2024 Climate and Energy Benchmark

Heavy Industries FAQ

I. Climate & Energy Benchmark

Q. What is the WBA Climate and Energy Benchmark?

The World Benchmarking Alliance (WBA) Climate & Energy Benchmark ranks the most influential companies in high-emitting sectors by their low-carbon transition efficiency.

WBA* developed the Climate & Energy Benchmark to assess the highest corporate carbon emitters. The goal of the benchmark is to measure corporate progress against the Paris Agreement and a just transition.

The benchmark is on its way to cover 450 of the world's most influential, keystone companies in the high-emitting sectors of as automotive manufacturers, heavy industries, oil and gas, transport, and buildings. The benchmark covers both the climate performance of a company using industry-specific ACT methodologies (Accelerate Climate Transition), and a social assessment on core social and just transition indicators.

The following sectors have been assessed in the past three years:

- 2021 Automotive
- 2022 Transport
- 2023 Buildings
- 2023 Oil and gas
- 2023 Electric Utilities

These assessments are updated regularly and are free and accessible on the WBA website.

For the Climate & Energy Benchmark, WBA works in partnership with CDP** who provides company's public climate questionnaires.

**WBA (World Benchmarking Alliance) is a not-for-profit organisation running a series of benchmarks that assess the world's most influential companies on their contributions to sustainable development goals (SDGs).*

***CDP is a not-for-profit international organisation that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.*

Q. How to read the benchmark's score?

In the WBA Climate and Energy Benchmark rankings, a total score out of 100 is calculated from the ACT rating and the social assessment (consisting of core social and just transition indicators) score.

ACT, core social and just transition scores account for 60%, 20% and 20% of the total score respectively. More information can be found in the Climate and Energy Benchmark methodology report. The ACT score refers to the company climate performance across three dimensions, with the highest possible rating being **20A+**:

- Performance score (ranging from 0 to 20): Indicates transition alignment measured with a range of quantitative and qualitative performance indicators.
- Narrative score (ranging from E to A): A rating based on a comprehensive review of the performance indicators data and public information summarising the company's overall strategic position.
- Trend score (+, =, -): A forward looking assessment of the likely near-term evolution of company's score: improving, staying the same or worsening.

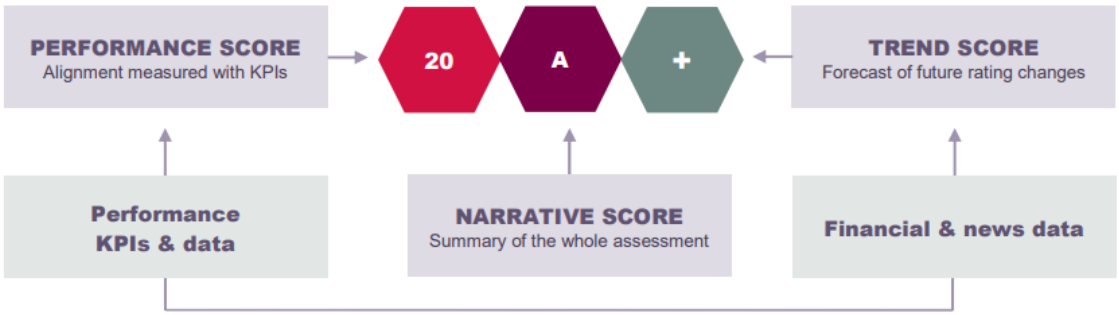

FIGURE 1. THE ACT SCORE: PERFORMANCE, NARRATIVE AND TREND

In the final WBA Benchmark rankings, a total score out of 60 is calculated from the ACT rating:

1. The performance score remains as it is i.e. out of 20
2. The narrative score is also weighted out of 20 with each letter receiving the following scores: A=20, B=15, C=10, D=5, E=0
3. The trend score is given the following scores '+' = 2, '=' = 1, '-' = 0
4. The scores are summed and then divided by the maximum possible score of 42, and normalised to give a score out of 60.

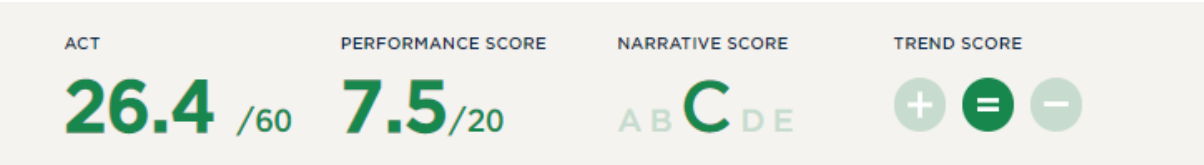

FIGURE 2. EXAMPLE OF THE ACT RATING SCORE

The core social score out of 20 and the just transition score out of 20 (normalised from 16) are also created.

FIGURE 3. EXAMPLE OF THE CORE SOCIAL AND JUST TRANSITION SCORE

The ACT rating score, core social score and just transition score are then added together to create the total benchmark ranking score out of 100.

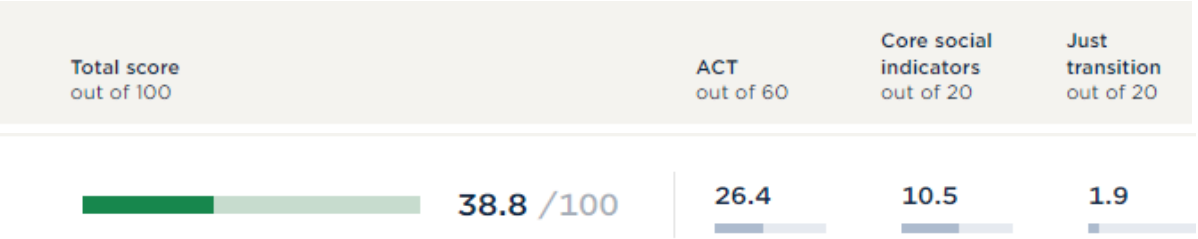

FIGURE 4. EXAMPLE OF THE WBA BENCHMARK FINAL SCORE

Q. What is considered a "Leading Practice"?

A company is considered to have leading practices if it scores or ranks highly for a specific indicator or module.

Leading Practices are areas of excellence by a company identified through the ACT methodology only and do not refer to external awards or commendations for the company's business/sustainability practices.

II. Heavy Industries Benchmark scope

Q. What is the Heavy Industries Benchmark? How have the companies been selected?

The Heavy Industries Benchmark is a part of the WBA Climate & Energy Benchmark and 2024 is the year that this sector is evaluated for the first time. The benchmark covers 91 of the world's most influential companies in the sectors of aluminium, cement, and iron & steel. Combined, these accounted for about 20% of global energy-related emissions in 2022.

The benchmark identifies the companies whose actions are vital for wider, systemic transformation towards a low-carbon economy by providing required materials to accelerate renewable energy deployment, sustainable construction or the transportation needs of an interconnected world. These companies dominate global revenues within the heavy industries sector, influence global governance processes and institutions and have a global footprint. The approach to selecting companies is described here: SDG2000 methodology | World Benchmarking Alliance. There is no opt-out principle as the benchmark serves as an accountability mechanism that measures corporate progress against the Paris Agreement and whether companies are contributing to a just transition.

When selecting which entity to assess within a company group (i.e., parent or subsidiary), we consider such factors as the entity's exposure to the WBA transformation in decarbonisation and energy, ownership and reporting structure, governance, and accountability. The starting point of the assessment will always be the keystone company (i.e., the parent company/holding company/entity for assessment).

For more information relating to WBA and the classification of keystone companies here. The ACT methodologies go into more detail about the indicators assessed and the time horizon under review:

- Aluminium ->ACT_aluminium_v2.0.pdf (actinitiative.org)
- Cement ->ACT_cement_2.0.pdf (actinitiative.org)
- Iron & Steel ->ACT_iron-steel_v2.0.pdf (actinitiative.org)

Q. What is the scope for Heavy Industries companies included in the benchmark?

The Heavy Industries Benchmark encompasses the aluminium, cement and the iron & steel sub-sectors. The scope of company's activities and profiles evaluated under each methodology is as follows:

The ACT Aluminium:

- Companies involved in producing aluminium or alumina
- Companies involved in aluminium shaping - "semis" production

The ACT Cement:

- Integrated cement companies - Companies that manufacture cement from clinker they produce themselves.
- Blenders and grinding operators - Companies that supply cement and substitutes from imported or bought cement / materials, or manufacture cement from imported/bought clinker.

The ACT Iron & Steel:

- Integrated companies, which are active in both steel-making and product-shaping activities.
- Steel-making companies, which operate up to steel casting (also includes cast iron producers).
- Steel-shaping companies, who purchase crude steel to process it into a finished steel product which is then sold to product manufacturers.

Excluded from the scope of the Heavy Industries Benchmark are activities in the aluminium sector linked to bauxite mining, anode producers, or manufacturers of finished products are also not covered. Similarly, in the cement sector, companies focusing on the extraction, distribution, and manufacturing of cement products are not covered. Finally, in the iron & steel sector, companies involved in iron ore mining and the production of ferroalloys are not included. For more information on the benchmark scope please refer to the Heavy Industries Benchmark methodology report.

III. ACT methodologies

Q. What is the ACT methodology? How does it work?

ACT ('Accelerate Climate Transition') is a set of sector-specific methodologies for assessing companies' transition towards a low-carbon economy.

The ACT initiative was developed by ADEME (French Agency for Ecological Transition) and CDP to drive corporate climate action.

The assessment methodology evaluates 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. Companies' emissions targets are assessed against a 1.5°C warming scenario.

Based on its past, present and planned work on reducing carbon emissions, each company receives a 'score' - an ACT rating showing how effectively the company is reducing emissions across all business areas.

Q: Which scenarios are applied for the WBA Heavy Industries Benchmark 2024?

The 2024 Heavy Industries Benchmark used sectoral decarbonisation pathways aligned on a 1.5°C level of ambition. Pathways were sourced from established sources such as the IEA NZE scenario or the SBTi initiative, or from sector-specific organisations.

The pathways used in the Heavy Industries Benchmark are sector-specific and cover both scope 1 and 2 emissions, details on processes covers, regional disaggregation and sources are provided in the table below.

Industry	Pathway	Regional disaggregation	Source
Aluminium	Primary aluminium	World	IAI (International Aluminium Institute)
	Recycled aluminium		
	Semis Process (Gate to Gate)		
	Internal scrap remelting		
Cement	Cement production	World	IEA (International Energy Agency) – NZE Scenario (2023 update)
		Advanced economy (OECD)	
		Emerging market (non-OECD)	
Steel	Sector (average of primary and secondary pathways)	World	SBTi (Science Based Targets Initiative) – Steel pathways
	Primary, iron-ore based steel production		
	Secondary, scrap-based steel production		

Q: How are the company-specific benchmark pathways calculated for heavy industries companies?

The company-specific benchmark pathways are calculated using the principles of the Sectoral Decarbonization Approach (SDA). The SDA approach, in turn, is informed by the company's activities in the steps of aluminium manufacturing, the regional distribution of cement emissions, or the technological profile of steel making.

The creation of a company-specific pathways involved two steps. First the allocation of a sector-specific pathway (see previous table) to a company. And second, the application of a mechanism that converges the company's emissions intensity in the reporting year to the sector-specific pathway value in 2050. The allocation of sector-specific pathways to a company is different for the case of aluminium, cement and iron & steel companies. For cement it depends if the majority of the company's emissions in 2022 originates from assets operating in advanced economies or emerging markets; for iron & steel companies it depends if the majority of production in 2022 is done via the primary of secondary routes; for aluminium it depends on the production steps of the company is active on.

Independent of the sector, the company-specific pathways are constructed in such a way that companies starting from a lower intensity will have a shallower decarbonisation pathway than companies starting from a higher intensity. In this way, past action or inaction to reduce intensity is taken into consideration.

Q: Are Scope 3 emissions covered in the Heavy Industries Benchmark?

Yes, they are.

The coverage of emissions varies by sector. As mentioned in the ACT Framework: "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." The aluminium, cement and iron& steel ACT methodologies are designed to assess companies operating in different parts of the sectoral value chain. For each segment, boundaries are defined for scope 1, 2 and 3 emissions. Regarding the companies assessed in the 2024 Heavy Industries Benchmark:

- Scope 3 emissions can be significant for aluminium companies buying alumina, for cement companies purchasing clinker and for iron & steel companies purchasing crude steel, iron ore and other products. Such emissions are assessed through performance indicators dedicated to products interventions, as well as supplier and client engagement.
- Please see section 4 "Boundaries" of the ACT aluminium, cement and iron & steel for further details.

Q. What is the difference between absolute emission and emission intensity targets?

Companies can set two types of targets: to reduce absolute emissions or emissions intensity. Progress towards emissions intensity targets is achieved when companies reduce the emissions they produce per amount of product. Progress towards absolute emissions targets can be achieved via emissions intensity improvements or via activity level reductions.

Absolute emissions refer to the total quantity of emissions in absolute terms, e.g. 100 million tonnes of CO_2. Emissions intensity is the quantity of emissions per unit of activity i.e. amount of product or service provided. For the industrial sectors, these measures typically are $tCO_2/t_{product}$ (tons of aluminium, tons of cement or tons of crude steel).

The ACT sectoral decarbonisation pathways are defined in terms of emissions intensities. When assessing the alignment of an absolute emissions target, the target is converted to an intensity metric for comparison with the company's benchmarked decarbonisation pathway (the conversion is done using the past and planned activity values for the base and target years – respectively 'from' and 'to' years of the target).

Q. How are future emissions intensities calculated for heavy industries companies?

ACT aluminium, cement and iron & steel methodologies assess both trend in past and future emission intensities and how they align with companies' low-carbon pathway.

A company's future emissions intensity is calculated based on the company's planned and current assets. Emissions intensities are calculated for future years by applying emissions factors to the projected production from the company's assets in a given year.

Q. What is meant by companies' carbon budget, and "locked-in" emissions?

ACT assessments compare the companies' "locked-in" emissions to their carbon budget for 2022 through to 2050.

It is acknowledged that both emissions intensity and absolute emissions are important metrics to be tracked when assessing companies' contribution to a low-carbon transition. The ACT aluminium, cement and iron & steel methodologies uses sectoral decarbonisation pathways to assess both companies' targets and trends in emissions intensity. This creates common metrics to compare companies' performances.

- A company's locked-in emissions are a forecast of cumulative direct emissions from its current and planned assets between 2023 and 2038. The locked-in emissions are calculated by applying emissions factors to a projection of the company's production that need to be met by its current and planned assets.

- The carbon budget is calculated by using each company's 1.5°C emissions intensity benchmark pathway presented previously. The benchmark emissions intensities are applied to the projected production per year to calculate the total carbon budget for 2023 to 2038.

Q: How does the methodology allow the use of carbon credits (carbon offsetting), in targets?

Carbon offsetting is excluded from the calculation of quantitative ACT indicators related to targets, material investments and sold product performance.

According to international standards such as ISO 14064-1, ISO 14067, European Product Environmental Footprint and Organization Environmental Footprint, WRI/WBCSD's GHG Protocol, carbon offsetting shall not be included in GHG quantification, but may be reported separately as "Additional Environmental Information". Carbon credits shall not be subtracted from the GHG inventory to minimize the amount of GHG emissions. Therefore, carbon offsetting is excluded from the calculation of quantitative ACT indicators related to targets, material investments and sold product performance. Nevertheless, in the narrative scoring of the ACT assessment, these credits may be considered as additional information that helps to better understand the decarbonization strategy of a company.

IV. Data collection

Q. How is data on companies collected for the benchmark?

Data for the 2024 Heavy Industries Benchmark is collected from publicly available sources.

Data is collected from publicly available sources, including:

- Company financial and sustainability reports.
- Responses to the CDP questionnaire.
- Company websites and other publicly available materials, such as lobbying report, code of business conduct, etc.
- Data provided by the company via company feedback if publicly available.
- Public data sources on company assets namely Climate Trace, Global Energy Monitoring and Spatial Finance Initiative.

Information from RepRisk or InfluenceMap may be used to inform the narrative assessment.

In the event of a lack of corporate disclosure or inconsistent or incomplete data for an indicator, companies score 0 as no assessable data exists. Companies are invited to directly participate in the data validation process by reviewing the data gathered by ACT's analysts, filling data gaps and providing feedback.

Q. What datasets and data were chosen for the WBA Heavy Industries Benchmark 2024?

The ACT methodology uses third-party and publicly available data.

Data was collected from company reports and other publicly available sources by the assessor team.

A third-party bulk data provider, Climate Trace, provided emissions, production and capacity data collected of companies at the asset level. Climate Trace data was based on its in depth understanding of the Heavy Industries sector and its database of global assets and asset ownership. Global Energy Monitoring and Spatial Finance Initiative were used to account for current version pipeline of asset commissioning and decommissioning. The assessor team used past emissions data provided by Climate Trace and modelled company future emissions by accounting for changes in production technology of assets planned and those decommissioned, when possible, or by extrapolating the past intensities when data was available.

Q: What reporting period is covered?

The ACT methodologies assess the most reliable, latest available public and verifiable data.

The ACT assessment of the Heavy Industries companies considered data from materials published by companies up to 31st December 2023.

For the majority of companies, full-year data reporting was available for 2022. If full-year data was not available for 2022 then the most recently available data was collected. In all cases, the most recent year with full-year reporting was applied as the company's reporting year.

More Questions?

If you would like to discuss in more detail the Heavy Industries Benchmark results, or the ACT methodologies, please contact the team at info.climate@worldbenchmarkingalliance.org