



Climate and Energy Benchmark

Methodology

June 2023

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Executive summary

The 2022 report of the Intergovernmental Panel on Climate Change (IPCC) makes a clear statement: 'The scientific evidence is unequivocal: climate change is a threat to human wellbeing and the health of the planet. Any further delay in concerted global action will miss the brief, rapidly closing window to secure a liveable future'¹.

There is no second-guessing this message. We need a global decarbonisation and energy transformation, and we need it now. Global emissions are dominated by industries such as the energy sector (oil and gas, electric utilities), transport, heavy industries and agriculture all of which play a vital role in decarbonising the way we produce, manufacture and consume. The world's most influential companies need to take their responsibility to lead this transformation. As part of this global decarbonisation, the World Benchmarking Alliance (WBA) aims to create an accountability mechanism that measures corporate progress against the goals of the Paris Agreement.

WBA's Climate and Energy Benchmark covers rankings of 450 of the world's most influential, keystone companies in high-emitting sectors like automotive, electric utilities, oil and gas, transport, buildings and heavy industries. The benchmark measures and ranks these high-emitting companies on key issues underpinning the decarbonisation and energy transition. The publicly available benchmark operationalises the Assessing Low Carbon Transition (ACT) sectoral methodologies. Throughout its research cycle WBA works in partnership with CDP in aggregating climate related data and assessing a company's transition plan. Throughout the benchmark cycle WBA engages companies themselves, evaluating their current – and importantly – their future decarbonisation plans as well as their past and present performance to assess their alignment with the Paris Agreement.

In conjunction with assessing companies on their low-carbon transition, the Climate and Energy Benchmark assesses companies on their contributions to making their low-carbon transitions socially just. Embedding the principle of the Sustainable Development Goals (SDGs) to 'leave no one behind', WBA's benchmark fills a critical accountability gap bringing data and insights on what companies are doing to respect the rights of workers, communities and other affected stakeholders while working towards low-carbon goals. The benchmark aims to create transparency and corporate accountability through holistic assessments and steer companies towards commitment and action on a just transition.

The WBA published the first Climate and Energy sector benchmarks for oil and gas, electric utilities and the automotive sector in 2021 and has since published benchmarks on the transport and buildings sectors as well as the second iteration of the oil and gas benchmark in 2023.

The following methodology report provides an overview of the WBA Climate and Energy Benchmark and the methodologies used to undertake assessments as well as an overview of the criteria used for selecting the 450 high emitting companies covered in the Benchmark.



Introduction to the WBA Climate and Energy Benchmark

WBA's benchmarks are grounded in the seven transformations needed to put our society, planet and economy on a more sustainable and resilient path to achieve the 2030 Agenda. They provide the strategic framework that guides benchmark development and the identification of keystone companies – companies whose contribution is vital to achieving the SDGs, referred to as the 'SDG2000'. These companies have positive and negative impacts across the systems on which we measure and rank their performance. By publishing free and publicly available benchmarks, WBA envisions a future where companies, investors, policymakers, civil society and individuals are empowered with data to take action and encourage more sustainable business practices across all sectors.

Private sector engagement alongside action by governments and civil society are critical for meeting the SDGs and the Paris Agreement. The Climate and Energy Benchmark is an accountability mechanism that measures corporate progress against the Paris goals and assesses whether companies are contributing to a just transition.

Since its inception, WBA's Climate and Energy Benchmark has operationalised the ACT (Assessing low Carbon Transition) sectoral methodologies to assess and benchmark keystone companies in high-emitting sectors on their decarbonisation efforts. The ACT sectoral methodologies were developed by ADEME (French Agency for Ecological Transition) in partnership with CDP under a programme called The ACT Initiative. WBA is now the official host of the ACT initiative, fostering increased capacity to evaluate companies' current and future performance according to ACT methodologies and to support companies' decarbonisation pathways at a worldwide level.

The ACT methodologies evaluates, among others, past and expected emissions trends, levels of low carbon investment and research and development, transition plans, engagement with suppliers, clients and policymakers and progress in developing low-carbon business models. Since 2021, companies' emissions targets are assessed against a 1.5°C warming scenarios.

In 2021, WBA launched the just transition indicators which – used together with WBA's core social indicators – assess companies' responsible business conduct and their ambitions and actions to address the social impacts of the low-carbon transition.

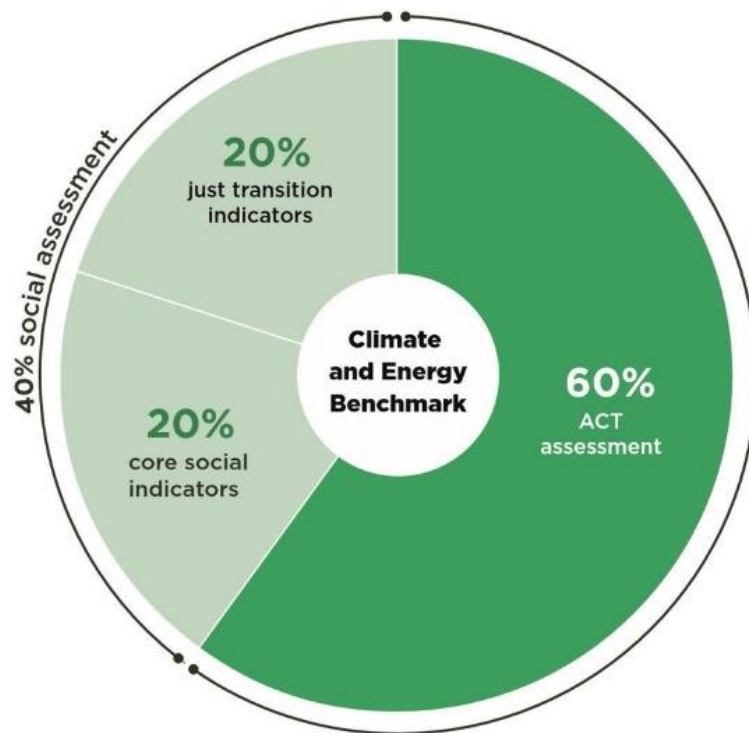
Since 2022, the Climate and Energy Benchmark series brings these methodologies together to provide an ACT assessment and social assessment for all companies. This approach provides a holistic assessment of companies' efforts to achieve a low-carbon transition and their efforts to make the transition just and equitable. This approach aligns with WBA's strategy to integrate the core social indicators at the heart of each of the seven system transformations that it focuses on, so that we move towards a world where companies value all people and leave no one behind.

Companies are ranked based on one integrated score comprising their ACT assessment and social assessment scores. The ACT and social assessment scores are weighted 60% and 40% of the total score respectively. This decision is based on feedback received during the public consultation on WBA's just transition methodology and in dialogue with WBA's Just Transition Advisory Group.

The following graphic visualises how the three scores are integrated into one overall score on a scale of 1 to 100.



FIGURE 1: CLIMATE AND ENERGY BENCHMARK FRAMEWORK



The benchmark ranking is based on integrated scores thus ranks the performance of companies in terms of the low-carbon transition as well as their relevant impacts on the social transformation. Furthermore, the benchmark provides the ACT, core social and just transition scores at the indicator level, and stakeholders can use these to rank companies separately on each of these dimensions.



The WBA Climate and Energy Benchmark - methodologies

The following sections provide an overview of the methodologies utilized in the WBA Climate and Energy Benchmark;

- ACT (Assessing low-carbon transition) assessment
- Social assessment:
 - Core social indicators
 - Just transition Indicators

Assessing low-carbon transition: ACT methodologies

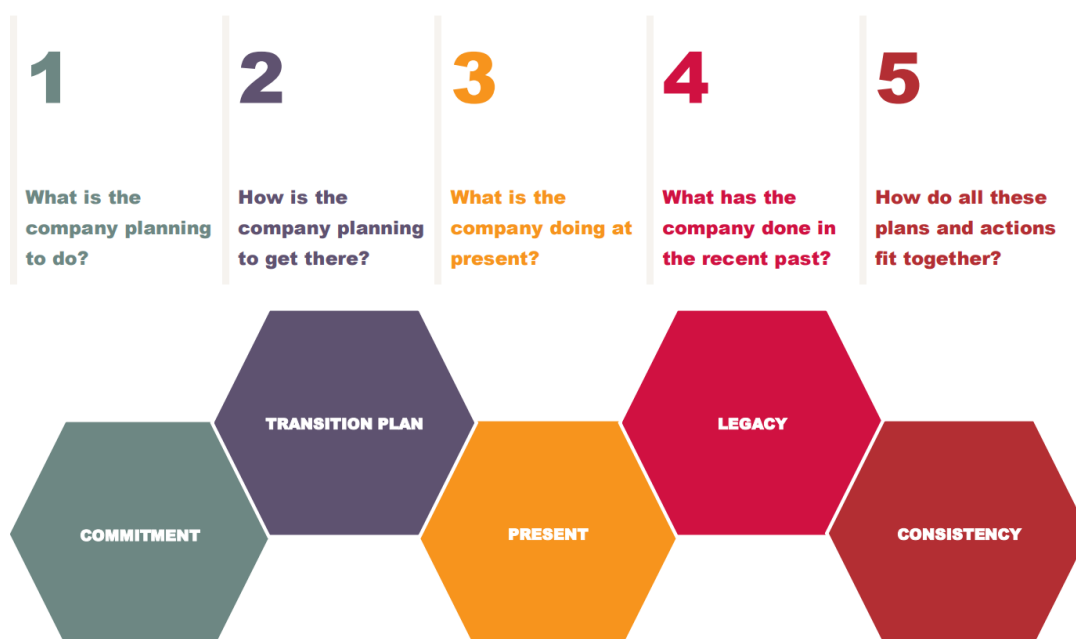
The sectoral [ACT methodologies](#) assess organisations' readiness to transition to a low-carbon economy using future-oriented indicators. This includes assessing companies' climate strategies, business models, investments, operations and management of greenhouse gas (GHG) emissions. Based on the Sectoral Decarbonisation Approach (SDA) developed by the [Science Based Targets initiative \(SBTi\)](#), ACT evaluates a company's alignment with the transition to a low-carbon world. It establishes a decarbonisation pathway for each company, which can be compared against its publicly stated low-carbon targets and transition plan. The application of the SDA is described in the [ACT Framework](#).

The ACT methodologies aim to shed light on whether company commitments are adequate and on track to be met, and whether broader company performance on reducing emissions is on the correct pathway. The analysis looks at recent actions, current performance, and uses information on this and the company's strategic future direction to predict its future climate performance.

Within the sector-specific methodology, the scope and boundaries of the assessment are established based on the sector's most significant emission sources, which could be located all along the value chain. Then, the assessment is based on the development of a set of indicators, organized by modules, elaborated in conjunction with five guiding questions described in the ACT Framework (Figure 2). These indicators will measure a companies' state of alignment with the low-carbon transition.



FIGURE 2: GUIDING QUESTIONS FOR ACT ASSESSMENT FRAMEWORK



The assessment score based on the ACT methodology will consist of performance, narrative and trend:

- **The performance score** - a number from 20 (highest) to 0 (lowest): represents a company's performance across key levers for the low-carbon transition.
- **The narrative score** - a letter from A (highest) to E (lowest): represents a company's state of alignment with the Paris Agreement goals with a holistic overview including consistency and reputation matters.
- **The trend score** - "+" for improving, "=" for remaining the same, or "-" for worsening: signals the near-term movement of the company's alignment with the low-carbon economy

Notably, ACT sectoral methodologies weigh the different modules that make up the performance scores according to the sector's emissions significance, considering companies' profiles and activities. Regardless, all companies will receive a comparable ACT rating, and the ACT scores of all companies will be normalised to 100 to enable comparisons and benchmarking.

Through a strategic partnership with CDP and ADEME, WBA's Climate and Energy Benchmarks have been operating the ACT methodologies to assess, score and rank the progress of the 450 keystone companies involved in this transformation. This assessment accounts for 60% of a company's total score, where the remaining 40% is provided by the Social Assessment.



Social Assessment: the core social and just transition methodologies

The social transformation lies at the heart of the WBA transformations model, embedding the 'leave no one behind' principle in every transformation area that WBA focuses on. In keeping with this, WBA is committed to integrating social criteria in all its benchmarks.

Considering the crucial role that the private sector must play in achieving a low-carbon world, the Climate and Energy Benchmarks intends to assess 450 highly emitting companies on their contribution to a just transition. These 450 companies employ millions of direct employees around the world and hold immense influence to power a just transition. Therefore, alongside companies' alignment with the Paris Agreement goals, the assessment will also evaluate their approach to addressing the social challenges of a low-carbon transition. The Just Transition Indicators were developed to be used in conjunction with the Core Social Indicators to give an accurate assessment on the social performance of highly emitting companies. Furthermore, the Just Transition Indicators add a temporal aspect to social responsibility, where companies are assessed on their plans, commitments, and measurable targets for the future, where the Core Social Indicators are oriented around company policies, disclosures, and performance in the past. Core social indicators (CSIs)

The social transformation framework sets out the societal expectations for business conduct that companies should meet to leave no one behind. The framework establishes three pillars for companies to uphold; namely, they should: respect human rights, provide and promote decent work and act ethically. By doing so, companies can support the SDGs, address inequalities and contribute to a sustainable future for all.

The CSIs measure how companies perform on these high-level expectations for social transformation. Eighteen core social indicators act as 'signposts' towards companies' performance in relation to the three pillars of social transformation.

Each CSI will be scored on a scale of 0 to 1 based on publicly available information. The scale will be divided into three levels to gauge company performance:

1. Fully met: a company meets all of the elements for a particular indicator (1 point).
2. Partially met: a company meets some elements for a particular indicator (0.5 points).
3. Not met: a company meets none of the elements for a particular indicator (0 points).

In cases where a company meets only one element of an indicator, there isn't possibility to assign a 'partially met' score of 0.5 points. Thus, a company can either only 'fully meet' (1 point) or 'not meet' (0 points) such indicators. When a company receives "Not met" for an indicator that does not necessarily mean that company does not have any information related to the indicator. Rather, it means that the analyst could not find sufficient evidence in public sources that met the relevant requirements for the indicator as described in the methodology.

Each CSI will be singly weighted, except for the following indicators that are part of the human right's due diligence process: CSI 4 (Assessing human rights risks and impacts) and CSI 5 (Integrating and acting on human rights risks and impacts). Given the foundational importance of human rights due diligence, these two indicators will receive double weighting. The 18 CSIs will therefore represent a total of 20 points.



Just transition indicators

Decarbonisation of the global economy will only succeed if it includes solutions for affected workers and communities whose lives need to change as part of a low-carbon transition. This is known as a 'just transition'. The just transition assessment which is part of the Climate and Energy Benchmark is the first of its kind and is assessed together with a company's readiness to undertake a low-carbon transition for a holistic view on whether the company is ready for a low-carbon future.

The assessments will make use of six just transition indicators (JTIs):

1. Social dialogue and stakeholder engagement.
2. Just transition planning.
3. Creating and providing or supporting access to green and decent jobs.
4. Retaining and re- and/or upskilling.
5. Social protection and social impact management.
6. Advocacy for policies and regulations.

Each JTI will be scored on a scale of 0 to 2 points based on publicly available information. The most recently published information (within the last three years) will be used to ensure it is relevant to the just transition. For simplicity, each indicator has four indicator elements, (a) to (d), with each element typically representing 0.5 points. So, for example, if a company meets elements (a) and (b), but not elements (c) and (d), it will score 1 point out of a maximum of 2. When a company receives "Not met" for an indicator that does not necessarily mean that company does not have any information related to the indicator. Rather, it means that the analyst could not find sufficient evidence in public sources that met the relevant requirements for the indicator as described in the methodology.

Each JTI will be singly weighted, except for JTI 1 (Social dialogue and stakeholder engagement in a just transition) and JTI 2 (Just transition planning). Given the relative importance of these indicators, JTI 1 and JTI 2 will receive double weighting – so the 2 points available in this case will represent a maximum of 4 points. The six JTIs will therefore represent a total of 16 points.

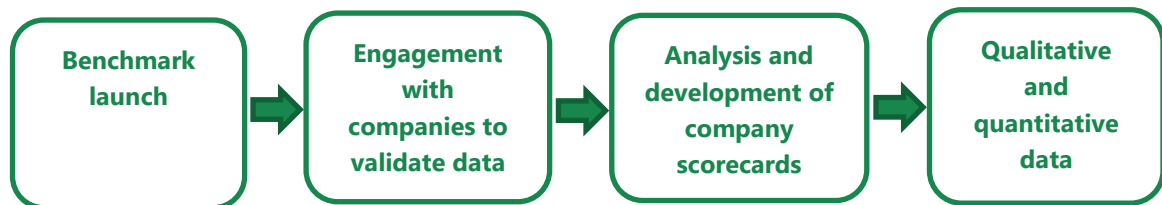


FIGURE 3: CORE SOCIAL INDICATORS



WBA Climate and Energy Benchmark development process

The WBA Climate and Energy team leads the development of the Climate and Energy Benchmark in partnership with CDP. Together our teams undertake the four following steps to produce the benchmark. More information about these steps is communicated directly with companies as part of benchmark kick-off communication



1. Qualitative and quantitative data collection

To undertake qualitative and quantitative assessments for companies, data is collected from publicly available sources, including:

- company Financial and Sustainability reports
- responses to the CDP questionnaire, if companies have chosen public disclosure
- company websites and other publicly available materials
- data provided via company engagement via the data validation (DV) process.

2. Engagement with companies to validate data

In the development of every Climate and Energy Benchmark, there is an opportunity for companies to engage with WBA on the data obtained and provide feedback. Data is shared with all companies and they are asked to validate the information and provide additional information that might help fill in any gaps. Please note that any information shared by a company in the data validation stage must be from publicly available sources. More information about company engagement is shared with companies directly as part of the benchmark kick-off communication.

3. Analysis and development of company scorecards

Once engagement with the company is complete, new information is considered the scores are finalised. A scorecard is then written for each company to provide a summary of this scoring and analysis. If a company previously engaged in the data validation process, they will have an opportunity to see their scorecard approximately 2 weeks prior to the launch of the benchmark. This is not an opportunity for review or feedback from companies however, if critical issues are identified, these can be addressed.

4. Benchmark launch

Alongside the company scorecards, WBA publishes an insights report for each sectoral benchmark produced. This report outlines key findings of the benchmark and highlights important case studies which help to illustrate the state of the sector. Underlying data for the benchmarks are also published to detail company performance beyond what is included in their scorecards.



Company selection for the WBA Climate and Energy Benchmark

WBA has applied systems thinking to identify the 450 companies in high emitting sectors that have a disproportionate influence on meeting the SDGs and the Paris Agreement goals. We have built on leading academic research that puts forward the idea of keystone actors, inspired by the concept of 'keystone species' in ecology. This is because the most influential companies in each industry operate similarly to keystone species in ecological communities. This means that these companies can have a disproportionate effect on the structure and system in which they operate⁸.

To identify the 450 keystone companies for the benchmark, we used the following five criteria and principles established by WBA for selecting keystone companies:

1. The company dominates global production revenues and/or volumes within a particular sector.
2. The company controls globally relevant segments of production and/or service provision.
3. The company connects (eco)systems globally through subsidiaries and their supply chains.
4. The company influences global governance processes and institutions.
5. The company has a global footprint, particularly in developing countries.

These principles are applied holistically. For principle 5, which is a crucial element to WBA's work, we considered companies from all regions, which results in the inclusion of some companies that have relatively small revenues and production volumes compared to some others, to balance this with principles 1 and 2. More information on the keystone criteria can be found on the [WBA website](#).

A full list of the 450 companies assessed by the Climate and Energy Benchmark can be found on the [WBA website](#).





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Prins Hendrikkade 25, 1021 TM Amsterdam The Netherlands. www.worldbenchmarkingalliance.org