



Sustainable Markets Initiative

SMI PUBLISHES FRAMEWORK AND SUSTAINABLE FITCH TO PROVIDE INDEPENDENT TRANSITION ASSESSMENT TO MOBILISE CAPITAL INTO TRANSITIONING COMPANIES AND ACCELERATE GLOBAL PROGRESS TO NET ZERO

SHARM EL SHEIKH, EGYPT, 7 NOVEMBER 2022: The Sustainable Markets Initiative (SMI) Energy Transition Task Force today published a transition framework in support of global progress towards net zero greenhouse gas emissions by recognizing the activities and impact of companies reducing and removing emissions, as well as those accelerating the development of low carbon solutions at scale.

Reaching net zero requires a transformation of how we produce and consume energy. This is complex and necessitates wider engagement on the concept of 'transition' to both reduce emissions and develop green alternatives, at the same time.

To achieve this at pace and scale, the world's attention needs to go to where the emissions are. This means recognising the need to transition producers and consumers of fossil fuels in high-emitting sectors – such as heavy industry, energy, transport, and metals and mining – towards reaching net zero. The energy transition needs to engage incumbents in these sectors – including those who are not 'green' today but pursuing net zero in the future – to deploy their resources, capabilities, and capital to help accelerate global progress towards this goal.

To enable mainstream support for 'transition', stakeholders – notably investors, financiers, and insurers – as well as broader society, need an appropriate framework to identify transitioning companies and assess their progress, to support and track delivery.

Despite growing momentum for net zero ambitions from countries, regions, and corporates in recent years, there remains a notable gap in the available tools to enable investment in transitioning companies delivering progress across the near-, medium-, and long-term.

It is this gap SMI seeks to address today – by providing a framework, with underpinning principles, to help stakeholders to identify, assess, rank, and track companies driving the transition.

The transition framework also offers scope to feed into a transition categorisation methodology developed by the SMI Asset Owner/Asset Manager Task Force to provide some guardrails for investment in transition assets.



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To benchmark and differentiate companies in this space, SMI is working with Sustainable Fitch who will utilise the framework to develop a transition assessment, to illuminate the spectrum of companies in the undefined space between carbon intensive and net zero today.

Collectively, the SMI transition framework and Sustainable Fitch transition assessment will provide a method to better understand companies on these paths – and recognize ‘transition’ as a key enabler of the world meeting the goals of the Paris Agreement.

Developed to provide stakeholders with the information they need on performance and progress – and ultimately help mobilise capital into not only ‘green’, but also ‘transition’ – a series of indicators have been framed to determine a company’s position on the transition spectrum, based on three attributes:

- **Emissions ambition:** Scale and pace of forward-looking emissions reductions being pursued, including metrics for the medium- and long-term
- **Emissions reductions:** GHG reductions already delivered against a reported baseline (longer-term reductions) and on average annually in recent years (near-term reductions) – across a company’s operations, products or services, and value chain
- **Financials:** Proportion of annual investment into decarbonising and green activities or products, as well as the earnings that come from these areas over time

The transition framework published by the SMI today is the result of collaboration across some of the world’s largest industrial, energy and utilities, metals and mining, financial services, and management consulting firms, as members of the SMI Energy Transition Task Force. It was formed by the SMI in 2021 with a purpose and intent to determine how firms from across the energy value chain, individually and collectively, can play a leading global role in driving and accelerating the transition to a sustainable future.

Read the full report [here](#). Learn more about the Energy Transition Task Force [here](#).

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About the Sustainable Markets Initiative and Terra Carta

Sustainable Markets Initiative

In his former role as The Prince of Wales, His Majesty King Charles III launched the Sustainable Markets Initiative (SMI) at Davos in January 2020. The SMI is a network of global CEOs across industries working together to build prosperous and sustainable economies that generate long-term value through the balanced integration of natural, social, human, and financial capital. These global CEOs see themselves as the 'Coalition of the Willing' helping to lead their industries onto a more ambitious, accelerated, and sustainable trajectory. Read more: www.sustainable-markets.org

Terra Carta

In his former role as The Prince of Wales, His Majesty King Charles III, launched the Terra Carta at the One Planet Summit in January 2021. The Terra Carta serves as the mandate for the SMI and provides a practical roadmap for acceleration towards an ambitious and sustainable future; one that will harness the power of Nature combined with the transformative power, innovation, and resources of the private sector. Currently there are over 500 CEO-level supporters, including the first C40 city of Athens, Greece. The Terra Carta has served as the inspiration for the Terra Carta Design Lab. The Terra Carta is a roadmap for public, private, and philanthropic collaboration and open to all countries, cities, companies, organizations, and schools who wish to support it. Read more: www.sustainable-markets.org/terra-carta

SMI Energy Transition Task Force (Transition Working Group)



By invitation, executives from some of the world's largest and most influential industrial, energy and financial firms have come together to form the Energy Transition Task Force (ETTF) as part of the SMI and chaired by bp CEO, Bernard Looney. The ETTF's intent is determining how firms from across the energy value chain, individually and collectively, can play a leading role in driving and accelerating the transition to a sustainable future. Read more: www.sustainable-markets.org/taskforces/energy-transition-taskforce



Sustainable Markets Initiative

Independent Assessment Provider



Sustainable Fitch provides insights, tools and data to help bring clarity to the ESG financial community. Its transparent, objective and substantive data enable confidence in decision-making. Products include ESG Ratings, ESG Scores, Second-Party Opinions, Climate Vulnerability Scores and ESG Research. Sustainable Fitch is part of Fitch Solutions, a division of Fitch Group.

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