Transition Finance and Decarbonization Contribution

Overview of Consultative Document

September 2023
Dual purpose of the consultation

Refine the definitions of the four key financing strategies
Opportunity exists to further refine the definitions to drive the adoption and implementation of the four key financing strategies. Harmonizing views on this would allow the strategies to:

- Serve as a planning tool to drive capital allocation and support development and implementation of net-zero transition plans; and
- Allow the clear communication of the proportion of a portfolio currently supporting the transition.
- Resulting in increased channeling of funds towards transition finance overall, addressing the funding gap.

Laying the groundwork for a decarbonization contribution methodology
Consideration and development of potential methods to calculate decarbonization contributions of transition projects/assets/entities is currently ongoing across the industry.

Our engagement sessions have revealed that while there is great interest, the current lack of reliable data and absence of agreement even on the basis(direction) of methodologies means that flexibility is required in the short term. The Consultative Document will highlight potential approaches to capture decarbonization contribution impact, leveraging existing methodologies and concepts, with the objective of bringing attention to this gap and advancing methodology development.

Goldman Sachs\(^1\) identified three initiatives that would serve to alleviate these challenges with regard to avoided emissions, which we expand to all potential methods for a decarbonization contribution methodology and plan to target in our consultation paper:

- Increase disclosures to improve data availability
- Harmonize definitions of transition finance to establish a solid basis
- Harmonize the approach on potential decarbonization contribution methods and metrics

\(^1\) Goldman Sachs Equity Research. GS SUSTAIN: Avoided Emissions July 2023.
The “theory of change”

Illustrative progress of increasing the share of transition finance activities with portfolios to support net-zero objectives

Transition finance needs to scale in the near, medium and long term. The greatest emissions reduction may be achieved by directing financing and related services to – rather than divesting from – sectors, entities and assets that need to transition. **Financial institutions should mobilize and scale capital across the four key financing strategies to finance emissions reduction in the real economy.**
The Four Financing Strategies are an Overarching Pan-Sector Approach to Transition Finance

“The approaches proposed in this consultation are designed to be pan-sector, globally applicable, and principles-based to reflect the developing nature and wide applicability of transition finance, aiming to harmonize the field and provide overarching guardrails on the definitions for transition finance, with other frameworks adding further granularity.”
Part I – Refining the four key financing strategies

Present principles-based refined definitions of the four key financing strategies, drawing on existing frameworks and propose a segmentation approach for segmentation purposes.

Allocation and financed emissions

Determine portfolio financed emissions and attribution factor as per the PCAF Global Accounting & Reporting Standard. Anchoring on this familiar method allows us to link the portfolio segmentation to the decarbonization contribution.

Part II – Laying the groundwork for a decarbonization contribution methodology

Present an overview of currently used approaches (avoided emissions, emission reduction potential, etc.), and explore their application in the context of each of the four key financing strategies. Offer room for fundamental consultation questions to gage status quo and determine best way forward for the next phase of this project.

Final aim: Link exposure to four financing strategies to emission reduction impact over time

1 Financed emissions here include on-balance-sheet emissions across all three emission categories covered by PCAF Standard (Financed, Facilitated, and Insurance-Associated Emissions).
<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>5th July</td>
<td>Develop Transition Finance (MTF subgroup): Initial comments and steer</td>
</tr>
<tr>
<td>20th July</td>
<td>Develop Transition Finance: Formal feedback session on revised method and progress</td>
</tr>
<tr>
<td>3rd August</td>
<td>Advisory Panel: Review of proposed methodology</td>
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<tr>
<td>NYCW</td>
<td>Consultation paper published</td>
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<td>Fall consultation period (ends 2nd November)</td>
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<tr>
<td>November - December</td>
<td>COP28: Updated consultation/ method presented</td>
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<tr>
<td></td>
<td>Increased engagement with alliances and via workstreams</td>
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</tbody>
</table>

Continuous engagement with select group of financial institutions and advisors to get feedback.
Part I
Refining the four key financing strategies
Objective for Part I

Part I outlines attributes to consider when segmenting a portfolio by one or more of the four key financing strategies and presents a voluntary, principles-based approach that serves two use cases:

1) **As a basis to drive transition finance and inform net-zero transition plans:** refined definitions and support FIs in identifying exposures and activities in their portfolios and business as one or more of the financing strategies. This can support FIs in developing and executing their Implementation and Engagement Strategies.

2) **As a foundation for a potential decarbonization contribution calculation:** segmentation of exposures across the four key financing strategies provides the first boundary for the calculation. Part II of the consultation will propose how existing approaches to decarbonization may be applied in the context of the four key financing strategies.

The attributes and methodologies put forward by the consultation are pan-sector and globally applicable in scope, anchor on the original GFANZ definition of the four key financing strategies and are refined based on leading frameworks and guidance on transition finance, particularly those that include a similar maturity scales/categories and/or identify credibility indicators.
Proposed Approach

The consultation proposes an approach that comprises two elements:

A. Identification through refined definitions and attributes:
The consultation proposes refined definitions and attributes for each of the four key financing strategies, drawing insights from existing frameworks.

B. Segmentation using refined definitions and attributes:
While the four key financing strategies are not mutually exclusive, each entity, asset, or project should be primarily segmented under one of the financing strategies, as per the financial institutions’ chosen approach to meeting their net-zero commitment.
The consultation proposes refining Climate Solutions to into three sub-types – **Solutions, Enablers, and Nature-based solutions**.

**i. Solutions** are assets that directly eliminate, remove, or reduce real-economy GHG emissions. *Examples may include project financing to a pure play renewable energy solutions provider or project-specific financing support to expand the use of CCUS technology by an energy company.*

**ii. Enablers** are assets that indirectly contribute to, but are critical for, emission reductions by facilitating the deployment and scaling of Solutions. *Examples may include general or project-specific financial support to a battery maker that is a supplier to an electric vehicle manufacturer or project-specific financing to develop smart grid infrastructure.*

**iii. Nature-based solutions**

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**Element A: Identification – Climate Solutions**

**Proposed Attributes (all subject to consultation)**

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Description</th>
</tr>
</thead>
</table>
| **A**     | Contributes to decarbonization and emission reduction in the real economy:  
- Should contribute to emissions reductions in a significant manner  
- Should not lead to extension of lifespan (beyond net-zero pathways) of asset identified for phaseout  
- If not already aligned, entity should aim to become net-zero aligned over time  
It may be appropriate to consider the technical maturity and/or economic feasibility of a Solution or an Enabler when assessing its forward-looking decarbonization potential. |
| **B³**   | Majority of revenue or other financial KPI (profit, capex, etc.) are not generated from high-emitting source or operations⁴ |
| **C³**   | Reasonable efforts are made to address emissions reductions in the near and medium-term and can feasibly be expected to align to a science-based pathway over time in a net-zero economy |

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1 WBCSD’s *Guidance on Avoided Emissions* refers to companies and activities that have “a direct and significant decarbonization impact”.

2 For the identification of Enablers, it may be helpful to assess a potential Enabler entity in relation to a Solution. Consider the following: will a Solution exist without the Enabler in question? Is the Enabler specifically designed for/unique to the value chain of the Solution? Does the Enabler have a direct impact on the performance of the Solution and its ability to reduce/avoid emissions?

3 Note that attributes B and C may not in all cases be applicable to Enablers. Individual judgement of the specific circumstances may be needed. Further feedback on this topic is welcome, please refer to the consultation questions.

4 Attribute B may be most applicable when assessing entities (versus assets and specific activities).
Climate Solutions: Enablers

The inclusion of "enablers" as a subset of Climate solutions is based on leading frameworks and recent industry feedback.

The importance of enablers for the transition is also a focus of a recent Goldman Sachs paper on Avoided emissions.

- Enablers are often underappreciated relative to the role that they play in contributing to overall decarbonization (e.g., energy efficiency enablers).

Exhibit 2: Over the past decade, energy efficiency gains across sectors have played a greater role in driving avoided emissions than renewables deployment

IEA decarbonization enablers 1:

"In addition to the main pillars of decarbonization in the Net Zero Emissions by 2050 Scenario such as energy efficiency, renewables, low-emissions fuels, and carbon capture technologies, there are cross-cutting enablers, including innovation, international collaboration, and digitalisation, that accelerate progress by strengthening policy or providing more effective technological solutions."

PESMIT decarbonization enablers 2:

"As a sub-set of Climate Solutions... Portfolio Companies working to support the transition to a low carbon economy. (Including criterion: More than 50% of revenue is related to an economic activity that is enabling the net-zero transition.)"

SMI defines Transition Enabler as: companies potentially in high-growth sectors due to the product or material being a core component of "solutions". For illustrative purposes, criteria that could be used for a company to qualify could include:

- committed to net zero;
- has a product needed for a transition to net zero with no commercially viable alternatives or with higher carbon alternatives;
- committed to reducing carbon intensity of production in line with Paris-aligned pathway for the sector (as assessed by TPI or SBTi) by [x]% per annum to [2030];
- increased capex allocation to low-carbon transition to [y]% by [2030];
- generated >[z]% revenue by low carbon/"transition" product by [2030].

Overall practitioner feedback:

- Enabling activities are and should be included in the framework due to their importance for the overall transition.
- Not all enablers are the same - a dividing line between Solutions and Enablers is necessary to ensure rigour of the method and avoid greenwashing.

1 IEA, World Bank, IIN. Goldman Sachs Global Investment Research
2 PESMIT. The Private Equity decarbonization Roadmap, as of July 2023.
3 IFRS. "Climate-related Disclosures, current stage," as of April 2023.
The consultation reiterates the original GFANZ definitions:

- **Aligned**: Financing or enabling entities that are already aligned to a 1.5 degrees C pathway. This strategy supports climate leaders and signals that the financial sector is seeking transition alignment behavior from the real-economy companies with which it does business.

- **Aligning**: Financing or enabling entities committed to transitioning in line with 1.5 degrees C-aligned pathways. This strategy supports both high-emitting and low-emitting firms that have robust net-zero transition plans, set targets aligned to sectoral pathways, and implement changes in their business to deliver on their net-zero targets.

### Proposed Attributes (all subject to consultation)

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Aligned</th>
<th>Aligning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Established net-zero commitment/ambition</td>
<td>Commitment/ambition to reach net zero by 2050, specifying pathways/benchmarks</td>
<td>Emissions-based KPIs: Scope 1 and 2; Scope 3 if material; minimum of 2030 interim targets aligned to net-zero pathways/benchmarks</td>
</tr>
<tr>
<td>Established net-zero targets (set to pathway)</td>
<td>Emissions-based KPIs: Scope 1 and 2; Scope 3 if material; minimum of 2030 interim targets aligned to net-zero pathways/benchmarks</td>
<td>Consider tracking low-carbon revenues, planned low-carbon capex, other financial metrics as proxy for alignment; benchmarking/accreditation scores by third-party platforms, etc.</td>
</tr>
<tr>
<td>Additional KPIs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net-zero transition plan</td>
<td>Established and implemented; consider including current and planned low-carbon capex</td>
<td>Established; consider including planned low-carbon capex</td>
</tr>
<tr>
<td>Performance</td>
<td>Actual performance against established targets/KPIs and alignment to pathways – at least two continuous reporting cycles or years</td>
<td>Demonstrating increasingly meaningful progress toward established targets/KPIs and convergence toward pathways</td>
</tr>
</tbody>
</table>
Element A: Identification - Managed Phaseout

The consultation reiterates the original GFANZ definition and approach for Managed Phaseout (MPO):

**Managed Phaseout**: Financing or enabling the accelerated managed phaseout (e.g., via early retirement) of high-emitting physical assets. This strategy facilitates significant emissions reduction by the identification and planned early retirement of assets while managing critical issues of service continuity and community interests.

To qualify for phaseout, an asset should exhibit certain key characteristics. These include:

1) Does the asset need to be phased out?
2) Over what time frame does the asset need to be retired/phased out?
3) Are there other stakeholders who would have an interest?

The proposed attributes were developed with a view of MPO as a special application of net-zero alignment or the Aligning/Aligned categories.

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**Proposed Attributes (all subject to consultation)**

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Established net-zero commitment/ambition</td>
<td>Commitment/ambition to retire the asset early (i.e., before the expected or intended economic life)</td>
</tr>
<tr>
<td></td>
<td>The pathway or benchmark for early retirement may include (not exhaustive): emissions avoided, sector pathway, country carbon budget, max years of operations, etc.</td>
</tr>
<tr>
<td>Established net-zero targets (set to pathway)</td>
<td>Emissions or Transition-based: Targets set against the pathway or benchmark established as part of the phaseout commitment to track phaseout progress (e.g., early retirement year, interim targets along the phaseout GHG emissions profile, etc.)</td>
</tr>
<tr>
<td>Additional KPIs</td>
<td>May include operational KPIs, decommissioning provisions, retraining of staff, plans in place for alternative (e.g., clean energy) supply, third-party validation/audit, phaseout financing structure, etc.</td>
</tr>
<tr>
<td>Net-zero transition plan</td>
<td>In the context of phaseout, refers to the phaseout plan specific to the asset and/or captured as part of FI or owner/operator’s phaseout strategy.¹</td>
</tr>
<tr>
<td></td>
<td>The phaseout plan may include estimations of capex requirements. Planned capex may also be used as an indicator/KPI that tracks capital allocation as part of progress towards phaseout; consider specific capex needs such as carbon efficiency, decommissioning, general capex to support early retirement, etc.²</td>
</tr>
<tr>
<td>Performance</td>
<td>Actual performance against established targets/KPIs for phaseout asset along the specific pathway or benchmark.³</td>
</tr>
</tbody>
</table>

¹ Please refer to the GFANZ resources listed in the introduction to this section for further guidance on considerations for credible Managed Phaseout transactions and aspects to be included in a phaseout plan/NZTP.

² Please refer to Chapter 5 in the GFANZ Managed Phaseout of High-emitting Assets report for more guidance on information and indicators to include in phaseout plans.

³ Note that this may be challenging if the asset is operated largely as normal until planned retirement.
The consultation proposes **two Tests** that can help FIs segment exposures under one of the four key financing strategies. This is needed as the four strategies were originally designed to be NOT mutually exclusive.

**Test A:** Climate Solutions and Managed Phaseout were grouped together under one test as they possess more distinct and unique attributes and are often assessed at the asset or project-level, but not exclusively.

**Test B:** The Aligning and Aligned strategies were paired together as they pertain more to entities and represent points on a continuum, denoting a progression towards net-zero alignment.

The ‘All Other’ category would capture any exposures that do not qualify as Transition Finance under one of the four key financing strategies. It may include holdings that have not undergone the assessment yet (e.g., due to timing, process, data limitations, and may still qualify as Transition Finance upon assessment), enablers that do not qualify as Climate Solutions based on the proposed attributes, or exposures in other asset classes that may require further refinement of definitions and indicators before categorization may take place. Further segmentation of this group has been proposed as an Area of Further Work.
Part II
Laying the groundwork for a decarbonization contribution methodology
Objective for Part II

- **Part II** focuses on **compiling and amplifying emerging concepts and frameworks** that could be developed into a decarbonization contribution methodology. This serves to survey the current state of the art and will allow practitioners to give directional feedback on the feasibility, challenges, and use cases of each concept.

- The following slides give an overview of the **preliminary considerations** and proposed approach to develop a **decarbonization contribution methodology** on the basis of the **four key financing strategies**, as well as a high-level overview of the concepts/framework we will feature in Part II of the consultation paper.

- We are introducing the concept of **Expected Emissions Reductions (EER)** that is applicable across all four key financing strategies but with distinct impact measurement approaches for each.
Concept - The overall approach

CATEGORIZATION

Transition finance

CLIMATE SOLUTIONS

MANAGED PHASEOUT

ALIGNED

ALIGNING

All other

Balance sheet

Financed emissions

DECARBONIZATION CONTRIBUTION (Expected Emissions Reductions, EER)

Allocated EER

Drawing on PCAF accounting standard (i.e., the finance attribution factor)

Historical/point-in-time

Forward-looking

Contributes basis evaluation (point-in-time)

Contributes emissions reduction potential metric (forward-looking)
Overview - Potential Approaches

Potential approaches to measure and express decarbonization impact and/or contribution:

Proxy / approximation

**Investment ratio / Capital mobilized**

Categorization of investment flow or balance sheet positions by the four key financing strategies; leverages Part I guidance on Transition Finance

- **Advantages**
  - Proxy for decarbonization based on transition finance mobilized

- **Disadvantages**
  - Not a true capture of emissions impact
  - Restricted to the Energy Supply sectors

**Expected Emissions Reductions (EER)**

- **Emission reduction potential (ERP) -based**
  - Aligned & Aligning

- **Avoided emissions (AE)-based**
  - Climate Solutions
  - Managed Phaseout

- **Advantages**
  - Coverage of the four key financing strategies
  - Captures emissions reduction impact on a forward-looking basis across all sectors of the economy

- **Disadvantages**
  - Complex to implement
  - Data availability and modelling assumptions
  - Credibility concerns

**Allocation**

(Applying the Concept of Financed Emissions to Decarbonization Contribution - PCAF)

Allocation of Decarbonization impact to the financial portfolio based on PCAF’s attribution factor

- **Advantages**
  - Captures counterparty-level projected emissions reduction

- **Disadvantages**
  - May not be the real-economy decarbonization potential and therefore requires further attribution analysis
Discussion – Proposed Approach

Expected Emission Reductions (EER) support the tracking and reporting of forward-looking potential emissions impact and seek to quantify the expected real-world emissions impact – or the “emissions return” – to help support prioritizing efforts and integrating approaches on transition finance. While setting net-zero targets supports the interim and long-term goal, the EER approach quantifies the impact.

The consultation will present **two broad approaches** to calculating EER based on the four key financing strategies segmentation:

- **Emissions Reduction Potential method (ERP)** for Aligned and Aligning entities
- **Avoided emissions method (AE)** for Climate Solutions and Managed Phaseout
Discussion - Proposed Approach

Emissions Reduction Potential (ERP) for Aligned and Aligning entities

In selecting a BAU benchmark, FIs can use the entity's input and/or their own data sources to develop a BAU pathway. FIs can leverage the Key Design Judgements recommended by the GFANZ Portfolio Alignment Measurement report when assessing BAU benchmarks as well as calculating the entity's forward-looking emissions profile.

EER can then be calculated based on Financed Intensity or Portfolio Alignment approaches and may be based on absolute or intensity-based measures.
Incentivizing financing support for Aligning Entities

Concept - ERP Method for Aligning and Aligned Transition Finance Activities

EER Illustration

Choosing to finance an entity at initial stages of alignment (point “A”) results in greater financed EER compared to financing at point “B”. Thus, this consultation also seeks to incentivize the financing of entities in high-emitting sectors that are not already aligned to net zero to support and scale a ‘whole-economy’ transition.
Discussion – Proposed Approach

AE for Climate Solutions and Managed Phaseout

The consultation explores the **LCA-based emissions avoidance factors** for Climate Solutions and a **Direct BAU emission factor** for Managed Phaseout.

The consultation will also propose the application of the **simpler BAU approach based on End-Use Emissions** for Climate Solutions where LCA data is not available.

Emissions of the value chain per unit of production to be calculated for the Climate Solution (Alternative) and high-emitting source (BAU). EER factor is then represented by the difference between the two. The EER can then be calculated with the factor and projected production data.

The Alternative in this case is the absence of the high-emitting source, while the avoidance factor remains the same, calculated as the emissions factor from the asset being phased out (grey area above). Hence, the time dimension is the crucial consideration here.
Decarbonization Contribution

Concept - Attribution and Disclosure

**Attribution**
- Drawing on the PCAF “Global GHG Accounting & Reporting Standard:” Attributing EER to the financing entity in a similar manner than financed emissions calculations.
- As PCAF builds out its facilitated and insurance emission standards, those methods could also be applied to capital market and insurance transactions in the future.

**Disclosure**
Supporting transparency on capital allocation to and scaling of transition finance activities.

Key considerations:
- **Separate disclosure** of EER and impact metrics for each Transition Finance strategy.
- **Separate disclosure** of EER and impact metrics from Scopes 1-3 GHG emissions.
- Disclosure of portfolio-level metrics, such as aggregated EER.
- Disclosure by counterparty/asset, sector, or regions.

\[
\text{Financed emissions (by entity or portfolio)} = \sum \left( \text{Attribution factor (selected based on type of financing, e.g., debt or equity)} \times \text{Emissions} \right)
\]

\[
\text{Allocated EER} = \sum \left( \text{Attribution factor (selected based on type of financing, e.g., debt or equity)} \times \text{EER} \right)
\]
Considerations for the final report

**Incentivize**

- **Transition**

- **Finance**

- **Landscaping**

- **Existing Approaches**

**Anchor Best Practices for Decarbonization**

**Contribution to Key Design Judgements**

**Technical & Practitioner Case Studies**

**Mapping to existing work completed, needs further input from practitioners**

- Work to be developed by this Working Group in collaboration with the DTF team.

- Work to be developed by this Working Group

- **BAU Counterfactuals**

- **Avoided Emissions** (Climate Solutions & Managed Phaseout)

- **Emissions Reductions Potential** (Aligned / Aligning)

**Work to be developed by this Working Group in collaboration with the DTF team.**
Appendices
## Overview – Potential Approaches

<table>
<thead>
<tr>
<th>Framework/concept</th>
<th>Characteristics</th>
<th>Sources</th>
<th>Potential Transition Finance Application</th>
</tr>
</thead>
</table>
| Allocation        | **Financed Emissions** | - Attributes real-economy counterparty GHGs emissions to financing/portfolio level  
- Considers multiple asset classes  
- Could be leveraged for AE/ERP allocation | PCAF | - Aligned/Aligning  
- Managed Phaseout  
- Climate Solutions |

### GHGs impact

<table>
<thead>
<tr>
<th>Methodology</th>
<th>Characteristic</th>
<th>Source</th>
<th>Potential Transition Finance Application</th>
</tr>
</thead>
</table>
| **Avoided emissions (AE)-based** | - GHGs accounting for AE  
- Consider attribution  
- Assumptions on factors including climate solution lifecycle, attribution, technology readiness level, etc. | WBCSD, GIC-Schroder, GS Avoided Emissions Research | - Climate Solutions (with known abatement factor)  
- Managed Phaseout |

<table>
<thead>
<tr>
<th>Methodology</th>
<th>Characteristic</th>
<th>Source</th>
<th>Potential Transition Finance Application</th>
</tr>
</thead>
</table>
| **Emission reduction potential (ERP)-based** | - Sector-specific  
- Modeling of technology & cost curve  
- Limited sector coverage  
- Currently less thinking on attribution | CDP, Project Frame (Pathway input from IEA, MPP, BNEF) | - Aligned/Aligning  
- Climate Solutions (emergent technology whose learning curves need robust modeling) |

### Alternative

<table>
<thead>
<tr>
<th>Methodology</th>
<th>Characteristic</th>
<th>Source</th>
<th>Potential Transition Finance Application</th>
</tr>
</thead>
</table>
| **Investment flow/ratio** | - Link investment and carbon abatement  
- Covers most sectors  
- Considers policy (e.g., IRA) influence  
- Assumptions on factors including attribution, technology learning curves, etc. | GS Carbonomics, Systemiq/ETC, Brookfield | - Aligned/Aligning  
- Climate Solutions  
- Managed Phaseout |
Decarbonization Contribution

Concept - Leveraging existing guidance from Measuring Portfolio Alignment to calculate ERP for Aligning and Aligned Entities/Assets

To evaluate Aligned and Aligning entities/assets, FIs can leverage the Key Design Judgements from the Portfolio Alignment Measurement guidance in the EER calculation.

- Step 1 judgements provide guidance for translating scenario-based carbon budgets to a suitable BAU benchmark
- Step 2 judgements provide guidance for projecting forward-looking emissions of the entity/asset, for example by a credibility-weighted combination of forward- and backward-looking data
- Step 3 judgements provide guidance for aggregation at the portfolio level.

When measuring alignment, practitioners can follow nine Key Design Judgements across three steps. Step 1 is about building the benchmark; step 2 is about comparing company-level alignment against this benchmark; and step 3 is about aggregating alignment at the portfolio level.
# Appendix - select frameworks

## Transition Finance

<table>
<thead>
<tr>
<th>FRAMEWORK / REPORT</th>
<th>CATEGORIES</th>
<th>INDICATORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACT</td>
<td>Generic Methodology and Sectoral Methodologies</td>
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<tr>
<td>ATF</td>
<td>Asia Transition Finance Guidelines</td>
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<tr>
<td>CBI</td>
<td>Transition Finance for Transforming Companies and Financing Credible Transitions - A framework for identifying credible transitions</td>
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<tr>
<td>ICMA</td>
<td>Climate Transition Finance Handbook (Dec 2020) and Update June 2023</td>
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<tr>
<td>IIGCC</td>
<td>Net Zero Investment Framework and Investor Expectations of Corporate Transition Plans; From A to Zero</td>
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<tr>
<td>OECD</td>
<td>Guidance on Transition Finance</td>
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<tr>
<td>SBTi</td>
<td>The SBTi Financial Institutions Net-zero Standard</td>
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<tr>
<td>SMI</td>
<td>SMI Asset Manager and Asset Owner Task Force Transition Categorization Framework and SMI Energy Transition Task Force Framework for transitioning companies</td>
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<tr>
<td>TPI</td>
<td>TPI’s methodology report: Management Quality and Carbon Performance</td>
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## Decarbonization Contribution

<table>
<thead>
<tr>
<th>METHODOLOGY / FRAMEWORK</th>
<th>CAPITAL FLOW</th>
<th>FINANCED EMISSIONS</th>
<th>EMISSION REDUCTION POTENTIAL</th>
<th>AVOIDED EMISSIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>CDP</td>
<td>Emerging Climate Technology Framework</td>
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<tr>
<td>GIC-Schroeder</td>
<td>A Framework for Avoided Emissions Analysis: Uncovering Climate Opportunities Not Captured by Conventional Metrics</td>
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<tr>
<td>Goldmann Sachs</td>
<td>Carbonomics: Affordability, Security and Innovation; Carbonomics: Introducing the GS Net Zero Carbon Models and Sector Frameworks; Carbonomics: The third American energy revolution; and GS Sustain: Avoided Emissions - How quantifying Avoided Emissions can broaden the decarbonization investment universe</td>
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<tr>
<td>ICE</td>
<td>From Climate Risk to Opportunity: The Concept of Avoided Emissions</td>
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<tr>
<td>Mission Innovation</td>
<td>Towards &gt;60 Gigatonnes of Climate Innovations, Module 2</td>
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<tr>
<td>PCAF</td>
<td>The Global GHG Accounting and Reporting Standard for the Financial Industry</td>
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<tr>
<td>Project Frame</td>
<td>Pre-investment Considerations: Diving Deeper into Assessing Future Greenhouse Gas Impact</td>
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<td>Financing the Transition: How to Make the Money Flow for a Net-Zero Economy</td>
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<td>Guidance on Avoided Emissions: Helping business drive innovations</td>
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