Climate Action 100+
Net Zero Company Benchmark 2.0

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Contents

Introduction

In mid-2023, Climate Action 100+ moves into its second phase, which will run until 2030 – the end of this most critical decade for climate action. As a key strategic tool for investor engagement, the Net Zero Company Benchmark (Benchmark hereafter) will remain one of the key pillars of the initiative in its next phase.

Drawing on consultation with investor signatories, we have enhanced the Benchmark to ensure that it continues to **effectively support investor engagements** with focus companies. The updates made intend to **inspire greater company ambition** and provide more comprehensive analysis to inform investor engagement.

The changes made to the Benchmark framework this year are outlined in subsequent sections.

> **“Results from previous iterations of the Benchmark show that the initiative has inspired an increase in: company net-zero commitments, Board-level oversight of climate risks and opportunities, and stronger climate-related financial disclosures. It is now imperative that focus companies move beyond disclosure to action, developing and implementing credible, Paris-aligned transition plans backed by sufficient investment, enabling an orderly transition from a financial and social point of view”**
>
> **François Humbert, Chairman of the Climate Action 100+ Steering Committee.**

What is the Benchmark?

The Benchmark assesses the world's largest corporate greenhouse gas emitters on their net zero transition. It is not a disclosure mechanism or database itself. Rather, it is an evaluation tool for investor engagement that can be used by investors, all of whom will have differing mandates and starting points together with considerations of jurisdiction, regulation and best practice, from which they make their own decisions.

It draws on distinct analytical methodologies and datasets from public and self-disclosed data from companies, categorised into two types of indicators:

- Disclosure Framework Indicators, which evaluate the adequacy of corporate disclosure
- Alignment Assessments, which evaluate the alignment of company actions with the Paris Agreement goals.

The Disclosure Framework is assessed by the Transition Pathway Initiative Global Climate Transition Centre (TPI Centre) and FTSE Russell. Alignment Assessments are provided by Carbon Tracker Initiative (CTI), InfluenceMap and the Rocky Mountain Institute (RMI).

Benchmark 2.0 Framework at a glance

Disclosure Framework	Assessed by
1. Net-zero GHG Emissions By 2050 (or sooner) Ambition	TPI Centre & FTSE Russell
2. Long-term (2036-2050) GHG Reduction Target(s)	TPI Centre & FTSE Russell
3. Medium-term (2027-2035) GHG Reduction Target(s)	TPI Centre & FTSE Russell
4. Short-term (Up To 2026) GHG Reduction Target(s)	TPI Centre & FTSE Russell
5. Decarbonisation Strategy	TPI Centre & FTSE Russell
6. Capital Allocation	TPI Centre & FTSE Russell
7. Climate Policy Engagement	TPI Centre & FTSE Russell
8. Climate Governance	TPI Centre & FTSE Russell
9. Just Transition	TPI Centre & FTSE Russell
10. TCFD Disclosure	TPI Centre & FTSE Russell
11. Historical GHG Emissions Reductions [Beta Indicator In 2023]	TPI Centre & FTSE Russell

Alignment Assessments	Assessed by
Capital Allocation Alignment (for aviation, automotive, cement, steel and utilities sectors)	RMI
Capital Allocation Alignment (for utilities & oil and gas sectors)	CTI
Climate Policy Engagement Alignment	InfluenceMap

Climate Accounting And Audit Hybrid Assessment (Disclosure & Alignment)	CTI

What's New?

The new Benchmark framework embeds a stronger focus on company:

- **Emissions reductions,** and their key underlying driving factors.
- **Alignment with 1.5°C pathways,** evaluating if companies are on track to meet the goals of the Paris Agreement.
- **Net-zero transition planning,** assessing key levers for company decarbonisation, corresponding capital allocation, and asset-level changes.

Additionally, we have made several structural changes to assist investors in their understanding and communication of the Benchmark. These changes include systematising the structure of assessments, so that they are all ordered into **indicators**, **sub-indicators** and **metrics** (see page 9 for definitions).

Building on stakeholder consultation

The Benchmark 2.0 framework is the result of an extensive consultative process that started with a public survey held in April 2022, followed by a Benchmark 2.0 public consultation in October-November of last year.

During the public consultation, over 125 investors and other stakeholders provided feedback on the initiative's proposals for enhancing Benchmark indicators, with all proposals receiving majority support.

The feedback and insights obtained through the public consultation informed the final version of the Benchmark 2.0 framework described in the forthcoming sections.

Moving forward, Climate Action 100+ plans to evolve the Benchmark framework incrementally to ensure that it remains fit for purpose, while maintaining sufficient continuity to allow for effective year-on-year progress monitoring.

Glossary

NEW
Brand new for Benchmark 2.0

MODIFIED - Originated in previous Benchmark iterations but revised to meet evolving investor needs.

BETA - In pilot for Benchmark 2.0. Company assessments against the indicator will not be made publicly available.

Indicators:
Specific area the company is being assessed on

Sub-indicators:
Component of an indicator that divides it into specific areas of interest

Metrics:
The unit or standard of measurement.

Upcoming Milestones

March 2023
Benchmark 2.0 launch

Late April – Late May 2023
Company Review Period for the Disclosure Framework

September/October 2023
Release of company assessments against the Benchmark 2.0 framework

Disclosure Framework

Introduction to the Disclosure Framework

The Disclosure Framework Indicators, assessed by TPI Centre and FTSE Russell, draw on public and self-disclosed data from companies, collected from sources such as company annual reports, sustainability reports, press releases, and Carbon Disclosure Project (CDP) disclosures.

The Disclosure Framework has been enhanced this year to ensure that it continues to effectively inform investor engagement with focus companies.

Disclosure Indicators that have been revised the most are Indicator 5: Decarbonisation Strategy, Indicator 6: Capital Allocation, Indicator 7: Climate Policy Engagement and Indicator 9: Just Transition. These indicators now feature new or amended metrics providing a more comprehensive insight into company disclosures in these areas.

Only minor changes are being made to Disclosure Indicators 2-4: Long-, Medium- and Short-term GHG Reduction Target(s).Time frames for the short term and medium term will be amended by a year, and a new beta sub-indicator 3.4, looking at the conversion of emissions intensity targets into corresponding absolute emissions, will be added to Disclosure Indicator 3.

Disclosure Indicator 8: Climate Governance is staying the same as in the previous iteration, but its sub-indicator 8.3, evaluating Board climate competencies, will now apply to all focus companies. Disclosure Indicator 1: Net Zero GHG Emissions by 2050 (or sooner) ambition and Indicator 10: TCFD Disclosure are staying the same as in the previous iteration.

Finally, a new beta Indicator 11 is being added to the Disclosure Framework this year. This indicator will focus on company past emissions intensity reductions and the key factors that contributed to these.

The subsequent section summarises the Version 2.0 Disclosure Framework indicators at a high level. The detailed Disclosure Framework methodology will be refined in the course of the research process and published in October 2023.

Disclosure Indicator 1:
Net Zero GHG Emissions by 2050 (or sooner) ambition

What's Changed?

Disclosure Indicator 1 will remain the same as in last year's Benchmark.

Although a lot of progress has been made in this area, commitment to a net zero transition remains a foundational ask of focus companies.

Keeping this indicator as in previous years will enable year-on-year comparability and a clear measure of corporate progress in this area.

Disclosure Indicator 1:
Net Zero GHG Emissions by 2050 (or sooner) ambition

Sub-indicator 1.1.

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

Metric 1.1.a: The company has made a qualitative net zero GHG emissions ambition statement that explicitly includes at least 95% of its Scope 1 and 2 emissions.

Metric 1.1.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).

Disclosure Indicator 2:
Long-term GHG Reduction Target(s)

What's Changed?

Complementing Disclosure Indicator 1 by providing a deeper insight into focus company long-term GHG emissions reduction targets, Disclosure Indicator 2 will also remain the same this year.

Minor enhancements have however been made to the underlying sectoral methodologies for sub-indicators 2.3, 3.3 and 4.3, based on TPI Centre's Carbon Performance assessments. TPI Centre has now developed updated food and automotive Carbon Performance methodologies, which will be used for assessing focus companies in these sectors.

Disclosure Indicator 2:
Long-term (2036-2050) GHG Reduction Target(s)

Sub-indicator 2.1.

The company has set a long-term target for reducing its GHG emissions in the period between 2036 and 2050.

Sub-indicator 2.2.

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

Metric 2.2.a: The company has specified that this target covers at least 95% of its total Scope 1 and 2 emissions.

Metric 2.2.b: The company's Scope 3 GHG reduction target covers at least the most relevant Scope 3 emissions categories for its sector and the company has published the methodology used to establish its Scope 3 target (where applicable).

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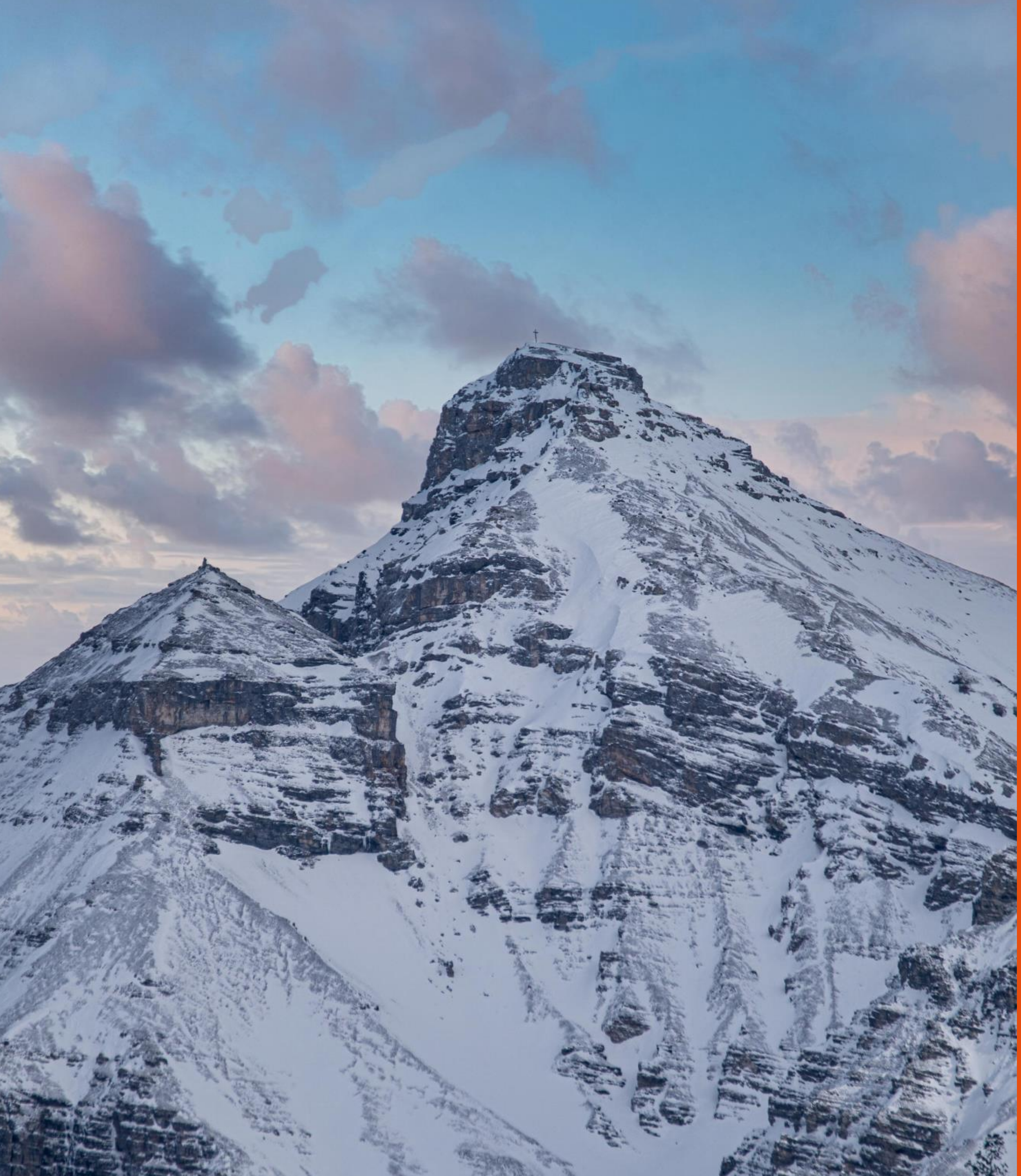
Disclosure Indicator 2:
Long-term (2036-2050) GHG Reduction Target(s)

Sub-indicator 2.3.

The company's last disclosed carbon intensity OR its short-term or medium-term targeted carbon intensity OR the company's expected carbon intensity derived from its long-term GHG reduction target is aligned with or below the relevant sector trajectory needed to achieve the Paris Agreement goal of limiting global temperature increase to 1.5°C with low or no overshoot in 2050.

In the case of electric utility companies, the relevant year of long-term alignment is 2040. This is equivalent to IPCC's Special Report on the 1.5° Celsius pathway P1 or the International Energy Agency (IEA) Net Zero Emissions by 2050 Scenario.



Disclosure Indicator 3:
Medium-term GHG Reduction Target(s)

What's Changed?

Mirroring Indicators 2 and 4 in format, Indicator 3 evaluates focus company medium-term GHG reduction target(s).

Only minor changes have been made to it this year. Firstly, the time frame for assessment has been moved one year into the future. Secondly, a new beta sub-indicator 3.4, which will assess if focus companies that have only set emissions intensity targets have converted these into associated absolute emissions, has been added. This will help provide a deeper insight into the extent to which corporate GHG reduction targets will translate into real-world emissions reductions.

As noted in the preceding section, TPI Centre has also developed new food and automotive sectoral methodologies used for assessments of relevant focus companies against sub-indicators 2.3, 3.3 and 4.3.

Disclosure Indicator 3: Medium-term (2027-2035) GHG Reduction Target(s)

Sub-indicator 3.1.

The company has set a medium-term target for reducing its GHG emissions in the period between 2027 and 2035.

Sub-indicator 3.2.

The company's medium-term (2027 to 2035) GHG reduction target covers at least 95% of its Scope 1 and 2 emissions and the most relevant Scope 3 emissions (where applicable).

Metric 3.2.a: The company has specified that its medium-term GHG reduction target covers at least 95% of its total Scope 1 and 2 emissions.

Metric 3.2.b: The company's medium-term Scope 3 GHG reduction target covers at least the most relevant Scope 3 emissions categories for its sector and the company has published the methodology used to establish its Scope 3 target (where applicable).

Disclosure Indicator 3: Medium-term (2027-2035) GHG Reduction Target(s)

Sub-indicator 3.3

The company's last disclosed carbon intensity OR its short-term targeted carbon intensity target OR the company's expected carbon intensity derived from its medium-term GHG reduction target is aligned with or below the relevant sector trajectory needed to achieve the Paris Agreement goal of limiting global temperature increase to 1.5°C with low or no overshoot in 2035. This is equivalent to IPCC's Special Report on the 1.5° Celsius pathway P1 or the IEA's Net Zero Emissions by 2050 Scenario.

Sub-indicator 3.4

If the company has only set an intensity GHG reduction target, it has converted it into corresponding projected absolute GHG emissions reductions.

Disclosure Indicator 4:
Short-term GHG Reduction Target(s)

What's Changed?

The short-term equivalent to Indicators 2 and 3, Disclosure Indicator 4 will also only see very minor revisions this year, including a small amendment to the time frame for assessment, which will move one year into the future.

For further information on updated underlying methodological enhancements for sub-indicators 2.3, 3.3 and 4.4, please see pages 15 and 18.

Disclosure Indicator 4:
Short-term (up to 2026) GHG Reduction Target(s)

Sub-indicator 4.1

The company has set a short-term target for reducing its GHG emissions in the period between 2023 and 2026.

Sub-indicator 4.2

The company's short-term (up to 2026) GHG reduction target covers at least 95% of its Scope 1 and 2 emissions and the most relevant Scope 3 emissions (where applicable).

Metric 4.2.a: The company has specified that its short-term GHG reduction target covers at least 95% of its total Scope 1 and 2 emissions.

Metric 4.2.b: The company's short-term Scope 3 GHG reduction target covers at least the most relevant Scope 3 emissions categories for its sector and the company has published the methodology used to establish its Scope 3 target (where applicable).

Disclosure Indicator 4:
Short-term (up to 2026) GHG Reduction Target(s)

Sub-indicator 4.3

The company's last disclosed carbon intensity OR the company's expected carbon intensity derived from its short-term GHG reduction target is aligned with or below the trajectory for its respective sector to achieve the Paris Agreement goal of limiting global temperature increase to 1.5°C with low or no overshoot in 2026. This is equivalent to IPCC's Special Report on the 1.5° Celsius pathway P1 or the IEA's Net Zero Emissions by 2050 Scenario.

Disclosure Indicator 5:
Decarbonisation Strategy

What's Changed?

Reflecting the centrality of robust corporate transition plans in meeting Paris Agreement goals, Disclosure Indicator 5 has been significantly expanded to ensure that it evaluates key elements of corporate decarbonisation strategies in a more comprehensive manner. This indicator now includes new metrics on **offsets**, **negative emissions technologies** and **abatement measures.** It also includes a new sub-indicator on **climate solutions** that will apply to all focus companies.

The new metric 5.1.c, which evaluates company disclosures on the use of **offsets and negative emissions technologies**, has been developed on the basis of feedback obtained in the public consultation. The offsets data points chosen were those that investors deemed most helpful for their engagements.

This metric does not endorse or promote the use of offsets and negative emissions technologies in corporate decarbonisation strategies. Rather, it evaluates whether company disclosures on these matters are comprehensive and robust enough to support investor engagement.

Companies will not be assessed against this metric unless they score on metrics 5.1.a and 5.1.b, that is, unless they already have a credible decarbonisation strategy in place.

In addition, the new beta metric 5.1.d will evaluate if companies are quantifying any **abatement measures** they plan to use, as well as assessing their technological and economic feasibility.

Finally, to reflect our global reach, we have moved the focus of sub-indicator 5.2 from EU-taxonomy based green revenues to **climate solutions** (i.e., technologies and products that will enable the economy to decarbonise). This new sub-indicator will help investors to better understand how focus companies are re-orienting their business models to enable the global transition to net zero.

Disclosure Indicator 5: Decarbonisation Strategy

Sub-indicator 5.1

The company has a decarbonisation strategy that explains how it intends to meet its medium- and long-term GHG reduction targets.

Metric 5.1.a: The company identifies the set of actions it intends to take to achieve its GHG reduction targets over the targeted timeframes. These actions clearly refer to the main sources of the company's GHG emissions, including Scope 3 emissions (where applicable).

Metric 5.1.b: The company quantifies the contribution of individual decarbonisation levers to achieving its medium- and long-term GHG reduction targets, including Scope 3 GHG reduction targets where applicable (e.g., changing technology or product mix, supply chain measures).

Metric 5.1.c: If the company chooses to employ offsetting and negative emissions technologies to meet its medium- and long-term GHG reduction targets, it discloses the quantity of offsets, type of offsets, offset certification and the negative emissions technologies it is planning to use.

Metric 5.1.d: The company discloses the abatement measures it intends to use that are technologically feasible under current economic conditions and quantifies the contribution of these measures to achieving its medium- and long-term GHG reduction targets.

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Disclosure Indicator 5: Decarbonisation Strategy

Sub-indicator 5.2

The company's decarbonisation strategy specifies the role of climate solutions (i.e., technologies and products that will enable the economy to decarbonise*).

Metric 5.2.a: The company discloses the revenue OR production it already generates from climate solutions and discloses its share in overall sales.

Metric 5.2.b: The company has set a target to increase revenue OR production from climate solutions in its overall sales.

** Climate solutions will be defined further in the Disclosure Framework Detailed Guidance, which will be published in October 2023.*

Disclosure Indicator 6:
Capital Allocation

What's Changed?

Disclosure Indicator 6 has been designed to mirror Disclosure Indicator 5.

It now embeds a stronger focus on company investments in **climate solutions**, reflecting that the transition to net zero will not be possible without sufficient capital.

Indicator 6 will now also assess if companies have committed to phasing out investments in new unabated carbon-intensive assets or products, and if they transparently disclose the stated value of capital allocated to unabated carbon-intensive assets or products.

Disclosure Indicator 6: Capital Allocation

Sub-indicator 6.1

The company is working to decarbonise its capital expenditures.

Metric 6.1.a: The company explicitly states that it has phased out or is planning to phase out capital expenditure in new unabated carbon-intensive assets or products by a specified year.

Metric 6.1.b: The company discloses the stated value of its capital expenditure that is going towards unabated carbon-intensive assets or products.

Sub-indicator 6.2

The company explains how it intends to invest in climate solutions (i.e., technologies and products that will enable the economy to decarbonise).

Metric 6.2.a: The company discloses the stated value of its capital expenditure allocated towards climate solutions in the last reporting year.

Metric 6.2.b: The company discloses the stated value of its capital expenditure that it intends to allocate towards climate solutions in the future.

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Disclosure Indicator 7:
Climate Policy Engagement

What's Changed?

Disclosure Indicator 7 evaluates company disclosures on direct and indirect climate lobbying activities. It has been restructured and streamlined this year, while maintaining focus on the same key aspects of corporate climate lobbying disclosures.

This indicator now includes a new metric 7.1.c evaluating whether companies that commit to lobby in line with Paris Agreement goals also explicitly commit to conducting their policy engagement in line with the goal of restricting global temperature rise to 1.5^{o}C above pre-industrial levels.

In addition, the new metric 7.2.a will evaluate whether companies review the alignment of their own climate policy positions with the Paris Agreement. Both of these new metrics align with the expectations set forth in the Global Standard on Responsible Climate Lobbying.

Overall, company climate policy engagement is evaluated both by Disclosure Indicator 7 and InfluenceMap's Climate Policy Engagement Alignment Assessments. These complement each other, providing comprehensive, holistic analysis of focus company performance in this area. For more detail on this, see pages 47-50.

Disclosure Indicator 7: Climate Policy Engagement

Sub-indicator 7.1

The company commits to conducting its policy engagement activities in accordance with the goals of the Paris Agreement.

Metric 7.1.a: The company has a specific public commitment/position statement to conduct all of its lobbying in line with the goals of the Paris Agreement.

Metric 7.1.b: The company commits to advocate for Paris-aligned lobbying within the trade associations of which it is a member.

Metric 7.1.c: The company's public commitment/position statement to conduct all of its lobbying in line with the objectives of the Paris Agreement specifies the goal of restricting global temperature rise to 1.5ºC above pre-industrial levels.

****Note:** Metric 7.1.b (which is similar but not equal to the previous metric 7.2.a) will require a specific commitment statement that companies will advocate for Paris-aligned lobbying within their trade associations. Companies that conducted a review of their trade associations and stated that they had left or would leave all non-aligned trade associations will not score on this metric.*

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Disclosure Indicator 7: Climate Policy Engagement

Sub-indicator 7.2

The company reviews its own and its trade associations' climate policy engagement positions/ activities.

Metric 7.2.a: The company publishes a review of its climate policy positions' alignment with the Paris Agreement and discloses how it has advocated for these positions through its climate policy engagement activities.

Metric 7.2.b: The company publishes a review of its trade associations' climate positions/alignment with the Paris Agreement and discloses what actions it took as a result.

Disclosure Indicator 8:
Climate Governance

What's Changed?

The metrics underlying **Disclosure Indicator 8** are not being amended in the next iteration of the Benchmark as they remain fit for purpose, effectively measuring company progress against one of the core initiative goals.

However, in response to strong investor demand expressed in the public consultation, sub-indicator 8.3 – focused on Board climate competencies and capabilities – will now assess *all* focus companies. Previously, this sub-indicator was in beta form and only assessed Australian companies due to regulatory requirements in the country.

Sub-indicator 8.3 will move out of beta form this year, meaning that company assessments against it will be made public.

Disclosure Indicator 8: Climate Governance

Sub-indicator 8.1

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

Metric 8.1.a: The company discloses evidence of Board or Board committee oversight of the management of climate change risks.

Metric 8.1.b: The company has named a position at the Board level with responsibility for climate change.

Sub-indicator 8.2

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

Metric 8.2.a: The company's CEO and/or at least one other senior executive's remuneration arrangements specifically incorporate climate change performance as a Key Performance Indicator determining performance-linked compensation (references to 'ESG' or 'sustainability performance' are insufficient).

Metric 8.2.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 Key Performance Indicator determining performance-linked compensation.

Disclosure Indicator 8: Climate Governance

Sub-indicator 8.3

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

Metric 8.3.a: The company has assessed its Board's competencies with respect to managing climate risks and opportunities and disclosed the results of this assessment.

Metric 8.3.b: The company provides details on the criteria it uses to assess its Board's competencies with respect to managing climate risks and opportunities, and the measures it is taking to enhance these competencies.

Disclosure Indicator 9:
Just Transition

What's Changed?

After being piloted last year, **Disclosure Indicator 9** will now move out of beta form, meaning that company assessments against it will be made public.

This indicator has been streamlined and restructured. It now includes a stronger focus on a company's **commitment** to a Just Transition, its Just Transition **plan** and the quantified **Key Performance Indicators** it uses to track progress on Just Transition.

Disclosure Indicator 9: Just Transition

Sub-indicator 9.1

The company has committed to the principles of a Just Transition.

Metric 9.1.a: The company has committed to decarbonise in line with defined Just Transition principles, recognising the social impacts of its decarbonisation efforts.

Metric 9.1.b: The company has committed to retain, retrain, redeploy and/or compensate workers affected by its decarbonisation efforts.

Metric 9.1.c: The company has committed that new projects associated with its decarbonisation efforts are developed in consultation with affected communities and seek their consent.

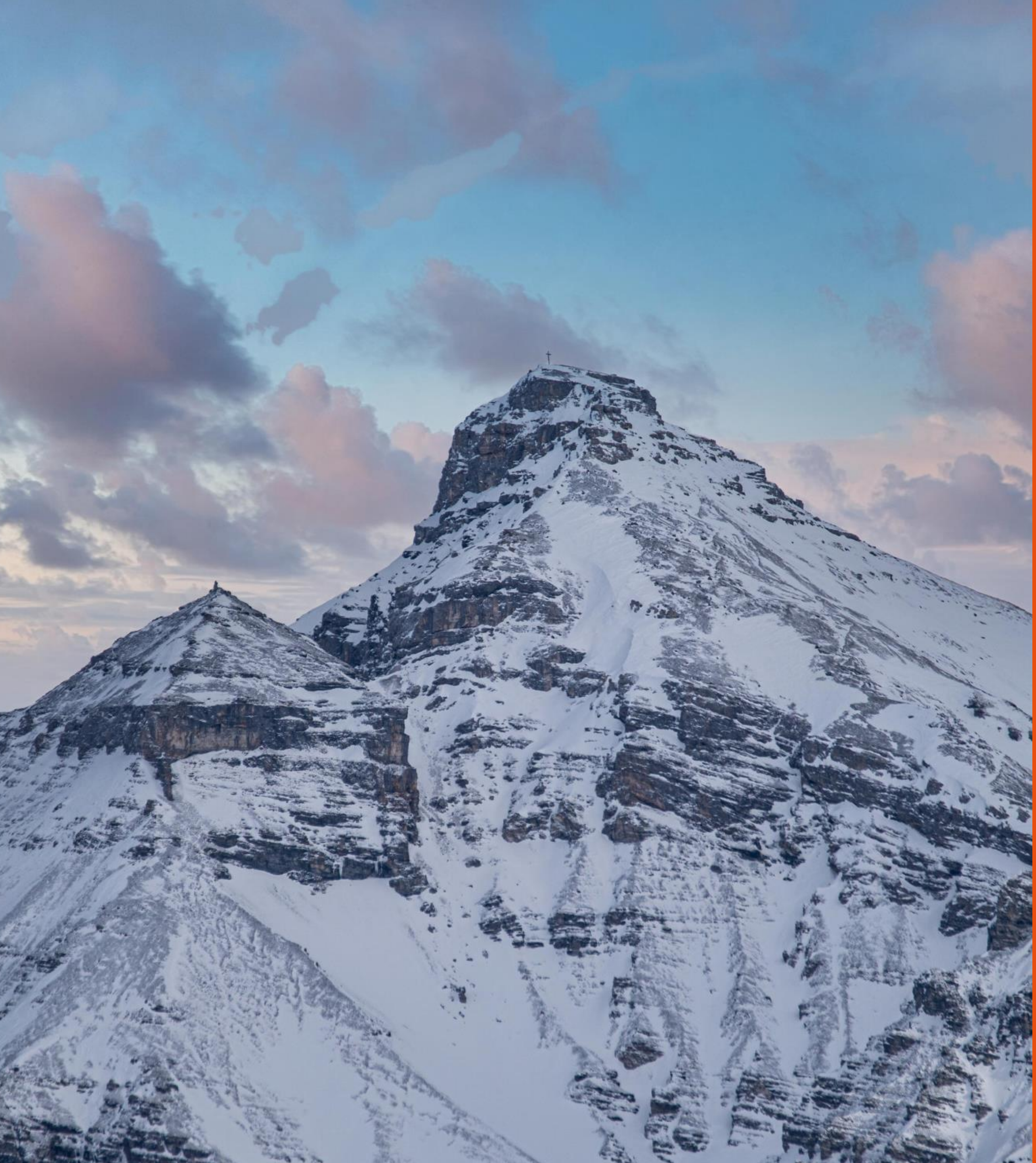
Sub-indicator 9.2

The company has disclosed how it is planning for and monitoring progress towards a Just Transition.

Metric 9.2.a: The company has developed a Just Transition plan for how it aims to support workers and communities negatively affected by its decarbonisation efforts.

Metric 9.2.b: The company's Just Transition plan was developed in consultation with workers, communities and other key stakeholders affected by its decarbonisation efforts.

+ **Metric 9.2.c:** The company discloses the quantified Key Performance Indicators it uses to track its progress towards the objectives of its Just Transition plan.



Disclosure Indicator 10:
TCFD Disclosure

What's Changed?

Indicator 10 will remain the same this year as it represents a foundational commitment expected of focus companies.

While 91% of focus companies now align with TCFD recommendations either by supporting the TCFD principles or by employing climate-scenario planning (small increase from 89% in March 2022), TCFD as a standard remains closely linked to the initiative's core goals.

Please note that given the expansion of credible 1.5°C scenarios in recent years, focus companies will no longer be able to score on metric 10.2.b if their quantitative scenario analyses are only based on the IEA's Beyond 2°C Degrees Scenario (B2DS).

Disclosure Indicator 10: TCFD Disclosure

Sub-indicator 10.1.

The company has publicly committed to implement the recommendations of the Task Force on Climate related Financial Disclosures (TCFD).

Metric 10.1.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 10.1.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 10.2.a: The company has conducted a climate-related scenario analysis including quantitative elements and disclosed its results.

Metric 10.2.b: The quantitative scenario analysis explicitly includes a 1.5°C scenario, covers the entire company, discloses key assumptions and variables used, and reports on the key risks and opportunities identified.

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Disclosure Indicator 11:
Historical GHG Emissions Reductions

New this year

The new beta Disclosure Indicator 11 will assess a company's historical emissions trajectory and key factors underlying it.

The first part of this indicator will evaluate if the company's emissions intensity has decreased in the applicable time frame, and how its emissions intensity reductions compare to a credible 1.5°C pathway for its sector.

The second part will assess if changes in emissions intensity have been driven by large one-off items such as divestments, as well as evaluate the comprehensiveness of company disclosures on carbon credit retirement.

Disclosure Indicator 11: Historical GHG Emissions Reductions

Sub-indicator 11.1

The company's emissions intensity is decreasing.

Metric 11.1.a: The company's GHG emissions intensity has decreased in the past year relative to the previous year.

Metric 11.1.b: The company's GHG emissions intensity decreased over the past three years.

Metric 11.1.c: The company has reduced its GHG emissions intensity at a rate faster than that projected by a credible 1.5°C pathway for its sector over the past 3 years.

Sub-indicator 11.2

The company discloses the factors that have led to changes in its historical emissions trajectory.

Metric 11.2.a: The company has quantified the main actions that have driven any Scope 1 and 2 emissions changes, specifying the impact of any large "one-off" items (e.g., divestments, acquisitions, and mergers).

Metric 11.2.b: The company has quantified the main actions that have driven any Scope 3 emissions changes, specifying the impact of any large "one-off" items (e.g., divestments, acquisitions, and mergers).

Metric 11.2.c: The company discloses details on the carbon credits it retired in the previous year.

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Disclosure Framework Scope 3 applicability

The following Scope 3 emissions categories are applicable under Disclosure Indicators 1, 2, 3, 4, 5 and 11:

Cluster	Sector	Scope 3 applicability?
Energy	Oil and gas	Yes (use of sold products)
	Oil and gas distribution	Yes (use of sold products)
	Electric utilities	Utilities with oil/gas distribution businesses (use of sold products from distribution businesses)
	Coal Mining	Yes (use of sold products)
Transport	Autos	Yes (use of sold products)
	Airlines	No
	Shipping	No
	Other transport	Yes (use of sold products)
Industrials	Aluminium	No
	Cement	No
	Steel	No
	Chemicals	Yes (purchased goods and services & use of sold products)
	Paper	No
	Diversified Mining	Yes (processing of sold products; for coal manufacturers also use of sold products)
	Other industrials	On a case-by-case basis (non-electricity use of sold products)
Consumer goods & services	Consumer goods and services	Yes (purchased goods and services)

Alignment Assessments

Introduction

The Alignment Assessments were introduced to the Net Zero Company Benchmark in 2021 in order to evaluate the alignment of company real-world actions with Paris Agreement goals. They comprise 4 assessments by 3 research providers: InfluenceMap, the Carbon Tracker Initiative (CTI) and the Rocky Mountain Institute (RMI).

The **Climate Accounting and Audit Hybrid Assessments** evaluate whether a company’s financial statements (including the notes thereto), and the auditor's report thereon, reflect consideration of the effects of climate risk and the global move onto a 2050 (or sooner) net zero GHG emissions pathway and the Paris Agreement goal of limiting global warming to no more than 1.5°C. These assessments are hybrid as they evaluate both company disclosures and alignment with Paris Agreement goals.

InfluenceMap's **Climate Policy Engagement Alignment Assessments** analyse the real-world alignment of company climate policy engagement actions (direct and indirect via their industry associations) with the Paris Agreement goals.

RMI’s **Capital Allocation Alignment Assessments for aviation, automotive, cement, utilities and steel** companies provide analysis of company planned capital allocation compatibility with Paris-aligned scenarios, as well as evaluate asset-level decarbonisation.

Finally, **CTI’s Capital Allocation Alignment Assessments for electric utilities and oil & gas** sectors analyse oil & gas companies’ investment plans and utility companies’ retirement schedules for coal and gas electricity generation to assess corporate alignment with Paris Agreement goals and to provide an insight into stranded asset risks facing focus companies.

As for the Disclosure Framework, for each assessment, we have included a summary of the key changes made to the indicators in this Benchmark iteration.

Carbon Tracker Initiative
Climate Accounting and Audit Hybrid Assessments

What's Changed?

Evaluated by Carbon Tracker Initiative, these assessments are staying the same this year, but will now include a **more nuanced, granular scoring system at metric level**. Companies will receive a *traffic light* score (i.e., green/amber/red) rather than a binary yes/no score on climate accounting and audit metrics. This will provide a better insight into incremental progress they are making in this area.

Climate Accounting and Audit Hybrid Assessment

Indicator: Overall Climate Accounting and Audit Score

Sub-indicator 1: Financial statements

The audited financial statements (including the notes thereto) incorporate material climate-related matters.

Metric 1.a: The financial statements demonstrate how material climate-related matters are incorporated.

Metric 1.b: The financial statements disclose the quantitative climate-related assumptions and estimates.

Metric 1.c: The financial statements are consistent with the company's other reporting.

Sub-indicator 2: Audit reports

The audit report demonstrates that the auditor considered the effects of material climate-related matters in its audit.

Metric 2.a: The audit report identifies how the auditor has assessed the material impacts of climate-related matters.

Metric 2.b: Any inconsistencies between the financial statements and 'other information' are identified in the audit report, where applicable.

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Climate Accounting and Audit Hybrid Assessment

Sub-indicator 3: Alignment with Net Zero by 2050 (or sooner), and no more than 1.5°C warming

The audited financial statements (including the notes thereto) incorporate the material impacts of the global drive to net-zero greenhouse gas (GHG) emissions by 2050 (or sooner) which for the purpose of this assessment is considered to be equivalent to achieving the Paris Agreement goal of limiting global warming to no more than 1.5°C.

Metric 3.a: The financial statements use, or disclose a sensitivity to, assumptions and estimates that are aligned with achieving net-zero GHG emissions by 2050 (or sooner).

Metric 3.b: The audit report identifies that the assumptions and estimates that the company uses are aligned with achieving net-zero GHG emissions by 2050 (or sooner), or provides a sensitivity analysis on the potential implications.

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InfluenceMap
Climate Policy Engagement

What's Changed?

Since obstructive climate policy engagement is one of the key barriers to reaching the goals of the Paris Agreement, more comprehensive assessments of corporate performance in this area are needed to inform investor engagement.

As a result, **Climate Policy Engagement Alignment Assessments**, provided by InfluenceMap, are being expanded this year with the addition of the following elements:

- **New aggregate scores** of company *overall* direct and indirect climate lobbying performance, on a scale from A+ to F
- New indicator assessing the **accuracy and completeness** of company climate lobbying disclosures
- New indicator evaluating how companies **review and ensure alignment** between their climate policy engagement activities and the goals of the Paris Agreement

These assessments complement Disclosure Indicator 7 by analysing companies' real-world climate policy engagement activities.

Climate Policy Engagement Alignment Assessments
Indicator 1: Real-World Climate Policy Engagement

A full measure of a company's climate policy engagement, accounting for both its own engagement and that of its industry associations.

Companies will receive an overall **'Performance Band' grade on a scale from A+ to F** against this indicator, which will map onto the traffic light scoring system seen elsewhere in the Benchmark.

Sub-indicator 1.1: Direct Climate Policy Engagement (Organisation Score)

The company's direct engagement supports climate policy required to deliver the goals of the Paris Agreement.

Sub-indicator 1.2: Indirect Climate Policy Engagement via Industry Associations (Relationship Score)

The company's industry associations support climate policy required to deliver the goals of the Paris Agreement.

Climate Policy Engagement Alignment Assessments

Indicator 2: Accuracy Of Climate Policy Engagement Disclosure

Sub-indicator 2.1: Accuracy of Direct Climate Policy Engagement Disclosure

The company has published a detailed and accurate account of its corporate climate policy positions and engagement activities.

Sub-indicator 2.2: Accuracy of Indirect Climate Policy Engagement Disclosure

The company has published a detailed and accurate account of the climate policy positions and engagement activities of the industry associations of which it is a member.

Explanatory note: Comparing InfluenceMap's Indicator 2 to Disclosure Indicator 7

InfluenceMap's Indicator 2 complements Disclosure Indicator 7 by further evaluating the *quality, robustness and completeness* of a company's disclosures, as well as whether these *match* its real-world climate policy engagement performance.

Climate Policy Engagement Alignment Assessments
Indicator 3: Corporate Climate Policy Engagement Review

Sub-indicator 3.1: Review Score*

The company has robust, high-quality review processes to identify, report on, and address specific cases of misalignment between its climate policy engagement activities (direct and indirect via industry associations) and the Paris Agreement.

**Please note that the underlying metrics for the Review Score, which will be made available on InfluenceMap's website, will align with several indicators of the Global Standard on Responsible Climate Lobbying*

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Carbon Tracker Initiative: Capital Allocation Alignment Assessments for utilities + oil and gas

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What's Changed?

Carbon Tracker's Capital Allocation Alignment Assessments for utility and oil & gas companies will continue measuring the same elements, but they will now assess relevant focus companies against the **IEA's Net Zero Emissions by 2050 (NZE) Scenario and Announced Pledges Scenario (APS)**, rather than the IEA's Beyond 2°C Scenario. This will provide a better insight into whether focus companies are allocating capital to and planning for a Paris-aligned future.

In addition, the presentation and wording of the indicators has been amended to increase clarity.

Carbon Tracker Initiative Capital Allocation Alignment Assessments for Electric Utilities

Indicator 1: Unabated Coal Phase-out Alignment With a 1.5°C Pathway

The company has announced a full phase-out of unabated coal units by 2040 that is consistent with Carbon Tracker Initiative's interpretation of the IEA's Net Zero Emissions by 2050 Scenario.

Indicator 2: Unabated Gas Phase-out Alignment With a 1.5°C Pathway

The company has announced a full phase-out of unabated gas units by 2050 that is consistent with Carbon Tracker Initiative's interpretation of the IEA's Net Zero Emissions by 2050 Scenario.

Indicator 3: Coal Capacity Alignment With a 1.5°C Pathway

The company's operating and planned coal capacity (in percentage terms) is aligned with Carbon Tracker Initiative's interpretation of the IEA's Net Zero Emissions by 2050 Scenario.

Indicator 4: Gas Capacity Alignment With a 1.5°C Pathway

The company's operating and planned gas capacity (in percentage terms) is aligned with Carbon Tracker Initiative's interpretation of the IEA's Net Zero Emissions by 2050 Scenario.

Carbon Tracker Initiative Capital Allocation Alignment Assessments for Oil & Gas companies

Indicator 1: Recent Investments

Compatibility of the company's recent upstream oil and gas investment with a Paris-aligned pathway

In the most recent full year (2022), all of the upstream oil and gas investments sanctioned by the company were assessed not to be incompatible with the IEA's Net Zero Emissions by 2050 Scenario (1.5°C). **Failing that, companies will be assessed against the IEA's Announced Pledges Scenario (1.7°C).*

Indicator 2: Future Investments

Compatibility of the company's potential future investment in new upstream oil and gas projects with a Paris-aligned pathway

The company's potential future CapEx in new upstream oil and gas projects are assessed not to be incompatible with the IEA's Net Zero Emissions by 2050 Scenario (1.5°C). **Failing that, companies will be assessed against the IEA's Announced Pledges Scenario (1.7°C).*

Indicator 3: Future Production Sensitivity

Compatibility of the company's potential future upstream oil and gas production with a Paris-aligned pathway

The company's potential future (2030s) oil and gas production is at or below that which would be expected from projects that are assessed <u>not</u> to be incompatible with the IEA's Net Zero Emissions by 2050 Scenario (1.5°C).

Indicator 4: Commodity Prices

Compatibility of the company's commodity price forecasts with a Paris-aligned pathway

The company is planning for the long-term commodity prices used in its impairment testing to fall, in accordance with expectations under Paris-aligned scenarios.

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Rocky Mountain Institute
Capital Allocation Assessments for aviation, automotive, cement, utilities and steel sectors

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What's Changed?

Rocky Mountain Institute (RMI)'s Capital Allocation Alignment Assessments for aviation, automotive, cement, utility and steel companies provide analysis of company capital allocation compatibility with Paris-aligned scenarios at asset and technology level.

This year, RMI are expanding their **Capital Allocation Alignment Assessments** for ***utility* and *automotive* companies**, by introducing:

- A new indicator for electric utilities and automotive sectors, assessing company aggregate alignment with the IEA's Net Zero Emissions by 2050 (NZE) Scenario; and
- A new indicator for electric utilities, assessing whether companies are decarbonising their electricity generation and capacity, and if the changes at asset level are real, or 'virtual' – that is, merely resulting from ownership transfers .

These will help investors better understand the decarbonisation pathways of individual companies and the impacts of the changes in their asset base in the real economy.

RMI's assessments for aviation, cement and steel focus companies, which evaluate the distance of current company emissions intensity to Paris-aligned 2030 targets, are staying the same as in the previous iteration of the Benchmark, though they will be presented slightly differently this year.

Rocky Mountain Institute Capital Allocation Alignment Assessments for Electric Utilities

Indicator 1: Company-Level Planned Capacity Alignment With a 1.5°C Pathway (NZE)

The company's 5-year capacity plans for applicable technologies are consistent with the IEA's Net Zero Emissions by 2050 Scenario at an aggregate level.

Indicator 1 will provide an aggregate score of assessments of the company's power capacity plans for each of the relevant technologies.

Sub-indicator 1.1: Coal power planned capacity alignment

The company's 5-year coal power capacity plans are consistent with the IEA's Net Zero Emissions by 2050 Scenario.

Sub-indicator 1.2: Natural gas power planned capacity alignment

The company's 5-year natural gas power capacity plans are consistent with the IEA's Net Zero Emissions by 2050 Scenario.

Sub-indicator 1.3: Oil power planned capacity alignment

The company's 5-year oil power capacity plans are consistent with the IEA's Net Zero Emissions by 2050 Scenario.

Rocky Mountain Institute Capital Allocation Alignment Assessments for Electric Utilities (continued)

Sub-indicator 1.4: Nuclear power planned capacity alignment

The company's 5-year nuclear power capacity plans are consistent with the IEA's Net Zero Emissions by 2050 Scenario.

Sub-indicator 1.5: Hydroelectric power planned capacity alignment

The company's 5-year hydroelectric power capacity plans are consistent with the IEA's Net Zero Emissions by 2050 Scenario.

Sub-indicator 1.6: Other renewables power planned capacity alignment

The company's 5-year renewable power capacity plans are consistent with the IEA's Net Zero Emissions by 2050 Scenario.

Indicator 2: Asset-level Decarbonisation Of Electric Capacity & Generation

The company is decarbonising its electricity generation and capacity, and changes at asset level are real, not merely resulting from ownership transfers.

Sub-indicator 2.1: The company is decarbonising its power capacity through real change at an asset level (for example through fossil fuel power plant closures or by adding renewables to the grid, as opposed to changes in assets resulting from ownership transfers).

Sub-indicator 2.2: The company is substituting high-carbon electricity generation with low-carbon electricity generation.

Assessment of Sub-indicator 2.2 is contingent on Sub-indicator 2.1 showing a significant decrease in high-carbon capacity.

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Rocky Mountain Institute Capital Allocation Alignment Assessments for Automotive Focus Companies

+ Indicator 1: Company Level Production Plan alignment With a 1.5°C Pathway	**Sub-indicator 1.1:** Internal Combustion Engine (including mild hybrid technology) vehicle production plan alignment
The company's 5-year production plans for applicable technologies are aligned with the IEA's Net Zero Emissions by 2050 Scenario at aggregate level.	The company's 5-year Internal Combustion Engine (including mild hybrid technology) vehicle production plans are consistent with the IEA's Net Zero Emissions by 2050 Scenario.
Indicator 1 will provide an aggregate score of assessments of the company's production plans for each of the relevant technologies.	**Sub-indicator 1.2:** Hybrid (plug-in technology) vehicle production plan alignment
	The company's 5-year hybrid (plug-in technology) vehicle production plans are consistent with the IEA's Net Zero Emissions by 2050 Scenario.
	Sub-indicator 1.3: Electric vehicle production plan alignment
	The company's 5-year electric vehicle production plans are consistent with the IEA's Net Zero Emissions by 2050 Scenario.

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Rocky Mountain Institute Capital Allocation Alignment Assessments for Aviation, Cement & Steel Focus Companies

Indicator 1: Distance between the company’s current emissions intensity and the IEA 2030 Scenario Targets

The company’s current emissions intensity is approaching Paris-aligned IEA 2030 scenario targets.

Supplementary data point: *the figure of the company's Q2 2023 emissions intensity will be presented alongside this indicator.*

Comparison between Disclosure Indicator 11 and RMI's assessments for aviation, cement and steel companies:

Disclosure Indicator 11 is *backward-looking*, evaluating focus companies' past emissions intensity reductions (in the previous three years), while RMI assessments for aviation, cement and steel are *forward-looking*, comparing the company's current emissions intensity to relevant IEA Paris-aligned targets in 2030.

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Thank you