SHARE

# memo

**Background and Context**

Climate Engagement Canada will be benchmarking Focus List Companies' commitments and performance against its engagement framework, as well as those of industry peers.

This benchmark will be **useful to participants** when engaging with companies **to create common standards and provide a framework for those conversations and the setting of engagement objectives**, to help us reach net zero. Engagement teams may use this evaluation to highlight areas of discussion and ways to improve practices at the Company. They may also provide examples of best practices by other companies that meet or exceed CEC expectations on a particular issue.

The CEC Net Zero Benchmark framework is being released for comments after careful consideration by the initiative's Technical and Steering Committees. Efforts have been taken to ensure the benchmark is suitable for the Canadian context, in particular, in relation to assessing potential impacts of the net zero transition on Indigenous Peoples.

This document provides the complete draft of the CEC Net Zero Company Benchmark disclosure indicators, inclusive of detailed guidance and methodologies.

**Disclosure Indicators**

The CEC disclosure indicators as recommended by members of Technical Committee and its Just Transition/Indigenous Issues Working Group draw largely on the CA100+ Benchmark Framework of March 2022, and only vary by target time horizons and by a new set of Just Transition Indicators.

On the following pages you will find:

1. a complete set of the CEC Net Zero Benchmark Indicators, followed by
2. a complete set of the interpretive guidance document which will help with evaluating performance against these indicators.

**Alignment Indicators**

The disclosure assessments will be complemented by sector-specific studies of alignment of capital expenditures, lobbying and advocacy activities, and other elements which will help investors assess company progress on climate objectives. CEC will announce specific alignment assessments to be produced in 2023. For examples of alignment assessments produced by CA100+ to date, see:

https://www.climateaction100.org/wp-content/uploads/2021/11/CTI-CA100-Benchmark-Alignment-Indicators-Methodology_Nov21.pdf

# CEC Net Zero Benchmark Indicators

**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 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 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 (2036-2050) GHG reduction target(s)[1]**

**Sub-indicator 2.1 – Long-term target**

The company has set a target for reducing its GHG emissions between 2036 and 2050.

**Sub-indicator 2.2 – Scope of long-term target**

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

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

**Sub-indicator 2.3[2] - Long-term alignment to 1.5°C**

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 their long-term 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° Celsius with low or no overshoot in 2050.

In the case of electricity utility companies, the relevant year of long-term alignment is 2040. This is equivalent to IPCC Special Report on 1.5° Celsius pathway P1 or net zero emissions by 2050.

**Disclosure Indicator 3 - Medium-term (2029 to 2035) GHG reduction target(s) [3]**

**Sub-indicator 3.1 – Medium-term target**

The company has set a target for reducing its GHG emissions by between 2029 and 2035.

[1] The necessary timeframe for companies to achieve net zero GHG emissions differs depending on the sector.

[2] Note that sub-indicators 2.3, 3.3 and 4.3 will be based on Transition Pathway Initiative's Carbon Performance methodology, which applies the Sectoral Decarbonisation Approach (SDA), a science-based method for companies to set GHG reduction targets necessary to stay within reference climate scenarios.

[3] The time horizons for medium-term GHG reduction targets in the CEC Net Zero Benchmark were modified from the CA100+ benchmark version March 2022 to correspond with the time horizon in the upcoming 2.0 version.

**Sub-indicator 3.2 – Scope of medium-term target**
The medium-term (2029 to 2035) GHG reduction target covers at least 95% of Scope 1 & 2 emissions and the most relevant Scope 3 emissions (where applicable).

> **Metric a):** The company has specified that this target covers at least 95% of its total Scope 1 and 2 emissions.
> **Metric b):** If the company has set a Scope 3 GHG emissions target, it covers the most relevant Scope 3 emissions categories for the company's sector (for applicable sectors), and the company has published the methodology used to establish any Scope 3 target.

**Sub-indicator 3.3 – Medium-term alignment to 1.5°C**
The company's last disclosed carbon intensity or its short-term targeted carbon intensity target OR the company's expected carbon intensity derived from their medium-term 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° Celsius with low or no overshoot in 2035.

This is equivalent to IPCC Special Report on 1.5° Celsius pathway P1 or net zero emissions by 2050.

### Disclosure Indicator 4 - Short-term (2023-2028) GHG reduction target(s)[4]

**Sub-indicator 4.1 – Short-term target**
The company has set a target for reducing its GHG emissions up to 2028.

**Sub-indicator 4.2 – Scope of short-term target**
The short-term (2023-2028) GHG reduction target covers at least 95% of Scope 1 & 2 emissions and the most relevant Scope 3 emissions (where applicable).

> **Metric a):** The company has specified that this target covers at least 95% of its total Scope 1 and 2 emissions.
> **Metric b):** If the company has set a Scope 3 GHG emissions target, it covers the most relevant Scope 3 emissions categories for the company's sector (for applicable sectors), and the company has published the methodology used to establish any Scope 3 target.

**Sub-indicator 4.3 – Short-term alignment to 1.5°C**
The company's last disclosed carbon intensity OR the company's expected carbon intensity derived from their short-term GHG 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°Celsius with low or no overshoot (equivalent to IPCC Special Report on 1.5° Celsius pathway P1 or net zero emissions by 2050) in 2028.[5]

[4] The time horizons for short-term GHG reduction targets in the CEC Net Zero Benchmark were modified from the CA100+ benchmark version March 2022 to correspond with the time horizon in the upcoming 2.0 version.

[5] For this iteration, sub-indicators 2.3, 3.3 and 4.3 will replace the International Energy Agency (IEA)'s previous Beyond 2 Degrees Scenario (B2DS) measure by incorporating the IEA's 1.5°C scenario (Net zero by 2050) released in May 2021, for sectors where data is available. This sets out a pathway to reach net zero emissions by mid-century and keep the temperature rise to 1.5°C with a 50% probability. The emissions pathway of IEA's Net-Zero Emissions by 2050 Scenario used in this assessment broadly follows an IPCC 1.5C scenario P2 trajectory until 2030 with emissions falling faster thereafter, reaching net zero in 2050 (IEA, 2021). Although this scenario considers a wider range of abatement technologies than the IPCC P1 pathway, both scenarios represent a no or low overshoot 1.5C pathway with limited reliance on negative emissions. Despite the IEA scenario not being strictly equivalent to the IPCC Special Report on 1.5°C pathway P1 it serves the purpose of illustrating the unparalleled transformation of energy systems and economies required in a transition to net zero emissions by 2050. CEC currently therefore views the IEA's Net zero by 2050 scenario as the best available and most suitable for its granular benchmarking purposes, in line with the goal to assess companies against the Paris Agreement goal of limiting global temperature increase to 1.5°C. Though the sectors currently covered include the vast majority of companies, carbon performance

| |
|---|
| **Disclosure Indicator 5 - Decarbonisation Strategy**<br><br>**Sub-indicator 5.1 – Strategy to meet GHG reduction targets**<br><br>The company has a decarbonisation strategy that explains how it intends to meet its long and medium-term GHG reduction targets.[6]<br>**Metric a):** The company identifies the set of actions it intends to take to achieve its GHG reduction targets over the targeted timeframe. These measures clearly refer to the main sources of its GHG emissions, including Scope 3 emissions where applicable.<br>**Metric b):** The company quantifies key elements of this strategy with respect to the major sources of its emissions, including Scope 3 emissions where applicable (e.g. changing technology or product mix, supply chain measures, R&D spending).<br><br>**Sub-indicator 5.2 – Green revenues commitment**<br>The company's decarbonisation strategy (target delivery) specifies the role of 'green revenues' from low carbon products and services.[7]<br>**Metric a):** The company already generates 'green revenues' and discloses their share in overall sales.<br>**Metric b):** The company has set a target to increase the share of 'green revenues' in its overall sales. |
| **Disclosure Indicator 6 - Capital Allocation Alignment**<br><br>**Sub-indicator 6.1 – Future capex alignment**<br>The company is working to decarbonise its capital expenditures.<br>**Metric a):** The company explicitly commits to align its capital expenditure plans with its long-term GHG reduction target OR to phase out planned expenditure in unabated carbon intensive assets or products.<br>**Metric b):** The company explicitly commits to align its capital expenditure plans with the Paris Agreement's objective of limiting global warming to 1.5° Celsius AND to phase out investment in unabated carbon intensive assets or products.<br><br>**Sub-indicator 6.2 – Methodology for alignment**<br>The company discloses the methodology used to determine the Paris alignment of its future capital expenditures.<br>**Metric a):** The company discloses the methodology and criteria it uses to assess the alignment of its capital expenditure plans with decarbonisation goals, including key assumptions and key performance indicators (KPIs). |

cannot yet be assessed for the following sectors: Chemicals, Coal mining, Consumer goods & Services, Oil & gas distribution, Other industrials, Other transport. The sector Autos will be assessed on the 2 Degree Scenario (high efficiency) and Paper B2DS, the best available for those sectors.

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

[7] Currently sub-indicator 5.2 and related metrics only apply to focus companies headquartered in the European Union (E.U.). The assessment will leverage the European Union's Green Taxonomy criteria on 'turnover' (or revenues) for companies headquartered in the E.U. The criteria used to assess non-E.U. companies will be an ongoing area of development as part of broader discussions on the use of green revenue classification systems and regional taxonomies.

**Metric b):** The methodology quantifies key outcomes, including the percentage share of its capital expenditures that is invested in carbon intensive assets or products, and the year in which capital expenditures in such assets will peak.

## Disclosure Indicator 7 - Climate Policy Engagement

**Sub-indicator 7.1 – Advocacy position aligned with Paris Agreement**

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

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

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

**Sub-indicator 7.2 – Trade association advocacy consistency**

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

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

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

**Sub-indicator 7.3 – Process to ensure trade association Paris Agreement alignment**

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

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

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

## Disclosure Indicator 8 - Climate Governance

**Sub-indicator 8.1 – Board oversight**

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

**Metric a):** The company discloses evidence of board or board committee oversight of the management of climate change risks. See the detailed methodology for more information.

**Metric b):** The company has named a position at the board level with responsibility for climate change. See the detailed Methodology document for more information.

**Sub-indicator 8.2 – Remuneration arrangements**

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

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

**Metric b):** The company's CEO and/or at least one other senior executive's remuneration arrangements incorporate progress towards achieving the company's GHG reduction targets as a

KPI determining performance linked compensation (requires meeting relevant target indicators 2, 3, and/or 4).

**Sub-indicator 8.3 – Board climate-related capabilities/competencies**
The board has sufficient capabilities/competencies to assess and manage climate related risks and opportunities.

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

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

## Disclosure Indicator 9 - Just Transition

**Sub-Indicator 9.1 – Acknowledgment**

The company has made a formal statement recognising the social impacts of their decarbonization strategy – the Just Transition – as relevant for its business. It has also acknowledged potential impacts on Indigenous peoples.

**Metric a):** The company has publicly acknowledged that implementation of its decarbonization strategy may have impacts on Indigenous communities, Indigenous governments, and/or Indigenous businesses and contractors.

**Metric b):** The company has publicly acknowledged that implementation of its decarbonization strategy may have impacts on its workers, unions, communities, suppliers, and/or customers.

**Sub-Indicator 9.2 – Planning and Engagement**
The company provides evidence of just transition planning and engages with relevant rights holders and stakeholders on the development of these plans.

**Metric a):** In the development of its decarbonization strategy, the company has engaged or has a process in place to engage with the Indigenous communities, governments, and/or Indigenous businesses and contractors that may be affected by the implementation of its strategy.

**Metric b):** In the development of its decarbonization strategy, the company has engaged or has a process in place to engage with workers, unions, communities, suppliers and/or customers that may be affected by the implementation of its strategy.

**Sub-Indicator 9.3 – Commitment**
The company has committed to Just Transition principles.

**Metric a):** The company has committed to addressing adverse impacts of the implementation of its decarbonization strategy on Indigenous communities, Indigenous governments, and/or Indigenous businesses and contractors.

**Metric b):** The company commits to the principle of free, prior, and informed consent (FPIC) where Indigenous peoples are affected by the implementation of its decarbonization strategy.

**Metric c):** The company has committed to decarbonize in line with Just Transition principles as set out in the International Labour Organization's Just Transition Guidelines.

**Metric d):** The company has committed to retain, retrain, redeploy, and/or compensate workers affected by implementation of its decarbonization strategy.

**Metric e):** The company discloses the quantifiable Key Performance Indicators it uses to track its commitment to a Just Transition.

### Disclosure Indicator 10 - TCFD Disclosure

**Sub-indicator 10.1 – Support for TCFD recommendations**

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

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

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

**Sub-indicator 10.2 – Scenario analysis**

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

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

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

# Detailed Guidance

| INDICATOR 1 – NET ZERO GHG EMISSIONS BY 2050 (OR SOONER) AMBITION | |
|---|---|
| **Sub-indicator 1.1**<br>The company has set an ambition to achieve net zero GHG emissions by 2050 or sooner.<br>**Metric 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.<br>**Metric b):** The company's net-zero GHG emissions ambition covers the most relevant Scope 3 GHG emissions categories for the company's sector, where applicable. | |
| **Detailed Guidance** | |
| **Metric 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. | Net zero commitments are effectively a special case of GHG emissions targets where companies are pledging a 100% reduction in net carbon emissions.<br><br>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. |
| **Metric b):** The company's net-zero GHG emissions ambition covers the most relevant Scope 3 GHG emissions categories for the company's sector, where applicable. | As above, companies can make net zero Scope 3 commitments through a disclosure that commits the company to a net zero ambition that explicitly includes the most relevant Scope 3 emissions categories.<br><br>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:<br>• Whether the Scope 3 ambition is part of or separate from any Scope 1and/or 2 net zero ambitions.<br>• The Scope 3 category (as categorized by the GHG Protocol) that the ambition covers. The assessment focuses on the following the categories: purchased good 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'.<br>• Percentage share of the most relevant Scope 3 GHG emissions categories covered by the ambition. |

| | |
|---|---|
| | If a company discloses a Scope 3 ambition even though Scope 3 emissions are not assessed by CEC in the sector in question, the ambition detail is nonetheless captured.<br><br>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.<br><br>Companies for which Scope 3 emissions are not applicable in the CEC Net Zero Benchmark will be assessed as 'Not Assessed' ('NA') on 1.1.b, regardless of whether they have set a net zero Scope 3 ambition. |

**INDICATORS 2 to 4 – Long, medium, and short-term emissions targets**

These indicators are captured over three different timeframes:

- Indicator 2: Long-term (2036 to 2050)
- Indicator 3: Medium-term (2029 to 2035)[8]
- Indicator 4: Short-term (2023 to 2028)[9]

Emissions reduction targets with a 2022 targeted year are not considered in this assessment. However, if a company has achieved net zero emissions by 2022 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) and '.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° Celsius with low or no overshoot. This trajectory is equivalent to IPCC Special Report on 1.5° Celsius pathway P1 or net zero emissions by 2050.

Metrics .2.a and .2.b are contingent on the results of Sub-indicator .1. Sub-indicator .3 can be independent from Sub-indicator .1 and .2.

**Detailed Guidance**

| | |
|---|---|
| **Sub-indicator .1** | For each company, the following target details are captured:<br>• Scope of emissions (Scope 1 and/or Scope 2 and/or Scope 3) |

[8] The time horizons for medium-term GHG reduction targets in the CEC Net Zero Benchmark were modified from the CA100+ benchmark version March 2022 to correspond with the time horizon in the upcoming 2.0 version.
[9] The time horizons for short-term GHG reduction targets in the CEC Net Zero Benchmark were modified from the CA100+ benchmark version March 2022 to correspond with the time horizon in the upcoming 2.0 version.

| | |
|---|---|
| The company has set a target for reducing its GHG emissions. | • Base year<br>• Percentage reduction targeted (%)<br>• Target year<br>• Unit of the target (tCO2e, kgCO2e/$, …)<br>• Year in which target was set<br>• Percentage of emissions covered by target<br>• Source document<br>• Source text<br><br>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 specific in its current or most recent sustainability report), this is recorded as a 0% reduction target.<br><br>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.<br>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 prioritized (i.e. a target covering all emissions is prioritized 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.<br><br>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:<br>• Whether the Scope 3 target is part of or separate from any Scope 1 or 2 targets.<br>• The Scope 3 Category (as categorized by the GHG Protocol) that the target covers. The assessment focuses on the following the 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 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.<br>• 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 available.<br>If a company discloses a Scope 3 target even though Scope 3 emissions are not assessed by CEC 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.<br><br>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 2025 (Sub-indicator 4.1), this will be automatically accepted on Sub-indicators 3.1 and 2.1. |
| **Metric .2 a):** The company has specified that this 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:<br>• Covers over 95% of the company's Scope 1 and 2 emissions<br>• 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.<br><br>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 2028 (Metric 4.2.a), this will be automatically accepted on Metrics 3.2.a and 2.2.a. |
| **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. | In applicable sectors, Metric .2.b is met if the information captured under Sub-indicator .1 identifies a target that:<br>• Covers the most relevant Scope 3 emissions categories in the company's sector, AND<br>• The methodology used to establish the Scope 3 target or to calculate Scope 3 emissions of the targeted Scope 3 categories are available.<br>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 its applicable Scope 3 emissions by 2035 (Metric 4.2.b), this will be automatically accepted on Metrics 3.2.b and 2.2.b.<br>Note that all companies for which Scope 3 emissions are not applicable will receive assessed as 'Not Applicable' ('Na') on Metric 2.2.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 their long-term 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° Celsius with low or no overshoot in 2050.<br><br>In the case of electricity utility companies, the relevant year of long-term alignment is 2040. This is equivalent to IPCC Special Report on 1.5° Celsius pathway P1 or net zero emissions by 2050. |
| **Detailed Guidance** | |
| | Sub-indicator 2.3 uses the Transition Pathway Initiative's methodology to measure companies' carbon intensities in 2050. There are three possibilities on how to meet the conditions of this Sub-indicator.<br><br>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 their respective sector's benchmarked carbon intensity for 2050, they meet the conditions of the Sub-indicator.<br><br>OR<br>2. If the company's short-term or medium-term targeted carbon intensities are aligned with or below their respective sector's benchmarked carbon intensity for 2050, they meet the conditions of the Sub-indicator.<br><br>OR<br>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 their respective sector's benchmarked carbon intensity for 2050, they meet the conditions of the Sub-indicator.<br><br>Therefore, even if companies have not set a long-term target (and therefore score 'N' on 2.1, 2.2.a, and 2.2.b), they can score 'Y' 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°Celsius with low or no overshoot (equivalent to IPCC Special Report on 1.5° Celsius pathway P1 or net zero emissions by 2050).<br><br>In the absence of 1.5°C consistent scenarios in the aluminum, paper and |

| | |
|---|---|
| | autos 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.<br><br>The 1.5C scenario considered for this iteration of the benchmark is largely based on IEA's net zero 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 detail please see footnote 4 of the indicator wording document published here on the Climate Action 100+ website.<br><br>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 their medium-term 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° Celsius with low or no overshoot in 2035.<br><br>This is equivalent to IPCC Special Report on 1.5° Celsius pathway P1 or net zero emissions by 2050. |
| **Detailed Guidance** | |
| | Sub-indicator 3.3 uses the Transition Pathway Initiative's methodology to measure companies' carbon intensities in 2035. There are three possibilities on how to meet the conditions of this Sub-indicator.<br><br>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 their respective sector's benchmarked carbon intensity for 2035, they meet the conditions of the Sub-indicator.<br><br>OR<br>2) If the company's short-term targeted carbon intensity is aligned with or below their respective sector's benchmarked carbon intensity for 2035, they meet the conditions of the Sub-indicator.<br><br>OR<br>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 their respective sector's benchmarked carbon intensity for 2035, they meet the conditions of the Sub-indicator.<br><br>Therefore, even if companies have not set a medium-term target (and therefore score 'N' on 3.1, 3.2.a, and 3.2.b), they can score 'Y' 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° Celsius with low or no overshoot (equivalent to IPCC Special Report on 1.5° Celsius pathway P1or net zero emissions by 2050).<br><br>In the absence of 1.5°C consistent scenarios in the aluminum, paper and autos 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.<br><br>The 1.5C scenario considered for this iteration of the benchmark is largely based on IEA's net zero 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 detail please see footnote 4 of the indicator wording document published here on CA100+ website. |

| 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 their short-term GHG 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°Celsius with low or no overshoot (equivalent to IPCC Special Report on 1.5° Celsius pathway P1 or net zero emissions by 2050) in 2028. |
| **Detailed Guidance** | |
| | Sub-indicator 4.3 uses the Transition Pathway Initiative's methodology to measure companies' carbon intensities in 2028. There are two possibilities on how to meet the conditions of this Sub-indicator.<br><br>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 their respective sector's benchmarked carbon intensity for 2028, they meet the conditions of the Sub-indicator.<br>OR<br>2. If the company discloses a GHG target that extends to 2028 and the company's aimed carbon intensity at that time is aligned with or below their respective sector's benchmarked carbon intensity for 2028, they meet the conditions of the Sub-indicator.<br><br>Therefore, even if companies have not set a short-term target (and therefore score 'N' on 4.1, 4.2.a, and 4.2.b), they can score 'Y' on Sub-indicator 4.3 if their expected intensity at 202 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°Celsius with low or no overshoot (equivalent to IPCC Special Report on 1.5° Celsius pathway P1 or net zero emissions by 2050).<br><br>In the absence of 1.5°C consistent scenarios in the aluminum, paper and autos 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.<br><br>The 1.5C scenario considered for this iteration of the benchmark is largely based on IEA's net zero 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 detail please see footnote 4 of the indicator wording document published here on CA100+ website. |

| **Disclosure Indicator 5 - Decarbonisation Strategy** | |
|---|---|
| **Sub-indicator 5.1 – Strategy to meet GHG reduction targets**<br>The company has a decarbonisation strategy that explains how it intends to meet its long and medium-term GHG reduction targets.<br>**Metric a):** The company identifies the set of actions it intends to take to achieve its GHG reduction targets over the targeted timeframe. These measures clearly refer to the main sources of its GHG emissions, including Scope 3 emissions where applicable.<br>**Metric b):** The company quantifies key elements of this strategy with respect to the major sources of its emissions, including Scope 3 emissions where applicable (e.g. changing technology or product mix, supply chain measures, R&D spending). | |
| **Detailed Guidance** | |
| **Metric a):** The company identifies the set of actions it intends to take to achieve its GHG reduction targets over the targeted timeframe. These measures clearly refer to the main sources of its 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 needs to disclose a set of actions that meet three key criteria:<br><br>**Specifically relate to the company's GHG reduction targets**. The set of actions needs to 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.<br>**Clearly address the main sources of the company's GHG emissions.** The set of actions must clearly relate to the most material sources of GHG emissions. For example, it would be insufficient if the bulk of emissions a company generates consist of Scope 1 emissions, but the actions described are mainly related to Scope 2 emissions (e.g. 'use 100% renewables for our headquarters').<br>**Lay out a concrete set of measures.** The strategy clearly identifies the set of actions the company will implement to achieve its decarbonization targets (such as phasing out carbon intensive products or assets, developing or deploying low carbon technologies, decarbonizing supply chains or using offsets). The measures need to 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.<br><br>Decarbonization strategies are separately captured in relation to each target timeframe (medium- or long-term).<br>To be assessed as 'Yes' on this Metric, a decarbonisation strategy meeting the above criteria must 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. |
| **Metric b):** The company quantifies key elements of this strategy with respect to the major sources of its emissions, including Scope 3 emissions where applicable (e.g. changing technology or product mix, supply chain measures, R&D spending). | Metric 5.1.b is contingent on 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. |

**Sub-indicator 5.2 – Green revenues commitment**

The company's decarbonisation strategy (target delivery) specifies the role of 'green revenues' from low carbon products and services.

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

**Metric b):** The company has set a target to increase the share of 'green revenues' in its overall sales.

| **Detailed Guidance** | |
|---|---|
| **Metric a):** The company already generates 'green revenues' and discloses their share in overall sales. | To meet this Metric, the company needs to:<br>• Disclose that it generates revenues from green products and services and detail the nature of these products and services ('green revenues').<br>• Clearly report on the revenue that is generated from these green products and services in its public disclosures.<br><br>To be eligible, this can be either disclosed in a manner that allows the computation of the share of these revenues in the company's total revenues (e.g. as absolute revenues or as share of revenues in a reported segment) or through directly reporting a share of the company's total revenues that is generated through green products and services.<br><br>Note that green revenues can either be disclosed as individual business lines (e.g. separately for 'wind' or 'solar') or as the aggregated revenue from a reported revenue/business segment that contains only eligible green products and services (for example a 'Renewable Energy' segment).<br><br>Such aggregated revenue data is not acceptable where the reported segment either: a) contains a mix of green and non-green products and |

| | |
|---|---|
| | services, or b) where it is difficult to clearly establish what type of products or services are included in the reported revenue segment. Only externally generated revenues are considered, as intersegment revenues within the company are not assessed.<br>Data for a broad set of green products and services that are recognized under the FTSE Russell Green Revenues Classification System (GRCS) are captured for this Metric. |
| **Metric b):** The company has set a target to increase the share of 'green revenues' in its overall sales. | This Metric can be met in two manners:<br><br>Through publicly disclosing a target for revenues from green products and services with a clear timeline on when the company intends to achieve this target (e.g. 2025 or 2030). Note that while the target needs to be clearly quantifiable and time-bound, it can be expressed either in terms of revenue (e.g. 'increasing electric vehicle sales to 20% of total car sales by 2025') or output (e.g. 'making one in five cars produced electric by 2025').<br><br>Alternatively, this Metric can be met by companies through disclosing EU Taxonomy-aligned green revenue that is above the average EU Taxonomy-aligned green revenues in the sector. |

| Disclosure Indicator 6 - Capital Allocation Alignment | |
|---|---|
| **Sub-indicator 6.1 – Future capex alignment**<br>The company is working to decarbonise its capital expenditures.<br>**Metric a):** The company explicitly commits to align its capital expenditure plans with its long-term GHG reduction target OR to phase out planned expenditure in unabated carbon intensive assets or products.<br>**Metric b):** The company explicitly commits to align its capital expenditure plans with the Paris Agreement's objective of limiting global warming to 1.5° Celsius AND to phase out investment in unabated carbon intensive assets or products. | |
| **Detailed Guidance** | |
| **Metric a):** The company explicitly commits to align its capital expenditure plans with its long-term GHG reduction target OR to phase out planned expenditure in unabated carbon intensive assets or products. | To be assessed as 'Yes' on this Metric, the company's public disclosures need to contain an explicit statement that commits the company to aligning its capital expenditure decisions and plans with its long-term GHG reduction target. Alternatively, the company can also explicitly commit to phasing out investments in unabated carbon intensive products or assets. Note that simply listing or detailing (even large-scale) green or low-carbon capital expenditure plans or projects is not sufficient to meet this indicator, even in cases where it can be reasonably assumed that much or all of the company's capital expenditures are already aligned with the low carbon transition. |
| **Metric b):** The company explicitly commits to align its capital expenditure plans with the Paris Agreement's objective of limiting global warming to 1.5° Celsius AND to phase out investment in unabated carbon intensive assets or products. | To be assessed as 'Yes' on 6.1.b the company must explicitly commit to aligning its capital expenditures decisions and plans with a 1.5° Celsius pathway. This must include explicit reference to the phase out of investment in unabated carbon intensive products or assets. |
| **Sub-indicator 6.2 – Methodology for alignment**<br>The company discloses the methodology used to determine the Paris alignment of its future capital expenditures.<br>**Metric a):** The company discloses the methodology and criteria it uses to assess the alignment of its capital expenditure plans with decarbonisation goals, including key assumptions and key performance indicators (KPIs).<br>**Metric b):** The methodology quantifies key outcomes, including the percentage share of its capital expenditures that is invested in carbon intensive assets or products, and the year in which capital expenditures in such assets will peak. | |
| **Detailed Guidance** | |
| **Metric a):** The company discloses the methodology | To meet Metric 6.2.a, the company is first required to be assessed as 'Yes' on Metric 6.1.a (or 6.1.a and 6.1.b). In addition, the company needs to disclose |

| | |
|---|---|
| and criteria it uses to assess the alignment of its capital expenditure plans with decarbonisation goals, including key assumptions and key performance indicators (KPIs). | detail on how it evaluates the alignment of individual capital expenditure decisions, projects and plans with achieving its carbon reduction target. |
| **Metric b):** The methodology quantifies key outcomes, including the percentage share of its capital expenditures that is invested in carbon intensive assets or products, and the year in which capital expenditures in such assets will peak. | To meet Metric 6.2.b, the company is first required to be assessed as 'Yes' on Metric 6.2.a. In addition, the company needs to:<br>• Disclose the percentage share of its planned or committed total capital expenditures in carbon intensive assets or products; and<br>• Disclose the year in which capital expenditures in carbon intensive assets or products will peak. |

| Disclosure Indicator 7 - Climate Policy Engagement | |
|---|---|
| **Sub-indicator 7.1 – Advocacy position aligned with Paris Agreement**<br>The company has a Paris Agreement-aligned climate advocacy position and all of its direct advocacy activities are aligned with this.<br>**Metric a):** The company has a specific commitment/position statement to conduct all of its advocacy in line with the goals of the Paris Agreement.<br>**Metric b):** The company lists its climate-related advocacy activities, e.g. meetings, policy submissions, etc. | |
| **Detailed Guidance** | |
| **Metric a):** The company has a specific commitment/ position statement to conduct all of its advocacy in line with the goals of the Paris Agreement. | This Metric requires a clear statement that the company will ensure its direct lobbying and advocacy activities are aligned with the goals of the Paris Agreement. This commitment should refer to direct advocacy 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.<br><br>Statements including vague language or caveats on aligning direct advocacy activities (e.g. 'where possible' or 'aim to ensure direct advocacy positions are aligned with Paris Agreement') are not sufficient to meet this Metric. |
| **Metric b):** The company lists its climate-related advocacy activities, e.g. meetings, policy submissions, etc. | This Metric requires the company to disclose the climate-related advocacy activities it has carried out in the latest reporting year. This can include activities such as holding meetings with policymakers or regulators, presenting policy submissions or making political donations.<br><br>The disclosure must be clearly signposted as climate-related (lists of advocacy activities for a broader set of issues are not accepted) and include specific details of the stakeholders engaged and focus of engagement. Select case study examples cannot be accepted.<br><br>Only advocacy carried out directly by the company can be accepted; advocacy activities carried out via trade associations or other interest groups are not covered by this Metric (see Sub-indicator 7.2). |
| **Sub-indicator 7.2 – Trade association advocacy consistency**<br>The company has Paris Agreement-aligned advocacy expectations for its trade associations, and it discloses its trade association memberships.<br>**Metric a):** The company has a specific commitment to ensure that the trade associations the company is a member of lobby in line with the goals of the Paris Agreement.<br>**Metric b):** The company discloses its trade associations memberships. | |
| **Detailed Guidance** | |

| | |
|---|---|
| **Metric a):** The company has a specific commitment to ensure that the trade associations the company is a member of lobby in line with the goals of the Paris Agreement. | This Metric requires a clear and unequivocal statement in public disclosures that the company will ensure its trade associations and their advocacy activities are aligned with the goals of the Paris Agreement. This commitment should refer directly to trade association policy positions rather than to the company's direct advocacy activities and should make reference to the Paris Agreement specifically, rather than, for example, the trade associations' published policy positions or the company's climate policy.<br><br>Statements including vague language or caveats on aligning trade associations' involvement (e.g. 'where possible' or 'aim to ensure direct advocacy positions are aligned with Paris Agreement') are not sufficient to meet this Metric.<br><br>This commitment may appear as part of annual disclosures or within a review of trade association alignment on the Paris Agreement (see Metric 7.3.a). |
| **Metric b):** The company discloses its trade associations memberships. | This Metric captures whether a company has disclosed its trade associations memberships. To meet this Metric, the company should clearly signpost that it is disclosing its trade associations. The company may use alternative terms for trade associations including 'trade groups', 'business associations', 'industry associations', 'business groups', 'trade bodies', and 'industry trade group'.<br><br>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 not acceptable for meeting this Metric.<br><br>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 C12.3a are generally not accepted as a proxy for disclosure of a list of trade associations. |

**Sub-indicator 7.3 – Process to ensure trade association Paris Agreement alignment**

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

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

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

**Detailed Guidance**

| | |
|---|---|
| **Metric a):** The company conducts and publishes a review of its trade associations' climate positions/alignment with the Paris Agreement. | To meet this Metric, a company must review its trade associations and their advocacy activities for alignment with the goals of the Paris Agreement.<br><br>Reviewing alignment with the company's own climate policy is generally not accepted.<br><br>This review or assessment must be published with clear outcomes and findings; vague, generalised findings are not acceptable. The review or assessment could have been conducted by a third party. Note that disclosure against CDP Climate Change question C12.3c_C2 on its own is not accepted as a proxy for a published review of a trade association's alignment with the Paris Agreement. |
| **Metric b):** The company explains what actions it took as a result of this review. | To meet this Metric, the company must meet Metric 7.3.a. Additionally, the company must 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. |

## Disclosure Indicator 8 - Climate Governance

**Sub-indicator 8.1 – Board oversight**

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

> **Metric a):** The company discloses evidence of board or board committee oversight of the management of climate change risks. See the detailed methodology for more information.
>
> **Metric b):** The company has named a position at the board level with responsibility for climate change. See the detailed Methodology document for more information.

**Detailed Guidance**

| | |
|---|---|
| **Metric a):** The company discloses evidence of board or board committee oversight of the management of climate change risks. See the detailed methodology for more information. | For the purposes of this Metric, 'board oversight' can take multiple forms:<br><br>1. The company states that responsibility for climate change lies with the board or a specific board committee.<br>2. 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 this directly to the board or to a board-level committee.<br>3. 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.<br>4. 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.<br><br>Further, reference to board responsibility for 'sustainability' or 'environment' more broadly is not sufficient; clear mention of 'climate change' is required. |
| **Metric b):** The company has named a position at the board level with responsibility for climate change. See the detailed Methodology document for more information. | There are multiple scenarios/models that qualify as a 'named position' for the purposes of this Metric:<br><br>1. There is a board position (e.g. Board Director) with explicit responsibility for climate change.<br>2. There is a named individual (rather than a position) on the board who is responsible for climate change.<br>3. The CEO is responsible for Climate Change AND the CEO sits on the board.<br>4. 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.<br><br>A company will not meet the requirements of 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 the requirements of this Metric. A named position or individual responsible for 'sustainability' or 'environment' at the board level does not meet the requirements.<br><br>Note that for German 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. |
| **Sub-indicator 8.2 – Remuneration arrangements**<br>The company's executive remuneration scheme incorporates climate change performance elements.<br>**Metric a):** The company's CEO and/or at least one other senior executive's remuneration arrangements specifically incorporate climate change performance as a KPI determining performance-linked compensation (reference to 'ESG' or 'sustainability performance' are insufficient).<br>**Metric b):** The company's CEO and/or at least one other senior executive's remuneration arrangements incorporate progress towards achieving the company's GHG reduction targets as a KPI determining performance linked compensation (requires meeting relevant target indicators 2, 3, and/or 4). | |
| **Detailed Guidance** | |
| **Metric a):** The company's CEO and/or at least one other senior executive's remuneration arrangements specifically incorporate climate change performance as a KPI determining performance-linked compensation (reference to 'ESG' or 'sustainability performance' are insufficient). | A company will be assessed as meeting the requirements of 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 KPI.<br><br>This KPI must be concrete and measurable, and must 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 the requirements of this Metric.<br><br>Any CEO/ExCo objectives that are not directly incentivised by monetary reward do not meet the requirements. 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 the requirements. |
| **Metric b):** The company's CEO and/or at least one | To meet the requirements of this Metric, the company needs to be assessed as 'Yes' on Metric 8.2.a and at one of Sub-indicators 2.1, 3.1 or 4.1. |

| | |
|---|---|
| other senior executive's remuneration arrangements incorporate progress towards achieving the company's GHG reduction targets as a KPI determining performance linked compensation (requires meeting relevant target indicators 2, 3, and/or 4). | In addition, the CEO and/or at least one other senior executive's remuneration arrangements must 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.<br>Similar to Metric 8.2.a, any CEO/ExCo objectives that are not incentivised by monetary reward do not meet the requirements. Further, an incentivised position at lower level than ExCo (e.g. a Head of Sustainability that is not a member of ExCo) does not meet requirements. |

**Sub-indicator 8.3 – Board climate-related capabilities/competencies**

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

> **Metric a):** The company has assessed its board competencies with respect to managing climate risks and discloses the results of the assessment.
>
> **Metric b):** The company provides details on the criteria it uses to assess the board competencies with respect to managing climate risks and/or the measures it is taking to enhance these competencies.

| Detailed Guidance | |
|---|---|
| **Metric a):** The company has assessed its board competencies with respect to managing climate risks and discloses the results of the assessment. | Meeting this indicator requires clear disclosure 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.<br><br>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 meets the requirements of this Metric where the results/mapping have been disclosed. An indication of which members, or what proportion of the board provides competencies related to climate risks is required.<br><br>A company will not meet the requirements of this Metric if only 'sustainability' or 'environment' or 'ESG' is covered in relation to board competency assessments. Further, existence of a climate expert on the board cannot be used as a proxy for having conducted a board climate competency assessment. |
| **Metric b):** The company provides details on the criteria it uses to assess the board competencies with respect to managing climate | Meeting Metric 8.3.b is contingent on meeting Metric 8.3.a. In addition, the company needs to disclose detail on what specific criteria have been used to assess the board's climate-related competencies. |

| | |
|---|---|
| risks and/or the measures it is taking to enhance these competencies. | Alternatively, the Metric can also be met if, in addition to meeting 8.3.a, the company explicitly discloses 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 ‘climate expert’ to the board. Conversely, measures to enhance board ‘sustainability’ or ‘environment’ or ‘ESG’ competencies do not meet the requirements of this Metric. |

| **Disclosure Indicator 9 – Just Transition** | |
|---|---|
| **Sub-Indicator 9.1 – Acknowledgment**<br><br>The company has made a formal statement recognising the social impacts of their decarbonization strategy – the Just Transition – as relevant for its business. It has also acknowledged potential impacts on Indigenous peoples.<br>**Metric a):** The company has publicly acknowledged that implementation of its decarbonization strategy may have impacts on Indigenous communities, Indigenous governments, and/or Indigenous businesses and contractors.<br>**Metric b):** The company has publicly acknowledged that implementation of its decarbonization strategy may have impacts on its workers, unions, communities, suppliers, and/or customers. | |
| **Detailed Guidance** | |
| **Attention:** Companies that are assessed as 'No' on 9.1 will be assessed as 'Not Assessed' ('NA') on Sub-indicators 9.2-9.3. This means that analysts will not collect data on Sub-indicators in Indicator 9 past 9.1 if the requirements for 9.1 have not been met. Therefore, company feedback on Indicator 9.1 should also include feedback on Sub-indicators 9.2-9.3 where applicable. | |
| **Metric a):** The company has publicly acknowledged that implementation of its decarbonization strategy may have impacts on Indigenous communities, Indigenous governments, and/or Indigenous businesses and contractors. | The company indicates in a publicly available statement that its decarbonization strategy may have adverse impacts on and/or create opportunities for Indigenous communities, governments, contractors, and businesses. |
| **Metric b):** The company has publicly acknowledged that implementation of its decarbonization strategy may have impacts on its workers, unions, communities, suppliers, and/or customers. | The company indicates in a publicly available statement that its decarbonization strategy may have adverse impacts on and/or create opportunities for workers, unions, communities, suppliers, and customers. |
| **Sub-Indicator 9.2 – Planning and Engagement**<br>The company provides evidence of just transition planning and engages with relevant rights holders and stakeholders on the development of these plans.<br>**Metric a):** In the development of its decarbonization strategy, the company has engaged or has a process in place to engage with the Indigenous communities, governments, and/or Indigenous businesses and contractors that may be affected by the implementation of its strategy. | |

**Metric b):** In the development of its decarbonization strategy, the company has engaged or has a process in place to engage with workers, unions, communities, suppliers and/or customers that may be affected by the implementation of its strategy.

| Detailed Guidance | |
|---|---|
| **Metric a):** In the development of its decarbonization strategy, the company has engaged or has a process in place to engage with the Indigenous communities, governments, and/or Indigenous businesses and contractors that may be affected by the implementation of its strategy. | For a company to be assessed as Yes on 9.2.a, it must be assessed as Yes on 9.1.a AND provide detail on the process it has followed to engage Indigenous communities in the development of a its decarbonization strategy.<br><br>Evidence of action on these issues may include:<br><br>The company discloses how it has identified affected Indigenous communities, governments, and/or businesses and contractors, how it has engaged with them, what issues it has engaged with them on, the issues that were identified by the affected Indigenous peoples, and the actions the company is taking or will take to address the issues raised. |
| **Metric b):** In the development of its decarbonization strategy, the company has engaged or has a process in place to engage with workers, unions, communities, suppliers and/or customers that may be affected by the implementation of its strategy. | To be assessed as 'Yes' on 9.2.b, the company must be assessed as Yes on 9.1.b AND provides evidence it has a process for engaging with groups affected by its decarbonization strategy.<br><br>Evidence of action on these issues may include:<br><br>The company discloses how it has identified affected stakeholders, how it has engaged with them, what issues it has engaged with them on, the issues that were identified by the affected stakeholders, and the actions the company is taking or will take to address the issues raised. |

**Sub-Indicator 9.3 – Commitment**

The company has committed to Just Transition principles.

**Metric a):** The company has committed to addressing adverse impacts of the implementation of its decarbonization strategy on Indigenous communities, Indigenous governments, and/or Indigenous businesses and contractors.

**Metric b):** The company commits to the principle of free, prior, and informed consent (FPIC) where Indigenous peoples are affected by the implementation of its decarbonization strategy.

**Metric c):** The company has committed to decarbonize in line with Just Transition principles as set out in the International Labour Organization's Just Transition Guidelines.

**Metric d):** The company has committed to retain, retrain, redeploy, and/or compensate workers affected by implementation of its decarbonization strategy.

**Metric e):** The company discloses the quantifiable Key Performance Indicators it uses to track its commitment to a Just Transition.

| | |
|---|---|
| **Detailed Guidance** | |
| Attention: For the purposes of this Sub-indicator, 'Just Transition principles' refer to those outlined in the International Labour Organization's (ILO's) Just Transition Guidelines. | |
| **Metric a):** The company has committed to addressing adverse impacts of the implementation of its decarbonization strategy on Indigenous communities, Indigenous governments, and/or Indigenous businesses and contractors. | To be assessed as 'Yes' on this Metric, the company has been assessed as yes on 9.1.a AND has provided details of its efforts to addressing adverse impacts of the implementation of its decarbonization strategy on Indigenous communities, Indigenous governments, and/or Indigenous businesses and contractors.<br><br>The company has publicly stated its commitment to do so. |
| **Metric b):** The company commits to the principle of free, prior, and informed consent (FPIC) where Indigenous peoples are affected by the implementation of its decarbonization strategy. | The company has made a public commitment stating its commitment to FPIC where Indigenous peoples are affected by its decarbonization strategy. |
| **Metric c):** The company has committed to decarbonize in line with Just Transition principles as set out in the International Labour Organization's Just Transition Guidelines. | For a company to be assessed as Yes on 9.2.a, it must be assessed as Yes on 9.1.a AND must also explicitly reference the International Labour Organization's (ILO's) Just Transition Guidelines.<br><br>The commitment must be publicly available. |
| **Metric d):** The company has committed to retain, retrain, redeploy, and/or compensate workers affected by implementation of its decarbonization strategy. | To be assessed as 'Yes' on this Metric, the company should provide evidence that it is developing, or plans to develop policies and dedicate resources to re- and/or up-skill workers displaced by the implementation of its decarbonization strategy. |
| **Metric e):** The company discloses the quantifiable Key Performance Indicators | The company discloses on the quantifiable Key Performance Indicators it uses to track its commitment to a Just Transition and it commits to disclose progress against these indicators on an annual basis. |

| | |
|---|---|
| it uses to track its commitment to a Just Transition. | |

| Disclosure Indicator 10 –TCFD Disclosure | |
|---|---|
| **Sub-indicator 10.1 – Support for TCFD recommendations**<br>The company has publicly committed to implement the recommendations of the Task Force on Climate related Financial Disclosures (TCFD).<br>**Metric a):** The company explicitly commits to align its disclosures with the TCFD recommendations OR it is listed as a supporter on the TCFD website.<br>**Metric b):** The company explicitly sign-posts TCFD aligned disclosures in its annual reporting or publishes them in a TCFD report. | |
| Detailed Guidance | |
| **Metric a):** The company explicitly commits to align its disclosures with the TCFD recommendations OR it is listed as a supporter on the TCFD website. | A company will be assessed as meeting the requirements of this Metric if:<br>• The company is a listed supporter on the TCFD website, https://www.fsb-tcfd.org/tcfd-supporters/; OR<br>• The company has explicitly committed to align its disclosures with the TCFD recommendations in its public disclosures; OR<br>• The company explicitly and clearly indicates that it has aligned its disclosures with the recommendations.<br><br>A company will not meet the requirements of this Metric if there is 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. |
| **Metric b):** The company explicitly sign-posts TCFD aligned disclosures in its annual reporting or publishes them in a TCFD report. | The aim of this Metric is to understand if the company is reporting against the TCFD recommendations. A company will be assessed as meeting the requirements of this Metric if:<br>• 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<br>• The company publishes TCFD-aligned disclosures in a TCFD report.<br><br>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.<br><br>A company will not meet the requirements of this Metric if 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 must 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 10.2 – Scenario analysis**<br>The company employs climate-scenario planning to test its strategic and operational resilience.<br>**Metric a):** The company has conducted a climate-related scenario analysis including quantitative elements and disclosed its results.<br>**Metric b):** The quantitative scenario analysis explicitly includes a 1.5° Celsius scenario, covers the entire company, discloses key assumptions and variables used, and reports on the key risks and opportunities identified. | |
| **Detailed Guidance** | |
| **Metric a):** The company has conducted a climate-related scenario analysis including quantitative elements and disclosed its results. | The aim of this Metric is to understand the company's approach to climate-related scenario analysis. A company will be assessed as meeting the requirements of this Metric if:<br>• 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<br>• 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.<br><br>A company will not meet the requirements of this Metric if it only uses narrative text to describe the scenarios used. A company will not meet the requirements of 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 the requirements of this metric). |
| **Metric b):** The quantitative scenario analysis explicitly includes a 1.5° Celsius scenario, covers the entire company, discloses key assumptions and variables used, and reports on the key | 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 is also required to:<br>• Explicitly include a 1.5° Celsius scenario in its scenario analysis. Note that because scenarios provided by the International Energy Agency (IEA) are widely used, and given the limited time for which |

| | |
|---|---|
| risks and opportunities identified. | an IEA 1.5° Celsius scenario has been available, companies using the IEA's B2DS scenario are considered to meet the intent of this Metric for this iteration of the Benchmark; AND<br>• The company's quantitative scenario analysis explicitly covers the entire company (rather than a specific product, business line or geography); AND<br>• The company discloses key assumptions and variables used in its scenario analysis; AND<br>• The company reports on key risks and opportunities that have been identified in the scenario analysis.<br><br>A company will not meet the requirements of 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.<br><br>A company will also not meet the requirements of this Metric if its disclosure of risks and opportunities is 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 must discussion both risks (downsides) and opportunities (upsides). |