Guidance 7b: Sector-agnostic qualitative transition risk assessment questionnaire

British International Investment

Transition risk drivers	*Questions for qualitative assessment*	*Scoring rubric*	*Recommendations for Advanced FIs*
Absolute emissions	▪ Does the asset's current or projected emissions align with decarbonisation benchmarks? ▪ Is the asset's GHG footprint above, at or below sector peers?	It is recommended to design the questionnaire responses using Likert scales or similar categorical risk bands, where possible. ▪ E.g. 3 / 2 / 1 or Red / Amber / Green This allows for the generation of easy-to-parse heatmaps that are comparable across assets, and aggregable over multiple projects in the portfolio. Some policy risks such as revenue impacts from carbon pricing, alignment to NDCs, country allowances for fair share of emissions, or sectoral decarbonisation benchmarks can be derived from macroeconomic scenario projections taken from credible reference scenario providers (e.g. NGFS, PRI, IEA).	In the same vein, Advanced FIs may complement this questionnaire with sector-specific and/or country-specific dimensions. Some examples follow: ▪ (Power generation) – is the asset eligible for, or excluded from, government support or capacity payments under national transition plans? ▪ (Cement) – does the asset have access to carbon capture and storage (CCS) infrastructure, or are there earmarked plans for developing such infrastructure? ▪ (Automotives) – What percentage of current production is aligned with low-emission standards, and is there a strategic roadmap for full fleet electrification?
Relative emissions	▪ Does the asset's current or projected emissions intensity align with decarbonisation benchmarks? ▪ Is the asset's GHG emissions intensity above, at or below sector peers?		
Technological capacity	▪ Is the asset technologically compatible with available decarbonization upgrades? ▪ What is the remaining economic life, and can the asset be cost-effectively retrofitted? ▪ What is the efficiency of existing technology relative to the best available technology?		
Policy risk	▪ Is the asset exposed to imminent or likely carbon pricing, emission caps, or sectoral bans? ▪ Where relevant, check how carbon price projections in various reference scenarios (e.g. Below 2°C, Delayed Transition, Current Policies scenarios via NGFS) would impact client revenues. ▪ How might carbon tariffs of closest trading partners impact the financial performance of the asset?		
Other (market / reputation)	▪ Has there been evidence of changing consumer preferences or demand for low-carbon products in the asset's target market? ▪ Is there a risk of brand or customer attrition if the asset is perceived as lagging in climate action relative to peers, especially in export or premium segments?		