

ACT & WBA – Technical FAQs

These FAQs explain some technical aspects of how the Assessing low Carbon Transition (ACT) methodologies are used to assess keystone companies in high emitting sectors and create the WBA's Climate and Energy Benchmark.

Further FAQs on the ACT initiative are available here: <https://actinitiative.org/faq/>.

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General

Questions on the methodology

Q: How was the methodology developed?

A: The Assessing low-Carbon Transition (ACT) methodologies are developed in accordance with the [ACT Framework](#) and the [ACT sector methodologies development guidance](#). All ACT methodologies are developed through a rigorous multi-stakeholder process, which includes a public consultation.

The ACT Framework explains the principles for developing the methodology, which were set based on experiences of similar processes, and existing best practice of the work done by the Global Initiative for Sustainability Ratings (GISR), ISEAL alliance credibility principles, and ISO development principles. The Framework also explains the methodology implementation principles, which consider GRI, IIRC, SASB, Arista 3.0, and the GHG Protocol principles (page 58).

The ACT sector methodologies are developed via a consultative process, including public consultations and Technical Working Groups. Each Technical Working Group is comprised of representatives from companies from the relevant sector, business associations, experts in the business sector, specialist consultants in environmental/climate issues, NGOs, environmental associations and consumer organisations, government agencies, international organisations, and academics.

Q: Do the ACT methodologies – and therefore the WBA Climate and Energy Benchmark – cover scope 3 emissions?

A: The coverage of emissions varies by sector. As the [ACT Framework](#) (page 8) explains: “the reporting boundaries of each ACT methodology for a given sector shall be determined by the sector’s most significant emissions sources, according to the principle of relevance. These significant emissions sources can be located all along the value chain of the organisation. This means that both direct and indirect (value chain) emissions shall be included where relevant.”

There are more details about each sector assessed for the Climate and Energy Benchmark in the relevant sections below.

[Questions on relationship to other frameworks](#)

Q: As a company, please tell us more about the value of the ACT initiative and the WBA Climate and Energy Benchmark, when compared with other external assessments, recognitions, and sustainability indices, that already represent a huge effort for our team every year?

A: We appreciate the reporting burden placed on companies by requests for responding to and engaging with various indices. From conception, ACT has learned from and aligned with a wider set of standards, such as ISEAL alliance credibility principles and ISO development principles, as referenced in the [ACT Framework](#) (page 48), and contributed to work done by the Global Initiative for Sustainability Ratings (GISR). We continue to review alignment with other initiatives as we progress, including the Taskforce on Climate-related Financial Disclosures. [This paper](#) explains how the Climate and Energy Benchmark, ACT, and the TCFD interrelate. Moreover, the assessments build upon the disclosure principle set by CDP, by first assessing companies and compiling a complete assessment, and then asking companies to validate this prepopulated data. We use CDP data wherever possible, and we draw on and complement the work of the SBTi via use of the [Sectoral Decarbonization Approach \(SDA\)](#) and benchmarked emissions pathways.

The ACT methodologies are developed by a multi-stakeholder Technical Working Group. Each methodology is then roadtested with a number of companies in the sector to identify how well the methodology works in practice and any areas that need amending or improving.

Companies in high-emitting sectors are selected for a World Benchmarking Alliance (WBA) Climate and Energy Benchmark, based on the WBA’s keystone company principle. CDP and WBA then reach out to companies, offering webinars to explain the ACT assessment and WBA benchmarking process. CDP’s research team then gathers data on each company according to the methodology, which the companies have chance to validate. Once the assessment is complete, a WBA scorecard showing the company’s results is shared with the company before the WBA benchmark is publicly launched. There are then opportunities for the companies to engage with WBA and CDP during the launch period and thereafter.

The strength of the ACT initiative is that it adopts a holistic approach to assessing how ready a company is to transition to a low-carbon economy: the level of ambition of the climate strategy is analysed against the decarbonisation pathway relevant for the company, as well as the actions that

the company effectively takes in response to this strategy. A key characteristic of short-term change towards a low-carbon economy in business is that in the next couple of years it is going to be largely voluntary, with impactful and globally aligned government regulations unlikely. The degree of this voluntary commitment also provides insights into the overall commitment of business to the transition. The ACT methodologies will contribute to these insights by assessing the present willingness and ability of companies to dedicate themselves to a low-carbon future. One of the starting points for the ACT project is therefore to assess to what extent companies are willing, and can state publicly that they are willing, to transition to a low-carbon economy.

To help businesses set targets compatible with 2°C (or beyond) climate change scenarios, the SDA was developed. The SDA is based on the principle of convergence of all companies in a sector towards a shared emissions target in 2050 (or beyond). While the SDA gives direction and a target to achieve, the ACT methodologies employ a holistic approach, taking into account all feasible quantitative and qualitative indicators that can provide insight regarding a company's current and future ability to reduce its carbon emissions and maximise its contribution to the low-carbon transition. All information gathered is consolidated into a rating, which provides an overall metric of the company's low-carbon alignment. The wider goal is to provide companies with specific feedback on their low-carbon alignment in the short and long term.

In summary, the ACT methodologies build on the ladder that an organization follows towards reducing GHG emissions: measurement, transparent reporting and making public commitments to mitigate climate change. The ACT initiative has added a new layer of accountability to these already established steps and uses them as a foundation whilst also integrating these practices into the ACT methodologies themselves. These practices mark the specific steps a company goes through when setting out to reduce its climate impact.

The ACT assessments are used to create free, publicly available rankings in the WBAs Climate and Energy Benchmark. WBA will publish various benchmarks in high emitting sectors, of which [Electric Utilities](#) was the second publication in July 2020. The first benchmark, published in December 2019, assessed keystone [Automotive companies](#). A Performance Update (see more information below) of the Automotive companies was published in November 2020. More details about the WBA and its work can be found [here](#).

These benchmarks give each company a peer group comparison on how the industry is performing and contributing to a low-carbon economy. A company's own performance and assessment will be made available to various stakeholders. The ultimate aim is to encourage businesses to move to a well below 2-degree compatible pathway in terms of their climate strategy, business model, investments, operations and GHG emissions management. In addition to the companies themselves, the benchmarks are used by a wide group of stakeholders such as investors, civil society and policy makers to make informed decisions on their engagement with the companies to support the low carbon transition.

Q: How does the ACT assessment and WBA benchmark align with my CDP / GRI / SASB / TCFD or other disclosure?

A: From conception, ACT has learned from and aligned with a wider set of standards. The ACT Framework contains methodology implementation principles, which draw on GRI, IIRC, SASB, Arista 3.0, and the GHG Protocol principles. Moreover, we build upon the disclosure principle set by CDP, by first assessing companies and compiling a complete assessment, and then asking companies to validate this prepopulated data.

During the development of the performance score indicators in each ACT methodology, attention has been paid to the availability of the involved data (from the company or third-party providers), as the lack of reliable data or information would undermine the possibility for the assessment to rely on such indicators in practice (see the [ACT sector methodologies development guidance](#), page 9). Many of these indicators capture information required or recommended to be reported in the CDP, GRI, SASB and Taskforce on Climate-related Financial Disclosure (TCFD) frameworks. In particular, the Management module of the ACT methodologies, which contains indicators on the company's oversight of climate change issues, climate change oversight capability, low-carbon transition plan, climate change management incentives, and climate change scenario testing shows convergence with the disclosures recommended by the TCFD. Further, the CDP climate questionnaire was updated in 2018 to align with the TCFD. See more information [here](#).

Q: Does each ACT methodology cover physical risk as well as transition risk (as per the TCFD)?

A: The ACT methodologies cover and primarily focus on transition risk exposure, rather than physical risk exposure, because the ACT methodologies aim to drive action by companies and encourage businesses to move to a well-below 2 degrees compatible pathway in terms of their climate strategy, business model, investments, operations and GHG emissions management. Transition risk is considered through performance indicators such as those in the Management module, which assess the company's oversight of climate change issues, low-carbon transition plan, and climate change scenario testing. The methodologies do also contain some performance indicators that assess data that can be relevant to physical risk exposure, such as a consideration of whether potential shocks or stressors have been assessed in an Electric Utilities company's low-carbon transition plan (indicator EU 5.3).

[Questions on data collection](#)

Q: For what period is data assessed? For example, for Electric Utilities (EU) indicator 1.1 (Alignment of scope 1 + 2 emissions reduction targets), the analysis will be done based on 'the difference between the company's target and the company benchmark 5 years after the reporting year. How do you define 'reporting year'? Is it the last reporting period 2018 from CDP 2019 disclosure or the new 2019 figures for the upcoming 2020 CDP Climate disclosure?

A: Each indicator in the performance assessment of each methodology specifies the period for which data is assessed.

The ACT methodologies assess the most reliable, latest available public and verifiable data. The reporting year for the 2020 Automotive Performance Update is the currently available data disclosed in the most recent cycle, i.e., the 2020 cycle and 2019 reports and vehicle sales data.

Q: What about more historical data? For example, for indicator EU 2.1 (Trends in past emissions intensity), the company's historical target achievements and current progress towards active emissions reductions targets will be measured.

A: The ACT methodologies assess the most reliable, latest available public and verifiable data, therefore for indicators requiring assessment of historical data, this data is taken from five years prior to the year for which such data is available, up to that year.

Q: How is data gathered?

A: Data is collected from publicly available sources from databases and company websites (including sustainability and corporate responsibility reports) as well as from CDP's disclosure platform where possible. Third party data is used for some data points where necessary. Companies are invited to

directly participate in a data validation process by reviewing the data gathered by CDP's analysts and shared by CDP and WBA and provide additional information.

There are more details about each sector in the relevant sections below.

Q: What if my company does not want to be assessed / does not disclose to CDP?

A: We will assess all of the [50 Electric Utilities companies](#) and all of the [30 Automotive companies](#) identified as keystone, regardless of disclosure to CDP. We collect publicly available data and will make all data references available to the selected companies during the period of data validation. If they wish to supplement or replace any data points, they can do so if they are able to provide a justification for doing so, and information about its verification status, any assumptions used and the calculation methodology.

We will send selected companies the data we collect to validate. We will be available to discuss any questions they may have about the assessment process or data points.

[Questions about the benchmark, results, publication and engagement](#)

Q: What will happen with the results?

The ACT assessments are used to create free, publicly available rankings in the WBAs Climate and Energy Benchmark. WBA will publish various benchmarks in high emitting sectors, of which [Electric Utilities](#) was the second publication in July 2020. The first benchmark, published in December 2019, assessed keystone [Automotive companies](#). A Performance Update (see more information below) of the Automotive companies was published in November 2020. More details about the WBA and its work can be found [here](#).

These benchmarks will give each company a peer group comparison on how the industry is performing and contributing to a low-carbon economy. A company's own performance and assessment will be made available to various stakeholders. In addition to the companies themselves, the benchmarks are used by a wide group of stakeholders such as investors, civil society and policy makers to make informed decisions on their engagement with the companies to support the low carbon transition. The ultimate aim is to encourage businesses to move to a well below 2-degree compatible pathway in terms of their climate strategy, business model, investments, operations and GHG emissions management.

Q: How are this assessment and the WBA's benchmarks similar / different to CDP's data and ratings?

A: CDP's ratings, based on CDP disclosures, show company scores across those CDP topics a company responds to. These topics cover climate change, water security, forests (timber, palm oil, cattle products, and soy). This data is used by investors and other stakeholders to inform their decision-making.

CDP scores provide a relative assessment of climate leadership looking back over the reporting year, and a company's score demonstrates its leadership relative to other companies globally. An ACT assessment is a sector specific, forward-looking benchmark against the absolute emissions level determined by climate science, taking into consideration whether a company's strategy is moving quickly enough to meet this extremely challenging limit. In order to meet the huge collective challenge of keeping global warming well below 2 degrees, it is vital that companies, particularly those with the most influence over emissions in the economy, have accurate feedback about their own progress against this challenge, and this is what ACT methodologies seek to provide. To keep

warming well below 2 degrees, climate leadership is required and this leadership needs to be determined by climate science.

The WBA Climate and Energy Benchmark operationalises the ACT methodologies to create freely, publicly available rankings of companies, giving each company a peer group comparison on how the industry is performing and contributing to a low-carbon economy and the related Sustainable Development Goals. Detailed information on a company's performance, including a breakdown of their scores per module of the performance assessment and a written explanation of the narrative and trend assessments is made available to various stakeholders. For the 2020 Automotive Performance Update, indicator-level scores are also available.

In addition to the companies themselves, the benchmarks are used by a wide group of stakeholders such as investors, civil society and policymakers to make informed decisions on their engagement with the companies to support the low-carbon transition. The ultimate aim is to encourage businesses to move to a well below 2-degree compatible pathway in terms of their climate strategy, business model, investments, operations and GHG emissions management.

Q: When will the benchmark be updated?

A: WBA is updating the Climate and Energy Benchmark on an iterative basis, adding further sectors until 2023.

Electric utilities

Questions on selecting companies for assessment

Q: We are curious about how exactly we have been classified as a keystone electric utility? Were there any specific metrics/thresholds which classified us as this?

A: You can find more information relating to WBA and the classification of keystone companies [here](#), and in particular for the electric utilities [here](#). The ACT Electric Utilities methodology is [here](#), which goes in to more detail about the indicators assessed and the time horizon under review.

Q: Our strategy is moving towards being an energy services and solutions company, and this involves divesting from the majority of power generation assets. This may mean the heavily weighted quantitative indicators might not reflect our business operations impact on climate, and our contribution towards the Paris Agreement mitigation goals, particularly accurately.

A: The ACT Electric Utilities methodology is [here](#), which goes in to more detail about the indicators assessed and the time horizon under review. This can indicate that even companies who are more advanced in transitioning are still able to be considered under the methodology. Similarly, there are multiple components to an ACT rating, which allows for wider reflection of the situation than a more rigid analysis of only a limited number of fixed indicators.

Q: Other than non-keystone companies, have any companies been excluded from the assessment?

A: The ACT Electric Utilities methodology places a particular emphasis on a company's electricity production. The SDA was mainly developed for centralized electricity generation, which is the main electricity source. With the rise of distributed renewable generation technologies, decentralized electricity generation has been taken into account.

Nonetheless, some major electric utilities have already begun to shift their assets and activities away from electricity generation, in anticipation of the low-carbon transition. Therefore companies who are keystone in the sector by revenue/volume and/or gigawatts of installed capacity may not be suitable for assessment with the ACT Electric Utilities methodology as they do not have sufficiently high electricity production capacity to which the SDA can be applied.

CDP and WBA have assessed keystone companies' data to whom this might apply, in order to thoroughly check that companies are not being unduly excluded from the benchmark. However, in some cases certain – otherwise keystone – companies have been found to not have sufficient electricity generation capacity and have therefore been excluded.

Questions on the methodology

Q: Are Scope 3 emissions covered?

A: Each ACT sector methodology identifies the type of emissions that the assessment will focus on. This is determined by the sector's most significant sources of emissions. In the [Electric Utilities methodology](#), the focus of the analysis is on the CO₂ emissions resulting from generation activities, which are captured and reported in the companies' Scope 1 emissions. Downstream and upstream Scope 3 emissions should be taken into account whenever they become relevant to a company's low-carbon transition.

The focus is on generation emissions for two main reasons: first, it is expected that these will generally represent more than 90% of the Scope 1 and 2 emissions of a company from the Electric

Utilities sector, and second, they represent a homogeneous activity indicator that can accurately measure a company's low-carbon transition.

Companies might have secondary activities that could drive significant emissions of any of the GHG accounting scopes. Examples include gas exploration (significant Scope 1 emissions), transmission and distribution (significant Scope 2 emissions), or retail of gas (significant Scope 3 - use of sold products - emissions). These will be considered, but only to the extent that they reinforce or undermine the transition strategy of the company (e.g. by carbon lock-in). The transition strategy of the electricity generation is the main focus, but the final rating will be impacted if the company also has significant presence in other aspects of the fossil fuel value chain and does not show clear intention to divest from those sectors.

Q: What reporting period is covered?

A: The ACT Electric Utilities methodology is [here](#), which goes in to more detail about the indicators in the performance assessment and the time horizon under review.

The ACT methodologies assess the most reliable, latest available public and verifiable data. The reporting year for the 2020 Electric Utilities Benchmark was the currently available data disclosed in the most recent cycle, the 2019 cycle, which in effect means 2018 – 2019 data.

[Questions on data collection](#)

Q: How is data gathered?

A: Data is collected from publicly available sources from databases and company websites (including sustainability and corporate responsibility reports) as well as from CDP's disclosure platform where possible. Asset activity data are gathered from GlobalData. Information from RepRisk may be used to inform the narrative assessment.

Companies are invited to directly participate in a data validation process by reviewing the data gathered by CDP's analysts and provide additional information.

Q: What datasets and data were chosen for the ACT Electric Utilities Benchmark 2020?

For the quantitative part of the assessment there was a requirement for a coherent set of data including asset data (with capacity, ownership status, generation type and commissioning/decommissioning dates); GHG emissions data including past emissions data; and targets data including performance against recent targets. This information was compiled into a model from a variety of sources including GlobalData, a commercially available database of asset level information; CDP questionnaire responses from responding companies; and company information including annual and sustainability reports and company websites.

Information of this type is not yet routinely reported in a standardized manner by companies which means the quality of data can be variable. In order to counter this quality issue data was validated across multiple sources where possible to ensure greater accuracy. The final quantitative data model for the ACT assessment is complex and unique and takes several months to build and validate. When work to build the data model started at the beginning of 2020, few companies had reported complete data on 2019 and there was no CDP data available for 2019. The last calendar year for which these data sources were available was 2018, so the decision was taken to use 2018 data for the quantitative assessment in order to have the most reliable and comprehensive dataset.

2019 GlobalData asset data would not have been congruent with the latest targets and emissions data for many companies and thus would not have allowed assessments to be completed. A dataset with gaps would also have been an inaccurate basis for future emissions projections. Companies are dynamic and there has fortunately been much activity to reduce emissions over 2019 and 2020. Where data was available on this activity and it could be validated, this has been reflected in the qualitative and narrative parts of the assessment.

Automotive

Questions on selecting companies for assessment

Q: We are curious about how exactly we have been classified as a keystone automotive manufacturer? Were there any specific metrics/thresholds which classified us as this?

A: You can find more information relating to WBA and the classification of keystone companies [here](#), and in particular for automotive manufacturers [here](#).

Questions on the methodology

Q: Are Scope 3 emissions covered?

A: Each ACT sector methodology identifies the type of emissions that the assessment will focus on. This is determined by the sector's most significant sources of emissions. Most of the emissions in the value chain of the automotive sector happen during the use phase, due to the combustion of fossil fuels in internal combustion engine vehicles. The main focus of the ACT Automotive methodology is therefore on how automotive manufacturers intend to reduce their indirect Scope 3 "fleet emissions" – the emissions from vehicles they produce, once in use – between now and 2050.

A well-to-wheel approach is used when assessing these fleet emissions released during the use of sold vehicles. The well-to-wheel emissions reflect not only the direct use emissions from fuel combustion tank-to-wheel, but also upstream emissions related to fuel production and distribution well-to-tank including electricity generation for electric vehicles. When data on well-to-wheel emissions are not available, a tank-to-well approach shall be used taking into consideration regional conversion factors. In practice, limited well-to-wheel emissions data is in the public domain, and a tank-to-wheel approach has been used in the Automotive Benchmark 2019 and Automotive Performance Update 2020.

Q: What reporting period is covered?

A: The ACT Automotive methodology is [here](#), which goes in to more detail about the indicators in the performance assessment and the time horizon under review.

The ACT methodologies assess the most reliable, latest available public and verifiable data. The reporting year for the 2020 Automotive Performance Update is the currently available data disclosed in the most recent cycle, i.e., the 2020 cycle and 2019 reports and vehicle sales data.

Q: What is the 2020 Performance Update and how does this differ from the 2019 Automotive Benchmark?

A: In this 2020 Update, only the performance assessment has been undertaken for the 25 companies in the 2019 Benchmark. The five companies added to the assessment in 2020 received a full ACT assessment. More information is available [here](#).

Questions on data collection

Q: How is data gathered?

A: Data is collected from publicly available sources from databases and company websites (including sustainability and corporate responsibility reports) as well as from CDP's disclosure platform where possible. Sales data are gathered from MarkLines. Industry (production) data are gathered from the International Organization of Motor Vehicles Manufacturers'. Regulatory data may be gathered from the European Environment Agency, the Ministry of Industry and Information Technology (China),

and the Ministry of Land, Infrastructure, Transport, and Tourism (Japan), as relevant. Information from RepRisk may be used to inform the narrative assessment.

Companies are invited to directly participate in a data validation process by reviewing the data gathered by CDP's analysts and provide additional information.

Q: How is data on sales from joint ventures treated?

A: MarkLines data captures sales figures from a company's joint ventures in its overall sales figures, as well as sales figures from its (other) subsidiaries. Therefore, joint venture sales figures are attributed to each company with a shareholding in the joint venture, irrespective of the proportion of ownership.