

# Transition Finance Mapping

Frameworks to assess corporate transition

Mapping analysis

# INTRODUCTION

# Context

Over the past 5 years, a category of transition finance has emerged to facilitate the financing of high emitting entities that are making a credible transition towards a low carbon economy as consistent with the Paris Agreement.

Since then, many frameworks have been developed to guide credible transition and transition finance assessment. There is a high degree of alignment between these frameworks at a high level, but their proliferation and their differences at a detailed level has led to confusion in the market. A further concern is that much of this guidance cannot easily be utilised by financial institutions today due to the absence of granular data and information from corporates.

This is slowing investment into sectors and companies that demonstrate real promise and progress with the climate transition.

In this document, the Climate Bonds Initiative, in consultation with IIGCC, SMI and funded by Climate Arc, has mapped the degree of alignment of 13 corporate transition frameworks and highlighted areas where further work and alignment is needed.

It is part of a broader initiative to help asset managers and asset owners navigate the analysis of their investment portfolios in the transition to net zero, in order to accelerate the allocation of capital to corporates at different stages of the transition and, ultimately, support the progressive decarbonization of high-emitting assets while avoiding greenwashing.

It also aims to build consensus around across existing corporate transition frameworks.

The next phase of work is to develop a practical tool for allocating corporates in investment portfolios to appropriate categories of transition, to support effective engagement strategies.

The first iteration of this tool is expected to be shared in January 2024 for market testing, with a second, refined iteration following as needed to reflect the lessons from that testing.

This is a collaborative effort from Climate Bonds Initiative, the Investor Group on Climate Change (IIGCC), the Sustainable Markets Initiative (SMI) and Climate Arc with methodological feedback from GFANZ and representatives from the investment world.

# Guide to the deck

The ability to categorise and monitor corporates' progress through their transition will be key for financial institutions in their capital allocation decisions, corporate engagement strategies and delivery of their own transition ambitions. This will require an understanding of a corporate's transition journey from the development of commitments and transition plans to the implementation of the plan to delivery of substantial emissions reductions.

Corporate transition plans are the primary indicator of the ambition and credibility of the corporate's forward-looking transition targets and actions, and their ability to deliver them.

To understand how existing guidance is aligned, we analyzed 13 corporate transition frameworks, relating to either transition categories and/ or transition plans. These slides summarise the results of that analysis, identifying:

- Broad similarities and notable differences across frameworks;
- Gaps in the guidance that will need to be filled to further assist corporates disclosing and financial institutions assessing corporate transitions;
- Opportunities for 'easy-wins' for greater alignment and consistency between the reviewed frameworks.

The icons alongside are used to signpost this information

## Key



Broadly similar



Notable differences



Guidance gap to be filled



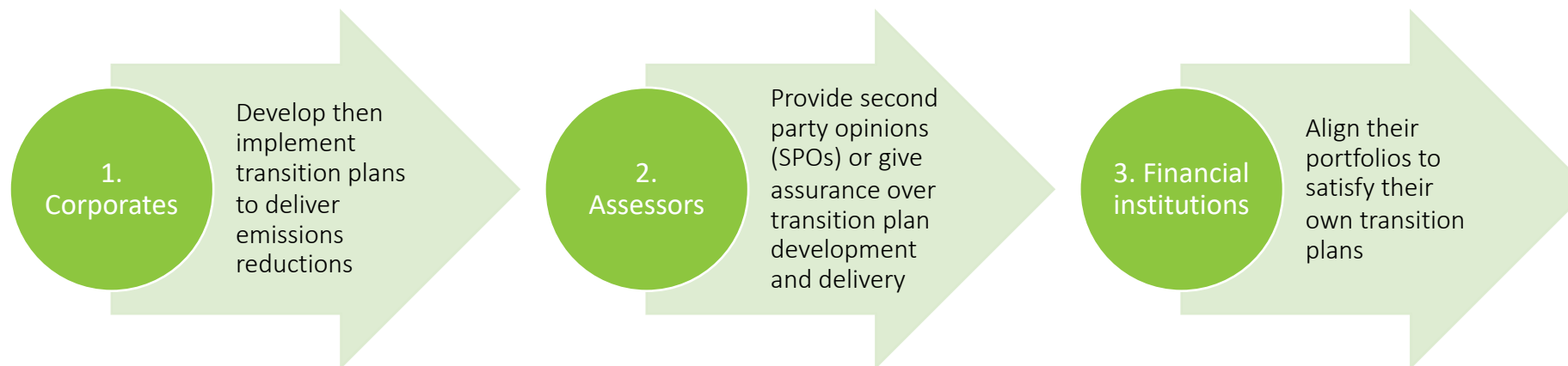
Harmonisation easy-win



Additional note

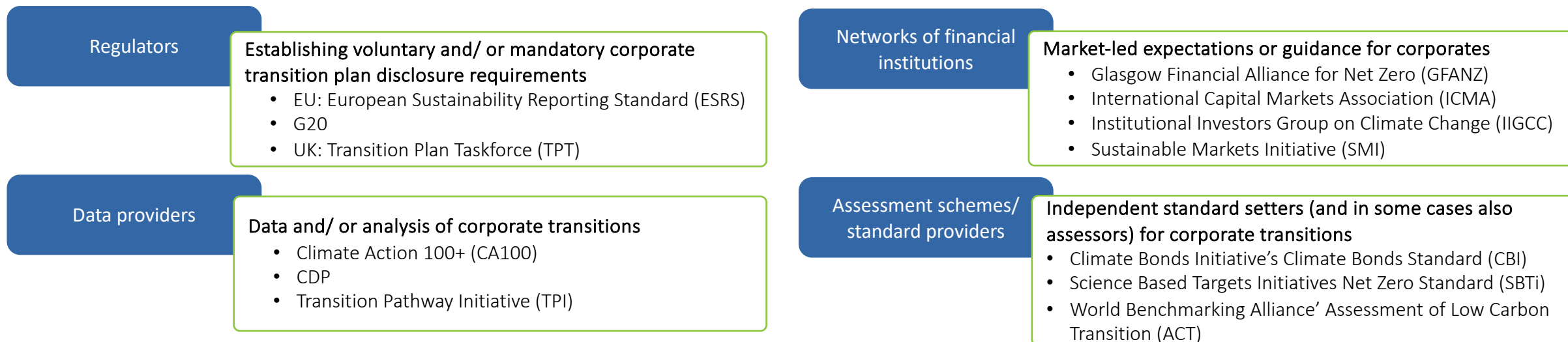
# Frameworks reviewed and their role in the ecosystem

## Primary actors in the ecosystem



## Guidance providers on corporate transition reviewed for this analysis\*

*\* See slides 23-24 for further details on the frameworks reviewed, including their primary purpose.*







# Key messages and where to find the supporting analysis

		Key message slide	Supporting slides in Appendix*
Corporate transition categories	Overview of key messages on corporate transition categories	8	
	Corporate transition planning and implementation can be broadly classified into five or six categories	9	
	Three of these categories are credible inclusions in a corporate transition portfolio	10	
	For all corporates, rapid movement is needed through these categories	11	
	Financial institutions may choose to prioritise hard-to-abate sectors in the near term	12	
Credible corporate transition plans	A shared understanding of what a transition plan is and what it should contain to be credible	14	25
	Commonality in the principles underpinning a credible transition plan but variation in interpretation	15-19	27-45
	Guidance on how to integrate other social and environmental aspects into a decarbonization transition plan is limited and variable	20	46
	Guidance on how to assess a corporate with disaggregated targets and delivery strategies tailored to different activities of the business is limited and variable	21	47

*\*The Appendix provides further insight into the mapping analysis undertaken, to support the key messages and provide greater insight to users around exactly how the frameworks differ in key aspects*

## KEY FINDINGS: Guidance on corporate transition categories

# Summary of corporate transition categories

Area	 <b>Broadly similar</b>	 <b>Notable differences</b>	 <b>Guidance gap to be filled</b>	 <b>Harmonisation easy win</b>
<b>Alignment on categories</b>	<ul style="list-style-type: none"> <li>• Six categories capture the stages of corporate transitions</li> </ul>	<ul style="list-style-type: none"> <li>• The labels proposed for these categories</li> </ul>	<ul style="list-style-type: none"> <li>• Refined categories that capture the dynamic nature of a corporate's transition</li> </ul>	<ul style="list-style-type: none"> <li>• Consistent labelling of these categories of corporate transition</li> </ul>
<b>Credible inclusions in a corporate transition portfolio</b>	<ul style="list-style-type: none"> <li>• Three categories are credible inclusions in a corporate transition portfolio</li> </ul>			
<b>Pace of movement through the transition categories</b>	<ul style="list-style-type: none"> <li>• All corporates need to move rapidly through these categories</li> <li>• Corporates can pursue any combination of three non-exclusive strategies to do so</li> </ul>		<ul style="list-style-type: none"> <li>• Clarification of the desired speed of movement through categories</li> <li>• Agreed list of stranded and interim activities</li> </ul>	
<b>Financial institution prioritisation</b>	<ul style="list-style-type: none"> <li>• Transition finance should be inclusive, but financial institutions may chose to focus attention on high-emitting corporates and sectors in the near term</li> </ul>		<ul style="list-style-type: none"> <li>• Clarification of transition plan expectations for corporates already near zero emissions</li> <li>• Agreed list of activities to whom alternative expectations may apply</li> </ul>	



# Key message 1 Corporate transition planning and implementation can be broadly classified into five or six categories

## Stages of corporate transition planning and implementation



### Labels proposed to capture these categories

CBI	-	-	Transition	Aligned	Aligned	Aligned
SMI	-	Aiming to Transition	Committed to Transition	Transitioning	Transitioning	-
IIGCC	Not aligned	Committed to Aligning	Aligning Towards a Net Zero Pathway	Aligned to a Net Zero Pathway	Achieving Net Zero	Achieving Net Zero
GFANZ	-	-	Aligning	Aligned	Aligned	-



nature

Refined categories that capture the dynamic of transition to address

e.g.:

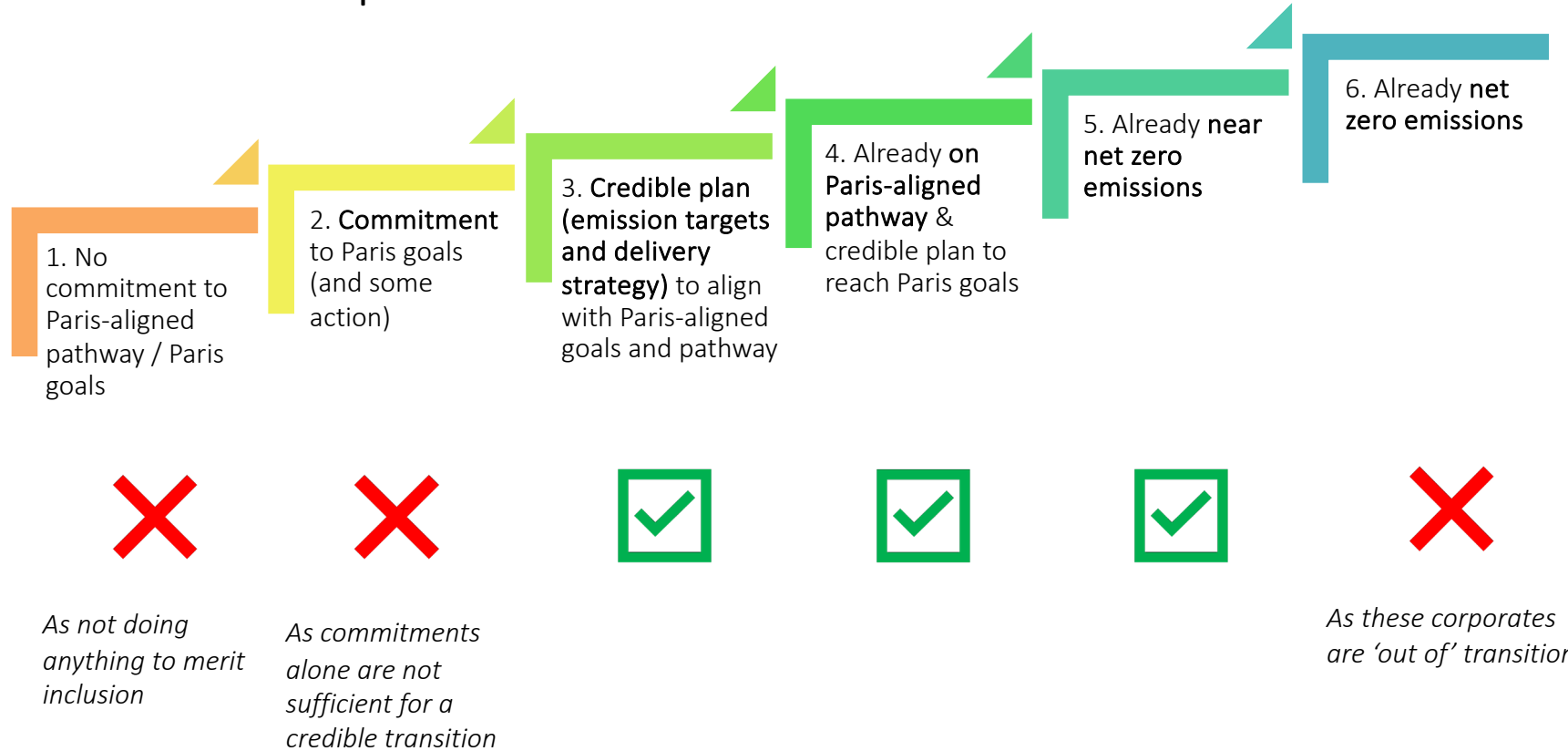
- Companies that do not have a transition plan but are already taking action to reduce emissions
- Companies that are advanced regarding decarbonization but have not integrated wider social or environmental considerations like just transition



Labelling of the categories of corporate transition

# Key message 2 Three categories are credible inclusions in a corporate transition portfolio\*

## Boundary of a credible transition portfolio



\* This question of inclusion in transition portfolios is not fully drawn out in the frameworks reviewed. Hence this conclusion is drawn from the collective view of the organisations consulted for this analysis.

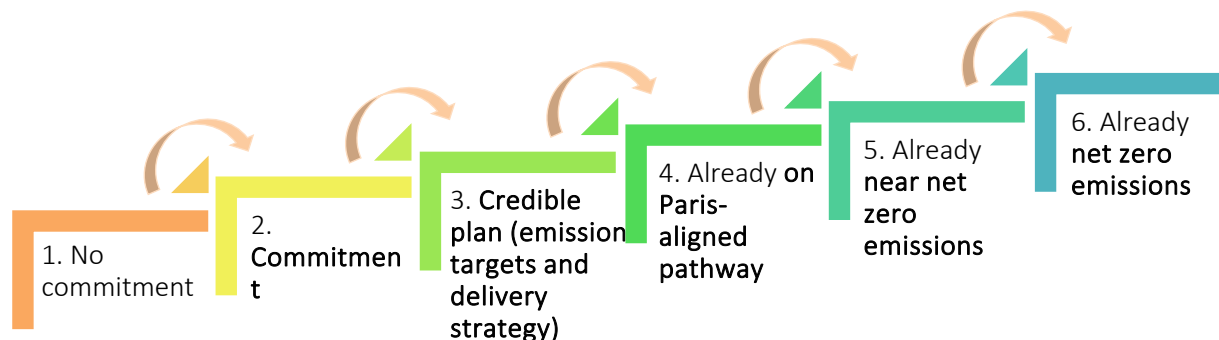
# Key message 3 All corporates need to move rapidly through these categories

## Corporates with all types of activities need to transition



- **Higher emitting activities** that can be but have not yet been decarbonized; and
- **Lower emitting activities** that nonetheless need to go the 'last mile'; and
- **Stranded or interim activities** that cannot be part of a net zero economy

N.B. This includes activities **enabling activities** that are higher emitting, stranded or interim. These should not receive special treatment due to their 'enabling service'



## Strategies to drive transition



- **Ramp up climate solutions;** and/ or
- **Decarbonise activities** that have a feasible pathway to net zero; and/ or
- **Phase out stranded and interim activities**

Which strategy, or combination of strategies, pursued by the corporate will depend on the nature of their activities and how they choose to reorientate their business to achieve net zero



**Agreed list of stranded and interim activities** (with associated sunset dates). To guide transition strategies and assessment of those strategies

**Clarification of the desired speed of movement through categories.** To ensure decarbonization is started and scaled-up sufficiently rapidly to meet the goal of halving global emissions by 2030. And to inform the goals of financial institutions' corporate engagement strategies.

# Key message 4 Financial institutions may choose to prioritise hard-to-abate sectors in the near term

## First steps to economy wide net zero transition plans



- All corporates should disclose a plan for how they will transition to net-zero emissions if they are not already there
- All corporates whose plan is ambitious and credible should be able to access transition finance products or services
- However, financial institutions may prioritise transition plan assessment and corporate engagement on corporates in high emitting sectors in the near term, to get more substantial and rapid transaction on material emissions in their portfolio
- However, looking to the longer term, financial institutions should aim to broaden assessment and engagements to all corporates in their portfolio



**Clarification of transition plan expectations for corporates already near zero emissions** Could these corporates prepare a simplified transition plan for 'the last mile' or do they still need a fully fledged transition plan?

**Agreed list of economic activities that are inherently 'near zero emissions'** to identify those corporates that might be subject to any special provisions i.e., inherently low-emitting technologies and services that replace high-emitting technologies or services

*\* This question of initial focus is not fully drawn out in the frameworks reviewed. Hence this conclusion is drawn from the collective view of the organisations consulted for this analysis.*

## **KEY FINDINGS: Guidance on credible, corporate transition plans**

# Key message 5 Shared understanding of what a transition plan is and what it should contain to be credible

A transition plan is



- A time bound action plan setting out a set of **targets, delivery strategy and accountability mechanisms** to transition an organization's business activities toward a low-carbon economy
- Part of and aligned with the organization's **overall business strategy**

The key components of a transition plan are



**Targets**

Emissions

- Emissions metrics & targets

Other

- Business and operational metrics & targets
- Financial metrics & targets

**Delivery strategy**

Foundation

- Objectives, priorities and business model implications

Implementation

- Business planning and operations
- Financial planning
- Engagement within value chain
- Engagement outside of value chain
- Sensitivity analysis


**Accountability mechanisms**


Internal governance

- Board and senior executive roles and responsibilities
- Remuneration
- Monitoring and resetting transition plan

External transparency

- Disclosure
- Verification

 Elements not present in all guidance include engagement beyond the value chain, organizational culture and skills, linked remuneration, internal policy alignment

 Elements may not be covered in a particular framework due to a different focus or use of that framework, not a belief that the element is not important. Slide 25 gives a summary of the scope of the frameworks reviewed





**Commonality in the principles underpinning credible targets, delivery strategy and accountability mechanisms**



**...but variation in interpretation**

*A note on slides 16-19: The principles listed on these slides have been drafted based on our analysis of the wording and intent of the frameworks reviewed*

## PRINCIPLE 1.1 Emissions targets align with the Paris Agreement

	Significant agreement 	Significant variation 
1.1.1. Corporates' long-term emissions goals align with the goals of the Paris Agreement		<ul style="list-style-type: none"> <li>The recommended end goal of the corporate transition</li> </ul>
1.1.2. Emissions targets cover the short-, medium- and long-term 1.1.3. Interim emissions targets are sufficiently frequent to enable reporting and monitoring of progress over time	<ul style="list-style-type: none"> <li>Inclusion of short- and medium-term emissions targets</li> </ul>	<ul style="list-style-type: none"> <li>The inclusion of long-term emissions targets</li> <li>The inclusion &amp; frequency of interim emissions targets</li> </ul>
1.1.4. Emissions targets do not exclude substantial portions of emissions 1.1.5. Emissions targets maximise own actions and minimise offsets		<ul style="list-style-type: none"> <li>Inclusion of scope 3 emissions</li> <li>Definitions of materiality</li> <li>The role of offsets</li> </ul>
1.1.6. Emissions targets use comparable, impactful metrics	<ul style="list-style-type: none"> <li>A recognized set of key, comparable emissions metrics</li> </ul>	<ul style="list-style-type: none"> <li>Which of these are primary (and therefore the roles of each)</li> </ul>
1.1.7. Emissions targets are benchmarked against scientific sectoral pathways/ benchmarks 1.1.8. The selected benchmark may be global or regional 1.1.9. Emissions targets align with the selected benchmark sufficiently rapidly to avoid contributing to overshoot	<ul style="list-style-type: none"> <li>The need to benchmark emissions targets against credible science-based pathways</li> </ul>	<ul style="list-style-type: none"> <li>Recommended pathways to benchmark against</li> <li>The timeframe for alignment with them</li> <li>Factoring in of cumulative emissions</li> </ul>



## PRINCIPLE 1.2 Trackable operational & financial targets are identified

- 1.2.1. Action plans are trackable
- 1.2.2. Finance plans are trackable

### Significant agreement



- Need for inclusion of **trackable operational and financial targets**
- Appropriate operational metrics will depend on the corporate and their activities (examples are given)
- Appropriate financial metrics are more standardized for all corporates (common examples are given)

### Significant variation



- The inclusion of long-term emissions targets
- The inclusion & frequency of interim emissions targets

# Delivery strategies

## PRINCIPLE 2.1 Clear objectives and priorities provide a strong foundation for the transition

Significant agreement



Significant variation



2.1.1. The transition goal and strategy is clear and coherent

- Key information that enables sufficient insight into the **vision and strategy**

## PRINCIPLE 2.2 A comprehensive implementation plan underpins the transition

Significant agreement



Significant variation



2.2.1. Action plans are comprehensive and consistent with the emissions targets

2.2.2. Action plans are backed by robust evidence

2.2.3. Finance plans cost out the transition and address the wider financial impacts for the corporate

2.2.4. External engagement beyond the value chain is part of the delivery strategy

2.2.5. Key assumptions and external factors on which the transition plan depends are identified

2.2.6. Internal policies enabling delivery of the transition plan are identified

- Key information that enables sufficient insight into the **action plan, recognizing that** details will vary by corporate circumstance

- The finance plan is a core component of the transition plan
- Key financial indicators to convey the **direct costs of the transition**

- The need for **wide external engagement**

- The need to identify **key assumptions and external factors** on which the plan depends

- Consideration of the required **evidence base** to support the reasonableness of the delivery strategy

- Coverage/ selection of key financial indicators to convey the **wider financial impacts of the transition**
- Encouragement that key transition information is fully **reflected in financial statements**

- Transparency over the **internal policies** enabling the transition

# Accountability mechanisms

See slides 40-45 for further details

## PRINCIPLE 3.1 Strong internal governance oversees delivery of the transition

- 3.1.1. The Board have oversight and ownership of the transition and the senior executive responsibility for managing implementation
- 3.1.2. Remuneration is linked to the objectives of the transition
- 3.1.3. Tools and procedures in place for tracking progress and taking corrective action where needed
- 3.1.4. The targets and delivery strategy are regularly reappraised

Significant agreement



- The need for and transparency over:
- **Board expertise** on climate change and **Board responsibility** for of transition plan sign off & implementation
  - **Senior executive management** of transition implementation
  - At minimum, disclosure of **linked remuneration**
  - **Regular review** and reset of the plan

Significant variation



## PRINCIPLE 3.2 Disclosure enables external stakeholders to assess the transition

- 3.2.1. Sufficient disclosure around the transition plan overall, and emissions and non-emissions targets specifically

Significant agreement



- The need for detailed **transition plan disclosure**

Significant variation



## PRINCIPLE 3.3 Independent evaluation of the transition plan

- 3.3.1. The transition plan is independently assessed
- 3.3.2. A high standard of assessment is followed

Significant agreement



- The need for **independent assessment** of past emissions and emissions targets

Significant variation



- The need for **independent assessment** of the whole transition plan

# Key message 7 Limited and variable guidance on how to integrate non-climate mitigation aspects into a decarbonization transition plan

## Boundary of decarbonization transition plan guidance

Ideally the decarbonisation transition will be compatible with simultaneously meeting the Sustainable Development Goals and be a Just Transition. However, guidance on integrating other aspects in the transition plan is limited:

- Half of the frameworks focus **exclusively on decarbonisation**
- Half address a **Just Transition**
- Just less than half address **other environmental and social goals** (predominantly only the natural environment or nature-based solutions)



Agreed guidance on whether and how to incorporate non-mitigation aspects into a decarbonization transition plan – and associated minimum integration requirements

## Approaches to integrating other social and environmental factors

- The majority focus on encouraging the corporate to identify how they will manage the impact of the decarbonisation transition on the selected other social and/or environmental goals i.e., they focus on managing downside risk.
- Only one promotes the setting of proactive performance targets for a Just Transition, though another looks for the corporate to have a broader sustainability strategy addressing Just Transition considerations
- Only one looks for a broader corporate sustainability strategy to mitigate relevant environmental and social externalities and contributions to the SDGs

# Key message 8 Limited and variable guidance on how to assess a corporate with disaggregated targets and delivery strategies tailored to different activities of the business

## Boundary of decarbonization transition plan guidance

- All frameworks encourage transition plan setting for the whole corporate entity – either through aggregated emissions targets encompassing all the corporate’s activities, or disaggregated targets to reflect the diverse activities of the corporate
- A minority also support transition plan setting for only part of the corporate (particularly assessment schemes that may not be able to benchmark and assess the emissions targets for all the activities of the corporate)
- However, few frameworks explicitly address how to ‘aggregate’ back up to a corporate-level assessment where transition plans have been developed on a disaggregated basis, and approaches that have been proposed are not consistent



An agreed methodology for determining a company’s overall transition status and transition plan credibility when that corporate has developed disaggregated emissions targets and deliver strategies for different business activities

## APPENDIX: Frameworks reviewed and individual mapping results

# Frameworks reviewed – part 1

	ORGANISATION	FRAMEWORK REVIEWED	Reference in this document	A note on the primary purpose of the framework
Financial institution-led initiatives	Glasgow Financial Alliance for Net Zero (GFANZ)	<a href="#">Expectations for real-economy transition plans</a> , September 2022	GFANZ	To inform real-economy companies of the <b>expectations of the net zero-committed financial sector for real-economy transition plans</b> , highlighting the information most relevant to financial institutions tracking progress to meet their own 1.5 degrees Celsius targets
	International Capital Markets Association (ICMA)	<a href="#">Climate Transition Finance Handbook</a> , June 2023	ICMA	<b>Guidance and expectations on issuers raising funds for their climate transition strategy</b> whether via Use-of-Proceeds bonds or Sustainability-Linked Bonds. To be used in conjunction with e.g., the Green Bond Principles and Sustainability-Linked Bond Principles
	Institutional Investors Group on Climate Change (IIGCC)	<a href="#">Investors expectation of corporate transition plans: from A to Zero</a> , March 2023	IIGCC	Framework establishing <b>what constitutes a credible corporate transition plan consistent with the needs of institutional investors</b> aligning their portfolios to the 1.5 degrees Celsius goal, consistent with the requirements of the Net Zero Investment Framework.
	Sustainable Markets Initiative (SMI)	<a href="#">A framework to define a transition category for investors</a> , July 2022	SMI	<b>Framework for investors to identify high emitting assets with high transition potential</b> , based on the nature of the business activities practiced and a limited set of transition indicators and metrics, allowing investors to make judgements on transition investing based on appetite and own view of transition
Regulation focused	European Commission	European Sustainability Reporting Standard (ESRS), <a href="#">Disclosure Requirement E1-1: Transition plan for climate change mitigation</a>	ESRS E1	<b>Reporting standard</b> for all companies subject to the Corporate Reporting Sustainability Directive (CSRD). Disclosure required in 2024 for the first wave of companies.
	G20	<a href="#">G20 Sustainable Finance Report</a> , 2022	G20	<b>Recommendations for the reporting framework</b> for transition activities and investment opportunities, which can be considered by jurisdictions and by FIs on a voluntary basis
	Transition Plan Taskforce (TPT)	<a href="#">The Transition Plan Taskforce Disclosure Framework</a> , October 2023	TPT	<b>Recommendations to inform the UK's regulatory requirements</b> on transition plan disclosures.

# Frameworks reviewed – continued

	ORGANISATION	FRAMEWORK REVIEWED	Reference in this document	A note on the primary purpose of the framework
Standard setters / assessors / data providers	World Benchmarking Alliance (WBA)	<a href="#">Assessing low-Carbon Transition Generic Methodology v 1.1</a> , April 2021*	ACT	The foundation of the <b>Assessing Low-Carbon Transition (ACT)</b> methodology for the scoring of corporates' transition plans
	CDP	<a href="#">CDP Technical Note: Reporting on Climate Transition Plans</a> , February 2023	CDP	<b>Guidance on how organisations' disclosing through CDP can demonstrate they have a credible transition plan in place.</b> Supports CDP disclosure requests.
	Climate Action 100+ (CA100)	<a href="#">Climate Action 100+ Net Zero Company Benchmark v1.2, Disclosure Framework, Assessment Methodology</a> , October 2022	CA100	<b>Disclosure Framework Indicators</b> to evaluate the adequacy of corporate disclosure on net zero and the alignment of company actions with the Paris Agreement goals
	Climate Bonds Initiative (CBI)	<a href="#">Climate Bonds Standard v4.0 (Part D: Entity Certification)</a> , April 2023	CBI	The foundation of the <b>Climate Bonds Standard</b> for the certification of corporates' credible transition plans and progress against those plans, and any linked finance (e.g., SLBs)
	Science Based Targets Initiative (SBTi)	<a href="#">Corporate net-Zero Standard Version 1.1</a> , April 2023	SBTi	The foundation of the <b>Net-Zero Standard</b> for the assessment and validation by SBTi of corporates' net-zero targets
	Transition Pathway Initiative (TPI)	<a href="#">TPI's methodology report: Management Quality and Carbon Performance Version 4.0</a> , November 2021*	TPI	<b>Foundation for the assessment by TPI of the progress companies are making on the low-carbon transition</b> , with a focus on emissions performance and management quality

\* Due to be updated in H2 2023



# Focus and scope of frameworks reviewed

THEME	COMPONENT	SUB-COMPONENT	Financial institution led initiatives				Standard setters/ assessors/ data providers						Regulation			
			GFANZ	ICMA	IIGCC	SMI*	ACT	CDP	CA100	CBI	SBTi	TPI	ESRS E1	G20	TPT	
Targets	Environmental	Emissions	[Coverage]													
	Other	Business & operational	[Coverage]				[Coverage]						[Coverage]		[Coverage]	
		Financial	[Coverage]				[Coverage]						[Coverage]		[Coverage]	
Delivery strategy	Foundation	Objectives, priorities & implications	[Coverage]				[Coverage]						[Coverage]		[Coverage]	
		Business planning and operations	[Coverage]				[Coverage]						[Coverage]		[Coverage]	
	Implementation	Financial planning	[Coverage]				[Coverage]					[Coverage]	[Coverage]			
		Engagement with the value chain	[Coverage]				[Coverage]		[Coverage]	[Coverage]		[Coverage]	[Coverage]		[Coverage]	
		Engagement beyond the value chain	[Coverage]		[Coverage]		[Coverage]						[Coverage]		[Coverage]	
		Sensitivity analysis	[Coverage]				[Coverage]			[Coverage]			[Coverage]		[Coverage]	
	Internal policies	[Coverage]				[Coverage]			[Coverage]			[Coverage]		[Coverage]		
	Accountability mechanisms	Internal governance	Oversight & remuneration	[Coverage]				[Coverage]					[Coverage]	[Coverage]		
Resetting transition plan			[Coverage]				[Coverage]			[Coverage]					[Coverage]	
External transparency		Disclosure	[Coverage]				[Coverage]									
		Independent verification	[Coverage]				[Coverage]			[Coverage]					[Coverage]	

\* SMI notes that a transition plan is a minimum requirement, but does not describe the necessary elements of that transition plan

- The following slides document the results of the mapping analysis – cross-referenced to the principles and sub-principles outlined on slides 16-19
- The mapping infers no judgement
- Whether and how any particular aspect is addressed in a specific framework is influenced by the scope and objectives of the framework (see slides 23-24 for an overview of the primary purpose of each framework)
- For this reason, the frameworks have been grouped in the analysis according to the nature of the author/ the primary purpose of the framework
- Notwithstanding, the mapping tables utilize a graded shading system where appropriate to illustrate the relative strength of the analysed options, where not all options are deemed equal.
- *A note on GFANZ in the mapping: The GFANZ report "Expectations for Real-economy Transition Plans" is a summary of public transition plan and climate guidance for real-economy companies reporting on climate-related issues at the time of writing. It does not set out disclosure requirements or guidance, but helps companies understand the information and data expectations of net-zero committed financial institutions. Information identified in this report has been mapped as requirements for the purposes of this exercise.*

# Targets: No consistent message that the target for corporate transitions should be 1.5 degrees

1.1.1 The corporate's long-term emissions goal aligns with the goals of the Paris Agreement	Not addressed in framework	Corporate to disclose their end goal and the rationale for that	Corporate end goal is aligned with national pledges	Corporate end goal is net zero emissions	Corporate end goal is alignment with collective target of global warming well below 2 degrees C	Corporate end goal is alignment with collective target of global warming no more than 1.5 degrees C
Financial institution led initiatives		GFANZ		SMI	ICMA	IIGCC
Standard setter / assessor / data provider			TPI	CA100	ACT, TPI	CBI, CDP, SBTi, TPI
Regulation focused		TPT			G20	ESRS E1




The purpose of the framework influences this aspect. E.g., disclosure frameworks focus on transparency over the corporate's goal, rather than advocating a particular goal

# Targets: Mixed guidance on the importance of setting long-term targets and interim targets at this time

1.1.2 Emissions targets cover the short-, medium- and long-term	Not addressed in framework	Corporates have short- and medium-term targets only	Corporates short-medium- and long-term targets
Financial institution led initiatives	<b>SMI*</b>		<b>GFANZ, ICMA, IIGCC</b>
Standard setter / assessor / data provider		<b>ACT (min), SBTi, TPI (level 3)</b>	<b>ACT (max), CA100, CBI, CDP, TPI (level 4)</b>
Regulation focused		<b>G20</b>	<b>ESRS E1, TPT</b>

\* SMI does not explicitly address this, though noted that some corporates are required to have SBTi approved targets – so in some cases aligns with SBTi

 Definition of short-term, medium-term and long-term


Frequency of interim targets over short-, medium- and long-term

1.1.3 Interim emissions targets are sufficiently frequent to enable reporting and monitoring of progress over time	Not addressed in framework	Targets include regular interim targets for short to medium term only	Targets include regular interim performance targets from today to the end target
Financial institution led initiatives	<b>IIGCC, SMI</b>	<b>ICMA</b>	<b>GFANZ</b>
Standard setter / assessor / data provider	<b>CA100, SBTi, TPI</b>	<b>ACT (min score)</b>	<b>ACT (max score), CBI, CDP</b>
Regulation focused	<b>G20</b>	<b>ESRS E1, TPT</b>	

# Targets: Mixed guidance on the inclusion of scope 3 emissions at this time and the role of offsets

1.1.4 Emissions targets are do not exclude substantial portions of emissions	Not addressed in framework	Targets cover scope 1 and 2 emissions. Scope 3 inclusion is sector and/ or materiality dependent	Targets cover <i>all material</i> scope 1, 2 and 3 emissions	Targets cover <i>all</i> scope 1, 2, 3 emissions
Financial institution led initiatives	SMI*		GFANZ, ICMA, IIGCC	
Standard setter / assessor / data provider		CA100, CDP (near term targets), SBTi (near term targets), TPI (level 3)	CBI, CDP (long term targets), SBTi (long term targets)	ACT
Regulation focused		G20		ESRS E1, TPT

1.1.5 Emissions targets maximise own actions and minimise the role of offsets	Not addressed in framework	Permitted with no restrictions	Permitted with no restrictions but separately report offsets and a company's own mitigation efforts	Permitted for residual emissions only - no separate demarcation - but full disclosure	Permitted for residual emissions only (not to reach target emissions) - and separately demarcated
Financial institution led initiatives	SMI*	ICMA		IIGCC	GFANZ
Standard setter / assessor / data provider	CA100, TPI				ACT, CBI, CDP, SBTi
Regulation focused		G20	TPT		ESRS E1

 Definition of materiality

\* SMI does not explicitly address this, though noted that some corporates are required to have SBTi approved targets – so in some cases aligns with SBTi

# Targets: Consistent recognition of emissions intensity and absolute emissions metrics but variation in which is primary, if either

1.1.6 Emissions targets use comparable, impactful metrics	Not addressed in framework	Targets must be expressed as:			
		Emissions intensity metrics	Emissions intensity OR absolute emissions metrics	Absolute emissions metrics	Emissions intensity AND absolute emissions metrics
Financial institution led initiatives		SMI <sup>^</sup>		ICMA	GFANZ*, IIGCC
Standard setter / assessor / data provider		CBI, TPI	ACT, CA100*, SBTi	CDP	
Regulation focused				ESRS E1, TPT	

+

Targets may additionally be expressed as:	
Absolute emissions metrics	Physical emissions intensity metrics
	ICMA
TPI	
	ESRS E1, TPT

\* GFANZ and CA100 recognize equally physical and economic intensity metrics. In all other cases emissions intensity means physical emissions intensity only.

<sup>^</sup> SMI explicitly references carbon intensity reduction targets, and it is also noted that some corporates are required to have SBTi approved targets – so in some cases aligns with SBTi



Recognition that economic intensity is not an impactful metric for emissions targets

Recognition of the need for physical emissions intensity targets – to enable benchmarking against sectoral pathways

# Targets: Clear message that targets should be benchmarked, but no consistency on what to benchmark against

<b>1.1.7 Emissions targets are benchmarked against credible sectoral pathways/ other benchmarks</b>	Not addressed in framework	Benchmarking is required. No further details specified	Benchmarking is required. Corporates can choose what to benchmark against and must disclose and justify	Benchmarking is required and what to benchmark against is specified*
Financial institution led initiatives			<b>GFANZ, ICMA, IIGCC</b>	<b>SMI</b>
Standard setter / assessor / data provider			<b>ACT</b>	<b>CA100, CBI, CDP, SBTi, TPI</b>
Regulation focused			<b>ESRS E1, G20, TPT</b>	

<b>1.1.8 The selected pathway/ benchmark may be global or regional</b>	Not addressed in framework	Only global pathways/ benchmarks to be used	Only regional pathways/ benchmarks to be used	Global or regional pathways/ benchmarks can be used
Financial institution led initiatives	<b>SMI, IIGCC</b>			<b>GFANZ, ICMA</b>
Standard setter / assessor / data provider	<b>CDP</b>	<b>SBTi~</b>	<b>ACT</b>	<b>ACT, CA100^, CBI^, TPI^</b>
Regulation focused	<b>ESRS E1</b>		<b>G20</b>	<b>TPT</b>

\*The standard setters/ assessors/ data providers tend to each recommend or require benchmarking against their own sectoral pathways. These often have a common basis but are not identical. SMI (for some corporates) and CDP reference SBTi approved targets and pathways. CA100 assessments use TPI pathways.

^ Under limited circumstances.

~ Regional pathways being explored



**Commonly recognized regional pathways** (or principles for the development of credible regional pathways)

**Comparison of existing independent sectoral pathways** as the basis for agreement on commonly accepted pathways (or range of emissions thresholds) and emissions calculation methodologies

# Targets: No consistency in respect of what alignment with the selected benchmark pathway means

1.1.9 Emissions targets align with the selected pathway/ benchmark sufficiently rapidly to avoid contributing to overshooting	Not addressed in framework	Not applicable	Alignment required but what that means is not specified	Disclose how align with sectoral pathway	Align with sectoral pathway by 2050	Align with annual reduction rate over full timeframe	Align with sectoral pathway by 2030 at the latest (and stay aligned thereafter)	Align with sectoral pathway in the short, medium and long term
Financial institution led initiatives			ICMA	IIGCC	SMI		CBI	
Standard setter / assessor / data provider	CDP	TPI <sup>^</sup>			ACT, CA100 (minimum), SBTi <sup>**</sup>	SBTi <sup>*</sup>		CA100 (maximum)
Regulation focused	ESRS E1, G20			TPT				

\*The Cross-sector pathway

\*\* The Sectoral Decarbonisation Approach



Common methodology for credible alignment that taking into account cumulative emissions, not just alignment date see e.g., IIGCC's cumulative benchmark divergence' approach



# Targets: Potential business and operational metrics are commonly identified, with most frameworks leaving selection to the corporate

<b>1.2.1 Action plans are trackable</b>	Not addressed in framework	Trackable business and operational metrics are identified (selection of metrics is at discretion of corporate)	Framework specifies which trackable metrics or indicators to be used
Financial institution led initiatives	IIGCC, SMI	GFANZ	ICMA
Standard setter / assessor / data provider	CDP, SBTi, TPI	ACT, CA100, CBI	
Regulation focused	G20	ESRS E1, TPT	

<b>1.2.2 Finance plans are trackable</b>	Not addressed in framework	Trackable metrics or indicators relating to the cost of transition		Trackable metrics or indicators relating to the wider financial implications	
		Corporate identifies these metrics (selection of metrics is at discretion of corporate)	Specific metrics are noted in the framework	Corporate identifies these metrics (selection of metrics is at discretion of corporate)	Specific metrics are noted in the framework
Financial institution led initiatives	IIGCC	GFANZ	ICMA, SMI		SMI
Standard setter / assessor / data provider	SBTi, TPI	CBI, CDP	ACT, CA100	CBI	ACT
Regulation focused	G20	TPT	ESRS E1	ESRS E1, TPT	

# Delivery strategy: Agreement that a clear ‘vision statement’ is needed, but guidance varies regarding the content of it

2.1.1 The transition goal and strategy is clear and coherent	Not addressed in framework	Objectives of the transition are described	The business lines and operating model of the transitioned corporate are described	How the business will evolve from BAU to that future vision (decarbonisation levers and impact of those on emissions) is described	The impact on existing business lines and assets and company's overall business strategy is described	The role of the company in supporting economy wide transition is described	Number of these items addressed in the framework
Financial institution led initiatives	SMI	GFANZ	GFANZ IIGCC*	GFANZ ICMA IIGCC	GFANZ	GFANZ	5/5 1/5 2/5 -
Standard setter / assessor / data provider	SBTi TPI	CBI CDP	ACT CA100 CBI	ACT CA100 CBI CDP	ACT CBI		3/5 2/5 4/5 2/5 - -
Regulation focused	G20	TPT	ESRS E1 TPT	ESRS E1 TPT	ESRS E1 TPT	TPT	3/5 - 5/5

\* Focus on green products



Guidelines on how to measure the impact of the company's transition on both its own business strategy and broader economy-wide decarbonisation

# Delivery strategy: Agreement on the need for internal consistency between the targets and action plan

2.2.1 Action plans are comprehensive and consistent with the emissions targets	Not addressed in framework	There is a roadmap of actions	The impact of each action on emissions/ contribution to emissions targets is identified	The actions collectively address all emissions (scopes and types) covered by the emissions targets	The actions collectively address the full timeline to the target goal	<i>Number of these items addressed in the framework</i>
Financial institution led initiatives	SMI	GFANZ IIGCC	GFANZ ICMA IIGCC	GFANZ IIGCC	GFANZ	4/4 1/4 3/4 -
Standard setter / assessor / data provider	SBTi TPI	ACT CBI CDP	CA100 CBI CDP	ACT CA100 CBI	ACT CA100 CBI	3/4 3/4 4/4 2/4 - -
Regulation focused	G20	ESRS E1 TPT	ESRS E1 TPT	ESRS E1 TPT	ESRS E1 TPT	4/4 - 4/4

# Delivery strategy: Guidance gap in respect of credible external evidence needed to support the assumptions underpinning the delivery strategy

2.2.2 Action plans are backed by robust evidence	Not addressed in framework	Trade association benchmarking recognised as credible evidence	Peer benchmarking recognised as credible evidence	Past emissions reductions trends recognised as credible evidence	Other external evidence recognised as credible evidence*	Number of these items addressed in the framework
Financial institution led initiatives	ICMA	GFANZ	GFANZ	GFANZ		3/4
	SMI			IIGCC	IIGCC	- 2/4
Standard setter / assessor / data provider	CA100			ACT	ACT	2/4
	CDP		CBI		CBI	- 2/4
	TPI					-
	SBTI					-
Regulation focused	G20				ESRS E1	1/4
	TPT					-

\* E.g., Academic studies, third party expert verification, evidence from comparable action taken in similar circumstances, contractual undertakings, government or regulator undertakings, technology readiness levels or established market trends

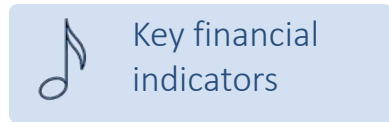


Guidance on the nature of the evidence base needed to support the credibility of the assumptions underpinning the delivery strategy

# Delivery strategy: Agreement that a finance plan is a key component of a transition plan, but not alignment on key financial indicators

2.2.3 Finance plans cost out the transition and address the wider financial impacts for the corporate	Not addressed in framework	Finance plans provide information on any assumed internal carbon price	Finance plans provide information on risks to financial viability	Finance plans provide information on the capex required for transition	Finance plans provide information on the planned source of finance for the transition	Finance plans provide information on the implications of the transition for the corporate's balance sheet/ P&L/ cash flows/ debt	These assumptions are reflected in the corporate's financial reporting	Number of these items addressed in the framework
Financial institution led initiatives	<b>SMI</b>	GFANZ ICMA		GFANZ IIGCC ICMA	GFANZ IIGCC*	GFANZ IIGCC**		4/6 3/6 2/6 -
Standard setter / assessor / data provider	<b>SBTi</b>	ACT	ACT CBI	ACT CBI CDP	CBI	ACT CA100 CBI CDP	<b>ACT</b> CBI	5/6 1/6 5/6 2/6 - 2/6
Regulation focused		G20 TPT	TPT	ESRS E1 TPT	ESRS E1 TPT	TPT	TPT	3/6 1/6 6/6

\* In respect of green products and nature-based solutions only  
 \*\* In respect of the balance sheet impact of green product revenue only



# Delivery strategy: Agreement that wide external

## engagement is a key component of a credible delivery strategy

2.2.4 External engagement beyond the value chain is part of the delivery strategy	Not addressed in framework	Transparency over membership in trade organisations and current and planned engagement with those organisations	Transparency on current and planned engagement with peers and industry climate initiatives	Transparency over alignment with policy	Transparency over current and planned engagement with the public sector to drive climate policies	The transition plan is not in conflict with external positioning	Corporate has and will actively engage with the public sector to drive climate policies	<i>Number of these items addressed in the framework</i>
Financial institution led initiatives	ICMA SMI	GFANZ IIGCC	GFANZ	GFANZ	GFANZ	GFANZ		5/6 - 1/6 -
Standard setter / assessor / data provider	SBTi	ACT CA100 CDP TPI	ACT CDP TPI	ACT CA100 CDP	ACT CA100 TPI	ACT CA100 CBI CDP	ACT CA100 CDP	6/6 5/6 1/6 5/6 3/6
Regulation focused	ESRS E1 G20	TPT	TPT		TPT	TPT		- - 4/6

# Delivery strategy: High degree of emphasis on identifying external sensitivities, less on monitoring those sensitivities, or outlining the role of internal policies

2.2.5 The key assumptions and external factors on which the transition plan depends are identified	Not addressed in framework	Key sensitivities underlying the transition plan are identified	Impact on delivery of transition plan if assumptions or sensitivities are not realised is identified	Transparency on how the key sensitivities are reflected in the financial statements	Key sensitivities identified are monitored	<i>Number of these items addressed in the framework</i>
Financial institution led initiatives	ICMA IIGCC SMI	GFANZ	GFANZ	GFANZ		3/4 - -
Standard setter / assessor / data provider	CA100	ACT	ACT			2/4 -
	CBI	CBI	CBI		CBI	3/4 -
	CDP SBTi TPI					- -
Regulation focused	G20	ESRS E1	ESRS E1			2/4 -
		TPT	TPT	TPT	TPT	4/4

2.2.6 Internal policies enabling delivery of the transition plan are identified	Not addressed in framework	The key internal policies to deliver the planned transition are identified
Financial institution led initiatives	SMI, IIGCC, ICMA, IIGCC, SMI	GFANZ
Standard setter / assessor / data provider	CA100, CDP, SBTi, TPI	ACT, CBI
Regulation focused	G20	ESRS E1, TPT

# Accountability mechanism: Agreement on the importance of Board and senior management expertise & responsibility

3.1.1 The Board have oversight and ownership of the transition plan and the senior management for managing implementation	Not addressed in framework	Appropriate expertise on climate		Executive management responsibility		Board responsibility				Number of these items addressed in the framework
		Within executive management	At Board level	Corporate is transparent on oversight of the management structure for handling transition plan execution	Executive management assigned responsibility and accountable to Board	Board member or committee with explicit responsibility for oversight of climate change policy	Corporate is transparent on how the Board oversees the transition plan and whether it is subject to board approval	Transition plan signed off by the Board	Delivery progress overseen by the Board, including any corrective actions	
Financial institution led initiatives	SMI	GFANZ	GFANZ	GFANZ ICMA		GFANZ	GFANZ ICMA	GFANZ  IIGCC	GFANZ	7/8 2/8 1/8 -
Standard setter / assessor / data provider	SBTi	ACT  CDP  TPI	ACT CA100  CDP		ACT  CBI CDP	ACT CA100  CDP  TPI	CA100  CDP	ACT  CBI	ACT  CBI CDP	6/8 3/8 3/8 6/8 - 2/8
Regulation focused	G20			ESRS E1  TPT			ESRS E1			2/8 - 6/8



# Accountability mechanism: Agreement that disclosure of linked remuneration is needed, but some guidance goes further

3.1.2 Remuneration is linked to the objectives of the transition plan	Not addressed in framework	Corporate provides transparency on any linked remuneration	Senior executive remuneration is linked to targets	Board remuneration is linked to targets
Financial institution led initiatives	SMI	ICMA	GFANZ	GFANZ IIGCC
Standard setter / assessor / data provider	SBTi	CBI	ACT CA100 CDP TPI	ACT CDP
Regulation focused	G20	ESRS E1 TPT		

# Accountability mechanism: Agreement that regular monitoring of implementation and regular review & reset of the transition plan is needed

<b>3.1.3. Tools and procedures in place for tracking progress and taking corrective action where needed</b>	Not addressed in framework	Change management process is in place for tracking and monitoring implementation progress
Financial institution led initiatives	ICMA, IIGCC, SMI	GFANZ
Standard setter / assessor / data provider	CA100, SBTi, TPI	ACT, CBI, CDP
Regulation focused	ESRS E1, G20	TPT

<b>3.1.4. The targets and delivery strategy are regularly reappraised</b>	Not addressed in framework	Regular review and reset of transition targets and plans	Plus, adhoc review and reset triggered by events that compromise validity of existing targets and plans
Financial institution led initiatives	ICMA, IIGCC, SMI	GFANZ	
Standard setter / assessor / data provider	CA100, TPI	ACT, CBI, CDP, SBTi	CBI, SBTi
Regulation focused	ESRS E1, G20	TPT	TPT

\* Some frameworks note at least every 3 years and some, every 5 years, others do not define the recommended regularity

# Accountability mechanism: Consistent emphasis on transition plan disclosure

3.2.1. Sufficient disclosure around transition plans	Not addressed in framework	Emissions targets			Non-emissions metrics and targets		Other elements of transition plan
		Emissions targets disclosed	Tools and methodologies for calculation of emissions disclosed	Actual performance against the emissions targets is disclosed annually	Interim non-emissions metrics and milestones identified in the transition plan are disclosed	Actual performance against the interim metrics and indicators is disclosed annually	Checklist of elements to disclose is given
Financial institution led initiatives	SMI	GFANZ ICMA	GFANZ ICMA	GFANZ IIGCC	GFANZ	GFANZ	GFANZ ICMA IIGCC
Standard setter / assessor / data provider		ACT CA100 CBI CDP SBTi TPI	CA100 CBI CDP	ACT CBI CDP SBTi TPI	CA100 CBI CDP	CBI CDP	ACT CA100 CBI CDP
Regulation focused		ESRS E1 G20 TPT	G20 TPT	ESRS E1 TPT	ESRS E1 TPT	G20 TPT	G20 TPT

# Accountability mechanism: Independent assessment is

important – though not all guidance extends this to the full transition plan

3.3.1. The transition plan is independently assessed	Not addressed in framework	Corporate provides transparency on whether the transition plan has been independently assessed	Independent assessment/ validation of actual emissions (past/ current/ future when realised)		Independent assessment/ validation of emissions targets		Independent assessment/ validation of rest of transition plan	
			Recommended	Required	Recommended	Required	Recommended	Required
Financial institution led initiatives	SMI		GFANZ	IIGCC	ICMA	GFANZ	ICMA	
Standard setter / assessor / data provider	CA100			ACT CBI CDP SBTi TPI		ACT CBI CDP SBTi TPI		ACT CBI CDP TPI
Regulation focused	G20	TPT			ESRS E1			

# Accountability mechanism: Standard of assessment addressed (implicitly or explicitly) predominantly by the standards setters

addressed (implicitly or explicitly) predominantly

3.3.2. A high standard of assessment is followed	Not addressed in framework	Degree of assurance recommended/ required				Assessor		
		Corporate provides transparency on the degree of assurance sought and given	Opinion/ second party opinion (SPO)	Limited assurance	Reasonable assurance	Assessment by guidance provider themselves	Assessment by any SPO provider working independently	Assessment by approved independent expert trained by Standard setter
Financial institution led initiatives	GFANZ, IIGCC, SMI		ICMA				ICMA	
Standard setter / assessor / data provider	CDP		ACT, SBTi	CBI	CBI	CA100, SBTi, TPI		ACT, CBI
Regulation focused	ESRS E1, G20	TPT						

# Boundaries: Guidance lacking on how to integrate other goals beyond mitigation into the decarbonisation transition plan

<b>4.1.1 The GHG transition will be a Just Transition</b>	Not addressed in framework	The plan identifies how to manage the impact of the decarbonisation transition on Just Transition	The transition plan incorporates Just Transition commitments	The corporate has a broader sustainability strategy addressing Just Transition considerations
Financial institution led initiatives	SMI	GFANZ, ICMA, IIGCC	IIGCC	ICMA
Standard setter / assessor / data provider	ACT, CDP, SBTi, TPI	CBI	CA100	
Regulation focused	ESRS E1, G20	TPT		

<b>4.1.2 The transition is compatible with other social and environmental goals</b>	Not addressed in framework	The plan addresses the impact on some* other social and environmental aspects	The corporate has a broader sustainability strategy to mitigate environmental and social externalities and contributions to the SDGs
Financial institution led initiatives	SMI	GFANZ, IIGCC	ICMA
Standard setter / assessor / data provider	ACT, CA100, CDP, SBTi,	CBI	
Regulation focused	ESRS E1 <sup>^</sup> , G20	TPT	



Some frameworks do not address a Just Transition in order to focus first on decarbonization, as part of a staged approach. Others do not address a Just Transition (or only have a very light touch approach) due to a lack of expertise in respect of a Just Transition.

\* GFANZ references nature positive impacts, TPT the natural environment, IIGCC nature-based solutions and CBI a broader spectrum of social and environmental aspects

<sup>^</sup> However, ESRS E4 addresses the transition plan and consideration of biodiversity and ecosystems in strategy and business model

## Boundaries: Preference for the transition plan to cover the whole legal entity, but few frameworks address how to aggregate assessment back up to the corporate level when targets and strategies set at disaggregated activity level

<b>5.1.1 Emissions targets cover the entire entity</b>	Not addressed in framework	Targets may cover only part of legal entity e.g., an economic activity, and company discloses which part is covered	Targets may cover entire legal entity (i.e., coverage of all activities on an aggregated or disaggregated basis)	Targets must cover whole parent group
Financial institution led initiatives	ICMA, SMI	GFANZ	GFANZ, ICMA, IIGCC	
Standard setter / assessor / data provider		ACT, CA100, CBI	ACT, CA100, CBI, CDP, SBTi, TPI	CBI
Regulation focused	ESRS E1	TPT	G20, TPT	

<b>5.1.2 There is a performance threshold (and methodology) to aggregate assessment up to the corporate level when targets and strategies established on a disaggregated basis (e.g., for each business activity separately)</b>	Not addressed in framework	Includes methodology to aggregate emissions reductions targets and performance across different activities of the entity	Framework includes threshold for acceptable emissions reductions targets and performance across the entity as a whole	Framework includes methodology to aggregate quality of transition plan across different activities of the entity	Framework includes threshold for acceptable quality of transition plan across the entity as a whole
Financial institution led initiatives	GFANZ, ICMA, SMI	IIGCC*			
Standard setter / assessor / data provider	ACT, CA100, CDP, SBTi, TPI	CBI^	CBI^	CBI^	CBI^
Regulation focused	ESRS E1, TPT	G20			

\* The 'Benchmark Divergence Metric' (BDM)  
 ^ A 90% 'pass threshold' where business activities have been weighted according to either revenue or emissions