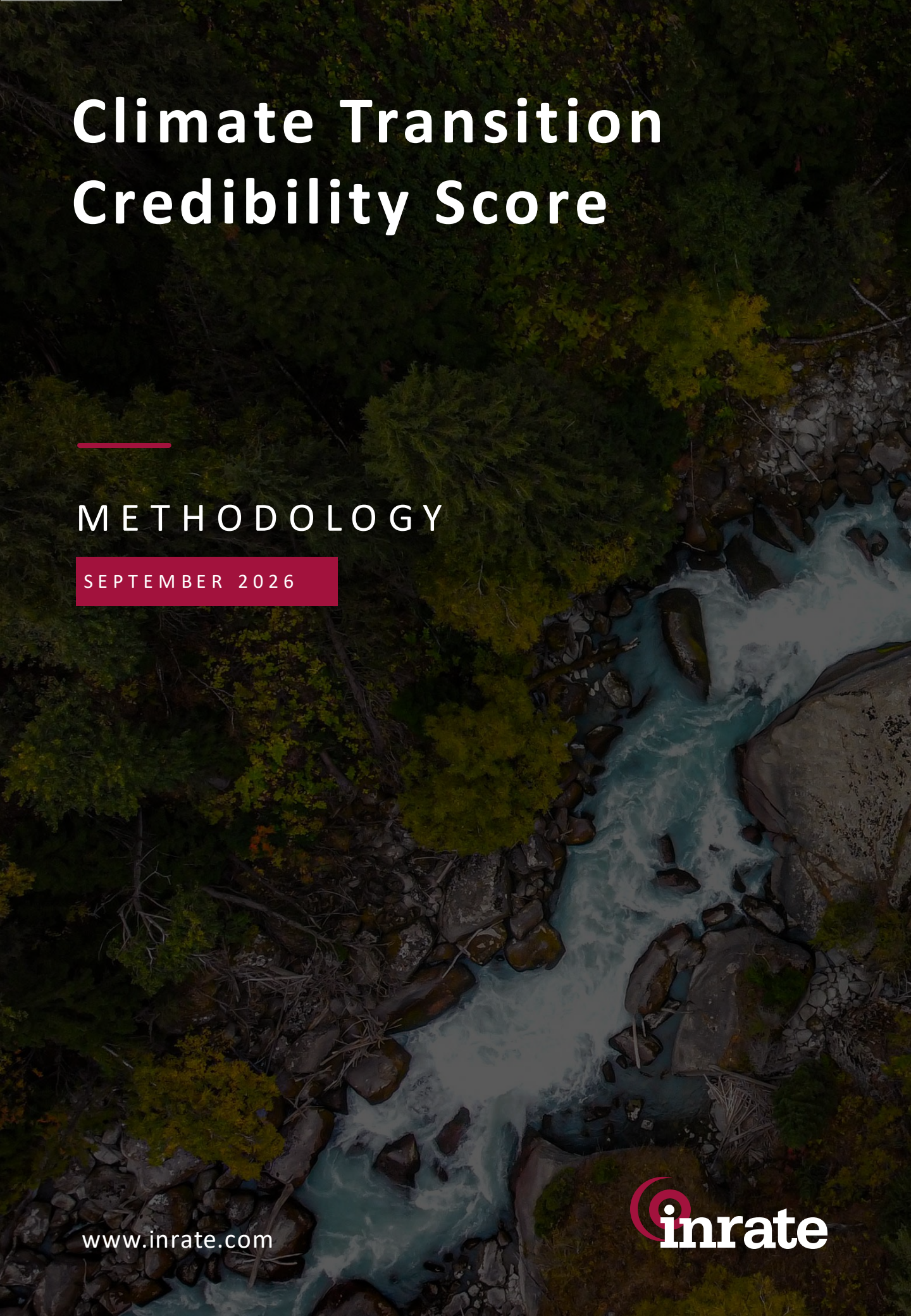
Climate Transition Credibility Score

METHODOLOGY

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About this document

Prepared by Inrate AG, Climate & Impact Research. Confidential: not for distribution without permission. For methodology queries, contact the methodology team.

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Overview and purpose



The Climate Transition Credibility Score evaluates how credible a company's climate transition is — bringing together what the company says, what its business actually is, whether it is delivering, and where it is putting its capital.

Assessment Focus

The assessment helps investors distinguish companies with genuine, well-governed and well-funded transition plans from those whose commitments are not yet matched by performance, or by the structure of their business. The Climate transition credibility score brings together elements of forward looking indicators and indicators of historical company action on addressing the company's climate impact and risks. It ensures comparibilty across organizations of various sizes and across industries by using size agnostic methods. This score grounds itself in actual actions and company plans and provides a signal that is specific to the company's own decarbonization plans

It is designed for portfolio construction, engagement prioritisation and net-zero reporting, and is built to align with the IFRS S2 and Net Zero Investment Framework 2.0 (NZIF 2.0, IIGCC).

Output

The assessment produces a single headline measure — the **Climate Transition Credibility Score (CTCS)** — formed by blending five sub-signals, each answering a distinct question about the company's transition.

Alongside the headline score and tier, the output reports each of the five sub-signals, any severe-controversy flag, and a per-company breakdown including carbon intensity and sub-sector position. A step-by-step calculation export exposes all underlying values/ details of metrics which have been employed in the calculation of the score.

What the signal measures

The assessment is built from five sub-signals, labelled A to E, each scored on a 0-to-1 scale (except Emissions performance which is on -0.25 to 1.25) and then blended into the headline score. Together they cover governance and disclosure, stated ambition, the carbon intensity of the business itself, delivery against target, and the direction of capital spending. The sub signals each contribute Accountability 20%, Ambition 10%, Activity Impact 35%, Emissions Performance 15%, Capex Alignment 20% respectively to the overall score.

A — Accountability	The quality of climate governance and disclosure, tempered by GHG-related controversies.
B — Ambition	The quality, comprehensiveness and external validation of the company's emission-reduction targets, including periodicity and which emission scopes they cover.
C — Activity Impact	The carbon intensity of the business — greenhouse gas per unit of revenue, judged against sub-sector peers and over time.
D — Emissions Performance	Whether the company is delivering reductions in line with its own target, or the country of its headquarters – when a company does not have validated absolute targets
E — Capital Allocation	The share of capital spending going to green, low-carbon investment.

Note: All weights mentioned in this document are Inrate's recommended weights. As part of this product, Inrate provides all underlying data used in its calculations, clients may choose to change weights of the calculation or request bespoke weights as per their requirements for Inrate to configure into the specific clients data feed/ deliveries

How the five sub-signals combine

The headline score is a fixed-weight blend of the five sub-signals:

- Accountability 20%,
- Ambition 10%,
- Activity Impact 35%,
- Emissions Performance 15%,
- Capex Allocation 20%

Activity Impact carries the largest weight because it shows how the company's GHG intensity of activities compares against its peers and if a company has been taking actions to decarbonise by moving towards lower intensity activities or reducing intensity of existing activities. Accountability and capex allocation highlight the future trajectory of the company through the companies governance, policies and the follow up of the targets and policies/ strategies with investment. Ambition and Emissions Performance together highlight the quality and comprehensiveness of a company's targets on the one hand and the company's own performance against these targets on the other hand.

If a sub-signal cannot be computed for a company, it counts as zero against its weight rather than being averaged out — so a company with no capex-alignment evidence, for example, scores lower overall.

This rewards data completeness and reflects that the sub-signals will be strengthened over time, as companies improve their disclosures

A company for which none of the five sub-signals can be computed is reported as 'insufficient data'. Companies are never excluded outright — a severe GHG controversy instead forces Accountability and Ambition to zero, while the other three sub-signals continue to be scored.

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Method: the five sub-signals



Each sub-signal is computed independently on a 0-to-1 scale, from a defined data source, before the fixed-weight blend is applied.

The chapters that follow take each sub-signal in turn: what it measures, which indicators or datasets feed it, and how the raw evidence is converted into the sub-signal score.

Two design principles run through all five. First, comparison is made within Inrate sub-sectors wherever an absolute figure would be misleading — a steelmaker and a software firm cannot be assessed on the same intensity scale. Second, measured outcomes are weighted more heavily than stated intentions: what a company demonstrably does carries more weight than what it says it will do.

	Sub-signal	Primary data source
A	Accountability	Inrate Core Indicators; Controversy database
B	Ambition	Inrate Core Indicators; SBTi register
C	Activity Impact	Inrate Carbon Historical data
D	Emissions Performance	Inrate Carbon Historical data; SBTi; EU EDGAR
E	Capex Alignment	EU Taxonomy; company-reported; Global Energy Monitor × IEA

Sub-signal A — Accountability

Accountability measures the quality of climate governance and disclosure, then tempers it for serious GHG-related controversies. The governance assessment draws on six Inrate Core Indicators.

Table 2: Core Indicators within the governance assessment

Indicator	What it captures
IVF01 - Data on CO_2/GHG emissions	Disclosure of emissions
VIF09 - Variable remuneration linked to sustainability	Executive pay tied to climate/ESG performance
IVA04 - Programs for CO_2/GHG reduction	Active reduction programmes
IVA20 - Environmental responsibilities at highest level	Board-level climate ownership
IVP01 - Environmental policy	Existence of an environmental policy and details of what the policy contains with regard to GHG reduction
IF02 - External verification of CSR reporting	Independent assurance of reporting

The GHG-controversy adjustment

The accountability score is multiplied by a factor reflecting GHG-related controversies — whether over a company's own emissions or its financing of high-emitting activities. With none, the factor is neutral; as severity rises it reduces the score toward a floor.

The trigger is deliberately limited to GHG-specific controversies. Broad, non-climate ESG severity is captured separately through the Inrate Impact Rating within Activity Impact, so the two are not double-counted.

A non-severe controversy is factored in, as mentioned above, by multiplying the inverse value of Inrate controversy score for that controversy with the accountability score calculated on page 7. The Inrate controversy score is a scoring of a company's controversies based on 9 factors such as severity, permanence of damages, action taken by company to address the issue etc.

Where a GHG controversy reaches the severe level, the assessment applies a hard override that sets both Accountability and Ambition to zero — a deliberate signal that the company's governance claims and stated ambition cannot be taken at face value.

The company is kept in the universe. It still receives Activity Impact, Emissions Performance and Capex Alignment scores and a (low) headline score, clearly flagged as having a severe controversy, and all of its underlying indicator and target data remain visible.

What is set aside is the company's stated position: Accountability (governance and disclosure quality) and Ambition (target quality and validation) are both forced to zero, regardless of how strong the underlying disclosure record is.

In effect, what the company says is set aside, while what it measurably does still counts.

Sub-signal B — Ambition

Ambition measures the quality of a company's emission-reduction targets and their external validation. Near-term targets quality is considered more significant (weight = 0.33) because it drives action this decade; similarly 1.5°C validation is weighted more (weight = 0.27) than the net-zero flag (weight =0.2) because it is the strongest independent confirmation that targets align with climate science.

Which emission scopes the target covers

Target quality explicitly reflects which emission scopes a target covers. Each of the short- and long-term target indicators includes an 'object of the targets' element with separate components for Scope 1, Scope 2 and Scope 3, scored additively — so a target spanning all three scopes scores materially higher than a Scope-1-only target.

How science-based validation is confirmed

The company is checked against the Science Based Targets initiative (SBTi) register. Where the register confirms a target, that is the validation used.

Where the company is not found on the register, Inrate falls back on the company's own reporting — what it states about its targets and any third-party validation it cites are recorded by Inrate analysts.

Indicator	What it captures
IVA05 - Quantitative short-term target for CO2 / GHG emissions reduction	Short-term target-quality score (scopes of emission covered, how much of the business is covered by the targets, absolute/ intensity based, usage of offsets etc.)
IVA05_1 - Quantitative long-term target for CO2 / GHG emissions reduction	Long-term target-quality score (Scopes of emission covered, how much of the business is covered by the targets, absolute/ intensity based, usage of offsets etc.)
SBTi 1.5 C	The company has a SBTi validated 1.5°C-aligned target confirmed
SBTi Net Zero	The company has a SBTi validated net-zero target

Sub-signal C — Activity Impact

Activity Impact measures how a company performs on its carbon intensity in comparison to peers in its sub-group in terms of scale and in terms of directionality over the last 3 years. For each company and year, Inrate computes carbon intensity as total greenhouse-gas divided by revenue to capture the carbon-efficiency of activity.

The final activity impact score is a combination of the scale (Activity intensity score) and directionality (Intensity direction) scores.

Activity intensity score

Using percentile ranks, the company's most recent carbon intensity is ranked against other companies in the same Inrate sub-sector: the least carbon-intensive score near 1, the most intensive near 0. Comparing within the sub-sector is essential, because a steelmaker and a software firm have structurally different intensities and should not be judged on the same absolute scale. At the same time a steel manufacturer who is using more recycled steel and green steel manufacturing methods will perform better on its emissions intensity compared to its peers who are using more traditional manufacturing methods.

Intensity direction (trend) score

The trend score captures whether carbon intensity is rising or falling. It is the proportional change in intensity for the company over the last three years and bounded to the 0–1 range. A company whose intensity does not change over a period is given a neutral score of 0.5 with the trend score being proportional to the company's performance against this neutral score. Scoring vis a vis various intensity trends is mentioned below:

Change in carbon intensity	Trend score
Company achieves Net Zero	1.00
Company halves its emission intensity(i.e emissions intensity has reduced by 50%)	0.75
Company has reduced its emissions intensity by 24%	0.62
No change	0.50
Company's emissions intensity has increased by 18%	0.41
Company's emission intensity has doubled (i.e emissions intensity has increased by +100% or more)	0.00

Measuring the change using the trend score allows the spread of scores across the middle rather than saturating at modest swings, and rewards genuine improvement even where a company starts from a high absolute level.

Combining the two

The Activity Impact score is 0.6 × the level score + 0.4 × the trend score, re-weighted to whichever is available when a company has only one. The level comparison carries more weight because where a company sits relative to its peers today is the larger part of its activity impact, while the trend captures the direction of travel.

Sub-signal D — Emissions Performance

Emissions Performance asks whether the company is delivering the reductions its target implies. The target's percentage reduction is converted into an expected annual pace, and the reduction expected by the current year is compared with the reduction actually observed in the company's total emissions (across all scopes) since its base year. To elaborate, for a company that has set itself the target of achieving 50% emissions reductions by 2030 over a 2020 baseline will be expected to reduce 5% emissions annually. When assessed for progress in the year 2024- the company will be expected to have reduced its emissions by 20% i,.e 5% x 4 years. If the company has managed to reduce 20% in those 4 years the company will score 1, if it has reduced 18% in those 4 years i.e 90% of its target for those 4 years, the company emissions performance score will be 0.9.

A company that overachieves on its targets may potentially score more than 1, but capped to a maximum of 1.25- to discourage less ambitious target setting. Conversely a company whose emissions have increased instead of decreasing will score negative points in proportion to the increase in emissions floored to a score -0.25 to prevent significant poor performance from undermining other aspects of the CTCS.

Key considerations in this calculation are:

- Only absolute emissions reduction targets verified by the SBTi are considered in this calculation. Intensity targets are not considered as global net zero demands significant real world emissions reductions.
- Where targets for a particular scope or for the entire company are not available, target performance is calculated using the Nationally Determined Contribution (NDC) targets of the country in which the company is headquartered. Here Inrate assumes that a company will face decarbonisation regulation and policy at least as demanding as its home country's national target, so that target is a reasonable minimum for the decarbonization a company will have to deliver.
- Where a company has different targets for different scopes e.g. 50% for scope 1+2 and 20% for scope 3 – the targets are combined in the proportion of the GHG emissions under each scope in the base year for that company. This is then annualized for emissions reduction.

Converting to a score (−0.25 to +1.25)

Delivery against the expected pace	Score
Beating the required reduction by 25% or more	1.25
Beating the required reduction by 18%	1.18
Meeting the expected pace	1.00
About half the expected reduction	0.50
Flat emissions (no change)	0.00
Emissions rising by 25% or more	−0.25

Strong delivery is rewarded so that it can carry a weaker governance or ambition profile, and rising emissions are penalised so that the other sub-signals must compensate. Observed and expected reduction percentages are reported alongside the score, so the gap is visible.

Sub-signal E — Capex Alignment

Capex Alignment measures the share of a company's capital spending that is green — the clearest forward-looking evidence of transition intent. It is expressed as green capital expenditure divided by total capital expenditure, with the green numerator and total denominator each taken from the best source available, in the order below.

1 **EU Taxonomy**

For companies reporting under the EU Taxonomy, taxonomy-aligned capex (green) and total capex are an audited, like-for-like measure.

2 **Company-reported**

A company's own disclosed green and total capex, covering non-EU and non-taxonomy reporters.

3 **Global Energy Monitor**

A company's forward power-construction pipeline is considered. Green capex is the low-carbon power generation (solar, wind, hydro, nuclear, geothermal, bioenergy) capacity addition; total capex is all planned power generation capacity addition.

Converting megawatts into Capex

Global Energy Monitor data is used to identify new energy construction projects. Depending on each project's forecast approval, future capex is calculated by multiplying the plant's capacity by the IEA's generation capital cost assumptions for that energy source.

Where no data is available the score is zero.

Alignment with NZIF 2.0

The five sub-signals are designed to map onto the core company-level alignment criteria of the Net Zero Investment Framework 2.0 (NZIF 2.0, IIGCC). The set of ten backwards, current, and forward-looking criteria used by NZIF to assess assets are mapped against the CTCS framework as below:

Table 1: Mapping of Inrate sub-signals to NZIF 2.0 alignment criteria

Sub-signal	NZIF 2.0 alignment criterion
A — Accountability	Disclosure (Scope 1/2/3 emissions reporting, external verification), Decarbonisation plan, climate policy engagement, Just transition and Climate governance (board-level responsibility, climate-linked remuneration)
B — Ambition	Ambition (long-term net-zero goal) and Targets (short- and medium-term science-based targets)
C — Activity Impact	Emissions performance — current carbon intensity relative to a net-zero pathway, judged against sub-sector peers
D — Emissions Performance	Emissions performance — track record of reductions against the implied pathway
E — Capex Alignment	Capital allocation alignment (green capital expenditure)

Engagement and physical-risk dimensions are handled separately within Inrate's wider product range.

ESG to the Core: Since 1991

Inrate, a Sustainability Data and ESG Impact rating company, helps financial institutions view sustainable finance from an 'impact' lens. The contemporary responsible investor needs data that supports a variety of use cases and stands up to scrutiny. Inrate scales the highest quality and standards and deep granularity to a universe of 10,000 issuers, allowing portfolio/fund managers and research and structured product teams to make confident decisions.

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