

## Climate Action 100+ Net-Zero Company Benchmark<sup>1</sup>

(A framework to assess focus companies based on their publicly disclosed information.)

### Disclosure Indicator 1 Net-zero GHG Emissions by 2050 (or sooner) ambition<sup>2</sup>

#### Sub-indicator 1.1

The company has set an ambition to achieve net-zero GHG emissions by 2050 or sooner.

**Metric a):** The company has made a qualitative net-zero GHG emissions ambition statement that explicitly includes at least 95% of scope 1 and 2 emissions.

**Metric b):** The company's net-zero GHG emissions ambition covers the most relevant scope 3 GHG emissions categories for the company's sector, where applicable. *(See last page for more information on scope 3 emissions application by sector.)*

### Disclosure Indicator 2 Long-term (2036–2050) GHG reduction target(s)

#### Sub-indicator 2.1

The company has set a target for reducing its GHG emissions by between 2036 and 2050 on a clearly defined scope of emissions.

#### Sub-indicator 2.2

The long-term (2036 to 2050) GHG reduction target covers at least 95% of scope 1 & 2 emissions and the most relevant scope 3 emissions (where applicable).

**Metric a):** The company has specified that this target covers at least 95% of total scope 1 and 2 emissions.

**Metric b):** If the company has set a scope 3 GHG emissions target, it covers the most relevant scope 3 emissions categories for the company's sector (for applicable sectors), and the company has published the methodology used to establish any scope 3 target.

#### Sub-indicator 2.3<sup>3</sup>

The target is aligned with the goal of limiting global warming to 1.5°C.

The long-term target is aligned with a trajectory to achieve the Paris Agreement goal of limiting global temperature increase to 1.5°C with low or no overshoot (equivalent to [IPCC Special Report on 1.5° Celsius pathway P1](#) or net-zero emissions by 2050).<sup>4</sup>

### Disclosure Indicator 3 Medium-term (2026–2035) GHG reduction target(s)

#### Sub-indicator 3.1

The company has set a medium-term (2026 to 2035) targets for reducing its GHG emissions.

The company has set a target for reducing its GHG emissions by between 2026 and 2035 on a clearly defined scope of emissions.

#### Sub-indicator 3.2

The medium-term (2026 to 2035) GHG reduction target covers at least 95% of scope 1 & 2 emissions and the most relevant scope 3 emissions (where applicable).

**Metric a):** The company has specified that this target covers at least 95% of total scope 1 and 2 emissions.

**Metric b):** If the company has set a scope 3 GHG emissions target, it covers the most relevant scope 3 emissions categories for the company's sector (for applicable sectors), and the company has published the methodology used to establish any scope 3 target.

#### Sub-indicator 3.3<sup>3</sup>

The target or objective is aligned with the goal of limiting global warming to 1.5°C.

The medium-term target is aligned with a trajectory to achieve the Paris Agreement goal of limiting global temperature increase to 1.5°C with low or no overshoot (equivalent to [IPCC Special Report on 1.5° Celsius pathway P1](#) or net-zero emissions by 2050).<sup>4</sup>

## Disclosure Indicator 4 Short-term (up to 2025) GHG reduction target(s)

### Sub-indicator 4.1

The company has set a short-term (up to 2025) targets for reducing its GHG emissions.

The company has set a target for reducing its GHG emissions up to 2025 on a clearly defined scope of emissions.

### Sub-indicator 4.2

The short-term (up to 2025) GHG reduction target covers at least 95% of scope 1 & 2 emissions and the most relevant scope 3 emissions (where applicable).

**Metric a):** The company has specified that this target covers at least 95% of total scope 1 and 2 emissions.

**Metric b):** If the company has set a scope 3 GHG emissions target, it covers the most relevant scope 3 emissions categories for the company's sector (for applicable sectors), and the company has published the methodology used to establish any scope 3 target.

### Sub-indicator 4.3<sup>3</sup>

The target or objective is aligned with the goal of limiting global warming to 1.5°C.

The short-term target is aligned with a trajectory to achieve the Paris Agreement goal of limiting global temperature increase to 1.5°C with low or no overshoot (equivalent to IPCC Special Report on 1.5° Celsius pathway P1 or net-zero emissions by 2050).<sup>4</sup>

## Disclosure Indicator 5 Decarbonisation strategy

### Sub-indicator 5.1

The company has a decarbonisation strategy to meet its long, medium and short term GHG reduction targets.<sup>5</sup>

**Metric a):** The company identifies the set of actions it intends to take to achieve its GHG reduction targets over the targeted time frame. These measures clearly refer to the main sources of its GHG emissions, including Scope 3 emissions where applicable.

**Metric b):** The company quantifies key elements of this strategy with respect to the major sources of its emissions, including Scope 3 emissions where applicable (e.g., changing technology or product mix, supply chain measures, R&D spending).

### Sub-indicator 5.2

The company's decarbonisation strategy includes a commitment to 'green revenues' from low carbon products and services.<sup>6</sup>

**Metric a):** The company already generates 'green revenues' and discloses their share in overall sales.

**Metric b):** The company has set a target to increase the share of green revenues in its overall sales OR discloses the green revenue share that is above sector average.

## Disclosure Indicator 6 Capital allocation alignment<sup>7</sup>

Sub-indicator 6.1 The company is working to decarbonise its future capital expenditures.

**Metric a):** The company explicitly commits to align future capital expenditures with its long-term GHG reduction target(s).

**Metric b):** The company explicitly commits to align future capital expenditures with the Paris Agreement's objective of limiting global warming to 1.5° Celsius.

### Sub-indicator 6.2

The company discloses the methodology used to determine the Paris alignment of its future capital expenditures.

**Metric a):** The company discloses the methodology it uses to align its future capital expenditure with its decarbonisation goals, including key assumptions and key performance indicators (KPIs).

**Metric b):** The methodology quantifies key outcomes, including the share of its future capital expenditures that are aligned with a 1.5° Celsius scenario, and the year in which capital expenditures in carbon intensive assets will peak.

## Disclosure Indicator 7 Climate policy engagement<sup>8</sup>

### Sub-indicator 7.1

The company has a Paris-Agreement-aligned climate lobbying position and all of its direct lobbying activities are aligned with this.

**Metric a):** The company has a specific commitment/position statement to conduct all of its lobbying in line with the goals of the Paris Agreement.

**Metric b):** The company lists its climate-related lobbying activities, e.g., meetings, policy submissions, etc.

### Sub-indicator 7.2

The company has Paris-Agreement-aligned lobbying expectations for its trade associations, and it discloses its trade association memberships.

**Metric a):** The company has a specific commitment to ensure that the trade associations the company is a member of lobby in line with the goals of the Paris Agreement.

**Metric b):** The company discloses its trade associations memberships.

### Sub-indicator 7.3

The company has a process to ensure its trade associations lobby in accordance with the Paris Agreement.

**Metric a):** The company conducts and published a review of its trade associations' climate positions/alignment with the Paris Agreement.

**Metric b):** The company explains what actions it took as a result of this review.

## Disclosure Indicator 8 Climate Governance

### Sub-indicator 8.1

The company's board has clear oversight of climate change.

**Metric a):** The company discloses evidence of board or board committee oversight of the management of climate change risks via at least one of the following:

- There is a C-suite executive or member of executive committee is explicitly responsible for climate change (not just sustainability performance) and that executive reports to the board or a board level committee, and/or;
- The CEO is responsible for climate change AND he/she reports to the board on climate change issues, and/or;
- There is a committee (not necessarily a board-level committee) responsible for climate change (not just sustainability performance) and that committee reports to the board or a board-level committee.

**Metric b):** The company has named a position at the board level with responsibility for climate change, via one of the following:

- A board position with explicit responsibility for climate change, or;
- CEO is identified as responsible for climate change, if he/she sits on the board

### Sub-indicator 8.2

The company's executive remuneration scheme incorporates climate change performance elements.

**Metric a):** The company's CEO and/or at least one other senior executive's remuneration arrangements specifically incorporate climate change performance as a KPI determining performance-linked compensation (reference to 'ESG' or 'sustainability performance' are insufficient).

**Metric b):** The company's CEO and/or at least one other senior executive's remuneration arrangements incorporate progress towards achieving the company's GHG reduction targets as a KPI determining performance linked compensation (requires meeting relevant target indicators 2, 3, and/or 4).

### Sub-indicator 8.3

The board has sufficient capabilities/competencies to assess and manage climate related risks and opportunities.

**Metric a):** The company has assessed its board competencies with respect to managing climate risks and discloses the results of the assessment.

**Metric b):** The company provides details on the criteria it uses to assess the board competencies with respect to managing climate risks and/or the measures it is taking to enhance these competencies.

## Disclosure Indicator 9 Just transition The company considers the impacts from transitioning to a lower-carbon business model on its workers and communities

*[This indicator will be further developed, and companies will not be assessed using the 2021 benchmark.]*

## Disclosure Indicator 10 TCFD Disclosure

### Sub-indicator 10.1

The company has committed to implement the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

**Metric a):** The company explicitly commits to align its disclosures with the TCFD recommendations OR it is listed as a supporter on the TCFD website.

**Metric b):** The company explicitly sign-posts TCFD aligned disclosures in its annual reporting or publishes them in a TCFD report.

### Sub-indicator 10.2

The company employs climate-scenario planning to test its strategic and operational resilience.

**Metric a):** The company has conducted a climate-related scenario analysis including quantitative elements and disclosed its results.

**Metric b):** The quantitative scenario analysis explicitly includes a 1.5° Celsius scenario, covers the entire company, discloses key assumptions and variables used, and reports on the key risks and opportunities identified.

**1** The Climate Action 100+ Net-Zero Company Benchmark is a disclosure framework which will be used to assess companies' alignment with ten indicators that together reflect the key commitment priorities of the [Climate Action 100+ Initiative](#). All company specific data is based on companies' publicly disclosed information, i. e., annual reports, financial filings, CDP disclosures, etc. The framework was developed during the first half of 2020 in collaboration with almost 50 signatories, investor network experts and leading climate research and data NGOs. The Transition Pathway Initiative (TPI), supported by its research and data partners the Grantham Research Institute on Climate Change and the Environment at the London School of Economics (LSE) and FTSE Russell, has been selected to conduct the company disclosure research and analysis.

**2** The necessary time frame for companies to achieve net-zero GHG emissions differs depending on the sector. Some companies in certain sectors, such as electric utilities, may be expected to set more ambitious goals and achieve net-zero GHG emissions by 2040 or even sooner. Future iterations of the Net-Zero Company Benchmark will reflect these sector differences.

**3** Note that sub-indicators 2.3, 3.3 and 4.3 will be based on Transition Pathway Initiative's Carbon Performance methodology which applies the *Sectoral Decarbonisation Approach* (SDA), a science-based method for companies to set GHG reduction targets necessary to stay within a 2°C temperature rise above preindustrial levels.

**4** In the absence of a credible 1.5°C scenario, companies will be measured against a below 2°C scenario. Company assessments will be adjusted when a 1.5°C scenario becomes available, most likely in the next reporting cycle.

**5** The use of offsetting or carbon credits should be avoided and limited, if at all applied. Offsetting or 'carbon dioxide removal' should not be used by companies operating in sectors where viable decarbonisation technologies exist. For example, offsetting would not be considered credible if used to offset emissions for a coal-fired power plant because viable alternatives exist to coal-fired power plants.

**6** The assessment will leverage the EU's Green Taxonomy criteria on 'turnover' (or revenues) for companies headquartered in the Europe Union. Companies headquartered outside of the EU will not be assessed in the first quarter 2021 iteration of the framework. The criteria used to assess non-EU companies will be an ongoing area of development as part of broader discussions on the use of green revenue classification systems and regional taxonomies.

**7** Related to *Alignment Indicator #6*, there will be an additional set of Capital Allocation Assessment Indicators in the company scorecards to be provided by **Carbon Tracker Initiative (CTI)** and **2 Degrees Investing Initiative (2Dii)**. CTI and 2Dii will analyse recent focus company capital expenditure and output relative to a range of alternative climate change scenarios to give investors additional insights related to company capital allocation plans. Initially, these will apply to focus companies in the upstream oil & gas, electric utilities and auto sectors.

**8** Climate Action 100+ intends to further develop and enhance Alignment Indicator 7: Climate policy engagement for the next scoring cycle.

## Sector classification & scope 3 emissions application\*

Cluster	Sector	Scope 3 applicable?
<b>Energy</b>	Oil and gas	Yes (use of sold product)
	Oil and gas distribution	Yes (use of sold product)
	Electricity utilities	Utilities with oil/gas distribution businesses (use of sold product from distribution businesses)
	Coal Mining	Yes (use of sold products)
<b>Transport</b>	Autos	Yes (use of sold products)
	Airlines	No
	Shipping	No
	Other Transport	Yes (use of sold products)

\*Relevant to criteria for Indicators 1, 2, 3, 4 and 5.

Cluster	Sector	Scope 3 applicable?
<b>Industrials</b>	Aluminium	No
	Cement	No
	Steel	No
	Chemicals	Yes (purchased goods and services and use of sold products)
	Paper	No
	Diversified Mining	Yes (processing of sold products; for coal manufacturers also use of sold products)
<b>Consumer goods &amp; services</b>	Other industrials	On a case by case basis (non-electricity use of sold product)
	Consumer goods and services	Yes (purchased goods and services)