

Climate Action 100+ Net Zero Company Benchmark Disclosure Framework Assessment Methodology V2.0 - 2023

October 2023

This document contains detailed Indicator-by-Indicator guidance on how company disclosures were assessed using the Climate Action 100+ Net Zero Company Benchmark¹ (henceforth referred to as the ‘Benchmark’) **Disclosure Framework** assessed by the Transition Pathway Initiative Centre (TPI Centre) on behalf of the Climate Action 100+ initiative. The document also contains a summary of how company assessments are presented (via a ‘traffic light system’), as well as contingencies between Indicators.

This document does **not** cover the Benchmark **Alignment** Assessments. These are assessed by different data providers that use their own separate assessment methodologies. Please see [here](#) for other Benchmark methodologies.

This document should be read and used in conjunction with the other supporting materials relating to the Benchmark Version 1.0 available on the [Climate Action 100+ website](#). These include:

- Information on the [background and future development](#) of the Benchmark.
- Overview of the [Benchmark framework and methodologies](#) used. This includes the full framework, [TPI’s Carbon Performance methodologies](#) and an investor guide on how the Benchmark and TPI tool can be used together.
- [Frequently Asked Questions](#) (FAQs).
- Terms and conditions regarding [data usage](#) and the [company review and redress process](#).

Please also refer to the Climate Action 100+ disclaimer, available [here](#).

The company assessments can be accessed on the Climate Action 100+ website via individual [company profiles](#). This also includes the complete set of all company assessments, which are accessible via a publicly available Excel file.

Any additional questions or feedback can be directed to benchmark@climateaction100.org.

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¹ The data referenced in this document is not intended to be used as a “benchmark” as defined in Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the European Benchmark Regulation) and The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019 (the UK Benchmark Regulation).

The Disclosure Framework Indicators draw on public and self-disclosed data from companies. These are collected from sources such as company annual reports, sustainability reports, press releases and CDP disclosures. Overall, the Climate Action 100+ Net Zero Company Benchmark is not a disclosure mechanism or a database itself. Rather, it is an assessment 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. Investors always act independently, including with respect to investment decisions and voting.

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The Disclosure Indicators covered in this document were assessed by the TPI Centre, supported by its partners (see below). The document has been prepared by representatives from the investor networks who lead the Benchmark project for the Climate Action 100+ initiative. These include:

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The Transition Pathway Initiative Centre (TPI Centre) is the academic partner of the Transition Pathway Initiative (TPI). TPI is a global initiative led by asset owners and supported by asset managers. Aimed at investors and free to use, the TPI Centre’s insights and data assess companies’ preparedness for the transition to a low-carbon economy, supporting efforts to address climate change. The TPI Centre is part of the Grantham Research Institute on Climate Change and the Environment at the London School of Economics and Political Science (LSE). It works with FTSE Russell – an LSEG business and its data partner, and Chronos Sustainability.



FTSE Russell, an LSEG business, is a global index leader that provides innovative benchmarking, analytics and data solutions for investors worldwide. FTSE Russell calculates thousands of indexes that measure and benchmark markets and asset classes in more than 70 countries, covering 98% of the investable market globally. FTSE Russell has pioneered sustainable investment index solutions for over two decades and its products based on transparent, rules-based methodologies are used by investors around world. FTSE Russell is part of the London Stock Exchange Group (LSEG).



The Grantham Research Institute (GRI) on Climate Change and the Environment at the London School of Economics and Political Science (LSE) hosts the TPI Centre. Established in 2008, the GRI is a world-leading centre for policy-relevant research on climate change and its impact on the environment. Its purpose is to increase knowledge and understanding in this area, promote better informed decision-making on the topic and educate and train new generations of researchers through its undergraduate and postgraduate programmes.



Chronos Sustainability was established in 2017 with the objective of delivering transformative, systemic change in the social and environmental performance of key industry sectors through expert analysis of complex systems and effective multi-stakeholder partnerships. Chronos works extensively with global investors and global investor networks to build their understanding of the investment implications of sustainability-related issues, developing tools and strategies to enable them to build sustainability into their investment research and engagement. For more information visit www.chronossustainability.com and @ChronosSustain.

Terminology

The Benchmark was updated in 2023 following a [public consultation](#). Please see [here](#) for the full overview of all Version 2.0 Disclosure Framework Indicators and changes made to the Disclosure Framework in 2023.

11 DISCLOSURE INDICATORS – VERSION 2.0 (2023)

- | |
|---|
| (1) NET ZERO GHG EMISSIONS BY 2050 (OR SOONER) AMBITION |
| (2) LONG-TERM (2036-2050) GHG REDUCTION TARGET(S) |
| (3) MEDIUM-TERM (2027-2035) GHG REDUCTION TARGET(S) |
| (4) SHORT-TERM (UP TO 2026) GHG REDUCTION TARGET(S) |
| (5) DECARBONISATION STRATEGY |
| (6) CAPITAL ALLOCATION |
| (7) CLIMATE POLICY ENGAGEMENT |
| (8) CLIMATE GOVERNANCE |
| (9) JUST TRANSITION |
| (10) TCFD DISCLOSURE |
| (11) HISTORICAL GHG EMISSIONS REDUCTIONS [BETA] |

The Benchmark framework is structured into the following units of assessments, in order of granularity:

- **Indicator:** Specific area the company is being assessed on (e.g., Indicator 8 evaluates companies on climate governance).
- **Sub-indicator:** Component of an Indicator that divides it into specific areas of interest (e.g., Sub-indicator 8.2 evaluates executive remuneration).
- **Metric:** Highest resolution assessment that separates Sub-indicators into components, creating the opportunity for evaluation across the subject of attention (e.g., Metric 8.2.b focuses on incorporating progress on climate change targets as a Key Performance Indicator to determine performance-linked compensation).
- **BETA Indicator/Sub-indicator/Metric:** A Beta Indicator/Sub-indicator/Metric is an Indicator/Sub-indicator/Metric piloted in this iteration of Benchmark assessments. Company assessments against Beta Indicators/Sub-indicators/Metrics will not be made publicly available.

Assessment Methodology and Indicator Guidance

Indicator 1 – Net Zero GHG Emissions by 2050 (or sooner) Ambition

1.1 – Net Zero Ambition

Sub-indicator Text	<p>The company has set an ambition to achieve net zero GHG emissions by 2050 or sooner.</p> <ol style="list-style-type: none"> 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. 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).
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Detailed Guidance

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.	<p>Net zero commitments are effectively a special case of GHG emissions targets where companies are pledging a 100% reduction in net carbon emissions. Companies can make net zero commitments through a disclosure that explicitly commits the company to a net zero ambition (e.g., stating that the company will ‘reach’, ‘achieve’ or ‘become’ ‘net zero by’, ‘carbon neutral by’ or ‘eliminate all emissions by’). Companies that have set a GHG reduction target that cuts (absolute) emissions by 100% by 2050 or earlier are also positively assessed on this Metric.</p>
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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).	<p>As above, companies can make net zero Scope 3 commitments through a disclosure that commits them to a net zero ambition that explicitly includes the most relevant Scope 3 emissions categories.</p> <p>If the company has set a separate net zero Scope 3 ambition or includes Scope 3 emissions in its net zero ambition, the following details are captured:</p> <ul style="list-style-type: none"> • Whether the Scope 3 ambition is part of or separate from any Scope 1 and/or 2 net zero ambitions. • The Scope 3 category (as categorised by the GHG Protocol) that the ambition covers. The assessment focuses on the following categories: purchased goods and services (category 1 - upstream), processing of sold products (category 10 - downstream) and the use of sold products (category 11 - downstream). If all upstream Scope 3 categories and/or all downstream Scope 3 are covered by the ambition, this is also captured. If the covered category is not included in the categories cited above, the Scope 3 emissions category is captured as ‘Other’. • Percentage share of the most relevant Scope 3 GHG emissions categories covered by the ambition.
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If a company discloses a Scope 3 ambition even though Scope 3 emissions are not assessed by Climate Action 100+ in the sector in question, the ambition detail is nonetheless captured.

Metric 1.1.b is contingent on the result of 1.1.a; a company cannot be assessed as ‘Yes’ on 1.1.b if it was not assessed as ‘Yes’ on 1.1.a.

Companies for which Scope 3 emissions are not applicable in the Climate Action 100+ Company Net Zero Benchmark Disclosure Framework will be assessed as ‘Not Applicable’ on 1.1.b, regardless of whether they have set a net zero Scope 3 ambition.

Indicator 2 to 4 – Long-, Medium- and Short-Term Emissions Targets

Indicator 2 to 4 – Long-, Medium- and Short-Term Emissions Targets

Indicator Text

These Indicators are captured over three different timeframes:

- Indicator 2: Long-term (2036 to 2050)
- Indicator 3: Medium-term (2027 to 2035)
- Indicator 4: Short-term (up to 2026)

Emissions reduction targets already having expired before the year of assessment are not considered. However, if a company has achieved net zero emissions by the year of assessment on its most material emissions Scope(s), it will be assessed on the below Metrics. For each timeframe, each Indicator is composed of three Sub-indicators:

- ‘.1’ The company has set a target for reducing its GHG emissions.
- ‘.2’ which is separated into Metric ‘.2.a’ (The company has specified that this target covers at least 95% of its total Scope 1 and 2 emissions) and Metric ‘.2.b’ (Where applicable, the company’s Scope 3 GHG emissions target covers at least the most relevant Scope 3 emissions categories for the sector, and the company has published the methodology used to establish the Scope 3 target).
- ‘.3’ The company’s last disclosed carbon intensity OR targeted carbon intensity OR the company’s expected carbon intensity derived from its GHG 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. This trajectory is equivalent to [IPCC’s Special Report on the 1.5° Celsius pathway P1](#) or the [International Energy Agency’s \(IEA\) Net Zero Emissions by 2050 Scenario](#).

Metrics .2.a and .2.b are contingent on the results of Sub-indicator .1. Sub-indicator .3 is assessed independently of Sub-indicator .1 and .2. In Version 2.0 of the Disclosure Framework, Indicator 3: Medium-term GHG Reduction Target(s) also includes a new Beta Metric 3.4 (see below for more detail).

Detailed Guidance

.1 The company has set a target for reducing its GHG emissions.

For each company, the following target details are captured:

- Scope of emissions (Scope 1 and/or Scope 2 and/or Scope 3)
- Base year
- Percentage reduction targeted (%)
- Target year
- Unit of the target (tCO₂e, kgCO₂e/\$, ...)
- Year in which target was set
- Percentage of emissions covered by target
- Source document
- Source text

A GHG reduction commitment will be captured as a target if the disclosures at minimum clearly identify a target year and a percentage reduction (in terms of either absolute GHG emissions or GHG intensity). If a company states that it is aiming to maintain carbon emissions at current levels (e.g., at the levels specified in its current or most recent sustainability report), this is recorded as a 0% reduction target.

The assessment focuses only on GHG reduction targets. Renewable energy targets or other sustainability targets are not considered. Individual methane and flaring targets are not considered, unless the percentage of emissions covered by the targets is clearly disclosed.

If the company discloses multiple targets, they are all captured. For the assessment, the target covering the largest share of the company’s emissions is prioritised (i.e., a target covering all emissions is prioritised for the assessment over targets covering a subset of emissions). If there are multiple targets covering all emissions (or the same subset of emissions) the target that has been set most recently is assessed.

If the company has set a separate long-term Scope 3 target, or includes Scope 3 emissions in its target, the following details are captured:

- Whether the Scope 3 target is part of or separate from any Scope 1 or 2 targets.
- The Scope 3 category (as categorised by the GHG Protocol) that the target covers. The assessment focuses on the following categories: purchased goods and services (category 1 - upstream), processing of sold products (category 10 - downstream) and the use of sold products (category 11 - downstream). If all upstream Scope 3 categories and/or all downstream Scope 3 categories are covered by the target, this is also captured. If the covered category is not included in the categories cited above, the Scope 3 emissions category is captured as 'Other'.
- The percentage share of Scope 3 emissions covered by the target in the targeted categories.
- The methodology used to establish any Scope 3 target, if disclosed. If the target methodology is not available, the emissions calculation methodology used to assess Scope 3 emissions in the targeted categories is captured as far as is available.

If a company discloses a Scope 3 target even though Scope 3 emissions are not assessed by CA100+ in the sector in question, the target detail is nonetheless captured. If a company has a target that is a net zero target, this is captured both here and in Indicator 1.1.

If a company is assessed to target net zero emissions by 2035 (assessed under Sub-indicator 3.1), this will be automatically accepted on Sub-indicator 2.1. Similarly, if a company is assessed to target net zero emissions by 2026 (Sub-indicator 4.1), this will be automatically accepted on Sub-indicators 3.1 and 2.1.

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

Metric .2.a is met if the information captured under Sub-indicator .1 identifies a target that:

- Covers over 95% of the company's Scope 1 and 2 emissions.
- Note that this can also be met if the company respectively only targets Scope 1 emissions or only Scope 2 emissions, but the company in questions discloses that these account for over 95% of the company's combined Scope 1 and 2 emissions.

If a company is assessed to target net zero emissions by 2035 with a target covering >95% of Scope 1 and 2 emissions (assessed under Metric 3.2.a), this will be automatically accepted on Metric 2.2.a. Similarly, if a company is assessed to target net zero emissions by 2026 (Metric 4.2.a), this will be automatically accepted on Metrics 3.2.a and 2.2.a.

.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).

In applicable sectors, Metric .2.b is met if the information captured under Sub-indicator .1 identifies a target that:

- Covers the most relevant Scope 3 emissions categories in the company's sector; AND
- The methodology used to establish the Scope 3 target or to calculate Scope 3 emissions of the targeted Scope 3 categories are available.

If a company is assessed to target net zero emissions by 2035 with a target covering its applicable Scope 3 emissions (assessed under Metric 3.2.b), this will be automatically accepted on Metric 2.2.b. Similarly, if a company is assessed to target net zero covering its applicable Scope 3 emissions by 2026 (Metric 4.2.b), this will be automatically accepted on Metrics 3.2.b and 2.2.b.

Note that all companies for which Scope 3 emissions are not considered applicable will be assessed as 'Not Applicable' on Metric .2.b, regardless of whether they have set a Scope 3 target or not.

2.3 – Long-Term Alignment to 1.5°C

Sub-indicator Text

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. This is equivalent to [IPCC's Special Report on the 1.5°C pathway P1](#) or the [IEA's Net Zero Emissions by 2050 Scenario](#).

Detailed Guidance

Sub-indicator 2.3 uses the Transition Pathway Initiative's methodology to measure companies' carbon intensities in 2050. There are three possibilities for how to meet the conditions of this Sub-indicator:

- 1) If at the last year of disclosure (and without a long-term GHG target), the company's carbon intensity is aligned with or below its respective sector's benchmarked carbon intensity for 2050, it meets the conditions of this Sub-indicator.
OR
- 2) If the company's short-term or medium-term targeted carbon intensities are aligned with or below its respective sector's benchmarked carbon intensity for 2050, it meets the conditions of the Sub-indicator.
OR
- 3) If the company discloses a long-term GHG target that extends to 2050 and the company's aimed carbon intensity at that time is aligned with or below its respective sector's benchmarked carbon intensity for 2050, it meets the conditions of the Sub-indicator.

Therefore, even if companies have not set a long-term target (and therefore score 'No' on 2.1, 2.2.a and 2.2.b), they can score 'Yes' on Sub-indicator 2.3 if their expected intensity at 2050 is aligned with or below the trajectory (for the company's respective sector) 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°C pathway P1 or the IEA's Net Zero Emissions by 2050 Scenario).

In the absence of 1.5°C-consistent scenarios in the aluminium and paper sectors, companies in these sectors will be measured against a best-available below 2°C scenario. Company assessments will be adjusted when a credible 1.5°C scenario becomes available. All other sectors are assessed against a 1.5°C scenario.

The 1.5°C scenario considered for this iteration of the Benchmark is largely based on IEA's Net Zero Emissions by 2050 report and therefore broadly follows an IPCC P2 pathway. This pathway is used in the absence of a suitable P1 scenario. For more details, please see footnote 4 of the Indicator wording document published [here](#) on our website.

In the case of electricity utility companies, the relevant year of long-term alignment is 2040.

3.3 – Medium-Term Alignment to 1.5°C

Sub-indicator Text

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°C pathway P1](#) or the [IEA's Net Zero Emissions by 2050 Scenario](#).

Detailed Guidance

Sub-indicator 3.3 uses the Transition Pathway Initiative's methodology to measure companies' carbon intensities in 2035. There are three possibilities for how to meet the conditions of this Sub-indicator:

- 1) If at the last year of disclosure (and without a medium-term GHG target), the company's carbon intensity is aligned with or below its respective sector's benchmarked carbon intensity for 2035, it meets the conditions of the Sub-indicator.
OR
- 2) If the company's short-term targeted carbon intensity is aligned with or below its respective sector's benchmarked carbon intensity for 2035, it meets the conditions of the Sub-indicator.
OR
- 3) If the company discloses a GHG target that extends to 2035 and the company's aimed carbon intensity at that time is aligned with or below its respective sector's benchmarked carbon intensity for 2035, it meets the conditions of the Sub-indicator.

Therefore, even if companies have not set a medium-term target (and therefore score 'No' on 3.1, 3.2.a and 3.2.b), they can score 'Yes' on Sub-indicator 3.3 if their expected intensity at 2035 is aligned with or below the trajectory (for the company's respective sector) 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°C pathway P1 or the IEA's Net Zero Emissions by 2050 Scenario).

In the absence of 1.5°C-consistent scenarios in the aluminium and paper sectors, companies in these sectors will be measured against a best-available below 2°C scenario. Company assessments will be adjusted when a credible 1.5°C scenario becomes available. All other sectors are assessed against a 1.5°C scenario.

The 1.5°C scenario considered for this iteration of the Benchmark is largely based on IEA's Net Zero Emissions by 2050 report and therefore broadly follows an IPCC P2 pathway. This pathway is used in the absence of a suitable P1 scenario. For more details, please see footnote 4 of the Indicator wording document published [here](#) on our website.

3.4 – Conversion of GHG Intensity Targets to Absolute GHG Emissions Reductions [BETA]

Sub-indicator Text

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

Detailed Guidance

To score on this Metric, the company should convert its GHG emissions intensity reduction targets into projected associated absolute GHG emissions reductions.

This Metric applies to a company's medium-term target for its Scope 1 and 2 emissions (company meets the criteria for Metric 3.2.a) if the target is stated on an intensity basis. If a company additionally has set a GHG reduction target for its Scope 3 emissions (company meets 3.2.b and 3.2.a) on an intensity basis, this Metric applies to both the company's Scope 1 and 2, and Scope 3 targets. Companies that have only set a Scope 3 target (3.2.b) and no Scope 1 and 2 target (3.2.a) are assessed solely on their Scope 3 target (3.2.b).

Companies disclosing their medium-term GHG reduction targets (3.2.a and 3.2.b) in absolute terms will not be assessed on this Metric and instead be marked as 'Not Assessed'. Companies that do not have any applicable medium-term targets (i.e., they score 'No' on Metric 3.2.a and 'No'/'Not Applicable' on Metric 3.2.b) will be marked as 'Not Applicable'.

4.3 – Short-Term Alignment to 1.5°C

Sub-indicator Text

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](#).

Detailed Guidance

Sub-indicator 4.3 uses the Transition Pathway Initiative's methodology to measure companies' carbon intensities in 2026. There are two possibilities for how to meet the conditions of this Sub-indicator:

- 1) If at the last year of disclosure (and without a short-term GHG target), the company's carbon intensity is aligned with or below its respective sector's benchmarked carbon intensity for 2026, it meets the conditions of this Sub-indicator.
OR
- 2) If the company discloses a GHG target that extends to 2026 and the company's aimed carbon intensity at that time is aligned with or below its respective sector's benchmarked carbon intensity for 2026, it meets the conditions of the Sub-indicator.

Therefore, even if companies have not set a short-term target (and therefore score 'No' on 4.1, 4.2.a and 4.2.b), they can score 'Yes' on Sub-indicator 4.3 if their expected intensity at 2026 is aligned with or below the trajectory (for the company's respective sector) 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 the IEA's Net Zero Emissions by 2050 Scenario).

In the absence of 1.5°C-consistent scenarios in the aluminium and paper sectors, companies in these sectors will be measured against a best-available below 2°C scenario. Company assessments will be adjusted when a credible 1.5°C scenario becomes available. All other sectors are assessed against a 1.5°C scenario.

The 1.5°C scenario considered for this iteration of the Benchmark is largely based on IEA's Net Zero Emissions by 2050 report and therefore broadly follows an IPCC P2 pathway. This pathway is used in the absence of a suitable P1 scenario. For more details, please see footnote 4 of the Indicator wording document published [here](#) on our website.

Indicator 5 – Decarbonisation Strategy

5.1 – Strategy to Meet GHG Reduction Targets

Sub-indicator Text

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

- 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).
- 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).
- 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.
- d. **[BETA]** 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.

Detailed Guidance

- 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.a is contingent on Sub-indicators 2.1 and 3.1. For companies that have targets meeting Sub-indicators 2.1 and/or 3.1, any disclosures about concrete actions to achieve these targets are assessed. To be assessed as ‘Yes’ on this Metric, the company should disclose a set of actions that meet three key criteria:

1. **Specifically relate to the company’s GHG reduction targets.** The set of actions should be explicitly framed as aiming to achieve the GHG reduction targets the company has set. An account of broader emissions reductions efforts that do not clearly relate to achieving these targets is insufficient.
2. **Clearly address the main sources of the company’s GHG emissions.** The set of actions should clearly relate to the most material sources of GHG emissions. For example, it would be insufficient if the bulk of emissions a company generates consists of Scope 1 emissions, but the actions described were mainly related to Scope 2 emissions (e.g., ‘use 100% renewables for our headquarters’).
3. **Lay out a concrete set of measures.** The strategy clearly identifies the set of actions the company will implement to achieve its decarbonisation targets (such as phasing out carbon intensive products or assets, developing or deploying low carbon technologies, decarbonising supply chains or using offsets). The measures should be concrete and specific to the company’s operations. Vague descriptions such as ‘accelerate our transition to cleaner energy solutions’, ‘modernize our operations’ or ‘leverage green solutions’ without a description of how emissions reductions will be achieved are not eligible.

Decarbonisation strategies are separately captured in relation to each target timeframe (medium- or long-term).

To be assessed as ‘Yes’ on this Metric, a decarbonisation strategy meeting the above criteria should be disclosed in relation to both its long- and medium-term targets. Alternatively, a company is also assessed as ‘Yes’ on this Metric if it has a long- or medium-term net zero target (including Scope 3 emissions where applicable) and discloses a corresponding

decarbonisation strategy that meets the above criteria. To avoid any assumptions regarding the current strategy adopted by the company, the company should disclose its strategy on an annual basis and in its latest disclosures. These criteria can also be met if the company refers to its past disclosure in its latest disclosure.

<p>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).</p>	<p>Metric 5.1.b is contingent on meeting Metric 5.1.a. Where Metric 5.1.a is met, this Metric assesses whether key actions of the decarbonisation (i.e., target delivery) strategy have been quantified in the corporate disclosures. The contribution of each action is quantified in terms of the approximate proportion of the overall GHG target that the action will account for.</p>
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<p>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 emission technologies it is planning to use.</p>	<p>Metric 5.1.c is contingent on meeting Metric 5.1.b.</p> <p>If the company explicitly states that it does not plan on using carbon offsetting and negative emissions technologies to meet its GHG reduction targets, it will not be assessed against this Metric, receiving a ‘Not Applicable’ label.</p> <p>If the company chooses to employ offsetting and negative emissions technologies, to meet this Metric, it should publicly disclose:</p> <ul style="list-style-type: none">• The approximate proportion of the overall GHG target that the offsets and negative emissions technologies will account for (i.e., quantity of offsets and negative emissions technologies employed);• The type of offsets and negative emission technologies it is planning to use;• Clearly how the offsets it is planning to use will be certified. To meet this criterion, the company should:<ul style="list-style-type: none">○ Provide an indicative list of offset certification mechanisms/suppliers it is currently planning to purchase offsets from, OR○ Provide an offset quality policy ensuring that high quality offsets are used beyond the current practical time horizon and when new suppliers get online (e.g., Integrity Council for the Voluntary Carbon Market (ICVCM) meta certification).○ If the company is using negative emissions technologies, it should publicly disclose the quantity and the type. <p>Please note that if the company plans to use carbon offsetting for residual emissions, the company should still quantify/provide a range of the role these residual emissions play in the company’s decarbonisation.</p> <p>Companies disclosing that offsets will only be considered for residual emissions are also expected to meet these criteria to score on Metric 5.1.c.</p>
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<p>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.</p>	<p>Metric 5.1.d is contingent on meeting Metric 5.1.b.</p> <p>To meet this Metric, the company should publicly disclose the approximate proportion of the overall GHG target that can be met through the deployment of measures that are technologically feasible and economically viable today. To this end, the company should explicitly state the share of abatement measures that are feasible under current conditions and the share that relies on future technologies or economic conditions.</p> <p>The information provided should allow for the computation of the approximate share of technologically feasible and economically viable abatement measures the company is relying on to meet its targets.</p>

5.2 – Climate Solutions Commitment

Sub-indicator Text

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

- a. The company discloses the revenue OR production it already generates from climate solutions and discloses its share in overall sales.
- b. The company has set a target to increase revenue OR production from climate solutions in its overall sales.

Detailed Guidance

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

The purpose of this Metric is to evaluate a company's current deployment of climate solutions.

To meet this Metric, the company should:

- Publicly disclose revenues generated from (or production volumes of) climate solutions, AND
- Clearly state how it defines such climate solutions, for example, with reference to a formal taxonomy or revenue classification system.

To be eligible, revenue (or production volumes) should be disclosed in a manner that allows the computation of their share in the company's total revenues (or production). This could include disclosing the percentage of total revenues, revenues in a reported segment, the absolute revenues or the share of products in a specific product category (e.g., EVs as a share of total vehicle output).

Note that climate solutions reporting should be clearly tied to the company's broader revenue or production reporting. Solutions can either be disclosed as individual business lines (e.g., separately for 'wind' or 'solar') or aggregated in a segment which contains only climate solutions (e.g., a 'Renewable Energy' segment). Aggregated revenue or production data is not sufficient either a) where it is difficult to clearly establish what type of products or services are included in the reported revenue or production segment; or b) where it contains a mix of climate and non-climate solutions.

Revenue disclosures that clearly meet external, publicly available classifications of climate solutions (e.g., the EU Taxonomy or the FTSE Russell Green Revenue Classification system) will be accepted even if not explicitly labelled as climate solutions. Otherwise, companies should define climate solutions associated with their revenues or products clearly and in detail. Companies can do this either in reference to other official taxonomies or revenue classification systems or deviate from such frameworks, as long as the definitions of climate solutions are clearly laid out in their disclosures and are consistent with the principles laid out below.

Companies cannot meet the Metric where their definitions (internal or external) are vague or appear to include products and services with limited climate benefits, including for example:

- **Products or services that offer limited or undefined reductions in lifecycle emissions.** For instance, 'green cement' or 'low carbon fuels' would be ineligible, unless they are defined in a manner that clearly explains their nature and are clearly linked to significant climate benefits (e.g., avoiding blended fuels with significant fossil fuel content). Similarly, disclosures of revenues from natural gas, 'grey hydrogen' or revenues linked to 'hybrid cars' (unless explicitly defined as plug-in hybrids and clearly excluding 'mild-hybrid' technology) would not allow the company to score on this Metric.
- **Products or services that serve as inputs into a wide range of supply chains, as opposed to being primarily used for decarbonising the economy.** For instance, while bulk materials such as copper and aluminium are critical inputs into many low carbon technologies, these

account for a limited share of their overall consumption, and as such should not be designated as climate solutions. Such products can however be accepted where they are being produced with a materially lower environmental footprint (e.g., through recycling) and/or where the company quantifies the extent to which its bulk products are used in the production or use of accepted climate solutions.

- **Conventional products or services which are marketed in conjunction with offsets** (i.e., where emissions are compensated for rather than reduced).

Note that disclosures of EU Taxonomy-*aligned* turnover are valid against this Metric. EU Taxonomy-*eligible* turnover disclosures are not specific enough to identify investment in climate solutions and are not eligible for scoring against this Metric.

Where a company clearly states in its disclosures that it is not intending to produce/derive revenue from climate solutions, this Metric will be assessed as ‘Not Applicable’.

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

This Metric is contingent on meeting Metric 5.2.a.

This Metric can be met through publicly disclosing a target for revenue or production volumes from climate solutions with a clear timeline for when the company intends to achieve this target (e.g., 2028 or 2030).

Note that while the target should be clearly quantified and time-bound, it can be expressed either in terms of revenue (e.g., ‘increasing EV sales to 20% of total car sales by 2028’), production (e.g., ‘In 2030, Renewable Energy will reach 50% of power generation’) or output (e.g., ‘one in five cars produced will be electric by 2028’).

The same requirements laid out in 5.2.a in terms of the definition of climate solutions and capital expenditures apply.

Where a company clearly states in its disclosures that it is not intending to produce/derive revenue from climate solutions, this Metric will be assessed as ‘Not Applicable’.

Indicator 6 – Capital Allocation

6.1 – Capex Allocation

Sub-indicator Text

The company is working to decarbonise its capital expenditures.

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

Detailed Guidance

- 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.

To meet this Metric, the company’s public disclosures should explicitly state that it has phased out or is committed to phasing out capital expenditure in new unabated carbon-intensive assets or products by a specified year. ‘Unabated carbon-intensive assets’ here refer to assets or products with a high carbon footprint relative to their output that do not use any carbon removal technologies. The company should clearly describe how it defines carbon-intensive assets or products in its own particular case.

Note that statements on phasing out unabated carbon-intensive assets or products are not, on their own, sufficient to score on this Metric; the company’s commitment should apply to all of its capital expenditures.

Note further that a company’s commitments to ‘align’ capital expenditure decisions and plans with its long-term GHG reduction target or a 1.5°C pathway is not sufficient to meet this Metric.

Finally, simply listing or detailing green or low-carbon capital expenditure plans or projects (including large-scale plans or projects) is not sufficient to meet this Metric, even in cases where it can be reasonably presumed that much or all of the company’s capital expenditures are already aligned with the low carbon transition.

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

To meet this Metric, the company should publicly disclose the amount of capital expenditures that is going towards carbon-intensive assets or products. ‘Unabated carbon-intensive assets’ here refer to assets or products with a high carbon footprint relative to their output that do not use any carbon removal technologies. The company should clearly describe how it defines carbon-intensive assets or products in its own particular case.

The company should disclose this information in a manner that allows for the calculation of the absolute value of capital expenditure allocated to unabated carbon-intensive assets or products. This could include disclosing the absolute amount (dollar value) or the percentage share of total capital expenditures, as long as the latter is disclosed in absolute terms.

Where a company clearly states in its public disclosures that it has not allocated any capital expenditures towards unabated carbon-intensive assets or products, this Metric will be assessed as a ‘Yes’.

Where companies disclose against the EU Taxonomy, they should clearly break out capital expenditures that are non-aligned as part of capital expenditures into eligible activities.

6.2 – Climate Solutions Allocation

Sub-indicator Text	<p>The company explains how it intends to invest in climate solutions (i.e., technologies and products that will enable the economy to decarbonise).</p> <ol style="list-style-type: none"> a. The company discloses the stated value of its capital expenditure allocated towards climate solutions in the last reporting year. 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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Detailed Guidance

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| <p>a. The company discloses the value of its capital expenditure allocated towards climate solutions in the last reporting year.</p> | <p>To meet this Metric, the company should:</p> <ul style="list-style-type: none"> • Publicly disclose capital expenditures towards producing or developing climate solutions; AND • Clearly state how it defines such climate solutions, for example, with reference to a formal taxonomy or classification system. |
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To be eligible, the disclosure should allow for the calculation of the absolute value of capital expenditures towards producing or developing climate solutions in the last fiscal year. This could include disclosing the percentage share of total capital expenditures disclosed in absolute terms; the absolute amount; or the share of climate-focused capital expenditures in a specific product category (e.g., EVs as a share of total vehicle investment), disclosed as an absolute amount.

Note that climate solutions reporting should be clearly tied to the company's capital expenditure reporting. Solutions can either be disclosed as individual business lines (e.g., separately for 'wind' or 'solar') or aggregated in a segment which contains only investment in climate solutions (e.g., a 'Renewable Energy' segment). Aggregated capital expenditure data is not sufficient either a) where it is difficult to clearly establish what type of products or services are included in the reported capital expenditure; or b) where it contains a mix of climate and non-climate solutions.

As for revenues under 5.2, companies should define climate solutions associated with their capital expenditure clearly and in detail. Companies can do this either in reference to official taxonomies or revenue classification systems or deviate from such frameworks, as long as the definitions of climate solutions are clearly laid out in their disclosures.

Companies cannot meet the Metric where their definitions are vague or appear to include products and services with limited climate benefits, following the approach outlined in 5.2.

Note that disclosures of EU Taxonomy-aligned capital expenditure are valid against this Metric. Taxonomy-eligible capital expenditure disclosures are not specific enough to identify investment in climate solutions, and so they will not count against this Metric.

Where a company clearly states in its public disclosures that it is not intending to allocate capital towards climate solutions, this Metric will be assessed as 'Not Applicable'.

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

This Metric can be met by publicly disclosing the capital expenditure that a company intends to allocate towards climate solutions within a clear timeframe (e.g., ‘in 2023-2027’ or ‘by 2030’). Note that while the target should be clearly quantified and time-bound, it can be expressed either as an absolute value (e.g., ‘\$3B by 2030’) or as a share of total capital expenditure (e.g., ‘50% of our total \$10B investments’), as long as the latter is disclosed in absolute terms.

The same conditions laid out in 6.2.a in terms of the definition of climate solutions and capital expenditures apply.

Where a company clearly states in its public disclosures that it is not intending to focus capital expenditure on climate solutions, this Indicator will be assessed as ‘Not Applicable’.

Indicator 7 – Climate Policy Engagement

7.1 – Lobbying Position Aligned with Paris Agreement

Sub-indicator Text

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

- 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.
- b. The company commits to advocate for Paris-aligned lobbying within the trade associations of which it is a member.
- 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 1.5°C above pre-industrial levels.

Detailed Guidance

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| <p>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.</p> | <p>To meet this Metric, a company should make a clear statement that it will ensure its direct lobbying activities and advocacy activities are aligned with the goals of the Paris Agreement. This commitment should refer to direct lobbying activities rather than those of trade associations and should refer to the Paris Agreement specifically rather than the company’s climate policy or the like.</p> <p>Statements including vague language or caveats on aligning direct lobbying activities (e.g., ‘where possible’ or ‘aim to ensure direct lobbying positions are aligned with Paris Agreement’) are not sufficient to meet this Metric.</p> |
| <p>b. The company commits to advocate for Paris-aligned lobbying within the trade associations of which it is a member.</p> | <p>To meet this Metric the company should make a clear and unequivocal statement in public disclosures that the company will advocate, within the trade associations of which it is a member, in a manner that is aligned with the goals of the Paris Agreement. This commitment should refer directly to the lobbying activities of the company within its trade associations and should mention the Paris Agreement specifically, rather than, for example, the trade associations’ published policy positions or the company’s climate policy.</p> <p>Statements including vague language or caveats on aligning indirect lobbying activities (e.g., ‘where possible’ or ‘aim to ensure trade association’s lobbying positions are aligned with Paris Agreement’) are not sufficient to meet this Metric. Conducting a review of trade associations’ climate positions and alignment to the goals of the Paris Agreement is not covered by this Metric (see Sub-indicator 7.2).</p> |
| <p>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 1.5°C above pre-industrial levels.</p> | <p>To meet this Metric, a company should make a clear statement that the company will ensure its direct lobbying activities and advocacy activities are aligned with the goals of the Paris Agreement, as well as specify that the company conducts advocacy activities in line with restricting global temperature rise to 1.5°C above pre-industrial levels.</p> <p>Statements in support of the Paris Agreement’s 1.5°C goal or including a description of the exact wording of the Paris Agreement are not sufficient to meet this Metric. Statements should be explicitly linked to the company’s direct lobbying and advocacy activities.</p> |

7.2 – Trade Association Lobbying Consistency

Sub-indicator Text	<p>The company reviews its own and its trade associations’ climate policy engagement positions/activities.</p> <ol style="list-style-type: none"> 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. 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.
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Detailed Guidance

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.	<p>This Metric evaluates how the company ensures that its own climate policy positions align with the goals of the Paris Agreement as well as whether the company discloses the climate-related lobbying activities it has carried out in support of these specific policies in the latest reporting year. To meet this Metric, the company should:</p> <ul style="list-style-type: none"> • Make a clear statement that it has reviewed its own climate policy positions in line with the Paris Agreement goals; AND • Disclose the climate-related lobbying activities it has carried out in support of these specific policies in the latest reporting year. This can include activities such as holding meetings with policymakers or regulators, presenting policy submissions or making political donations.
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These activities should be explicitly linked back to the company’s climate policy positions to score. The disclosure should also be clearly sign-posted as climate-related (lists of lobbying activities for a broader set of issues are not sufficient) and include specific details of the stakeholders engaged and focus of engagement. Select case study examples cannot be accepted. Only lobbying carried out directly by the company can be accepted.

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.	<p>To meet this Metric, a company should publish a review of its trade associations’ climate positions and alignment with the Paris Agreement goals and disclose the specific actions taken by the company as a result of the review. The review should clearly state or show that the company has reviewed alignment with the Paris Agreement. Reviewing alignment with the company’s own climate policy is generally not sufficient.</p>
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This review or assessment should be published with clear outcomes and findings. Vague, generalised findings are insufficient to score. The review or assessment could have been conducted by a third party. The company may use alternative terms for trade associations including ‘trade groups’, ‘business associations’, ‘industry associations’, ‘business groups’, ‘trade bodies’ and ‘industry trade group’.

Listings of trade associations that contain indications that the disclosure is selective (e.g., ‘Our most material trade associations are...’; ‘Our trade associations include...’) are insufficient. However, if the company states it has included all associations that take positions on climate-related issues, this can be considered exhaustive disclosure for the purpose of this Metric. Note that disclosures against the CDP Climate Change question C12.3b are generally insufficient as a proxy for disclosure of a list of trade associations.

In terms of actions, the company should indicate what actions, if any, it took as a result of its review of its trade associations’ alignments with the Paris Agreement. This might include a commitment to engage with a trade association found to be misaligned or withdrawal from a trade association found to be misaligned.

Indicator 8 – Climate Governance

8.1 – Board Oversight

Sub-indicator Text

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

- a. The company discloses evidence of Board or Board committee oversight of the management of climate change risks.
- b. The company has named a position at the Board level with responsibility for climate change.

Detailed Guidance

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

For the purposes of this Metric, ‘Board oversight’ can take multiple forms:

- The company states that responsibility for climate change lies with the Board or a specific Board committee.
- There is an executive, such as a head of sustainability, with explicit responsibility for climate change (i.e., not just ‘sustainability performance’) AND there is evidence that the individual reports on climate change directly to the Board or to a Board-level committee.
- The CEO is responsible for climate change AND there is evidence that the CEO reports to the Board or a Board-level committee on climate change issues specifically in the latest reporting year.
- There is a committee (which is not necessarily Board-level) that is responsible for climate change (i.e., not just ‘sustainability performance’) AND that committee reports directly to the Board or a Board-level committee.

Further, reference to Board responsibility for ‘sustainability’ or ‘environment’ more broadly is not sufficient; companies should make clear mention of ‘climate change’.

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

There are multiple scenarios/models that qualify as a ‘named position’ for the purposes of this Metric:

- There is a Board position (e.g., Board Director) with explicit responsibility for climate change.
- There is a named individual (rather than a position) on the Board who is responsible for climate change.
- The CEO is responsible for climate change AND the CEO sits on the Board.
- In a two-tier board structure, a named management Board member/position has explicit responsibility for climate change AND reports to the Supervisory Board on climate.

A company will not meet this Metric by proxy of having a committee responsible for climate change. Unless specifically identified as being individually responsible, the chair of such a committee does not meet this Metric. A named position or individual responsible for ‘sustainability’ or ‘environment’ at the Board level does not meet the Metric.

Note that for German, Polish and Norwegian companies only, where it is unlikely for the CEO to sit on the Supervisory Board, companies whose CEO is individually responsible for climate change and sits on the Executive Board will be assessed to meet this Metric.

8.2 – Remuneration Arrangements

Sub-indicator Text

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

- 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).
- 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.

Detailed Guidance

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| <p>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).</p> | <p>A company will be assessed as meeting this Metric if the CEO and/or at least one other senior executive's remuneration arrangements are determined by the company's performance against a climate change-related Key Performance Indicator (KPI).</p> <p>This KPI should be concrete and measurable and should specifically focus on the company's climate change-related performance (e.g., meeting GHG emissions reduction targets). KPIs that measure broader 'ESG' or 'sustainability' targets or objectives, energy efficiency targets, CDP scores or the like do not meet this Metric.</p> <p>Any CEO/Executive Committee (ExCo) objectives that are not directly incentivised by monetary reward do not meet the Metric. Further, an incentivised position at a lower level than ExCo (e.g., a head of sustainability that is not a member of ExCo) does not meet this Metric.</p> |
| <p>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.</p> | <p>To meet this Metric, the company should first be assessed as 'Yes' on Metric 8.2.a and on one of the Sub-indicators 2.1, 3.1 or 4.1.</p> <p>In addition, the CEO and/or at least one other senior executive's remuneration arrangements should be determined by the company's performance against its disclosed company-wide emissions targets. This could be any of the targets captured as part of Sub-indicators 2.1, 3.1 or 4.1.</p> <p>Similar to Metric 8.2.a, any CEO/ExCo objectives that are not incentivised by monetary reward do not meet the Metric. Further, an incentivised position at a lower level than ExCo (e.g., a head of sustainability that is not a member of ExCo) does not meet this Metric.</p> |

8.3 – Board Climate-Related Capabilities/Competencies

Sub-indicator Text	<p>The Board has sufficient capabilities/competencies to assess and manage climate-related risks and opportunities.</p> <ul style="list-style-type: none"> a. The company has assessed its Board’s competencies with respect to managing climate risks and opportunities and disclosed the results of this assessment. 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.
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Detailed Guidance

<p>a. The company has assessed its Board’s competencies with respect to managing climate risks and opportunities and disclosed the results of this assessment.</p>	<p>To meet this Indicator, a company should clearly disclose that the company has assessed to what extent its Board is competent specifically with respect to managing climate change risks AND has disclosed the results of this assessment.</p> <p>This could include disclosure of a Board skills assessment that has included consideration of climate change knowledge or expertise. Inclusion of climate change in a skills matrix would score on this Metric where the results/mapping have been disclosed. Companies should provide an indication of which members or what proportion of the Board provides competencies related to climate risks.</p> <p>A company will not score on this Metric if only ‘sustainability’ or ‘environment’ or ‘ESG’ is covered in relation to Board competency assessments. Further, the existence of a climate expert on the Board cannot be used as a proxy for having conducted a Board climate competency assessment.</p>
<p>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.</p>	<p>Meeting Metric 8.3.b is contingent on meeting Metric 8.3.a. In addition, the company should disclose details on what specific criteria have been used to assess the Board’s climate-related competencies.</p> <p>Furthermore, the company should explicitly disclose measures it has implemented to enhance the climate competencies of the Board. This could include Board trainings on climate issues, either external or internal, or the appointment of a ‘climate expert’ to the Board.</p> <p>It should be noted that measures aimed at enhancing ‘sustainability’, ‘environment’, or ‘ESG’ competencies do not score on this Metric.</p>

Indicator 9 – Just Transition

9.1 – Commitment to Just Transition Principles

Sub-indicator Text

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

- a. The company has committed to decarbonise in line with defined Just Transition principles, recognising the social impacts of its decarbonisation efforts.
- b. The company has committed to retain, retrain, redeploy and/or compensate workers affected by its decarbonisation efforts.
- c. The company has committed that new projects associated with its decarbonisation efforts are developed in consultation with affected communities and seek their consent.

Detailed Guidance

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| <p>a. The company has committed to decarbonise in line with defined Just Transition principles, recognising the social impacts of its decarbonisation efforts.</p> | <p>This Metric evaluates whether the company has committed to decarbonise its operations in line with Just Transition ('equitable transition', 'fair transition', 'just transition' or equivalent) principles (i.e., in a way that respects the rights and needs of workers, communities and other key stakeholders who may be affected by its transition to net zero).</p> |
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To be assessed as 'Yes' on this Metric, the company should:

1. Explicitly state its commitment to decarbonise in line with Just Transition principles; AND
2. Clearly define the Just Transition principles it is committing to. Companies can do this either in reference to official taxonomies or deviate from such frameworks provided they clearly lay out in their disclosures a comprehensive definition of Just Transition.

Simply acknowledging or supporting a Just Transition or external frameworks is not sufficient to score 'Yes' on this Metric. The company's understanding of Just Transition should demonstrate a holistic approach, covering a range of stakeholders and issues relevant to its business, and not merely focus on a single aspect such as the impact on workers.

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| <p>b. The company has committed to retain, retrain, redeploy and/or compensate workers affected by its decarbonisation efforts.</p> | <p>This Metric assesses whether companies provide active support to workers negatively affected by the transition away from high-carbon activities. To be assessed as 'Yes' on this Metric, companies should explicitly commit to specific forms of support (i.e., job retention, training, reskilling and upskilling, redeployment, compensation, retirement packages, access to job search and/or similar); or commit to external frameworks with similar commitments (i.e., the Council for Inclusive Capitalism's Just Energy Transition framework). The commitment should be company-wide, link explicitly to decarbonisation and apply to the current employees of the company.</p> |
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If a company merely acknowledges the impact of decarbonisation on workers, it will not score 'Yes' on this Metric. References to asset-specific cases, interactions with labour unions or job creation for the future or the wider community are not on their own sufficient for meeting the criteria of this Metric.

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| <p>c. The company has committed that new projects associated with its decarbonisation efforts are developed in consultation with affected communities and seek their consent.</p> | <p>This Metric evaluates whether companies have a company-wide commitment to engage with and seek consent from the communities that are affected by their decarbonisation activities.</p> |
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To be assessed as 'Yes' on this Metric, the company should:

1. Make an explicit commitment to engage, consult or work with affected communities; AND
2. Seek their consent as part of this consultation process.

To be assessed as 'Yes' on (1), the company should provide details on how they have implemented this commitment, such as who they have consulted with, what

issues they have addressed and what outcomes they have achieved.

If a company only acknowledges the impact of decarbonisation on communities, only informs communities of its decarbonisation plans or does not specify affected communities amongst its stakeholders, it cannot score 'Yes' on this Metric.

9.2 – Just Transition Planning and Monitoring

Sub-indicator Text

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

- a. The company has developed a Just Transition plan for how it aims to support workers and communities negatively affected by its decarbonisation efforts.
- b. The company's Just Transition plan was developed in consultation with workers, communities and other key stakeholders affected by its decarbonisation efforts.
- c. The company discloses the quantified Key Performance Indicators it uses to track its progress towards the objectives of its Just Transition plan.

Detailed Guidance

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

This Metric assesses whether the company has developed a concrete plan to implement the commitments evaluated in Sub-indicator 9.1.

To be assessed as 'Yes' on this Metric, the company, within its Just Transition Plan, should clearly:

1. Set forth a set of actions it will implement to achieve its Just Transition commitments; AND
2. At minimum, link the set of actions to workers, unions, employees and communities.

The plan should be company-wide and clearly relate to the company's decarbonisation efforts.

If the company has conducted a case study or developed an asset level plan in the past, it can score 'Yes' if it explicitly mentions that it will carry out this plan for all other relevant assets.

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

This Metric evaluates whether a company has engaged with and incorporated feedback from affected stakeholders, such as workers, unions, employees and communities, in the development of its Just Transition plan. To be assessed as 'Yes' on this Metric, the company should:

1. State which stakeholders were consulted (e.g., relevant union representatives or other employee representatives, general community members); AND
2. How the consultation process was conducted (e.g., one in-person meeting, ongoing consultations).

This Metric is assessed only if the company is assessed as 'Yes' on Sub-indicator 9.2.a.

- c. The company discloses the quantified Key Performance Indicators it uses to track its progress towards the objectives of its Just Transition plan.

This Metric assesses whether the company has developed Key Performance Indicators to track its progress towards achieving the objectives of its Just Transition Plan. To be assessed as 'Yes' on this Metric, the company should have a measurable quantitative KPI explicitly relating to the company's Just Transition plan.

Disclosure of data points on jobs lost, jobs created or wage metrics would not score 'Yes' on this Metric, as the KPI should be stated each year as a measurement of ongoing performance.

This Metric is assessed only if the company is assessed as 'Yes' on Sub-indicator 9.2.a.

Indicator 10 – TCFD Alignment

10.1 – Support for TCFD Recommendations

Sub-indicator Text	<p>The company has publicly committed to implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).</p> <ol style="list-style-type: none"> a. The company explicitly commits to align its disclosures with the TCFD recommendations OR it is listed as a supporter on the TCFD website. b. The company explicitly sign-posts TCFD-aligned disclosures in its annual reporting OR publishes them in a TCFD report.
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Detailed Guidance

a. The company explicitly commits to align its disclosures with the TCFD recommendations OR it is listed as a supporter on the TCFD website.	<p>A company would be assessed as meeting this Metric if:</p> <ul style="list-style-type: none"> • The company is a listed supporter on the TCFD website, https://www.fsb-tcfid.org/tcfid-supporters/; OR • The company has explicitly committed to align its disclosures with the TCFD recommendations in its public disclosures; OR • The company explicitly and clearly indicates that it has aligned its disclosures with the TCFD recommendations.
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A company would not meet this Metric if there were ambiguity about its commitment to TCFD. For example, a company that states that its climate report is ‘informed by’ or ‘takes into account’ the TCFD recommendations would not have provided sufficient clarity on its commitments. Similarly, ‘recognising’ or ‘acknowledging’ are insufficient as they are not the same as making a formal commitment to aligning with TCFD.

b. The company explicitly sign-posts TCFD-aligned disclosures in its annual reporting OR publishes them in a TCFD report.	<p>The aim of this Metric is to understand if the company is reporting against the TCFD recommendations. A company would be assessed as meeting this Metric if:</p> <ul style="list-style-type: none"> • The company explicitly includes or sign-posts TCFD-aligned disclosures in its annual reporting (i.e., in Annual Reports, in sustainability-related reports or on the company’s website); OR • The company publishes TCFD-aligned disclosures in a TCFD report.
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This Metric assesses whether the company in its disclosures clearly directs investors to its TCFD disclosures, either through clear sign-posting throughout its existing disclosures or by summarising them in a standalone report. It does not assess whether the company discloses against all of the TCFD requirements, nor the content or the quality of the disclosures being provided.

A company would not meet this Metric if the company states that it has disclosed in line with the TCFD requirements but does not sign-post where these disclosures are to be found. Furthermore, disclosures should be provided on the company’s own website; pointing to a third-party website, e.g., CDP, does not meet the intent of this Metric. Finally, a commitment to report against the TCFD recommendations in the future is not sufficient.

Sub-indicator Text	<p>The company employs climate-scenario planning to test its strategic and operational resilience.</p> <ol style="list-style-type: none"> a. The company has conducted a climate-related scenario analysis including quantitative elements and disclosed its results. 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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Detailed Guidance

<p>a. The company has conducted a climate-related scenario analysis including quantitative elements and disclosed its results.</p>	<p>The aim of this Metric is to understand the company’s approach to climate-related scenario analysis. A company would be assessed as meeting this Metric if:</p> <ul style="list-style-type: none"> • The company has conducted climate-related scenario analysis including quantitative elements (i.e., where it uses numerical data), which may be in the form of tables or figures, or explicit reference to external scenarios or models (e.g., IEA Sustainable Development Scenario, RCP 2.6) to describe possible futures; AND • The company has disclosed the results of its quantitative scenario analysis. This can include a qualitative description of the results or findings or the presentation of quantitative results or findings.
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A company would not meet this Metric if it only uses narrative text to describe the scenarios used. A company would not meet this Metric if it does not publicly disclose the results (e.g., statements that an analysis has been conducted but that the results are under review by company management would not be sufficient to meet this Metric).

<p>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.</p>	<p>The aim of this Metric is to assess the completeness of the information the company provides about its quantitative scenario analysis. Meeting this Metric is contingent on meeting Metric 10.2.a. To meet 10.2.b, the company should:</p> <ul style="list-style-type: none"> • Explicitly include a 1.5°C scenario in its scenario analysis; AND • The company’s quantitative scenario analysis should explicitly cover the entire company (rather than a specific product, business line or geography); AND • The company should disclose key assumptions and variables used in its scenario analysis; AND • The company should report on key risks and opportunities that have been identified in the scenario analysis.
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A company would not meet this Metric if the analysis only covers selected operations, commodities, countries, etc., or if the company states that ‘most but not all’ operations were covered.

A company would also not meet this Metric if its disclosure of risks and opportunities were not related to the scenario analysis that has been conducted. For example, generic discussions of climate-related risks and opportunities do not meet the intent of this Metric. In addition, the company should discuss both risks (downsides) and opportunities (upsides).

Indicator 11 – Historical GHG Emissions Reductions [BETA Indicator]

11.1 – Decrease in Historical GHG Emissions Intensity

Sub-indicator Text

The company's historical emissions intensity is decreasing.

- a. The company's GHG emissions intensity has decreased in the past year relative to the previous year.
- b. The company's GHG emissions intensity decreased over the past three years.
- 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 three years.

Detailed Guidance

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

This Metric uses the Transition Pathway Initiative's Carbon Performance methodology to measure companies' historical carbon intensity. Metric 11.1.a is met if the company's emission intensity has decreased in the most recent year of company reporting relative to the previous year.

The company would score 'No' on this Metric if this is not the case; or if it is assessed by the Transition Pathway Initiative to have insufficient emissions data; or if the last usable data was published more than two years ago.

Companies that are part of a sector where the Transition Pathway Initiative's methodology is yet to be published will be scored as 'Not Assessed'.

- b. The company's GHG emissions intensity decreased over the past three years.

This Metric uses the Transition Pathway Initiative's Carbon Performance methodology to measure companies' carbon intensities in the past 3 years. This includes the current year of data, or the most recent year of data available, and three historic values to obtain the variation over a three-year period. The Metric is met if the company's emission intensity has decreased over the last three years of company reporting, on an averaged basis.

The company would score 'No' on this Metric if this is not the case; or if it is assessed by the Transition Pathway Initiative to have insufficient emissions data; or if the last usable data was published more than two years ago.

Companies that are part of a sector where the Transition Pathway Initiative's methodology is yet to be published will be scored as 'Not Assessed'.

- 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 three years.

This Metric uses the Transition Pathway Initiative's Carbon Performance methodology to measure companies' carbon intensities in the past 3 years. This includes the current year of data, or the most recent year of data available, and three historic values to obtain the variation over a three-year period. Carbon intensities are measured against a 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. This is equivalent to [IPCC Special Report on 1.5° Celsius pathway P1](#) or [the IEA's Net Zero Emissions by 2050 Scenario](#). There are two possibilities how a company can meet the conditions of this Metric:

1. If the company's carbon intensity has been declining faster than the respective sector's benchmarked carbon intensity, averaged over the past three years.

OR

2. If at the last year of disclosure, the company's carbon intensity is aligned with or below its respective sectoral benchmarked carbon intensity for the current year.

The company cannot score on this Metric if it is assessed by the Transition Pathway Initiative to have insufficient emissions data or if the last usable data was published more than two years ago.

Companies that are part of a sector where the Transition Pathway Initiative’s methodology is yet to be published will be scored as ‘Not Assessed’.

11.2 – Factors Underlying GHG Emissions Reductions

Sub-indicator Text

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

- a. The company has quantified the main actions that have driven any Scope 1 and 2 emission changes, specifying the impact of any large “one-off” items (e.g., divestments, acquisitions and mergers).
- b. The company has quantified the main actions that have driven any Scope 3 emission changes, specifying the impact of any large “one-off” items (e.g., divestments, acquisitions and mergers).
- c. The company discloses details on the carbon credits it retired in the previous year.

Detailed Guidance

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). To demonstrate their progress in reducing greenhouse gas emissions, companies should report their Scope 1 & 2 emissions for the last two years and explain the main factors that influenced their performance. They should also break down the change in emissions by category and provide specific examples of actions that affected their emissions. These actions should be consistent with other parts of the companies’ annual reporting. Companies that only report on a partial scope of their emissions will not be eligible to score on this Metric.

b. The company has quantified the main actions that have driven any Scope 3 emission changes, specifying the impact of any large “one-off” items (e.g., divestments, acquisitions and mergers). To score on this Metric, a company should disclose the main factors that influenced the changes in its Scope 3 emissions for the relevant category assigned to its sector. The company should provide figures and explanations for each factor (e.g., company structure changes, product mix changes, etc.) that affected its overall Scope 3 emissions change in the last year of reporting. The explanations should be specific and consistent with other parts of the company’s annual reporting (e.g., ‘divestment from site X’, rather than just ‘divestment’). Companies that only report on a subset of their emissions will not be eligible to score on this Metric. Companies without an applicable Scope 3 category will be scored as ‘Not Assessed’.

c. The company discloses details on the carbon credits it retired in the previous year. To score on this Metric, a company should disclose the following information and details about the carbon credits it retired in the last fiscal year:

- Quantity
- Type
- Verification system
- Vintage (i.e., year of carbon credit origination)

Offset quantities stated on both an absolute and intensity basis, and for any Scope of emissions, are acceptable. While a specific offset type is not necessary to score, offsets should be retired voluntarily. Carbon offsets disclosed due to legal compliance are insufficient to score on this Metric.

Companies that explicitly state that they do not use offsets and have not done so in the last fiscal year may also score on this Metric.

Traffic light system: Yes / No / Partial

Each Metric is assessed with a binary Yes / No (or Not Applicable; see next paragraph), based on information and evidence published by the company. Aggregation at the Sub-indicator and Indicator levels then use the following system:

- **Yes** = When all Metrics for a Sub-indicator or Indicator are ‘Yes’.
- **No** = When all Metrics for a Sub-indicator or Indicator are ‘No’.
- **Partial** = When at least **one** Metric for a Sub-indicator or Indicator is ‘Yes’.

Any Sub-indicator has between one and four Metrics (a, b, c and d). Indicators can have multiple Sub-indicators and Metrics (e.g., Indicator 7 has two Sub-indicators and five Metrics). Metrics can also be ‘Not Applicable’ or ‘Not Assessed.’ When this is the case, the Metric is not included as part of the threshold for Yes / No / Partial. See Indicator combinations for more specifics.

Sub-indicator combinations

Any Sub-indicator has between one and four metrics (a, b, c and d). Below is a summary of the possible combinations on any one Sub-indicator.

Metric Score Combinations		Sub-indicator assessment
x.x.a	x.x.b	Sub-indicator x.x
Y	Y	Y
Y	Not applicable	Y
Y	N	Partial
N	Not applicable	N
N	N	N

Indicator Contingencies

Some Metrics require positive ‘Yes’ scores on one or more other Metrics in order to be considered for scoring, i.e., some Metrics are contingent on other Metrics being met first. The table below lists these Metrics and the Metrics they are contingent on.

Metric(s)	Contingent on
1.1.b	1.1.a
2.2.a, 2.2.b	2.1
3.2.a, 3.2.b	3.1
3.4	3.2.a
4.2.a, 4.2.b	4.1
5.1.a	2.1 AND 3.1
5.1.b	5.1.a
5.1.c	5.1.b

Metric(s)	Contingent on
5.1.d	5.1.b
7.1.c	7.1.a
8.2.b	2.1 OR 3.1 OR 4.1 AND 8.2.a
8.3.b	8.3.a
9.2.b	9.2.a
9.2.c	9.2.a
10.2.b	10.2.a
11.1.c	11.1.b