SIX 1.5°C CLIMATE EQUITY: QUESTIONS & ANSWERS

Benefits for Companies

1. **How does SIX 1.5°C Climate Equity help companies with 1.5°C-alignment ambitions?** SIX 1.5°C Climate Equity Flag provides evidence of your commitment to limiting global warming to 1.5°C. The Flag addresses rising expectations for corporate alignment with the 1.5°C goal. The Flag recognizes that while science-based targets are essential, 1.5°C alignment is increasingly expected to also encompass a robust roadmap fueled by bold, decisive action.[1]

Approach and Definitions

2. **How does SIX 1.5°C Climate Equity provide additional supporting evidence that a climate transition plan is credible?** SIX 1.5°C Climate Equity Flag helps companies provide additional supporting evidence that their entire value chain contributes towards limiting global warming to 1.5°C above pre-industrial level. This means that SIX 1.5°C Climate Equity helps to benchmark the climate efforts across the company's entire value chain—often called climate transition plan—against the target of limiting global warming to 1.5°C.

   Specifically, SIX 1.5°C Climate Equity's credibility assessment examines whether a climate transition plan is grounded in the latest climate science, aligns with limiting global warming to 1.5°C, involves a fair distribution of the remaining global carbon budget across corporations, details necessary actions, addresses funding requirements, and offers sufficient implementation feasibility. The assessment is conducted by an approved sustainability expert, who must confirm that a climate transition plan fulfills these requirements.

3. **Why doesn't SIX 1.5°C Climate Equity prescribe specific "(sub-)sectoral 1.5°C-pathways"?** The prevailing consensus is that to stay within the world's carbon budget in practice, and thus limit global warming to 1.5°C, the world needs to reach net-zero Greenhouse Gas ("GHG") emissions by 2050, to reduce its GHG emissions compared to 2010 level by 50% in 2030, and by 90-95% in 2050. The logic behind the latter decarbonization target is that negative-emissions solutions are largely untested at scale and should thus reasonably be projected to only remove 5-10% of GHG emissions.

   Despite the consensus at the global level, there is no consensus on a specific pathway for each (sub-)sector.[2] This is why SIX 1.5°C Climate Equity maintains a neutral position and does not prescribe a specific pathway for any (sub-)sector. A degree of consensus, however, appears to emerge on emissions pathways that are deemed incapable of limiting global warming to 1.5°C (i.e., on the criteria that (sub-)sectoral emissions pathways must fulfill). This is why SIX 1.5°C Climate Equity forbids certain (sub-)sectoral emissions pathways by requiring that (sub-)sectoral pathways fulfill certain criteria.

   SIX 1.5°C Climate Equity may therefore permit multiple (sub-)sectoral emissions pathways for a given (sub-)sector. This means that different reviewers may select different (sub-)sectoral emissions pathways when assessing the same company. And it also means that companies with an identical mix of activities may be assessed against different (sub-)sectoral emissions pathways.

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[1] Most notably, Carbon Disclosure Project Assessing Low-Carbon Transition (CDP ACT Initiative), Climate Bonds Initiative (CBI), and the UN Race to Zero Starting Line Criteria.
[2] In other words, there's no consensus on how to (fairly) distribute the remaining 1.5°C-aligned carbon budget among various (sub-)sectors and companies. See, e.g., SBTi, 2020, Foundations for science-based net zero target setting the corporate sector (September 2020), page 6, "Translating planetary climate science into actionable criteria at the level of an individual company requires some normative decisions that do not directly emerge from the science."

4. **Why does SIX 1.5°C Climate Equity only demand that long-term implementation is not overoptimistic?** A clearly unrealistic plan disqualifies a company from being aligned with the 1.5°C goal. However, below that threshold, different stakeholders may have varying views on when a corporation exhibits 1.5°C alignment (or, in other words, when its transition plan should be considered "credible").

5. **Why does SIX 1.5°C Climate Equity allow for exceptions to full corporate scope 3 disclosure under certain conditions?** While the ideal scenario involves companies directly measuring and estimating their emissions to provide full scope 3 disclosure, the framework recognizes that this may not always be feasible Experienced reviewers can, in some cases, assess scope 3 alignment even with limited company disclosures by combining their sector-specific knowledge with their own access to measured and estimated emissions data. This is why SIX 1.5°C Climate Equity empowers reviewers to use their expert judgment to determine, on a case-by-case basis, if they can evaluate the alignment with the 1.5°C target of a company's entire value chain (which includes scope 3 emissions), even without full scope 3 disclosure by the company

   SIX 1.5°C Climate Equity aims to complement governments' mandatory non-financial disclosure requirements. We believe this approach can support transparency by encouraging broader participation in external reviews. To maintain accountability, reviewers must provide explicit justification for their assessments and clearly indicate whether full scope 3 data was disclosed by the company. This ensures transparency for investors, who can then make informed decisions based on both the reviewer's expertise and the level of disclosure provided by the company.

Review

6. **Why does SIX 1.5°C Climate Equity approve multiple reviewers?** SIX empowers companies to select from a pool of credible reviewers, ensuring comprehensive coverage across various sectors and geographies. This flexibility acknowledges that a single reviewer may not address all industry-specific needs or manage the volume of requests from multiple companies. Additionally, some reviewers possess specialized expertise in local laws and sustainability certifications, enhancing the credibility of the assessment. Companies may also prefer reviewers familiar to their investors, fostering trust and confidence. The chosen reviewer is prominently indicated in the assessment report.

Positioning

7. **How does SIX 1.5°C Climate Equity compare to existing approaches to transition-plan credibility assessments?** While there is currently no internationally recognized methodology for assessing transition plans, the criteria have been defined to reflect the emerging consensus among widely used methodologies and standards. Reference is made, most notably, to the Carbon Disclosure Project Assessing Low-Carbon Transition (CDP ACT Initiative), Climate Bonds Initiative (CBI), Science Based Target initiative (SBTi), and the UN Race to Zero Starting Line Criteria. This ensures that investors can easily understand SIX 1.5°C Climate Equity and that they can compare it with flags, labels, and certifications established by other institutions.

8. **Is SIX 1.5°C Climate Equity the same as an SBTi validation?** No. Organizations that validate targets, such as the Science Based Target initiative (SBTi), only evaluate whether emissions targets are aligned with the latest climate science. SBTi does not assess whether it is reasonable to expect the continued implementation of this 1.5°C-aligned transition plan.

   SIX 1.5°C Climate Equity, in contrast, evaluates whether the plan's emissions targets are aligned with the latest climate science as well as whether this 1.5°C-aligned transition plan can reasonably be expected to continue to be implemented.

9. **How does 1.5°C Climate Equity handle an existing SBTi validation?** While the Science Based Targets initiative (SBTi) evaluates whether emissions targets align with the latest climate science, it does not assess other aspects of the transition plan. SIX-approved reviewers take SBTi validation into

account during their target-alignment assessment but may conduct a more detailed evaluation in certain sectors, especially when cross-sector pathways are used in the SBTi validation instead of (sub-)sectoral pathways.

We recommend reaching out to a SIX-approved reviewer to understand the approach for your specific sector(s).

10. **How does SIX 1.5°C Climate Equity relate to the Swiss Climate Scores?** The Swiss Climate Scores aim to create best-practice transparency for investment products in order to foster investment decisions that contribute to reaching the climate goals. SIX 1.5°C Climate Equity requires companies to disclosure specific sustainability-related data points for the same reason. Whenever feasible, SIX 1.5°C Climate Equity follows the same definitions and data points as in the Swiss Climate Scores.
11. **How does SIX 1.5°C Climate Equity relate to the WFE Green Equity Principles?** SIX 1.5°C Climate Equity is fundamentally focused on evaluating a company's climate transition plan. The Flag is in alignment with four of the five core pillars of the WFE Green Equity Principles (2023): Taxonomy, Governance, Assessment, and Disclosure. However, it does not align with the pillar concerning activity-based revenue threshold.
12. **Does SIX 1.5°C Climate Equity consider other environmental and social goals?** SIX 1.5°C Climate Equity only indicates that the company can reasonably be expected to continue to contribute towards limiting global warming to 1.5°C. This means that a company's contribution to, and impact on, other environmental (e.g., biodiversity) and social goals (e.g., diversity, decent work) is only considered in as much as it has a (positive or negative) impact on CO2 emissions.

    The methodologies of the approved reviewers and/or the recognized 1.5°C-Pathways can go beyond a sole focus on global warming and give independent consideration to the impact on other sustainability goals.