

Green Designation Assessment Methodology

Scope

This methodology describes Sustainable Fitch's analytical framework for assessing the eligibility of companies (financial and non-financial) for Green Equity Designation, which supports the subsequent confirmation of that designation by a stock exchange.

Our Green Designation Assessment determines whether a company's core business activities, revenue profile and capital allocation are substantively aligned with the applicable Green Equity Principles published by the World Federation of Exchanges (WFE) in March 2023. We also assess the governance profile of each entity.

The methodology applies to:

- listed companies seeking an initial Green Equity Designation;
- listed companies subject to periodic or annual confirmation of continued eligibility; and
- companies which are in the process of getting listed.

The assessment is conducted on an entity basis, rather than at a debt, individual-projects or ring-fenced financing-instruments level. It evaluates both current alignment and forward-looking investment commitments. It does not apply to sovereigns, sub-nationals, regional or local governments.

Certain individual stock exchanges have adhered to the Green Equity Principles. Our assessments currently cover the following exchanges.

- Nasdaq Nordic Exchanges.
- Brazilian Stock Exchange (B3).
- Philippines Stock Exchange (PSE).
- Indonesia Stock Exchange (IDX).
- Hong Kong Stock Exchange (HKEX).

We may cover more exchanges in the future.

The Green Equity Designation Assessment does not represent a credit rating nor a Sustainable Fitch rating.

Key Assessment Factors

Each stock exchange has unique eligibility criteria, which we consider in the assessment. We cover the relevant principles in the following sections.

- Quantitative Criteria: usually referred to as percentage of annual gross revenue and investments supporting green or transitional activities.
- KPIs and Targets Considerations: environmental targets that are most material to the entity's business model and environmental footprint.
- Governance Considerations: measures the governance arrangements allowing a company to carry out its environmental strategy and includes reporting, top management commitments and responsibilities.

Each assessment report contains a summarised overall assessment, reflecting the principles we considered, all the activities of the entity, key analytical drivers and future developments to be monitored.

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Sustainable Fitch Green Designation

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In this update we have expanded the Green Designation Assessment Methodology to include additional stock exchanges (Indonesia Stock Exchange and Hong Kong Stock Exchange).

To inform an entity's contribution to a green economy, we expect the exchanges either to identify a taxonomy of reference (see dedicated section in the Appendix) that can be global, regional or local, to be used in the analyses, or enable the reviewer to use its own methodology.

In the latter case we will score the entity's activities based on our methodology for business activities, with an assessment outcome from 1 to 5, where 1 is best (see [Sustainable Fitch Rating Methodology](#), paragraph "Business Activity Ratings Descriptions", in the Environmental component).

The Green Designation Assessment follows the following steps. First, we assess the quantitative criteria that can vary exchange by exchange, followed by KPIs and targets for the specific entity and finally governance considerations.

Quantitative Criteria

In this section, we consider the quantitative criteria used by each stock exchange for a Green Equity Designation as listed in the below table, per relevant exchange. In accordance with WFE recommendations, metrics we assess include entity revenue and investments.

Exchange ^a	Label	Quantitative metrics and thresholds
Nasdaq Nordic Exchanges	Green	- More than 50% of turnover from activities considered green. Does not apply for companies in pre-turnover phase. - Turnover from fossil fuel activities must be less than 5%. - More than 50% of the company's investments (sum of capex and opex) must be allocated to activities considered green.
	Transition	- More than 50% of the company's investments must be allocated to activities considered green. - Turnover from fossil fuel activities must be less than 50%.
Brazilian Stock Exchange	Green	- More than 50% of annual gross revenue from activities that contribute to the green economy. - Less than 5% of annual gross revenue derived from fossil fuel activities. - More than 50% of annual investments and opex contributing to the green economy.
Philippines Stock Exchange	Green	- More than 50% of annual gross revenue from activities that contribute to the green economy. - Less than 5% of annual gross revenue derived from fossil fuel activities. - More than 50% of annual investments (sum of capex and opex) contributing to the green economy.
Indonesia Stock Exchange	Green	More than 50% of annual gross revenue is derived from green activities. For pre-revenue stage companies, more than 50% of total investments (capex/opex) is allocated to green activities.
	Transition	- More than 50% of annual gross revenue is derived from transition activities. - More than 50% of investment (opex or capex) is allocated to activities falling within the transition category.
Hong Kong Stock Exchange	Green	- More than 50% of annual gross revenue from activities that contribute to the green economy. - Less than 5% of annual gross revenue derived from fossil fuel activities. - More than 50% of annual investments (sum of capex and opex) contributing to the green economy. - Less than 5% of annual investments is allocated to fossil-fuel activities.

Source: Sustainable Fitch, Nasdaq, Brazilian Stock Exchange, Philippines Stock Exchange, Indonesia Stock Exchange, Hong Kong Green Designation Limited

^a More exchanges to be added in the future

To consider activities green for the related revenue or investment calculations, we will refer to the relevant taxonomy selected by the exchange. Potential limitations from the certain taxonomies can reduce the possibility to apply the related designation, so some exchanges may allow the assessment provider to use its own proprietary environmental scoring scale. For more information on our approach to taxonomies to determine alignment of activities, please see the section in the Appendix (Taxonomies of Reference) with details on the various analytical steps we take. We will not apply the proprietary scoring scale where the exchange does not require it.

Our proprietary environmental scoring scale of activities ranges from 1 to 5 (where 1 is best and 5 is worst). A score is assigned to each business activity based on the evaluation of its alignment to the technical thresholds of major science-based taxonomies; or, based on our assessment of the sector or the activity.

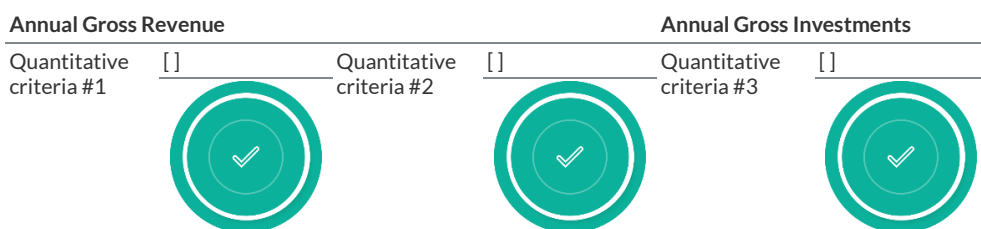
Each activity is weighted, based on its contribution to the entity's financial metric (ie revenue for corporates and pre-impairment operating profit for financial institutions) in order to assess the relative importance of each business activity to an entity's total activities. See the following table.

Activities Scoring - Descriptions

Environmental Perspective		
1	Best	Activity fully aligned with technical screening criteria of major science-based reference taxonomies.
2		Activity not fully aligned with, or not eligible for, major science-based reference taxonomies, but with a positive environmental impact.
3		Activity significantly not aligned with, or not eligible for, major science-based reference taxonomies, with a neutral environmental impact.
4		Activity significantly not aligned with, or not eligible for, major science-based reference taxonomies, with a negative environmental impact.
5	Worst	Activity significantly not aligned with, or not eligible for, major science-based reference taxonomies, with harmful environmental impact.

Source: Sustainable Fitch

In our methodology, we consider scores from 1 to 3 (inclusive) as green, thereby contributing to growing the green economy. The outcome of the analysis of the business activities scoring is illustrated through charts and broken down by activity across all quantitative criteria, and then summarised in a table with a badge associated with each quantitative criterion (see below).



Source: Sustainable Fitch

Note: The quantitative criteria shown in the table below are for illustrative purposes only. The actual criteria applied should be aligned with those of the relevant stock exchange.

We provide commentary on the assumptions and any proxy used in the classification of the activities, as well as their scoring, the relevant documents considered and other sources of information. We also explain the drivers for the scoring and break down revenue and investments respectively, including their past, evolution and those planned for the future, based on the available information, ie included in strategic plans and transition plans.

Where useful, based on sectors of activity and entity operations, we may include some case studies focusing, for instance, on specific investments or revenue streams, present or expected for the future.

KPIs and Target Considerations

KPIs and targets may be fundamental components of the analysis, with emphasis on their quality and relevance. Metrics are used to evaluate how credible, focused and actionable an entity's environmental or transition strategy is, and whether it meaningfully addresses the entity's exposure to climate-related risks.

The analysis concentrates on those KPIs that are most material to the business model and the GHG emissions, renewable energy usage, generation capacity or financial metrics such as green revenue. We may also refer to some social KPIs in the context of "just transition".

Based on the requirements each exchange may have, we will consider this section as informative only and not part of the assessment, ultimately with the objective to mirror the exchange's methodology or criteria.

We present results with the most relevant KPIs and forward-looking targets as below.

Selected Environmental Targets

	Scope	20XX Baseline	20XX Actual Data	20XX Target	20XX Target	20XX Target
[KPI #1]						
[KPI #2]						
[KPI #3]						

Source: Sustainable Fitch, [Entity reporting]

With regards to relevance and ambitiousness, we will comment on the various KPIs and targets, identifying their perimeter, their scope (and related GHG categories), any historical trend and relevant calculations. We view targets as more credible when they include clear interim milestones alongside long-term goals, as near-term targets demonstrate commitment, enable progress to be monitored and reduce reliance on distant ambitions that lack accountability.

We give more credibility to KPIs and targets aligned with recognised decarbonisation pathways and calculated using leading standards, enabling benchmarking against peers and broader climate objectives. Overall, well-designed metrics and targets are central to judging both the ambition and the deliverability of an entity's environmental strategy.

Governance Considerations

Governance plays a key role in demonstrating whether an organisation can achieve its strategic goals, not just express ambitions. Governance should be treated as a practical system that enables accountability, decision-making and action. This involves clearly defining leadership roles and how they are passed down, ensuring that important strategic issues – such as climate transition or sustainability – are overseen by senior management and, when appropriate, the board.

Incentive structures play a key role in strategic success, especially when management rewards and non-financial incentives align with long-term objectives. Poor alignment can hinder even well-designed plans. Organisational alignment – ensuring resources, skills and reporting lines support delivery – is equally essential.

Governance, in this context, is central to managing execution risk. Strong governance boosts confidence in plan delivery and monitoring, while weak governance increases the risk that external or internal challenges may undermine progress.

Based on the requirements each exchange may have, we will consider this section as informative only and not as part of the assessment, ultimately with the objective to mirror the exchange's methodology or criteria.

Sources of Information

Our assessments are prepared using information from multiple sources to support consistent and evidence-based conclusions.

Primary inputs include issuer-provided materials such as annual and sustainability reports, regulatory filings, governance disclosures, environmental strategies and policies, transition plans, capex plans, and operational or asset-level environmental metrics (eg energy use, emissions, water, waste).

Analysts may also use clarifications obtained through engagement with entity management via meetings and written Q&A. To corroborate and benchmark issuer disclosures, the analysis may draw on independent sources, third-party environmental/ESG datasets, peer and industry publications, technical literature and reputable public-domain information.

Where applicable, we use regulatory and standards-based references (including taxonomies and disclosure frameworks) to interpret reported information and boundaries. We assess information for relevance, timeliness, completeness and credibility, and cross-check where possible; where data gaps exist, we use reasonable estimates or proxies provided that they are appropriately documented and supported by verifiable information.

The assessment reflects information available as of the report date, either available in the public domain or provided by the entity during the engagement phase for our analytical consideration.

Appendix: Taxonomies of Reference

Different stock exchanges can identify different taxonomies as references for the definition of green activity.

Specifically, the taxonomies chosen by the stock exchanges that Sustainable Fitch currently covers can be summarised in the following table.

Exchange	Taxonomy of Reference
Nasdaq Nordic Exchanges	EU taxonomy
Brazilian Stock Exchange	EU taxonomy partially combined with Sustainable Fitch's scoring (according to circular letter dated 18 March 2025, it will transition to the Sustainable Taxonomy of Brazil).
Philippines Stock Exchange	Philippines Sustainable Finance Taxonomy Guidelines; or ASEAN Taxonomy for Sustainable Finance.
Indonesia Stock Exchange	Indonesian Taxonomy for Sustainable Finance and other recognised international taxonomy.
Hong Kong Stock Exchange	In the order of: [Tier 1] Hong Kong Taxonomy for Sustainable Finance; [Tier 2] China Green Bond Endorsed Project Catalogue, EU taxonomy; [Tier 3] other recognised international taxonomy.

Source: Sustainable Fitch, Nasdaq, B3, Philippines Stock Exchange, Indonesia Stock Exchange, Hong Kong Green Designation Limited

In the future, the table above may expand, as we will increase the list of exchanges covered by the Green Designation Assessment offering.

EU Taxonomy Alignment Assessment

Depending on the exchange decision regarding criteria, the alignment of the various activities of an entity with the EU taxonomy can be the key driver in the identification of the green activities or of the activities contributing to the green economy.

Once we identify the activities, we will focus on the EU taxonomy requirements. We will analyse each one vis a vis its alignment with the taxonomy's Environmental Objectives (EOs), related substantial contribution criteria (SCC), do no significant harm (DNSH) criteria and minimum safeguard (MS) criteria and provide commentary on the assessment drivers.

Process

We rely on information produced by the analysed entity, as well as relevant external information (ie from authorities) to assess alignment across the various steps. Where necessary, we engage with the issuer to obtain additional information. We do not make assumptions or estimations on alignment at each step of our review.

An economic activity qualifies as environmentally sustainable when it:

- contributes substantially to one or more of the EOs;
- complies with the SCC;
- does not significantly harm any of the EOs; and
- is carried out in compliance with the MS criteria.

Step 1: Is the activity taxonomy eligible?

We will check whether the activity has associated SCC in the EU taxonomy.

Step 2: Which EO does the activity contribute to?

We will consider whether the activity substantially contributes to any of the following EOs, as described in Regulation (EU) 2020/852, article 9.

- EO1: climate change mitigation.
- EO2: climate change adaptation.
- EO3: sustainable use and protection of water and marine resources.
- EO4: transition to a circular economy.
- EO5: pollution prevention and control.
- EO6: protection and restoration of biodiversity and ecosystems.

Step 3: Does the activity comply with the SCC?

We will refer to the most recently approved version of the EU taxonomy to check SCC alignment of the specific information and metrics on performance reported by the issuer. Where an activity must comply with more than one SCC, the analyst will review each applicable SCC in the assessment.

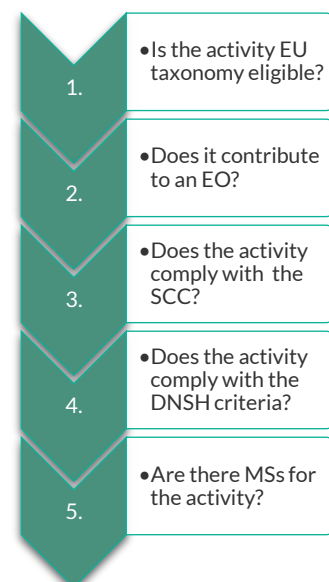
The outcome of the SCC alignment can be "full alignment", "partial alignment" or "not aligned". Partial alignment can be assigned when some of the SCC are met. That said, we may move to the next stage of the assessment when full alignment for Step 3 is obtained.

Step 4: Does the activity also comply with the DNSH criteria?

We evaluate the following DNSH criteria for each of the other five EOs (if applicable).

- DNSH thresholds specified in the taxonomy such as requirements on the proportion of recyclable materials (there must be clear metrics on performance).
- Processes in place to limit harm to EOs (such as impact assessments and policies).
- Compliance with key international standards.
- Any relevant controversies related to the activity.

Steps of the EU Taxonomy Assessment:



Example of an SCC metric

The life-cycle GHG emissions from electricity generation at a specific facility being below 100gCO₂e/kWh.

In line with Step 3, in Step 4 we can also have partial alignment as one of the possible outcomes, when only some of the DNSH criteria are met. That said, we may move to the next stage of the assessment when full alignment for Step 4 is obtained.

Step 5: Does the activity also comply with the MS criteria?

We confirm company-wide practices on labour rights and governance, as well as adoption of the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the International Bill of Human Rights, and the eight fundamental conventions of the International Labour Organization's Fundamental Principles and Rights at Work.

Assessment for the purpose of the Brazilian B3 Ações Verdes

For the purpose of the Brazilian Stock Exchange, B3 Ações Verdes, we will combine the first few steps of the EU taxonomy (steps 1 and 2) with our proprietary environmental scoring scale, which will be used as a driver to identify and analyse the contribution to the green economy.

Process

We rely on information produced by the analysed entity, as well as relevant external information (ie from authorities) to assess alignment across the various steps. Where necessary, we engage with the issuer to obtain additional information. We do not make assumptions or estimations on alignment at each step of our review.

An economic activity qualifies as environmentally sustainable when it:

- contributes substantially to one or more of the EOs of the EU taxonomy;
- contributes to the green economy; and
- complies with required environmental and social controversy screening.

Step 1: Is the activity taxonomy eligible?

We will check whether the activity has associated SCC in the EU taxonomy.

Step 2: Which EO does the activity contribute to?

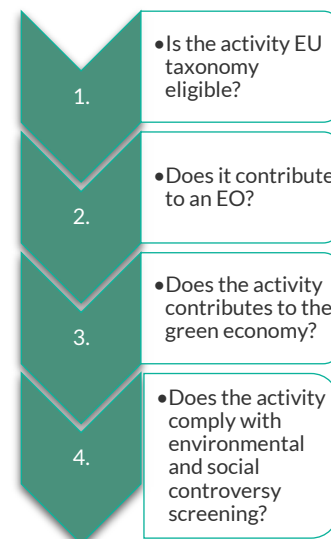
We will consider whether the activity substantially contributes to any of the following EOs, as described in Regulation (EU) 2020/852, article 9.

- EO1: climate change mitigation.
- EO2: climate change adaptation.
- EO3: sustainable use and protection of water and marine resources.
- EO4: transition to a circular economy.
- EO5: pollution prevention and control.
- EO6: protection and restoration of biodiversity and ecosystems.

Step 3: Does the activity contribute to the green economy?

To identify whether the specific activity performed by the analysed entity contributes to the green economy, we will then refer to our proprietary environmental scoring scale.

Steps of the Assessment:



Activities Scoring - Descriptions

	Environmental Perspective	Green economy contribution	Assessment outcome
1 Best	Activity fully aligned with technical screening criteria of major science-based reference taxonomies.	Positive Contribution	
2	Activity not fully aligned with, or not eligible for, major science-based reference taxonomies, but with a positive environmental impact.		
3	Activity significantly not aligned with, or not eligible for, major science-based reference taxonomies, with a neutral environmental impact.		
4	Activity significantly not aligned with, or not eligible for, major science-based reference taxonomies, with a negative environmental impact.	Negative Contribution	
5 Worst	Activity significantly not aligned with, or not eligible for, major science-based reference taxonomies, with harmful environmental impact.		

Source: Sustainable Fitch

We will consider activities scored better than 3 (ie as 1 or 2) as having a positive contribution to a green economy, as represented in the assessment outcome in the table above.

Step 4: Does the activity comply with required environmental and social controversy screening?

We will check the activities and the entity itself to verify that that there are no irregularities related to human rights or environmental practice rules and it is not associated with ESG-related incidents.

We will consider various news events from proprietary and third-party news aggregation platforms, along with regular monitoring of public databases, regulatory websites, major news outlets and other related sources. Additionally, we will consider information disclosed by companies through annual reports or webpages.

ASEAN Taxonomy for Sustainable Finance Version 4 Alignment Assessment

This section describes the methodology we apply when assessing alignment with the ASEAN Taxonomy for Sustainable Finance (Version 4). The methodology is consistent with the approach that we apply to other reference taxonomies, including the EU taxonomy, and reflects the ASEAN taxonomy's dual-framework structure.

Process

The assessment relies on issuer disclosure, additional information obtained from issuer engagement and relevant external information, without assumptions or estimations regarding alignment.

The ASEAN taxonomy allows two assessment frames: the Foundation Framework (FF), a principles-based qualitative assessment using guiding questions and a decision flow; and the Plus Standard (PS), an advanced assessment using technical screening criteria (TSC) (quantitative and/or qualitative) for six focus sectors and three enabling sectors.

Under the ASEAN taxonomy, an economic activity is considered environmentally sustainable when:

- it contributes substantially to at least one EO;
- it does not significantly harm the other EOs;
- any actual or potential significant harm is removed as required by the Remedial Measures to Transition criterion within five years; and
- it is carried out in compliance with Social Aspects requirements.

Step 1: Is the activity eligible, and under which framework is it assessed?

We determine whether the activity should be assessed under the FF via a set of guiding questions, or the PS via the assessment against the available TSC.

The use of FF or PS depends on sector coverage and the availability of TSC. All activities can be assessed under the ASEAN taxonomy via the FF, but only activities with defined TSC can be assessed under the PS (and PS coverage may also vary by EO and tier). For activities with defined TSC in the PS, we will also consider whether the relevant ASEAN member state policy favours assessment of the activity using the PS.

Step 2: Which objectives does the activity contribute to?

We assess whether the activity meets the requirements of at least one of the following EOs covered by the ASEAN taxonomy.

- EO1: climate change mitigation.
- EO2: climate change adaptation.
- EO3: protection of healthy ecosystems and biodiversity.
- EO4: resource resilience and the transition to circular economy.

We will identify the most relevant objective based on the activity's nature, issuer's strategy, as well as government and industry guidance.

Step 3: Does the activity comply with the guiding questions (FF) or the TSC (PS)?

If the activity is assessed under the FF, we apply the ASEAN taxonomy's qualitative guiding questions and decision flow to assess the activity's contribution to the relevant EO and determine an FF classification (Green, Amber or Red).

If the activity is assessed under the PS, we assess its compliance with the applicable quantitative and/or qualitative TSC defined for the relevant sector and tier. Under the PS, an activity that meets tier 1 TSC may be classified as Green, while an activity that meets tier 2 or tier 3 TSC may be classified as Amber (Amber tier 2 or Amber tier 3, respectively).

Step 4: Does the activity also comply with the DNSH criteria?

We assess the activity against DNSH criteria after ascertaining the activity's contribution against at least one EO, to ensure it does not cause significant harm to any of the other EOs. DNSH requirements may be generic or sector-specific, depending on the framework applied.

If the activity is assessed under the FF, we apply the set of guiding questions in the ASEAN taxonomy to evaluate compliance with the DNSH. If the activity is assessed under the PS, we assess the compliance with DNSH via the generic and/or sector-specific criteria for significant harm.

Step 5: Is there implementation of RMT when significant harm is occurring, or will occur?

Where significant harm is identified, we assess whether remediation measures are credible and sufficient to mitigate the harm within five years to a level where it is no longer significant. Activities for which RMT is outstanding should be provisionally classified as Amber (for FF) or Amber tier 3 (for PS) until the significant harm has been effectively remediated, or five years have passed from the assessment date. Activities with unresolved harm beyond the five-year period will be classified as Red.

Step 6: Does the activity comply with the Social Aspects requirements?

Social Aspects relates to social conditions which could potentially be harmed by an activity. We assess Social Aspects at the entity level instead of an activity level as the relevant policies and management systems are typically established and implemented at that level. Such assessments are applicable for both the FF and the PS against ASEAN-aligned legal and policy frameworks through a set of guiding questions. There are three Social Aspects to be assessed:

- promotion and protection of human rights;
- labour rights and worker protection; and
- impact on people living close to investments.

Alignment Outcomes and Classification

Activities assessed under the ASEAN taxonomy are classified using a colour-based classification system that represents different levels of contribution to an EO. The classifications are divided into Green, Amber and Red.

- **Green:** An activity is making a substantial contribution to the EO.
- **Amber:** "Transitional" activities that do not meet green criteria but represent progressive movement towards sustainability; this results in two levels of Amber classification: Amber tier 2 and Amber tier 3. In both the PS and the FF, an activity may also be temporarily classified as Amber (or Amber tier 3 under the PS) where there is outstanding significant harm that has not been remediated, provided comprehensive and realistic RMT plans are presented to remediate the harm within five years from the assessment date.
- **Red:** An activity is not aligned with the ASEAN taxonomy (including where it fails to meet Green or Amber TSC under the PS, or where it causes significant harm without credible RMT plans to remediate within five years). Certain activities in the energy, transport and waste sector are also automatically classified as Red, such as those that are fossil-fuel reliant.

Philippine Sustainable Finance Taxonomy Guidelines Alignment Assessment

This section describes the methodology we use to assess alignment with the Philippine Sustainable Finance Taxonomy Guidelines (SFTG), issued by the Bangko Sentral ng Pilipinas. The approach is consistent with our analytical discipline applied to other international taxonomies, including the ASEAN taxonomy.

Process

We rely on information produced by the analysed entity, as well as relevant external information (ie from authorities) to assess alignment across the various steps. Where necessary, we engage with the issuer to obtain additional information. We do not make assumptions or estimations on alignment at each step of our review.

An economic activity qualifies as sustainable under the SFTG when it:

- substantially contributes to at least one EO;
- does not significantly harm the other EO;
- applies RMT where harm exists within the prescribed timeframe; and
- is carried out in compliance with minimum social safeguards (MSS).

The assessment process is principles-based and qualitative, with a traffic-light classification of outcomes.

Step 1: Is the activity taxonomy eligible and not excluded?

We will check whether the activity falls within the scope of the SFTG. Activities that are illegal under Philippine law are considered out of scope and cannot be classified as sustainable. We will then assess whether the activity is an excluded activity according to the exclusion list adapted from the Republic of Philippines Sustainable Finance Framework, which covers various controversial activities, including fossil fuels, gambling and weaponry.

Step 2: Which EO does this activity contribute to?

We will consider whether the activity substantially contributes to an EO, as described in Circular No. 1187 Series of 2024:

- EO1: climate change mitigation.
- EO2: climate change adaptation.

We will identify the most relevant objective based on the activity's nature, issuer's strategy, as well as government and industry guidance.

Step 3: Does the activity comply with the SCC?

We will evaluate the activity's substantial contribution to the selected EO with reference to the guiding questions and decision trees from the SFTG, applying a qualitative and principles-based assessment.

For climate change mitigation, substantial contribution is defined as activities that avoid, reduce, or enable reduction of GHG emissions. For climate change adaptation, activities must reduce material physical climate risks or enable adaptation to such risks, including those related to flooding, heat or other climate impacts, and must not adversely affect adaptation efforts or increase risks for other stakeholders. Once the substantial contribution is established, the assessment proceeds to the essential criteria of DNSH, RMT and MSS.

Step 4: Does the activity comply with essential criteria of DNSH?

We assess whether an activity causes any significant harm to the other EO after verifying compliance with Philippine laws as a prerequisite in step 1. We will follow the guiding questions as set out in the SFTG and consider materiality to determine whether harm is significant.

We will also consider optional elements, including whether the activity seeks to avoid harm to other EOs not currently covered by the SFTG, such as circular economy, and ecosystems and biodiversity, as well as ESG risk management aligned with international standards, including the International Finance Corporation Performance Standards on Environmental and Social Sustainability, and OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

Step 5: Does the activity comply with the essential criteria of RMT?

Where significant harm is identified, we evaluate whether RMT are credible and realistic. Under the SFTG, remediation should generally be completed within five years from the assessment date. Timeframes of up to 10 years may be accepted if supported by independent external verification.

If an activity substantially contributes to an EO but causes, or may cause, significant harm, the classification is Amber, subject to effective remediation. If remediation is not planned to be completed within the specified timeframe, or is expected to exceed 10 years without verification, the activity is classified as Red.

Step 6: Does the company comply with the essential criteria of MSS?

We assess MSS at the company level and cover compliance with Philippine laws and regulations. Failure to meet MSS requirements leads to a Red classification. Companies with a history of violations may still undergo MSS assessment but are required to demonstrate improvements and remediation measures.

The MSS covers the following.

- Promotion and protection of human rights.
- Prevention of forced labour and protection of children's rights.
- Impact on people living close to areas of investments.

Alignment Outcomes and Classification

Activities assessed under the SFTG are classified using a colour-based classification system that represents different levels of contribution to an EO. Activities are classified as Green, Amber, or Red under the SFTG.

- **Green:** The activity makes a substantial contribution to an EO and meets DNSH and MSS requirements.
- **Amber:** The activity makes a substantial contribution but causes significant harm to another EO. Harm must be remediable within five years, or within 10 years with independent verification. Essential criteria of DNSH and MSS must also be met.
- **Red:** The activity does not serve any EO or fails to meet the essential criteria of DNSH, MSS and RMT. Red activities may still be eligible for unlabelled financing but do not meet the sustainability ambition of the SFTG.

Activities failing to meet SCC or essential criteria of DNSH, RMT and MSS, or those that are excluded or illegal, we consider as not taxonomy-aligned. The process ensures that only activities meeting the sustainability requirements of the SFTG are classified as Green, while Amber and Red classifications indicate transitional or non-aligned status.

Indonesian Taxonomy for Sustainable Finance Alignment Assessment

This section describes the methodology we apply when assessing alignment with the latest version of the Indonesian Taxonomy for Sustainable Finance (TKBI), issued by the Indonesian Financial Services Authority (OJK). The approach is consistent with our analytical discipline applied to other reference taxonomies, including the ASEAN taxonomy, on which the TKBI is primarily based. TKBI is a taxonomy designed to support Indonesia's sustainable development goals, net-zero emissions ambitions, and sustainable finance market development. It assesses the contribution of economic activities to four EOs and classifies in-scope activities as Green, Transition or Unqualified.

Process

We rely on information produced by the analysed entity, as well as relevant external information (ie from authorities), to assess alignment across the various steps. Where necessary, we engage with the issuer to obtain additional information. We do not make assumptions or estimations on alignment at each step of our review. This approach is consistent with the analytical discipline applied across our taxonomy assessments.

Under the TKBI, activities may be assessed using one of two approaches, either:

- the TSC approach, which assesses against the quantitative and/or qualitative criteria specified for the relevant activity and EO; or
- the Sector-agnostic Decision Tree (SDT) approach, a principles-based assessment framework used where the assessed entity is classified as a medium, small and micro-enterprise (MSME) in Indonesia.

An economic activity qualifies as aligned with TKBI when it:

- substantially contributes to at least one EO;
- does not cause significant harm to other EOs;
- applies RMT where harm exists within the prescribed timeframe;
- fulfils social aspect criteria; and
- is classified as Green or Transition under the TKBI classification system.

Step 1: Is the activity covered by the TKBI and which assessment approach applies?

We first identify whether the activity falls within the scope of the TKBI and whether it is supported by sector-specific TSC. We assess activities with established TSC against the relevant technical requirements. Where the assessed entity is classified as an MSME, we apply the SDT approach using the qualitative guiding questions established by the TKBI.

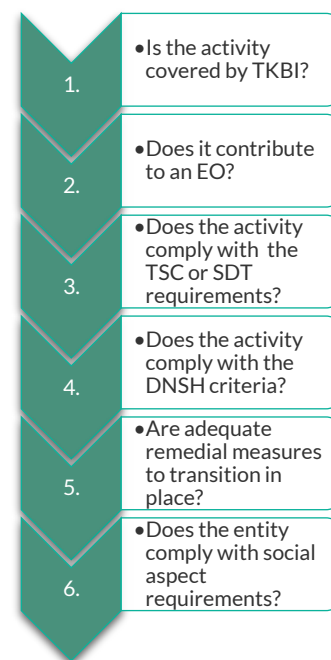
The current scope of the TKBI Version 3 includes the energy sector, construction and real estate sector, transportation and storage sector. It also includes selected activities within the agriculture, forestry and fisheries sector; manufacturing sector; water supply, sewerage, waste management and remediation sector; and enabling activities, including information and communication, and professional, scientific and technical activities.

Step 2: Which EO does the activity contribute to?

We assess whether the activity contributes substantially to one or more of the EOs identified in TKBI.

- EO1: Climate Change Mitigation.
- EO2: Climate Change Adaptation.
- EO3: Protection of Healthy Ecosystems and Biodiversity.
- EO4: Resource Resilience and the Transition to a Circular Economy.

Steps of the Indonesian Taxonomy Assessment:



We identify the most relevant objective based on the activity's nature, the issuer's strategy, sectoral guidance and applicable TKBI criteria.

Step 3: Does the activity comply with the applicable green or transition TSC or SDT requirements?

For activities assessed under the TSC approach, we evaluate compliance with the applicable Green and Transition criteria for the selected EO. TSC may be based on the nature of the activity, quantitative thresholds, qualitative practices or processes, or a combination of these elements.

For activities assessed under the SDT approach, we evaluate the activity using the guiding questions and decision-tree framework prescribed by the TKBI to determine whether the activity contributes to the relevant EO.

Step 4: Does the activity comply with DNSH requirements?

Following confirmation of substantial contribution, we assess whether the activity causes significant harm to any of the other EOs.

For activities assessed under the TSC approach, we evaluate compliance with the relevant DNSH criteria and thresholds established by the TKBI.

For activities assessed under the SDT approach, we apply the qualitative DNSH guiding questions provided by the TKBI.

Where significant actual or potential harm is identified, the activity proceeds to the assessment of RMT in Step 5.

Step 5: Are adequate RMT in place?

Where significant harm is identified, we evaluate whether RMT are credible and realistic. The remediation plan should identify the harm being addressed, the measures to be implemented, the implementation timetable and the arrangements for monitoring progress. Under the TKBI, remediation should be completed within the timeframe prescribed under the applicable TKBI criteria, taking into account the company's established remediation or transition targets.

Where an RMT implementation plan is required but is not available, the activity cannot be classified as Green or Transition. For activities specifically exempted from the DNSH and RMT assessment under TKBI, including certain enabling activities, we proceed directly to Step 6.

Step 6: Does the entity comply with the Social Aspects requirements?

We assess whether the activity complies with the applicable Social Aspects requirements under the TKBI. The assessment considers compliance with relevant laws and regulations and the management of material impacts on workers, local communities and other affected stakeholders. We assess Social Aspects in accordance with the applicable requirements and assessment approach prescribed under the TKBI for the relevant activity and/or entity. We may consider company disclosures, policies, management systems, regulatory compliance records, controversy screening and relevant external sources.

An activity must satisfy all applicable Social Aspects requirements to be classified as Green or Transition.

Classification Outcomes

Activities assessed under the TKBI are classified according to the taxonomy's activity classification system.

- **Green:** Activities meet the Green criteria for at least one EO, while meeting applicable DNSH, RMT and Social Aspects requirements.
- **Transition:** Activities meet the Transition criteria for at least one EO, and meet applicable DNSH, RMT and Social Aspects requirements. Where RMT is applicable, the activity must have a credible and time-bound improvement or remediation plan in accordance with TKBI requirements. Transition activities may also be subject to a time limit or sunset date.
- **Unqualified:** Activities that are covered by the TKBI but do not satisfy the criteria for either Green or Transition classification.

For the IDX Green Equity Designation assessment, we will separately aggregate revenue from activities classified as Green and revenue from activities classified as Transition, in accordance with the eligibility threshold applicable to the designation sought. An activity's classification will be based on the applicable TKBI assessment rather than on a general determination that it contributes to the green economy.

Assessment for the purpose of the HKEX Green Equity Designation

For the purpose of the HKEX Green Equity Designation, we will assess the business activities' alignment with the Hong Kong Taxonomy for Sustainable Finance (HK taxonomy), the EU taxonomy, and the China Green Finance Endorsed Project Catalogue (GFEPC), to identify the activities' contribution to the green economy.

Under the HKEX Green Equity Designation requirement, business activities are first assessed against the HK taxonomy as tier 1. If the activities are not covered by, or are not aligned under the HK taxonomy, they will be assessed against the EU taxonomy or GFEPC as tier 2. If the EU taxonomy and GFEPC are not applicable to the business activities, the activities could be assessed against other recognised international taxonomies as tier 3.

Process

We rely on information produced by the analysed entity, as well as relevant external information (ie from authorities) to assess alignment across the various steps. Where necessary, we engage with the issuer to obtain additional information. We do not make assumptions or estimations on alignment at each step of our review.

Step 1: Does the assessed entity meet the operational criteria?

An entity is only eligible for Green Equity Designation if it demonstrates compliance with applicable environmental, social, labour, employment, health and safety laws and regulations, and is not subject to any material enforcement action, penalty or unremedied breach as a result. As part of the environmental-compliance assessment, we will also describe whether the entity has considered the environmental sustainability of its operations, including GHG emissions trends, climate-related transition plans, decarbonisation targets and progress, and the use of environmental attribute certificates, where relevant. Apart from obtaining relevant information from the issuer, we are also able to identify record of non-compliance using our proprietary screening and controversies tool.

An entity is also required to provide evidence that its board of directors exercises oversight of and monitor the entities sustainability strategy. We will obtain a confirmation through direct engagement with the issuer's managers.

Step 2: Does the assessed entity meet the financial criteria?

The assessment of whether the entity meets the core green financial thresholds is based on the outcome of the activity-level taxonomy assessment below. Revenue and investments are treated as green only where the relevant activities qualify as green activities under the applicable taxonomy tier. On this basis, we will determine whether at least 50% of the entity's revenue is derived from green activities and at least 50% of its investments, comprising capex and opex, are allocated to green activities.

In parallel, we will assess whether revenue and investments from fossil-fuel activities each constitute less than 5% of the relevant total revenue or total investments. The activity-level taxonomy assessment is assessed against the HK taxonomy EU taxonomy, GFEPC and other recognised international taxonomies in sequence.

Step 2.a.i: Tier 1 - Is the activity covered by the HK taxonomy?

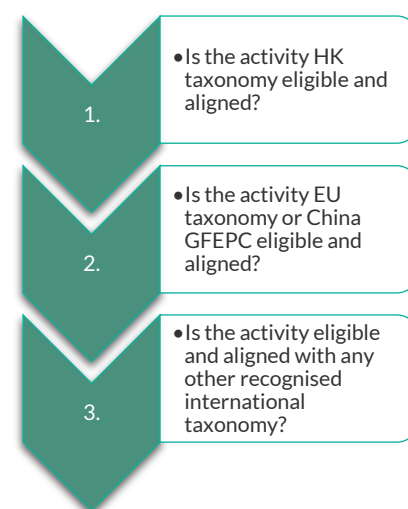
We will check whether the activity has associated green TSC for climate change mitigation in the HK taxonomy. If there is no applicable TSC, we will move to Step 2b.

Step 2.a.ii: Tier 1- Does the activity meet the green TSC of the HK taxonomy?

We will refer to the most recently approved version of the HK taxonomy to check TSC alignment of the specific information and metrics on performance reported by the issuer.

The outcome of the SCC alignment can be "aligned" or "not aligned". If the outcome is "aligned", this activity will be classified as a tier 1 activity.

Steps of the Tiering of Taxonomies:



Step 2.b: Tier 2- Does the activity align with applicable EU taxonomy SCC?

We will check whether the activity has associated SCC in the EU taxonomy. For the purpose of the HKEX Green Equity Designation, the assessment of EU taxonomy alignment is limited to the applicable SCC. We do not assess the EU taxonomy's DNSH criteria or MS criteria for this purpose.

We will consider whether the activity substantially contributes to any of the following EOs, as described in Regulation (EU) 2020/852, article 9.

- EO1: climate change mitigation.
- EO2: climate change adaptation.
- EO3: sustainable use and protection of water and marine resources.
- EO4: transition to a circular economy.
- EO5: pollution prevention and control.
- EO6: protection and restoration of biodiversity and ecosystems.

We will refer to the most recently approved version of the EU taxonomy to check SCC alignment of the specific information and metrics on performance reported by the issuer. Where an activity must comply with more than one SCC, the analyst will review each applicable SCC in the assessment.

Some SCCs of the EU taxonomy require compliance with EU regulations, which may not be applicable to non-EU operations. We will exercise judgements on whether any local regulations with equivalent stringency are met.

The outcome of the SCC alignment can be "full alignment", "partial alignment" or "not aligned". The activity will be classified as a tier 2 activity if it fully aligns with the EU taxonomy SCC.

Step 2.c: Tier 2 - Does the activity covered by the China GFEPCC and meet the corresponding TSC?

We will check whether the activity is covered by the most recently approved version of China GFEPCC. If the activity is not covered by the China GFEPCC, we will move to Step 2d.

We will then assess whether the activity meets the corresponding TSC based on specific information and metrics on performance reported by the issuer. If the activity does not meet the TSC, the activity will not be classified as a green activity.

Step 2.d: Tier 3 - Is the activity otherwise covered by any recognised international taxonomies, and meeting respective TSC?

In an event where the assessed activity is not covered by HK taxonomy, EU taxonomy and China GFEPCC, we will check if the activity is covered by other recognised international taxonomies, such as the ASEAN taxonomy, Singapore-Asia Taxonomy for Sustainable Finance, or the Australian Sustainable Finance Taxonomy, among others, starting with an applicable taxonomy in which the activity operates in.

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