissions. These include: “engage with 90% of suppliers by spend to set science-based targets by 2030”, and “Reduce absolute GHG emissions from use of products sold by 50% by 2034 from a 2017/18 base year”.</p>	<p>Low interpretative judgement - SSE’s Scope 3 targets cover a significant proportion of SSE’s emissions, meeting the SBTi minimum boundary Criteria. The Scope 3 GHG emissions targets are also supplemented by operational actions within their Net Zero Transition Plan which cover all Scope 3 emissions.</p>

	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
	<p>Though a quantitative emissions reduction target is preferred, if the entity's interim decarbonisation targets do not cover its material Scope 3 emissions:</p> <ul style="list-style-type: none"> <li>there is a clear and demonstrable link to an operational target(s) or measures that serve as a credible proxy for future reductions of Scope 3 categories; and</li> <li>the entity has or is currently developing time bound actions to improve its Scope 3 GHG data.</li> </ul>			
C	<p><b>1.3</b> It is clear how interim target(s) are consistent with a Credible Corporate Pathway(s) which references one or more Credible Reference Pathways.</p>	<p>CREDIBLE AMBITION</p>	<p>SSE's near-term targets are aligned with 1.5°C and approved by the SBTi – consistent with Paris-compatible efforts.</p>	<p>Low interpretative judgement – SSE's interim targets are aligned with the SBTi which is aligned with the Paris goal of limiting global warming to 1.5°C.</p>
C	<p><b>1.4</b> The interim target(s) outline the baseline year, target year and the methodology used. Target year is justifiable, i.e. consistent with market practice, and not so short as to significantly limit the potential for transition impact.</p>	<p>TRANSPARENT ACCOUNTABILITY</p>	<p>SSE's targets have a baseline year of 2017/18. Target years are 2030 and 2034 for interim near-term targets, and a methodology for each greenhouse gas (GHG) category is provided.</p>	<p>Low interpretative judgement – SSE clearly outline their baseline year, target year and emissions methodology, in alignment with the SBTi requirements. The target year is justifiable and consistent with market practice.</p>

	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
C	<p><b>1.5</b> Progress against the target(s) is monitored on an annual basis.</p>	<p>TRANSPARENT ACCOUNTABILITY</p>	<p>Progress has been reported every year since SSE's SBTs were set in 2020.</p>	<p>Low interpretative judgement judgment – SSE discloses progress against their Scope 1, 2 and 3 targets in its annual public reporting.</p>
C	<p><b>1.6</b> There is progress made against the interim targets over the target period. When progress is not linear, other metrics which show progress on actions are evident.</p>	<p>ACTION INTO PROGRESS</p>	<p>SSE has annually reported evidence of performance against Scope 1, 2 &amp; 3 targets since 2020.</p> <p>According to SSE's Sustainability Report (FY25), p.18: "<i>SSE is now one-third of the way towards its Scope 1 carbon intensity reduction target and two-thirds of the way towards its absolute Scope 1 and 2 reduction target.</i>"</p>	<p>Low interpretative judgement – there is clear evidence of progress against interim targets in public reporting across Scope 1, 2 &amp; 3.</p>
C	<p><b>1.7</b> The entity has a long-term ambition for overall emissions reductions, although a quantified long-term target is not required.</p>	<p>CREDIBLE AMBITION</p>	<p>SSE have long-term emissions reduction targets – net zero for Scope 1 &amp; 2 by 2040, and Scope 3 by 2050.</p>	<p>Low interpretative judgement – SSE has a clearly defined long term targets.</p>
C	<p><b>1.8</b> Key dependencies and assumptions that may reasonably affect the achievement of the target(s) have been considered, including an understanding of the potential impact if the dependencies do not hold.</p> <p><i>Note: Dependencies and assumptions are context specific, they might include but are not limited to finance, policy, incentives, infrastructure availability, regulatory gates, technology risk,</i></p>	<p>ADDRESSING DEPENDENCIES</p>	<p>SSE highlights policy interventions (and associated advocacy positions), market demand, regulatory requirements, and investment in technology advancements as key dependencies (<i>SSE Net Zero Transition Plan, p9, p11</i>).</p> <p>SSE quantitatively assesses its dependency on key policy, specifically, the UK Government's Clean Power 2030 Action Plan. SSE have published two scenarios for 2030 targets. Firstly, a scenario where the UK Government meets the Action Plan, resulting in SSE being able to comfortably reach their SBTi targets. Secondly a scenario, where the UK Government doesn't meet its 2030 Action Plan causing SSE to miss their SBTi Target. This demonstrates that SSE identifies, assesses and publishes</p>	<p>High interpretative judgement is required to determine dependencies that 'reasonably affect' an entity's target, and whether there is an 'understanding' of their potential impact. This does not mean there is an expectation for the entity to disclose the potential impact, only that there is evidence they have considered the impact or tried to understand it.</p> <p>SSE clearly outline the key dependencies and assumptions that could influence the delivery of their targets and provides a quantitative assessment of the potential impact if any of these dependencies were not met.</p>

	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
	<i>demand creation and environmental or social impacts.</i>		the potential impact of external dependencies on their business and decarbonisation targets ( <i>SSE Net Zero Transition Plan, p12</i> ).	
<b>R</b>	<p><b>1.9</b> Dependencies are reviewed periodically.</p> <p><i>Note: See Implementation Factor Table below on how dependencies are addressed.</i></p>	<p>ADDRESSING DEPENDENCIES</p>	SSE publish an annual update of progress against their transition plan and their Transition Pathway 'levers'. At a minimum of every three years, SSE has committed to update their Net Zero Transition Plan, in alignment with the Transition Pathway Taskforce (TPT) recommendations.	Low interpretative judgement as SSE reviews their transition plan progress reporting, which includes their dependencies on an annual basis.

CRITERIA: **C** 3 of 5 Criteria are Core | **R** 2 are Recommended

 IMPLEMENTATION FACTOR				
	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
<b>C</b>	<p><b>2.1</b> The entity has time-bound implementation actions that are related to (but are not limited to) the entity's operations, engagement, its products and services and its policies. The actions:</p> <ul style="list-style-type: none"> <li>directly contribute to the entity's interim targets and metrics in line with its Credible Corporate Pathway; and</li> <li>focus on achievable, commercially and technologically feasible steps at the time of capital deployment.</li> </ul> <p><i>Note: How actions are directly contributing towards the entity's target(s) can be shown either quantitatively or qualitatively.</i></p>	<p>ACTION INTO PROGRESS</p>	<p>Time-bound implementation actions are provided within SSE's Net Zero Transition Plan (p6). For example, SSE are aiming to reduce power generation emissions to reduce Scope 1 emission intensity. One of the actions related to this is to "Grow the renewable energy portfolio" – the time bound implementation action is that SSE are planning to increase installed capacity to 7GW by 2027, compared to 5GW in 2024/25. Further, SSE's most recent 2030 investment plan aims for ~ 9GW installed capacity by 2030.</p> <p>Qualitative descriptions of actions, and the expected contribution to Scope 1 and 2 targets, are presented in SSE's Net Zero Transition Plan (e.g., renewables capacity, switch fleet to electric, reduce reliance on backup diesel). An overview table of the targets and associated contributory actions against a timeline has been provided (p10).</p> <p>Quantitative contributions of individual actions against Scope 1 generation emissions are provided in the SSE's 'levers' chart which is reviewed and published annually within SSE's Sustainability Report (FY25; p.15).</p>	<p>Medium level of interpretative judgement – this is due to the criterion requiring the entity to demonstrate how its time-bound implementation actions directly contribute to interim targets and metrics. The interpretation therefore lies in assessing what constitutes a sufficient level of direct contribution for each time-bound action.</p> <p>SSE clearly evidences the "time-bound" nature of its implementation actions, providing interim dates for actions prior to the interim target date.</p> <p>SSE also outlines the quantitative contributions that these time-bound implementation actions will make in reducing Scope 1 and 2 emissions, demonstrating a clear and direct link between the actions and the expected reductions.</p>
<b>C</b>	<p><b>2.2</b> The entity has taken reasonable steps to mitigate or manage key dependencies, where</p>	<p>ADDRESSING DEPENDENCIES</p>	<p>SSE provides evidence of planned actions to mitigate implementation risks arising from key dependencies, such as adapting to market conditions and undertaking advocacy activities to support government policies.</p>	<p>High interpretative – this is due to the need to assess what constitutes 'reasonable steps' and to determine whether an entity has influence over its dependencies.</p>

	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
	the entity has the ability to influence them.		For example, SSE demonstrates transparent advocacy in support of establishing policy frameworks that enable the delivery of clean power as demonstrated in SSE's Sustainability Report (FY25; p25): <i>"For the Clean Power Plan to succeed, the Government will need to make significant progress in four key areas in 2025: The upcoming CfD auction for offshore wind; Bringing forward Long Duration Electricity Storage (LDES); Progressing the carbon capture, use and storage pipeline in the upcoming Government's Spending Review; Delivering electricity transmission grid upgrades"</i> .	SSE engages with relevant policy frameworks to address its key dependency on the UK's Clean Power Plan, demonstrating efforts to use its influence to help mitigate this dependency.
C	2.3 The entity periodically reviews and, when necessary, updates its actions and interim targets, informed by progress and changes in key dependencies or assumptions (e.g., sector or policy changes, or corporate or group structure changes).	TRANSPARENT ACCOUNTABILITY	SSE's Net Zero Transition Plan is updated on a regular basis, reviewing and updating the transition plan at least every three years, in alignment with the Transition Pathway Taskforce (TPT) recommendations.	<p>Low interpretative judgement – this is because SSE does not have any recent examples of a change in key assumption or external factors that have triggered an update to their transition plan.</p> <p>However, as the SBTi requires companies to update their targets if a relevant materiality threshold is met (e.g. changes to corporate or group structure changes) SSE would therefore be required to update its targets if this threshold is met. Furthermore, in SSE's Sustainability Reporting Criteria, SSE sets out the materiality thresholds that would require re-baselining and associated target updates. SSE also commits to reviewing and updating their transition plan – including targets and actions – every three years.</p>
R	2.4 Where progress is not made as originally expected, it is explained, along with any planned corrective actions to be undertaken.	ACTION INTO PROGRESS	<p>Public reporting demonstrates that SSE are progressing against their targets. SSE also provides narrative within its annual reports explaining trends observed in emissions.</p> <p>SSE Annual Report (FY25, p. 47): <i>"SSE is now one-third of the way towards its Scope 1 carbon intensity reduction target and</i></p>	Medium interpretative judgement – this is due to the level of interpretation required to assess whether progress has been 'not made as originally expected', as this assessment will vary by assessor. For the purpose of this review, this has been taken to mean consideration of whether targets remain on track to be

	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
			<p><i>two-thirds of the way towards its absolute Scope 1 and 2 reduction target. SSE is nearly halfway towards meeting its Scope 3 gas sold target.</i></p>	<p>met and whether decarbonisation has occurred aligned with their target trajectory.</p> <p>Based on this interpretation of 'not made as originally expected', SSE demonstrate that progress has been made as evidenced by decarbonisation across Scope 1 and 2 emissions since the 2017/18 base year.</p>
<p><b>R</b></p>	<p><b>2.5</b> The entity is taking reasonable steps to avoid or mitigate adverse environmental or social risks or impacts.</p>	<p>ADDRESSING DEPENDENCIES</p>	<p>SSE 'Just Transition Strategy' outlines actions to mitigate wider social and environmental impacts. This is broken down into 20 Principles for a Just Transition.</p> <p>SSE Transition Report (FY25, p. 18): These 20 principles fall under the following 5 categories: "<i>SSE's principles for good, green jobs</i>", "<i>SSE's principles for consumer fairness</i>", "<i>SSE's principles for building and operating assets</i>", "<i>SSE's principles for people in high-carbon jobs</i>", "<i>SSE's principles for supporting communities</i>".</p>	<p>There is a medium level of interpretive judgement involved in assessing what constitutes 'reasonable steps,' as there is a degree of flexibility in interpretation.</p> <p>SSE demonstrate adherence to this criterion by setting out a clear and defined Just Transition plan, which explains how they have established a strategy to avoid or mitigate adverse environmental or social risks or impacts.</p>

CRITERIA: **C** 1 of 3 Criteria are Core | **R** 2 are Recommended

**FINANCIAL VIABILITY FACTOR**


	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
<b>C</b>	<p><b>3.1</b> Where financially material spend or changes to income streams are required for the entity's implementation actions, these are reflected or achievable within its financial planning and budgeting processes (e.g. capital or operating expenditure, or R&amp;D budget). If precise quantitative financial information is not available, it is clear where investment may be required, and that it is being considered within financial plans or budgeting processes. (For example, this could be actions or milestones that support the required investments towards the target(s)).</p>	<p>ACTION INTO PROGRESS</p>	<p>SSE voluntarily discloses spend and revenue against the EU Taxonomy, and in FY25 reported 89% taxonomy alignment of capital expenditure taxonomy aligned in 2024/25. SSE Annual Report (FY25), p.80.</p> <p>SSE also discloses expected alignment of forward-looking investment plans, for example SSE Annual Report (FY25), p 21: <i>"With over 90% of the revised investment plan expected to be invested in electricity networks and renewables, the substantial majority is focused on projects that support SSE's 2030 Goals which are linked to its most highly-material UN Sustainable Development Goals (SDGs) and aligned to the Technical Screening Criteria of the EU Taxonomy."</i></p>	<p>Low interpretative judgement – this is because SSE publicly discloses quantitative financial figures against the EU Taxonomy that can be classified as sustainable activities, including reporting-year values and the percentage of overall capital expenditure spend this accounts for SSE's 5 five-year investment plan also highlights its contribution to the energy transition.</p>
<b>R</b>	<p><b>3.2</b> The entity takes reasonable steps to integrate the financial impacts of its transition strategy (for example, impacts on expected cash flow and financial forecasts) into its financial reporting.</p>	<p>TRANSPARENT ACCOUNTABILITY</p>	<p>SSE produces 5-year financial forecasts related to investments required for its transition strategy. This indicates that the transition strategy has been integrated into financial forecasts and reporting. For example, SSE Annual Report (FY25), p6: <i>"Our Net Zero Acceleration Programme Plus is a five-year plan to 2027 currently forecast to invest around £17.5bn in renewables, electricity networks</i></p>	<p>Medium interpretative judgement – this is due to public disclosures not typically showing how transition-related financial impacts are directly embedded into financial statements.</p> <p>However, SSE mitigate this interpretative judgement by disclosing the amount required to deliver on their 5-</p>

	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
			<p><i>and system flexibility that will be needed to achieve clean power by 2030."</i></p>	<p>year Net Zero Acceleration Programme and integrate this in its financial reporting in the Annual report.</p>
<p><b>R</b></p>	<p><b>3.3</b> There is current or anticipated progress in the entity's transition-related revenue, R&amp;D expenditure, capital expenditures or assets mix targets in line with its ambition (progress is not required to be linear).</p>	<p>ACTION INTO PROGRESS</p>	<p>Evidence of consistently high capital expenditure (c. 90%) and increasing year-on-year revenue and capital expenditure in EU taxonomy aligned activities from 2023 (SSE Annual Report (FY25), p80). Additional evidence of forecasted high capital expenditure (c. 90%) as part of the investment plan out to 2027. (SSE Net Zero Transition Plan, p.5).</p>	<p>Low interpretative as SSE has demonstrated observable increases in transition-related revenue and capital expenditure year-on-year.</p>

CRITERIA: **C** 1 of 2 Criteria are Core | **R** 1 is Recommended

ENGAGEMENT FACTOR				
	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
<b>C</b>	<p><b>4.1</b> Direct or indirect engagement activity by the entity does not demonstrably undermine its Credible Corporate Pathway or its ability to meet its interim targets and metrics.</p>	<p>CREDIBLE AMBITION</p>	<p>SSE's direct and indirect engagement is assessed annually on its alignment with the Paris Agreement, this is evidenced in SSE's Net Zero Transition Plan, p20: <i>"SSE actively and positively advocates for stronger climate policy to reach net zero and create a better environment for investing in renewables and electricity networks. Its lobbying and advocacy activity aligns with the Paris Agreement and SSE's own net zero goals. SSE is transparent around its policies and advocacy. Each year, SSE reviews its trade association memberships to ensure their positions are aligned with its own climate principles. These are drawn from SSE's Climate Change Policy and aligned with the Paris Agreement."</i></p>	<p>Medium interpretative judgement – this is due to it being inherently difficult to evidence the absence of engagement activities that may undermine a company's targets.</p> <p>SSE provide the assessor with confidence due to the provision of a statement that its engagement (lobbying, advocacy and trade association) are reviewed to ensure alignment with the Paris Agreement and therefore demonstrate that engagement is aligned with their Credible Corporate Pathway.</p>
<b>R</b>	<p><b>4.2</b> There is an understanding of how engagement by the entity is linked to the mitigation of the entity's dependencies and how engagement activity is managing exposure to dependencies so far as reasonably possible.</p>	<p>ADDRESSING DEPENDENCIES</p>	<p>Stakeholder engagement is referenced to as essential for the completion of time-bound implementation actions and noted as supporting to reduce dependencies.</p>	<p>There is a high level of interpretative judgement in assessing this criterion, particularly as <i>"managing exposure so far as reasonably possible"</i> requires judgement as to what constitutes sufficient action. However, SSE specifically state that their engagement helps reduce dependencies, which demonstrates their understanding and confirms the Criteria is met.</p>

CRITERIA: **C** 2 of 4 Criteria are Core | **R** 2 are Recommended

 GOVERNANCE FACTOR				
	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
<b>C</b>	<b>5.1</b> Interim targets and metrics and transition planning are approved by senior-decision makers (e.g. the leadership team or the Board where the entity has a Board).	CREDIBLE AMBITION	SSE's Net Zero Transition Plan is governed and approved by the Board, aligning with its role to set the company's purpose, vision, and strategy. As head of the board, the Chair is responsible for providing necessary information to maintain the Plan's clarity and relevance. Delivery responsibility sits with the Group Executive Committee, with the Chief Executive having ultimate responsibility for the management of climate-related initiatives under the Plan. This is evidenced on p20 of SSE's Net Zero Transition Plan: <i>"SSE's Net Zero Transition Plan is governed and approved by the Board, aligning with its role to set the company's purpose, vision, and strategy"</i> .	Low interpretative judgement – this is due to SSE's Net Zero Transition Plan being governed and approved by the Board.
<b>C</b>	<b>5.2</b> Responsibility for delivery is allocated to one or more governance bodies and/or senior executives.	TRANSPARENT ACCOUNTABILITY	SSE undertakes an annual review of and disclosure against their Net Zero Transition Plan via the Sustainability Report. The Group Executive Committee assumes ultimate responsibility for progress against the Transition Plan. This is evidenced in SSE's Net Zero Transition Plan, p.20: <i>"The implementation of the Plan is the responsibility of the Group Executive Committee (GEC). Through leadership of the GEC and as head of executive management, the Chief Executive retains ultimate responsibility for the management of climate-related initiatives under the Plan and in turn, driving progress"</i> .	Low interpretative judgement – this is due to the delivery of SSE's transition plan being allocated to the Group Executive Committee.
<b>R</b>	<b>5.3</b> The entity applies financial incentives at entity or management level, such as remuneration or performance-	TRANSPARENT ACCOUNTABILITY	SSE has financial incentives linked to performance against key Sustainability Goals. This is evidenced in SSE's Annual Report (FY25; p.126): <i>"The vesting of Performance Share Plan (PSP) awards links directly to performance against both</i>	Low interpretative judgement – SSE provide evidence that its Performance Share Plan are linked to the achievement of the transition-related targets.

	CRITERIA	PRINCIPLES	EVIDENCE	COMMENT
	based pay for senior management, that are linked to the achievement of transition-related targets or milestones.		<i>the Net Zero Acceleration Programme (NZAP) Plus and the 2030 Goals. The PSP awards have dedicated strategy and sustainability measures, which represent a combined 30% of the award. And 10% of the Annual Incentive Plan (AIP) award is linked to our performance in publicly available sustainability indices. A further 30% of this AIP award relates to operational performance aligned with key NZAP Plus deliverables."</i>	
R	<b>5.4</b> Where there are current or anticipated changes to the entity's business model or governance affecting transition planning or interim targets and metrics, this is addressed by a senior management or Board review.	ADDRESSING DEPENDENCIES	SSE provide evidence that current or anticipated changes will be reflected as required within its transition plan. SSE's Net Zero Transition Plan states that <i>"as head of the Board, the Chair is responsible for providing the necessary information to maintain the Plan's clarity and relevance"</i> , ensuring alignment with SSE's strategy.	Low interpretative judgement - this is due to clear evidence that SSE have allocated responsibility to the head of the Board to ensure that the Transition Plan is updated as required to reflect changes.

## Appendix B – Detailed users and use cases of the Guidelines

The list below, though not exhaustive, describes some more specific use cases for the Guidelines:

USERS	USE CASES
<p><b>Real economy corporates</b> (for example listed and private companies across different global markets and sectors, including high-emitting sectors)</p>	<ul style="list-style-type: none"> <li>• Improve awareness of credibility expectations with regards to an entity's transition planning and delivery.</li> <li>• Reduce expectations gap between investors assessing transition and corporates reporting their plan and progress, potentially improving access to capital.</li> <li>• A reference tool to inform and help articulate transition planning to address expected areas of focus for investors.</li> <li>• Support engagement with sustainable investors – applying the Guidelines may help entities avoid being “screened out” of funds that use negative screening or portfolio decarbonisation targets and may increase likelihood of being “screened-in” to funds that apply positive screening for transition.</li> </ul>
<p><b>Asset Owners</b> (for example pension funds, insurance companies (in their role as asset owners) and sovereign wealth funds)</p>	<ul style="list-style-type: none"> <li>• Guide capital allocation toward credibly transitioning entities in high-emitting sectors.</li> <li>• Support mandate-setting and investment policies using a common assessment framework.</li> <li>• Use as a reference when selecting or screening asset managers and investment consultants, to assess their transition assessment policies and approaches.</li> <li>• Build confidence in transition finance as a legitimate and scalable investment theme.</li> <li>• Inform benchmarks or inclusion/exclusion criteria for screening or passive strategies.</li> </ul>
<p><b>Asset Managers</b> (for example private market investors, Impact investors and hedge funds)</p>	<ul style="list-style-type: none"> <li>• Inform security selection and portfolio construction by acting as a threshold for transition.</li> <li>• Provide indicators to measure investee progression through transition, increase effectiveness of engagement.</li> <li>• Justify holdings in high-emitting issuers in portfolios that have a comply-or-explain portfolio decarbonization objective.</li> <li>• Support stewardship and engagement with corporates, providing an external reference to inform feedback on transition plans.</li> </ul>
<p><b>Credit institutions</b> (for example commercial and investment bank – banks play role as both credit providers and capital market facilitators)</p>	<ul style="list-style-type: none"> <li>• Act as external reference point for institutions creating their own transition finance frameworks.</li> <li>• Underpin the analysis of client base and tracking the share of clients that are credibly transitioning. This should bring more confidence and credibility when institutions are calculating and reporting on performance against sustainable finance targets and could increase banks' appetite to include finance to credibly transitioning clients within sustainable finance targets.</li> <li>• Justification process for inclusion of general-purpose finance to credibly transitioning clients within sustainable or transition finance targets.</li> </ul>
<p><b>Insurance Providers</b> (for example re/insurers, development insurers, and insurance-linked securities arrangers)</p>	<ul style="list-style-type: none"> <li>• Indirectly supportive of the development and scaling of climate risk transfer instruments.</li> <li>• Foster collaboration with capital markets, MDBs, and governments to de-risk investments in high-emitting sectors transitioning to low-carbon models.</li> </ul>

USERS	USE CASES
<b>Regulators</b>	<ul style="list-style-type: none"> <li>• Enhance market integrity with market led Handbook that considers Guideline uses alongside regulatory disclosure and label regimes.</li> <li>• Offers opportunity for a feedback loop to inform market and regulatory approaches and to benchmark against peers.</li> </ul>
<b>Public Financial Institutions (PFIs), Export Credit Agencies, Multilateral Development Banks</b>	<ul style="list-style-type: none"> <li>• Act as external reference point for institutions creating their own transition finance frameworks.</li> <li>• Underpin/input to analysis of client base and tracking the share of clients that are credibly transitioning.</li> <li>• Indirectly support use case and risk assessment for public finance input into transition finance transactions.</li> </ul>
<b>Governments</b>	<ul style="list-style-type: none"> <li>• Support measurement of investment flows and year-on-year trends.</li> <li>• Evidence of market engagement on real world decarbonisation impact.</li> <li>• Information source on barriers and dependencies in relation to corporates' transition planning, to inform public policies and national roadmaps.</li> </ul>
<b>Financial Advisors</b>	<ul style="list-style-type: none"> <li>• Reference point when advising clients on credible transition and portfolio alignment.</li> <li>• Support clients in understanding expectations for credible transition plans, enhancing decision-making and risk management.</li> </ul>
<b>Second party opinion providers</b>	<ul style="list-style-type: none"> <li>• Enhance the robustness of external reviews by referencing voluntary guidelines for entity-level credible transition assessment.</li> </ul>
<b>Ratings agencies</b>	<ul style="list-style-type: none"> <li>• Integrate the Guidelines into credit and sustainability rating methodologies to assess the credibility of issuers' transition strategies.</li> <li>• Support market confidence by providing data and insights on the extent to which rated entities align with credible transition pathways.</li> </ul>

## Appendix C – Mapping of Guidelines to TPT/ISSB Disclosure Frameworks

The four Principles which underpin these Guidelines are drawn from the three guiding principles of Ambition, Action and Accountability which underpin the Transition Plan Taskforce (TPT) Disclosure Framework.

In turn, the TPT Disclosure Framework was designed to be consistent with and build on IFRS S2 *Climate-related Disclosures*. This means that in addition to providing a tool for entities to develop their transition plans, the TPT considered that its framework could be used as guidance to help report more effectively against the IFRS S2 disclosure requirements which concern transition planning<sup>59</sup>. The IFRS has also issued a guidance document<sup>60</sup> on disclosing information about transition in accordance with IFRS S2 which is described as building on the TPT’s disclosure-specific material<sup>61</sup>.

IFRS S2 contains a number of requirements relevant to transition planning including requirements for entities to provide information about how they have responded to and plan to respond to climate-related risks and opportunities in their strategy and decision-making and about targets set to achieve strategic goals. However, IFRS S2 does not define “transition planning” and it does not require entities to have drawn up formal transition plans. It does require entities to disclose information about any transition plans they have. The focus is on entities being transparent about the climate-related processes and policies they have in place<sup>62</sup>.

The table below “maps” the requirements in IFRS S2 and the TPT Disclosure Framework which are relevant to the Assessment Factors Criteria and the broad subject matter of the Contextual Factors. This table therefore may be helpful in identifying relevant information in the context of assessing credible transition finance where entities have implemented the TPT Disclosure Framework, IFRS S2 or a locally endorsed equivalent<sup>63</sup>.

The transition-related aspects of IFRS S2 deal with disclosure requirements, while the TPT Disclosure Framework contains both good practice guidance on drawing up transition plans and disclosure recommendations. This mapping looks at disclosure requirements only. It focuses on those IFRS S2 disclosure requirements and TPT disclosure elements which concern matters (whether in whole or in part) covered by the requirements of the Assessment Factors and Contextual Factors. Disclosures under other parts of IFRS S2 may provide useful information in the context of assessing an

<sup>59</sup> TPT Disclosure Framework (pp. 12 and 38).

<sup>60</sup> IFRS Guidance document *Disclosing information about an entity’s climate-related transition, including information about transition plans, in accordance with IFRS S2* (June 2025).

<sup>61</sup> Since the disbandment of the TPT on completion of its work, the IFRS has taken on responsibility for the disclosure-specific materials developed by the TPT and these transition planning resources are now hosted on the IFRS knowledge hub. The TPT materials reflect the output of the TPT at the relevant time whereas IFRS S2 may be amended or updated from time to time.



<sup>62</sup> IFRS Guidance document *Disclosing information about an entity’s climate-related transition, including information about transition plans, in accordance with IFRS S2* (see page 5).


<sup>63</sup> For example, the UK government has formally endorsed IFRS S2 with some minor amendments via the publication of UK SRS2.

entity's transition strategy, for example the general requirements for entities to disclose the climate-related risks and opportunities that could be reasonably expected to affect their prospects (paragraph 10(a) of IFRS S2). The fact that IFRS S2 disclosure requirements and TPT disclosure elements have been included in the same row in the tables does not mean that there is an exact equivalence between the provisions of the two disclosure regimes.


IFRS S2 applies "investor" materiality in that its objective is to require disclosure of information about an entity's climate-related risks and opportunities that is useful to existing and potential investors, lenders and other creditors in making decisions relating to providing resources to the entity, and it requires disclosure of such information that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. The TPT Disclosure Framework applies the same approach to materiality. Please see Section 3.3 "Materiality" of the Guidelines for an explanation of how materiality is used in the Guidelines which includes investor materiality but also includes definitions of "financially material" and "material emission sources".


 **INTERIM TARGETS AND METRICS**

	<b>Principle</b>	<b>Criterion</b>	<b>Relevant core content element and paragraphs of IFRS S2</b>	<b>Relevant TPT disclosure element or sub-element</b>
	<b>Credible Ambition</b>	<p><b>1.1</b> The entity has quantitatively defined interim decarbonisation targets which cover material emissions sources across Scopes 1 and 2.</p>	<p>Climate-related risks and opportunities (paragraph 10(d)).</p> <p>Climate-related targets (paragraphs 27, 28(c), 33, and 36(a) – (c)).</p> <p><b>Note:</b> Climate-related metrics, paragraph 29(a) requires disclosure of greenhouse gas emission data irrespective of whether a target has been set.</p>	<p>Strategic Ambition (1.1.e).</p> <p>GHG metrics and targets (4.3.a, 4.3.c and 4.3.d – e).</p>
	<b>Credible Ambition</b>	<p><b>1.2</b> The entity has quantitatively defined interim decarbonisation targets which cover emissions sources in material Scope 3 categories or an operational target(s) or other measurable objective(s) aimed at addressing Scope 3.</p> <p>Though a quantitative emissions reduction target is preferred, if the entity's interim decarbonisation targets do not cover its material Scope 3 emissions:</p> <ul style="list-style-type: none"> <li>there is a clear and demonstrable link to a credible proxy (either an operational target(s) or another measurable objective(s)) aimed at addressing decarbonisation of Scope 3 categories; and</li> </ul>	<p>Climate-related risks and opportunities (paragraph 10(d)).</p> <p>Climate-related targets (paragraphs 27, 28(c), 33, and for greenhouse gas emissions targets 36(a) – (c)).</p> <p><b>Note:</b> Second bullet not covered.</p> <p><i>Re examples of proxies: Climate-related metrics, paragraph 29(d) (amount and percentage of assets and business activities aligned to climate-related opportunities); paragraph 29(e) (amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities); and paragraph 29(f) (internal carbon prices).</i></p>	<p>Strategic Ambition (1.1.e).</p> <p>GHG metrics and targets (4.3.b, 4.3.c, 4.3.d, 4.3.f and 4.3.h).</p> <p>Governance, business and operational metrics and targets (4.1.a – b).</p> <p>Financial metrics and targets (4.2.a – b).</p> <p>GHG metrics and targets (4.3.h re improving monitoring and reporting systems).</p> <p><i>Re examples of proxies: Financial metrics and targets (4.2.f – carbon price in decision-making).</i></p>

 INTERIM TARGETS AND METRICS				
	Principle	Criterion	Relevant core content element and paragraphs of IFRS S2	Relevant TPT disclosure element or sub-element
		<ul style="list-style-type: none"> <li>the entity has or is currently developing actions to improve its Scope 3 GHG data.</li> </ul> <p><i>Note: Please see a non-exhaustive list of examples of credible proxies in the box below.</i></p>		
<b>C</b>	<b>Credible Ambition</b>	<p><b>1.3</b> It is clear how interim target(s) are consistent with a Credible Corporate Pathway(s) which references one or more Credible Reference Pathways.</p> <p><i>Note: Quantitative emissions targets may be absolute or intensity based if they are consistent with the Credible Corporate Pathway.</i></p>	Climate-related targets, (paragraphs 33(b) and 33(h), and for greenhouse gas emissions targets 36(d)).	<p>Strategic Ambition (1.1.c).</p> <p>GHG metrics and targets (4.3.i.viii – ix).</p> <p>Governance, business and operational metrics and targets (4.1.c.viii – x).</p> <p>Financial metrics and targets (4.2.c.viii – x).</p>
<b>C</b>	<b>Transparent Accountability</b>	<p><b>1.4</b> Quantitative interim target(s) outline the baseline year, target year and the methodology used. Target year is justifiable, i.e. consistent with market practice, and not so short as to significantly limit the potential for transition impact<sup>64</sup>.</p>	<p>Climate-related risks and opportunities (paragraph 10(d)).</p> <p>Climate-related targets, (paragraphs 33(a), 33(d) – (g), and 34).</p>	<p>Strategic Ambition (1.1.e).</p> <p>GHG metrics and targets (4.3.i.i, 4.3.i.iv – vii, and 4.3.j).</p> <p>Governance, business and operational metrics and targets (4.1.c.i, 4.1.c.iv – vii, 4.1.c.x, and 4.1.d).</p>

<sup>64</sup> ‘Consistent with market practice’ refers to the prevailing time horizons typically adopted in transition planning and target setting frameworks at the time of assessment (which, at the date of publication, commonly reference 2030 as an interim milestone). However, the Guidelines do not prescribe a fixed calendar year. As the time remaining to widely used milestone years shortens, assessors should ensure that interim target years remain sufficiently forward-looking to drive meaningful transition impact.

 <b>INTERIM TARGETS AND METRICS</b>				
	<b>Principle</b>	<b>Criterion</b>	<b>Relevant core content element and paragraphs of IFRS S2</b>	<b>Relevant TPT disclosure element or sub-element</b>
				Financial metrics and targets (4.2.c.i, 4.2.c.iv – vii, 4.2.c.x and 4.2.d).
<b>C</b>	<b>Transparent Accountability</b>	<b>1.5</b> Progress against the target(s) is monitored on an annual basis.	<p>Climate-related targets, (paragraphs 34 and 35).</p> <p>Paragraph 29(a) (disclosure of absolute gross greenhouse emissions).</p>	<p>GHG metrics and targets (4.3.j and 4.3.k).</p> <p>Governance, business and operational metrics and targets (4.1.d and 4.1.e).</p> <p>Financial metrics and targets (4.2.d and 4.2.e).</p> <p>Disclosure of absolute gross GHG emissions (4.3.l).</p>
<b>C</b>	<b>Action into Progress</b>	<b>1.6</b> There is progress made against the interim targets over the target period. Where progress is not linear, other metrics or information which show necessary progress on actions are evident.	<p>Metrics and targets, (paragraphs 27, 28(c), and 35).</p> <p>Strategy and decision-making, (paragraph 14(c)).</p> <p>Paragraph 29(d) (amount and percentage of assets and business activities aligned to climate-related opportunities), and paragraph 29(e) (amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities).</p>	<p>GHG metrics and targets (4.3.k).</p> <p>Governance, business and operational metrics and targets (4.1.e).</p> <p>Financial metrics and targets (4.2.e).</p>
<b>C</b>	<b>Credible Ambition</b>	<b>1.7</b> The entity has a long-term ambition for overall emissions reductions, although a quantified long-term target is not required.	Climate-related risks and opportunities (paragraph 10(d)).	Strategic Ambition (1.1.a.i and 1.1.e).

 INTERIM TARGETS AND METRICS				
	Principle	Criterion	Relevant core content element and paragraphs of IFRS S2	Relevant TPT disclosure element or sub-element
			<p>To the extent any target has been set, climate-related targets (paragraph 33).</p> <p>Strategy and decision-making (disclosures under paragraph 14(a) and paragraph 14(a)(iv)) could include information about long-term ambitions that do not amount to targets).</p>	Metrics & Targets (4), to the extent any target has been set.
<b>C</b>	<b>Addressing Dependencies</b>	<p><b>1.8</b> Key dependencies and assumptions that may reasonably affect the achievement of the target(s) have been considered, and this consideration includes an understanding of the potential impact if the dependencies do not hold.</p> <p><i>Note: Dependencies and assumptions are context specific, they might include but are not limited to finance, policy, incentives, infrastructure availability, regulatory gates, technology risk, demand creation and environmental or social impacts.</i></p>	<p>Strategy and decision-making, (paragraph 14(a)(iv) specifically references disclosure of information about “key assumptions” and “dependencies” where a formal climate-related transition plan is in place). Disclosures under paragraphs 14(a)(i) – (iii) potentially could include relevant information.</p> <p>Disclosures in relation to climate resilience (paragraph 22) potentially may elicit information relevant to the identification of dependencies.</p> <p>Climate-related targets (paragraph 34) requires disclosure of the “approach” to target setting.</p>	<p>Strategic Ambition (1.1.b).</p> <p>Key assumptions and external factors (1.3).</p> <p>GHG metrics and targets (4.3.m.iv) in relation to identification and management of dependencies arising from GHG removals.</p> <p>Carbon credits (4.4.f) in relation to identification and management of dependencies arising from carbon credits usage.</p>
<b>R</b>	<b>Addressing Dependencies</b>	<b>1.9</b> Dependencies are reviewed periodically.	Annual reporting under paragraph 14(a)(iv) may show variations in the dependencies on	To the extent that any transition plan is updated this may show variations in the dependencies, see row 0 above.

 **INTERIM TARGETS AND METRICS**

	Principle	Criterion	Relevant core content element and paragraphs of IFRS S2	Relevant TPT disclosure element or sub-element
		<p><i>Note: See Implementation Factor Table below on how dependencies are addressed.</i></p>	<p>which an entity's transition plan relies for different reporting periods.</p> <p>Disclosures under paragraph 14(c) about the progress of "plans" may include information on dependencies.</p> <p>Disclosures under paragraph 34(d) about any revisions to a target and an explanation for those revisions may include information on dependencies if relevant.</p>	

 IMPLEMENTATION

	Principle	Criteria	Relevant core content element and paragraphs of IFRS S2	Relevant TPT disclosure element or sub-element
<b>C</b>	<b>Action into Progress</b>	<p><b>2.1</b> The entity has time-bound implementation actions that are related to (but are not limited to) the entity's operations, engagement, its products and services and its policies. The actions:</p> <ul style="list-style-type: none"> <li>• directly contribute to the entity's interim targets and metrics in line with its Credible Corporate Pathway; and</li> <li>• focus on achievable, commercially and technologically feasible steps at the time of capital deployment.</li> </ul> <p><i>Note: How actions are directly contributing towards the entity's target(s) can be shown either quantitatively or qualitatively.</i></p>	<p>Strategy and decision-making (paragraphs 8, 9(c), and 14(a) (i) - (v)).</p> <p>In relation to current and anticipated effects of climate-related risks and opportunities on the entity's business model and value chain (paragraphs 9(b) and 13).</p> <p><b>Note:</b> Second bullet point not covered.</p>	<p>Metrics &amp; Targets (4.1.b, 4.2.b and 4.3.d).</p> <p>Business operations (2.1).</p> <p>Products and services (2.2).</p> <p>Policies and conditions (2.3).</p> <p>Engagement strategy (3).</p> <p>Business model and value chain (1.2).</p> <p><b>Note:</b> Second bullet point not covered.</p>
<b>C</b>	<b>Addressing Dependencies</b>	<p><b>2.2</b> The entity has taken reasonable steps to mitigate or manage key dependencies, where the entity has the ability to influence them.</p>	<p>See row 0 below for disclosure of information about dependencies.</p> <p>For disclosure regarding actions taken or planned, see row 0 above.</p>	<p>For the disclosure of information about dependencies, see row 0 below.</p> <p>For disclosure regarding actions taken or planned, see row 0 above.</p>

 IMPLEMENTATION


	Principle	Criteria	Relevant core content element and paragraphs of IFRS S2	Relevant TPT disclosure element or sub-element
<p><b>C</b></p>	<p><b>Transparent Accountability</b></p>	<p><b>2.3</b> The entity periodically reviews and, when necessary, updates its actions and interim targets, informed by progress or changes in key dependencies (for example, sector or policy changes or changes in corporate or group structure).</p>	<p>For disclosure relating to dependencies, only paragraph 14(a)(iv) (which relates to when a formal transition plan is in place) expressly refers to “dependencies”. However, the more general disclosure around transition strategy etc. required under paragraph 14(a) potentially could elicit relevant information.</p> <p>Disclosures in relation to climate resilience (paragraph 22) potentially may elicit information relevant to the identification of dependencies.</p> <p>For disclosure of progress of plans (paragraph 14(c)).</p> <p>Paragraph 34(d) in relation to revising targets, and paragraph 35 for progress against targets.</p> <p>See row 0 above, as reporting is annual this should reveal material changes in actions taken and proposed over different reporting periods.</p>	<p>For disclosure relating to dependencies, Strategic ambition (1.1.b) and key assumptions and external factors (1.3.a – b).</p> <p>Metrics &amp; Targets (4.1.e, 4.2.e and 4.3.k in relation to progress against and revision of targets).</p> <p>To the extent any update to a transition plan reveals changes in actions taken and proposed, see row 0 above.</p>

 IMPLEMENTATION


	Principle	Criteria	Relevant core content element and paragraphs of IFRS S2	Relevant TPT disclosure element or sub-element
<b>R</b>	<b>Action into Progress</b>	<b>2.4</b> Where progress is not made as originally expected, it is explained, along with any planned corrective actions to be undertaken.	<p>In relation to disclosure of progress of plans (paragraph 14(c)). Where targets are applicable, paragraph 34(d) in relation to revising targets, and paragraph 35 for progress against targets.</p> <p>See row 0 above, as reporting is annual this should reveal any new material actions proposed or taken to address a need for correction.</p>	<p>Metrics and targets, for disclosure against and revision of targets (4.1.e, 4.2.e, and 4.3.k).</p> <p>To the extent any update to a transition plan reveals changes in actions taken and proposed, see row 0 above.</p>
<b>R</b>	<b>Addressing Dependencies</b>	<b>2.5</b> The entity is taking reasonable steps to avoid or mitigate adverse environmental or social risks or impacts.	<p>Strategy and decision-making (paragraphs 9(c) and 14(a)) to the extent covered in transition planning actions.</p> <p>Climate-related targets (paragraph 33) to the extent that avoidance and mitigation actions for environmental and social risks are encapsulated in targets.</p> <p><b>Note:</b> IFRS S1, Strategy and decision-making (paragraph 33) concerns plans for responding to sustainability-related risks and opportunities.</p>	<p>Strategic ambition (1.1.b).</p> <p>Policies and conditions (2.3.viii – xii).</p> <p>Governance, business and operational metrics and targets (4.1) to the extent that avoidance and mitigation actions for environmental and social risks are encapsulated in targets.</p> <p>GHG metrics and targets (4.3.m.iv – relates to carbon removals).</p> <p>Carbon credits (4.4.f).</p>

 FINANCIAL VIABILITY

	Principle	Criteria	Relevant core content element and paragraphs of IFRS S2	Relevant TPT disclosure element or sub-element
<b>G</b>	<b>Action into Progress</b>	<b>3.1</b> Where financially material spend or changes to income streams are required for the entity's implementation actions, these are reflected or achievable within its financial planning and budgeting processes (for example, capital or operating expenditure, or R&D budget). If precise quantitative financial information is not available, it is clear where investment may be required, and that it is being considered within financial plans or budgeting processes. (For example, this could be actions or milestones that support the required investments towards the target(s)).	<p>Strategy and financial position, financial performance and cash flows (paragraphs 9(d), 14(b), 15, 16(c) and 16(d)).</p> <p>Climate-related metrics (paragraphs 29(d) and (e)).</p>	Financial planning (2.4.a. – c.)
<b>R</b>	<b>Transparent Accountability</b>	<b>3.2</b> The entity takes reasonable steps to integrate the financial impacts of its transition strategy (for example, impacts on expected cash flow and financial forecasts) into its financial reporting.	Strategy and financial position, financial performance and cash flows (paragraphs 9(d), 15, and 16(d)).	Financial planning (2.4.c).
<b>R</b>	<b>Action into Progress</b>	<b>3.3</b> The entity's revenue, R&D expenditure, capital expenditures or assets mix targets is moving in line with its Credible Corporate Pathway (this is not required to be linear).	<p>Climate-related metrics (paragraphs 29 (d) and (e)).</p> <p>Climate-related targets, if an entity has set relevant targets (paragraphs 33 – 35).</p>	Financial metrics and targets (4.2.a – e) if an entity has set relevant targets.

 <b>ENGAGEMENT</b>				
	<b>Principle</b>	<b>Criteria</b>	<b>Relevant core content element and paragraphs of IFRS S2</b>	<b>Relevant TPT disclosure element or sub-element</b>
<b>C</b>	<b>Credible Ambition</b>	<p><b>4.1</b> Direct or indirect engagement activity by the entity does not demonstrably undermine its Credible Corporate Pathway or its ability to meet its interim targets and metrics.</p> <p><i>Note: This criterion may be considered satisfied if there is no significant adverse issue identified based on controversy searches or screenings performed.</i></p>	-----	Engagement with industry (3.2.e).
<b>R</b>	<b>Addressing Dependencies</b>	<p><b>4.2</b> There is an understanding of how engagement with external stakeholders by the entity is linked to the mitigation of the entity's dependencies and how engagement activity is managing exposure to dependencies so far as reasonably possible.</p>	To the extent that there are any implementation actions or targets for engagement relating to dependencies, strategy and decision-making (paragraphs 14(a)(iii) and 14(a)(iv)), and climate-related targets (paragraphs 33 – 34).	<p>Engagement strategy (3.1.a., 3.2.b., and 3.3.a.).</p> <p>Governance, business and operational metrics and targets (4.1.b).</p>

2

 <b>GOVERNANCE</b>				
	<b>Principles</b>	<b>Criteria</b>	<b>Relevant core content element and paragraphs of IFRS S2</b>	<b>Relevant TPT disclosure element or sub-element</b>
<b>C</b>	<b><i>Credible Ambition</i></b>	<b>5.1</b> Interim targets and metrics and transition planning are approved by senior decision-makers (for example, the leadership team or the Board where the entity has a Board).	Governance (paragraphs 5, 6(a)(i), 6(a)(iv) and 6(a)(v), and 6(b)).	Governance (5.1.a, 5.1.b, 5.1.e and 5.1.f, and 5.2.a, 5.2.b and 5.2.d).
<b>C</b>	<b><i>Transparent Accountability</i></b>	<b>5.2</b> Responsibility for delivery is allocated to one or more governance bodies and/or senior executives.	Governance (paragraphs 5, 6(a) and 6(b)(i)).	Governance (5.1, 5.2.a and 5.2.b).
<b>R</b>	<b><i>Action into Progress</i></b>	<b>5.3</b> The entity applies financial incentives at entity or management level, such as remuneration or performance-based pay for senior management, that are linked to the achievement of transition-related targets or milestones.	Governance (paragraph 6(a)(v)).  Climate-related metrics, (remuneration, paragraph 29(g)).	Incentives and remuneration (5.4).
<b>R</b>	<b><i>Addressing Dependencies</i></b>	<b>5.4</b> Where there are current or anticipated changes to the entity's business model or governance affecting transition planning or interim targets and metrics, this is addressed by a senior management or Board review.	Governance, (paragraph 6(a)).	Board oversight and reporting (5.1).

 CONTEXTUAL ASSESSMENT FACTORS

Factor	Relevant core content element and paragraphs of IFRS S1 and S2	Relevant TPT disclosure element or sub-element
<p><b>Adaptation and resilience factor</b></p>	<p>IFRS S2:</p> <p>Strategy and decision-making (paragraph 14(a), and paragraphs 14(a)(ii) and (iii) which reference “adaptation efforts”).</p> <p>Climate-related metrics (paragraph 29(c) amount and percentage of assets/business activities vulnerable to climate-related physical risks).</p> <p>Climate resilience (paragraphs 9(e) and 22).</p>	<p>Strategic ambition (1.1.a.ii)</p> <p>Key assumptions and external factors (1.3.a.ix and 1.3.a.x).</p> <p>Implementation strategy (2.1.b.iii and 2.3.a.v).</p>
<p><b>Nature and biodiversity factor</b></p>	<p>IFRS S2: Strategy and decision-making (paragraph 14(a)) to the extent any transition planning encompasses nature-related aspects.</p> <p>IFRS S1: Strategy and decision-making (paragraph 33) to the extent plans for responding to sustainability-related risks and opportunities encompass nature-related aspects.</p> <p><b>Note:</b> The ISSB is developing “disclosure requirements to respond to the needs of investors for information on nature-related risks and opportunities. These requirements will supplement the requirements in IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> and IFRS S2 <i>Climate-related Disclosures</i>, to be applied to nature-related risks and opportunities”<sup>65</sup>.</p>	<p>Strategic ambition (1.1 and 1.1.b).</p> <p>Policies and conditions (2.3.a.viii and ix).</p> <p>GHG metrics and targets (4.3.m.iv – relates to carbon removals).</p> <p>Carbon credits (4.4.f).</p>

<sup>65</sup> <https://www.ifrs.org/projects/work-plan/biodiversity-ecosystems-and-ecosystem-services/#current-stage>

 **CONTEXTUAL ASSESSMENT FACTORS**

Factor	Relevant core content element and paragraphs of IFRS S1 and S2	Relevant TPT disclosure element or sub-element
<b>Offsetting factor</b>	IFRS S2: Climate-related targets (paragraph 36(e)) in relation to “planned use” of carbon credits.	Carbon credits (4.4).

## Appendix D– Use of NZIF alongside the Transition Finance Guidelines

NZIF puts forward ten “baseline criteria” for asset level transition assessment<sup>66</sup>. These criteria are intended as starting point for users to make their own decisions. They are also subject to change as NZIF is a living document. In addition to these criteria, NZIF also puts forward suggested “indicators” for each category of alignment for listed equity and corporate fixed income, real estate, infrastructure, private equity and private debt<sup>67</sup>.

NZIF employs deliberately non-prescriptive indicators on an “implement or explain” basis, enabling investors to adapt assessments to their specific strategies, capacities, and fiduciary duties. This serves a different purpose to the Guidelines which create a uniform set of minimum “Core” Criteria capable of application across markets, asset classes, and sectors. Therefore, requirements in the Guidelines Criteria do not directly link to the criteria and suggested indicators in the NZIF framework. This is because NZIF does not make requirements of its users and will have much greater variety in interpretation and application. NZIF is not a “standard” and thus there is no definitive answer to mapping each set of criteria exactly.

A user of NZIF may want to use the Criteria in the Guidelines as a reference point or input to bring additional rigour to assessment of whether an asset meets the “Aligning to net zero” category. In that context, it is useful to see how the Criteria in the Guidelines map to the 9 NZIF criteria as evidence that the Guidelines are a suitable reference point. This is a high-level mapping only. A level of judgment must always be applied when determining whether an asset already classified in the “aligning to net zero” category meets the “Core” Criteria in the Guidelines, and vice versa. The table below has been provided with the understanding and expectation that each user will, with due care and diligence, conduct its own investigations and evaluations, and seek its own professional advice.

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<sup>66</sup> NZIF’s baseline criteria include Ambition, Targets, Emissions performance, Disclosure, Decarbonisation plan, Capital allocation alignment, Climate policy engagement, Climate governance, just transition and Climate risk and accounts.

<sup>67</sup> NZIF 2.0 (June 2024) also provides asset class specific criteria for /sovereign bonds.


Mapping to Transition Finance Guidelines		
NZIF Criteria	Universal Assessment Factor	Criteria
<b>Ambition</b>	Interim Targets and Metrics	1.7
<b>Targets</b>	Interim Targets and Metrics	1.1, 1.2, 1.4, 1.8
<b>Emissions performance</b>	Interim Targets and Metrics	1.5, 1.6
<b>Disclosure</b>	The Guidelines treat Disclosure as a mechanism rather than a Factor or Criteria to be met. Though the guidance around disclosure is broadly aligned across both frameworks.	
<b>Decarbonisation plan</b>	Implementation, Financial Viability	2.1, 2.2
<b>Capital allocation alignment</b>	Financial viability	3.3
<b>Climate policy engagement</b>	Engagement	4.1, 4.2
<b>Climate governance</b>	Implementation, Governance	2.1, 2.3, 5.1, 5.2, 5.3, 5.4
<b>Just transition</b>	Not addressed in the Universal Assessment Factors, though if material for the entity it should be addressed through the Contextual Assessment Factors	
<b>Climate risk and accounts</b>	Financial viability	3.1, 3.2

## Appendix E – Mapping the Guidelines to CDP

In the below table, each element of the Guidelines has been assigned a qualitative “Overall correspondence” rating against the most relevant CDP questions. This is accompanied by a brief commentary that highlight key similarities and differences to support capital providers in effectively applying the interoperability data map. All the TFC Assessment Factors show partial to full alignment with CDP datapoints, demonstrating to the market that there is broad compatibility when using this data source. However, subjective judgment regarding the exact datapoints remains necessary, as the mapping does not indicate full alignment in all cases.

Key	
Correspondence levels:	Definition:
Limited correspondence	CDP’s questionnaire has very little overlap with the Assessment Factor’s requirements.
Partial correspondence	CDP’s questionnaire has overlap with some of the Assessment Factor’s requirements, but some Criteria are not covered.
Good correspondence	CDP’s questionnaire has a high level of overlap with the Assessment Factor’s requirements, but some of them are not covered.
Full correspondence	CDP’s questionnaire captures datapoints that fully correspond to the Assessment Factor’s requirements.

CDP 2025 QUESTION NUMBER	CDP 2025 QUESTION	CDP QUESTION COLUMN	CORRESPONDENCE	COMMENT
<b>🌐 INTERIM TARGETS AND METRICS</b>				
7.53.1	Provide details of your absolute emissions targets and progress made against those targets.	C4 C6-78 81-82 C84	Good	CDP's corporate questionnaire has full correspondence with the requirement to disclose decarbonization targets covering Scopes 1, 2 and 3 emissions and long-term emission reduction ambitions. There is also good correspondence with providing evidence of progress made against targets.  There is partial correspondence with a Credible Pathway approach, as CDP asks about temperate correspondence of targets. The timeframe of targets can also be provided but not justified.  There is partial correspondence with the Criteria on key dependencies and assumptions because this is asked for in relation to transition plans, but not for targets, and does not address the impact on targets.
7.53.2	Provide details of your emissions intensity targets and progress made against those targets.	C4 C6-81 C84-85 C87		
7.54.3	Provide details of your net-zero target(s).	C4		
5.2	Does your organization's strategy include a climate transition plan?	C1 C10		
5.3.1	Describe where and how environmental risks and opportunities have affected your strategy.	All		
7.1.1	Has your organization undergone any structural changes in the reporting year, or are any previous structural changes being accounted for in this disclosure of emissions data?	All		

CDP 2025 QUESTION NUMBER	CDP 2025 QUESTION	CDP QUESTION COLUMN	CORRESPONDENCE	COMMENT
 IMPLEMENTATION				
7.53.1	Provide details of your absolute emissions targets and progress made against those targets.	C84, C86	Partial	CDP's corporate questionnaire partially corresponds with the Criteria on time-bound implementation actions, as actions are not necessarily time-bound and progress against targets is not explicitly linked to emission reduction initiatives. CDP does also not explicitly ask about corrective measures when progress is not made as expected.
7.53.2	Provide details of your emissions intensity targets and progress made against those targets.	C87, 89		
7.55.2	Provide details on the initiatives implemented in the reporting year in the table below.	C1-8		
2.2.2	Provide details of your organization's process for identifying, assessing, and managing environmental dependencies, impacts, risks, and/or opportunities.	C16		
5.4.2	Quantify the percentage share of your spending/revenue that was associated with eligible and aligned activities under the sustainable finance taxonomy in the reporting year.	C30-32		

CDP 2025 QUESTION NUMBER	CDP 2025 QUESTION	CDP QUESTION COLUMN	CORRESPONDENCE	COMMENT
5.2	Description of key assumptions and dependencies on which the transition plan relies.	C10		
7.72	Does your organization assess the life cycle emissions of new construction or major renovation projects?	All		
7.72.1	Provide details of how your organization assesses the life cycle emissions of new construction or major renovation projects.	C1 C4		
<b>FINANCIAL VIABILITY</b>				
3.1.1	Primary response to environmental risks which are anticipated to have a substantive effect on the organization's financial position.	C4, C12, C27	Good	<p>CDP's corporate questionnaire has full correspondence with the requirement to integrate implementation actions, targets and metrics into financial planning, and across multiple years data users can identify progress on the amount of spending aligned with the transition.</p> <p>There is partial correspondence with all further Criteria, as the CDP question bank covers:</p> <p>How environmental risks and opportunities affect financial planning, but not whether the entity has budgeted for implementation as planned.</p>
5.3	Have environmental risks and opportunities affected your strategy and/or financial planning?	All		
5.3.1	Describe where and how environmental risks and opportunities have affected your strategy.	All		

CDP 2025 QUESTION NUMBER	CDP 2025 QUESTION	CDP QUESTION COLUMN	CORRESPONDENCE	COMMENT
5.3.2	Describe where and how environmental risks and opportunities have affected your financial planning.	All		
5.4.1	Quantify the amount and percentage share of your spending/revenue that is aligned with your organization's climate transition.	All		
<b>GOVERNANCE</b>				
4.1.2	Identify the positions (do not include any names) of the individuals or committees on the board with accountability for environmental issues and provide details of the board's oversight of environmental issues.	C4, C5, C6, C7	Good	CDP's questions on governance cover almost all of the Criteria within the Governance factor, including whether senior decision makers have oversight of targets and progress towards those targets, as well as monitoring the implementation of the transition plan. The questions also cover financial incentives for staff, and clear allocation of responsibilities to senior management to deliver on implementation. However, the questions do not directly cover structural governance changes.
4.3.1	Provide the highest senior management-level positions or committees with responsibility for environmental issues (do not include the names of individuals).	C2, C5		
4.5	Do you provide monetary incentives for the management of	All		

CDP 2025 QUESTION NUMBER	CDP 2025 QUESTION	CDP QUESTION COLUMN	CORRESPONDENCE	COMMENT
	environmental issues, including the attainment of targets?			
4.5.1	Provide further details on the monetary incentives provided for the management of environmental issues (do not include the names of individuals).	C4		
5.11.3	Provide details of your environmental engagement strategy with your clients.	C11-13		
5.11.4	Provide details of your environmental engagement strategy with your investees.	C11-13		
<b>DISCLOSURE</b>				
N/A	N/A	N/A	Full	Overall, companies can disclose annually through CDP's questionnaire, which continued to be updated in line with ISSB S2 and a range of key frameworks. This includes both quantitative and qualitative commentary. Companies can find out which questions correspond to the TPT framework using CDP's TPT Technical Note.

## Appendix F – Case Study: Supporting technical capacity development in EMDEs

### Context

The International Finance Corporation (IFC) recognised that many businesses in EMDEs lacked the technical capacity and access to expertise to measure their energy and resource use, benchmark performance, or identify cost-effective efficiency interventions. Without these capabilities, there was little visibility over their consumption and were missing out on operational savings and opportunities to demonstrate credible transition to capital providers. EDGE (Excellence in Design for Greater Efficiencies) is a digital tool and certification system created by IFC to make green building design accessible and affordable for entities in EMDEs, allowing them to rapidly upskill and generate some of the verifiable data and credentials needed to qualify for transition finance.

### Key features

EDGE combines local baselines for energy, water, and materials with cost-benefit modelling that shows upfront costs, savings, and payback periods, giving firms a clear business case for efficiency. Its low-cost, fast certification process ensures credibility at a fraction of traditional schemes, enabling EMDE entities to demonstrate sustainability credentials.

### Impact

EDGE has scaled rapidly across nearly 140 countries, becoming a trusted benchmark for developers, banks and governments for efficient buildings management. By providing clear, verifiable data on energy, water, and material savings, the tool reduces information gaps that often deter investors and allows developers to present stronger business cases. For example, in Colombia, Vietnam, Kenya, and India local banks are beginning to offer preferential financing for EDGE-certified projects. While in South Africa, certified housing projects have secured concessional funding from development finance institutions that recognised the credibility of the certification process. IFC estimates that green building investment opportunities in emerging market cities could reach USD 24 trillion in the coming decade, with EDGE helping to unlock that market.

EDGE projects typically add only about 2% to upfront construction costs, with payback achieved in two to three years. This affordability has brought efficiency improvements into the mainstream for developers and SMEs, lowering barriers for participation and making EMDE entities more credible candidates for transition-aligned capital in the building sector. While not a complete solution to investor requirements, EDGE plays a critical role in enabling firms to evidence their sustainability credentials and connect to emerging pools of finance that prioritise credible, measurable efficiency improvements.

## Appendix G – Case Study: An SME Harnessing the Power of Collaboration to Develop Capacity

Case study: An SME harnessing the power of collaboration to develop capacity

### Multi Décor India and its financing challenges

Multi Decor India Private Ltd. (MDIPL), a small enterprise based in Faridabad, produces prefabricated steel buildings and has built a reputation for delivering high-quality projects across India. The company has invested in clean energy, water conservation, and waste management. However, initially financing these initiatives was a persistent challenge, along with technical capability. The upfront costs of technologies like solar panels, gas gensets, sewage treatment plants, and insulation systems placed significant pressure on its limited financial resources, making it difficult to implement projects at scale and pace.

### Accessing loans and receiving support

To overcome financing barriers, MDIPL turned to the SME Climate Hub, which provided a platform for engagement with financial institutions. This collaboration and engagement effort led to a loan with the Small Industries Development Bank of India (SIDBI) to install solar panels and gas-powered generators. Beyond funding, MDIPL also drew on technical expertise by collaborating with engineers, architects, and renewable energy providers to integrate complex systems such as solar arrays, insulation, sewage treatment, and upcoming water-from-air technology. The SME Climate Hub's role in convening stakeholders and creating access points to finance and knowledge proved vital to moving these projects forward. Highlights of the impact include:

- Solar panels now supply around 40% of energy needs, reducing emissions and reliance on the grid.
- High-quality insulation cut energy costs and improved employee comfort.
- A zero-waste sewage treatment plant recycles water for irrigation and cleaning.
- A composting system is being introduced to turn food waste into soil enrichment.
- New capacity for tracking and reporting data provided reliable metrics to loan providers, strengthening credibility and transparency.

### The power of knowledge-sharing and partnerships

MDIPL's progress illustrates how knowledge-sharing platforms and partnerships with financial institutions are critical to enabling SMEs to act on climate. By leveraging the SME Climate Hub to access finance and expertise, the company overcame barriers that might otherwise have stalled its sustainability journey. This collaboration demonstrates that when SMEs are supported with the right tools, funding, and networks, they expand capacity and technical capability quickly, potentially allowing them to become eligible for different types of funding.

## Appendix H – References Catalogue

Theme	Description	Examples
<p><b><i>Transition planning and transition plan disclosure frameworks and guidance</i></b></p>	<p>Frameworks and guidance for corporate-level net zero transition strategies, outlining key information on an entity's plan to align with net zero and support credibility assessments and financial decision-making.</p>	<p>ISSB</p> <p>TPT</p> <p>EU</p> <p>GFANZ</p> <p>ATP-Col</p> <p>TransitionArc</p> <p>A4S's 'Aligning Financial Planning and Transition Planning Guide'</p> <p>ITPN's 'Private Sector Transition Plans – A Critical Tool for Mobilising Finance'</p>
<p><b><i>Sustainability reporting standards and disclosure requirements</i></b></p>	<p>Standards for disclosure of sustainability-related risks, opportunities, impacts, and targets, enabling consistent and comparable data for assessing transition progress.</p>	<p>ISSB</p> <p>EU CSRD</p> <p>UK SDR</p> <p>UK SRS</p>

Theme	Description	Examples
		<p>Brazil CVM Rule 193</p> <p>GHG Protocol</p> <p>EFRAG</p> <p>IFRS S1</p>
<b>Taxonomies</b>	Classification systems for green and/or transition-aligned activities, including Criteria for 'transition' or 'amber activities.'	<p>EU Taxonomy for Sustainable Activities</p> <p>ASEAN Taxonomy for Sustainable Finance</p> <p>Australian Sustainable Finance Taxonomy</p> <p>China Green Finance Endorsed Project Catalogue</p> <p>Singapore-Asia Taxonomy for Sustainable Finance</p> <p>Hong Kong Taxonomy for Sustainable Finance</p> <p>World Bank's Just Transition Taxonomy</p>
<b>Product labelling and classification</b>	Approaches for classifying or labelling financial instruments that meet sustainability and transition Criteria, helping differentiate credible products and avoid greenwashing.	<p>UK SDR</p> <p>EU SFDR</p> <p>LMA's Sustainability-Linked Loan Principles and Guide to Transition Loans</p>

Theme	Description	Examples
		<p>ICMA's Sustainability-Linked Bond Principles, Green Bond Principles, Climate Transition Bond Guidelines (issuance-level) and Climate Transition Finance Handbook (entity-level)</p> <p>APLMA</p> <p>LSTA</p>
<b>Transition Finance frameworks</b>	<p>Frameworks defining the overarching objectives and parameters of credible transition finance, guiding its development and use by market participants, policymakers, and regulators.</p>	<p>GFANZ</p> <p>OECD</p> <p>G20</p> <p>ASEAN Transition Finance Guidance</p> <p>Japan's Transition Follow-up Guidance</p> <p>ICMA</p> <p>ISO Net Zero Transition Planning (draft standard)</p>
<b>National and sector transition pathways and roadmaps</b>	<p>National or sectoral strategies that outline expected emission reduction trajectories, and associated implications, to achieve net zero or sectoral decarbonisation targets.</p>	<p>Japan (METI)'s Pathways to Japan's Green Transformation</p> <p>US (Liftoff reports)</p> <p>Australia</p> <p>ADEME</p>

Theme	Description	Examples
		<p>Malaysia's National Energy Transition Roadmap (NETR)</p> <p>The Finance Playbook</p>
<b><i>Credible pathway methodologies</i></b>	Examples of widely recognised frameworks and pathways that can support the assessment of alignment with a credible transition pathway. (Inclusive of taxonomies).	<p>ACT (Assessing Low Carbon Transition) Framework</p> <p>ASEAN Taxonomy for Sustainable Finance</p> <p>Australian Sustainable Finance Taxonomy</p> <p>Climate Bonds Initiative Taxonomy and Criteria</p> <p>CCREM (Carbon Risk Real Estate Monitor)</p> <p>CGFI Climate Scenario Taxonomy</p> <p>EU Sustainable Finance Taxonomy</p> <p>Hong Kong Taxonomy for Sustainable Finance</p> <p>IEA Net Zero Emissions (NZE) Scenario</p> <p>IEA Sustainable Development Scenario (SDS)</p> <p>IPCC AR6 Pathways</p> <p>Mission Possible Partnership (MPP) Sector Transition Strategies</p>

Theme	Description	Examples
		<p>NGFS Climate Scenarios</p> <p>One Earth Climate Model (OECM)</p> <p>PAII Net Zero Investment Framework (NZIF)</p> <p>RMI – Leveraging Transition Pathways (report)</p> <p>RMI – Regionalizing Transition Intelligence (report)</p> <p>RMI transition scenario depository</p> <p>Science Based Target Initiative (SBTi)</p> <p>Singapore-Asia Taxonomy for Sustainable Finance</p> <p>Transition Pathway Initiative (TPI)</p> <p>Transition Pathway Initiative (TPI) ASCOR Framework</p> <p>The UK Climate Change Committee’s (CCC) advice to UK Government on level of Seventh Carbon Budget (2038 to 2042)</p>
<b>Net zero frameworks</b>	Frameworks enabling businesses to demonstrate how they align with established decarbonisation pathways, set targets, and monitor progress toward net zero through clear milestones and investment signals.	<p>Science-Based Targets Initiative</p> <p>CDP</p> <p>ISO Net Zero aligned organisations (draft standard)</p>

Theme	Description	Examples
		<p>NZIF 2.0</p> <p>IMO Net Zero Framework</p>
<b>Carbon pricing mechanisms</b>	Resources and instruments relating to assigning a cost to carbon emissions through taxes or markets.	<p>China National Emissions Trading Scheme (ETS)</p> <p>Carbon Border Adjustment Mechanism (CBAM) (EU)</p> <p>Singapore Carbon Pricing Act</p> <p>ICVCM's Core Carbon Principles and Assessment Framework</p> <p>VCMI's Claims Code of Practice</p> <p>University of Oxford's Principles for Net Zero Aligned Carbon Offsetting</p> <p>CORSIA</p> <p>UK's Coalition to Grow Carbon Markets</p> <p>UNFCCC's Article 6</p>
<b>EMDEs</b>	Resources focusing on transition finance in developing contexts, addressing challenges of capital access, policy frameworks, and data to support inclusive, just transitions.	<p>NGFS's <i>Tailoring Transition Plans: Considerations for EMDEs</i></p> <p>IIGCC's <i>Emerging Markets NZIF supplementary guidance</i></p> <p>METI's <i>Report on Scaling "Inclusive" Transition Finance in the ASEAN Region</i></p>

Theme	Description	Examples
		<p>IEA and IFC's <i>'Scaling up Private Finance for Clean Energy in Emerging and Developing Economies'</i></p> <p>NZIF's <i>'Considerations for Emerging Markets and Developing Economies Supplement'</i></p> <p>IEA's <i>'Decarbonisation Pathways for Southeast Asia'</i></p> <p>Prudential's <i>'Financing the Transition framework, A just and inclusive approach with regards to emerging markets'</i></p>
<b>SMEs</b>	Resources supporting consideration of SMEs' roles and needs in the transition, including finance access, capacity-building, and simplified disclosure, ensuring an inclusive transition.	<p>B4NZ's <i>'From Burden to Benefit: Streamlining SME Data Sharing to Unlock Green Finance &amp; Economic Incentives'</i></p> <p>BSI's <i>'Flex 3030:2024 v2 Net Zero Transition Plans for SMEs – Code of Practice'</i></p> <p>OECD's <i>'Platform on Financing SMEs for Sustainability'</i></p> <p>OECD's <i>'Guidance Note on fostering convergence in SME sustainability reporting'</i></p> <p>EU's <i>'Voluntary Sustainability Reporting Standard for SMEs (VSME)'</i></p> <p>Malaysia's <i>'Simplified ESG Disclosure Guide (SEDG) for SMEs'</i></p> <p>India's <i>'BRSR Lite'</i></p> <p>Singapore's <i>'MAS 'Gprnt' platform'</i></p> <p>Singapore's <i>'SME Sustainability Hub'</i></p>

Theme	Description	Examples
<b><i>Carbon lock-in</i></b>	Resources supporting carbon lock-in assessment of new or upgrades to long-lived assets.	<p>OECD's 'Mechanisms to Prevent Carbon Lock-in in Transition Finance'</p> <p>EBRD Methodology</p>
<b><i>Adaptation and resilience</i></b>	Frameworks and resources addressing climate adaptation and resilience-building alongside mitigation, ensuring that transition finance supports climate-resilient development pathways.	<p>IIGCC's Climate Resilience Investment Framework</p> <p>PCRAM 2.0 methodology</p> <p>UN PRI's technical guides on adaptation and private markets</p> <p>UNEP FI's measurement framework</p> <p>ITPN's 'Building Climate-ready Transition Plans: Including adaptation and resilience for comprehensive transition planning approaches'</p> <p>NGFS' 'Input paper on Integrating Adaptation and Resilience into Transition Plans'</p> <p>WBCSD's 'Adaptation Planning for Business – Navigating uncertainty to build long-term resilience'</p>
<b><i>Environmental and social risks</i></b>	Resources supporting consideration of the broader environmental and social impacts and risks associated with transition activities.	<p>UNEP FI's 'Just Transition Finance, Pathways for Banking and Insurance'</p> <p>Grantham Research Institute's 'Making Transition Plans Just: How to Embed the Just Transition into Financial Sector Net Zero Plans'</p> <p>IGCC's 'Investor Expectations for Corporate Just Transition Planning'</p> <p>Howden's 'The insurability imperative' report</p>

Theme	Description	Examples
		<p>Do No Significant Harm and Social Safeguard provisions in taxonomies (e.g. European Commission’s Official Technical Guidance on DNSH)</p> <p>The Equator Principles</p> <p>IFC Performance Standards</p> <p>World Bank’s EHS Guidelines</p> <p>EBRD Performance Requirements</p> <p>Impact Investing Institute’s Just Transition Criteria</p> <p>PRI’s guide for investor action</p> <p>Amundi and Clifford Chance’s “Just Transition: A Framework for Investor Engagement”</p> <p>ITPN’s “Just Transition Report”</p> <p>GRI’s “GRI 102: Climate Change”</p> <p>TNFD Recommendations and LEAP approach</p> <p>Finance for Biodiversity Initiative’s target-setting framework</p> <p>UNEP FI’s “Guidance on Biodiversity Target-setting”</p> <p>MSCI’s “Investor’s Guide to Nature and Biodiversity Risks and Impacts”</p>

Theme	Description	Examples
		<p>PRI's "Introduction to responsible investment: Biodiversity for asset owners"</p> <p>GFI's "Assessing the Materiality of Nature-Related Financial Risks for the UK"</p>
<b>Investor guidance and resources</b>	Guidance documents, tools, and Principles supporting investors in assessing, engaging, and allocating capital toward credible transition-aligned activities and issuers.	<p>NZIF 2.0</p> <p>iCI and SMI's 'Private Markets Decarbonization Roadmap 2.0'</p> <p>ESMA's "Guidelines on funds" names using ESG or sustainability-related terms</p> <p>IIGCC's Net Zero Stewardship Toolkit</p> <p>IIGCC's Net Zero Engagement Initiative</p> <p>IIGCC's Net Zero Bondholder Stewardship Guidance</p> <p>Climate Action 100+</p> <p>PRI's ESG in Credit Risk and Ratings Initiative</p> <p>ILPA's "Due Diligence Questionnaire</p> <p>EDCI's '</p> <p>Prudential's 'Framework for investing in climate transition in the capital markets'</p> <p>CPP Investments' 'The Decarbonization Imperative'</p>

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