

Intended for
VCM I

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Literature review

“On track” Indicator development study



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Literature review

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Executive summary

Ramboll's analysis was designed to explore the prevailing definitions, indicators, and guidelines encapsulating the term "on track" within the space of organizational GHG emission reduction initiatives. This involved examining qualitative and quantitative dimensions that entities employ to assess an organization's progress toward GHG emission reduction.

The term "on track" emerges as a nuanced concept within the carbon reduction landscape. Our findings indicate that while there is no universally accepted definition, organizations tend to define "on track" in relation to alignment with science-based targets and pathways consistent with limiting global warming, particularly the 1.5-degree Celsius target of the Paris Agreement. The terminology used to describe being "on track" varies, with some organizations opting for terms that reflect adherence to specific pathways or benchmarks, like 1.5-degree pathway, while others emphasize the alignment of strategies and actions with broader scientific and policy frameworks, e.g., GHG Protocol Corporate Standard or Science-Based Target initiative. Despite the contentious nature of the terminology, a common thread across the reviewed entities is the focus on transparent reporting, rigorous target-setting, and the adoption of recognized frameworks to guide their assessments of progress. During this review, Ramboll reviewed the methodologies employed by leading organizations:

- **CDP:** CDP's scoring methodology assesses a company's environmental strategy and actions. To be "on track," companies must align with the 1.5-degree pathway and demonstrate best practices in strategy and action.
- **Science-Based Target initiative (SBTi):** SBTi provides criteria for near-term targets, emphasizing alignment with sub-2°C decarbonization levels. Companies must meet mandatory requirements and consider advisory recommendations for recognition.
- **We Mean Business Coalition:** Offers a flexible framework for GHG emission reduction reporting and tracking. Being "on track" involves aligning with science-based goals and recognized frameworks like SBTi.
- **Race to Zero:** Encourages participants to set science-based targets and report progress. Does not define specific "on track" benchmarks, leaving organizations to set and assess their own targets.
- **Transition Plan Taskforce (TPT):** Provides guidance for developing and disclosing transition plans. It encourages transparent reporting of GHG emissions and targets without specifying "on track" benchmarks.
- **Glasgow Finance Alliance for Net Zero (GFANZ):** Guides financial institutions in developing net-zero transition plans. Defines "on track" progress through portfolio alignment metrics and real-economy transitions.

1. Introduction

1.1 Objective of the review

The primary aim of this review is to conduct an analysis of the prevailing definitions, indicators, and guidelines that encapsulate the term "on track" within the context of organizational GHG emission reduction initiatives. By examining the criteria set forth by leading environmental organizations and initiatives, Ramboll has distilled the core components that constitute an effective tracking mechanism for short-term GHG emission reduction goals. This endeavor highlights the quantitative metrics used but also considers the qualitative aspects that contribute to a holistic understanding of an organization's progress. The goal is to provide VCMI with clear information and a nuanced perspective on how peer organizations define "on track" to inform future reviews and updates to the Claims Code.

1.2 Scope of the review

To achieve the objectives outlined, Ramboll has collected and analyzed a diverse sample of methodologies from prominent entities in the climate action sphere. This includes CDP¹, the UK Transition Plan Taskforce (TPT²), We Mean Business Coalition (WMB³), Science Based Targets initiative (SBTi⁴), Race to Zero⁵, and Glasgow Finance Alliance for Net Zero (GFANZ⁶), all of which are at the forefront of climate-related performance assessment.

The scope involved review of existing frameworks to understand the nuances of what it means for a company to be "on track" with its GHG emission reduction targets. This entailed an evaluation of how these organizations define near-term targets, the rigor of their tracking methodologies, and the transparency of their reporting mechanisms.

Through this review, Ramboll aims to provide a detailed analysis that sheds light on current practices.

¹ CDP, website link: <https://www.cdp.net/en>

² UK Transition Plan Taskforce (TPT), website link: <https://transitiontaskforce.net/>

³ We Mean Business Coalition (WMB), website link: <https://www.wemeanbusinesscoalition.org/>

⁴ Science Based Targets initiative (SBTi), website link: <https://sciencebasedtargets.org/>

⁵ Race to Zero, website link: <https://climatechampions.unfccc.int/system/race-to-zero/>

⁶ Glasgow Finance Alliance for Net Zero (GFANZ), website link: <https://www.gfanzero.com/>

2. CDP

2.1 Objective

CDP's scoring methodology evaluates the depth and completeness of a response, assessing a company's understanding of environmental concerns, its strategies for managing these issues, and its advancements in environmental responsibility.

Accredited scoring partners, trained by CDP, are responsible for questionnaire scoring. Subsequently, their internal scoring team compiles all scores and conducts thorough data quality checks to ensure accuracy and consistency in scoring standards.

It's important to note that CDP continually raises the bar for what qualifies as leadership. Consequently, there is no assurance that a company will maintain its position on the A List from year to year unless it aligns its environmental efforts with evolving scientific and market requirements.

2.2 Approach to defining "On Track" for near-term targets

CDP continuously refines its questionnaires to guide companies. Historically, the primary focus has been on the disclosure of climate impacts, but now it signifies only the initial phase. A substantial segment of the questionnaires assesses companies and their requirements for being "on track" based on their environmental initiatives, examining the strategies and actions they implement after making their disclosures. The ongoing objective is to adapt the methodology to encompass the most vital metrics necessary for companies to understand and enhance their performance.

To secure an A or B score, companies must not only acknowledge their environmental impacts, including deforestation and water security, but also implement suitable measures to align with the 1.5-degree pathway articulated in the Paris Agreement. They must also demonstrate best practice in strategy and action as recognized by frameworks such as the Taskforce on Climate-Related Financial Disclosures (TCFD⁷), Accountability Framework⁸ and others. It is imperative to acknowledge that the CDP score is exclusively based on the activities and positions disclosed in the CDP response. As a result, any actions or activities not documented in the CDP response do not factor into the evaluation.

CDP scores, when considered in isolation, do not provide a comprehensive gauge of a company's sustainability or environmental commitment. Instead, they reflect the extent of action reported by the company in assessing and managing its environmental impacts during the reporting year.

⁷ Taskforce on Climate-Related Financial Disclosures (TCFD), website link: <https://www.fsb-tcfd.org/>

⁸ Accountability Framework, website link: <https://accountability-framework.org/>

3. Science Base Target initiative (SBTi)

3.1 Objective

The SBTi Criteria for Near-term Target methodology for scopes 1, 2 and 3 delineate the essential qualitative and quantitative standards necessary for SBTi recognition. The validation team assesses the Target Submission Form and accompanying documents to confirm that all criteria are satisfied for approval of any target submission. SBTi provides an in-depth explanation of these criteria, dividing them into mandatory requirements that companies must meet and advisory recommendations that companies are encouraged to consider in line with the SBTi Criteria for Near-term Targets. This furnishes comprehensive insights to companies, outlining the evaluation process undertaken by reviewers and offering clear guidance on the conditions for meeting each criterion.

3.2 Approach to defining “On Track” for near-term targets

SBTi asserts that for an organization to be considered on track to meet its near-term targets, it must comply with several key criteria. The targets must encompass company-wide scope 1 and scope 2 emissions, as defined by the GHG Protocol Corporate Standard⁹. If a company's relevant scope 3 emissions are 40% or more of its total emissions across scopes 1, 2, and 3, these must be included in the near-term science-based targets. Organizations are required to set emission reduction targets or engage with suppliers or customers in a manner that collectively covers at least two-thirds of their total scope 3 emissions, accounting for both reported and excluded emissions.

SBTi stipulates that targets must be modeled using the most current methods and tools endorsed by the SBTi, and companies are required to conduct a comprehensive scope 3 inventory that adheres to the minimum boundary of each scope 3 category as outlined by the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. This ensures that the targets are scientifically sound and reflect the latest best practices.

While SBTi does not offer a specific framework for tracking progress, it sets forth a robust set of criteria and accounting requirements that, when met, indicate an organization's alignment with SBTi's rigorous standards for near-term emissions reduction. The SBTi also reserves the right to make necessary adjustments to the criteria to stay current with the most recent emissions scenarios, policies, and greenhouse gas accounting practices. Additionally, the initiative may withdraw the validation of approved targets if it is discovered that incorrect information was provided during the validation process or if post-approval requirements, such as target progress reporting and recalculations, are not upheld.

⁹ GHG Protocol Corporate Standard, website link: <https://ghgprotocol.org/corporate-standard>

4. We Mean Business Coalition

4.1 Objective

We Mean Business Coalition provides companies with a flexible framework for reporting and tracking progress in reducing greenhouse gas (GHG) emissions. It is meant to offer an adaptable framework for transparently reporting and tracking their progress in reducing GHG emissions and carbon reductions. It aims to empower companies to set ambitious targets, take action, engage with stakeholders, and advocate for science-based climate policies, fostering a net-zero future. The framework accommodates diverse business contexts, encourages ambitious goals, aligns with evolving standards, and promotes continuous improvement, allowing companies to tailor their approaches, innovate, and adapt as they work towards their climate objectives.

4.2 Approach to defining "On Track" for near-term targets

We Mean Business Coalition doesn't explicitly define what it means to be "on track" for GHG reductions or for assessing progress towards near-term carbon reductions. Instead, it alludes to using frameworks and initiatives from other organizations to guide companies in setting and assessing their climate goals. Specifically, it mentions aligning with the 1.5°C pathway using frameworks like the Science-Based Targets initiative to set targets and track progress. In essence, being "on track" in the context of We Mean Business Coalition is tied to aligning with science-based goals and using recognized frameworks and initiatives to guide a company's approach to GHG reductions and carbon emission reductions. The specifics of what it means to be "on track" may vary depending on the organization's goals and the specific framework they choose to adopt.

SBTi is mentioned as the leading standard for verified net-zero, 1.5°C-aligned targets, providing a science-based approach for companies to set GHG reduction targets and companies are encouraged to commit to, setting science-based targets following the Net Zero Corporate Standard¹⁰. After setting and measuring targets, the We Mean Business coalition recommends aligning target and emissions reporting with CDP's Climate Transition Plan¹¹ guidance and the TCFD.

¹⁰ Net Zero Corporate Standard, website link: <https://sciencebasedtargets.org/net-zero>

¹¹ Climate Transition Plans, website link: <https://www.cdp.net/en/guidance/guidance-for-companies/climate-transition-plans>

5. Race To Zero

5.1 Objective

The United Nations Race to Zero is an initiative aimed at mobilizing non-state actors to take meaningful and immediate action to address climate change by committing to reach net-zero emissions by the middle of the 21st century. The initiative includes a wide range of organizations, including businesses, cities, regions, investors, and universities, who pledge to reduce their greenhouse gas emissions to net-zero by 2050. The Race to Zero is part of the broader global effort to combat climate change and limit global warming to well below 2 degrees Celsius above pre-industrial levels, as outlined in the Paris Agreement.

The Race to Zero initiative encourages participants to set science-based targets for reducing emissions and to take concrete steps to achieve them. It's meant to demonstrate that various stakeholders can contribute to a more sustainable and low-carbon future, and it plays a crucial role in building momentum for ambitious climate action leading up to major international climate conferences and agreements. Race to Zero is also aligned with other climate-related efforts, such as the Race to Resilience¹², which focuses on enhancing resilience to the impacts of climate change.

5.2 Approach to defining "On Track" for near-term targets

Race to Zero does not explicitly define what may be considered "on track" for carbon reduction goals in terms of specific quantitative benchmarks. It offers a high-level framework and principles for participating organizations to set their own targets, take actions, and report progress, but it does not prescribe specific numerical targets or metrics for what constitutes being "on track."

Organizations are encouraged to set their own targets in line with the Race to Zero lexicon and to report on their progress transparently. They emphasize the importance of taking immediate actions and aligning external policies and engagements with the goal of halving emissions by 2030 and reaching global net zero by 2050.

To determine whether an organization is on track for its carbon reduction goals, they need to establish specific, measurable targets and then track and report their progress toward those targets. These targets should align with the organization's overall climate action plan and commitments, and they should be assessed regularly to ensure they are being met. Progress may be evaluated against the organization's own targets and the broader goals of the Race to Zero initiative. Race to Zero provides a framework for this process, but the specific targets and assessments are typically set by the participating organizations themselves, in alignment with frameworks such as IPCC Scenarios¹³ and Science-Based Targets.

¹² Race to Resilience, website link: <https://climatechampions.unfccc.int/race-to-resilience-launches/>

¹³ IPCC Scenarios, website link: <https://www.ipcc.ch/report/emissions-scenarios/>

6. Transition Plan Taskforce (TPT)

6.1 Objective

The Transition Plan Taskforce Disclosure Framework aims to facilitate effective climate action and accountability among organizations. Its primary objective is to provide comprehensive guidance for developing and disclosing transition plans that address climate-related risks and opportunities. By standardizing climate disclosures, the TPT Framework enhances transparency, enabling stakeholders to assess an entity's commitment to sustainability and carbon neutrality.

The Framework also serves to guide organizations in creating transition plans that align with global climate goals and contribute to reducing carbon emissions. It supports credible reporting, ensuring that organizations can transparently report their progress towards carbon reduction targets. Ultimately, the TPT Framework strives to promote climate accountability, steer organizations toward a low-carbon economy, and establish consistent, credible climate-related reporting practices. It addresses the urgent challenge of climate change and encourages action on a global scale.

6.2 Approach to defining "On Track" for near-term targets

The TPT provides guidance on tracking progress towards carbon reduction targets, although it doesn't specify acceptable progress or on-track criteria in detail. It outlines the importance of disclosing metrics and targets, including those related to greenhouse gas emissions. Organizations are encouraged to report on their greenhouse gas emissions, broken down by Scope 1, 2, and 3, and to set targets for emissions reductions, which is a fundamental aspect of tracking progress.

However, the TPT Framework doesn't define specific benchmarks or thresholds that indicate acceptable progress or being on track. Instead, it encourages organizations to transparently report their progress against the objectives and priorities outlined in their transition plans. The specific metrics, targets, and criteria for evaluating progress may vary depending on an entity's individual circumstances, business model, and transition plan. The framework emphasizes that the focus should be on credible resourcing plans to support transition efforts and suggests the disclosure of various metrics to assess financial implications and performance changes over time. It also mentions the use of carbon credits and their intended use and metrics, although these should align with broader transition objectives.

TPT encourages organizations to track progress towards carbon reduction targets through the reporting of greenhouse gas emissions metrics and targets, but it does not prescribe specific acceptable progress criteria, as these can vary widely based on an entity's unique circumstances and goals. The focus is on transparency and credible reporting, allowing stakeholders to make informed assessments of an entity's transition progress.

7. Glasgow Finance Alliance for Net Zero (GFANZ)

7.1 Objective

The Glasgow Finance Alliance for Net Zero (GFANZ) has provided a comprehensive framework for financial institutions to develop and implement robust net-zero transition plans. Their framework aims to guide institutions in aligning their business strategies with the global goal of achieving net-zero greenhouse gas emissions by 2050, consistent with limiting global warming to 1.5 degrees Celsius as set out in the Paris Agreement. It offers a set of voluntary, pan-sector recommendations that are globally applicable, along with detailed guidance, examples, and case studies to assist financial institutions in planning and executing their transition to net zero. The document emphasizes the importance of setting science-based targets, measuring progress with appropriate metrics, engaging with stakeholders, and managing risks and opportunities associated with the transition.

Furthermore, GFANZ recognizes the varied nature of financial institutions and the sectors they finance, suggesting that the transition plans should be adaptable to different contexts and scales of operation. It also acknowledges the evolving nature of climate science, data availability, and methodological approaches, implying that financial institutions will need to continuously adapt their strategies and targets. By providing this guidance, GFANZ seeks to mobilize the financial sector to take decisive and transparent action towards a low-carbon economy, thereby playing a crucial role in the global effort to combat climate change and its impacts.

7.2 Approach to defining "On Track" for near-term targets

GFANZ defines a company's progress towards meeting near-term carbon reduction targets through a multifaceted approach. This approach includes the use of forward-looking portfolio alignment metrics, which assess whether clients and portfolio companies are on a trajectory aligned with a 1.5 degrees Celsius pathway. These metrics emphasize the importance of planned actions, such as the early retirement of high-emitting assets, rather than relying solely on historical emissions data.

The organization advocates for a focus on real-economy transitions, encouraging the selection of metrics that not only reflect these transitions but also promote financial support for emissions reductions consistent with stringent 1.5 degrees Celsius scenarios, with a particular emphasis on near-term targets. Regular monitoring and reporting of transition-related activities and engagement outcomes are also critical to ensure that change management processes are effectively driving progress.

GFANZ emphasizes the necessity of a comprehensive approach to transition planning, stating that a robust plan should align with the overarching goal of achieving net zero by 2050, in accordance with global commitments to limit warming to 1.5 degrees Celsius above pre-industrial levels. This includes setting clear interim GHG emissions targets for 2030 or earlier, as well as final net-zero targets for 2050 or earlier, to delineate the institution's strategy for achieving these goals.

Additionally, GFANZ specifies that the metrics and targets for financed emissions should be well-defined, including aspects such as the linkage of remuneration to target progress, the inclusion of net-zero transition reporting in internal communications, and the allocation of resources towards the implementation of the net-zero transition plan. This structured approach ensures that financial institutions and their clients are making measurable progress toward reducing carbon emissions in the near term, contributing to the global ambition of a net-zero future.

8. References

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7. Race to Zero, website link: <https://climatechampions.unfccc.int/system/race-to-zero/>
8. Race to Zero Criteria), website link: [Race to Zero Criteria 3.0 \(unfccc.int\)](#)
9. Glasgow Finance Alliance for Net Zero (GFANZ), website link: <https://www.gfanzero.com/>