

São Paulo, 8 October 2026

To: The World Federation of Exchanges (WFE)
5th Floor - 48 Gracechurch Street, London, EC3V 0EJ, United Kingdom

Subject: IBGC contribution to the consultation on WFE Transition Equity Principles

Dear WFE Regulatory Affairs staff,

The Brazilian Institute of Corporate Governance (IBGC) welcomes the opportunity to contribute to the World Federation of Exchanges (WFE) consultation on the proposed Transition Equity Principles. IBGC is grateful to its Sustainability and Climate Commission for its valuable support in informing and strengthening this contribution.

IBGC is a leading Brazilian institution dedicated to the development and dissemination of good corporate governance practices. Its 6th edition of the Code of Best Corporate Governance Practices (2023) is grounded in five principles: integrity, transparency, equity, accountability and sustainability. The Code defines corporate governance as the system through which organizations are directed and monitored, with the objective of generating sustainable value for the organization, its shareholders and society as a whole.

IBGC considers the proposed Transition Equity Principles a relevant initiative to strengthen market integrity, improve the quality of transition-related information and facilitate the allocation of capital towards companies pursuing credible climate transitions. From a corporate governance perspective, the credibility of a Transition Equity Classification should also depend on whether the transition is effectively governed, overseen, resourced, monitored, disclosed and subject to accountability.

This contribution therefore focuses particularly on the governance dimension of the proposed Principles and, especially, on the Minimum Requirements for Transition Plans and Associated Disclosures in Annex 1.

The recommendations presented draw on the IBGC Code of Best Corporate Governance Practices (2023), the Chapter Zero Transition Planning Toolkit, the G20/OECD Principles of Corporate Governance, IFRS S2 and related transition-plan guidance, as well as other recognized international references, and were enriched by the expertise and insights of IBGC's Sustainability and Climate Commission.

Respectfully,

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General assessment of the WFE proposal

IBGC broadly supports the objectives and overall architecture of the proposed WFE Transition Equity Principles. The proposed framework is valuable because it recognizes that transition finance requires more than a long-term climate ambition: it requires evidence of implementation, capital allocation, performance monitoring and accountability.

In particular, those elements are fundamentally important: (i) an entity-level transition plan; (ii) minimum requirements aimed at enhancing consistency and comparability; (iii) annual assessments of compliance; (iv) safeguards against greenwashing; (v) annual disclosure of material developments; (vi) the possibility of leveraging existing transition and sustainability disclosures, avoiding unnecessary parallel reporting; (vii) transparent methodologies for reviewers; and (viii) a revocation mechanism for issuers that are no longer on a credible transition pathway.

There is an opportunity for the final Principles and accompanying Guidance make the governance architecture of the transition plan more explicit and more consistently applicable across jurisdictions. Particularly, the G20/OECD (2023) states that boards should adequately consider material sustainability risks and opportunities when reviewing and guiding strategy, risk management, disclosure and internal control systems, including climate-related physical and transition risks.

Our responses to the consultation questions are set out below.

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?

Anchoring the overarching climate objective in the Paris Agreement is important because a common global reference is important to avoid fragmentation and to provide investors with a meaningful basis for comparison across markets.

The recognition of the principle of common but differentiated responsibilities and respective capabilities is important particularly in emerging and developing economies.

From a corporate governance perspective, however, the Guidance could clarify that while transition pathways, implementation approaches and timelines may differ across jurisdictions and companies, governance quality, transparency, accountability and oversight remain an essential foundation for credible transition planning.

This distinction is consistent with the IBGC Code of Best Corporate Governance Practices (2023), which recognizes that governance arrangements should reflect the characteristics, context and governance maturity of each organization, while maintaining a commitment to the principles of transparency, accountability and sustainability. The Code further emphasizes the board's responsibility for providing strategic direction, monitoring implementation, overseeing risk management and supporting the creation of sustainable long-term value.

2. Principle 2 – Entity-level transition plans

(i) Do you agree that a credible entity-level transition plan should be central to the criteria?

The credibility of an entity-level transition plan depends not only on the targets, actions and resources it describes, but also on the governance arrangements supporting its implementation.

Consistent with the IBGC Code of Best Corporate Governance Practices (2023), transition-related considerations should be integrated into strategy, risk management, oversight and performance monitoring processes, with clearly defined responsibilities and appropriate accountability mechanisms. We therefore encourage the WFE to clarify that the assessment of a transition plan should consider both its content and the governance framework through which it is implemented and monitored.

A transition plan should therefore demonstrate not only what the organization intends to achieve, but also how the organization is governed to achieve it.

The governance component should include, at minimum:

- Clear allocation of responsibilities between the governing body and executive management;
- Formal board oversight;
- Integration into corporate strategy;
- Integration into enterprise risk management;
- Integration into capital allocation and investment decisions;
- Appropriate internal controls;
- Monitoring and reporting mechanisms;
- Adequate competencies and access to independent expertise;
- Consideration of incentives and remuneration;
- Periodic review of assumptions and targets; and
- Mechanisms for escalation when implementation deviate materially from the plan.

This would be consistent with IFRS S2, which requires disclosure of the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities. IFRS S2 specifically addresses the responsible governance body, its mandate, relevant skills and competencies, and how it is informed about climate-related matters.

(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?

WFE Guidance should recognize existing and widely accepted frameworks and standards that support transition planning and sustainability-related disclosures, including IFRS S1, IFRS S2, the Transition Plan Taskforce (TPT) materials maintained by the IFRS Foundation, the GHG Protocol, the Science Based Targets initiative (SBTi), relevant ISO standards, applicable jurisdictional taxonomies and credible sector-specific methodologies, where appropriate.

WFE should promote a common foundation of governance, transparency and accountability that is interoperable with existing frameworks and standards. This would enhance comparability, credibility and usability for investors while preserving flexibility in implementation across jurisdictions and sectors.

(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?

Minimum requirements are necessary for credibility, consistency and comparability. We recommend that governance requirements be included explicitly among the minimum requirements, rather than being treated as recommended disclosure.

(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?

Allowing issuers to reference integrated climate and sustainability disclosures is important, provided that those disclosures contain all mandatory elements required by the WFE framework and allow users and reviewers to identify them clearly.

Requiring a separate document in all circumstances could create unnecessary reporting costs and potentially encourage disconnected reporting. The key requirement should be content, traceability and governance accountability rather than document format.

(v) Do you have any further feedback on Principle 2?

The WFE should consider requiring each transition plan to contain a concise Governance Statement identifying:

1. the governing body responsible for oversight;
2. the relevant committee, where applicable;
3. the executive accountable for implementation;
4. reporting frequency to the governing body;
5. relevant board competencies;
6. integration with risk management;
7. integration with capital allocation;
8. relevant remuneration mechanisms;
9. internal control and assurance arrangements; and
10. the process for approving material changes to the transition plan.

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?

From a corporate governance perspective, the framework should also consider whether the issuer has appropriate processes to identify and manage carbon lock-in, transition risk, stranded assets and inconsistencies between stated climate ambitions and actual capital allocation. The governance test should therefore include consideration of whether the board appropriately challenges and oversees significant investments that could materially affect the credibility of the transition plan.

5. Principle 5 – Disclosures

(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?

Annual disclosure is essential to preserve the credibility of a Transition Equity Classification. We recommend that issuers disclose not only progress against emissions targets, but also progress in implementing the governance architecture supporting the transition.

(ii) Do you agree that prescribing minimum requirements for disclosures is appropriate to set a baseline that supports global credibility, consistency and comparability?

Minimum disclosure requirements are appropriate and necessary for international comparability. However, the WFE should avoid creating duplicative reporting where equivalent information is already available under IFRS S1/S2 or other recognised standards.

(iii) Do you have any further feedback on Principle 5?

We believe annual disclosures should provide sufficient information to enable investors to understand how the transition plan is being overseen, implemented, monitored and periodically reviewed. In particular, disclosures may explain how the governing body has considered transition-related matters during the reporting period, any material changes to the plan, significant implementation challenges and the actions taken in response. Such information can help investors assess whether the transition plan is effectively embedded in the organization's governance and decision-making processes.

7. Revocation

(iv) Do you have any further feedback on the provisions relating to revocation?

From a governance perspective the revocation process should incorporate:

1. clear and publicly available criteria;
2. due process;
3. an opportunity for remediation where appropriate;
4. defined escalation procedures;
5. timely disclosure of material breaches;

6. clear responsibility for the decision; and
7. transparent reinstatement criteria.

The governing body should be required to explain material changes that cause the issuer to cease meeting the classification criteria. This would reinforce the principle of accountability and reduce the risk that classification becomes a static label rather than a continuing representation of the issuer's transition status.

8. Minimum Requirements for Transition Plans and Associated Disclosures:

(v) Do you have any further feedback on the Minimum Requirements for Transition Plans and Associated Disclosures?

Governance is not merely an additional disclosure category. It is an enabling condition for the credibility of the transition plan. A company should not be considered to have a credible transition pathway solely because it has: a target; a transition plan; an emissions trajectory; or a set of investment commitments. It should also demonstrate that its governance system is capable of overseeing implementation and challenging the assumptions underpinning the plan.

The WFE proposal already identifies governance as covering: “accountability mechanisms, audit/assurance, incentive and remuneration structures, culture, skills, competencies and training”. While the Governance element is already included as one of the four core components of Annex 1, it is currently described at a significantly higher level than Strategic Ambition, Implementation Strategy and Metrics & Targets. The proposed additions below could therefore be considered as further guidance to clarify the governance expectations already embedded in the framework, helping to achieve a level of granularity and consistency comparable to that of the other transition-plan elements, rather than creating a new category of requirements.

These suggestions build on recognized governance and transition-planning frameworks, including IFRS S2, the TPT Disclosure Framework and the Chapter Zero Transition Planning Toolkit, which emphasise the importance of oversight, accountability, implementation monitoring and the integration of transition considerations into strategy, risk management and decision-making processes.

Proposed elaboration of the Governance component

A. Board responsibility

- Which governing body has ultimate oversight responsibility?
- How is this responsibility reflected in the board's mandate, committee charter or other governance documents?
- How frequently does the governing body review the transition plan?

B. Management accountability

- Which executive or management function is accountable for implementation?
- How are responsibilities allocated across business units?
- What escalation mechanisms apply when implementation deviates from approved targets?

C. Strategy

The issuer should demonstrate how the transition plan is incorporated into: corporate strategy; business-model decisions; strategic planning; mergers and acquisitions; capital allocation; research and development; and asset management.

D. Risk management

The issuer should disclose how transition risks and opportunities are incorporated into: enterprise risk and opportunity management; risk appetite; scenario analysis; investment decisions; internal controls; and business continuity and resilience planning.

E. Capital allocation

A credible transition plan should be supported by a credible financial plan. The WFE should therefore consider requiring disclosure, where material, of how the board oversees consistency between:

transition targets; CapEx; OpEx; financing; acquisitions and divestments; and expected financial performance.

F. Incentives and remuneration

The framework should encourage disclosure of whether and how climate transition objectives are reflected in executive remuneration. However, we do not recommend a universal requirement that a fixed percentage of remuneration must be linked to climate metrics.

The more appropriate governance requirement is transparency regarding: whether climate-related objectives influence remuneration; which metrics are used; how they are weighted; whether they are short, medium- or long-term; how performance is assessed; and how the remuneration committee addresses potential unintended incentives.

This is consistent with the broader governance principle that incentives should reinforce, rather than undermine, the company's stated strategy.

G. Board competencies

The transition plan should identify whether the governing body possesses appropriate expertise to oversee: climate science and transition risks; sector-specific transition pathways; climate-related financial risks; carbon accounting and relevant metrics; regulatory developments; technological developments; and stakeholder impacts.

Where gaps exist, issuers should disclose how those competencies are being developed or supplemented through training, advisers, committees or other mechanisms.

H. Assurance and internal control

The WFE should encourage issuers to explain how transition-related information is subject to: internal controls; internal audit, where applicable; external assurance; review by audit or sustainability committees; and board oversight.

The objective should be to establish a clear chain from data → management → control →

assurance → board oversight → disclosure.

I. Stakeholder engagement and just transition

The WFE should strengthen the governance dimension of stakeholder engagement. Where material, transition plans should explain how the issuer engages with: employees; suppliers; customers; communities; investors; governments; regulators; and other affected stakeholders.

This is particularly important where the transition involves workforce restructuring, asset closures, regional economic impacts or changes to products and services.

Summary: suggested governance baseline

Taken together, the governance elements may be viewed as key dimensions of credible transition governance, including board oversight, management accountability, strategy and capital allocation, risk management and controls, people and incentives, and disclosure and assurance.

These dimensions are broadly reflected in recognized governance and transition-planning frameworks and may help clarify how issuers are expected to embed transition plans within their governance structures and organizational arrangements. They may also provide a practical bridge between climate ambition and corporate governance while remaining consistent with the principles-based approach of the WFE framework.

Table 1- Suggested governance dimensions baseline supporting credible transition planning

Dimension	Minimum expectation
Board oversight	Clear allocation of responsibility and regular oversight by the governing body
Management accountability	Named executive responsibility and escalation mechanisms.
Strategy & capital allocation	Integration of transition into strategy, investment and capital allocation.

Risk & controls	Integration into risk management and internal control systems.
People & incentives	Appropriate competencies, culture, training and transparent incentive arrangements.
Disclosure & assurance	Reliable information, controls, assurance and transparent reporting.

This baseline can provide a practical tool to connect climate ambition and corporate governance. It is consistent with the direction of the G20/OECD Principles, which state that boards should consider material sustainability risks and opportunities when fulfilling their responsibilities relating to strategy, risk management, disclosure and internal controls.

9. Overarching questions:

(i) Do you agree with the overall objective and approach of the Transition Equity Principles?

Credibility, consistency and comparability of transition equity classifications is overall the most important approach.

(ii) Are the Principles comprehensive?

They provide a strong foundation. Nonetheless, we recommend strengthening: board oversight; management accountability; integration with strategy; capital allocation; risk management; internal controls; competencies; remuneration; stakeholder engagement; assurance; and event-driven reassessment.

(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?

We support the proposed balance. The WFE should establish a common global baseline while allowing exchanges to adapt implementation to local legal, regulatory, economic and technological circumstances. However, local flexibility should not permit material dilution of governance, transparency or accountability requirements.

(iv) Do the Transition Equity Principles pose undue costs or burden for issuers that choose to apply for a classification?

The WFE should seek interoperability with existing reporting frameworks, particularly IFRS S1 and IFRS S2, to avoid duplicative reporting. The use of existing disclosures should be explicitly encouraged where they provide the required information.

(v) What adoption rates do you expect from existing or new issuers?

The attractiveness of the classification will depend substantially on whether investors regard the label as a reliable signal of transition credibility. This reinforces the importance of maintaining a strong and recognizable minimum governance and integrity baseline.

(vi) Do you expect investors and issuers to see value in Transition Equity Classifications?

A Transition Equity Classification can provide value if it becomes a credible market signal rather than merely another voluntary sustainability label. Its value will therefore depend on: methodological consistency; transparency; credible review; governance accountability; comparability; clear revocation procedures; and investor confidence in the underlying information.

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