

ACT FRAMEWORK

Low-carbon transition assessment

V2.0 Draft – August 2024



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1. Introduction

Over the past 20 years, GHG emissions accounting has gone from a voluntary practice for organisations mindful of the climate impacts of their activities to regulatory requirements including public disclosure. Since the Science-Based Targets initiative (SBTi) launched in 2015, more than 5,000 companies have set science-based targets, including more than 3,200 net-zero commitments, as of June 2024. The Accelerate Climate Transition initiative – formerly known as Assessing low-Carbon Transition (ACT) - was launched in 2015, pioneering the concept of corporate low-carbon transition plans. Following pilot and development phases until 2022, it provides the most comprehensive assessment tool for real-economy transition plans (1), and aligns with the Five Principles – ambition, integrity, transparency, credibility, equity - from the United Nations Secretary-General (UNSG) High level Expert group on Net Zero emissions commitments (2).

Drawing from CDP's and the French Agency for Ecological Transition's (ADEME) expertise in corporate carbon accounting and management practices the ACT initiative adopts a forward-looking holistic approach to corporate climate accountability providing the necessary methodologies and tools with the readiness to deliver actionable insights. The level of ambition of a company's climate strategy and the actions taken in response to it are analysed against relevant low-carbon benchmarks. Since the first Automotive Benchmark in 2019, the World Benchmarking Alliance (WBA) has been a strategic partner playing a key role in disseminating ACT assessment results and inspiring action for the low-carbon transition globally. In 2022, the stewardship of the ACT Initiative was transferred to WBA.

In the meantime, despite the increasing number of net-zero commitments and the proliferation of frameworks, global emissions of carbon dioxide (CO₂) have yet to reach their peak while the consequences of climate change are clear:

The higher the magnitude of climate change, the more dramatic the impacts will be in the future. The Intergovernmental Panel on Climate Change (IPCC), clearly highlighted the huge gap between consequences to expect in a 2°C and a 1.5°C world (3), the latter being the aspirational target to focus on, set by the Paris Agreement. Urgent actions are needed now more than ever to keep this target within reach. The 2020-2030 decade is depicted as the central milestone that cannot be missed, explaining for instance why the European Union recently raised its 2030 climate target (“fit to 55”).

The degree of action undertaken now and in the near-term will be a major determining factor in the costs of the transition. Considering that, in the near-term, the establishment of globally-aligned, impactful government regulations is highly unlikely, the initiative of companies and their voluntary shift towards a low-carbon business will be key in achieving near-term change. The degree of this voluntary commitment also provides insights into the overall commitment of business to the transition. The ACT assessment methodologies provide insights into this commitment by assessing the present willingness and capacity of companies to transition to a low-carbon future.

Measuring the ability of companies to transition to a low-carbon economy requires an understanding of how decarbonisation is embedded in their business strategies. To help companies set decarbonisation targets compatible with well-below 2°C or beyond, i.e. 1.5°C climate change scenarios, various allocation methods have been developed to define their contribution to sectoral or global efforts to mitigate GHG emissions.

While these allocation methods give a GHG emissions reduction rate and a target to achieve, the ACT methodologies employ a holistic approach, taking into account all feasible quantitative and qualitative indicators that provide insight regarding a company's current and future ability to reduce its GHG emissions and maximise its contribution to the low-carbon transition. All indicator scores are consolidated into a scoring,

44 which provides an overall metric of the company's low-carbon alignment. Ultimately the goal is to provide
45 companies with specific feedback on their low-carbon alignment in both the near and long term. Once the
46 outcomes are made public, ACT assessments also become a source of insights to all stakeholders involved
47 in the corporate low-carbon transition.

48 Initially focusing on high-GHG emissive sectors with regard to the climate mitigation issue, the ACT initiative
49 is now addressing a wider range of topics: climate adaptation, financial sector, and soon biodiversity. It is
50 worth noting that, while this framework relates to ACT assessment methodologies specifically dedicated to
51 climate mitigation, the principles and guidance it delivers also inspire other methodologies issued by the
52 initiative.

2. Assessment Framework

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55 The ACT Framework is in itself an assessment framework. It outlines the path for all ACT assessment
56 methodologies dedicated to climate mitigation. It is the key document that identifies the most relevant
57 indicators for assessing a company's climate impact. ACT assessment methodologies shall use the ACT
58 framework to ensure the consistent application of all ACT principles (see below) within the different sectors
59 thus fulfilling the need for consistent accountability to different stakeholders.

60

2.1. ACT ASSESSMENT PRINCIPLES

61

62 *Based on ACT Framework v1.1. – See section 2 p. 6*

63 The application of principles is fundamental to ensure that low carbon transition-related information is true
64 and fair. These assessment principles, presented in Table 1, are designed to guide an ACT assessment and
65 should be used to shape decision making for the assessor. The principles cover multiple elements of an
66 assessment including how data should be selected, how it should be used and what sort of assumptions can
67 be used. The application of these principles should allow for improved consistency across ACT assessments.

68

TABLE 1: ACT ASSESSMENT PRINCIPLES

RELEVANCE - Select the most relevant information (core business and stakeholders) to inform the various components of the assessment, and thus to assess low carbon transition.

VERIFIABILITY - The data required for the assessment shall be verifiable and reflect the overall credibility of the company's low-carbon strategy and related transition plan.

AMBITION - The data used for the assessment shall reflect the company's contribution to a 1.5°C maximum global warming whenever possible, or to well-below 2°C as the minimum required efforts (compared to pre-industrial levels).

CONSERVATIVENESS - Whenever the use of assumptions is required, the assumption shall reflect company's current performance and shall not overestimate progress or improvements if supporting evidence is not available.

CONSISTENCY - Whenever time series data is used, it should be comparable over time.

DIRECTION OVER TIME - Enable the evaluation of the near- and long-term performances, to ensure quick impact of actions and the continuity of the overall strategy including a long-term vision of the company's business.

69

2.2. MATURITY JOURNEY: FROM GHG ACCOUNTING TO ACT ASSESSMENT

New elements for v2.0.

In the spirit of the “you can’t manage what you don’t measure” maxim, it is imperative that companies work on their GHG accounting before they can be properly assessed by ACT. The methodologies require GHG emissions data for the five years preceding the reporting year, to ensure insightful trend analysis of companies’ past performance. It has rapidly become clear that many companies that report their GHG emissions are far from having developed a robust transition plan.

For this reason,, the ACT initiative has developed the ACT Step-by-Step methodology, with the objective to “provide guidance and support for companies to prepare, structure and implement their decarbonisation strategies (4). This methodology proposes a long process, typically lasting 1 to 1.5 years, enabling the company to develop a robust and credible transition plan and start taking actions to decarbonise.

ACT sectoral methodologies dedicated to climate mitigation, covered by this framework, are more applicable to companies which have already gone through the three first steps listed in Table 2. Otherwise, one can expect poor ACT scores, which is typically seen for companies assessed based on public data only (see section 6.0).

Note: The ACT Adaptation methodology (dedicated to climate change adaptation) released in 2023¹, and the upcoming ACT Biodiversity methodology, do not fall in the scope of the ACT Framework.

TABLE 2: COMPANIES’ MATURITY JOURNEY - FROM MEASUREMENT TO ACCOUNTABILITY

| | |
|------------------------------|--|
| MEASUREMENT | Measurement is the first step in reducing environmental impacts. A complete inventory of GHG emissions helps organisations understand their emissions profile and identify opportunities for emissions reduction. |
| TRANSPARENT REPORTING | Transparent reporting , consistent with climate standards, is essential for achieving a low-carbon economy. Stakeholders can hold transparent organisations accountable for their performance, and sharing information brings opportunities to collaborate along the value chain. Both effectively reduce climate impact. |
| PUBLIC COMMITMENTS | Public commitments provide a clear sense of direction to an organisation and its stakeholders. Setting science-based targets and defining the appropriate means to achieve them lays down the pathway to meaningful climate action. Once companies have prepared a baseline of GHG emissions data and are reporting it transparently, the next step and first priority of credible transition plans is to reduce these emissions. Other |

¹ See ACT website [dedicated news](#)

| | |
|-----------------------|--|
| | relevant solutions to mitigate climate change (such as carbon removals) shall be considered in the second place. |
| ACCOUNTABILITY | Accountability is needed to ensure that companies' commitments deliver the transition to a low-carbon economy. ACT assessments use climate scenarios to define the specific level of ambition required for each sector. The ACT assessment process assesses the organisation against these science-based benchmarks to produce the ACT scoring. |

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2.3. ACT GUIDING QUESTIONS AND ALIGNED STATE

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Based on ACT Framework v1.1. – See section 5.1 pp. 11-12

93

As a starting point, the ACT Assessment framework proposes five guiding questions as the basis to steer the development of ACT methodologies and create consistent ACT ratings across sectors. The framework, presented in Figure 1, is consistently followed for the development of all ACT assessment methodologies². It aims at covering the following points:

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- ◆ Q1: Targets are one of the fundamental indicators of companies' readiness for the transition. Both ambition and time horizon of targets are important parameters to consider.

98

99

- ◆ Q2: The transition plan shall cover both what is under direct control of the company and the aspects that the company can influence indirectly, such as impacts on the value chain, policy or regulations.

100

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- ◆ Q3 and Q4: Past and present actions not only determine how much the company still has to do, but also how credible it is to expect that it will achieve its goal.

102

103

- ◆ Q5: This question can also be put as 'Is the company able to be profitable in a low-carbon economy?'

104

Questions 1-4 express the dynamic vision of companies in a transition state as proposed by ACT. From the commitment (Q1) ACT will evaluate the associated means that are going to be deployed (Q2) and are already in place (Q3, Q4) and subsequently validate the consistency and credibility of the company's transition plan (Q5).

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² An exception has been made for the ACT Finance (Banking and Investing) methodologies, due to the sectoral specificities which make some of the performance modules and indicators irrelevant.

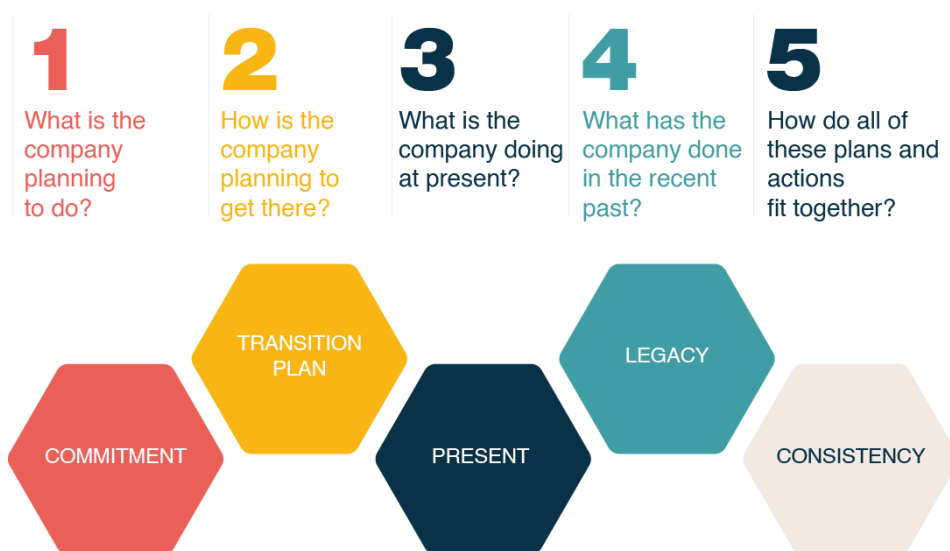


FIGURE 1: ACT ASSESSMENT FRAMEWORK

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111 ACT methodologies define an “aligned state” which broadly provide the answers to these five guiding
112 questions for a typical company who is successful in transitioning to a low-carbon economy. These answers
113 consider sector specific elements where relevant and reflect the various activities and company profiles that
114 are defined in the ACT methodologies.

115

2.4. MATCHING SCOPE OF ACTIVITIES

116

117 *New elements for v2.0.*

118 ACT methodologies are built at the sectoral level, in order to allow assessing companies which can use similar
119 levers to initiate and deploy their low-carbon transition and/or are part of the same value chain. This sectoral
120 approach enables, amongst others, to build GHG emissions reduction pathways at the company level from a
121 sectoral scenario (see section 5.4).

122 For each sector covered by the ACT methodologies, the scope of activities that can be assessed and the
123 boundaries of GHG emissions that are considered first in performance indicators relying on GHG emissions
124 reduction pathways and second in other places of the methodology, are defined.

SCOPE OF ACTIVITIES

125
126 ACT methodologies provide an overview of the sectoral value chain and put emphasis on the activities that
127 are considered for the assessment. A mapping against internationally acknowledged classifications, such as
128 the statistical classification of economic activities from the European Commission (NACE codes) (5), the
129 international standard industrial classification of all economic activities (ISIC) from the UN Statistic Division
130 (6), the Activity Classification System from the CDP (ACS (7)), eases the identification of relevant activities.
131 When relevant, various company profiles are defined, to reflect as best as possible sub-sectoral specificities
132 and fine-tune the relative importance given to elements embedded in the ACT assessment.

133 Some integrated companies cover various sectors, for instance with different business units controlled by the
134 same group. A specific note has been released by the ACT initiative to clarify rules when dealing with such
135 “multi-activity” companies, regarding the definition of the scope (which activities or business units to cover)
136 and on how to aggregate several ACT scores (8).

137 Obviously, the set of assessment methodologies proposed by the ACT initiative, evolving over time, does not
138 allow to assess all companies. Many of them are not falling in the scope of sectoral activities covered by

139 available methodologies. To ensure that as many companies as possible can be assessed, the initiative has
140 developed an ACT Generic methodology, which does not include sector-specific elements. This generic
141 methodology is based on a flexible structure, mainly thanks to a weighting performance scheme that is tuned
142 depending on the emissions profile of the company. This way, it is possible and pertinent to assess very
143 different companies with a single methodology.

144

145 **2.5. INPUTS REQUIRED FOR AN ACT ASSESSMENT**

146 *Based on ACT Framework v1.1. – See section 5.3 pp. 14-16*

147 To carry out a company-level assessment, many data points need to be gathered which can be sourced from
148 various locations. ACT methodologies rely on data publicly published or provided on a voluntary basis by
149 companies (depending on how ACT methodologies are used, see section 6.0), as well as external data
150 sources.

151 Public data shall be preferred whenever it can serve an ACT assessment, independently of the use of the
152 ACT methodologies. Indeed, data published by companies is available to any stakeholder, involved or not in
153 the ACT assessment process, making it easier to check compared to internal/confidential documentation.
154 Public data disclosed by companies shall be preferred since they are accountable for it, and because it can
155 be accessed and verified by any stakeholder.

156 ACT analyses and scores shall be based on consideration of a complete set of information on raw company
157 data or indicators. Indicators may be reported directly by companies. Indicators may also be calculated,
158 modelled or otherwise derived from different data sources supplied by the company. Following the
159 “verifiability” principle for methodology development, preference shall be given to data that is verified,
160 verifiable or can be validated in some way. Data sources requested by an ACT methodology may be
161 quantitative or qualitative in nature, as may be the indicators selected.

162 Data collection requirements shall be driven by the ACT principles (see section 2.0) but also by practical
163 considerations. For example, when choosing between two data formats, it may be necessary to select one
164 which is more widely used within an industry than one which is little used but more relevant to the project
165 requirements.

166 The ACT methodologies list the data that is required to score performance indicators. A mapping against up-
167 to-date CDP’s Climate Change sectoral questionnaire is proposed, to ease the data collection process for
168 companies reporting to CDP. The initiative also provides a mapping of the ACT methodologies with regulatory
169 and voluntary frameworks (see Appendix 9.3), such as:

- 170 ◆ The European Sustainability Reporting Standards (ESRS) E1 Climate change, which will be used by
171 companies to the EU’s Corporate Sustainability Reporting Directive (CSRD)
- 172 ◆ The framework set by the Glasgow Financial Alliance for Net Zero (GFANZ)
- 173 ◆ The UK’s Transition Plan
- 174 ◆ The UK’s Transition Plan Taskforce Disclosure Framework

175 A large share of the data that is required to perform an ACT assessment is thus easy to access for companies
176 disclosing to one or various of the frameworks mentioned above.

177

3. ACT scoring structure

As displayed in Figure 2, the ACT scoring shall comprise:

- ◆ A performance score
- ◆ A narrative score
- ◆ A trend score

These pieces of information shall be represented within the ACT scoring as follows:

- a. Performance score as a number from 0 (lowest) to 20 (highest). The highest scoring is obtained when the company receives maximum scores against all the indicators.
- b. Narrative score as a letter from E (lowest) to A (highest). The highest scoring is obtained when the information reported by the company and available from public sources is consistent and shows that the company is well aligned to transition to the low-carbon economy.
- c. Trend score as either “+” for improving, “-” for worsening, or “=” for stable. The highest scoring is obtained when the information analysed shows the company will be better placed to transition to the low-carbon economy in future.

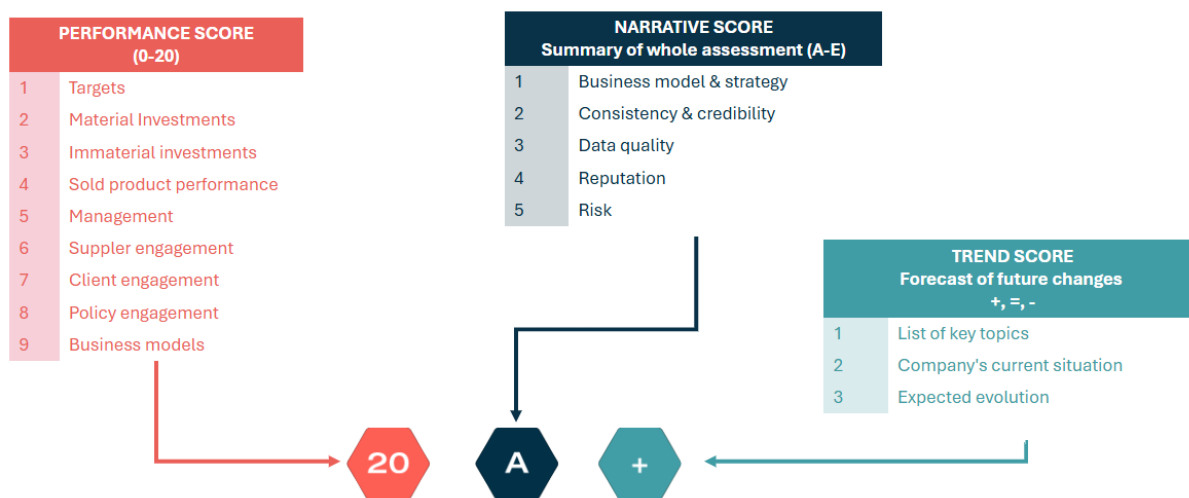


FIGURE 2: ACT SCORE COMPONENTS

3.1. PERFORMANCE SCORING

Based on ACT Framework v1.1. – See section 7.1 pp. 26-27

Giving more detailed description of ACT performance modules and indicators

Purpose and approach

The performance scoring measures the degree of alignment with the requirements of a low-carbon economy as measured by the limited set of performance indicators included in the ACT methodology.

203 The performance scoring is calculated mathematically from the points awarded to the participating company
 204 for each indicator in the ACT methodology according to the level of performance attained. Points shall be
 205 awarded on a numerator/denominator system and then the fraction of points awarded converted to a
 206 percentage, before being converted to a score between 0 and 20.

207 **Guidance to the performance scoring**

208 The set of performance indicators and their associated weightings, as well as the associated module
 209 weightings, are sector-specific by nature and are therefore presented in the ACT methodologies.

210 Each performance indicator measures the response of the company for all the activities of the company
 211 assessed versus ACT. Thus, if the response of the company does not cover all the involved activities for a
 212 given indicator, then the score is adjusted downwards equal to the % coverage of the response, unless
 213 otherwise specified in the sector methodology.

214 **3.1.1. OVERVIEW OF ACT MODULES AND INDICATORS**

215 The ACT performance scoring is based on a modules structuring the set of indicators against which
 216 companies are assessed. Table 3 below provides module summaries, highlighting the topics that are
 217 considered to analyse the overall companies' low-carbon strategy.

218 [TABLE 3: ACT MODULES SUMMARIES](#)

| Module number | Module name | Summary |
|---------------|-----------------------|--|
| 1 | Targets | Assesses companies' commitments to reduce emissions, as these are the north star for navigating the low-carbon transition. Targets provide a goal against which companies can align their strategy, business decisions, capital expenditure (CapEx) and research and development (R&D) to deliver emissions reductions. Targets should be science-aligned and include both long-term (Net Zero, carbon neutrality, pure emissions reduction, etc.) and frequent, interim targets. |
| 2 | Material Investment | Assesses actions to reduce scope 1 and 2 emissions from a company's assets and operations. Most sectors are assessed on trends in past and forecast future scope 1 and 2 emissions, particularly when such emissions represent a large share of companies' overall emissions. Comparing capital expenditure (CapEx) allocated to low-carbon technologies against the total CapEx provides an indication of future emissions reductions, while locked-in direct emissions from companies' assets shows the amount by which companies are likely to exceed their carbon budget and highlights the risk of stranded assets. |
| 3 | Intangible Investment | Assesses companies' investments in intangible assets such as research and development (R&D), training and patent development in low-carbon and mitigation and any relevant technologies / products. Companies in many sectors state that the development of new technologies is |

| | | |
|---|--------------------------|--|
| | | essential for them to transition, and these indicators give an indication of the level of commitment to new technologies and work practices. |
| 4 | Sold Product Performance | Assesses action to reduce scope 3 emissions from companies' value chains, contributing to the overall decarbonisation of their products and/or services. Most sectors are assessed on trends in past and forecast future emissions from the products they produce and sell, particularly when such emissions represent a large share of companies' overall emissions. Depending on the sector's specific decarbonisation levers, this module may address companies' efforts to reduce indirect emissions from upstream manufacturing processes and feedstocks, and use-phase emissions of sold products through increasing the share of low-carbon products and improving energy efficiency. |
| 5 | Management | Assesses whether companies have the expertise, strategy, incentives and plans in place to manage their low-carbon transition. It assesses the quality of the transition plan and the scenario analysis used to develop it. |
| 6 | Supplier Engagement | Assesses companies' efforts to decarbonise their supply chain. This module assesses the company's strategy to engage with its suppliers to reduce emissions. It then assesses existing activities, initiatives and partnerships, launched by the company to influence and support suppliers to reduce emissions. |
| 7 | Client Engagement | Assesses companies' engagement efforts to help, influence or otherwise enable client to reduce their greenhouse gas emissions. This module assesses the company's strategy to engage with its clients or customers to reduce emissions. It then assesses existing activities, initiatives and partnerships, launched by the company to influence clients to reduce emissions. |
| 8 | Policy Engagement | Assesses how companies influence the policy agenda, whether through membership of trade associations and lobbying organisations, support for/obstruction of climate policies, and engagement with local authorities. |
| 9 | Business Model | Assesses the maturity of the new low-carbon business models that all companies will need to develop in order to remain profitable in the future low-carbon economy. Companies' future business models should enable them to decouple financial results from GHG emissions, in order to meet the constraints of a low-carbon transition while continuing to generate value. The module identifies both relevant current business models and those still at a development stage. |

219 Table 4 lists the indicators of the ACT Generic methodology, which has been designed to assess companies
 220 not falling in the scope of available sectoral methodologies. These indicators are the common basis on which
 221 all ACT methodologies rely. Indicators cover the past, present and future, with, if possible, a stronger
 222 emphasis on those that are future-oriented.

223

TABLE 4: LIST OF INDICATORS FROM ACT GENERIC METHODOLOGY

| MODULE | Indicator number | Indicator name |
|---------------------------------|------------------|--|
| TARGETS | 1.1 | Alignment of scope 1+2 emissions reduction targets |
| | 1.2 | Alignment of scope 3 upstream emissions reduction targets (*) |
| | 1.3 | Alignment of scope 3 downstream emissions reduction targets (*) |
| | 1.4 | Time horizon of targets |
| | 1.5 | Achievement of past and present targets |
| MATERIAL INVESTMENT | 2.1. | Trend in past scope 1+2 emissions intensity |
| | 2.2. | Trend in future scope 1+2 emissions intensity |
| | 2.3. | Share of low-carbon CapEx (*) |
| | 2.4 | Locked-in emissions (*) |
| INTANGIBLE INVESTMENT | 3.1 | R&D in climate change mitigation technologies (*) |
| | 3.2 | Company low-carbon patenting activities (*) |
| SOLD PRODUCT PERFORMANCE | 4.1. | Product / service-specific interventions (*) |
| | 4.2 | Trend in past product / service specific performance (*) |
| | 4.3 | Locked-in emissions from sold products (*) |
| | 4.4 | Sub-contracted transport service performance (*) |
| MANAGEMENT | 5.1 | Oversight of climate change issues |
| | 5.2 | Climate change oversight capability |
| | 5.3 | Low-carbon transition plan |
| | 5.4 | Climate change management incentives |
| | 5.5 | Climate change scenario testing |
| SUPPLIER | 6.1 | Strategy to influence suppliers to reduce their GHG emissions |
| | 6.2 | Activities to influence suppliers to reduce their GHG emissions |
| CLIENT | 7.1 | Strategy to influence clients to reduce their GHG emissions |
| | 7.2 | Activities to influence clients to reduce their GHG emissions |
| POLICY | 8.1 | Company policy on engagement with associations, alliances, coalitions or thinktanks |
| | 8.2 | Associations, alliances, coalitions or thinktanks supported do not have climate-negative activities or positions |
| | 8.3 | Position on significant climate policies |
| | 8.4 | Collaboration with local public authorities (*) |
| BUSINESS MODEL | 9.1 | Revenue from low-carbon products and/or services |
| | 9.2 | Changes to business models |
| | 9.3 | Share of product/service sales used in client low-carbon products/services (*) |

224 (*) : indicator might not apply, depending on the sector that is considered

225 More sector specific indicators are also added to reflect important topics against which companies shall be
 226 assessed to get a comprehensive and complete analysis of their low-carbon strategy. These sector specific
 227 are more likely to be included in modules 2 (Material investment), 3 (Intangible investment), and 4 (Sold
 228 product performance).

229 **3.1.2. QUANTITATIVE INDICATORS**

230 **Based on ACT Framework v1.1. – See sections 6.1 pp. 17-19 and 6.3 pp. 23-25**

231 Performance of companies regarding climate ambition and related strategies is partly assessed thanks to
 232 various quantitative indicators, scored thanks to numerical data. The first examples lie in all indicators relying
 233 on GHG emissions reduction pathways, used to assess companies' emissions trends and related targets.
 234 Section 5.5 details the main methods deployed in ACT methodologies.

235 Quantitative indicators are not restricted to GHG emissions data only. ACT assessments also consider:

- 236 ♦ Financial data, with capital expenditure (CapEx) and research and development (R&D) investments
 237 figures, share of revenues arising from low-carbon products and services
- 238 ♦ Activity data, such as share of patents dedicated to low-carbon technologies and solutions, share of
 239 products and services defined as low-carbon (depending on sectoral definitions and criteria) within
 240 companies' portfolio
- 241 ♦ Any sector specific relevant data that is identified during methodology development or update

242 Such data is typically analysed considering either trends in time (past and/or future) or ratios. Whenever
 243 possible, global or sectoral benchmarks are used to determine if companies' performance aligns with
 244 expectations arising from specific climate ambitions (e.g. 1.5°C pathways).

245 **3.1.3. QUALITATIVE INDICATORS**

246 It is not always possible or relevant to use quantitative metrics and scoring system to score an indicator. In
 247 consequence, ACT methodologies also include qualitative indicators, based on maturity matrices which are
 248 scaled on five levels, from "Basic" (lowest level) to "Low-carbon aligned" (highest level). Each level is
 249 associated with a score, as highlighted in Table 5. Some performance indicators are based on maturity
 250 matrices with a single question (or "subdimension"), whereas other indicators are based on multi-
 251 subdimension matrices. In the latter case, each subdimension is associated with a weighting which is taken
 252 into account to calculate the overall indicator score. Most matrices in the methodology make use of the full
 253 five-level matrix structure, although some may only use 2, 3 or 4 of the available maturity levels. Such maturity
 254 matrices are also used for narrative scoring.

255

256 **TABLE 5: MATURITY LEVELS AND ASSOCIATED SCORES USED IN ACT MATURITY MATRICES**

| Evaluation level | Basic | Standard | Advanced | Next practice | Low-carbon aligned |
|-------------------------|--------------|-----------------|-----------------|----------------------|---------------------------|
| Score | 0 | 0.25 | 0.5 | 0.75 | 1 |

257

258 Some criteria are provided to allow assessors to define the company's maturity level on the considered topic,
 259 and calculate the score accordingly. Guidance is also available in the ACT methodologies to ease the

260 assessment when needed, in order to limit as much as possible subjectivity and potential variations in
261 answers from various assessors.

262 **3.1.4. WEIGHTING MODULES AND INDICATORS**

263 Each module and indicator in the methodology has a number of points allocated to it. The relative numbers
264 of points for each indicator, or weighting, is determined on a sector-by-sector basis. In general, higher
265 weightings are given to questions/issues which have greater relevance for that specific sector to achieve the
266 low-carbon transition.

267 The selection of weights for both the modules and the individual indicators is guided by the following set of
268 principles:

269 [TABLE 6: GENERAL PRINCIPLES FOR THE ASSIGNMENT OF WEIGHTINGS TO ACT INDICATORS AND MODULES](#)

The value of the information that an indicator gives about a company's outlook for the low-carbon transition is the primary principle for the selection of the weights.

A high impact of variation in an indicator means that not performing in such an indicator has a large impact on the success of a low-carbon transition, and this makes it more relevant for the assessment.

Indicators that measure the future, or a proxy for the future, are more relevant for the ACT assessment than past & present indicators, which serve only to inform about the likelihood and credibility of the transition.

Indicators that are highly sensitive to expected data quality variations are not recommended for a high weighting compared to other indicators, unless there is no other way to measure a particular dimension of the transition.

270

271 **WEIGHTING AT THE MODULES LEVEL**

272 The 9 modules of ACT methodologies are weighted using a top-down approach. When assigning weightings,
273 the macro story of low-carbon transition for the sector is considered and areas that are more significant for
274 this change are more heavily weighted.

275 Assigning weighting at the modules level takes into consideration the sector specificities regarding climate
276 transition, especially the positioning of the companies in the sector in the carbon value chain – considering
277 the respective shares of direct, indirect upstream and indirect downstream sources of GHG emissions .

278 Table 7 provides the range for each module weighting and sectoral specificities to be considered while
279 defining the performance weighting scheme.

280 [TABLE 7: ACT MODULES WEIGHTINGS RANGES](#)

| Module number | Module name | Module weighting | Specific considerations |
|----------------------|--------------------|-------------------------|--------------------------------|
|----------------------|--------------------|-------------------------|--------------------------------|

| | | | |
|---|--------------------------|-------------------------------------|---|
| 1 | Targets | 15% | Weighting of this module is the same for all methodologies, highlighting the importance of GHG emissions reduction targets as the basis on which companies' low-carbon strategy builds |
| 2 | Material Investment | 0-35% | Weighting should reflect the specific importance of emissions arising from companies' own assets and operations (scope 1 and 2 emissions) |
| 3 | Intangible Investment | 0-10% | Weighting should reflect the specific importance of R&D and patenting activities in the sectoral low carbon transition., and thus depends on the sector reliance on technologies that are not available yet. |
| 4 | Sold Product Performance | 0-35% | Weighting should reflect the specific importance of the emissions associated with the companies' value chain (scope 3 emissions), considering both upstream and downstream sources |
| 5 | Management | 10% | Weighting is the same for all methodologies, and reflect the equal importance of management for achieving the climate transition |
| 6 | Supplier Engagement | Typically 0-10% Can go up to 20% | Weighting should reflect the specific importance of suppliers and related scope 3 upstream emissions, and therefore the key role of the company to influence them regarding climate transition |
| 7 | Client Engagement | Typically 0-10% Can go up to 20% | Weighting should reflect the specific importance of clients and related scope 3 downstream emissions, and therefore the key role of the company to influence them regarding climate transition |
| 8 | Policy Engagement | 5% | Weighting is the same for all methodologies, and reflect the specific importance of regulation in the climate transition of the sector, and therefore the key role of the company to influence related policies |
| 9 | Business Model | 10% | Weighting is the same for all methodologies, and reflect the importance of developing new business models to achieve the climate transition, as well as terminating high-carbon activities when relevant |

282

283 **WEIGHTING AT THE INDICATORS LEVEL**

284 At the indicators level, the robustness of the indicator is considered. The weighting assigned to indicators is
285 assigned according to the following criteria:

- 286 ♦ How well the indicator functions to measure real performance
- 287 ♦ How the actions related to the indicator are advanced or mature
- 288 ♦ Whether the measure relates to an absolute measure of performance or a relative benchmark.
289 According to the ACT principles, absolute benchmarks are to be preferred and the weighting should
290 reflect this.
- 291 ♦ How future-oriented the indicator is
- 292 ♦ Complexity of data gathering: score allocation can provide an incentive for complex data collection
- 293 ♦ If the indicator is a proxy rather than a direct measurement, which uses second source data instead
294 of primary source data, how closely correlated or related to the desired measurement the proxy is
295 should be factored in
- 296 ♦ Data-driven or directly measured indicators

297 Finally, in some cases, indicators are identified as very relevant but difficult to assess. In such cases,
298 accordingly to principles listed above, a low weighting is allocated to reflect this difficulty of analysis. These
299 cases occur in the following circumstances: lack of maturity of the methodology (e.g. absence of sectoral
300 scenario/benchmark), difficulties in collecting information, difficulties in verifying collected information, etc.

301

302 **3.2. NARRATIVE SCORING**

303 *Based on ACT Framework v1.1. – See section 7.2 pp. 27-30*

304 **3.2.1. PURPOSE AND APPROACH**

305 The narrative scoring is primarily a sense-making exercise. Using Pirolli and Card's framework for sense-
306 making (9) through their bottom-up approach, an ACT assessment can be viewed as a set of sequential tasks,
307 starting with information development (gathering company data from both publicly available and directly
308 reported sources), followed by schema development (the "representation of gathered information in a schema
309 that aids analysis", i.e., the organisation of collected data in logical, meaningful structures, such as diagrams
310 or spreadsheet templates that have been developed to be the most relevant and suited to the task over time).
311 The next stage in Pirolli and Card's process is insight development. In the ACT assessment context, this
312 includes the analysis of performance modules and generation of the performance score, but crucially is
313 followed by the creation of a holistic narrative that seeks to capture the overall meaning and make sense of
314 the information collected about the company. The final stage in this sense-making process is product
315 development. In the ACT assessment context, the "product" is the main output of an assessment, such as
316 the company feedback report, which is based on the insight developed in the previous stage.

317 To achieve the above, the most important purpose of the narrative scoring is to enable the assessor to prepare
318 the feedback report for the company, evaluating the company's overall readiness to transition to a low-carbon
319 economy and whether there are any gaps in that readiness that were not picked up in the performance
320 scoring. Therefore, the narrative assessment does not rely solely on analysis of the results of the performance
321 modules, but also information related to overall strategy, consistency and credibility, data quality, reputation
322 and risk.

323 To carry out the narrative scoring, the assessor extracts cues from both the performance score results and
324 additional narrative criteria by asking a set of guiding questions for each criterion. This helps to link information
325 about a company’s environmental performance to a broader network of meaning, i.e., the company’s overall
326 readiness to transition. This overall sense of the state of the company is then captured in a narrative account
327 that tells a story of the company’s past, present and future journey, based on the five ACT guiding questions
328 (see section 2.3). This is captured in the feedback report for the company.

329 Further, the narrative scoring summarises the full conclusions of the analysis, including performance score
330 results and additional narrative criteria, in a single letter from A (highest) to E (lowest).

331 **3.2.2. GUIDANCE TO THE NARRATIVE SCORING**

332 **GENERAL NARRATIVE SCORING ASSIGNMENT PROCESS**

333 The narrative scoring has 3 steps:

- 334 a. The performance score insights summarize why a certain score has been assigned to each
335 module/indicator, and focus on the lower module scores where the most improvement can be gained.
- 336 b. Narrative indicators and accompanying data. This consists of a review of the data available on the
337 company. The considered data includes the data gathered for the performance scoring, as well as
338 data from other sources, such as annual reports and investment analysis prepared by third parties,
339 external media sources and platforms such as RepRisk.
- 340 c. Finally, the information gathered through the performance score insights and narrative indicators
341 should be analysed with the following five criteria in mind:
 - 342 ♦ Business model and strategy
 - 343 ♦ Consistency and credibility
 - 344 ♦ Data quality
 - 345 ♦ Reputation
 - 346 ♦ Risk

347 The assessor shall develop a textual commentary, in which the five narrative criteria and five ACT guiding
348 questions (presented in section 2.3) shall be addressed, and assign the associated narrative score, ranging
349 from A to E (see section "Quantitative approach for narrative scoring based on 5 criteria" below for guidance
350 on producing the narrative score).

351 **DETAILED NARRATIVE SCORING CRITERIA DESCRIPTION**

352 To develop the narrative analysis and establish a score, the assessor shall review the data that is available
353 on the company according to the 5 criteria described in this section. For each criterion, an overarching
354 question is provided. More specific guiding questions and related maturity matrices can be found in Appendix
355 9.2. In general, the 5 criteria have equal importance in the analysis. However, there may be certain sectors in
356 which one of the 5 criteria should be assigned a higher weighting than the others due to its relatively greater
357 importance for that sector. This should be decided in future updates of sector methodologies.

358 **I. Business model and strategy**

359 The Business Model and Strategy criterion will explore whether the company is successfully running a
360 profitable business with low-carbon activities and is changing its corporate or organisational business model
361 to mitigate climate change and/or meet the requirements of the low carbon economy.

362 Although other uses of the term exist, “business model” in the narrative scoring context could be thought of
363 as a value-creation model covering the whole of the company:

364 “An organisation’s system of transforming inputs through its business activities into outputs and outcomes
365 that aims to fulfil the organisation’s strategic purposes and create value over the near, medium and long term”
366 (10).

367 The corporate business model will often be formed from the combination of multiple diverse business models
368 at the business unit level.

369 *Note: In contrast, the terms “business model” and “business models” are used in a narrower context in the*
370 *performance scoring analysis, to mean:*

371 *“a plan for the successful operation of a business, identifying sources of revenue, the intended customer*
372 *base, products, and details of financing. Under ACT, evidence of the business model shall be taken from a*
373 *range of specific financial metrics relevant to the sector and a conclusion made on its alignment with low-*
374 *carbon transition and consistency with the other performance indicators reported”.*

375 *This definition is the one included in the glossaries of this Framework document and the sector methodologies*
376 *and is intended to refer to the narrower concepts that are being measured in Indicator 9 (presented in section*
377 *3.1.0).*

378 “Strategy” is defined in the glossary of this Framework as “A plan of action designed to achieve a long-term
379 or overall aim. In business, this is the means by which a company sets out to achieve its desired objectives;
380 long-term business planning.”

381 The TCFD refers to strategy more in the sense of a future vision rather than a means to achieve that vision:

382 “Strategy refers to an organisation’s desired future state. An organisation’s strategy establishes a foundation
383 against which it can monitor and measure its progress in reaching that desired state. Strategy formulation
384 generally involves establishing the purpose and scope of the organisation’s activities and the nature of its
385 businesses, taking into account the risks and opportunities it faces and the environment in which it operates”
386 (11).

387 In the context of the narrative scoring, strategy is used to refer both to the future vision of the company, but
388 also its means to achieve that vision. In the case of the low-carbon transition, a company’s strategy should
389 comprise a vision of how it will operate successfully in a future low-carbon economy, including the ways in
390 which its business model will need to transform.

391 The Business Model and Strategy criterion assesses the extent to which the company’s overall organisational
392 business model and strategy is aligned with the low-carbon transition.

393 **The overarching question the assessor should ask to guide their assessment in this section is:**

394 **◆ To what extent is the company’s organisational business model and strategy aligned or**
395 **misaligned with the low-carbon transition?**

396

397 II. Consistency and credibility

398 The Consistency and Credibility criterion relates to the fifth question of the ACT Assessment framework
399 (presented in section 2.3), “How do all these plans and actions fit together?” Consistency refers to the overall
400 coherence of different elements of the company’s business model and strategy. For example, if a company’s
401 recent actions (such as investing in new natural gas generation capacity) appear to contradict its strategic
402 direction or commitments (such as a plan to phase out all fossil fuel assets), this shows inconsistency.
403 Credibility refers to how believable – or not – the company’s ambition and actions towards achieving its low-
404 carbon transition are. Evidence of consistency and credibility may be based on analysis of the performance
405 score results, as well as any additional external evidence about the company.

406 **The overarching questions the assessor should ask to guide their assessment in this section are:**

- 407 ◆ **Are there any aspects of the company’s business model and strategy that are inconsistent**
408 **with each other, or with external information about the company?**
- 409 ◆ **Are there any aspects of the company’s business model and strategy that are not credible?**

410

411 III. Data quality

412 Data quality can be broadly assessed on six dimensions: Accuracy, Completeness, Uniqueness,
413 Consistency, Timeliness and Validity (12). The Data Quality criterion evaluates the quality of the data used
414 for the ACT assessment, based on the four most relevant dimensions, Accuracy, Completeness, Consistency
415 and Timeliness. Since the ACT assessment covers more than just GHG emissions and targets, and also
416 assesses other activities (e.g. R&D, strategies, management and business models), the benchmark for
417 quality, and relative importance of the data quality dimensions, vary depending on the type of data. For
418 example, GHG emissions should be verified by a third party using an accepted standard (based on the CDP
419 list of accepted verification standards (13)) to be considered highly accurate. Meanwhile, data related to low-
420 carbon R&D expenditure, for example, will have a lower benchmark for quality, since it is not yet common
421 practice to disclose this data. As such, accuracy is somewhat assumed, while completeness takes on greater
422 importance. The narrative assessment for this criterion should express any significant concerns around data
423 quality.

424 In cases when company feedback reports are confidential, but the ACT scoring is publicly available, the Data
425 Quality narrative should be presented alongside the public ACT scoring as a standalone commentary. This is
426 because it is imperative that data users have access to information around data quality in order to interpret
427 results.

428 **The overarching question the assessor should ask to guide their assessment in this section is:**

- 429 ◆ **Are there any concerns around the quality of the reported data?**

430

431 IV. Reputation

432 The reputation definition considered in this framework is based on the 2005 definition of corporate reputation
433 offered by Barnett et. al.: “Observers’ collective judgments of a corporation based on assessments of the
434 financial, social, and environmental impacts attributed to the corporation over time” (14). For the purposes of
435 an ACT assessment, since successful low-carbon transition relies on the support and participation of
436 company stakeholders and the preservation of the company’s social license to operate, any major reputational
437 concerns, especially in the realm of environmental, financial and governance-related issues, have the effect
438 of reducing the perceived likelihood of that company’s ability to successfully complete its low-carbon
439 transition. As such, companies with major reputational concerns are penalised in the Narrative assessment.

440 The Reputation criterion will explore whether there are any serious reported incidents or controversies in the
441 company’s recent history that may lower the credibility of its reported commitments to the low-carbon
442 transition, call into question the credibility of the data provided for the ACT assessment, or damaged
443 relationships with stakeholders (e.g. financial, labour, value chain, regulatory) to the extent that the company’s
444 ability to transition to the low carbon economy is compromised. The assessor should refer to external data
445 from media sources or reputation platforms (e.g. RepRisk). Reputational concerns relating to data credibility
446 are also mentioned in the previous narrative criterion, which discusses the rationale behind data sources.

447 To decide whether a particular reputational incident (such as an environmental or governance-related
448 controversy or scandal) should be considered relevant to the assessment, the assessor should use the
449 following principle: the relevance of a reputational incident is a function of the time since the event, and the
450 severity of the incident. I.e., emphasis should be placed on the most recent and most high-severity incidents.

451 High-severity incidents which occurred a long time ago (e.g., more than 15 years ago or so) may still be
452 relevant to consider, while some lower-severity incidents which occurred very recently (e.g., in the last 2 years
453 or so) may also be relevant to consider. Minor or occasional breaches of law need not be included, while
454 consistent, systematic rule-breaking should. A rule of thumb to determine whether an incident is severe is
455 whether the company's board became involved (or should have done so), making a public statement or
456 committing to making some concrete change within the organisation.

457 It is important to note that reputation is a function of familiarity. More newsworthy or high-profile companies
458 will have more written about them, and companies will tend to be more newsworthy if they are consumer-
459 facing. This could be seen to create a bias in the Reputation criterion against the most high-profile companies,
460 as it will be easier for analysts to find reputational concerns for these companies, than for generally low-profile
461 ones. However, since higher-profile companies also face higher scrutiny from key stakeholders, and are more
462 like to suffer as a result of reputational concerns (through lower willingness of governments to work with them,
463 less investment, etc.), these companies face a higher risk that reputational concerns threaten their ability to
464 successfully transition. It then follows that high-profile companies should be more likely to be penalised in the
465 Reputation criterion.

466 **The overarching question the assessor should ask to guide their assessment in this section is:**

- 467 **◆ Are there any reputational concerns that call into question the company's ability to achieve**
468 **its low-carbon transition?**

469

470 V. Risk

471 The ISO 31000:2018 Risk management guidelines define risk as the “effect of uncertainty on objectives”. It
472 is “the combination of opportunities, threats and future uncertainty”. As such, risk does not have exclusively
473 negative connotations: “It can be positive, negative or both, and can address, create or result in opportunities
474 and threats” (15). For the purposes of the ACT assessment, however, only the negative risks facing
475 companies are considered, as these can result in threats/barriers to achieving the low-carbon transition. Risks
476 identified can occur over the near, medium or long term.

477 The focus is on transition risks, including the following categories as defined by the Task Force on Climate-
478 related Disclosure (TCFD): policy and legal risk, legal risk, market risk, reputation risk (11). The physical risks
479 are considered here.

480 **The overarching question the assessor should ask to guide their assessment in this section is:**

- 481 **◆ Are there any existing or potential risks that call into question the company's ability to achieve**
482 **its low-carbon transition?**

483

484 **QUANTITATIVE APPROACH FOR NARRATIVE SCORING BASED ON 5 CRITERIA**

485 This section explains the method for assigning the narrative score. The purpose is to improve fairness and
486 comparability of scores assigned by different analysts.

487 Each guiding question within each criterion should receive a score from 0 to 4 according to the maturity level
488 assigned to that question's maturity matrix (Basic = 0; Standard = 1; Advanced = 2; Next practice = 3; Low-
489 carbon transition aligned = 4). The final numerical score for each criterion is the average of the guiding
490 question scores within that criterion. The final numerical narrative score is the sum of all five criteria scores:

491

492

493






$$Total\ Score = 1 * \sum_{i=business\ model}^{Risk} Score_i$$

494 With this approach, the maximum achievable score is 20.

495 In specific situations where criteria are not considered with equal importance for the narrative scoring, the
496 above formula may be adapted (see section “Detailed narrative scoring criteria description” above for
497 guidance on when criteria weightings may be changed).

498 The alphabetical score can then be derived according to the table below, which illustrates how to convert the
499 final numerical narrative score, as calculated above, to the final letter-based ACT narrative score.

500 [TABLE 8: DERIVING THE FINAL NARRATIVE SCORE BASED ON A LINEAR QUANTITATIVE SCORE WITH A MAXIMUM OF 20 POINTS](#)

| LETTER SCORE | QUANTITATIVE SCORE REQUIRED |
|---|-----------------------------|
|  | 16 to 20 |
|  | 12 to <16 |
|  | 8 to <12 |
|  | 4 to <8 |
|  | 0 to <4 |

501

502

503 3.3. TREND SCORING

504 *Based on ACT Framework v1.1. – See section 7.3 pp. 31-32*

505 3.3.1. PURPOSE AND APPROACH

506 The trend score aims to forecast changes in the company’s alignment with the low-carbon transition by
507 answering the following question: is it expected that the company’s ACT score improve or worsen if repeated
508 in the near future?

509 The assessor should take into account all the available information looking for strong evidence that the
510 company’s ACT score will change, or not, in the near future, leveraging where relevant on other components
511 of the assessment (i.e. performance and narrative scores, especially elements that bear a forward-looking
512 power such as trend-in-future indicators). The assessor should also look at tangible indication of operational
513 changes that might have not been used in other parts of the assessment, for instance the announcement of
514 the issuance of new governance, policy or roadmap for the near future. All possible major events, which have

515 the potential to affect the company's alignment to a low-carbon transition, should be considered for the trend
516 scoring.

517 **3.3.2. GUIDANCE TO THE TREND SCORING**

518 **** Work in progress ****

519 *The ACT initiative is currently revising the trend scoring process, mainly to overcome its current limitations.*
520 *The current scoring relies on an aggregation of answers to forward-looking performance indicators, and*
521 *leaves too much room for variability and subjectivity from one assessor to the other. Furthermore the current*
522 *setup does not properly consider the current company's situation and performance, and expected future*
523 *changes. Areas for improvement identified within the company are key to be able to properly assess the trend*
524 *scoring.*

525 *The following paragraphs present the expected design and underlying rationale of the update proposal for*
526 *the trend scoring.*

527 **GLOBAL PHILOSOPHY**

528 An important underlying principle of the proposed updated trend scoring is to set various levels of expectations
529 regarding the future evolution of the assessed company, depending on its current situation. For instance, it is
530 expected from a company without a clear transition plan one that it firstly set a proper one, whereas a
531 company which already have a running transition plan is expected to deploy embedded elements according
532 to the define timelines, bringing potential updates to the plan where needed. Therefore, the trend scoring
533 depends on the assessed company's current situation.

534 Furthermore, in order to better frame and objectivize the assessment, it is proposed to perform the trend
535 score with regard to a few key topics of the low-carbon transition, such as:

- 536 ◆ Will the assessed company organize itself properly to achieve its low-carbon transition?
- 537 ◆ Ultimately, will the company's GHG emissions actually decrease in alignment with its GHG emissions
538 reduction pathway?

539 Finally, challenges might vary depending on sectors, but the global philosophy should remain the same for
540 all assessments. Thus, key topics and the scoring setup are designed in a generic way, but the door remains
541 open for adding topics and specific elements, should the assessor feels a relevant aspect to assess from a
542 trend perspective is missing.

543 **DESIGN**

544 It is proposed to base the trend score on a set of maturity matrices (see section 3.1.3). Each maturity matrix
545 will be built according to two dimensions:

- 546 ◆ An identification of the current situation of the assessed entity regarding the considered key topic. 3
547 configurations are proposed: No / Partially satisfactory setup, Satisfactory setup.
 - 548 ○ *As an illustration, a company with no GHG emissions target would be classified as "No*
549 *setup", an entity with not ambitious enough / not full coverage of GHG emissions targets in*
550 *"Partial setup", and an entity with ambitious targets 'i.e. aligned with its GHG emissions*
551 *reduction pathway) in "Satisfactory setup". Module 1 alignment indicators would be the*
552 *preliminary input to assess the current situation.*
- 553 ◆ Depending on the level of the current situation, a scoring of associated expectations based on 4
554 maturity levels: Lagging / Stagnating / Aligning / Aligned.
 - 555 ○ *It is expected from a company without any GHG emissions targets that it sets one or various*
556 *ones, from a company with not ambitious enough target(s) that it expands its targets*

557 coverage/strengthen their ambition, and from a company having already a satisfactory target
 558 setup that it ensures its targets are actually achieved.

559 Each maturity matrix associated to the key topics should be built based on the skeleton displayed in Table
 560 9, that needs to be adapted to each concrete key topic.

561 **TABLE 9: SKELETON FOR MATURITY MATRICES DEDICATED TO TREND SCORING**

| Key topic (example: GHG emission targets, value chain engagement...) | | | | |
|--|--|---|---|---|
| Current situation | Lagging | Stagnating | Aligning | Aligned |
| Score | -2 | -1 | +1 | +2 |
| No set-up | Nothing or nothing significant is intended to be set in the future | A partial setup is expected at near term OR A satisfactory setup is expected at medium term | A satisfactory setup is expected at near term | NA |
| Partial set-up | The assessed aspect is significantly not performing and there is no credible remedial actions. | The assessed aspect is overall working but there is no expected expansion to a satisfactory setup. OR The assessed aspect is not performing but credible remedial actions are contemplated AND there is an expected expansion to a satisfactory setup at medium-term. | The assessed aspect is overall working AND there is an expected expansion to a satisfactory setup at medium term. OR The assessed aspect is slightly under-performing but credible remedial actions are contemplated AND there is an expected expansion to a satisfactory setup at near-term. | The assessed aspect is working AND there is an expected expansion to a satisfactory setup at near term. |
| Optimal setup | The assessed aspect is significantly not performing and there is no credible remedial actions. | The assessed aspect is partially not performing OR The assessed aspect is not performing but credible remedial actions are contemplated | The assessed aspect is overall working | The assessed aspect is working |

562
 563 Complementary rationale and guidance to explicit the concepts proposed are the following:

- 564 ◆ Rationale
 - 565 ○ There are 4 maturity levels against 5 for maturity matrices considered in performance and
 - 566 narrative and performance scoring so as to avoid tepid “in the middle“ scores
 - 567 ○ It is not possible to score Aligned starting from the “No set-up” situation, as the assessed
 - 568 entity is deemed too late vs. the underlying key issue.
 - 569 ○ Regarding the “partial setup” situation, it is considered that where a setup exists, whatever
 - 570 the expected expansion perimeter is, if the current existing setup is not working the assessed
 - 571 entity is assigned to the worst level as there is an issue of credibility.
- 572 ◆ Guidance

- 573 ○ Near term : <1 year. Can be adapted but shall not be later than 2 years after reporting year.
- 574 ○ Medium term: <3 years. Can be adapted but shall not be later than 5 years after reporting
- 575 year.
- 576 ○ Significantly not performing / Overall working / Working maturity levels should typically be
- 577 defined thanks to scores for relevant performance indicators (e.g. <50% / 50%>75% / > 75%
- 578 scores for).

579 **LIST OF KEY TOPICS TO ASSESS**

580 The list of key topics to retain in the trend scoring results from a compromise between on one hand keeping
 581 a limited number of topics to keep the scoring practical, and on the other hand not considering too vague
 582 aspects that wouldn't allow to leverage properly on analysis work already done to get performance and
 583 narrative scores.

584 A provisional list of key topics and the underlying associated elements in the performance and trend score is
 585 proposed in Table 10.

586

587

TABLE 10: PROPOSED LIST OF KEY TOPICS TO FEED THE TREND SCORING

| Key topic number | Question | Underlying ACT scoring elements | Proposed weighting |
|------------------|---|---|--|
| 1 | Does the company have a credible and robust transition plan? | Module 5, indicator 5.3 Narrative score <i>Business model and strategy</i> criterion | 1 |
| 2 | Has the company set aligned ambitions? | Target alignment indicators (module 1) Narrative score <i>Data quality</i> criterion | 1 |
| 3 | Is the company expected to achieve aligned GHG emission reductions? | Trend in future indicators (Modules 2/4) Narrative score <i>Consistency and credibility</i> criterion | 2 |
| 4 | Is the engagement setup expected to deliver impactful outputs?* | Modules 6 and 7* | 1* |
| 5 | Will the company align its business model to a low-carbon economy? | Module 9 Narrative score <i>Risk</i> criterion | 1 |
| XXX | Complementary <i>ad hoc</i> topics | Should the assessor feel there is a significant aspect to take into account in the trend scoring that is not properly captured by the listed key topics, it can add an ad-hoc topic and score it thanks to the basic structure presented above, and integrate it to the global score. | Global weighting shall represent max. 20% of the global score To be fine-tuned by the assessor. |

588

589 * to be conditioned for companies where the engagement aspect is meaningful. It is presumed that this aspect
 590 is meaningful for cases where the combined modules 6 and 7 carry at least 20% of the performance score
 591 weighting.

592 **AGGREGATION OF THE TREND SCORE**

593 Each topic would be associated to a score following its associated maturity matrix as presented in Table 9,
 594 i.e. within the [-2; +2] gap. A weighted score is calculated using these individual scores and their respective
 595 weighting. Finally, the trend score would be a translation of this weighted score, highlighting either a negative,
 596 neutral/undefined, or positive trend, as presented in Table 11.

597

598 [TABLE 11: DERIVING THE FINAL TREND SCORE BASED ON AGGREGATION OF WEIGHTED SCORES FOR EACH KEY TOPIC](#)

| Trend score | - | = | + |
|----------------|------------|--------------|----------|
| Weighted score | [-2;-0.66[| [-0.66;0.66] |]0.66;2] |

599

600 **OPEN ISSUES AND NEXT STEPS**

601 *The remaining elements are to be complemented in order to achieve the proposed trend scoring setup.*

- 602 ♦ *Validate the list of key topics to address*
- 603 ♦ *Adapt a maturity matrix for each of these topics, based on the skeleton abovementioned, and develop*
 604 *associated guidance to assess the current situation and the forecast trend.*
- 605 ♦ *Back-test on a sample of companies and adapt as necessary the various aspects of the design.*

606

607 **3.4. ASSESSMENT OF ENABLERS OF THE TRANSITION**

608 *New elements for v2.0.*

609 **** Work in progress ****

610 **DEFINING ENABLERS / ENABLING ACTIVITIES**

611 The EU Taxonomy defines “enabling” activities as economic activities that, by provision of their products or
 612 services, enable a substantial contribution to decarbonisation and/or other environmental related topics, to
 613 be made in other activities. For example, an economic activity that manufactures a component that improves
 614 the environmental performance of another activity (16).

615 The EU taxonomy lists the following enabling activities:

- 616 ♦ Manufacture of low-carbon technologies
- 617 ♦ Power sector
 - 618 ○ Transmission and distribution of electricity
 - 619 ○ Storage of electricity
 - 620 ○ Storage of thermal energy
 - 621 ○ Storage of hydrogen
- 622 ♦ Water, sewerage, waste and remediation
 - 623 ○ Direct air capture of CO2
 - 624 ○ Capture of anthropogenic emissions

- 625
 - Transport of CO2
- 626 ◆ Transport
- 627
 - Infrastructure for low-carbon transport (land transport)
- 628
 - Infrastructure for low-carbon transport (water transport)
- 629 ◆ Information and communications
- 630
 - Data-driven climate change monitoring solutions

631 The ATP-Col refers to companies with such activities, as enablers or climate solutions providers (18). This
 632 section considers “pure” enablers, i.e. companies with enabling activities (as defined above) only. Companies
 633 that integrate "enabling" activities in a minor part of their overall business model, are not concerned by the
 634 discussed limitations of ACT assessments and adaptation proposed below.

635
 636

LIMITATIONS FROM ACT ASSESSMENTS FOR ENABLERS

637 It is expected that in many cases, the level of activity of enablers will increase in the coming years, to respond
 638 to global or local demands and allow other companies to transition. A typical illustration is the manufacturing
 639 of renewable power technologies, such as solar panel or wind turbines, since global installed capacity is
 640 expected and needs to significantly increase (17). Even though continuous progress can be achieved
 641 regarding the environmental performance of enablers, resulting in a decreasing emissions intensity related to
 642 their production (e.g. gCO2/kWh of delivered power capacity), absolute emissions of such actors are likely to
 643 increase.

644 It appears primordial to clearly distinguish the priorities corresponding to near- and long-terms for enablers.
 645 It is expected that enablers focus in the short term on helping other actors to decarbonise their activities, while
 646 working on decarbonizing their own activities should take place later on, i.e. on the long-term.

647 Such a statement implies that some parts of the ACT assessments are not suitable for enablers of the
 648 transition. Typically, assessing GHG emissions targets ambition and trends over time while using absolute
 649 emissions (using the ACA allocation method, see section 5.4) would result in very low or even null scores for
 650 dedicated performance indicators. This is problematic, considering enablers provide solutions for other actors
 651 to transition to a low-carbon economy, meaning absolute emissions arising from their production are likely
 652 much smaller than the emissions reductions they facilitate in other parts of the economy. In consequence,
 653 some adaptation of the assessment framework is needed to properly assess enablers, without penalizing
 654 them due to a scoring setup that does not fit their profile.

FINE-TUNING THE ACT FRAMEWORK TO ASSESS ENABLERS

656 Considering the above, it appears that the ACT assessment framework needs to be partly adapted for
 657 enablers. The large majority of the ACT performance, narrative, and trend scorings can be applied to
 658 enablers. It however appears necessary to adapt the performance scoring setup when it comes to assess
 659 enablers’ GHG emissions and related targets, particularly on the near-term. This can be done by applying
 660 one or various solutions listed above, regarding enablers’ own operations/activities:

- 661 ◆ Not considering near-term GHG emissions targets
- 662 ◆ Qualitatively assess the past and future trends in GHG emissions intensities, to ensure it has not
 663 and/or it is not expected to increase
- 664 ◆ Lowering the weighting allocated to indicators assessing ambition of targets and trend in emissions
- 665 ◆ Increasing the weighting allocated to indicators related to low-carbon investments and revenues, and
 666 to business models (rewarding the enablers supporting other actors to decarbonise their activities)

667 This results in a specific performance scoring setup that shall be used to properly assess enablers of the
 668 transition,

3.5. ACT CORE

670 *New elements for v2.0.*

671 **** Work in progress ****

672 More companies are now reporting the development of transition plans aligned with the 1.5°C climate target,
673 a trend expected to increase with the help of frameworks such as the Glasgow Financial Alliance for Net Zero
674 (GFANZ), the Transition Plan Taskforce, the High-Level Expert Group on Sustainable Finance (HLEG), and
675 the Corporate Sustainability Reporting Directive (CSRD). The CSRD alone will affect around 50,000
676 companies in the EU and their entire value chains. As corporate climate disclosures grow in both number and
677 scope, so there will be a rising demand for a scalable solution to assess the credibility of these transition
678 plans. Currently, the sectoral ACT methodologies enable assessors to thoroughly evaluate the credibility of a
679 company's transition plan within the specific context of the sector in which it operates. But the ACT sectoral
680 methodologies are hard to scale across a large number of companies in a context of public-only, fragmented
681 and heterogenous corporate disclosure. Information required for assessing indicators in ACT sectoral
682 methodologies is not always a common feature in corporate disclosure or provided in ways that require
683 additional analysis to be made before scoring.

684 Importantly, the ACT initiative is still very well positioned to capitalise on the growth for transition plan
685 credibility. Unlike frameworks based mostly on disclosure (e.g., CA100+, CDP, GRI), ACT sectoral
686 methodologies contemplate in addition to proper disclosure the evaluation company performance in target
687 alignment, emission reductions and deploying meaningful actions and adequate investments. These are
688 crucial elements of credibility to a transition plan that are well captured by ACT. Because each sectoral
689 methodology has been co-developed with the relevant industries, there is important sectoral knowledge that
690 can be leveraged to evaluate the credibility of transition plans for a good number of industries.

691 The main objective of ACT Core is to allow for the credibility assessment of corporate transition plans to be
692 undertaken at scale – meaning that the assessment is more aligned with the realities of corporate disclosure
693 and can be operated across a larger number of companies and sectors. The main challenge is to strike a
694 delicate balance between indicators that can be easily assessed based on the fragmented and heterogeneous
695 nature of public disclosures, without being so broad that the specific sectoral context in which the company
696 operates is overlooked. Two main strategies will be followed in order to move closer to this balance.

- 697 ◆ The first is a reduction of the number of indicators/dimensions from the ACT sectoral methodologies
698 that map to “consensual” requirements in frameworks evaluating transition plans.
- 699 ◆ The second is to increase the flexibility of ACT to evaluate GHG emissions targets and absolute
700 GHG emissions trends.

701 A reduction in the number of indicators will allow to be draft more sectoral-specific guidance in aspects
702 that are currently absent in the ACT sectoral methodologies. For example, the indicator 5.3 (transition
703 plan) dimension “near-term actions” requires the analyst to check for “*detailed descriptions of relevant
704 and achievable near-term actions*” without mentioning clear guidance on what are the typical relevant
705 actions in the specific sector the company operates. The second approach is to circumvent the need of
706 having a GHG emissions intensity-based target (or GHG emissions intensity pathway) to have a score
707 on some of the most weighted indicators in ACT. From corporate disclosure it is clear that GHG emissions
708 intensity targets and reporting are not always preferential by companies implying the need to undertake
709 conversions and associated errors. Instead of scoring companies against a benchmark that largely
710 reflects a predefined global trajectory, ACT Core will evaluate companies based on a trajectory
711 determined by the remaining GHG emissions/carbon budget allocated to their sector. This allocation will
712 take into account each company's past mitigation efforts and its capacity to reduce GHG emissions.

4. Assessing GHG emissions reduction

4.1. FRAMEWORKS/STANDARDS TO BE USED

New elements for v2.0.

As written in section 2.2, measurement is the first step in reducing environmental impacts. It is thus of prime importance that companies disclose their GHG emissions inventory in a clear and comprehensive way. With a view to holding the private sector accountable, it is also necessary to ensure that all companies use the same GHG accounting rules. In practice, despite the efforts of existing GHG accounting standards setters, those documents are still interpreted and implemented differently from one company to another.

Various standards can be used by companies to work on their GHG accounting. The two main international voluntary schemes are:

- ◆ The ISO 14064-1 standard from the International Organization for Standardization (ISO), which benefits of international recognition by national standardisation bodies over the world, and its technical specifications ISO 14064-4 which provides additional guidance to implement the part 1.
- ◆ The Greenhouse Gas (GHG) Protocol from the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI), which provides more detailed guidance and best practices for GHG accounting.

Some national/local schemes are also available, such as the Bilan Carbone® in France, the China Corporate Energy Conservation and GHG Management Programme in China, the Programa Gases Efecto Invernadero (GEI) in Mexico, etc. It is highly recommended that companies use national/local schemes which are based on the two international standards mentioned above.

4.2. SCOPE 2 EMISSIONS / INDIRECT EMISSIONS FROM IMPORTED ENERGY GUIDANCE

New elements for v2.0.

Indirect GHG emissions from imported energy from the ISO 14064 standard correspond to scope 2 emissions from the GHG Protocol. These GHG emissions are related to purchased electricity, steam, heating, and cooling, and can represent a significant share of emissions in companies' GHG inventories.

Two different approaches have been developed to calculate GHG emissions related to purchased electricity (18):

- ◆ The location-based approach, reflecting average emissions intensity of grids on which energy consumption occurs. The chosen emissions intensity should best characterise the grid from which the company sources its electricity, which could be attributed to either local, regional, or national level.

747 ♦ The market-based approach, reflecting emissions from electricity that companies have purposefully
748 chosen (or their lack of choice). This approach highlights contractual instruments linking companies
749 with specific generation resources.

750 Since location-based and market-based approaches do not reflect the same elements and lead to different
751 estimations of GHG emissions from purchased electricity, various frameworks now require entities to report
752 both values in their GHG inventory. This is the case for the European Sustainability Reporting Standard
753 (ESRS) E1 Climate Change. The IFRS S2 Climate-related Disclosures requires companies to follow a
754 location-based approach and additionally “provide information about any contractual instruments”. The GHG
755 Protocol states that “companies with any operations in markets providing product or supplier-specific data in
756 the form of contractual instruments, companies shall report scope 2 according to a location-based method
757 and a market-based method...”.

758 In consequence, it is expected that GHG emissions from purchased electricity in companies’ GHG inventory
759 will be estimated using both location-based and market-based approaches. For practical reasons, ACT
760 quantitative performance indicators assessing scope 1 and 2 GHG emissions and related targets are scored
761 only once, meaning that one approach shall be preferred. Some recent studies have shown that using a
762 market-based approach can lead to a significant overestimation of GHG emissions reduction, due to
763 contractual instrument’s unproven contribution to additional renewable electricity production (19). For these
764 reasons, GHG emissions from purchased electricity calculated using a location-based approach shall be used
765 to score ACT quantitative performance indicators based on scope 1 and 2 emissions reduction pathways.

766 It is still important to reward companies using contractual instruments with additionality, in the perspective of
767 making an active choice to purchase renewable energy. To do so, ACT methodologies include a dedicated
768 performance indicator, rewarding the use of energy attribute certificates (EAC) and corporate power
769 purchased agreements (CPPA) with additionality. This indicator is included for relevant sectors only, i.e. for
770 companies with electricity-intensive activities/production.

771

772 **4.3. SCOPE 3 EMISSIONS / OTHER INDIRECT EMISSIONS** 773 **GUIDANCE**

774 *New elements for v2.0.*

775 Besides the scope 1 (direct GHG emissions from sources that a company owns or controls) and scope 2
776 (indirect emissions from purchased electricity, steam, heat and cooling – see previous section), the GHG
777 Protocol refers to scope 3 for all other indirect sources of emissions. The scope 3 emissions are divided into
778 15 categories, 8 being dedicated to upstream emissions and 7 to downstream emissions (20). The ISO 14064
779 standard defines four categories of indirect GHG emissions corresponding to GHG Protocol’s scope 3: from
780 transportation, from products used by an organisation, associated with the use of products from the
781 organisation, and from other sources (21).

782 Calculating scope 3 emissions is often much more complex and time consuming than calculating scope 1 and
783 2 emissions, due to the various sources of indirect GHG emissions associated with companies’ value chain.
784 The GHG Protocol provides a set of principles aiming at guiding companies to identify relevant scope 3
785 categories they shall focus on. The first principle is the size, meaning that companies shall be able to estimate
786 which sources of indirect GHG emissions represent the major contribution to their anticipated overall GHG
787 emissions.

788 CDP recently published an analysis of the GHG emissions distribution among companies’ value chain for
789 “high-impact” sectors, based on data disclosed by companies reporting to CDP’s Climate Change

790 questionnaire (22). It appears that for the vast majority of sectors covered, scope 3 emissions represent at
791 least half of companies' overall GHG emissions, underlying the importance of standardised and consistent
792 GHG inventories including relevant scope 3 categories. This analysis also highlights which scope 3 categories
793 represent the largest contributions. A similar study from the Association of Southeast Asian Nations (ASEAN)
794 provides similar information (23).

795 Assessors shall refer to such relevant sectoral guidance to understand which sources of indirect GHG
796 emissions must be included in companies' GHG inventories when calculating their scope 3 emissions. ACT
797 methodologies also provide some sectoral context and supporting information to ensure that the emissions
798 coverage is considered when assessing indicators dedicated to scope 3 emissions and related targets.

799 Note : Assessors should be pay attention to the organisational boundary and consolidation approach chosen
800 by the reporting company as this could have an important impact on the breakdown between direct and
801 indirect emissions.

802

803 **4.4. CARBON OFFSETTING**

804 *New elements for v2.0.*

805 Carbon offsets are defined as follows by CarbonBrief: tokens representing one tonne of CO₂ equivalent that
806 can be traded between an entity that continues to emit and an entity that reduces its own emissions or
807 removes carbon dioxide (CO₂) from the atmosphere (24). Carbon offsets can be used in two types of markets:
808 regulated markets such as the EU Emissions Trading System (ETS), and voluntary markets.

809 Employing carbon offsets can be done in addition to the reduction in/sequestration of the organisation's direct
810 and indirect emissions. These projects can be projects for the reduction in, avoidance or sequestration of
811 emissions. To ensure the robustness, reality, additional nature, transparency, permanence and unique
812 character of the credits and verification by independent third parties of the emissions reduced or sequestered,
813 the organisation must routinely make use of certified offsetting projects, in the framework of standards
814 guaranteeing these principles, whether national or international.

815 According to international standards such as ISO 14064-1, ISO 14067, European Product Environmental
816 Footprint and Organization Environmental Footprint, WRI/WBCSD's GHG Protocol, carbon offsets shall not
817 be included in GHG accounting, but may be reported separately as "Additional Environmental Information".
818 This means carbon offsets shall not be subtracted from the GHG inventory to minimise the amount of GHG
819 emissions. The ISO Net Zero Guidelines put emphasis on prioritisation: "reduction of GHG emissions is
820 prioritized for interim and long-term net zero targets, with removals used after all possible emissions reduction
821 actions have been taken, to minimize eventual residual emissions" (25).

822 Therefore, carbon offsets are not considered in quantitative indicators based on GHG emissions reduction
823 pathways (within module 1 Targets, module 2 Material investment, and module 4 Sold product performance).
824 It is however important that companies setting "net-zero GHG emissions" targets (or similar wording, such as
825 carbon neutrality) clearly mention and quantify their reliance on carbon offsets, to compensate for eventual
826 residual emissions. As a consequence, without such information available, net-zero GHG emissions targets
827 are not assessed nor rewarded.

828 Nevertheless, in the narrative scoring of the ACT assessment, carbon offsets may be considered as additional
829 information that helps to better understand the decarbonisation strategy of a company. A detailed and
830 comprehensive use of carbon offsets supporting efforts to reduce their direct and indirect GHG emissions can
831 typically be rewarded when assessing the consistency and credibility of the companies' climate strategy. On

832 the other hand, a company that relies on carbon offsets with poor efforts to reduce its own emissions shall
833 be penalised. Clearly reporting such information can also reflect the quality of companies' disclosure.
834

835 4.5. AVOIDED GHG EMISSIONS

836 *New elements for v2.0.*

837 According to ISO 14064-1 latest amendment, an avoided GHG emission represents the estimated difference
838 in life cycle GHG emissions arising from a scenario with a solution³ compared to a reference scenario without
839 the solution when reference scenario emissions are higher. For companies, avoided emissions happen
840 outside their organisational boundaries and are considered at aggregated level. In general, avoided GHG
841 emissions due to sold products are generated thanks to the involvement of several actors other than the
842 reporting company that sells the products (e.g. energy saving equipment, insulation products, recycled
843 materials, etc.).

844 Because:

- 845 ♦ calculating avoided GHG emissions is a tricky exercise relying on many parameters and external
846 factors;
- 847 ♦ perfect prediction of the impact(s) of these parameters and factors is impossible;
- 848 ♦ there is no internationally recognized and standardized accounting methodology companies can refer
849 to up-to-date⁴;

850 it appears impossible to quantitatively assess avoided GHG emissions in a proper and standardised way
851 within the ACT performance score. However, when relevant, a performance indicator related to enabling
852 activities can be integrated within the 'Business model' module. This way, proposing products that are
853 participating to the low-carbon transition of other actors/sectors is acknowledged.

854 Even though inclusion of avoided GHG emissions is not considered appropriate for ACT assessment of
855 quantitative performance indicators, the indicator assessing changes to business models somehow shows
856 how companies can influence their clients emissions by proposing better products/solutions. The framework
857 also proposes to adapt ACT assessments for pure enablers of the transition (see section 3.4), better
858 considering among others the importance of such activities and related business models.

859 it is also possible to integrate company estimations and communications on avoided GHG emissions within
860 the ACT narrative score. Analysts can for instance inform the consistency and credibility criterion assessment
861 by judging purpose and motivation behind any communication related to avoided GHG emissions, or inform
862 the data quality criterion assessment thanks to the level of details coming with methodology and hypotheses
863 behind avoided GHG emissions calculations.

864 More details about how avoided GHG emissions are considered in ACT methodologies are available in a
865 dedicated [position paper](#). (26)

³ The solution can be a good, a service, a policy, a project, an innovation. It can lead to actual reductions of emissions or simply less emissions than would happen without the solution.

⁴ Although some guidance have been proposed by the World Business Council for Sustainable Development (WBCSD) (46)

5. GHG emissions reduction pathways

5.1. MATCHING BOUNDARIES OF GHG EMISSIONS

New elements for v2.0.

ACT methodologies are built at the sectoral level, in order to allow assessing companies which can use similar levers to initiate and deploy their low-carbon transition and/or are part of the same value chain. This sectoral approach enables, amongst others, to build GHG emissions reduction pathways at the company level from a sectoral scenario (see section 5.4).

For each sector covered by the ACT methodologies, the scope of activities that can be assessed and the boundaries of GHG emissions that are considered first in performance indicators relying on GHG emissions reduction pathways and second in other places of the methodology, are defined.

BOUNDARIES OF EMISSIONS

ACT assessment methodologies provide an overview of the distribution of sectoral GHG emissions along the value chain. This allows to highlight the main sources and type of sectoral GHG emissions and identify the priorities for companies between direct and indirect (upstream and downstream) emissions, in line with the Relevance ACT principle.

Sources of emissions are mapped against the performance indicators in which they are considered. One can distinguish:

- ◆ Sources of GHG emissions that are considered in indicators based on GHG emissions reduction pathway
- ◆ Sources of GHG emissions that are considered in other indicators, typically qualitative assessments (e.g. within the supplier and client engagement modules)
- ◆ Sources of GHG emissions that are not considered since not relevant to the sector

5.2. CRITERIA TO CONSIDER SECTORAL OR GLOBAL CLIMATE SCENARIOS / PATHWAYS

New elements for v2.0.

ACT sectoral methodologies include a set of performance indicators related to the GHG emissions past and forecast performances, and GHG emissions reduction targets – see section 3.0. These indicators use GHG emissions reduction pathways⁵ (more simply designated as “pathways” thereafter), which stem from climate

⁵ This framework defines a GHG emissions reduction pathway (or more simply “pathway”) as the forecast evolution of GHG emissions, expressed either in as absolute emissions or emissions intensity, resulting from hypotheses and assumptions of a climate scenario (as defined above), along time from a base year to an end point (typically 2050).

896 scenarios and are used as a common benchmark to assess (and potentially compare) companies from a
897 specific sector. These scenarios set the minimum ambition companies are expected to align with, they are
898 not a definitive path to decarbonisation for companies but present one representative example among many.

899 Whenever possible, the ACT sectoral methodologies refer to pathways that are already available and have
900 been published by trusted organisations. Since its launch, the ACT initiative has relied on available pathways
901 from the literature, the number and ambition of which have continuously increased in the years following the
902 Paris Agreement⁶. According to updated ACT principles listed in section 2.0, the focus now is on 1.5°C climate
903 ambition.

904 The ACT initiative authorise the use of climate scenarios and related pathways that are not identified in the
905 assessment methodologies, as long as they are ambitious enough and follow the criteria listed below:

- 906 ◆ Climate/temperature ambition: 1.5°C whenever possible, well-below 2°C as a very minimum when
907 no 1.5°C sectoral pathway is available
- 908 ◆ Probability associated with temperature ambition: typically 50% or higher
- 909 ◆ Temperature profile along time: no temperature overshoot
- 910 ◆ Importance of CO2 capture and removal: limited reliance on 'negative emissions', especially arising
911 from uncertain technologies
- 912 ◆ Up-to-date GHG emissions budget: time gap between base year of the scenario and reporting year
913 considered for the assessment not higher than 2 years

914 It is primordial that climate scenarios and pathways have been published by a reputable institution, to
915 guarantee their transparency and credibility. It appears important to check that such materials haven't been
916 subject to potential conflict of interests during their development.

917 The Glasgow Financial Alliance for Net Zero (GFANZ) has defined a useful pathway framework which
918 includes three pillars helping to understand the nature, outputs, and usability of pathways: scope and
919 ambition, underlying assumptions, credibility and feasibility (27). Similar work has been done by other
920 institutions such as the Assessing Companies Transition Plans Collective (ATP-Col) (28), the International
921 Energy Agency (IEA) (29), or the Investor Group on Climate Change (IGCC) (30). These resources constitute
922 useful guidance that can help choosing or validating the choice of climate scenario(s) used for an ACT
923 assessment.

924 Climate scenarios repositories have been recently proposed by the NewClimate Institute (31). It is expected
925 that such libraries will become more numerous in upcoming years, easing the identification of global and
926 sectoral pathways that can be used to assess companies' corporate accountability on climate related topics.

927

928 **5.3. REGIONAL PATHWAYS AND SECTORAL TRANSITION** 929 **PLANS**

930 *New elements for v2.0.*

931 **** Work in progress ****

932 ACT assessments can be performed considering a regional/local context, notably to better highlight the
933 companies' performance in regards to national policies and objectives. The UNFCCC's Secretariat reported

⁶ The ACT Framework v1.1 released in 2019 focuses on "well-below 2°C" climate ambition, with which most scenarios aligned at that time.

934 in 2023 that 168 Parties to the Paris Agreement (out of 195) have published their Nationally Determined
935 Contribution (NDC), which set countries' climate ambition (32). Companies more and more align their climate
936 ambition and dedicated transition plan with national goals where they operate.

937 This section aims at providing recommendations and requirements about regional pathways and sectoral
938 transition plans that can be used to perform an ACT assessment.

939

940 **5.4. ALLOCATION METHODS: FROM GLOBAL/SECTORAL** 941 **LEVEL TO COMPANY LEVEL**

942 *New elements for v2.0.*

943 ACT assessments rely on GHG emissions reduction pathways defined at the company level, showing the
944 expected decrease of GHG emissions along time for the entity that is assessed. The key question to answer
945 is up to how much the company should to emit, to contribute to the global climate mitigation effort that is
946 targeted?

947 Various GHG emissions allocation methods, defined as “science-based” since they build on global GHG
948 budgets, have been developed to derive companies' pathway from either a global or sectoral pathway (see
949 previous sections). Two different mechanisms can be considered: convergence of emissions implying that all
950 actors are expected to reach the same final performance, or contraction of emissions implying a common rate
951 at which emissions are expected to decrease.

952 Three kinds of metrics can be involved:

- 953 ◆ Absolute emissions, particularly suiting the contraction mechanism
- 954 ◆ Emissions intensities based on physical activity, compatible with both convergence and contraction
955 mechanisms
- 956 ◆ Emissions intensities based on economic activity, particularly suiting the contraction mechanism

957 Among available allocation methods, the ACT methodologies only consider the Sectoral Decarbonisation
958 Approach (SDA) and the Absolute Contraction Approach (ACA), both developed by the Science-Based
959 Targets initiative (33).

960 The SDA fits well with the sectoral approach adopted by the ACT initiative. It allows assessing companies
961 within homogeneous sectors, using a common GHG emissions intensity metric (based on physical activity).
962 One of the underlying hypothesis of this allocation method is the convergence of all actors within a sector to
963 a common emissions intensity performance, by 2050. Sectoral pathways starting point is defined by the
964 sectoral carbon/GHG budget and activity level at base year of the considered climate scenario. Typical
965 examples are the scenarios released by the International Energy Agency, the latest one being the Net-Zero
966 Emissions (NZE) by 2050 Scenario (17).The SDA allocation method can also be applied to regional/local
967 pathways.

968 The ACA is a less granular approach, based on contraction of absolute emissions. It simply considers global
969 carbon/GHG budget and a linear decrease rate. One of the underlying hypothesis of this allocation method is
970 the same effort required to all actors. The ACA is used in ACT methodologies either for heterogeneous sectors
971 for which it is not possible or relevant to define a common GHG emissions intensity metric, or for sectors for
972 which no specific pathway has been developed.

973 The ACT initiative has detailed in a technical note its position about available GHG emissions allocation
974 methods and the reasons behind its choice of only using SDA and ACA so far (34).

5.5. ACT USE OF GHG EMISSIONS REDUCTION PATHWAYS

975

976 *Based on ACT Framework v1.1. – See 6.3 pp. 23-25*

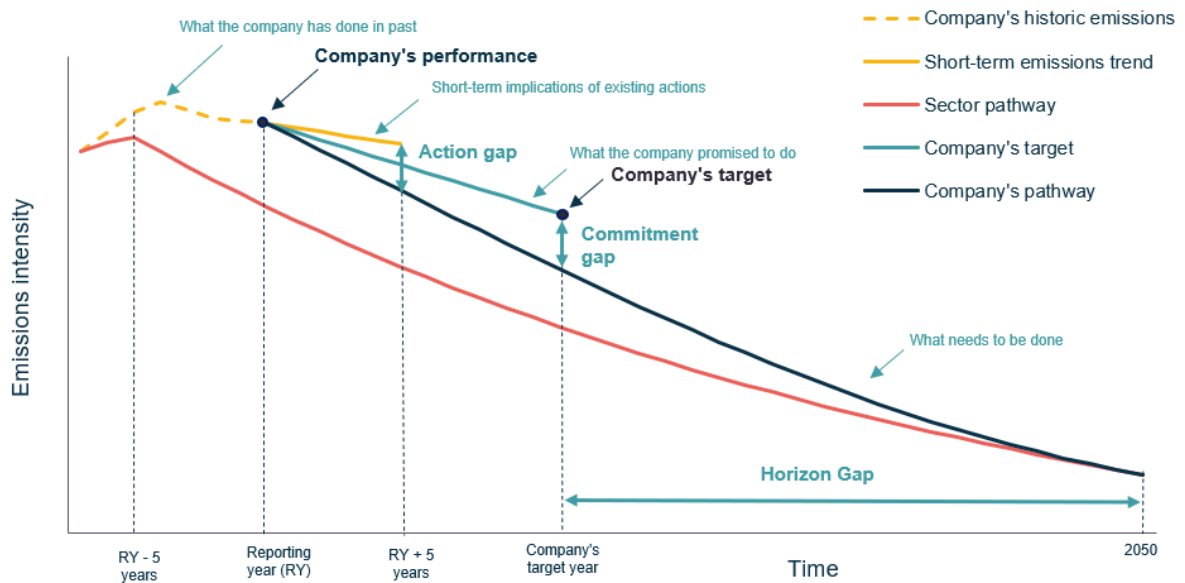
977 Some quantitative indicators (see section 3.1.2) rely on GHG emissions reduction pathways, to assess the
978 company against a specific climate ambition. These indicators relate to:

- 979 ◆ Ambition of the GHG emissions reduction targets set by the company
- 980 ◆ Past and future trends in emissions resulting from the company's activities
- 981 ◆ Locked-in emissions from either company's assets or sold products (when relevant)

982 Figure 3 displays a company's pathway derived from a sectoral pathway, starting from the company's
983 emissions performance at reporting year and converging to sectoral value in 2050 according to the SDA
984 allocation method (see section 5.4).

- 985 ◆ **THE GAP METHOD** is used to assess the company's commitment, comparing the ambition of its
986 target(s) with its pathway (commitment gap), and the forecast future trend in emissions (action gap).
- 987 ◆ **THE TREND METHOD** is used to assess the past trend in emissions, comparing company's historic
988 emissions (considering the five years preceding the reporting year) and the near-term emissions
989 trend (considering the five years following the reporting year).

990



991

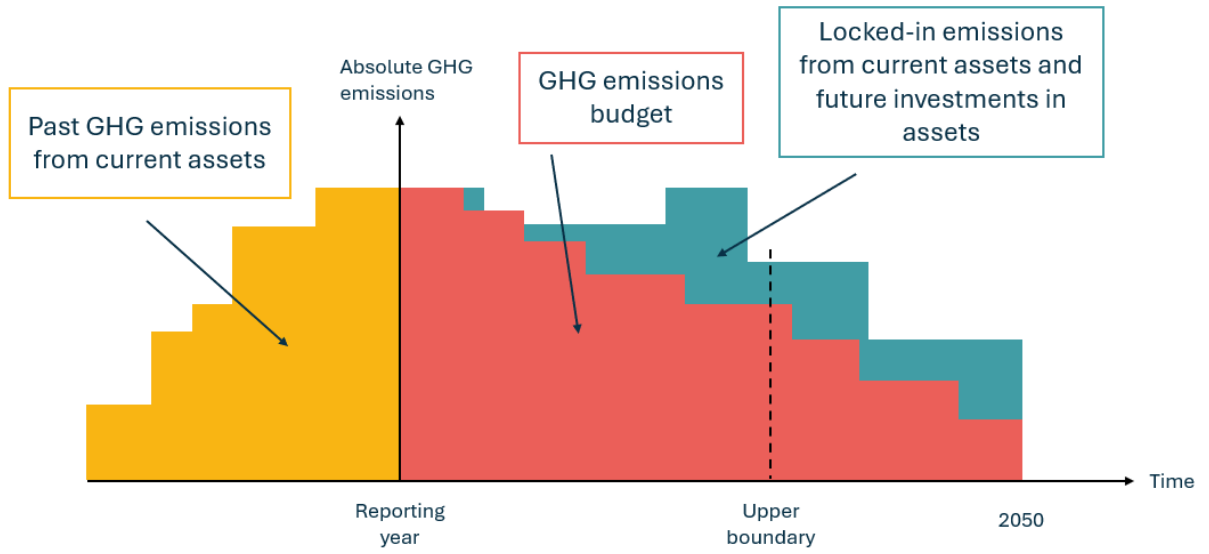
992 **FIGURE 3: ILLUSTRATION OF COMPANY CLIMATE PERFORMANCE CONCEPTS**

993 The horizon gap is also used to assess how forward-looking the company's transition strategy is. Both near-
994 term and long-term targets are incentivised, to ensure immediate action but also deep thinking and vision in
995 a future low-carbon economy.

996 ACT methodologies also include, depending on the relevancy to the considered sector, indicators assessing
997 the locked-in emissions from company's assets or (use of) sold products. In both cases, the product of
998 emissions intensities with the level of activity provides:

- 999 ◆ Locked-in emissions considering the forecast future emissions performance of the company
- 1000 ◆ Carbon/GHG emissions budget considering the emissions intensity as expected by the company's
1001 pathway

1002 The indicator then compares the locked-in emissions with the carbon/GHG emissions on a timespan
1003 consistent with the lifetime of the company's assets or sold products, as illustrated in Figure 4.



1004

1005

FIGURE 4: ILLUSTRATION OF LOCKED-IN EMISSIONS CONCEPT

1006

6. ACT assessment outputs

6.1. VARIOUS USES OF ACT SECTORAL METHODOLOGIES

New elements for v2.0.

ACT sectoral methodologies can be used in various ways to assess companies (see Table 12), implying different contexts and levels of involvement of the assessed company in the process.

- ◆ The first case relates to requested ACT assessment by the company itself, to identify where the company performs and areas for improvements to strengthen its transition plan. The assessment can be run either internally by competent departments (e.g. sustainability department), or by a contracted organisation (e.g. consultancies) involving assessors trained to ACT methodologies. In this case, the company is involved all along the process and highly contributes to the data collection phase, providing the assessor with data, fitting as best as possible the methodology requirements.
- ◆ The second case relates to requested ACT assessment by financial institutions. ACT methodologies can serve as a basis for discussing companies' transition plan and provide relevant outputs to inform decision making of institutions financing the private sector. Typically, financing can be conditioned by commitments and progress made on identified areas for improvements highlighted by an ACT assessment.
- ◆ The third case relates to ACT assessment based on public data, run by a third-party organisation. In such case, the company is not directly involved in the data collection process. The assessing organisation might try to engage with the assessed company, notably to cross-check data that has been collected in public disclosure. Current examples are (as per 2024):
 - Assessments building the Climate and Energy Benchmark from the World Benchmarking Alliance (WBA), aiming at ranking companies to incentivise actions and better performance.
 - Assessments informing annual general meetings of companies submitting their Say On Climate⁷, run by the Forum pour l'Investissement Responsable (FIR) in collaboration with ADEME (French Agency for the Ecological Transition), Ethos, and WBA

TABLE 12: USES OF ACT ASSESSMENT METHODOLOGIES

| Case number | Entity requesting/running the ACT assessment | Assessed company involved in data collection | Assessed company involved in assessment process |
|-------------|--|--|---|
|-------------|--|--|---|

⁷ "Say on Climate" is a shareholder vote on a company's climate strategy. For more information: <https://www.sayonclimate.org/>

| | | | |
|----|--|--------|-----------------------------------|
| #1 | Assessed company | Yes | Yes |
| #2 | Financial institutions | Can be | Can be |
| #3 | Third-party (e.g. non for profit organisation) | No | Can be (e.g. for data validation) |

1036

1037 The ACT initiative has published a “Categorization framework”, which aims *to leverage on the ACT*
1038 *assessment methodologies, that provide an in-depth assessment of strengths and weaknesses of company’s*
1039 *transition plans and propose a categorization framework providing a clear signal on a company’s situation.*
1040 *While this doesn’t diminish the value of performing relative assessments, either for a company from one*
1041 *assessment to another or for a company vs. its sector, this paper ambitions to address the long-term question*
1042 *of “what is a good ACT score?” (35). Considering core performance modules and thanks to proposed*
1043 *thresholds for the three ACT score components, the paper proposes the following categories:*

- 1044 ◆ Companies transitioning in a credible and robust way;
- 1045 ◆ Companies partially satisfactory on one or two of the following aspects:
 - 1046 ○ Companies “committed” that are ambitious enough but have not yet demonstrated the
 - 1047 performance;
 - 1048 ○ Companies “performing” that have demonstrated good GHG trajectory at the moment but
 - 1049 haven’t provide aligned ambitions.
- 1050 ◆ Companies not transitioning in an enough credible and robust way.

1051

1052 6.2. FEEDBACK REPORT

1053 *Based on ACT Framework v1.1. – See section 7.4 p. 33*

1054 Companies requesting an ACT assessment receive a feedback report that contain all the relevant results of
1055 their ACT assessment. This way, the company is informed about the key learnings of its assessment and
1056 benefits from a condensed document that can be easily shared with relevant stakeholders. The feedback
1057 report includes the following elements:

1058 **A. PERFORMANCE, NARRATIVE AND TREND SCORING RESULTS:** This is the communication of
1059 the three components of the ACT score (performance, narrative, and trend) – see section 3. This shall be
1060 presented at least as a visual examination at the module level. More transparency on the indicator level may
1061 be given at the discretion of the analysts.

1062 **B. COMMENTARY:** This is a textual explanation of the performance, narrative and trend scoring results,
1063 which shall focus on the main shortcomings identified in the company analysis that have resulted in losses of
1064 points. It should also provide pointers and leads for near-term improvement of the score. The commentary
1065 shall be written in such a way that the report is standalone and does not need a presentation to be useable
1066 by the organisation.

1067 **C. SCORING HIGHLIGHTS:** Depending on the level of detail in the ACT assessment, each feedback report
1068 should contain relevant visual representations of (groups of) important indicators. These examples may be
1069 similar for all companies in a particular sector, or they may be tailored to the organisation to make the
1070 feedback report more bespoke.

1071 The feedback report should include more details on each indicator's score to address the highlight priority
1072 areas of action for each company. The confidential information explicitly indicated by companies shall not be
1073 reported in the feedback report.

1074 For assessments based on public data, the person or organisation in charge of the assessment is responsible
1075 for publishing the results and learnings in a clear and comprehensive way. Current examples are the
1076 companies' scorecards published by the WBA for its Climate and Energy Benchmark (36), or those published
1077 by the Forum pour l'Investissement Responsable (FIR) for companies submitting their Say on Climate (37).

1078

1079 6.3. THIRD-PARTY VERIFICATION

1080 *New elements for v2.0.*

1081 Third-party verification allows checking if ACT assessments duly follow the rules and criteria set by the
1082 methodologies and the principles set in this framework (see section 2.0), It also ensures that proper datasets
1083 are collected and used, informing as best as possible about the low-carbon strategy of the assessed
1084 company.⁸

1085 Having ACT assessments reviewed by a third-party contributes to the credibility of the results that are
1086 obtained and communicated, and more broadly to the credibility of the ACT initiative. It might also ease the
1087 understanding of the assessment process and results, for all stakeholders that are involved.

1088 Typical steps of a third-party review are:

- 1089 ♦ Ensure required data has been provided by the assessed company
- 1090 ♦ Ensure the methodology is properly applied, for instance check consistency between collected data,
1091 calculations and results for quantitative indicators
- 1092 ♦ Ensure all results are easily understandable and properly justified

1093 The ACT initiative highly recommends that:

- 1094 ♦ Companies requesting an ACT assessment include a third-party review, especially if they intend to
1095 communicate the results of the assessment to external stakeholders or publicly.
- 1096 ♦ The person or organisation in charge of the assessments based on public data (see section 6.0),
1097 sets at least an internal process mimicking the third-party review described above
- 1098 ♦ External stakeholders using public data in order to score and rank various companies, follow at least
1099 a peer-review process. This is primordial to ensure consistency between ACT assessments and
1100 thus comparability of scores and other outputs.

1101

1102 6.4. COMMUNICATION RULES

1103 *New elements for v2.0.*

1104 Results of ACT assessments shall be clearly communicated and accompanied by at least the following
1105 elements:

⁸ This is directly inspired from the "Critical review" section of the ISO Standard 14040:2006 Environmental management — Life cycle assessment — Principles and framework

- 1106 ◆ The name of the person and/or organisation in charge of the assessment
- 1107 ◆ The identification of the assessed company
- 1108 ◆ The reporting year that is considered for the assessment.
- 1109 ◆ The geographic scope that is considered for the assessment
- 1110 ◆ The climate scenario(s) and associated GHG emissions reduction pathway(s) – set either at global
- 1111 or sectoral level, see section 5.2 – alongside with the level of climate ambition (e.g. well-below 2°C,
- 1112 1.5°C). The choice of the scenario(s)/pathway(s) shall be clearly documented and justified,
- 1113 particularly when various options are available, listed from instance in the ACT methodology used
- 1114 for the assessment.
- 1115 ◆ The metrics, assumptions and decisions used for the assessment.
- 1116 ◆ The identification of the third-party reviewer and delivered analysis, when necessary – see section
- 1117 6.3
- 1118 To shed light on the performance modules or indicators for which the company does not score any point, it is
- 1119 required to distinguish cases where no data is available or provided, and cases where the company’s
- 1120 performance is too poor to score. This way, stakeholders can easily understand:
- 1121 ◆ Which data/information the company has not been able/willing to provide (in the case of requested
- 1122 assessment)
- 1123 ◆ Which elements are lacking in the company’s disclosure (in the case of assessment based on public
- 1124 data)
- 1125 ◆ Which elements assessed by the ACT methodologies are not included in the company’s low-carbon
- 1126 strategy
- 1127 In order to optimise efforts spent in reporting, it is highly recommended to store both data used as inputs for
- 1128 the assessment and resulting outputs in a format that align and can serve regulatory frameworks, such as
- 1129 EU’s Corporate Sustainability Reporting Directive (CSRD), EU’s Corporate Sustainability Due Diligence
- 1130 Directive (CSDDD), UK’s Financial Conduct Authority (FCA) Handbook, Japan’s Corporate Governance
- 1131 Code, etc. More examples of regulatory frameworks are provided by Oxford Net Zero (38).
- 1132 These recommendations also apply to global frameworks such as the Net-Zero Data Public Utility (NZDPU)
- 1133 set by the Climate Data Steering Committee (CDSC), which aims at supporting the United Nations climate
- 1134 ambition and objectives (39); the IFRS S2 Climate-related Disclosures standard set by the International
- 1135 Sustainability Standards Board (ISSB) (40); or the framework for components of real-economy transition plans
- 1136 from the Glasgow Financial Alliance for Net Zero (GFANZ) (1) – see mapping of ACT with these frameworks
- 1137 in Appendix 9.3.
- 1138

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8. Glossary

ACT

The ACT Initiative, founded by ADEME in partnership with CDP in 2015 is now hosted by WBA. It has been the pioneer international initiative creating a business climate accountability framework with sectoral methodologies to assess their strategies and transition plans. Formally launched at COP21, the ACT initiative has published various sector specific methodologies over years. Covering now, assessment methodologies of transition plan and adaptation plan to climate change effects, and support to transition planning, ACT has been renamed Accelerate Climate Transition Initiative in 2024 ([ACT website](#)).

ACTION GAP

In relation to emissions performance and reduction, the action gap is the difference between what a given company has done in the past plus what it is doing now, and what has to be done. For example, companies with large action gaps have done relatively little in the past, and their current actions point to continuation of past practices.

ACTIVITY DATA

Activity data is quantitative or numeric data on the activity of the company which results in emissions or removals taking place during a given period of time ([UNFCCC definitions](#)).

ADEME

Agence de la Transition Ecologique; The French Agency for Ecological Transition ([ADEME webpage](#)).

ALIGNMENT

An ACT assessment generates a scoring that is intended to provide a metric of the alignment of a company with its 1.5°C pathway. The wider goal is to provide companies specific feedback on their general alignment with a 1.5°C pathway over the near and long term.

ASSESS

Under the ACT Initiative, to evaluate and determine the low-carbon alignment of a given company. The ACT assessment and scoring are based on a range of indicators. Indicators may be reported directly by companies or collected, calculated, modelled or otherwise derived from different data sources supplied by the company. The ACT Initiative measures 3 gaps (Commitment, Horizon and Action gaps – defined in this glossary) in the GHG emissions performance of companies. This model closely follows the assessment framework. It starts with the future, with the goals companies want to achieve, followed by their plans, current actions and past actions.

ASSESSOR

Person undertaking and scoring the ACT assessment.

| | |
|---|---|
| ASSET | A resource owned by a company which has value because of its ability to generate revenues, cash, profits through time. Tangible assets include 1) fixed assets, such as machinery and buildings, and 2) current assets, such as inventory. Intangible assets are nonphysical such as patents, trademarks, copyrights, goodwill and brand value. |
| BASE YEAR | According to the GHG Protocol and ISO14064-1, a base year is “a historic datum (a specific year or an average over multiple years) against which a company’s emissions are tracked over time”. Setting a base year is an essential GHG accounting step that a company must take to be able to observe trends in its emissions information (GHG Protocol Corporate Standard). |
| BENCHMARK | A standard, pathway or point of reference against which things may be compared. In the case of pathways for sector methodologies, a sector benchmark is a GHG emissions reduction pathway for the sector average value for emissions intensity indicator(s) driving the sector performance. A company’s benchmark is a company-specific pathway that starts at the company performance for the reporting year and converges towards the sector benchmark in 2050 (or other relevant date), based on a principle of convergence or contraction of emissions intensity. |
| BOARD | Also the “Board of Directors” or “Executive Board”; the group of persons appointed with joint responsibility for directing and overseeing the affairs of a company. |
| BUSINESS MODEL | A company’s core strategy for generating value. It includes sources of revenue, the intended client base, products, and details of financing. Under ACT, evidence of the existing and new business models shall be taken from a range of specific financial and other metrics relevant to the sector and an assessment made on its alignment with the low-carbon transition. |
| BUSINESS-AS-USUAL | An assumption that activity and emissions remain the same into the future. The business-as-usual pathway assumes constant activity and emissions from the initial year onwards. In general, the initial year – which is the first year of the pathway/series – is the reporting year (targets indicators) or the reporting year minus 5 years (certain performance indicators). |
| CAPITAL EXPENDITURE | Money spent by a company on acquiring or maintaining fixed assets, such as land, buildings, and equipment. |
| CARBON CAPTURE AND STORAGE (CCS) | The process of trapping carbon dioxide produced by burning fossil fuels or other chemical or biological processes and storing it in such a way that it cannot contribute to climate warming. |

CARBON OFFSETS Carbon offsets are the purchase by a company of avoided GHG emissions or GHG suppressions, from actors elsewhere in the economy where the marginal cost of decarbonisation proves to be lower.

CDP Formerly the "Carbon Disclosure Project", CDP is an international, not-for-profit organisation providing the only global system for companies and cities to measure, disclose, manage and share vital environmental information. CDP works with market forces, including 746 institutional investors with assets of over US\$136 trillion, to motivate companies to disclose their impacts on the environment and natural resources and take action to reduce them. More than 18,700 companies worldwide disclosed environmental information through CDP in 2022. CDP holds the largest collection globally of primary climate change, water and forest risk commodities information and puts these insights at the heart of strategic business, investment and policy decisions ([CDP website](#)).

CLIMATE CHANGE A change in climate, attributed directly or indirectly to human activity, caused by the alteration of the composition of the atmosphere and that is, in addition to natural climate variability, observed over comparable time periods ([UNFCCC](#)).

COMMITMENT GAP In relation to emissions performance, the difference between what a company needs to do and what it says it will do.

COMPANY A legal entity formed by one or more individuals to engage in and operate a business ([Investopedia](#)).

CONFIDENTIAL INFORMATION Any non-public information pertaining to a company's business.

CONSERVATIVENESS An assessment principle of the ACT Framework; aiming at ensuring the companies' performance is not overestimated particularly when some assumptions are needed to get data and information fitting the assessment requirements.

CONSISTENCY A principle of the ACT framework; whenever time series data is used, it should be comparable over time. In addition to internal consistency of the indicators reported by the company, data reported against indicators shall be consistent with other information about the company and its business model and strategy found elsewhere. The assessor shall consider specific, pre-determined data points and check that these give a consistent measure of performance when measured together.

DATA Facts and statistics collected together for reference and analysis (e.g. the data points requested from companies to assess indicators of ACT methodologies).

| | |
|-----------------------------|--|
| DECARBONISATION | A complete or near-complete reduction of greenhouse gas emissions over time (e.g. decarbonisation in the electric utilities sector through an increased share of low-carbon power generation sources, as well as emissions mitigating technologies like Carbon Capture and Storage (CCS)). |
| EMISSIONS | <p>The GHG Protocol defines direct GHG emissions as emissions from sources that are owned or controlled by the reporting entity, and indirect GHG emissions as emissions that are a consequence of the activities of the reporting entity, but occur at sources owned or controlled by another entity (GHG Protocol).</p> <p>In this framework, “GHG emissions” is mostly used. “GHG” is not used in specific terms such as “scope 1/2/3 emissions”, etc.</p> |
| ENERGY | Power derived from the utilization of physical or chemical resources, especially to provide light and heat or to work machines. |
| FOSSIL FUEL | A fossil based fuel such as coal, oil or gas, formed in the geological past from the remains of living organisms. |
| GREENHOUSE GAS (GHG) | Carbon dioxide (CO ₂), methane (CH ₄), nitrous oxide (N ₂ O) and three groups of fluorinated gases (sulfur hexafluoride (SF ₆), hydrofluorocarbons (HFCs), and perfluorocarbons (PFCs) are the major anthropogenic GHGs and are regulated under the Kyoto Protocol. Nitrogen trifluoride (NF ₃) is now considered a potent contributor to climate change and is therefore mandated to be included in national inventories under the United Nations Framework Convention on Climate Change (UNFCCC). |
| GUIDANCE | Documentation defining standards or expectations that are part of a rule or requirement (e.g. CDP reporting guidance for companies). |
| HORIZON GAP | In relation to emissions performance, the difference between the average lifetime of electricity production assets (particularly carbon intensive) and the time-horizon of a company’s commitments. Companies with small-time horizons do not look far enough into the future to properly ensure the transition of their assets and business models. |
| INCENTIVE | Something, for example money, that motivates or encourages an individual or organisation to do something (e.g. a monetary incentive for company board members to set emissions reduction targets). |
| INDICATOR | An ACT indicator is a quantitative or qualitative piece of information that can provide insight on a company’s current and future ability to transition to a low-carbon economy. |

| | |
|-----------------------------------|---|
| INTENSITY (EMISSIONS) | The average emissions rate of a given greenhouse gas from a given source relative to the level of activity; for example, tonnes of carbon dioxide released per MWh of energy produced by a power plant. |
| INTERVENTION | Methods available to companies to influence and manage emissions in their value chain, both upstream and downstream, which are out of their direct control (e.g. a retail company may use consumer education as an intervention to influence consumer product choices in a way that reduces emissions from the use of sold products). |
| LIFETIME | The duration of something's existence or usefulness (e.g. a physical asset such as a power plant). |
| LOW-CARBON SOLUTION | A way to contribute to the low-carbon transition (e.g. energy, technology, process, product, service, etc.) |
| LOW-CARBON TRANSITION | The low-carbon transition is the transition of the economy to a low-carbon state. |
| MATURITY MATRIX | A maturity matrix is essentially a “checklist”, the purpose of which is to evaluate how well advanced or “mature” a particular process, program or technology is according to specific definitions. |
| MITIGATION (GHG EMISSIONS) | The action of reducing the severity of something (e.g. climate change mitigation through absolute GHG emissions reductions) |
| NEAR-TERM | Occurring in or relating to a relatively short period of time in the future, typically the 5 to 10 years following reporting year. The ACT framework proposes various timescales to define near and long term, depending on the ACT score component (performance, narrative, trend). |
| PATHWAY (GHG EMISSIONS) | A way of achieving a specified result; a course of action. This framework considers GHG emissions reduction pathways, which propose an evolution of GHG emissions (express either as absolute emissions or emissions intensities) from a base year to an end point, typically 2050., |
| PERFORMANCE | Outcomes and results. ACT methodologies attempt to assess performance using a variety of indicators. |
| PLAN | A detailed proposal for doing or achieving something. |
| POINT | A mark or unit of scoring awarded for success or performance. |

| | |
|---|--|
| PROGRESS RATIO | An indicator of target progress, calculated by normalizing the target time percentage completeness by the target emissions or renewable energy percentage completeness. |
| RELEVANT / RELEVANCE | In relation to information, the most appropriate information (core business and stakeholders) to assess low-carbon transition. |
| RENEWABLE ENERGY | Energy derived from natural sources that are replenished at a higher rate than they are consumed, such as wind or solar power (UN – Climate Action). |
| REPORTING YEAR | Year to which data collected for the assessment is associated with, given for instance by the publication date of public reports. |
| RESEARCH AND DEVELOPMENT (R&D) | A general term for activities in connection with innovation; in industry; for example, this could be considered work directed towards the innovation, introduction, and improvement of products and processes. |
| SCENARIO | A plausible representation of future climate that has been constructed for explicit use in investigating the potential impacts of anthropogenic climate change. Climate scenarios often make use of climate projections (descriptions of the modelled response of the climate system to scenarios of greenhouse gas and aerosol concentrations), by manipulating model outputs and combining them with observed climate data (IPCC - Climate Scenario Development) . |
| SCENARIO ANALYSIS | A process of analysing possible future events by considering alternative possible outcomes. |
| SCIENCE-BASED TARGET | To meet the challenges that climate change presents, the world’s leading climate scientists and governments agree that it is essential to limit the increase in the global average temperature at below 2°C and ideally 1.5°C . Companies making this commitment, working toward this goal and setting an emissions reduction target that is aligned with climate science can have their targets verified by the Science-Based Targets Initiative . |
| SCOPE 1 EMISSIONS | All direct GHG emissions (GHG Protocol Corporate Standard). |
| DIRECT GHG EMISSIONS AND REMOVALS | Category 1 from ISO 14064-1:2018: <i>Direct GHG emissions and removals occur from GHG sources or sinks inside organisational boundaries and that are owned or controlled by the [reporting] organisation. Those sources can be stationary (e.g. heaters, electricity generators, industrial process) or mobile (e.g. vehicles).</i> |
| SCOPE 2 EMISSIONS | Indirect GHG emissions from consumption of purchased electricity, heat or steam (GHG Protocol Corporate Standard). |

| | |
|--|---|
| <p>INDIRECT GHG EMISSIONS FROM IMPORTED ENERGY</p> | <p>Category 2 from ISO 14064-1:2018: <i>GHG emissions due to the fuel combustion associated with the production of final energy and utilities, such as electricity, heat, steam, cooling and compressed air [imported by the reported company]. It excludes all upstream emissions (from cradle to power plant gate) associated with fuel, emissions due to the construction of the power plant, and emissions allocated to transport and distribution losses.</i></p> |
| <p>SCOPE 3 EMISSIONS</p> <p>INDIRECT GHG EMISSIONS</p> | <p>Other indirect emissions, such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g. T&D losses) not covered in Scope 2, outsourced activities, waste disposal, etc. (GHG Protocol Corporate Standard). Scope 3 also encompass the emissions related to the use of sold-products.</p> <p>ISO 14064-1:2018: <i>GHG emission that is a consequence of an organisation's operations and activities, but that arises from GHG sources that are not owned or controlled by the [reporting] organisation. These emissions occur generally in the upstream and/or downstream chain.</i></p> |
| <p>SECTOR</p> | <p>A classification of companies with similar business activities, e.g. automotive manufacturers, power producers, retailers, etc.</p> |
| <p>SECTORAL DECARBONIZATION APPROACH (SDA)</p> | <p>To help companies set targets compatible with 2-degree climate change scenarios, the Sectoral Decarbonization Approach (SDA) was developed in 2015. Higher climate ambition is now proposed, namely 1.5°C. The SDA takes a sector-level approach and employs scientific insight to determine the least-cost pathways of mitigation, and converges all companies in a sector towards a shared emissions target in 2050.</p> |
| <p>STRATEGY</p> | <p>A plan of action designed to achieve a long-term or overall aim. In business, this is the means by which a company sets out to achieve its desired objectives; long-term business planning.</p> |
| <p>TARGET</p> | <p>A quantifiable goal (e.g. to reduce GHG emissions).</p> <ul style="list-style-type: none"> ◆ The following are examples of absolute targets: <ul style="list-style-type: none"> ○ metric tonnes CO₂e or % reduction from base year ○ metric tonnes CO₂e or % reduction in supply chain relative to base year ◆ The following are examples of intensity targets: <ul style="list-style-type: none"> ○ metric tonnes CO₂e or % reduction per kWh of electricity generated by the company, relative to base year |

-
- metric tonnes CO₂e or % reduction per kWh of electricity retailed by the company, relative to base year
-

TECHNOLOGY

The application of scientific knowledge for practical purposes, especially in industry (e.g. low-carbon power generation technologies such as wind and solar power, in the electric power generation sector).

TRADE ASSOCIATION

Trade associations (sometimes also referred to as industry associations or industry bodies) are an association of people or companies in a particular business or trade, organized to promote their common interests. Their relevance in this context is that they present an “industry voice” to governments to influence their policy development. The majority of organisations are members of multiple trade associations, many of which take a position on climate change and actively engage with policymakers on the development of policy and legislation on behalf of their members. It is acknowledged that in many cases companies are passive members of trade associations and therefore do not actively take part in their work on climate change ([CDP climate change guidance](#)).

TRANSITION

The process or a period of changing from one state or condition to another (e.g. from an economic system and society largely dependent on fossil fuel-based energy, to one that depends only on low-carbon energy).

TRANSITION PLAN

Aspect of a company’s overall long-term strategy that lays out a set of short-, mid- and long-term targets, actions and resources, with accountability mechanisms, to align the company’s business activities with a net-zero GHG emissions pathway that delivers real-economy emissions reductions with the objective of limiting global warming to 1.5°C and minimising the company’s systemic climate transition risks ([ATP-Col](#)).

TREND

A general direction in which something (e.g., GHG emissions) is developing or changing.

VERIFIABLE / VERIFIABILITY

An assessment principle of the ACT Framework. To prove the truth of, as by evidence or testimony; confirm; substantiate. For ACT assessment purpose, the data required for the assessment shall be verified or verifiable.

WORLD BENCHMARKING ALLIANCE

Founded in 2018, the World Benchmarking Alliance is a non-profit organisation holding 2,000 of the world’s most influential companies accountable for their part in achieving the Sustainable Development Goals. It does this by publishing free and publicly available benchmarks on their performance and showing what good corporate practice looks like. The benchmarks provide companies with a clear roadmap of what commitments and changes they must make to put our planet, society and economy on a more sustainable and resilient path. They also equip everyone – from governments and financial institutions to civil

society organisations and individuals – with the insights that they need to collectively incentivise leading companies to keep going and pressure the laggards to catch up ([WBA website](#)).

WEIGHTING

Relative importance given to each performance modules and indicators, in order to reflect the more important/significant aspects and the decarbonisation potential of different actions.

9. Appendix

9.1. FRAMEWORK DEVELOPMENT AND UPDATE HISTORY

The first draft version of the ACT Framework (v0.1) was developed by ADEME and CDP and was released in 2016. An updated version (v1.1) was released in March 2019.

The ACT Framework is updated in this 2024 version 2.0. Led by the World Benchmarking Alliance (WBA) with input from ADEME and CDP, the update happened between January and October 2024 and included the following steps:

- ◆ Weekly meetings involving ADEME, CDP and WBA;
- ◆ Two meetings with an Advisory Group, which provided the initiative with feedback before and after the public consultation mentioned below;
- ◆ A three week public consultation in August-September 2024.

[TABLE 13: COMPOSITION OF THE ADVISORY GROUP MEMBERS DEDICATED TO THE FRAMEWORK REVISION PROCESS](#)

| Advisory Group member | Organisation |
|-----------------------|---|
| Alexis McGivern | Oxford University |
| Ali Amin | TPI |
| Andy Ross | CDP |
| Anna Creed | Climate Bonds Initiative |
| Claire Wigg | Exponential roadmap |
| David King | GFANZ |
| Frederic Hans | New Climate Institute |
| Guillaume Bone | WWF-FR |
| Jenny Ahlen | We Mean Business |
| Lisa Lhonneur | Banque de France |
| Paul Mougeolle | Notre Affaire à Tous |
| Paul Schreiber | Reclaim Finance |
| Perrine Toledano | Columbia Center of Sustainable Investment |
| Rachel Hawker | Climate Arc |
| Stephanie Chow | GFANZ |
| Tessa Ferry | Race to Zero |
| Thomas White | RMI |
| Tom Wainwright | ClimateWorksCentre |
| Tyler McCullough | CERES |

9.2. SPECIFIC GUIDING QUESTIONS FOR NARRATIVE SCORING

I. Business model and strategy

Specific guiding questions to be asked are the following:

1. To what extent is the company's organisational business model and strategy aligned or misaligned with the low-carbon transition?

Guidance:

- ◆ For example, is the company transforming its core business model, such as strategically repositioning itself as a service provider instead of a manufacturer?
- ◆ For example, is the company's transition plan/low-carbon strategy an integral part of its overall company strategy?
- ◆ For example, does the company have a credible action plan in place to achieve its strategic objectives?
- ◆ For example, are there any significant gaps/weaknesses or strengths in the company's business model and/or strategy that were not revealed by the performance scoring?
 - Identify any areas that may not be picked up in the performance scoring. E.g., start-ups who may have a low level of maturity in terms of emissions disclosure, target-setting, etc., and therefore receive a low performance score, and yet have an innovative business model which is almost entirely low-carbon aligned.

Analysis:

- ◆ Relevant performance modules (Targets, Material/Intangible Investment, Business Model, Transition Plan, etc.), alongside relevant reports/transition plan/action plans.

| Basic | Standard | Advanced | Next practice | Low-carbon transition aligned |
|---|--|--|--|--|
| The company's organisational business model and strategy is not at all aligned with the low-carbon transition and there are serious doubts as to how this business model and strategy could be successful in the long-term. | The company's organisational business model and strategy is partly aligned with the low-carbon transition, but there is no evidence the company is strategically repositioning itself. | The company's organisational business model and strategy is partly aligned with the low-carbon transition and there is evidence the company is strategically repositioning itself. | The company's organisational business model and strategy is mostly aligned with the low-carbon transition. | The company's organisational business model and strategy is completely aligned with the low-carbon transition. The company has positioned itself as a leader in and example to the sector as to how to align with the low-carbon transition. |

II. Consistency and credibility

Specific guiding questions to be asked are the following:

1. Are there any aspects of the company's business model and strategy that are inconsistent with each other?

Guidance:

- ◆ For example, if the company's net-zero target is heavily reliant on as-yet-unproven or non-mature technologies, yet the company is not investing in low-carbon R&D to develop these technologies, this shows inconsistency.

- 1184 ♦ For example, are there conflicting incentives in place that discourage a low-carbon transition in
1185 certain parts of the company?
- 1186 ♦ For example, is the company's business model and strategy inconsistent across the regions in which
1187 it operates?
- 1188 ♦ For example, has the company set emissions reduction targets but does not yet report its emissions?

1189 Analysis:

- 1190 ♦ Comparison between different performance modules/indicators (Targets, Material Investment,
1191 Intangible Investment, Management, etc.).

| Basic | Standard | Advanced | Next practice | Low-carbon transition aligned |
|--|---|--|---|--|
| Several major aspects of the company's business model and strategy are inconsistent with each other. | One to two major aspects of the company's business model and strategy are inconsistent with each other. | Several minor aspects of the company's business model and strategy are inconsistent with each other. | One to two minor aspects of the company's business model and strategy are inconsistent with each other. | . The company's business model and strategy is entirely internally consistent. |

1192

- 1193 2. Are there any aspects of the company's reported business model and strategy that are inconsistent
1194 with external information about the company?

1195 Guidance:

- 1196 ♦ For example, do the company's recent public actions, including acquisitions and mergers,
1197 product/service offerings, public announcements, etc., show alignment with the data reported by the
1198 company?
- 1199 ♦ For example, does:
- 1200 ○ the group the company is part of;
 - 1201 ○ any parents or subsidiaries of the company; or
 - 1202 ○ any joint ventures or other legal or business structures in which the company is involved,
1203 invested in or owned or controlled through;
- 1204 have any conflicting activities that undermine the company's ability to transition?
- 1205 ♦ To decide whether a particular event (such as an acquisition/merger, divestment, product/service
1206 offering, public announcement/commitment) should be considered relevant to the assessment of
1207 consistency and credibility, the assessor should use the following principle: emphasis should be
1208 placed on the most recent and most large-scale events. Large-scale events which occurred a long
1209 time ago (e.g., more than 15 years ago or so) may still be relevant, while small-scale events which
1210 occurred very recently (e.g., in the last 2 years or so) may also be relevant.

1211 Analysis:

- 1212 ♦ Comparison between performance modules/indicators, and other information gathered from
1213 sustainability/annual reports, news sources, etc.

| Basic | Standard | Advanced | Next practice | Low-carbon transition aligned |
|--|---|--|---|---|
| Several major aspects of the company's business model and strategy are inconsistent with | One to two major aspects of the company's business model and strategy are inconsistent with | Several minor aspects of the company's business model and strategy are inconsistent with | One to two minor aspects of the company's business model and strategy are inconsistent with | . The company's business model and strategy is entirely consistent with |

| | | | | |
|---|---|---|---|---|
| external information about the company. | external information about the company. | external information about the company. | external information about the company. | external information about the company. |
|---|---|---|---|---|

1214

1215 **3.** Are there any aspects of the company’s business model and strategy that are not credible?

1216 Guidance:

1217 ♦ For example, is the company unlikely to achieve its targets based on its locked-in emissions?

1218 ♦ For example, has the company previously made any public announcements/commitments/targets on
 1219 which it has failed to deliver, namely those related to climate and environmental performance, which
 1220 call into question the credibility of current announcements/commitments/targets?

1221 Analysis:

1222 ♦ Analysis of different performance modules/indicators (Targets, Material Investment, Intangible
 1223 Investment, Management, etc.).

1224 ♦ To check achievement of past announcements/commitments/targets, check past
 1225 sustainability/annual reports/press releases for announcements/commitments/targets, compare
 1226 across years to see if any were not met or abandoned.

| Basic | Standard | Advanced | Next practice | Low-carbon transition aligned |
|--|---|--|---|---|
| Several major aspects of the company’s business model and strategy are not credible. | One to two major aspects of the company’s business model and strategy are not credible. | Several minor aspects of the company’s business model and strategy are not credible. | One to two minor aspects of the company’s business model and strategy are not credible. | The company’s business model and strategy is entirely credible. |

1227

1228 **III.** [Data quality](#)

1229 Specific guiding questions to be asked are the following:

1230 **1.** Are there any concerns around the accuracy of any elements of the reported data?

1231 Guidance:

1232 ♦ For example, are there clear errors in the company’s emissions figures?

1233 ♦ For example, has the company’s emissions inventory been verified by a third party using an accepted
 1234 standard?

1235 Analysis:

1236 ♦ Third-party assurance/verification statements.

1237 ♦ Analysis of different performance modules/indicators (Targets, Material Investment, Intangible
 1238 Investment, Management, etc.).

| Basic | Standard | Advanced | Next practice | Low-carbon transition aligned |
|-------|----------|----------|---------------|-------------------------------|
|-------|----------|----------|---------------|-------------------------------|

| | | | | |
|--|---|--|---|---|
| Several major concerns exist around the accuracy of elements of the reported data. | One to two major concerns exist around the accuracy of elements of the reported data. | Several minor concerns exist around the accuracy of elements of the reported data. | One to two minor concerns exist around the accuracy of elements of the reported data. | No concerns exist around the accuracy of any elements of the reported data. |
|--|---|--|---|---|

1239

1240 2. Are there any concerns around the completeness of any elements of the reported data?

1241 Guidance:

1242 ♦ For example, if the company is not clear and transparent about the boundaries/scope/specific
1243 activities the data is referring to, or the sources of assumptions used, this signifies a lack of
1244 completeness.

1245 ♦ For example, does the company have incomplete time series data?

1246 Analysis:

1247 ♦ Analysis of different performance modules/indicators (Targets, Material Investment, Intangible
1248 Investment, Management, etc.).

1249 ♦ Company reports.

| Basic | Standard | Advanced | Next practice | Low-carbon transition aligned |
|--|---|--|---|---|
| Several major concerns exist around the completeness of elements of the reported data. | One to two major concerns exist around the completeness of elements of the reported data. | Several minor concerns exist around the completeness of elements of the reported data. | One to two minor concerns exist around the completeness of elements of the reported data. | No concerns exist around the completeness of any elements of the reported data. |

1250

1251 3. Are there any concerns around the consistency of any elements of the reported data?

1252 Guidance:

1253 For example, are there any elements of the reported company data that conflict with or contradict other
1254 aspects?

1255 ♦ For example, if the use of boundaries, assumptions and definitions of activities are not consistent
1256 across all data reported, this raises concerns around the consistency of the data.

1257 ♦ For example, if the company does not report any low-carbon CAPEX, but future emissions of assets
1258 largely appear to decrease, this raises concerns around the future emissions data.

1259 ♦ For example, are there figures reported in the company's CDP questionnaire response which conflict
1260 with figures from the company's own reports?

1261 Analysis:

1262 ♦ Comparison of different performance modules/indicators (Targets, Material Investment, Intangible
1263 Investment, Management, etc.).

1264 ♦ Comparison of CDP response and company reports.

| Basic | Standard | Advanced | Next practice | Low-carbon transition aligned |
|-------|----------|----------|---------------|-------------------------------|
|-------|----------|----------|---------------|-------------------------------|

| | | | | |
|---|--|---|--|--|
| Several major concerns exist around the consistency of elements of the reported data. | One to two major concerns exist around the consistency of elements of the reported data. | Several minor concerns exist around the consistency of elements of the reported data. | One to two minor concerns exist around the consistency of elements of the reported data. | No concerns exist around the consistency of any elements of the reported data. |
|---|--|---|--|--|

1265

1266 4. Are there any concerns around the timeliness of any elements of the reported data?

1267 Guidance:

1268 ♦ For example, does all the reported data relate to the correct time period?

1269 ♦ For example, does the company have significant delays in reporting?

1270 ♦ For example, how up-to-date (or not) are relevant underlying assumptions such as emissions factors
1271 and life-cycle assessment results?

1272 Analysis:

1273 ♦ Analysis of different performance modules/indicators (Targets, Material Investment, Intangible
1274 Investment, Management, etc.).

1275 ♦ Underlying assumptions reported by the company (emissions factors, life-cycle assessment results,
1276 etc.)

1277 ♦ Company reports.

| Basic | Standard | Advanced | Next practice | Low-carbon transition aligned |
|--|---|--|---|---|
| Several major concerns exist around the timeliness of elements of the reported data. | One to two major concerns exist around the timeliness of elements of the reported data. | Several minor concerns exist around the timeliness of elements of the reported data. | One to two minor concerns exist around the timeliness of elements of the reported data. | No concerns exist around the timeliness of any elements of the reported data. |

1278

1279 **IV. Reputation**

1280 Specific guiding questions to be asked are the following:

1281 1. Is there evidence (from sources identified in the Analysis section) of company involvement in any
1282 reputational incidents (e.g., environmental controversies, accounting scandals, etc.) that call into
1283 question the credibility of the company's low-carbon strategy and commitments?

1284 Guidance:

1285 ♦ To decide whether a particular reputational incident (such as an environmental or governance-related
1286 controversy or scandal) should be considered relevant to the assessment, the assessor should use
1287 the following principle: the relevance of a reputational incident is a function of the time since the
1288 event, and the severity of the incident. I.e., emphasis should be placed on the most recent and most
1289 high-severity incidents. High-severity incidents which occurred a long time ago (e.g., more than 15
1290 years ago or so) may still be relevant to consider, while some lower-severity incidents which occurred
1291 very recently (e.g., in the last 2 years or so) may also be relevant to consider.

1292 ♦ Minor or occasional breaches of law need not be included, while consistent, systematic rule-breaking
1293 should.

1294 ♦ A rule of thumb to determine whether an incident is severe is whether the company’s board became
 1295 involved (or should have done so), making a public statement or committing to making some concrete
 1296 change within the organisation.

1297 Analysis:

1298 ♦ Conduct check of news sources, RepRisk, InfluenceMap, legal section of company reports, press
 1299 releases/public statements, etc. for relevant reputational incidents related to the company.

| Basic | Standard | Advanced | Next practice | Low-carbon transition aligned |
|---|---|--|---|--|
| Company involvement in several major incidents, related to relevant ESG issues, that call into question the credibility of the company’s low-carbon strategy and commitments. | Company involvement in one to two major incidents, related to relevant ESG issues, that calls into question the credibility of the company’s low-carbon strategy and commitments. | Company involvement in several minor incidents related to relevant ESG issues, that call into question the credibility of the company’s low-carbon strategy and commitments. | Company involvement in one to two minor incidents related to relevant ESG issues, that call into question the credibility of the company’s low-carbon strategy and commitments. | No company involvement in any incidents, related to relevant ESG issues, that call into question the credibility of the company’s low-carbon strategy and commitments. |

1300

1301 2. If reputational concerns exist, to what extent is the company addressing/has the company addressed
 1302 these concerns?

1303 Guidance:

1304 ♦ Score “low-carbon transition aligned” if no reputational concerns exist.
 1305 ♦ For example, has the company made efforts to address the issue/implement any learnings, i.e., did
 1306 it change its management structure or internal processes, give evidence that the issue is fixed,
 1307 demonstrate a change in culture within the company, or not demonstrate any significant changes,
 1308 meaning the controversy could likely repeat?
 1309 ♦ The assessor should be wary of communications that attempt to cover up the issue without
 1310 demonstrating concrete changes.

1311 Analysis:

1312 ♦ Check company website, reports, press releases, etc.

| Basic | Standard | Advanced | Next practice | Low-carbon transition aligned |
|--|---|--|---|--|
| The company has consistently failed to address reputational concerns by implementing concrete changes. Any attempts to address these concerns are superficial. | The company has generally addressed reputational concerns by implementing minor changes. Some attempts to address these concerns are superficial. | The company has generally addressed reputational concerns by implementing concrete changes. Concerns not always addressed swiftly or satisfactorily. | The company has always addressed reputational concerns by implementing concrete changes. Concerns not always addressed swiftly or satisfactorily. | The company has always addressed reputational concerns by implementing concrete changes. Concerns always addressed swiftly and satisfactorily. |

1313

1314 V. Risk

1315 Specific guiding questions to be asked are the following:

1316 1. How reliant is the company on high-emitting activities for its profits, now and in the future?

1317 Guidance:

1318 ♦ This question considers the extent to which the company is starting its transition from such a position
 1319 of reliance on fossil fuels, that there is a significant risk that it will be unable to achieve its low-carbon
 1320 transition at the rate required by its GHG emissions reduction pathway.

1321 ♦ For example, is the company still heavily reliant on fossil fuel-related activity (across the whole chain,
 1322 covering both direct and indirect emissions) for its profits, and showing little sign of reducing its
 1323 dependence?

1324 Analysis:

1325 ♦ Relevant performance modules/indicators (Business models, Material/Intangible investments, etc.).

| Basic | Standard | Advanced | Next practice | Low-carbon transition aligned |
|---|---|---|---|--|
| The company is almost completely reliant on high-carbon activities for its profits, and shows little sign of changing its activities in the future. | The company is significantly reliant on high-carbon activities for its profits, and shows little sign of changing its activities in the future. | The company has some reliance on high-carbon activities for its profits, but is beginning to transition away from its remaining high-carbon activities. | The company has almost no reliance on high-carbon activities for its profits, and is successfully transitioning away from its remaining high-carbon activities. | The company has no reliance on high-carbon activities for its profits. |

1326

1327 2. Are there potential or existing market, policy/legal and/or technological risks that may block the
 1328 successful implementation of a particular strategic low-carbon direction?

1329 Guidance:

1330 ♦ This question can be thought of as asking about external risks – what are the external forces that
 1331 might prevent the company from transitioning?

1332 ♦ Market risk example: is there low expected demand for certain low-carbon products in the future due
 1333 to their high price?

1334 ♦ Policy/legal risk example: is there a risk that policies (including unambitious environmental policies,
 1335 climate-negative policies, minimum purchase agreements in the country or countries in which the
 1336 company operates will block or disincentivise the company’s decarbonisation efforts?

1337 ♦ Technological risk example: is there a risk that new technologies required by the company to achieve
 1338 its decarbonisation targets are not successfully developed?

1339 Analysis:

1340 ♦ This will likely require the gathering of several data sources which may vary significantly by sector.

1341 ♦ Sources may include: company CDP response data on risks; company reports; sector-wide transition
 1342 risk or TCFD reports; any other relevant sources based on internet searches.

| Basic | Standard | Advanced | Next practice | Low-carbon transition aligned |
|--|---|--|---|--|
| The company faces several major potential and/or existing market, policy/legal and/or technological risks that may block the successful implementation of a particular strategic low-carbon direction. | The company faces one to two major potential and/or existing market, policy/legal and/or technological risks that may block the successful implementation of a particular strategic low-carbon direction. | The company faces several minor potential and/or existing market, policy/legal and/or technological risks that may block the successful implementation of a particular strategic low-carbon direction. | The company faces one to two minor potential and/or existing market, policy/legal and/or technological risks that may block the successful implementation of a particular strategic low-carbon direction. | The company does not face any potential or existing market, policy/legal and/or technological risks that may block the successful implementation of a particular strategic low-carbon direction. |

1343

1344 3. If risks exist, to what extent is the company taking action to mitigate these risks?

1345 Guidance:

1346 ♦ Score “low-carbon transition aligned” if no significant risks exist.

1347 ♦ For example, if there is a major risk of the unsuccessful development of new technologies, to what
1348 extent is the company investing in R&D for low-carbon technology to tackle this risk? Or, if there is a
1349 major risk that there will be low demand for low-carbon products, to what extent is the company
1350 working to reduce the price/increase marketing of its low-carbon products?

1351 Analysis:

1352 ♦ Analysis of the risks identified, and data from performance modules/indicators, company reports,
1353 etc., demonstrating the company's response to these risks.

| Basic | Standard | Advanced | Next practice | Low-carbon transition aligned |
|--|--|---|--|---|
| The company is taking no action to mitigate any potential and/or existing risks that may block the successful implementation of a particular strategic low-carbon direction. | The company is taking very limited action to mitigate any potential and/or existing risks that may block the successful implementation of a particular strategic low-carbon direction. | The company is taking some action to mitigate some potential and/or existing risks that may block the successful implementation of a particular strategic low-carbon direction. | The company is taking significant action to mitigate some potential and/or existing risks that may block the successful implementation of a particular strategic low-carbon direction. | The company is taking significant action to mitigate all potential and/or existing risks that may block the successful implementation of a particular strategic low-carbon direction. |

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9.3. MAPPING ACT WITH OTHER FRAMEWORKS

1358 *** Work in progress ***

1359 A mapping of the ACT indicators against various disclosure frameworks such as ESRS, TPT and GRI will be
1360 included in the final draft of the framework. The mapping intends to show to what extent the data required to
1361 perform an ACT assessment is available in existing disclosure requirements and will provide a tool for
1362 assessors to identify where key information for an assessment can be found.