

# How to Evaluate a Company's Net-Zero Target

Using the MSCI ESG Research Climate Target & Commitments Dataset



As awareness of the risks and opportunities of climate change grows, more and more companies are setting net-zero targets.

Net-zero targets aim to reduce greenhouse gas emissions to the greatest extent possible, and compensate for remaining unavoidable emissions via offsets or removal.

## But how do wealth and asset managers know if a company's net-zero target is meaningful?

### Climate Target & Commitments Dataset

A framework for breaking down corporate net-zero targets.

The Target and Commitments dataset equips investors to evaluate companies' pledges to decarbonize and to compare decarbonization commitments among companies.



Hypothetical company\*



Key components

#### 1 - Comprehensiveness

Does the target focus on the majority of a company's emissions?

\*Based on a hypothetical company  
Source: MSCI ESG Research LLC (Sep 2021)



% of company footprint covered by target

100%



Unit of measurement

tCO2



Target scopes

1,2,3

#### 2- Ambition

How much and how quickly does a target aim to reduce emissions?



Projected reduction per year to meet stated target

3.77% p.a.



Intention to use carbon offsets

No



Target year

2030

### Greenhouse gas emissions comprise three scopes:



**Scope 1**  
Direct emissions



**Scope 2**  
Indirect emissions from purchased energy

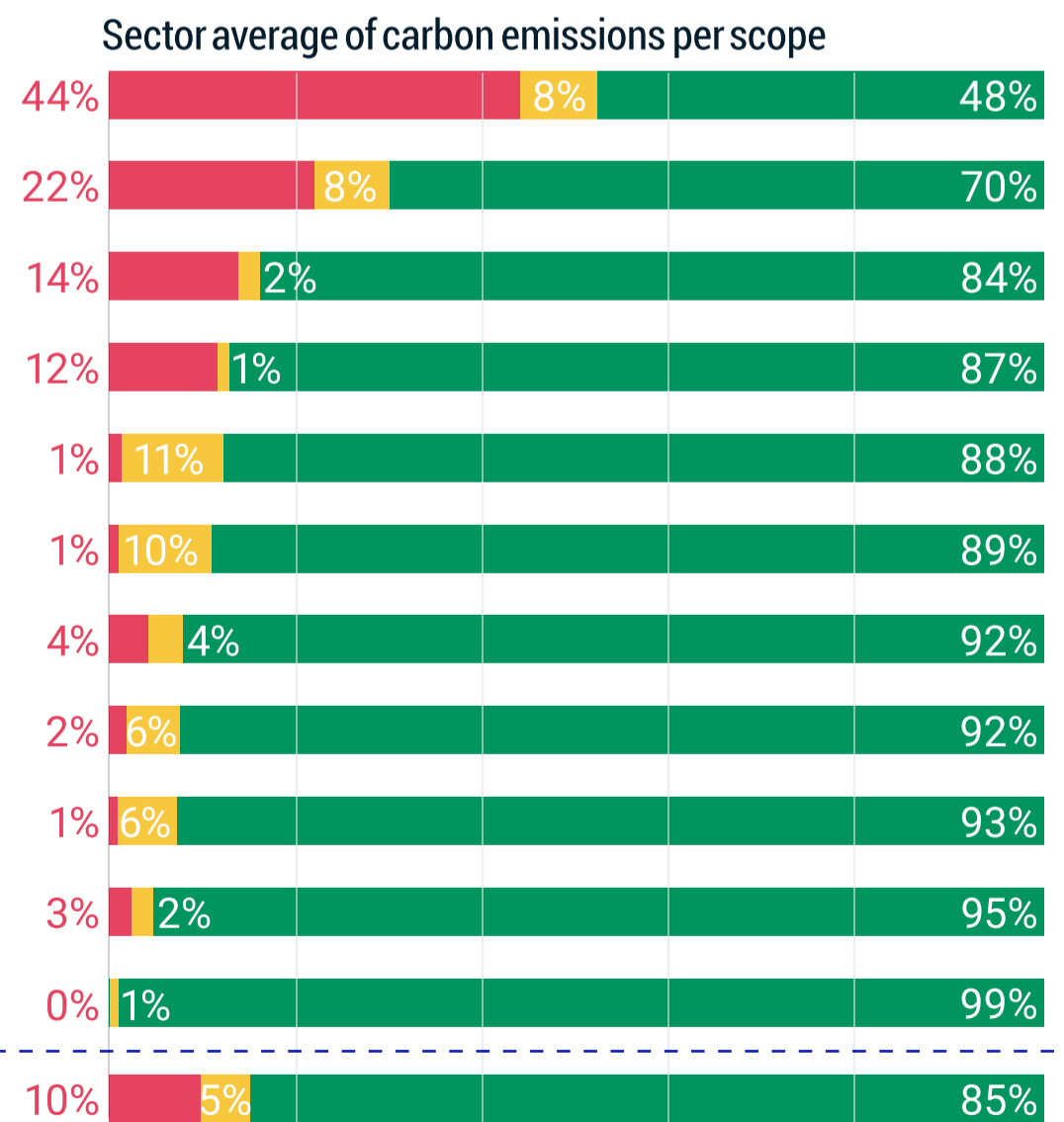


**Scope 3**  
Value-chain emissions, both upstream (supply chain) and downstream (use of a company's products)

### Sector emissions by scope:

Scope 3 emissions dominate most companies' carbon footprints

- Utilities n=79
- Materials n=117
- Industrials n=163
- Energy n=163
- Real Estate n=64
- Communication Services n=63
- Consumer Staples n=109
- Consumer Discretionary n=104
- Info Tech n=109
- Health Care n=54
- Financials n=138
- Global publicly listed companies\*



\*As indicated by constituents of the MSCI ACWI Index whose Scope 1, 2, and 3 emissions were reported by the companies or estimated by the MSCI Climate Change Metrics Methodology  
Source: Carbon Disclosure Project, MSCI ESG Research LLC as of Jan. 5, 2021