



# Climate Transition Assessment Methodology 2025

# ESGRA Climate Transition Assessment Methodology – MARCH 18, 2025

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# 1 INTRODUCTION

## 1.1 Purpose of this methodology document

This methodology document describes EthiFinance’s Climate Transition Assessment (CTA) as proposed by our “ESG Rating Agency” unit to investors to evaluate companies’ maturity in terms of climate reporting and climate transition planning.

The methodology document is updated and approved by EthiFinance's Executive Committee on an annual basis.

## 1.2 Definition of a Climate Transition Assessment

The objective of a CTA is to assess the maturity of an institution regarding its climate reporting and climate transition planning, i.e. how a company is prepared to transition its business to respect the objectives of the Paris Agreement to limit global warming well below 1.5°C by 2100 compared to pre-industrial levels.

In the context of the climate crisis, the Paris Agreement was adopted in December 2015 by 196 Parties. The Paris Agreement is an international, legally binding treaty on climate change. Its primary objective is to keep “the increase in global average temperature well below 2°C above pre-industrial levels” and to pursue efforts “to limit the temperature increase to 1.5°C above pre-industrial levels.” When declined into climate scenarios, these objectives correspond to zero net greenhouse gas (GHG) emissions at global level by 2050. This is commonly referred to as the “Net Zero” objective. Net zero refers to the balance between the amount of GHG produced and the amount removed from the atmosphere<sup>1</sup>.

Each company can contribute to this objective by defining a GHG emissions trajectory and, more broadly, a business strategy aligned with a 1.5°C scenario.

Moreover, an increasing number of regulations and/or labels now incorporate criteria related to the integration of a transition plan within corporate governance. This is the case for instance of the 3<sup>rd</sup> version of the French SRI label, published in October 2023. The following requirement is included in the label’s new guidelines: “The candidate fund demonstrates that particular attention is paid to the analysis of climate transition plans, particularly their alignment with the climate goals set by the Paris Agreement.”

This is why EthiFinance has decided to develop a database of company assessments that measure the quality of transition plans. On the one hand, it enables investors to consider the robustness of issuers’ transition plans in their investment strategies. On the other hand, it allows issuers to identify weaknesses in their climate strategy and strengthen it to better meet market expectations in alignment with the Paris Agreement.

Our CTAs are produced by our Investor Products analyst team in complete independence of the rest of the firm, notably consulting and sales activities. The CTAs are carried out by analysts specialised in corporate sustainability and ESG, who are either employees of the EthiFinance Group or employees of the EthiFinance Group's subcontractor responsible for data collection for EthiFinance's ESG ratings and data for investors.

The methodology underlying the CTA has been developed to ensure that the same results are achieved regardless of the analysts involved in the assignment.

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<sup>1</sup> A company cannot be “Net Zero” on its own but can only contribute to global carbon neutrality.

## 1.3 2025 scope of the CTA methodology

This CTA methodology applies to non-financial companies belonging to “high climate impact sectors” as defined in Annex I of the Commission Delegated Regulation, supplementing Regulation (EU) 2019/2088, more commonly known as the Sustainable Finance Disclosure Regulation (SFDR).

According to this definition, “high climate impact sectors” means “sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council”, which include the following industries:

- Agriculture, Forestry and Fishing
- Mining and Quarrying
- Manufacturing
- Electricity, Gas, Steam and Air Conditioning Supply
- Water Supply; Sewerage, Waste Management and Remediation Activities
- Construction
- Wholesale And Retail Trade; Repair of Motor Vehicles and Motorcycles
- Transportation And Storage
- Real Estate Activities

## 2 METHODOLOGY OVERVIEW

The framework is composed of 4 distinct pillars, following an approach assessing 4 key climate dimensions of a company articulated mainly around the climate transition plan:



## 2.1 PILLARS AND TOPICS

The content of each of the four thematic pillars is described in the following section.

### 2.1.1 Reporting

The aim of this pillar is to answer the following question: "Does the company's disclosure of Scope 1, 2 and 3 GHG emissions focus on the most relevant GHG emissions categories for its sector?"

The elements assessed are:

- The inclusion in the company's calculation of its carbon footprint of all the GHG Protocol<sup>2</sup> categories most relevant to its sector
- The reporting on locked-in emissions, i.e. future GHG emissions generated by the operation of assets (infrastructure, production facilities) or long-life products over their entire useful life.

### 2.1.2 Targets

The aim of this pillar to answer the following question: "Do the company's short- and long-term emissions reduction targets include the GHG emissions categories most relevant to its sector and are they aligned with the sector's 1.5°C trajectory?"

A climate target must include the following elements:

- A baseline year
- A target year
- The % or absolute value of the planned reductions in GHG emissions

The elements assessed are:

- The scope of the objectives: Do they cover the majority of the company's emissions?
- The level of ambition of the targets: Are they compatible with limiting global warming to 1.5°C?

### 2.1.3 Strategy

The aim of this pillar is to answer the following question: "Is the company taking the right measures to achieve its objectives, given the characteristics and carbon budget of the sector?"

The elements assessed are:

- The inclusion of climate mitigation issues into the company's overall risk assessment
- The actions taken by the company to reduce its GHG emissions. They must be relevant to the issues at stake in the sector.
- The associated financial planning: Has the company set aside a budget to support the deployment of its actions?
- The engagement with other stakeholders (customers, suppliers, etc.)
- In certain sectors with high emissions, a change in business model may be necessary (e.g. energy - moving away from fossil fuels, etc.). Does the company address this issue in their strategic planning?

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<sup>2</sup> See GHG Protocol, WBCSD, WRI (2024). A corporate Accounting and Reporting Standard: Revised Edition. See: <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf> and GHG Protocol, WBCSD, WRI (2011). Corporate Value Chain (Scope 3) Accounting and Reporting Standard. See: [https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard\\_041613\\_2.pdf](https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard_041613_2.pdf)

## 2.1.4 Governance & Progress

The aim of this pillar is to answer the following question: "Has the company put in place an effective accountability and reporting system that enables the achievement of its climate objectives to be monitored over time?"

The elements to be assessed are:

- The appointment of individuals or groups of individuals responsible for monitoring the transition plan at all levels of corporate governance (Board of Directors, Executive Committee, operational staff).
- Training these people so that they have the skills needed to implement the transition plan
- The introduction of financial incentives linked to the achievement of climate objectives
- Transparency on progress towards the climate targets set

## 2.2 SCORING MODEL

The scoring model includes the following steps:

1. Calculation on a score on a scale of 0-100, based on the data collected on indicators within the CTA framework
2. Conversion of this score into a 4-level performance assessment, based on the achievement of a minimum score overall and in each pillar of the assessment

In addition, specific rules apply for:

- Companies belonging to "hard-to-abate" sectors, for which expectations are higher regarding the shift to a more sustainable business model.
- Renewable energy companies having already achieved the climate ambitions for the energy sector set by the International Energy Agency.

### 2.2.1 Calculation of the score

The first step is to calculate a score based on the raw data collected through the questionnaire.

All four pillars are weighted equally. The underlying themes are also equally weighted, except for "Transparency and progress", which is weighted 50% within the score for the Governance and Progress pillar. The detailed weights are shown in Table 1 below.

Within each theme, all indicators are equally weighted and obtain a score on a scale between 0 and 100<sup>3</sup>.

To summarize:

- The score is the average of the pillar scores.
- A pillar score is the weighted average of the underlying theme scores
- A theme score is the average of the underlying indicator scores.

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<sup>3</sup> There is an exception in the Reporting Pillar where the locked-in emissions indicator can award a maximum of 25 points compared to 100 points for the relevance of reporting indicator.

**Table 1 - Weighting model**

Pillars and topic	Weight
Reporting	25%
Targets	25%
Strategy	25%
<ul style="list-style-type: none"> <li>Risk management</li> </ul>	25%
<ul style="list-style-type: none"> <li>Implementation strategy</li> </ul>	25%
<ul style="list-style-type: none"> <li>Business model</li> </ul>	25%
<ul style="list-style-type: none"> <li>Engagement strategy</li> </ul>	25%
Governance & Progress	25%
<ul style="list-style-type: none"> <li>Accountability and oversight</li> </ul>	16.67%
<ul style="list-style-type: none"> <li>Skills development</li> </ul>	16.66%
<ul style="list-style-type: none"> <li>Financial incentives and remuneration</li> </ul>	16.67%
<ul style="list-style-type: none"> <li>Transparency and progress</li> </ul>	50%

In addition, the scoring formulas are adjusted according to the size of the company.

## 2.2.2 From score to climate transition performance levels

The next step in the scoring model is to convert the scores out of 100 into four performance levels, detailed in Table 2.

**Table 2 - Assessment results**

Climate Transition Performance Levels	Description
<b>Elementary</b>	The company has not formalised any climate transition plan or strategy.
<b>Beginner</b>	The climate transition plan or strategy is partially defined. The company is aware of its climate hotspots and is implementing some actions.
<b>Intermediate</b>	<p>The climate transition plan or strategy is mostly defined and operationally deployed. The company has set itself climate targets and developed an action plan to achieve these targets.</p> <p><b>Specific Rule for Electricity producers:<sup>4</sup></b> The company generates more than 61% of its electricity from renewable energy.</p>

<sup>4</sup> Explained in more detail in [paragraph 2.3.2.4 below](#).

Climate Transition Performance Levels	Description
<b>Advanced</b>	<p>The climate transition plan is fully defined, operationally deployed. The company has set itself climate targets and developed an action plan to achieve these targets with an appropriate governance. In addition, the company is transparent on its progress against its targets.</p> <p><b>Specific Rule for Electricity producers:</b> The company generates more than 88% of its electricity from renewable energy, including more than 70% from solar and wind.</p>

Two elements are required to reach a given performance assessment:

1. The company needs to achieve a minimum score for each level of assessment. The minimum thresholds are the following:
  1. **Beginner:** 25/100
  2. **Intermediate:** 50/100
  3. **Advanced:** 75/100
2. For the Advanced and Intermediate levels, additional safeguards have been put in place to ensure that companies achieving these levels have a balanced performance across the four assessment pillars.

Table 3 summarises how to move from the score out of 100 to one of the four performance levels.

**Table 3 – Minimum score and safeguards to reach each performance level**

Average score (/100)	The company reaches 60/100 or more in each pillar	The company is in the first 3 quartiles in each pillar	The company is in the last quartile in one pillar at least
[75;100]	Advanced	Intermediate	Beginner
[50;75[	Intermediate	Intermediate	Beginner
[25;50[	Beginner	Beginner	Beginner
[0;25[	Elementary	Elementary	Elementary

## 2.3 Mapping with other frameworks used in the financial industry

The Ethifinance Climate Transition Assessment framework can be mapped with two other frameworks used by financial players to build their transition plan or assess those of their portfolio companies.

The **Glasgow Financial Alliance for Net Zero** (GFANZ) is a private sector association focused on achieving the objectives of the Paris Agreement for financial players. It was launched in April 2021 by the UN Special Envoy for Climate Action and Finance, Mark Carney, and the COP26 Presidency, to accelerate the transition to a net-zero global economy. In 2022, GFANZ published a report on "Financial Institution Net-zero Transition Plans", whose objective is to "develop globally applicable, pan-sector recommendations and guidance for transition planning by financial institutions and define the key components of a credible net-zero transition plan".

The Institutional Investors Group on Climate Change (IIGCC)'s **Net Zero Investment Framework** (NZIF) was established in 2001 as a forum for collaboration between pension funds and asset managers on climate change issues. In 2021, they developed the NZIF and published a NZIF Implementation Guidance to help investors to set

targets and produce related net zero strategies and transition plans. The guidance was last updated in January 2025<sup>5</sup>.

## 3 SOURCES AND ASSESSMENT PROCESS

### 3.1 Sources

Our assessment methodology combines different sources of information:

Use	Sources
Sources used for developing our assessment framework and analyst guidelines	<ul style="list-style-type: none"> <li>• EthiFinance’s ESG Rating database of sector indicators</li> <li>• Expertise provided by the consultancy firm ClimAct</li> <li>• ACEA (2022). Views on the scenarios for a mobility transition pathway.</li> <li>• ACT: Assessing low-carbon transition. See <a href="https://actinitiative.org/wp-content/uploads/pdf/act-framework-eng-2019-04-09.pdf">https://actinitiative.org/wp-content/uploads/pdf/act-framework-eng-2019-04-09.pdf</a></li> <li>• ACT (2021). Assessing low-carbon transition: Pulp &amp; Paper. See: <a href="https://actinitiative.org/wp-content/uploads/pdf/act_pulp-and-paper-road-test-report-final.pdf">https://actinitiative.org/wp-content/uploads/pdf/act_pulp-and-paper-road-test-report-final.pdf</a></li> <li>• ACT (2022). Assessing low-carbon transition: Transport. See: <a href="https://actinitiative.org/wp-content/uploads/pdf/act_transport_methodology.pdf">https://actinitiative.org/wp-content/uploads/pdf/act_transport_methodology.pdf</a></li> <li>• ADEME. Carbon Database (<i>Base Carbone</i>). See: <a href="https://base-empreinte.ademe.fr/">https://base-empreinte.ademe.fr/</a></li> <li>• AMF: Rendre compte de son plan de transition climatique au format ESRS. See: <a href="https://www.amf-france.org/sites/institutionnel/files/private/2024-02/rendre-compte-de-son-plan-de-transition-au-format-esrs.pdf">https://www.amf-france.org/sites/institutionnel/files/private/2024-02/rendre-compte-de-son-plan-de-transition-au-format-esrs.pdf</a></li> <li>• Climate Action 100+: Net Zero Company Benchmark. See: <a href="https://www.climateaction100.org/wp-content/uploads/2023/10/CA100-Benchmark-2.0-Disclosure-Framework-Methodology-Confidential-October-2023.pdf">https://www.climateaction100.org/wp-content/uploads/2023/10/CA100-Benchmark-2.0-Disclosure-Framework-Methodology-Confidential-October-2023.pdf</a></li> <li>• Climate Action 100+ (2021). Global Sector Strategies: Recommended Investor Expectations for Food and Beverage: Guide for investor engagement with entities in the global food and beverage sector. See: <a href="https://www.climateaction100.org/wp-content/uploads/2021/08/Global-Sector-Strategies-Food-and-Beverage-Ceres-PRI-August-2021.pdf">https://www.climateaction100.org/wp-content/uploads/2021/08/Global-Sector-Strategies-Food-and-Beverage-Ceres-PRI-August-2021.pdf</a></li> <li>• CRREM (2022). Managing Transition Risk in Real Estate: Aligning to the Paris Climate Accord.</li> <li>• EFRAG (2024) Implementation Guidance [draft] Transition Plan for Climate Change Mitigation. See: <a href="https://www.efrag.org/system/files/sites/webpublishing/Meeting%20Documents/2410151235139050/04-02%20-%20Transition%20Plan%20IG%20V1.7.5.pdf">https://www.efrag.org/system/files/sites/webpublishing/Meeting%20Documents/2410151235139050/04-02%20-%20Transition%20Plan%20IG%20V1.7.5.pdf</a></li> <li>• Exponential Roadmap Initiative: Transition plan elements mapping. See: <a href="https://exponentialroadmap.org/wp-content/uploads/2024/02/Transition-plan-elements-mapping-ERI.pdf">https://exponentialroadmap.org/wp-content/uploads/2024/02/Transition-plan-elements-mapping-ERI.pdf</a></li> <li>• FAO (2023). Achieving SDG 2 without breaching the 1.5°C threshold: A global roadmap: Sets out actions across ten focus areas for agrifood systems. See: <a href="https://www.fao.org/3/cc9113en/cc9113en.pdf">https://www.fao.org/3/cc9113en/cc9113en.pdf</a></li> </ul>

<sup>5</sup> IIGCC, AIGCC, Ceres, Investor Group on Climate Change (2025), Net Zero Investment Framework: Implementation Guidance for Objectives and targets. See: <https://www.iigcc.org/hubfs/nzif/pdf/IIGCC%20Net%20Zero%20Investment%20Framework%20Implementation%20Guidance%202025.pdf>

Use	Sources
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	<ul style="list-style-type: none"> <li>• Transition Plan Taskforce (2024). Oil and Gas Sector Guidance. See: <a href="https://transitiontaskforce.net/wp-content/uploads/2024/04/Oil-and-Gas.pdf">https://transitiontaskforce.net/wp-content/uploads/2024/04/Oil-and-Gas.pdf</a></li> <li>• Transition Plan Taskforce (2024). Sector Summary. See: <a href="https://transitiontaskforce.net/wp-content/uploads/2024/04/Sector-Summary.pdf">https://transitiontaskforce.net/wp-content/uploads/2024/04/Sector-Summary.pdf</a></li> <li>• UN: Integrity Matters. See: <a href="https://www.un.org/en/climatechange/implementing-high-level-expert-group-report">https://www.un.org/en/climatechange/implementing-high-level-expert-group-report</a></li> <li>• WBCSD (2023). Net-zero buildings Halving construction emissions today. See: <a href="https://www.wbcsd.org/Pathways/Built-Environment/Resources/Net-zero-buildings-Halving-construction-emissions-today">https://www.wbcsd.org/Pathways/Built-Environment/Resources/Net-zero-buildings-Halving-construction-emissions-today</a></li> <li>• WBCSD (2023). Transition planning and climate scenario analysis: Food, Agriculture and Forest Products. See: <a href="https://www.wbcsd.org/Programs/Redefining-Value/TCFD/Resources/Transition-planning-and-climate-scenario-analysis-Food-Agriculture-and-Forest-Products">https://www.wbcsd.org/Programs/Redefining-Value/TCFD/Resources/Transition-planning-and-climate-scenario-analysis-Food-Agriculture-and-Forest-Products</a></li> <li>• World Bank Group. Global Flaring and Methane Reduction Partnership (GFMR). See: <a href="https://www.worldbank.org/en/programs/gasflaringreduction">https://www.worldbank.org/en/programs/gasflaringreduction</a></li> <li>• WWF: Criteria for credible climate and nature transition plans for financial institutions. See: <a href="https://wwfint.awsassets.panda.org/downloads/wwf_credible_transition_final.pdf">https://wwfint.awsassets.panda.org/downloads/wwf_credible_transition_final.pdf</a></li> <li>• WWF: Net Zero Transition Plans – Red Flag Indicators. See: <a href="https://wwfint.awsassets.panda.org/downloads/red-flag-indicators-for-transition-plan-inconsistencies-and-greenwashing_final_update.pdf">https://wwfint.awsassets.panda.org/downloads/red-flag-indicators-for-transition-plan-inconsistencies-and-greenwashing_final_update.pdf</a></li> </ul>
Sources used during the assessment process	<ul style="list-style-type: none"> <li>• Public documents: the entity's website and sustainability report or other websites disclosing information on the company (e.g. SBTi website)</li> <li>• Additional information provided in writing by the company</li> </ul>

## 3.2 Process

The assessment process applied to CTA is summarized as follows (a more detailed and separate process document is available separately):

1. **Data collection** by the EthiFinance team or its subcontractor, based on publicly available documents on the company's own website or on websites of third parties.
2. **Quality review:** EthiFinance or its subcontractors carries out a quality and consistency review of the data provided by the entity.
3. **Publication of the raw data and the results of the CTA** on the ESG Rating Platform.

In addition, an optional dialogue phase, where we provide assessed companies with the ability to review the information pre-entered in the questionnaire and to add additional elements, may occur for companies included in EthiFinance ESG Ratings' standard coverage. In this case, the information entered by the company is reviewed by an analyst to confirm that it is aligned with the methodology before being integrated in the assessment.

## 4 Document Revision History

V.	Approval Date	Approved by	Author	Summary of changes
1	18/03/2025	Julia Haake	Camille FERRON	

## 5 Contact



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