S&P Global
Ratings

Climate Transition Assessment Description For The Nasdaq Green Designations

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This report does not constitute a rating action

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Overview

- A Climate Transition Assessment (CTA) is our qualitative opinion of how consistent with a low carbon, climate resilient future we expect an entity's economic activities will be once the planned transition changes are realized and potential material implementation risks are considered.
- Analytical outputs from CTAs are used to assess alignment of companies with the Nasdaq Green Equity Principles and to determine if companies meet the requirements for either the Nasdaq Green Equity Designation or the Green Transition Designation.
- The Nasdaq Green Equity Principles are aligned with the World Federation of Exchanges Green Equity Principles guidelines.

Nasdaq offers two green designations for its listed companies in the Nordics and private companies. The objective of the designations is to facilitate increased visibility toward investors for companies supporting the green transition. Nasdaq was the first exchange to launch green equity principles in 2021. The World Federation of Exchanges adopted their Green Equity Principles in 2023 and these are aligned with the Nasdaq Green Equity Principles.

CTAs are our opinion of how consistent with a low carbon, climate resilient future we expect an entity's economic activities are likely to be once the planned transition changes are realized and potential material implementation risks are considered. The first analytical component in our assessment as defined by the CTA Analytical Approach: Climate Transition Assessment (CTA AA) to consider the mix of the entity's current activities and determine how consistent they are with a low carbon, climate resilient future. We express our opinion on the alignment of current activities to a low carbon, climate resilient future using Shades of Green ranging from Red to Dark green as defined in "Analytical Approach: Shades of Green Assessments".

We offer a CTA Green Equity add-on, which is an opinion as to whether there is alignment with the Green Equity Principles used by various stock exchanges. The CTA Green Equity add-on is our assessment for the Nasdaq Green Equity Designation.

The add-on leverages the same underlying analysis that we use in our CTA. We use our analysis of the consistency of activities with a low carbon, climate resilient future to determine what qualifies as green.

Our review considers whether the financial data and information disclosed by the company meets the defined thresholds embedded in the principles. Our review relies on the information presented by the company and we do not provide any assurance of this data, including what the company discloses, for any taxonomy alignment.

Nasdaq Green Designations

For companies seeking the Nasdaq Green Equity or Green Transition Designation we use our Shades of Green applied to the most recently reported revenue, capital expenditure (capex), and operating expenditure (opex) for a full financial year using the approach to assessing financials described in the CTA AA.

We associate activities assigned a Dark, Medium, or Light green shade to be contributing to the green economy as defined by the Nasdaq Green Designations. We do not consider activities assigned a Yellow, Orange, or Red shade to meet this definition. Using these associations we determine if the following Nasdaq thresholds are met:

Nasdaq Green Equity Designation and Nasdaq Green Equity Designation – Private Company

- More than 50% of the company's annual turnover (we use the term revenue interchangeably with turnover), contribute to the green economy (the minimum threshold requirement for turnover considered green does not apply for companies in pre-turnover phase. As soon as a pre-turnover company starts generating any turnover it must be aligned with the requirement).
- More than 50% of the company's annual investments (the sum of capex and opex) contribute to the green economy.

For this designation we also review alignment with the Nasdaq requirement that less than 5% of the company's annual revenues are derived from fossil fuel activities.

Nasdaq Green Equity Transition Designation and Nasdaq Green Equity Transition Designation-Private Company

- More than 50% of the company's annual investments (the sum of capex and opex) contribute to the green economy.
- Less than 50% of the company's annual revenues are derived from fossil fuel activities.

We consider a company meets Nasdaq transparency requirements on EU Taxonomy alignment and environmental targets and KPIs if these are reported publicly or through the Nasdaq ESG data portal. The entity's stated metrics and targets and any forward-looking objectives that are relevant to its climate transition are part of our CTA analysis as defined in our CTA AA.

Information on alignment as determined by our assessment is fed into the Nasdaq ESG Data Portal along with the company-provided information.

Alignment with the Nasdaq requirements are re-confirmed on an annual basis via an updated CTA, pursuant to the company's request.