Sustainability

Net Zero

Research Methodology, Process and Deliverables

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METHODOLOGY AND RESEARCH PROCESS
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Introduction

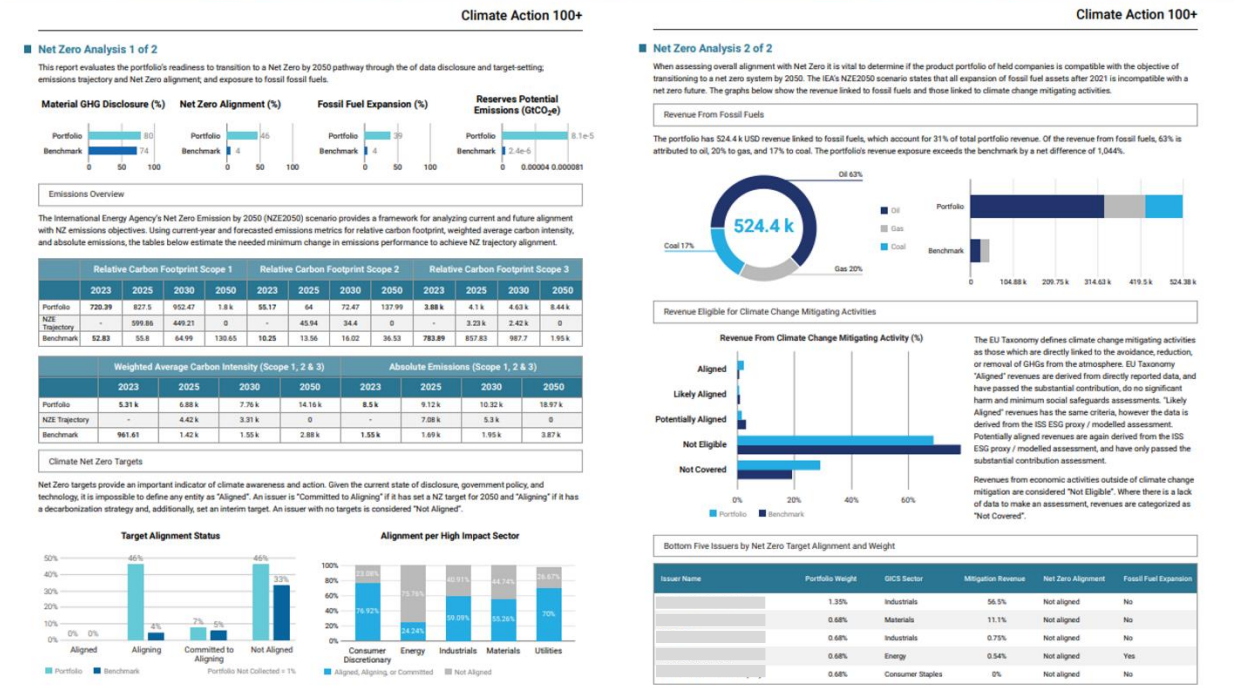
The world is facing a climate crisis and to curb global warming to sufficient levels, investors have an integral role to play. Financing the transition to a low carbon economy by redirecting capital flows towards companies that support the objectives of the Paris Agreement not only reduces transition investments risks but also comes with investment opportunities.

The Net Zero Solution helps investors identify those risks and opportunities and understand the level of disclosure and target setting they can expect from an issuer today, and how this translates into issuer- and portfolio-level Net Zero alignment. The Net Zero Analysis is available within the existing Climate Impact Report (CIR), see Figure 1, and includes close to 200 metrics on Net Zero ambitions, quality of issuer target-setting and climate-related disclosure, decarbonization plans, climate governance, potential emissions trajectories, revenues and capital expenditures (CapEx) associated with fossil fuels and climate mitigating activities, and Net Zero alignment status.

ISS STOXX has added new factors and increased the coverage which now allows clients to also form a view on the capital allocation alignment criteria for a Net Zero alignment assessment as well as on the four supplementary criteria underpinning the alignmente assessment as defined by the Net Zero Investment Framework (NZIF) 2.0[1].

Beyond providing quantitative and qualitative datapoints, this analysis can function as a foundation for engagement; particularly in relation to improved disclosure or more ambitious target setting.

Figure 1: Climate Impact Report - Net Zero Analysis Pages 1 & 2



**For illustrative purposes only*

[1] NZIF 2.0., p. 23 & 24

Underlying Concepts / Frameworks

The methodology behind Net Zero Analysis is based on current reporting frameworks, such as the Net Zero Investment Framework (NZIF), as well as consultations with leading investment institutions and other market participants.

NZIF, developed by the Institutional Investors Group on Climate Change (IIGCC), provides a common basis for investors to set out their net zero ambitions and strategies, measure alignment with precautionary pathways to achieve net zero by 2050 and transition their portfolios.

For listed equity & fixed income assets, NZIF provides 6 main criteria for assets alignment assessments[2]:

1. **Ambition**: A long-term goal consistent with the global goal of achieving net zero by 2050.
2. **Targets**: Short- and medium-term science-based targets to reduce GHG emissions.
3. **Emissions performance**: Current absolute or emissions intensity is at least equal to a relevant net zero pathway.
4. **Disclosure**: Disclosure of scope 1,2 and material scope 3 emissions.
5. **Decarbonization strategy**: A quantified set of measures exists to achieve short- and medium-term science-based targets by reducing GHGs and increasing green revenues, when relevant.
6. **Capital allocation alignment**: A clear demonstration that capital expenditures are consistent with a relevant net zero pathway.

NZIF uses five categories of alignment, representing progressive steps towards alignment with a net zero pathway:

1. **Not aligning**: Refers to assets without a commitment to decarbonize in a manner consistent with achieving global net zero.
2. **Committed to aligning**: Refers to assets with a long term decarbonization goal consistent with achieving global net zero by 2050.
3. **Aligning to a net zero pathway**: Refers to assets with emissions performance not equal to a contextually relevant net zero pathway. However, importantly they have science-based targets and a decarbonization plan and are thus ready to transition.
4. **Aligned to a net zero pathway**: Refers to assets which have science-based targets, a decarbonization plan, and current absolute or emissions intensity at least equal to a relevant net zero pathway.
5. **Achieving net zero**: assets meet all relevant criteria and have an emissions performance at net zero which can be expected to continue.

[2] Net Zero Investment Framework 2.0, IIGCC

Assessment Approach

Alignment Criteria

When determining alignment status, the criteria below are considered.

- Material GHG Disclosure – Is the company disclosing Material GHG emissions considering their sector?
- NZ by 2050 Target – Has the issuer declared a Net Zero target by 2050 or sooner and does the target include Scope 1, 2, and material Scope 3 emissions?
- Interim Target – Has the issuer declared an intermediate Net Zero target and does that target include Scope 1, 2, and material Scope 3 emissions?
- Decarbonization Strategy – Does the issuer have a decarbonization strategy in place, with a defined set of quantitative and qualitative actions to reach Net Zero Targets?

Table 1: ISS STOXX Net Zero Alignment

Alignment Status	Material GHG Disclosure	NZ by 2050 target	Interim Target	Decarbonization Strategy
Not Aligned	No	No	No	No
Committed to Aligning	Yes	Yes	No	No
Aligning	Yes	Yes	Yes	Yes
Aligned	Not Applicable	Not Applicable	Not Applicable	Not Applicable

When evaluating full Net Zero alignment, a conservative approach is taken by not considering any issuer to be Net Zero Aligned. The current state of corporate disclosure, government policy, and technological development makes it impossible to determine if an issuer fulfills all the criteria necessary to achieve Net Zero Alignment.

Thus, the highest alignment status available to issuers at this time is **Aligning**. This will change as the technological requirements to reach Net Zero become clearer and as issuers start to define clear roadmaps that include specific financial information about how a Net Zero target will be reached.

An issuer is considered aligning if it discloses material emissions, has set a Net Zero target for 2050 and an interim target, and has a credible decarbonization strategy. Targets are collected for the latest reporting year.

Material GHG emissions disclosure is the primary data point an issuer with any climate ambition can be expected to report. In order to set credible emissions reduction targets, material emissions need to be calculated and transparently reported. Effective targets cannot be set without thorough knowledge of emissions sources by scope as sector exposure to Scope 1, Scope 2, or Scope 3 emissions varies significantly. Consequently, the definition of material emissions differs between sectors. Issuers in some sectors are expected to report and set targets on Scope 1 and 2 emissions, while others are also expected to include Scope 3 emissions in reporting and target-setting.

Since emissions disclosure is vital for target setting, non-reporting companies are classified as Not Aligned. If a company has a track record of reporting but hasn't reported yet this year, it is assumed to be a late reporter, hence the previous year's information is used for this factor. This avoids unwarranted changes to non-aligned exclusively due to late reporting. If an issuer has data from disclosed emissions, but information on targets has not yet been collected, they are assigned the 'Not Collected' status.

Although for the alignment score it is required that an issuer has declared a Net Zero target by 2050 or sooner for all its relevant scopes, i.e. for Scope 1&2 and when relevant for Scope 3, the answer possibilities on factor level (*ClimateNZTarget2050Scope123*) incorporate whether an issuer has only declared Scope 1&2 targets, even though Scope 3 would be relevant, for more clarity.

For an understanding of the different types of Alignment Status see Appendix I: Example Alignment Status.

Additional Factors

In addition to the alignment assessment itself, several indicators from the Net Zero dataset can be combined to form a multi-dimensional view of the companies' performance. Combined, these factors allow a detailed view on two of the main criteria for the Net Zero alignment assessment (decarbonization plan & capital allocation alignment) as well as the four supplementary criteria (climate policy & engagement, climate governance, just transition, and climate risks & accounts) underpinning the alignment assessment according to NZIF 2.0, see Table 2. Additional factors such as green or brown revenue, fossil fuel reserves, etc. are also provided to allow for more insights. For a full list of factors please request the Net Zero Data Dictionary.

Table 2: Nr. of additional Net Zero Solutions' factors per NZIF criteria

NZIF CRITERIA	NUMBER OF ADDITIONAL FACTORS FROM NET ZERO SOLUTIONS
Decarbonization strategy	10
Capital allocation alignment	37
Climate policy & engagement and climate governance	6
Just Transition	2
Climate risk and accounts	3

For a decarbonization strategy to be credible, details on how the targets will be reached are required (see criteria "decarbonization plan" from the NZIF Alignment criteria). This requirement is reflected in the alignment score. However, to provide more granularity on the disclosed decarbonization strategy of the issuer, the following seven decarbonization levers are provided:

- Industrial Energy Efficiency
- Transport
- Building Energy Efficiency
- Industrial Electrification
- Renewables

- Supply Chain
- Product Use Phase Efficiency

The factors indicate whether or not the issuer discloses a quantitative impact of a certain decarbonization lever to achieve its GHG emission reduction targets. If disclosed, they can be interpreted as a positive sign of the robustness of the issuer's decarbonization strategy.

Another important indication of the robustness of the issuer's transition plan is the amount of Capex that is consistent with a relevant net zero pathway (see criteria "capital allocation alignment" of the NZIF alignment criteria). Due to data scarcity on Capex in the past, this point is currently not reflected in the alignment assessment. However, data availability and quality have increased over the last few years, mostly thanks to the EU Taxonomy reporting requirements. Therefore, green Capex information is provided as additional data points that clients can use to expand their analysis. Please refer to the Net Zero Data Dictionary for the list of Capex data factors. Additional factors on green revenue and fossil fuel exposure extend the perspective.

In addition to the six main criteria that define the alignment assessment according to NZIF, as listed above, there are four supplementary criteria underpinning the assessment. Due to data availability and/or quality constraints they are not part of the alignment assessment according to NZIF, however, when available, add important context and credibility to an issuer's transition strategy. Those four supplementary criteria are:

- Climate policy & engagement
- Climate governance
- Just transition
- Climate risk and accounts

On the criteria of climate policies & engagement and climate governance, six factors are provided:

- **Board oversight of climate risks and opportunities**: Does the company disclose board oversight of climate-related risks and opportunities?
- **Compensation policy**: Does the company disclose that its compensation policy explicitly references science-based targets for reducing GHG emissions with a reference to the well below 2°C scenario?
- **Vote support for climate shareholder proposals**: What was the greatest percentage of vote support for climate-related shareholder proposals?
- **Incentive plans for climate performance disclosure**: What is the disclosure level of climate-related performance measures for the executive short-term or any long-term incentive plan?
- **Directors with climate skills**: How many directors have climate skills?
- **Climate committee independence**: What percentage of the committee responsible for climate is independent?

Additionally, two new factors on just transition have been added.

- **Commitment to a just transition**: Does the issuer have a public commitment to a just transition as delineated by established international bodies?
- **Acknowledgement of the importance of a just transition**: Does the issuer acknowledge the importance of a just transition?

On the topic of climate risks and accounts, the following three factors are provided:

- **Audit report includes climate**: Does the issuer's audit report mention any assessed material impacts of climate-related matters on the issuer's business or operations?
- **Financial report includes climate risks**: Does the issuer report climate change as a business risk in annual and financial reports?
- **TCFD report**: Does the issuer have a TCFD aligned disclosure in its annual reporting or publish a TCFD report?

For additional granularity and insights into the targets of an issuer, new factors on the use of carbon credits have been added. The factors allow the assessment of the percentage of total planned GHG emission reduction attributable to carbon credits as part of the issuer's effort to meet its GHG emission reduction target. Supplementarily, a new factor has been added on whether the issuer indicates the use of carbon removal for its GHG emission target management.

Sources / Inputs

The Net Zero product is based on collected data, mostly from the Environmental & Social Raw dataset. In addition, the solution also leverages climate-related data from various ISS STOXX datasets such as Energy and Extractives Screening, EU Taxonomy Alignment Solution, and Governance QualityScore. Whereas the Net Zero Alignment status is based exclusively on publicly disclosed data, additional datapoints in the Net Zero dataset can be modeled, see Table 3.

Table 3: List of source datasets used in the Net Zero Product.

Name	Usage	Source
Environment & Social Raw Data	E.g., Net Zero commitments, targets, just transition, etc.	Reported
Energy & Extractives Screening	Green/Brown expansion, potential emissions from reserves	Reported / Estimated
EU Taxonomy Alignment Solution	Green Revenue, Green CAPEX	Reported / Estimated
Governance QualityScore	Governance & policy factors, e.g., board oversight	Reported

For further information on methodologies and research processes for these themes, as well as the overall Climate Impact Report (CIR), please see their respective methodology documents[3].

Assessment Process

Data Collection

The Environmental & Social Raw Data is manually collected from publicly available company disclosures including public filings, annual reports, sustainability and CSR reports, climate reports, integrated reports, public company policies, and information on company websites. Both reported quantitative and qualitative data are collected. No estimates are made at this stage.

Research (Assessment, Results, Deliverables)

Net Zero data is provided via the proprietary DataDesk platform.

The portfolio analytics tool on DataDesk platform enables investors to assess the climate impact of their portfolios. For public equity and fixed income strategies, the CIR is generated using factors available on DataDesk and includes Net Zero data.

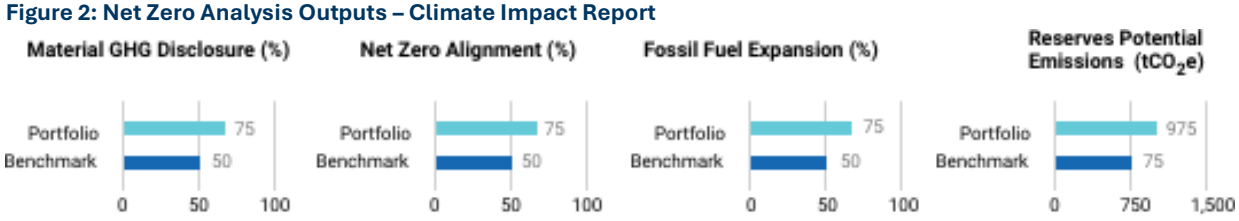
It is also possible for clients to directly receive these data factors as part of standardized and custom data feeds via multiple modes of delivery.

Net Zero Analysis Pages

Net Zero analysis page 1 of 2

The first page of the Net Zero Analysis contains information on material GHG disclosure, Net Zero alignment status, fossil fuel expansion, potential emissions from reserves, estimated emissions projections, and target setting levels.

Figure 2: Net Zero Analysis Outputs – Climate Impact Report



The four widgets at the top of the first page of the Net Zero Analysis provide an overview of:

[3] Overview of ISS STOXX's products and their methodologies here.

- **Material GHG Disclosure (%)**: The graph shows the percentage weight of issuers in the portfolio and benchmark reporting material emissions data.
- **Net Zero Alignment (%)**: The graph shows the percentage weight of Net Zero "Aligning" issuers in the portfolio.
- **Fossil Fuel Expansion (%)**: The graph shows the percentage weight of issuers that have expanded fossil fuel assets in the previous fiscal year. The factor identifies issuers currently engaged in the expansion or development of fossil fuel projects, or those that have declared plans to do so in the near future. Fossil fuel projects incorporate oil, gas, and coal extraction operations, as well as energy generation assets powered by fossil fuels, and infrastructure which is critical for the fossil fuel industry (e.g., pipelines and terminals). The International Energy Agency (IEA) states in their Net Zero 2050 scenario (NZE), that "there is no need for investment in new fossil fuel supply"[4]. The scenario expects a sharp decline in fossil fuel demand. The graph in the Climate Impact Report is built around a binary Yes/No metric. For additional factors on issuers' Green/Brown expansion, specific projects, fuels, dedicated CAPEX, and other metrics, please see the Net Zero Data dictionary.
- **Reserves Potential Emissions (tCO2e)**: The graph shows the potential future emissions from fossil fuel reserves expressed in gigatonnes of carbon dioxide equivalent (GtCO2e). The factor covers Proven (P1[5]) oil, gas, and coal reserves as of the latest reporting year.

The next two tables show the relative carbon footprint, the weighted average carbon intensity (WACI) and the absolute emissions for Scope 1, Scope 2, and Scope 3 for the reporting year, 2025, 2030, and 2050 for the portfolio, the benchmark, and NZE trajectory. For more information on how the relative carbon footprint, the WACI, and the absolute emissions are calculated please read the Climate Impact Report: Methodology. The methodologies for the NZE trajectory and estimated emissions projections are provided in Appendix II.

Figure 3: Relative Carbon Footprint (Scope 1, 2 & 3) – Climate Impact Report

	Relative Carbon Footprint Scope 1				Relative Carbon Footprint Scope 2				Relative Carbon Footprint Scope 3			
	2023	2025	2030	2050	2023	2025	2030	2050	2023	2025	2030	2050
Portfolio	**720.39**	827.5	952.47	1.8 k	**55.17**	64	72.47	137.99	**3.88 k**	4.1 k	4.63 k	8.44 k
NZE Trajectory	-	599.86	449.21	0	-	45.94	34.4	0	-	3.23 k	2.42 k	0
Benchmark	**52.83**	55.8	64.99	130.65	**10.25**	13.56	16.02	36.53	**783.89**	857.83	987.7	1.95 k

Figure 4: WACI and Absolute Emissions (Scope 1, 2 & 3) – Climate Impact Report

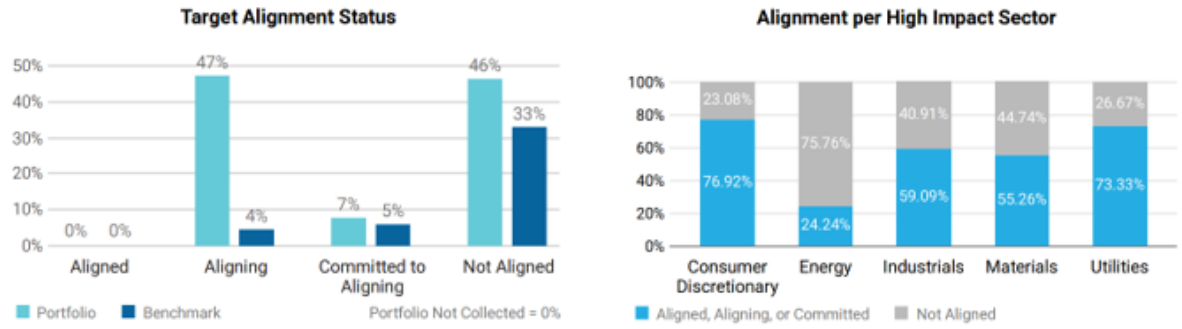
	Weighted Average Carbon Intensity (Scope 1, 2 & 3)				Absolute Emissions (Scope 1, 2 & 3)			
	2023	2025	2030	2050	2023	2025	2030	2050
Portfolio	**5.31 k**	6.88 k	7.76 k	14.16 k	**8.5 k**	9.12 k	10.32 k	18.97 k
NZE Trajectory	-	4.42 k	3.31 k	0	-	7.08 k	5.3 k	0
Benchmark	**961.61**	1.42 k	1.55 k	2.88 k	**1.55 k**	1.69 k	1.95 k	3.87 k

The Target Alignment Status graph Figure 3 and Figure 4 shows the alignment status by weight (%) of the portfolio and benchmark.

[4] https://www.iea.org/reports/net-zero-by-2050
[5] Proven reserves are estimated quantities of mineral deposits, at a specific date, as analysis of geologic engineering data demonstrates with reasonable certainty to be recoverable in the future under the same economic and operational conditions. Source: OECD.

The Alignment per High Impact Sector graph shows the alignment status by weight (%) of the portfolio and benchmark for high impact sectors. The blue segments indicate holdings that are either **Committed to Aligning**, **Aligning,** or **Aligned** in the sector. The grey segment indicates holdings that are **Not Aligned**.

Figure 5: Alignment Status – Climate Impact Report



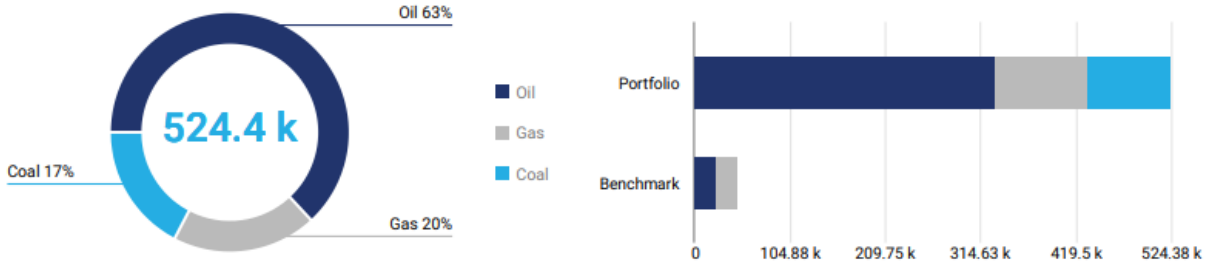
Net Zero analysis page 2 of 2

The second page of the Net Zero Analysis contains information on revenue from fossil fuels and climate change mitigating activities, and the bottom five issuers by alignment status.

Figure 6 shows the revenue linked to fossil fuel extraction for the portfolio and the benchmark. The share of revenue derived from exposure to fossil fuels, a major contributor to climate change, is a widely used quantitative metric to measure an issuer's involvement in this area. This allows investors to capture involvement for issuers beyond industry sector classification.

Figure 6: Revenue from Fossil Fuels- Climate Impact Report

The portfolio has 524.4 k USD revenue linked to fossil fuels, which account for 31% of total portfolio revenue. Of the revenue from fossil fuels, 63% is attributed to oil, 20% to gas, and 17% to coal. The portfolio's revenue exposure exceeds the benchmark by a net difference of 1,044%.



The data covers involvement in, and revenues derived from, the following fossil fuel-related activities.

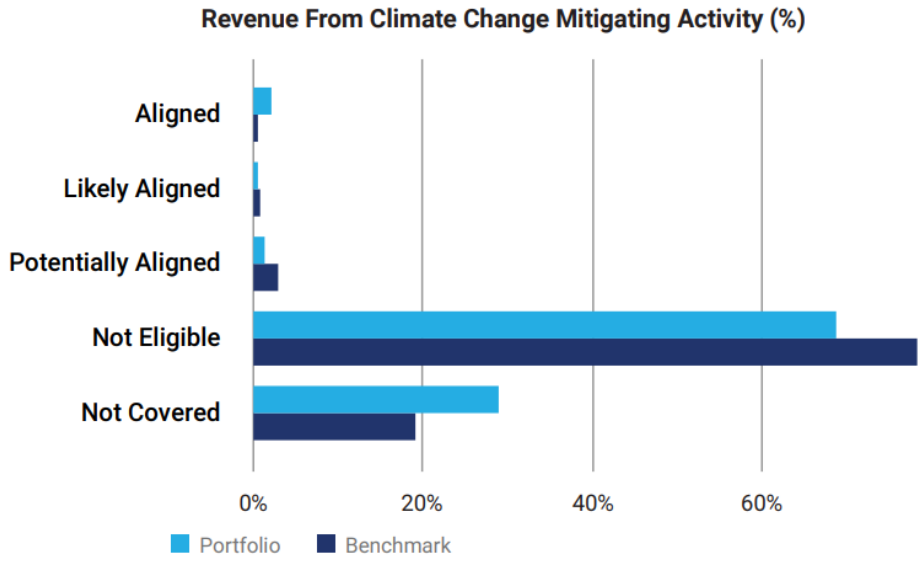
- Coal Extraction / Mining
    - Thermal Coal Mining
    - Metallurgical Coal Mining
- Coal Power Generation

- Coal Refining & Processing
- Oil Extraction
- Oil Power Generation
- Oil Refining & Processing
- Natural Gas Extraction
- Natural Gas Power Generation
- Natural Gas Refining & Processing
- Fossil Fuel Exploration
- Coal Mining Exploration
- Fossil Fuel Distribution
- Fossil Fuel Services
- Coal Mining Services

The data covers the latest fiscal year. If issuer reporting has not been updated, older reported data may be used.

Figure 7 shows the percentage revenue linked to climate change mitigating activities for the portfolio and the benchmark as defined by the EU Taxonomy Regulation. The EU Taxonomy defines climate change mitigating activities as those which are linked to the avoidance, reduction, or removal of GHGs from the atmosphere.

Figure 7: Revenue from Climate Change Mitigation Activities (EU Taxonomy) – Climate Impact Report



EU Taxonomy "Aligned" revenues are derived from directly reported data and have passed the substantial contribution, do no significant harm, and minimum social safeguards assessments. "Likely Aligned" revenues have the same criteria; however, the data is estimated based on the proxy / modelled assessment. "Potentially Aligned" revenues also use estimated data and have only passed the substantial contribution assessment. Revenues from economic activities outside of climate change mitigation are considered "Not Eligible". Where there is a lack of data to make an assessment, revenues are categorized as "Not Covered".

The Taxonomy Regulation categorizes eligible activities as 'green', 'enabling' or 'transition':

- Green activities: "Activities that in and of themselves contribute substantially to one of the six environmental objectives."
- Transition activities: "Activities for which there are no technologically and economically feasible low-carbon alternatives, but that support the transition to a climate-neutral economy in a manner that is consistent with a pathway to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels; for example, by phasing out greenhouse gas emissions."
- Enabling activities: "Activities that enable a substantial contribution to one or more of the objectives in other sectors of the economy."

There are ca. 147 activities included in the analysis. For a full list of the activities please see the EU Taxonomy Methodology.

Table 4: Bottom Five Issuers by Net Zero Target Alignment and Weight

Issuer Name	Portfolio Weight	GICS Sector	Mitigation Revenue	Net Zero Alignment	Fossil Fuel Expansion
	0.68%	Materials	11.1%	Not aligned	No
	0.68%	Industrials	0.75%	Not aligned	No
	0.68%	Energy	0.54%	Not aligned	Yes
	0.68%	Consumer Staples	0%	Not aligned	No
	0.68%	Energy	0%	Not aligned	Yes

The table shows the bottom five issuers by Net Zero Target Alignment status and weight. For example, the first selection criterion is target alignment, thus, the bottom five will be the issuers with the lowest level of alignment, e.g., Not Aligned. The second criterion is weight. If all holdings in the portfolio have the same Alignment status, the companies with the highest weight are selected. In addition, the issuer's mitigation revenue and fossil fuel expansion involvement are shown.

Update Cycle

The Environmental & Social Raw Data is updated annually, and the update cycle is determined by the issuers' annual reports and sustainability reports. The turnaround time for data availability is three months after the publication of the company's report(s).

The data on DataDesk, that also feeds the Climate Impact Report, is updated daily.

Quality Assurance

The process for quality assurance and data verification consists of:

- Quality assurance: Data is subject to validation rules at entry level. Mutually dependent datapoints are subject to derivation rules to confirm concordance. Quantitative data is coupled with diagnostic tools that flag potentially significant deviations.
- Data verification:
    - Experienced analysts spanning different teams review the accuracy of the collected data with pre & post publication checks.
- Additional, stratified sample reviews of data are performed on a monthly basis by net zero topic experts. Stratification is done based on market cap or sectors.

Methodology Review Process

The Net Zero methodology is subject to periodic reviews and updates that are overseen by experienced methodology and research leaders who continuously monitor market evolutions by reviewing relevant frameworks or regulations in order to align the methodology with market requirements.

The biggest limitation for the Net Zero product is the quality and inconsistency of reported data, which is to be mitigated with its quality assurance process.

APPENDIX

Appendix I: Example Alignment Status

ALIGNMENT STATUS	MATERIAL GHG DISCLOSURE	2050 NZ TARGET	INTERIM TARGET	DECARBONIZATION STRATEGY	
Aligned	Not Applicable	Not Applicable	Not Applicable	Not Applicable	• No issuer is currently considered Aligned.
Aligning	Yes	Yes	Yes	Yes	• The issuer is reporting relevant emissions for target setting. • The issuer has a NZ target for 2050 covering relevant emissions. • The issuer has an interim target. • The issuer has a decarbonization strategy.
Committed to Aligning	Yes	Yes	No	No	• The issuer is reporting relevant emissions for target setting. • The issuer has a NZ target for 2050 covering relevant emissions.
Not Aligned	Yes	No	No	No	• The issuer is reporting relevant emissions for target setting. • The issuer has no Net Zero targets for 2050, interim targets or decarbonization strategy.

ALIGNMENT STATUS	MATERIAL GHG DISCLOSURE	2050 NZ TARGET	INTERIM TARGET	DECARBONIZATION STRATEGY	•
Not Aligned	No	No	No	No	• The issuer is not reporting relevant emissions for target setting. • The issuer has no Net Zero targets for 2050, interim targets or decarbonization strategy.
Not Aligned	No	Not Collected	Not Collected	Not Collected	• The issuer is not reporting relevant emissions for target setting. • Any potential communication around Net Zero ambition or targets is currently Not Collected.
Not Collected	Yes	Not Collected	Not Collected	Not Collected	• The issuer is reporting relevant emissions for target setting. • Net Zero targets and other metrics are currently Not Collected.
Not Collected	Not Collected	Not Collected	Not Collected	Not Collected	• Issuer data has not been collected.

Appendix II: Net Zero Emissions Trajectory and Projected Emissions

Net Zero Emissions Trajectory

The NZE trajectory shows how the metrics would develop if they followed the trajectory set out for the world economy in the IEA NZE scenario. In the NZE, the IEA presents the necessary rate of decarbonization to reach Net Zero by 2050. For example, the decarbonization rates for 2021-2025, 2021-2030, and 2021-2050 need to be ca. 17%, 38%, and 100%, respectively[6]. The base year 2024 is used in the report in 2025, referring to the reporting year 2024 i.e., emissions that occurred in the operational year 2023.

For example, in the table below there is a portfolio trajectory and an NZE trajectory. The portfolio trajectory shows how the portfolio emissions would develop in a business-as-usual scenario based on the methodology for emissions projections. The NZE trajectory shows how the portfolio emissions would develop if they followed the trajectory put forth by the IEA. The NZE trajectory can be used to understand the degree to which portfolio emissions need to be reduced to reach Net Zero under the NZE.

Example:

	2021	**2030**
Portfolio Trajectory	1000	2000
Portfolio Trajectory %	*100%*	*+100%*
NZE Trajectory	1000	620
NZE Trajectory %	*100%*	*-38%*

Projections

Projected emissions are calculated by estimating future emissions based on past performance. To estimate emissions the following steps are taken.

Estimation Steps – Scope 1 and 2

- To estimate the expected emissions on a company level, company-specific data is used from the internal database.
- If the company reports its emissions, reported data is used. If reported emissions are not available or if reported emissions are of inferior quality, estimated numbers are used[7].
- Emission trajectories based on emission intensity per revenue (tCO_2e/Revenue) is calculated for Scope 1 and Scope 2.
- The calculated trajectories consider a six-year historic emissions intensity trend. For example, for the reporting year 2024, the trajectories are based on the emissions data for 2023, 2022, 2021, 2020, 2019 and 2018.
- To normalize outliers, a "bucket" system is used to allocate company trajectories. Each company has three trajectory options available based on the subsector in which it operates. The buckets are based on

[6] As of World Energy Outlook 2022
[7] See ISS STOXX Methodology Document: Carbon footprint assessment of fixed income & equity portfolios.

scenarios provided by the International Energy Agency (IEA) in the World Energy Outlook (WEO). For example, if the scenarios used are the SDS, STEPS, and APS scenarios, a company with a trajectory below SDS will be put in the SDS bucket, a company with a trajectory between SDS and STEPS will be placed in the STEPS bucket, and so forth.

Absolute Emissions

- To estimate absolute emissions, the intensities are multiplied with the expected company revenue.
- Company revenue growth is calculated with the expectation that it will grow at the same rate as the world GDP in the IEA NZE at a rate of 3% per year[8].

Example Calculations

Scope 1 Emission Intensity Calculation

Scope 1 Trajectory (%)	2023 emission intensity (TCO_2e/1000 USd)	2025 projected intensity (TCO_2e/1000 USd)	2050 projected intensity (TCO_2e/1000 USd)
1%	1,000	1,020	1,308
Trajectory	Reporting Year	*Reporting Year + Expected Trajectory x Yearly Difference (2 yrs.)*	*Reporting Year + Expected Trajectory x Yearly Difference (27 yrs.)*

Revenue Projection Calculation

Expected Revenue Growth	2023 Revenue	2025 projected Revenue	2050 projected Revenue
3%	1,000,000	1,060,900	2,221,289
Trajectory	Reporting Year	*Reporting Year + Expected Growth x Yearly Difference (2 yrs.)*	*Reporting Year + Expected Growth x Yearly Difference (27 yrs.)*

Scope 1 Absolute Emission Projection

	2023	2025	2050
Emission Intensity	1,000	1,020	1,308
Revenue	1,000,000	1,060,900	2,221,289
Absolute Emissions	1,000,000	1,082,224	2,905,910

Scope 3 Projections

Projected Scope 3 emissions are scaled based on the ratio between the sum of scope 1 and 2 emissions, and scope 3 emissions. For example, if the ratio between the two values in year one is 2, the scope 3 emissions will change in tandem with the projected scope 1 and 2 emissions. See table below for an example.

[8] As of World Energy Outlook 2021

Example Scope 3 Ratio

Scope 1 & 2 2023 intensity (TCO_2e/1000 USd)	Scope 3 2023 Intensity (TCO_2e/1000 USd)	Scope 1&2 to Scope 3 Ratio (TCO_2e/1000 USd)	Scope 1&2 2025 Intensity (TCO_2e/1000 USd)	Scope 3 2025 Intensity (TCO_2e/1000 USd)
1,000	2,000	2	2,000	4,000

Appendix III: Version Control

VERSION	DATE	DETAILS
1.0	November 2021	Initial Version
1.1	March 2022	Addition of Appendix 'Example Alignment Status'
1.2	February 2024	Documentation of added factors to the data set: EU taxonomy CAPEX related factors
2.0	May 2025	Document review and update Documentation of new added factors to the data set: Decarbonization levers, Offsets, and Just transition.
2.1	October 2025	Document review and update
2.2	March 2026	Document review and update

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