



**Consultation on WFE Transition Equity Principles**

**May 2026**

## Background

Established in 1961, the WFE is the global industry association for exchanges and clearing houses. Headquartered in London, it represents the providers of over 250 pieces of market infrastructure, including standalone CCPs that are not part of exchange groups. Of our members, 39% are in Asia Pacific, 41% in EMEA and 19% in the Americas region. The WFE's 74 member CCPs and clearing services collectively ensure that risk takers post some USD 1.4 trillion (equivalent) of resources to back their positions, in the form of initial margin and default fund requirements. WFE exchanges are home to over 41,000 listed companies, and the market capitalization of these entities is over \$137 trillion; around \$198.5 trillion in trading annually passes through WFE members (at end-2025).

The WFE is the definitive source for exchange-traded statistics and publishes over 350 market data indicators. Its free statistics database stretches back 50 years and provides information and insight into developments on global exchanges. The WFE works with standard-setters, policy makers, regulators and government organisations around the world to support and promote the development of fair, transparent, stable and efficient markets. The WFE shares regulatory authorities' goals of ensuring the safety and soundness of the global financial system.

With extensive experience of developing and enforcing high standards of conduct, the WFE and its members support an orderly, secure, fair and transparent environment for investors; for companies that raise capital; and for all who deal with financial risk. We seek outcomes that maximise the common good, consumer confidence and economic growth. And we engage with policymakers and regulators in an open, collaborative way, reflecting the central, public role that exchanges and CCPs play in a globally integrated financial system. If you have any further questions, or wish to follow-up on our contribution, the WFE remains at your disposal.<sup>1</sup>

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If you have any further questions, or wish to follow-up on our contribution, the WFE remains at your disposal. Please contact:

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<sup>1</sup> Our EU Transparency Register number is 973382524675-69

## Introduction

The WFE Transition Equity Principles (the Principles) set out a global framework to guide individual exchanges in establishing Transition Equity Classification Frameworks that aim to improve the flow of funding towards companies that support the transition towards more sustainable economies.

The Principles define criteria for equities, including initial public offerings (IPOs) which, if met, would allow the equities to voluntarily obtain a Transition Equity Classification. The Principles build on the [WFE Green Equity Principles](#), establishing a framework for classifications applicable to equities that are not 'green' or 'sustainable' now but are on credible pathways towards aligning with an overarching climate goal. Individual exchanges may choose to apply and manage the Principles in their own jurisdictions, assuming that doing so would not contravene existing jurisdictional legislation.

The Principles have been developed in response to global demand for offerings that support credible transition pathways and capital allocation towards Net Zero. Achieving the unprecedented levels of investment needed to decarbonise economies will depend heavily on capital channelled through financial markets. As gatekeepers and guardians of regulated equity markets, exchanges play a key role in creating vital market integrity, credibility, price discovery, liquidity and transparency.

One way in which exchanges are supporting the growth of transition finance is through Transition Equity Classifications that i) promote improved access to capital for issuers able to demonstrate credible progress towards climate goals and ii) provide investors with additional information on issuers' transition pathways to aid their capital-allocation decisions. The WFE Transition Equity Principles will support those efforts by bringing further clarity, consistency and rigour to the concept of transition equities and will contribute to international recognition amongst various offerings, thereby supporting cross-border investment activities.

The Principles have been developed in collaboration with members of the WFE, with expert input and guidance from the WFE Transition Equity Principles Consultative Committee made up of industry experts and WFE members. The Principles will be reviewed at regular intervals and updated where needed to meet evolving market expectations. **At present, the Principles provide a framework for equities that support the transition towards climate objectives**, though the WFE may choose to expand the scope of the Principles over time to cater for issuers looking to improve their performance across a range of sustainability factors.

The WFE welcomes further discussion and input on these proposals as part of this consultation paper, which sets out a series of questions for all stakeholders in equity markets. The WFE welcomes comments on the Principles **by 8 October**. Once the Principles have been finalised, the WFE intends to publish supporting Guidance to accompany the Principles.

Please submit feedback to [consultations@world-exchanges.org](mailto:consultations@world-exchanges.org). If you would like to register for updates on the WFE Transition Equity Principles and consultation, please [sign up here](#).

## Consultation questions

### 1. Principle 1:

- i. *Do you agree that the climate goals set by exchanges should be rooted in the overarching objective of the Paris Agreement? Do you agree that the Paris Agreement principle of common but differentiated responsibilities and respective capabilities sufficiently enables exchanges in emerging and developing markets to feasibly apply this Principle in their market?*
- ii. *Do you have any further feedback on Principle 1?*

### 2. Principle 2:

- i. *Do you agree that a credible entity-level transition plan should be central to the criteria for a Transition Equity Classification?*
- ii. *What international and regional transition plan standards and/or frameworks would you like to see included in the non-exhaustive list in supporting Guidance?*
- iii. *Do you agree that it is necessary to set out minimum requirements for transition plans to ensure the baseline integrity, consistency and comparability of transition plans?*
- iv. *Should it be a requirement that issuers publish standalone transition plans, or should issuers be able to reference integrated climate and sustainability disclosures that contain the information required by the Minimum Requirements for Transition Plans and Associated Disclosures?*
- v. *Do you have any further feedback on Principle 2?*

### 3. Principle 3:

- i. *Do you agree that a cap on the maximum turnover that issuers may derive from fossil-fuel activities and/or a cap on the CapEx that issuers may invest in new fossil-fuel activities will guard against greenwashing and support the integrity of Transition Equity Classifications?*
- ii. *Do you agree that setting indicative ranges in the supporting Guidance for caps on the maximum turnover that issuers may derive from fossil-fuel activities and/or caps on the CapEx that issuers may invest in new fossil-fuel activities is a useful way to support consistency and credibility in relation to the minimum safeguards?*
- iii. *What do you think an appropriate indicative range would be for 1) caps on the maximum turnover that issuers with the classification may derive from fossil-fuel activities and 2) caps on the CapEx that issuers may invest in new fossil-fuel activities? Are there any considerations or methodologies that you think the WFE should bear in mind when developing indicative ranges?*
- iv. *Are the minimum safeguards, taken in combination with the other requirements set out in the Principles, adequate to safeguard against integrity concerns? If not, what alternative or additional safeguards do you think we should include?*
- v. *Are the minimum safeguards practical and feasible for existing, newly and soon-to-be listed issuers to demonstrate?*
- vi. *Do you have any further feedback on Principle 3?*

### 4. Principle 4:

- i. *Do you agree that compliance should be assessed at least annually, in line with the process already established for the WFE Green Equity Principles?*

- ii. *Do you agree with the provisions on review, including the potential for exemptions where information has already been published and audited or otherwise assured?*
- iii. *Do you agree that the Transition Equity Principles should apply the same approach*

*to requirements around review and reviewers as the WFE Green Equity Principles and supporting Guidance? Do you consider there to be a need for any targeted differences in the requirements around review and reviewers in respect of the WFE Transition Equity Principles and prospective supporting Guidance?*

- iv. *Are the review requirements consistent with reviewer availability, capacity and capabilities in your jurisdiction?*
- v. *Do you have any further feedback on Principle 4?*

#### 5. Principle 5:

- i. *Do you agree that issuers should have to produce disclosures relating to their transition plan and publish material updates to their plan at least annually to evidence their ongoing compliance with the relevant Transition Equity Classification criteria?*
- ii. *Do you agree that prescribing minimum requirements for disclosures is appropriate to set a baseline that supports global credibility, consistency and comparability?*
- iii. *Do you have any further feedback on Principle 5?*

#### 6. Optional Additional Criteria:

- i. *Do you agree that investment and/or revenue thresholds in relation to activities considered to be 'green', 'enabling' or 'contributing towards climate objectives' are an appropriate way to raise the bar for issuers?*
- ii. *Do you agree that setting indicative ranges in the supporting Guidance is a useful way to support consistency and credibility for exchanges that choose to set investment and/or revenue thresholds as part of their Transition Equity Classification criteria?*
- iii. *What do you think an appropriate indicative range would be for 1) thresholds specifying the minimum percentage of an issuer's investments that must be allocated to activities considered to be 'green', 'enabling' or 'contributing towards climate objectives' and 2) thresholds specifying the minimum percentage of an issuer's revenue that must be derived from activities considered to be 'green', 'enabling' or 'contributing towards climate objectives'? Are there any considerations or methodologies that you think the WFE should bear in mind when developing indicative ranges?*
- iv. *Do you agree with the role and approach to taxonomies set out in the Optional Additional Criteria?*
- v. *Do you have any further feedback on proposed Optional Additional Criteria? Would you like to propose any additional or alternative Optional Additional Criteria?*

#### 7. Revocation:

- i. *Do you agree with the approach to revocation, which is aligned with the approach set out in the WFE Green Equity Principles and supporting Guidance?*
- ii. *Do you agree that the Transition Equity Principles should apply the same approach to potential revocations as the WFE Green Equity Principles and supporting Guidance? Do you consider there to be a need for any targeted differences in the approach to revocations in respect of the WFE Transition Equity Principles and prospective supporting Guidance?*

- iii. *Do you agree with the approach to revocation set out for issuers that have elected to develop transition plans that are more ambitious than the overarching goal set by the Exchange?*
- iv. *Do you have any further feedback on the provisions relating to revocation?*

**8. Minimum Requirements for Transition Plans and Associated Disclosures:**

- i. *Do you agree with the level of detail included in the Minimum Requirements for Transition Plans and Associated Disclosures?*
- ii. *Are the Minimum Requirements practical and feasible for existing and newly / soon to be listed issuers to demonstrate?*
- iii. *Do you agree with the compliance basis for each of the elements set out in the Minimum Requirements for Transition Plans and Associated Disclosures (i.e. on the split of mandatory vs. comply/explain requirements)?*
- iv. *What, if any, further detail would you like to be set out in relation to transition plans and associated disclosures in the supporting Guidance that will be developed for the WFE Transition Equity Principles?*
- v. *Do you have any further feedback on the Minimum Requirements for Transition Plans and Associated Disclosures?*

**9. Overarching questions:**

- i. *Do you agree with the overall objective and approach of the Transition Equity Principles?*
- ii. *Do you think the Transition Equity Principles are comprehensive? If not, what do you suggest should be added, clarified or removed?*
- iii. *Do the Transition Equity Principles strike the right balance between baseline prescription to support international harmonisation and comparability, and flexibility to accommodate local market realities? Will the Transition Equity Principles support cross-border investor confidence?*
- iv. *Do the Transition Equity Principles pose undue costs or burden for issuers that choose to apply for a classification?*
- v. *What adoption rates do you expect from existing or new issuers?*
- vi. *Do you expect investors and issuers to see value in Transition Equity Classifications?*

**The consultation closes on 8 October.** Please submit your response to [consultations@world-exchanges.org](mailto:consultations@world-exchanges.org) with your contact details and indicate whether you are happy for your response to be made public. Please note, if we do not receive an indication, we will assume that you are happy for the response to be made public.

## WFE Transition Equity Principles: Core Principles

The WFE Transition Equity Principles consist of five core principles specifying the criteria that an issuer must meet to qualify for a Transition Equity Classification:

1. The Issuer must demonstrate that it is working towards alignment with an **overarching climate goal** set by the Exchange.
2. The Issuer must publish an **entity-level transition plan** outlining its path to aligning with the overarching climate goal.
3. The Issuer must comply with specified **minimum safeguards**.
4. The Issuer's compliance will be **assessed at least annually** by an approved reviewer.
5. The issuer must make **appropriate disclosures** about their claims to meet the criteria of the relevant Transition Equity Classification Framework.

Exchanges introducing a Transition Equity Classification Framework may also wish to specify additional criteria that issuers must meet to qualify for a Transition Equity Classification under their Framework.

Further detail on each of the core Principles is outlined below.

1. The Issuer must demonstrate that it is working towards alignment with an **overarching climate goal** set by the Exchange.
  - The Exchange must prescribe a credible goal that is rooted in the overarching objective of the Paris Agreement, i.e. to keep the average global temperature rise this century to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C.
  - While the goal must be rooted in the overarching objective of the Paris Agreement, the Paris Agreement principle of common but differentiated responsibilities and respective capabilities applies. This principle recognises that developing-economy emissions will take longer to peak, and that expectations of achieving net zero for these countries fall into the second half of this century<sup>2</sup>.

### 1. Consultation questions on Principle 1:

- i. Do you agree that the climate goals set by exchanges should be rooted in the overarching objective of the Paris Agreement? Do you agree that the Paris Agreement principle of common but differentiated responsibilities and respective capabilities sufficiently enables exchanges in emerging and developing markets to feasibly apply this Principle in their market?
- ii. Do you have any further feedback on Principle 1?

2. The Issuer must publish an **entity-level transition plan** outlining its path to aligning with the overarching climate goal.

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<sup>2</sup> See Article 4: [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22016A1019\(01\)](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22016A1019(01))

- The Exchange may enable issuers to align with one of several specified transition planning standards or frameworks or, alternatively, may specify one standard or framework that issuers must align with to support comparability within their market.
- Where issuers have already produced compliant transition plans, they may reference those existing transition plans.
- In supporting Guidance, the WFE will provide a non-exhaustive list of appropriate international and regional transition planning standards and frameworks that exchanges may consider when designing their Classification Frameworks.
- Regardless of the standard/s or framework/s selected by the Exchange, the transition plan and ongoing disclosures should, at a minimum, contain the key elements set out in *Annex 1: Minimum Requirements for Transition Plans and Associated Disclosures*.
- The Exchange may choose to allow issuers to submit some elements of their transition plan, for example precise figures around their capital expenditure (CapEx) and operational expenditure (OpEx), on a confidential basis to their reviewer (and, where relevant, the Exchange), for example where they consider there to be commercial sensitivities around disclosing that information publicly in their jurisdiction.<sup>3</sup>

## 2. Consultation questions on Principle 2:

- Do you agree that a credible entity-level transition plan should be central to the criteria for a Transition Equity Classification?*
- What international and regional transition plan standards and/or frameworks would you like to see included in the non-exhaustive list in supporting Guidance?*
- Do you agree that it is necessary to set out minimum requirements for transition plans to ensure the baseline integrity, consistency and comparability of transition plans?*
- Should it be a requirement that issuers publish standalone transition plans, or should issuers be able to reference integrated climate and sustainability disclosures that contain the information required by the Minimum Requirements for Transition Plans and Associated Disclosures?*
- Do you have any further feedback on Principle 2?*

## 3. The Issuer must comply with specified **minimum safeguards**.

- It is recommended that exchanges set a cap on the maximum turnover that issuers with the classification may derive from fossil-fuel activities and/or a cap on the CapEx that issuers may invest in new fossil-fuel activities. Where exchanges do not set a cap, they must clearly set out their reasons, including why a cap is not needed in their market to support credibility and global comparability, in their Transition Equity Designation criteria. Exchanges may choose to set sectoral caps that vary by sector to account for differences in their activity compositions and transition pathways.
- In most cases, a cap on the CapEx that issuers may invest in new fossil-fuel activities will be the most appropriate safeguard as it is forward looking and the Transition Equity

<sup>3</sup> In all instances, issuers must comply with relevant local regulations, including in relation to insider information.

Principles are intended to focus primarily on improvements in issuers' performance over time.

- In supporting Guidance, the WFE will provide an indicative range for each cap to guide exchanges in setting robust and credible caps, though exchanges will retain ultimate discretion as to the level at which they set the cap to account for jurisdictional and market realities. The indicative caps will support consistency across the market and may evolve over time to reflect evolutions in companies' transition planning and advancements in available sustainable solutions.
- Issuers must avoid carbon lock ins wherever possible and economically feasible. Carbon lock ins occur when fossil fuel infrastructure or assets continue to be invested in despite the possibility of substituting them with low-emission alternatives, thereby delaying or preventing the transition to such alternatives.
- To prevent carbon lock ins as far as possible, issuers should demonstrate that they represent best-in-sector performance and that there are no technologically or economically feasible low-carbon alternatives.
- Exchanges may choose to develop or reference additional general and/or sectoral guidance on the opportunities and limitations of relevant technologies (e.g. the use of biofuels or renewable-based hydrogen) to assist issuers in avoiding carbon lock ins.
- The Exchange may choose to prescribe additional minimum safeguards, which must be stated clearly in its Classification Framework.

### 3. Consultation questions on Principle 3:

- i. *Do you agree that a cap on the maximum turnover that issuers may derive from fossil-fuel activities and/or a cap on the CapEx that issuers may invest in new fossil-fuel activities will guard against greenwashing and support the integrity of Transition Equity Classifications?*
- ii. *Do you agree that setting indicative ranges in the supporting Guidance for caps on the maximum turnover that issuers may derive from fossil-fuel activities and/or caps on the CapEx that issuers may invest in new fossil-fuel activities is a useful way to support consistency and credibility in relation to the minimum safeguards?*
- iii. *What do you think an appropriate indicative range would be for 1) caps on the maximum turnover that issuers with the classification may derive from fossil-fuel activities and 2) caps on the CapEx that issuers may invest in new fossil-fuel activities? Are there any considerations or methodologies that you think the WFE should bear in mind when developing indicative ranges?*
- iv. *Are the minimum safeguards, taken in combination with the other requirements set out in the Principles, adequate to safeguard against integrity concerns? If not, what alternative or additional safeguards do you think we should include?*
- v. *Are the minimum safeguards practical and feasible for existing, newly and soon-to-be listed issuers to demonstrate?*
- vi. *Do you have any further feedback on Principle 3?*

4. The Issuer's compliance will be **assessed at least annually** by an approved reviewer.

- Annual assessments of compliance by issuers with the relevant Classification Framework criteria must be conducted by an approved reviewer. The reviewer will apply its own publicly available methodology for the assessment.
- The Exchange may either specify a list of approved reviewers or set separate criteria to determine the appropriateness of reviewers.
- Further detail on issues such as managing conflicts of interest and balancing confidentiality with transparency throughout the review process will be outlined in the supporting Guidance.
- Exchanges may choose to develop templates to assist reviewers with their assessments.
- Exchanges may choose to determine criteria for situations where a third-party reviewer may not be necessary, for example where information is included in financial statements or annual reports that have already been audited or otherwise assured. Exchanges may also develop review criteria that do not prescribe review by a third party as long as the review methodology is transparent and clear.
- If an exchange permits reviews to be performed by reviewers that are not third parties, the Exchange must indicate how associated risks, such as potential conflicts of interest in revoking classifications, are managed.
- The criteria and methodology used for assessments by approved reviewers must be published.
- Either the Exchange or the Issuer must publish the outcomes of assessment reports, subject to any permitted confidential submission arrangements.

#### 4. Consultation questions on Principle 4:

- i. *Do you agree that compliance should be assessed at least annually, in line with the process already established for the WFE Green Equity Principles?*
- ii. *Do you agree with the provisions on review, including the potential for exemptions where information has already been published and audited or otherwise assured?*
- iii. *Do you agree that the Transition Equity Principles should apply the same approach to requirements around review and reviewers as the WFE Green Equity Principles and supporting Guidance? Do you consider there to be a need for any targeted differences in the requirements around review and reviewers in respect of the WFE Transition Equity Principles and prospective supporting Guidance?*
- iv. *Are the review requirements consistent with reviewer availability, capacity and capabilities in your jurisdiction?*
- v. *Do you have any further feedback on Principle 4?*

5. The Issuer must produce **appropriate disclosures** about their claims to meet the criteria of the relevant Transition Equity Classification Framework.

- Issuers must produce disclosures relating to their transition plan in line with the selected standard or framework and publish material<sup>4</sup> updates to their plan at least annually.
- Where issuers already produce compliant disclosures, they may reference those disclosures.
- Regardless of the standard/s or framework/s selected by the Exchange, the ongoing disclosures should, at a minimum, contain the key elements set out in *Annex 1: Minimum Requirements for Transition Plans and Associated Disclosures* and contain the information necessary for reviewers to track the Issuer’s progress against their transition plan. Ongoing disclosure must include material Scope 3 emissions<sup>5</sup> and may include disclosures on, for example, investment and disposal plans and planned sources of funding.
- The Minimum Requirements for Transition Plans and Associated Disclosures set an expectation that issuers will disclose any underlying taxonomy, tools, methodologies, or definitions used in the various elements of their transition plan.
- The Exchange may choose to allow issuers to submit some ongoing disclosures, for example precise figures around their CapEx and OpEx, on a confidential basis to their reviewer (and, where relevant, the Exchange), for example where they consider there to be commercial sensitivities around disclosing that information publicly in their jurisdiction.<sup>6</sup>
- Some jurisdictions have introduced regulation requiring companies to report on their alignment with a chosen taxonomy. Where appropriate, exchanges may consider requiring issuers applying for a Transition Equity Classification to disclose alignment with a green or transition taxonomy as a mandatory disclosure metric in their transition plan and ongoing disclosures.

**5. Consultation questions on Principle 5:**

- i. *Do you agree that issuers should have to produce disclosures relating to their transition plan and publish material updates to their plan at least annually to evidence their ongoing compliance with the relevant Transition Equity Classification criteria?*
- ii. *Do you agree that prescribing minimum requirements for disclosures is appropriate to set a baseline that supports global credibility, consistency and comparability?*
- iii. *Do you have any further feedback on Principle 5?*

**After the Exchange has determined that an issuer meets the relevant criteria, the Exchange may issue a Transition Equity Classification.**

<sup>4</sup> The definition of materiality to be applied is the one used by the Transition Plan Taskforce in its Disclosure Framework and the International Sustainability Standards Board in its IFRS S1, i.e. “information that is material to primary users of general-purpose financial reports”. For further information, please see the [TPT Disclosure Framework](#) and [IFRS S1](#).

<sup>5</sup> The materiality of scope 3 emissions should be determined according to the GHG Protocol.

<sup>6</sup> In all instances, issuers must comply with relevant local regulations, including in relation to insider information.

## Optional Additional Criteria

In addition to the five core Principles detailed above, exchanges introducing a Transition Equity Classification Framework may wish to specify supplemental criteria that issuers must meet to qualify for a Transition Equity Classification under their Framework. Exchanges have total discretion as to whether they set additional criteria and the detailed requirements of any additional criteria.

One additional criterion that exchanges may choose to specify is that issuers must meet a specified **investment and/or revenue threshold** in relation to activities considered to be ‘green’, ‘enabling’ or ‘contributing towards climate objectives’.

- Exchanges have the option to set thresholds specifying the minimum percentage of an issuer’s investments and/or revenue that must be allocated to/derived from activities considered to be ‘green’, ‘enabling’ or ‘contributing towards climate objectives’.
- In supporting Guidance, the WFE will provide an indicative range for each type of threshold as a guide for exchanges that choose to set one. These indicative thresholds will support consistency across the market and may evolve over time to reflect evolutions in companies’ transition planning and financing.
- In specifying what economic activities count as being ‘green’, ‘enabling’ or ‘contributing towards climate objectives’, exchanges may choose to reference a taxonomy framework/s that are clear, objective and transparent and/or to establish their own criteria and definitions.
- Should they so choose, exchanges may reference several taxonomies and/or sets of criteria so long as they are clear, objective and transparent. Alternatively, exchanges may choose to reference only one taxonomy or set of criteria to support comparability within their market.
- In specifying taxonomies and/or sets of criteria, exchanges should ensure consistency between any activity-level categorisation framework used for the purposes of the thresholds and their overarching goal wherever possible and proportionate.
- Each issuer must select one taxonomy to reference consistently throughout their transition plan and disclosures.
- Where issuers are subject to existing taxonomy-related regulatory or listings requirements not explicitly prescribed by the Exchange, the Exchange may, where appropriate, allow the continued use of relevant taxonomies and standards by those issuers.
- If an issuer chooses to change its reference taxonomy, it must update its transition plan accordingly and clearly explain the reasons for the change in its disclosures.

As is the case with information relating to issuers’ transition plans and ongoing disclosures, the Exchange may choose to allow issuers to submit certain information on a confidential basis to

their reviewer (and, where relevant, the Exchange), for example where they consider there to be commercial sensitivities around disclosing that information publicly in their jurisdiction.<sup>7</sup>

#### 6. Consultation questions on Optional Additional Criteria:

- i. *Do you agree that investment and/or revenue thresholds in relation to activities considered to be 'green', 'enabling' or 'contributing towards climate objectives' are an appropriate way to raise the bar for issuers?*
- ii. *Do you agree that setting indicative ranges in the supporting Guidance is a useful way to support consistency and credibility for exchanges that choose to set investment and/or revenue thresholds as part of their Transition Equity Classification criteria?*
- iii. *What do you think an appropriate indicative range would be for 1) thresholds specifying the minimum percentage of an issuer's investments that must be allocated to activities considered to be 'green', 'enabling' or 'contributing towards climate objectives' and 2) thresholds specifying the minimum percentage of an issuer's revenue that must be derived from activities considered to be 'green', 'enabling' or 'contributing towards climate objectives'? Are there any considerations or methodologies that you think the WFE should bear in mind when developing indicative ranges?*
- iv. *Do you agree with the role and approach to taxonomies set out in the Optional Additional Criteria?*
- v. *Do you have any further feedback on proposed Optional Additional Criteria? Would you like to propose any additional or alternative Optional Additional Criteria?*

## Revocation

Exchanges that have adopted the Principles reserve the right to exclude an issuer at any time from their Classification Framework. Exchanges may wish to remove an issuer from their Classification Framework where that issuer falls short of the Classification Framework criteria set by the Exchange. Examples of scenarios where an issuer may fall short of the Classification Framework criteria include:

- The Issuer is in breach of a required threshold;
- The Issuer refuses to undergo assessment by an eligible reviewer; and
- The Issuer has been assessed by an external reviewer and deemed to no longer be on a credible pathway towards compliance with the overarching climate goal set by the Exchange.

In circumstances where the classification has been revoked, the decision should be stated publicly. Where a classification has been revoked, the Issuer should have the opportunity to regain the classification once any remedial actions have taken place and when the Issuer meets the required criteria. Remediation periods and reinstatement pathways will be determined by the Exchange as needed.

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<sup>7</sup> In all instances, issuers must comply with relevant local regulations, including in relation to insider information.

As a rule, issuers that choose to develop transition plans that are more ambitious than the overarching goal set by the Exchange should not face an increased risk of having their Classification removed.

Issuers should not be penalised for failing to meet targets that relate to voluntary commitments or ambitions that go above and beyond the overarching goal set by the Exchange so as not to discourage ambitious target setting. Where an issuer fails to meet more ambitious voluntary targets, this should trigger enhanced scrutiny and engagement rather than automatic removal of the Classification (unless such failure indicates that they are no longer able to meet the overarching goal set by the Exchange). Where an issuer fails to meet more ambitious voluntary targets, they should submit a revised transition plan that confirms they still on track to meet the overarching goal set by the Exchange.

#### **7. Consultation questions on Revocation:**

- i. Do you agree with the approach to revocation, which is aligned with the approach set out in the WFE Green Equity Principles and supporting Guidance?*
- ii. Do you agree that the Transition Equity Principles should apply the same approach to potential revocations as the WFE Green Equity Principles and supporting Guidance? Do you consider there to be a need for any targeted differences in the approach to revocations in respect to the WFE Transition Equity Principles and prospective supporting Guidance?*
- iii. Do you agree with the approach to revocation set out for issuers that have elected to develop transition plans that are more ambitious than the overarching goal set by the Exchange?*
- iv. Do you have any further feedback on the provisions relating to revocation?*

## Implementation

Exchanges should explore how these Principles might be applied within their own jurisdictions, while taking existing legislative and regulatory requirements into account. Whilst the Principles are not mandatory, nor do they introduce any new formal additional listing standards, the minimum criteria outlined in the Principles must be met in order for an exchange to use the WFE Transition Equity Classification as part of its offerings.

**The WFE Transition Equity Principles do not constitute financial, legal, or other professional advice and should not be relied upon as such.** Nothing in the Principles is intended to override, substitute, or alter existing legal or regulatory requirements, including, without limitation, duties of the entity's directors and senior managers, and the entity's constitutional documents. Nothing in the Principles should be understood to require the disclosure of commercially sensitive information.

## Q&A

*Who can the WFE Transition Equity Principles apply to?*

The Principles can be voluntarily applied by exchanges that have established a process to meet the criteria. These exchanges will be able to publicly state that they subscribe to the WFE

Transition Equity Principles. Exchanges can design their own Classification Framework and logos.

Issuers that would like to apply for a WFE Transition Equity Classification may request it from an exchange that applies the Principles if they are listed on that exchange. **Transition Equity Classifications may also be made available to private companies ahead of admission to trading on an exchange that applies the Principles** if they have the necessary supporting documentation to meet the criteria so that the Classification may be used from their first day of trading.

*What if an exchange already operates a Transition Equity Classification Framework?*

If an exchange already offers its own Transition Equity Classification Framework that meets the criteria set out in the WFE Transition Equity Principles, then that exchange can also publicly disclose that they subscribe to the WFE Transition Equity Principles. An exchange may also choose to apply the relevant WFE classification concurrently with its own classification.

## Next Steps: Guidance

The WFE intends to publish supporting Guidance, similar to the Guidance published to support the WFE Green Equity Principles, with further detail on implementation.

The Guidance will supplement the WFE Transition Equity Principles with more granular detail and operational standards for effective implementation. Amongst other things, the Guidance will:

- Provide a non-exhaustive list of appropriate international and regional transition planning standards and frameworks that exchanges may consider when designing their designations
- Provide an indicative range for the proposed minimum safeguard caps on the maximum turnover that issuers may derive from fossil-fuel activities and/or on the CapEx that issuers may invest in new fossil-fuel activities
- Provide an indicative range for the proposed optional investment and/or revenue thresholds in relation to activities considered to be ‘green’, ‘enabling’ or ‘contributing towards climate objectives’
- Provide additional detail on factors that exchanges should consider when designing their Frameworks, e.g. what count as high-integrity standards for carbon credits and how reviewers should manage potential conflicts of interest and balance confidentiality with transparency
- Provide additional detail and definitions for terminology used in the Principles, e.g. defining what counts as a ‘new’ fossil-fuel activity for the purpose of the minimum safeguards
- Outline operational standards based on the operational standards provided for the WFE Green Equity Principles

## Annex 1: Minimum Requirements for Transition Plans and Associated Disclosures

The Minimum Requirements for Transition Plans and Associated Disclosures, outlined below, are intended to support consistency across Classification Frameworks. Exchanges may choose to request enhanced detail or additional elements where material and appropriate for their market.

**Elements outlined in bold text should be mandatory for issuers**, while italicised elements may be required on a comply/explain basis. As stated throughout the Principles, exchanges may choose to allow issuers to submit some elements of their transition plan and ongoing disclosures on a confidential basis to their reviewer (and, where relevant, the Exchange), for example where they consider there to be commercial sensitivities around disclosing that information publicly in their jurisdiction.<sup>8</sup>

Issuer transition plans and disclosures should cover:

1. **Strategic Ambition: How the Issuer is pursuing the overarching goal and any additional voluntary commitments in a manner that captures opportunities, avoids adverse impacts for stakeholders and society, and safeguards the natural environment.**
  - *This should include the high-level implications that the transition plan will have on the Issuer's business model and value chain, as well as the key assumptions and external factors on which the plan depends.*
  - *Any changes made to the various targets set by the Issuer should be reflected in a revised transition plan and clearly stated in the ongoing disclosures.*
  
2. **Implementation Strategy: The actions the Issuer is taking within its business operations, products and services, policies and conditions to achieve its ambition, as well as the resulting implications for its financial position, financial performance, and cash flows. This should include disclosures about:**
  - *Any current and anticipated actions, including timelines, relating to matters such as:*
    - *i. its production processes or equipment*
    - *ii. workforce adjustments*
    - *iii. supply chain and procurement*
  - *Information about any current and anticipated changes relating to the Issuer's facilities and other physical assets, such as:*
    - *i. the location of offices and operations*
    - *ii. the responsible retirement or phase-out of GHG-intensive assets*

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<sup>8</sup> In all instances, issuers must comply with relevant local regulations, including in relation to insider information.

- *iii. the management of assets that are exposed to risks arising from the changing climate*
  - *iv. the management of long-lived assets that may be impacted as a result of the transition to a low-GHG emissions, climate-resilient economy*
  - *Information about any current and anticipated actions, including timelines, to change the portfolio of products and services that it provides or facilitates (e.g. via franchising, financing, or underwriting activities)*
  - *Any underlying taxonomy, tools, methodologies, or definitions used to classify products and services*
  - *Information about how the Issuer is resourcing, and plans to resource, the current and planned activities set out in its transition plan*
  - *Qualitative and, where reasonable, quantitative information about how the Issuer expects implementation of its transition plan to affect its financial position over the short, medium, and long term, taking into consideration matters such as:*
    - *i. its investment and disposal plans (e.g. plans for CapEx, major acquisitions and divestments, joint ventures, business transformations, innovation, new business areas, investments into research and development for climate solutions, and asset retirements), including plans to which the Issuer is not contractually committed*
    - *ii. planned sources of funding to implement its plan*
  - *Qualitative and, where reasonable, quantitative information about how it expects implementation of its transition plan to affect its financial performance and cash flows over the short, medium, and long term (e.g. increased revenue from products and services aligned with a low-GHG emissions, climate-resilient economy, and expenses associated with climate adaptation or mitigation).*
- 3. Metrics & Targets: The governance, engagement, business and operational metrics and targets that the Issuer is using to drive and monitor progress towards its ambition. The Issuer must report against these metrics and targets on at least an annual basis. The transition plan and ongoing disclosures must include information about:**
- **Any relevant targets it has set, and any relevant targets it is required to meet by law or regulation; for financial services, this may include targets related to its investment and lending activities**
  - **Information about how the targets disclosed reflect the overarching goal set by the Exchange, and how they relate to the actions outlined in the transition plan**
  - **For each target disclosed:**
    - *i. the metric used to set the target*
    - *ii. the objective of the target*
    - *iii. the part of the Issuer or its activities to which this target applies*
    - *iv. the period over which the target applies*

- *v. the base period and value from which progress is measured*
  - *vi. milestones and interim targets*
  - *vii. if the target is quantitative, whether it is an absolute or an intensity target and the relevant unit*
  - *viii. how international agreements and jurisdictional commitments on climate change have informed the target*
  - *ix. where possible, the expected trajectory of how this target will be achieved*
  - *x. any underlying taxonomy, tools, methodologies, or definitions on which the metric relies*
  - **Information about its approach to setting and reviewing each target and how it monitors progress against each target, including:**
    - *i. whether the target and the methodology for setting the target have been validated by a third party*
    - *ii. the Issuer's processes for reviewing the target*
    - *iii. the metrics used to monitor progress towards meeting the target*
  - **Reporting against metrics used to assess progress towards the targets at least on an annual basis. This shall include:**
    - *i. information about its performance against each target*
    - *ii. an analysis of trends or changes in the Issuer's performance*
    - *iii. whether and to what extent (if known) measurements rely on estimated data, and*
    - *iv. any revisions to the target and explanation for those revisions*
  - **Information about the GHG emissions and removals metrics and targets that it uses to drive and monitor progress, and reporting against these metrics and targets on at least an annual basis<sup>9</sup>**
  - **Information about whether and, if so, how it uses or plans to use carbon credits to achieve its transition plan, and, where they are used, ongoing reporting on the use of carbon credits on at least an annual basis**
  - *Information about how the Issuer is engaging with its value chain, industry peers, government, public sector, communities, and civil society in order to achieve its ambition. This could include a description of escalation processes or criteria in place to manage instances where engagement activities do not lead to the desired changes.*
4. **Governance: How the Issuer is embedding its transition plan within its governance structures and organisational arrangements – including accountability mechanisms, audit/assurance, incentive and remuneration structures, culture, skills, competencies and training – to achieve its plan.**
- *This should include disclosures about the internal carbon price applied by the Issuer.*

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<sup>9</sup> For further information on appropriate GHG-related metrics and targets, ranging from absolute gross GHG emissions to gross GHG emissions intensity and Scope 1 and 2 to Scope 3 emissions, see the [TPT Disclosure Framework](#) and relevant TCFD and ISSB Guidance as well as the GHG Protocol.

- *Issuers are strongly encouraged to obtain assurance over core disclosures and elements of their transition plan.*

N.B. Transition plans are expected to focus on reducing emissions through direct operational and value-chain action. High-integrity carbon credits may be used only to complement these efforts by addressing unavoidable, residual emissions as part of a long-term net-zero goal provided that they do not replace or delay credible emissions reductions. When used, carbon credits must be of high integrity, meaning they are verified by recognised, robust standards.

#### **8. Consultation questions on Minimum Requirements for Transition Plans and Associated Disclosures:**

- i. Do you agree with the level of detail included in the Minimum Requirements for Transition Plans and Associated Disclosures?*
- ii. Are the Minimum Requirements practical and feasible for existing and newly / soon to be listed issuers to demonstrate?*
- iii. Do you agree with the compliance basis for each of the elements set out in the Minimum Requirements for Transition Plans and Associated Disclosures (i.e. on the split of mandatory vs. comply/explain requirements)?*
- iv. What, if any, further detail would you like to be set out in relation to transition plans and associated disclosures in the supporting Guidance that will be developed for the WFE Transition Equity Principles?*
- v. Do you have any further feedback on the Minimum Requirements for Transition Plans and Associated Disclosures?*