

VCMI Request for Proposal (RfP)

Analysis of requirements to determine whether a company is 'On-track' and development of indicators to demonstrate that companies are making progress towards meeting near-term emissions reduction targets

Background

The Voluntary Carbon Markets Integrity Initiative (VCMI) is an international initiative working to enable high integrity voluntary carbon markets which contribute to the goal of the Paris Agreement – bringing benefits for people and the planet. VCMI has recently released the [Claims Code of Practice](#) which guides companies on how to make credible use of voluntary carbon credits as part of their climate mitigation strategies through VCMI's enterprise-wide claims (VCMI Silver, VCMI Gold, and VCMI Platinum). To obtain a VCMI Claim, a company must fulfil the Foundational Criteria and a set of requirements for each VCMI Claim. Among these criteria, Foundational Criterion 3 has been designed to assess whether companies are progressing towards meeting their near-term emissions reduction target. The requirement is, thus, to "Demonstrate that the company is on-track towards meeting a near-term emissions reduction target and minimizing cumulative emissions over the target period". Currently, existing climate standards and initiatives such as the Task Force on Climate-related Financial Disclosures (TCFD), CDP, and others, utilize the concept of being 'on-track' when a company meets its interim targets. The feedback received from the public consultation and corporate road test of the provisional Claims Code that took place in 2022, also highlighted challenges in defining what it means to be 'on-track'. Notably, only a third of respondents were able to identify if they were on-track to achieve their near-term emissions reduction targets, which underscores the need for more robust and clear boundaries of 'on-track. Therefore, VCMI seeks to conduct a more detailed analyses of the on-track requirements proposed in the VCMI Claims Code Foundational Criterion 3 through this Request for Proposals (RfP).

In the Claims Code, VCMI has identified three fundamental elements that underpin company's activities to be considered to assess whether the company is 'on-track', deriving from the main elements contained in a climate transition plan¹. By doing so, VCMI makes sure to be in line with current best practices, without setting requirements that are so high, that prevent companies from engaging. The underlying requirements are related to whether a company is taking sufficiently robust measures to reduce emissions in comparison to the base year, setting up appropriate climate governance structures, and appropriately apportioning funding to finance its own decarbonization towards meeting the near-term emissions reduction target. The requirements of GHG emissions reduction, financial contributions, and governance are inspired by key elements contained in climate transition plans, as recommended by the UK Transition Plan Taskforce (TPT), High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities (HLEG), Glasgow Financial Alliance for Net Zero (GFANZ), and other globally recognized initiatives.

After the launch of the Claims Code, corporates have emphasised the significance of enhancing the clarity of the language in Foundational Criterion 3. Queries arise concerning specific terms such as 'dedicated to GHG mitigation' and the absence of a distinct definition for 'financial contribution', both articulated in Foundational Criterion 3. Addressing these

¹ See ISSB IFRS S2 Appendix A, for definition of climate-related transition plan

uncertainties is critical, as they may impede companies' adoption of the Claims Code. Furthermore, ascertaining whether companies are on-track is of utmost importance if we are to successfully limit global warming to 1.5 degrees. To avoid any misalignment between the 1.5 degrees goal and actual pathways pursued by corporations, it is essential to provide indicators that allow an assessment of whether companies can be considered to be 'on-track' in Foundational Criterion 3. Thus, VCMI is inviting consultancies to propose specific indicators by performing an evidence-based analyses, develop minimum criteria and benchmarks for the Foundational Criterion 3 to analyse how much progress companies are making and contribute to improve the definition of 'on-trackness'. As a result of this research, VCMI aims to contribute to a common understanding of 'on-track' and understand different levels of performance among companies deemed to be 'on-track' or below, further incentivising companies' high performance and promoting overall corporate climate action.

Scope of work

The consultant will be responsible for one or more of the following tasks:

- 1) **Conducting a literature review** comparing how other organisations, such as the UK Transition plan Taskforce (UK TPT), We Mean Business Coalition (WMB), CDP, Science Based Target Initiative (SBTi) and Race to Zero, define 'on-trackness' and assess companies' progress toward meeting their near-term targets focusing on monitoring, reporting, and evaluating process and the use of performance indicators, incentives, incentives for improvement, and timeframe, while considering measures to minimize cumulative emissions over time.
- 2) **Proposing indicators that can be applied to assess whether companies are on-track as well as evidence-based minimum thresholds and benchmarks for each requirement under the Foundational Criterion 3.** The analysis should be based on companies' factual data and existing organisations research related to an assessment of how much companies are 'on-track'. The consultant(s)/consultancy shall research and analyse:
 - a. Requirements for GHG emissions reduction:
 - i. Research on minimum thresholds for GHG emissions reduction set by reputable organisations such as the SBTi (e.g., [SBTi's minimum annual linear reduction rate is above 4.2% for scope1, scope2 and 2.5% above for scope 3](#)) and benchmarks used by organisations like CDP (e.g., [CDP's target attainment status](#)).
 - ii. Analyse the percentage of total GHG emissions reduction over time among 500+ companies compared to the base year based on GHG emissions dataset from the past 3 to 5 years, sourced from credible platforms like the Climate Action 100+ Net Zero Company Benchmark, Climate Arc's AGM data tool and CDP data. Account for variations in GHG emissions trends across different sectors, company sizes, decarbonization stages, recognising the unique challenges faced by specific industries in GHG mitigation. As a result of the analysis, the consultants/consultancy shall:
 1. Develop minimum thresholds and benchmarks for diverse patterns of progress in GHG emissions reduction.
 2. Recommend incentive strategies to motivate companies to achieve significant progress whereas discouraging progress falling below the 1.5 degrees pathway.

3. Provide a detailed description of the methodology used to develop minimum thresholds and benchmarks. The consultant/consultancy may consider a minimum threshold and benchmark for both short-term and long-term perspectives. For example, CDP's checkpoint years for progress tracking are 2025 and 2030, while VCMI assesses GHG emissions annually.
- b. Requirements for Financial Contributions
- i. Analyse the current and planned annual revenue, CAPEX and OPEX of companies that publicly disclose its financial information sourced from credible platforms like the Climate Action 100+ Net Zero Company Benchmark, Climate Arc's AGM data tool and CDP data. The consultants/consultancy may directly collect financial data from individual companies' ESG reports, and it's important to account for different definitions of CAPEX and OPEX. As a result of the analysis, consultants shall:
 1. Develop minimum thresholds and benchmarks for annual revenue, CAPEX and OPEX dedicated to GHG mitigation.
 2. Recommend incentive strategies to motivate companies to increase their financial contributions whereas discouraging insufficient financial allocation that may hinder progress towards 1.5 degrees goal.
 3. Provide a detailed description of the methodology used to develop minimum thresholds and benchmarks for financial contributions.
- c. Requirements for Strategy and Governance
- i. Research into board-level governance disclosures of a company's climate strategy or transition plan as recommended by other organisations, such as the UK Transition plan Taskforce (UK TPT), as well as ESG reporting standards and regulations related to governance.
 - ii. Compile and analyse governance data from companies' ESG reports or source from credible platforms like the Climate Action 100+ Net Zero Company Benchmark, Climate Arc's AGM data tool and CDP data. As a result of the analysis, consultants shall:
 1. Develop minimum thresholds and benchmarks for board-level compensation linked to climate performance, board-level members competencies in overseeing climate related issues (e.g., relevant experiences, regular climate education for whole board), and the frequency of board-level reviews (monthly, quarterly, semi-annually, annually) tracking progress toward meeting near-term emissions reduction targets.
 2. Recommend incentive strategies to motivate companies to enhance their climate governance.
 3. Provide a detailed description of the methodology used to develop minimum thresholds and benchmarks for governance metrics.

- 3) Conducting a thorough review of specific terms contained in Foundational Criterion 3 and its supporting requirements based on the indicators proposed in the previous items.** As a result of the review, the consultants/consultancy shall provide a clear definition for these terms, facilitating the effective application of the criterion in attaining VCMI Claims.
- a. Refine, supported by evidence-based research and analysis, the definition of 'on-trackness' as outlined in the Claims Code, based on the assessment of how much companies need to advance in reducing emissions to be able to state that 'sufficiently robust' progress is being made, the definition and assessment of 'appropriate funding' that must be apportioned to enable mitigation measures to be implemented and if 'appropriate governance' has been set with clear mandate and incentives to allow for decisions that will lead to a higher degree of mitigation. The definition to be proposed by the consultancy should consider both quantitative and qualitative elements presented in the Claims Code, for it to be readily comprehensible to companies.
 - b. Requirements for GHG emissions reduction:
 - i. Clearly define how 'progress on GHG emissions reductions achieved' should be framed, supported by evidence-based research and analysis.
 - c. Requirements for Financial Contributions:
 - i. Evaluate the appropriateness of the term 'contribution' in describing the financial activities of the company in the execution of its climate strategy or transition plan. Following the evaluation, provide a comprehensive definition of the term noting that it is often conflated with philanthropic allocations for climate-related initiatives.
 - ii. Examine diverse global or regional taxonomies of CAPEX and OPEX, encompassing the denominator used for calculation.
 - d. Requirements for Strategy and Governance
 - i. Elucidate the definition of an 'appropriate climate governance structure' for a company to attain a VCMI Claim based on the research and analysis of the different elements that compose the oversight process of the company's progress towards reaching its near-term emissions reduction target.
- 4) VCMI recommends the consultants/consultancy to actively engage with key organisations and initiatives that are directly involved in climate transition. Key organisations include the Transition Pathway Initiative Global Climate Transition Centre (TPI Centre), Climate Arc, Institutional Investors Group on Climate Change (IIGCC), and other relevant entities.**
- 5) Concluding analyses, VCMI recommends the consultants/consultancy to interview a sample of representative companies (e.g., VCMI's Early Adopter Group) to test the feasibility of the recommendations on minimum thresholds and benchmarks for the Foundational Criterion 3.**

Proposal requirements

Proposals should include:

- A clear indication of which topic the proposal is intended to address.
- Qualification and experience of the consultancy and consultants assigned to the project in developing criteria related to climate transition.

- Detailed budget, including all costs associated with the work.
- Detailed timeline for the project

Deliverables

- The consultants/consultancy shall deliver a detailed research and analysis report outlining the recommended indicators as well as proposed minimum thresholds and benchmarks for the requirements included in Foundational Criterion 3 alongside a clarification of the terminology applied. The content should be presented in a single consolidated Word document and should cover the scope of work described above.
- The consultants/consultancy shall synthesize recommendations into a workshop slide deck, incorporating the feedback after the workshop. Materials shall contain recommendations, methodologies, along with their respective risks. The slide deck will be distributed to the VCMI Technical team one week prior to the workshop.

Proposed timeline

Item	Due Date
Proposal submitted to VCMI	September 12 th
Project kick-off call	September 19 th
Submit first draft including initial research findings and recommendations for the indicators as well as minimum thresholds and benchmarks to VCMI	October 10 th
Workshop with the VCMI Technical team and Expert Advisory Members based on the first draft	October 12 th
Final deliverables submitted to VCMI with a reviewed set of indicators, minimum thresholds, benchmarks and elucidated definitions.	October 19 th

*VCMI may request for meetings without prior notice to address urgent questions or issues related to the consultancy's work.

To be considered for this funding opportunity, applicants must submit a proposal including proposal requirements mentioned above to info@vcmintegrity.org by 5 pm ET on Tuesday, 12th of September. Please use the subject line: 'On-track analysis research proposal.' We only accept electronic submissions.

References

Climate transition plan related resources

- [UK TPT Disclosure Framework](#)
- [TCFD Guidance on Metrics, Targets, and Transition Plans](#)
- [CDP technical note: Reporting on climate transition plans](#)
- [Climate Action 100+ Net Zero Company Benchmark](#)
- [GFANZ Real-economy Transition plans](#)
- [UN HLEG INTEGRITY MATTERS: NET ZERO COMMITMENTS BY BUSINESSES, FINANCIAL INSTITUTIONS, CITIES AND REGIONS](#)
- [WMB Climate Transition plan action plan](#)
- [CDP Corporate Environmental Action Tracker](#)
- [Race to zero data explorer](#)
- [IIGC Investor Expectations of Corporate Transition Plans](#)