

Breaking Down Corporate Net-Zero Climate Targets

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Kenji Watanabe:

Our recent publication, Breaking Down Corporate Net-Zero Target, introduced analytical framework, called MSCI Target Scorecard. This paper can help you assess the impact of the company stated carbon emission target, including net-zero target.

Companies' commitment to reduce CO2 emissions are a key component of the TCFD recommendations. Because they indicate a company's intent to reduce its impact on climate change and minimize potential risks associated with the low carbon productions.

We believe that decarbonization target is a core building block within the corporate climate change strategies. We observe an increasing number of companies are accepting climate change target, and about 15% of them are already some type of net-zero target in 2020.

So no doubt this is a possible development, but the devil is in the details. We found slight differences in target descriptions can make huge differences in potential impact of target on environment and company climate list (inaudible). Even if the target is achieved. So clearly, framework was needed, and we created one.

Antonios Panagiotopoulos:

So, our framework was comprised of three dimensions, possible dimensions, of a company's target. One is comprehensiveness. So, this will help us understand whether a company targets the full scope of its footprint. So, essentially covering scope 1, 2 and all of scope 3 categories.

The second part is ambition. How much of a company's emissions are aimed to be reduced and how quickly. At that stage, we will compare the emissions' reduction amount and the time-lapse of the stated target to a net-zero trajectory between today and 2050, as many companies and governments set 2050 as the net-zero milestone.

Finally, our analysis focuses on visibility and whether a company's efforts to achieve its targets are at par. We use information on both historic targets, but also progress towards current targets. Additionally, we would look on how the company plans to achieve the stated target. Perhaps through offsets or zero-carbon products and services, or a combination of both.

Finally, we would also look on qualitative information pertaining to a company's decarbonization plan of action, in order to give a comprehensive idea about the company strategy. To read the full research paper, visit [msci.com](https://www.msci.com) and reach out to us if you have any questions.

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