

Holding the powerful to account: How can we assess if corporates are meeting their environmental commitments?

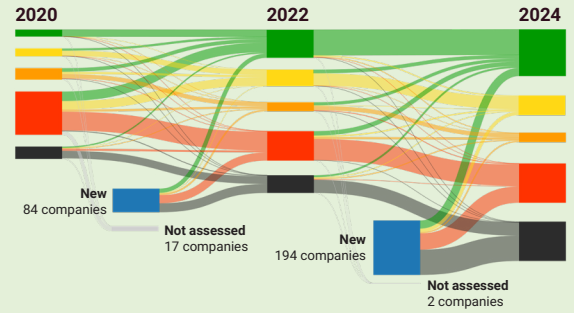
The TPI Global Climate Transition Centre data are used to assess the alignment of forward-looking targets from companies, banks and countries with the goals of the 2015 UN Paris Agreement, which aims to limit the global average temperature rise to 1.5°C.

How are companies assessed?

International greenhouse gas emissions targets are translated into sector-specific benchmarks against which the targets of individual companies can be compared. The benchmarks are developed using data from integrated assessment models developed by organisations like the International Energy Agency, which take a global carbon budget and allocate it to different regions and sectors.

The evaluation includes both significant and material emissions. For many sectors, such as oil and gas and auto manufacturing, this includes supply chain emissions (also known as Scope 3 emissions). Disclosure and mitigation of these emissions are crucial to achieving meaningful corporate decarbonisation.

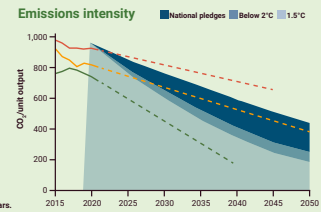
This granular, forward-looking analysis is less susceptible to “gaming” than competing approaches to assessment. It ensures that companies are held accountable for driving real-world emissions reductions, and that investors do not only pursue portfolio decarbonisation on paper.



Key	COMPANIES		
	2020 cycle	2022 cycle	2024 cycle
1.5°C	25 (9%)	100 (28%)	167 (30%)
Below 2°C	28 (10%)	59 (16%)	70 (13%)
National Pledges	41 (14%)	32 (9%)	34 (6%)
Not aligned	154 (53%)	105 (29%)	140 (25%)
No or unsuitable	44 (15%)	63 (18%)	140 (25%)

Change in Carbon Performance alignment among companies in the TPI corporate universe in 2050 from the assessment cycles in 2020, 2022 and 2024.

The diagram shows an illustration of target alignment assessment for three sample companies. Alignment is evaluated in the short, medium and long term because cumulative emissions will determine the ultimate outcomes for the climate.



Company A is not aligned with any of the benchmarks in 2050. Company B is eventually aligned with the National Pledges in 2050, but with neither Below 2°C nor 1.5°C scenarios. Company C is aligned with all benchmarks, including 1.5°C, in all years.

How do investors make use of the TPI Centre's research and data?



Risk assessment
Exposing transition risk hotspots in portfolios



Investment decisions
Identifying opportunities across sectors and geographies



Portfolio alignment
Reaching own climate targets



Active ownership
Engaging with investee entities and proxy voting



Product creation
Creating climate-sensitive financial products



Screening
Excluding/including investee entities



Reporting and compliance
Supporting voluntary and regulatory disclosures



Show of commitment
Demonstrating commitment to the Paris Agreement



TPI Global Climate
Transition Centre
Research and Data at LSE

The TPI Global Climate Transition Centre (TPI Centre) is an independent, authoritative source of research and data on the progress of corporate and sovereign entities in transitioning to a low-carbon economy.

It is the academic partner of the Transition Pathway Initiative (TPI), a global initiative led by asset owners and supported by asset managers, aimed at helping investors.

More than 155 investors globally, representing approximately US\$92 trillion combined Assets Under Management and Advice, have pledged support for TPI.

Explore how your investee companies, banks or countries are doing.

The TPI online tool gives anyone access to these assessments

How can you make use of this tool?



Where do you bank your money?



What companies or funds do you invest in or buy from?



Do you invest in any sovereign bonds?