

# Executive Summary

PACTA Climate Test Switzerland 2024  
Results of rmi\_pacta\_2023q4\_pa2024ch-assetmanager-INVESTOR

TO BE REVIEWED FOR COP 2024

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## About the PACTA Climate Test 2024

Switzerland and its financial market are committed to transitioning to net-zero carbon emissions by 2050 to achieve its obligations under the Paris Agreement of limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C. The PACTA Climate Test 2024 provides comparable information on the progress of the Swiss financial market and across the individual participating financial institutions to meet the climate goals. Rmi\_pacta\_2023q4\_pa2024ch-Assetmanager-Investor was invited to the test by the FOEN ([link](#)) and SIF ([link](#)) with support of the associations, to have its financial portfolios examined voluntarily. The PACTA test combines a quantitative assessment of global listed equity and corporate bond portfolios as well as Swiss real estate and mortgage portfolios with a qualitative assessment of further climate actions. In total, 133 financial institutions participated, of which 4 were peers (i.e., participants from the same financial sector, such as pension funds; insurances; banks; asset managers).

This executive summary is a short version of the individual results of your uploaded portfolio rmi\_pacta\_2023q4\_pa2024ch-PORTFOLIO. Rmi\_pacta\_2023q4\_pa2024ch-Assetmanager-Investor received one executive summary per portfolio. A detailed individual interactive report (per portfolio or grouped) can be viewed via personalized access on the Transition Monitor Platform in German, French, and partly English ([link](#)). A meta report with anonymized and aggregated data from all participants, together with sector reports, is published on the FOEN website ([link](#)) and is available for download.

## Measuring climate alignment

In the view of PACTA and FOEN, there are three main components that are useful to measure alignment with climate goals which are shown below. The icons are used throughout this document to indicate the category for each chart.



**Exposure:** Provides insights in how exposed your portfolio is to climate-relevant sectors, incl. buildings.



### Trajectory alignment:

Measures alignment of invested companies production plans or buildings refurbishment plans with climate scenarios and thereby allocates responsibility and risk to each company and building.



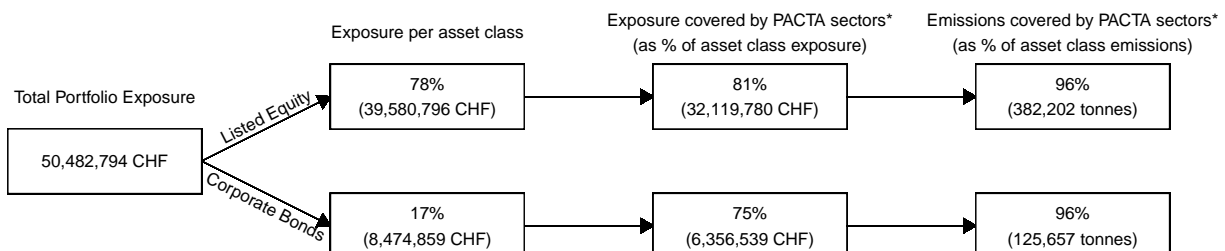
### Engagement & other qualitative indicators:

Complementary analysis with information on climate actions that can have real-world climate impact.

## Equity & bonds module overview



The analysis of the listed equity and corporate bond portfolios covers 8 climate-relevant sectors\*. For these sectors, the exposure as well as the alignment with a pathway to limit global warming well below 2 degrees (Paris Agreement) has been analyzed. The trajectory alignment measurement was done using the PACTA method. PACTA compares forward-looking production plans of all invested companies in the PACTA sectors on a technology level to the targets from climate scenarios. For more information on the PACTA methodology, please refer to the PACTA Knowledge Hub ([link](#)).



\* coal, oil & gas, power, automotive, cement, steel and aviation

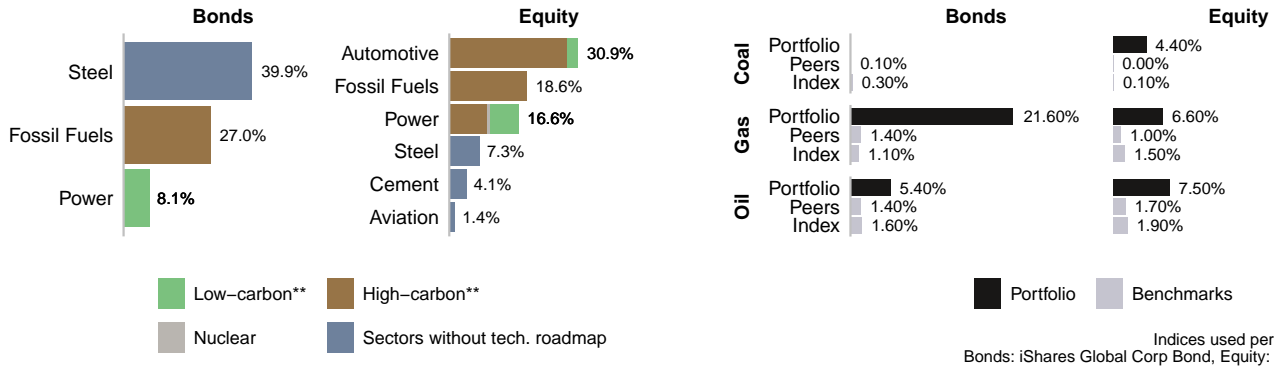
# Equity & Bonds Results

## Current state (PACTA sectors)



### Exposure\* to climate-relevant sectors & technologies as % of AUM

The chart provides information on the exposure to companies with physical assets in the parts of the value chain covered by PACTA. Fossil fuels (extraction) is shown aggregated as well as disaggregated for peer- and index-comparison.



\* exposure to companies with main activity in PACTA sectors

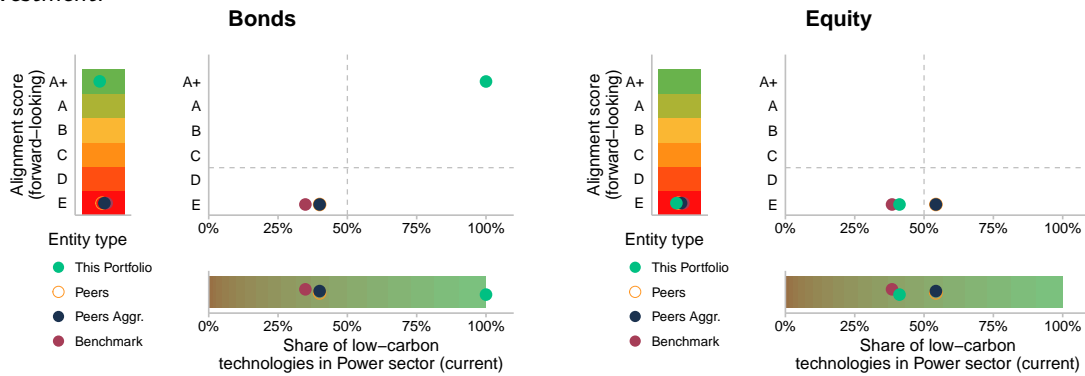
\*\* Low-carbon technologies: renewables and hydro for power and electric for automotive. High-carbon technologies: oil, gas and coal for power, hybrid, ICE for automotive.

## Current & future state (power sector)



### Current exposure vs. future alignment for Power sector

The chart below shows the current low-carbon exposure and the forward-looking climate scenario alignment in the power sector for you and your peers. The current exposure to low-carbon technologies in the power sector increases right-wards, while the alignment improves upwards. A significant increase in renewable energy capacity will be required to achieve a 1.5°C climate scenario, so even companies with a high current share of low-carbon technologies will need to build new capacity in order to be aligned in the future. A current high low-carbon share and a low future alignment would therefore indicate a lack of planned renewables investment.



## Future (Other PACTA sectors)



### PACTA Aggregated Climate Alignment Score

The aggregated score compares the alignment of all assets until 2026 to the GECO 2021 Scenario. The score is calculated both on aggregate portfolio level (see also Climate Scores) and per PACTA sector (except for cement which is not covered in GECO2021).<sup>a</sup>

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<sup>a</sup>GECO was chosen since it covered the most PACTA sectors. Please note that the GECO scenarios expect major technology changes to happen after the five years analyzed by PACTA. As such your overall score could be lower when using other scenarios.

## Transition

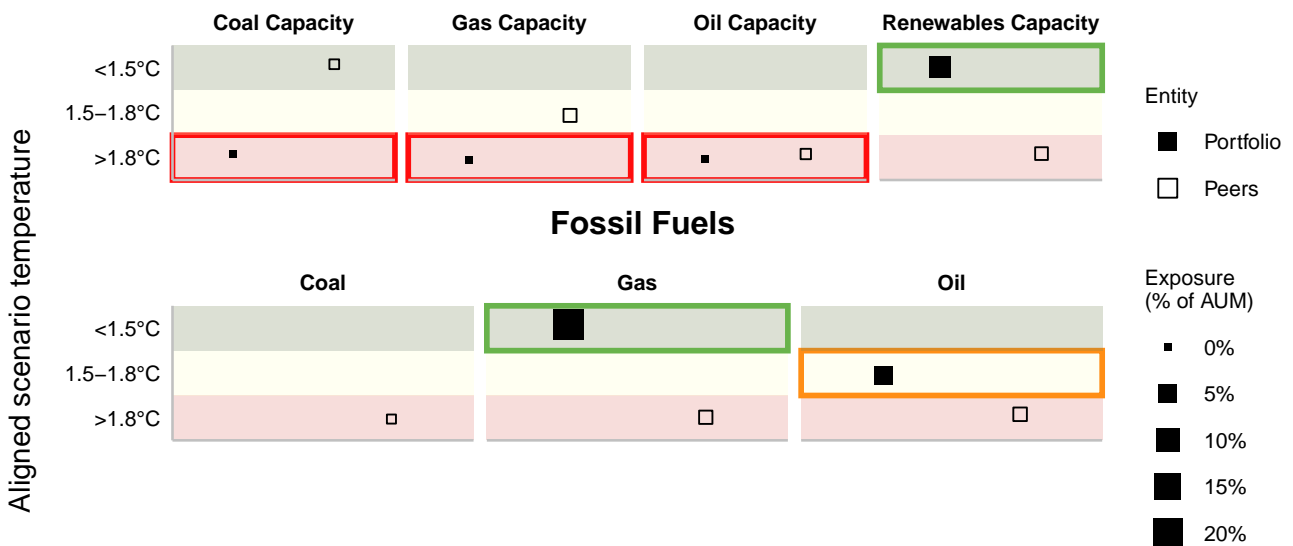


### Scenario alignment per technology

While the previous section provided insights on the current exposure to the different PACTA sectors as well as an overview of the alignment on an aggregated level and sector level, this section provides complementary insights into alignment with the GECO 2021 scenario on a technology level for the PACTA sectors with technology roadmaps. The charts below indicate with which scenario the technologies in your portfolio are aligned, in comparison to your peers. The position of each square within the color strips defines the scenario with which your portfolio and your peers portfolios are aligned in 5 years from now. The size of the squares indicates the exposure as % of AUM. To learn more about how the alignment of your portfolio evolves over the next five years per technology, you can find the respective trajectory charts in the interactive report. There you will also find additional information on company-level.

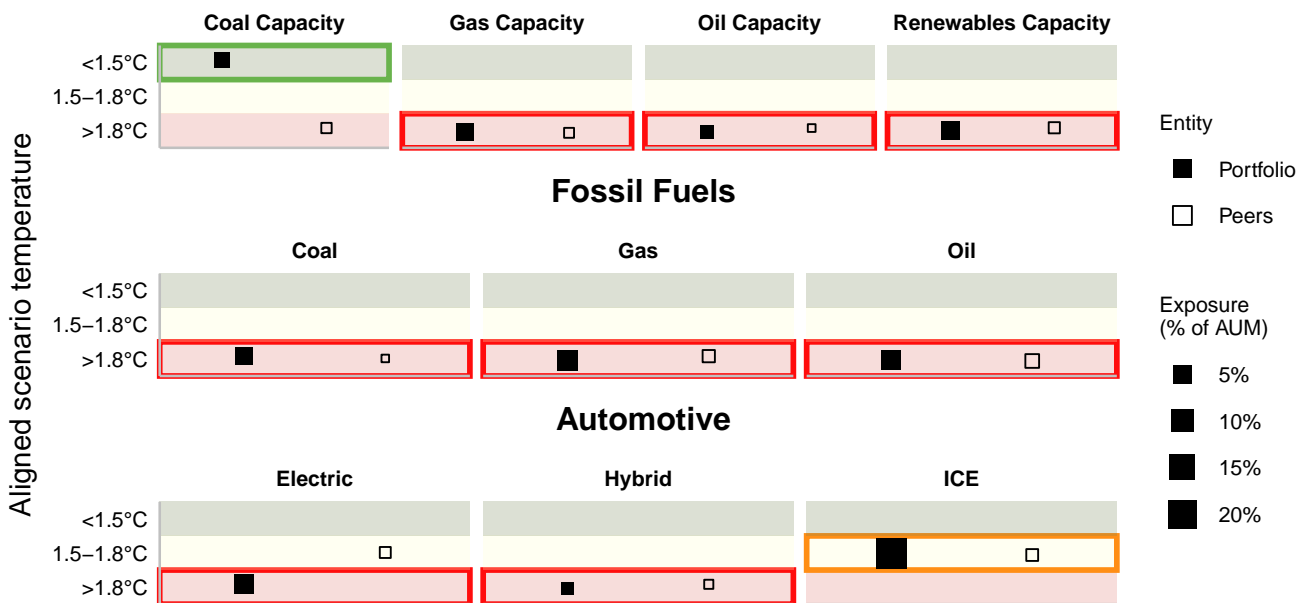
## Bonds

### Power



## Equity

### Power



\* Renewables: include solar and wind power, exclude hydro and nuclear

\*\* Automotive: includes light-duty vehicles (LDV)

# Climate Action Survey

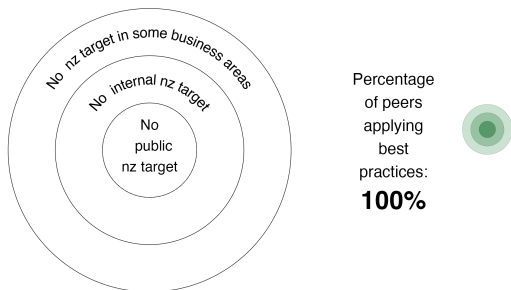
This section provides insights in the effectiveness of climate strategies and actions on an institutional level. The results are based on the complementary qualitative survey. They are compared to peers and the quantitative PACTA results of this portfolio. Please note that survey answers were self-reported and not verified by RMI.

**Explanation on dart charts below:** Each circle represents one climate relevant measure and is colored in case the measure is in place. The level of effectiveness of the measures increases from the outer to the inner ring and with colour intensity. **The more circles are filled in, from the outer to the inner circle, the more ambitious are your institution's climate actions.** For more information on reading the dart charts, please refer to the Annex and the qualitative survey section in the interactive report.

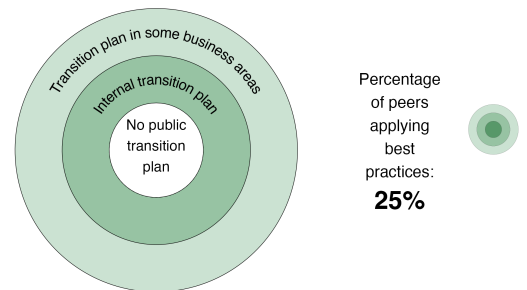
## Net zero targets and transition plans

With the adoption of the Climate and innovation law ([link](#)) in June 2023, Switzerland has committed to the goal of achieving net zero emissions by 2050 at the latest. In addition, it is mandatory for large companies, and recommended for all institutions, to report on their net-zero transition plans ([link](#)). The following two dart charts illustrate the level of ambition you and your peers have with respect to net-zero targets and transition plans. The least ambitious action is to have a target/transition plan for some business areas, more ambitious is to have them for all climate-relevant business areas of your organisation and finally the best practice is to announce it publicly. The text besides a dart chart provides a comparison to the share of peers implementing best practices, i.e., the ones that have all layers filled.

**Net zero target**



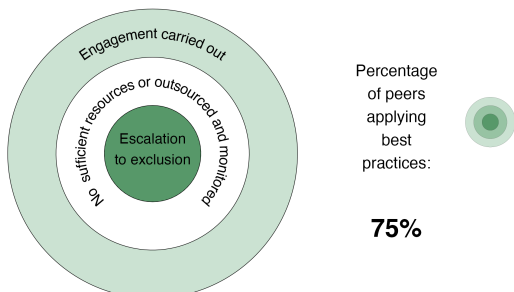
**Transition plan**



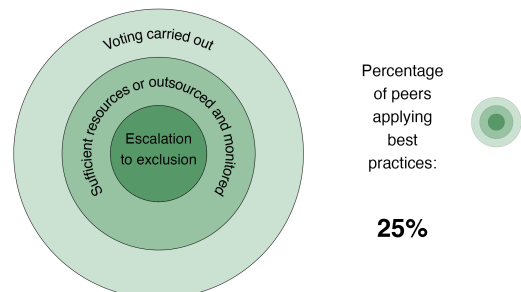
## Engagement strategies within listed equity

Research shows that credible engagement can be one of the most effective ways to improve climate goal alignment of companies one is invested in, and therefore actively contribute to the climate goals of a financial institution and align its portfolios with climate targets. The dart charts below assess your engagement activities (bilaterall or via exercising voting rights), whether they are carried out by your own institution or outsourced. The charts assess to what extent your engagement activities are following the practices which are the most effective in achieving improvements in the climate performance of investee companies and funds. The text besides a dart chart provides a comparison to the share of peers implementing best practices, i.e., the ones that have all layers filled.

**Engagement with investees**



**Exercising shareholder voting rights**

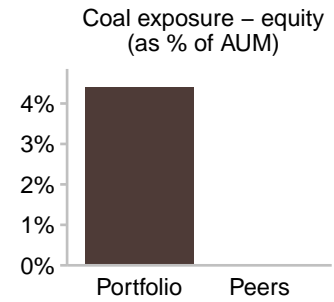
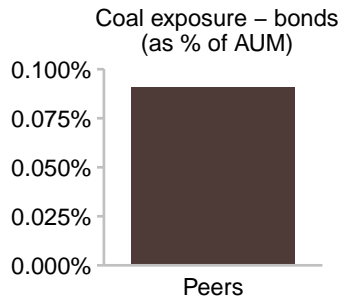
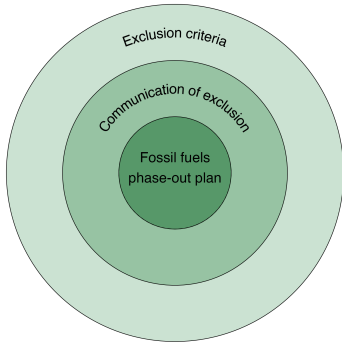


# Bonds and equity: use of fossil fuel exclusion policies vs. PACTA exposure

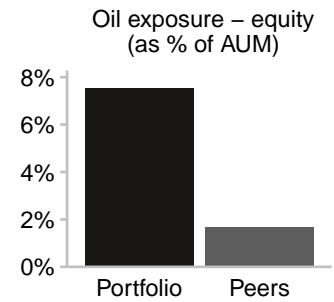
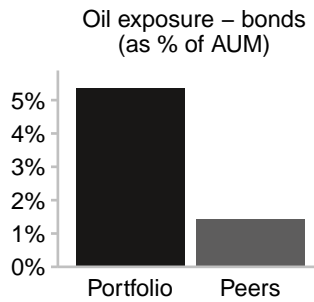
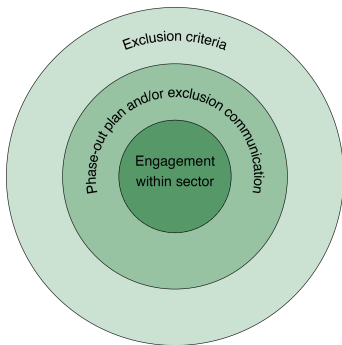


Exclusion policies can be effective measures to align a portfolio with climate goals. The charts below compare the reported exclusion strategies in fossil fuel sectors to the exposure to coal mining and oil and gas extraction according to PACTA results for this portfolio. If exclusion strategies are applied at an institutional level, it is expected that percentage exposure in these sectors will be zero or very low compared to the total percentage exposure of peers' portfolios. Please note that the exposures below also reflect your indirect exposure to these sectors coming from your funds' investments. Please also note that the dart chart labels for coal are different from oil and gas sectors. This is because the carbon-intensity of coal extraction is so high that it needs to be abandoned as soon as possible.

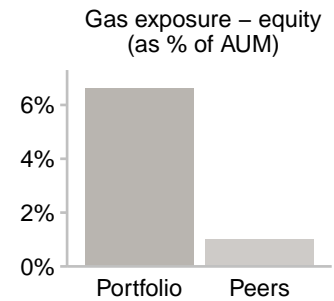
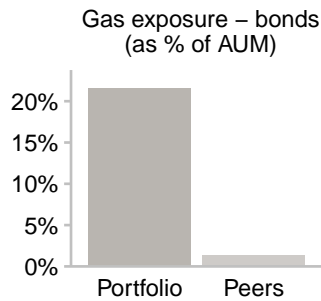
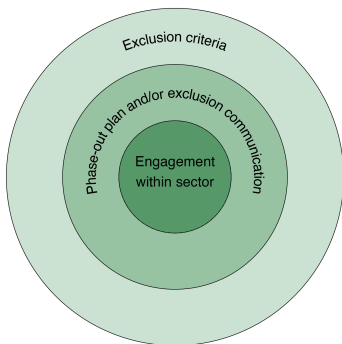
## Exclusion policies - coal



## Exclusion policies - oil

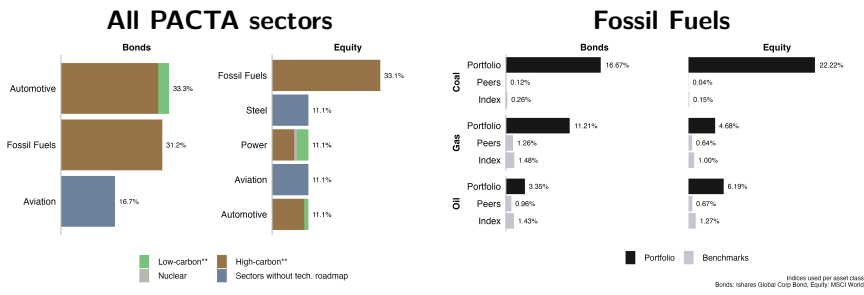


## Exclusion policies - gas



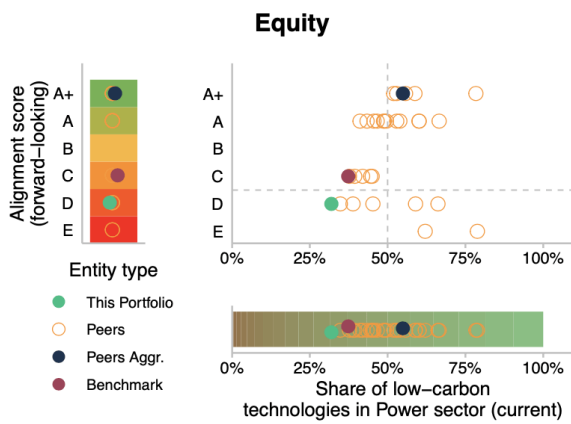
# Annex (I): additional chart explanation - Equity & Bonds Results

## Exposure to climate-relevant sectors & technologies as % of AUM



The bar chart on the left shows the portfolio's exposure to each of the eight PACTA sectors as a percentage of assets under management. The bars are arranged by the amount of exposure in descending order. In addition, a breakdown of technologies (low-carbon, carbon-intensive, unspecified) is provided for those sectors for which such a breakdown is defined. The graph on the right shows the exposure to the fossil fuel extraction sector as a breakdown between the different fossil fuels coal, oil and gas. In addition, a comparison with peers (pension funds, insurance companies, banks or asset managers) as well as with an ETF for the MSCI World Index can be seen.

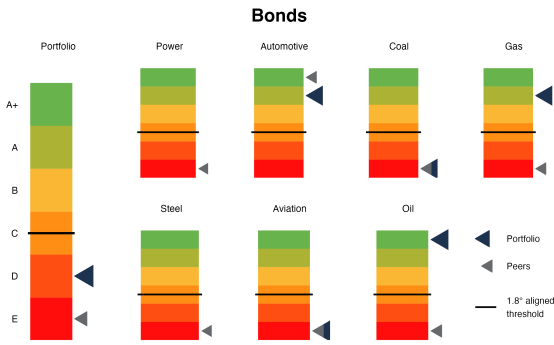
## Current exposure vs. future alignment for power sector



This chart shows current low-carbon technology exposure (percentage of sectoral exposure, x-axis) plotted against the sector-level alignment metric (alignment score, y-axis). Colored dots represent different entities (portfolio, average of all participants, average of peers). It investigates the relation between the two values as well as provides context for the alignment score. Ideally, an institution would like to be positioned in the upper right corner (high exposure to low-carbon and high alignment). The bottom left corner is the least desired position (low exposure to low-carbon and low alignment).

# Annex (I): additional chart explanation - Equity & Bonds Results

## Aggregated alignment scores



This chart displays the alignment scores both on the aggregate level (left-most bar) and on sector level. The bigger, dark-blue triangle indicates the score obtained by this portfolio and the smaller grey triangle indicates the average peer result. The horizontal line delineates the scores aligned with the 1.8°C pathway (or higher) from those that are not aligned. The 1.8°C pathway matches with the target in the Paris Agreement of limiting global warming to well below 2°C. The scores indicate the scenario with which the production plans of the invested companies align. Please refer to the two visualizations below for more information.

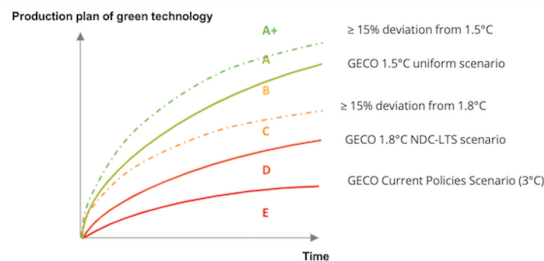
## Scenario choice and grading

This table shows the technical specifications in regard to the scenarios to define the score. For each score, one can see the requirements in regard to each scenario in the same row.

Score	GECO 1.5°C uniform (1.5°C)	GECO 1.8°C NDC-LTS (1.8°C)	GECO CPS (3°C)
A+	$A+ \geq GECO\ 1.5^\circ C + 15\%$		
A	$A \geq GECO\ 1.5^\circ C$		
B	$B < GECO\ 1.5^\circ C$	$B \geq GECO\ 1.8^\circ C + 15\%$	
C		$C \geq GECO\ 1.8^\circ C$	
D		$D < GECO\ 1.8^\circ C$	$D \geq GECO\ CPS\ 3^\circ C$
E			$E < GECO\ CPS\ 3^\circ C$

## Example of production plans for a green technology according to the scores.

The chart below visualizes the specifications of the aggregated alignment score for an exemplary production plan of a green technology. To derive the aggregated score, the sector-level scores are aggregated to one score.





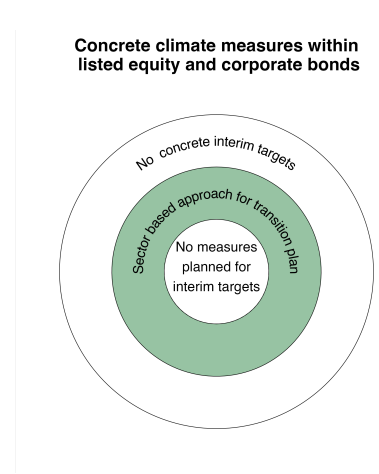
# Annex (II): additional chart explanation - Climate Action Survey

## Example dart chart: user employing best practices



This is an example dart chart for a user who employs best practices within the area the chart concerns (see the title, in this case exclusion policies within the oil sector). All the circles are filled with color from light to dark and all the labels are positive statements. It means that the user applies all strategies and/or measures that are considered important or impactful within the area of concern, starting from the least effective (but important nevertheless), outer ring, to the most effective, inner circle.

## Example dart chart: user employing some good practices but not all



This an example dart chart for a user who employs some good practices within the area the chart concerns (see the chart title, here 'Concrete climate measures within listed equity and corporate bonds') but not all. In this case user applies the measure considered to have a medium impact/importance which is having a sector based approach for a transition plan, but does not apply the other practices (concrete interim targets, and measures planned for achieving the interim targets). The middle ring is filled with color and has a label with a positive statement while the outer ring and inner circle are white and have labels with negative statements (starting with the word 'No'). In this case, user is on a good path but there are some areas of improvement. Especially the middle circle is important one to consider.

## Example dart chart: user does not employ best practices

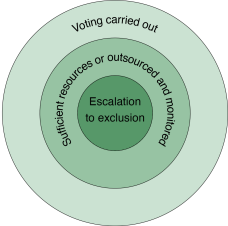


This example dart chart would appear for a user who does not apply any of the best practices within the area the chart concerns (see the chart title, here 'Concrete climate measures within listed equity and corporate bonds'). All layers (rings and circles) are white and their labels are negative statements (they start with the word 'No'). In this case there is a room for improvement towards best practice (dart plot which is fully filled) within the area the chart is concerning and the chart can help to decide what should be the next steps relevant to the user's institution to support the alignment of financial flows with the net-zero goal by 2050.

# Annex (II): additional chart explanation - Climate Action Survey

## Example dart chart: user and peer information

Exercising shareholder voting rights



Percentage of peers applying best practices:



25%

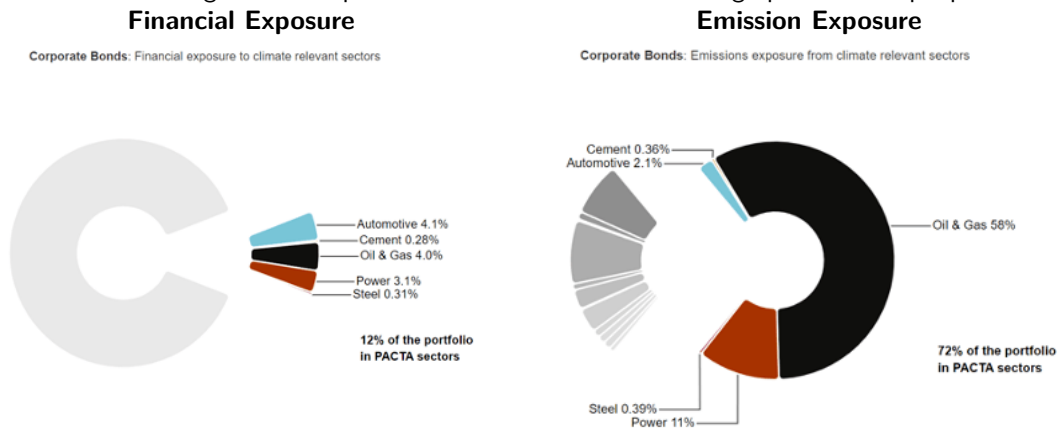
This is an example of a dart chart containing peer information together with the user result. On the left we see the user result which could be any of the variants of the dart chart discussed above. In this case the user employs best practices within the area of the chart (Exercising shareholder voting rights). On the right we see the percentage number of other users within this user's peer group who apply best practice (all layers filled in just like in the small icon beside and user's chart in this case).

For more explanation on the best practices shown in the dart charts please refer to the survey section ('Qualitative survey results for your institution') in your interactive report.

## Annex (III): FAQs

### Which are the PACTA sectors?

The PACTA analysis covers 8 climate-relevant sectors: coal, oil & gas, power, automotive, cement, steel, and aviation. Usually, 5-15% of FIs portfolios are invested in these sectors. Even though the financial exposure can seem small, the investments still, on average, account for a much larger share of portfolio emissions. Please see the graphs of a sample portfolio below:



### Which asset classes does PACTA cover?

The PACTA methodology covers listed equity and corporate bonds. In cooperation with Wüest Partner AG, the PACTA Test Switzerland 2024 also includes Swiss real estate and mortgages.

### How can I use my results for disclosure?

To what extent you use your results is up to you. However, the results are suitable for a variety of reporting opportunities, such as:

- Internal reporting and communication
- Reporting in the environment of the participating financial institution (clients, insured parties etc.)
- External disclosure: Implementing the federal councils recommendations ([link](#)) to use comparable and meaningful climate compatibility indicators to help create transparency in all financial products and client portfolios incl. indicators following the Swiss Climate Scores ([link](#)).
- Details on how to use the results for reporting according to TCFD, the EU SFDR or EU Taxonomy can be found in the following report "The Disclosure Puzzle the role of PACTA" ([link](#)).

### Where can I find the full results of this test (interactive report)?

This Executive Summary serves as a supplement to the comprehensive and interactive presentation of your results in the so-called interactive report. You can view this on the Transition Monitor Platform under "Results" after logging in with your password ([link](#)).

### Where can I learn more about the PACTA Methodology?

If you want to learn more about the open-source methodology behind PACTA, you can do so on our "PACTA Knowledge Hub" ([link](#)).

# Climate Score Indicators

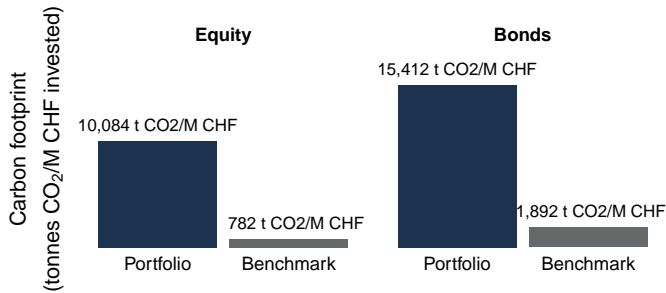
## PACTA Executive Summary 2024

The following three pages of the Climate Scores complement the PACTA Executive Summary by showing automatically generated results on portfolio-level, based on the Swiss Climate Scores. As not all information required by Swiss Climate Scores ([link](#)) is submitted by the users during the PACTA exercise, there are some deviations which are noted on the explanation page. Please note that the indicators on exposure to fossil fuels and the Global Warming Alignment are based on the PACTA methodology and sectors.

### CURRENT STATE

#### Carbon Footprint

All sources of carbon emissions from invested companies (scope 1-3) are included in the estimation.



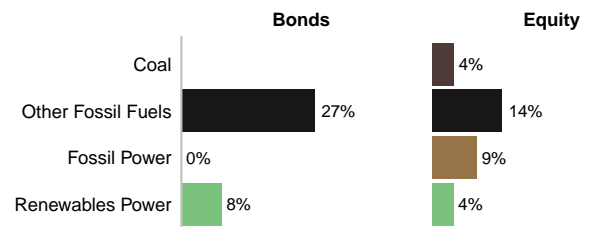
Benchmark:

Listed Equity	Corporate Bonds
iShares MSCI World ETF	iShares Global Corp Bond UCIT ETF

Portfolio assets covered by assessment: **95 %**

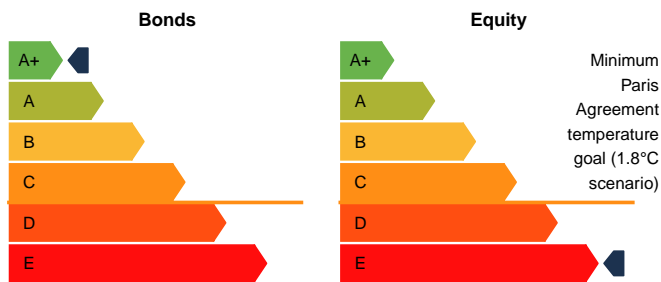
#### Exposure to fossil fuels and renewable power, based on PACTA methodology

There is a scientific consensus on the need to phase-out coal, stop financing new fossil fuel projects, and to increase renewable power capacity. Below figure shows the financial exposure (as AUM in %) of this portfolio to technologies in the industries coal mining, oil and gas upstream, fossil fuel power production, and renewable power production. The PACTA exposure is based on production capacities and not on revenues.



### TRANSITION TO NET ZERO

#### PACTA Aggregated Climate Alignment Score



Portfolio emissions covered by assessment: **91 %**

Portfolio assets covered by assessment: **73 %**

Climate scenario used: **GECO 2021**

This score represents the estimated aggregate alignment of the PACTA sectors (except for cement) in the portfolio with respect to the GECO 2021 scenarios. Please bear in mind that the interpretation of this score should be accompanied by an analysis of the underlying results and investment strategy used in each one of the analysed sectors, given the assumptions that an aggregated metric is based on. Some portfolios with climate objectives may intentionally include investments in companies that are not yet on track to achieve 1.5°C alignment, seeking instead to contribute actively to climate goals by improving the alignment of investee companies to bring a larger share of the economy into alignment over time. The combined set of indicators above and their display are considered by the Swiss government to represent the current best-practice in providing science-based transparency on the alignment of portfolio assets with global climate goals.

## Verified Commitments to Net-Zero

Companies are increasingly committing voluntarily to transitioning to net zero and setting interim targets. The effectiveness of such commitments depends on whether interim emissions reduction targets applied are credible, science-based, transparent, and supported by credible action to cut emissions. The following information is based on information from SBTi ([link](#)).

- Proportion of portfolio subject to public commitments to net zero and verified credible interim targets: **5 % (Peers average: 17 %)**
- Share of companies in portfolio with verified commitments to net-zero and credible interim targets (as provided in the 2022 Swiss scorecard): **14 % (Peers average: 5 %)**

## Management to Net-Zero

Financial institutions can contribute to the transition to net-zero, by aligning their investment strategy with a consistent 1.5°C decarbonisation pathway.

- Does the institution have concrete interim targets available for achieving net zero target by 2050, for example for 2030?
  - For self-managed assets in the investment business,

in particular listed equity and corporate bonds: **NO (Peers: 50% - YES)**

- As requirements for external/mandated investments/investment funds, in particular for listed equity and corporate bonds: **NO (Peers: 25% - YES)**

- Is the portfolio part of a third-party verified commitment to net-zero by the financial institution, including credible interim targets? **NO (Peers: 50% - YES)**

## Credible Climate Stewardship

Financial institutions can contribute to the transition to net-zero, by engaging with invested companies on third-party verified, science-based net-zero aligned transition plans until 2050.

- Are companies in the portfolio subject to credible stewardship on climate transition? **YES (Peers: 100% - YES)**
  - Share of companies currently under active climate engagement: **10% (Peers average: 4%)**
  - Share of climate votes supported: **8% (Peers average: 43%)**
- Is the financial institution member of a climate initiative? **YES (Peers: 100% - YES)**

# Climate Score Indicators

## PACTA Executive Summary 2024

### MINIMUM CRITERIA FOR THE SWISS CLIMATE SCORES AND IMPLEMENTATION IN THE COORDINATEED PACTA CLIMATE TEST

#### Carbon Footprint

The Carbon footprint indicator includes the carbon footprint (CO<sub>2</sub>e/CHF M invested) but not the carbon intensity (emissions per revenue) as in the Swiss Scores proposal. Hard requirements are met.

Hard Requirements:

- Inclusion of scope 1, 2, and relevant scope 3.
- Inclusion of scope 3 emissions must at a minimum be aligned to the schedule described in the EU benchmark regulation 2019/2089.

#### Exposure to fossil fuels and renewable energy

**Exposure score in this Executive Summary:** varies from the requirements in the Swiss proposal (see below)

The exposure score in this document deviates from the Swiss Scores proposal, as the Swiss Scores were launched while the PACTA Climate Test Switzerland 2024 was already in its development phase. While the Swiss Scores proposal measure the share of companies with fossil fuel activities, the PACTA exposure indicator measures the financial exposure as AUM in % of this portfolio to the respective technologies. The PACTA exposure is not based on revenue data, but on asset-based company level data representing real-world physical activities. These activities are then attributed to financial securities and afterwards allocated to the portfolio. The portfolio allocation is done with the Portfolio Weight Approach (PA) that calculates the portfolio's technology exposures based on the weighting of each position within the portfolio.

Specifications:

- The indicator shows the financial exposure to each technology based on each company's main sector technology split
- The indicator is based on physical asset data instead of revenue data
- The indicator only shows exposure to the core sector of a company (in this case: coal, oil & gas, power production); i.e., Apple's power assets are not included as Apple's core business is not power
- Thereby, the indicator can show how exposed a portfolio is to different technologies within the same sector (e.g. fossil fuel-based power production vs. renewable power production)
- The emission scope of activities differ between the sectors and include "mining" for coal, "upstream" for oil and gas, "production" for power. For more information, please refer to the documentation on the aggregated score on the next page

To foster the transition, investments in climate solutions are key and can not be captured by CO<sub>2</sub>-Emission based metrics. Therefore, the exposure chart also includes exposure to renewable power

#### Hard requirements for Swiss Scores:

- The threshold of 5% of revenues applies both to activities directly linked with the exploration and production of fossil fuels and, if data is readily available, activities financing such production (for coal, according to the global coal exit list or similar).
- The scope of activities includes the whole value chain, ranging from exploration, extraction, and production (upstream) to transportation and storage (midstream) and refining, marketing, and electrification (downstream).

#### Verified Commitments to Net-Zero

*Hard requirements are met.*

Hard requirements:

- Companies must have publically communicated a pledge to reach net-zero and have near-term targets be certified by one of the following providers: Science based targets initiative (SBTi).

#### Management to Net-Zero

*The information for this indicator was not collected in the PACTA Climate Test 2024 and is therefore not shown.*

#### Credible Climate Stewardship

**Implementation:** deviates from hard requirements for Swiss Climate Scores (see below)

- Climate initiatives should be consistent with the ambition of reaching net-zero by 2050
  - Implementation: "Yes" means that at least one initiative is ticked for the user. "No" means that the user has not ticked any initiative. "Name": returns names of all ticked initiatives, but summarises the free field as "Other"
- Votes should be considered as climate-relevant measure

- Implementation: “YES (asset type)” means that the user has investment in the asset type AND ticked that they exercise voting rights. “NO” means that the user has investment in the asset type AND NOT ticked that they exercise voting rights. “NOT ANSWERED”: means that the user has not indicated that they have investments in the asset type. Peers: Number of users with a YES for the asset type out of all users that have invested in that asset type. Asset types covered are “listed equity (LE)”, “private equity (PE)”, “infrastructure (INF)”, and “Other assets”.

- Engagement strategies should be considered as climate-relevant measure

- Implementation: conditions for “YES (asset type)”, “NO”, “NOT ANSWERED” defined as above but for engagement strategies. For “other assets”, the above conditions must apply in at least one of the other assets. Peers: Number of users with a YES for the asset type out of all users that have invested in that asset type. Number of users with YES for other assets out of the number of users that have invested in at least one other asset type. Asset types covered are “listed equity (LE)”, “corporate bonds (CB)”, “real estate (RE)”, and “Other assets”.

#### Hard requirements:

- Votes/proxy votes should be consistent with the ambition of reaching net-zero by 2050.
- Any linked climate engagement strategy should be consistent with the ambition of reaching net-zero by 2050.
- The escalation procedure is clearly defined and made transparent.
- An example for a climate engagement initiative is Climate Action 100+

### PACTA Aggregated Climate Alignment Score

#### Implementation:

- PACTA measures alignment of firms’ 5-year forward-looking production plans with the GECO 2021 scenario
- Sectoral score, aggregated to one score; cement is excluded as it is not covered in GECO 2021
- Most climate relevant sectors including contributions
- Use case:
  - Financial Institutions can communicate internally and externally about climate performance easily and understandably.
  - Investors can understand portfolio priorities and get insights into potential long-term transition risks.
  - Supervisors will be able to understand the FI’s position relative to its peers regarding climate change.

#### Hard requirements:

- Be guided by the goal to achieve net zero emissions by 2050, consistent with the 1.5°C warming limit of the Paris Agreement and in line with the latest IPCC findings.
- Comply with the technical considerations of the TCFD 2021 PAT report “Measuring Portfolio Alignment – technical considerations”. In particular, comply with:
  - Select a 1.5°C scenario that complies, at a minimum, with the scenario selection criteria set out by the Science Based Targets initiative (SBTi) in their document Foundations of Science-Based Target Setting (consideration 7).
  - Prioritize granular benchmarks where they meaningfully capture material differences in decarbonization feasibility across industries or regions (Consideration 8).
  - Include Scope 3 emissions for the sectors for which they are most material and for which benchmarks can be easily extracted from existing scenarios (fossil fuels, mining, automotive) (Consideration 11).
  - *Addition:* Note that the PACTA methodology is not based on emissions but on production plans of companies. The production-based analysis however proxies for the following scopes:
    - \* Scope 1 and 2 for steel production
    - \* Scope 3 for fossil fuel extraction, automotive manufacturing
    - \* Scope 1 for power production, and aviation
- Allow the Swiss government to disclose aggregate implied temperature scores based on your methodology on the following indices, to compare them with other providers: SMI, MSCI World, MSCI World Materials, MSCI World Industrials, MSCI World Utilities, MSCI World Real Estate.

#### Important, but not hard requirements:

##### Benchmark used:

- At a minimum, a sub-industry level approach based on external, replicable, scientific sources to benchmarking should be used for high-emitting sectors, with companies allocated a ‘fair share’ of the global carbon budget based on their mix of activities.
- Climate solutions, especially for the electricity sector should also be covered and compared with the respective scenario, as the scale up of renewable power is a key factor to transition according to the IEA.

##### Company long-term targets, near-term action and data sources:

- Include near-term CapEx plans
- Use third-party validated data on asset level base where possible. Be as transparent as possible on data sources.
- Do not allow for avoided emissions data at corporate level, given the lack of standards around corporate level avoided emissions reporting and the technical challenges and issues related to such calculation. Account instead for climate solutions, at minimum for renewable power.
- *Requirements not met:*
  - Assess the credibility of companies’ emission reduction plans and take into account whether they are externally validated (such as by SBTi) to be science-based, in line with the goal of achieving net zero by 2050.
  - Validate, if the long-term commitments match with the short term action

- Inclusion of scope 3 emissions must at a minimum be aligned to the schedule described in the EU benchmark regulation 2019/2089.

To calculate portfolio alignment \* *Addition*: The PACTA Aggregated Climate Alignment Score is not an Implied Temperature Rise (ITR) score. Therefore, PACTA cannot provide a confidence level for the score itself. Instead, confidence scenarios for the selected scenarios exist and are: \* 50% probability to not exceed 1.5°C warming for the 1.5°C Uniform scenario (GECO 2021) \* 50% probability to not exceed 1.8°C warming for the 1.8°C NDC-LTS scenario (GECO 2021) \* 50% probability to not exceed 3.0°C warming for the 3.0°C Current Policies Scenario (GECO 2021) \* *Requirements not met* as Aggregate score is no ITR. \* Implied temperature scores should be calculated using a confidence level of 66%, rather than 50%. \* Calculate warming scores on a cumulative-emissions basis until 2050, in order to accommodate appropriately the physical relationship between cumulative emissions and warming outcomes.