

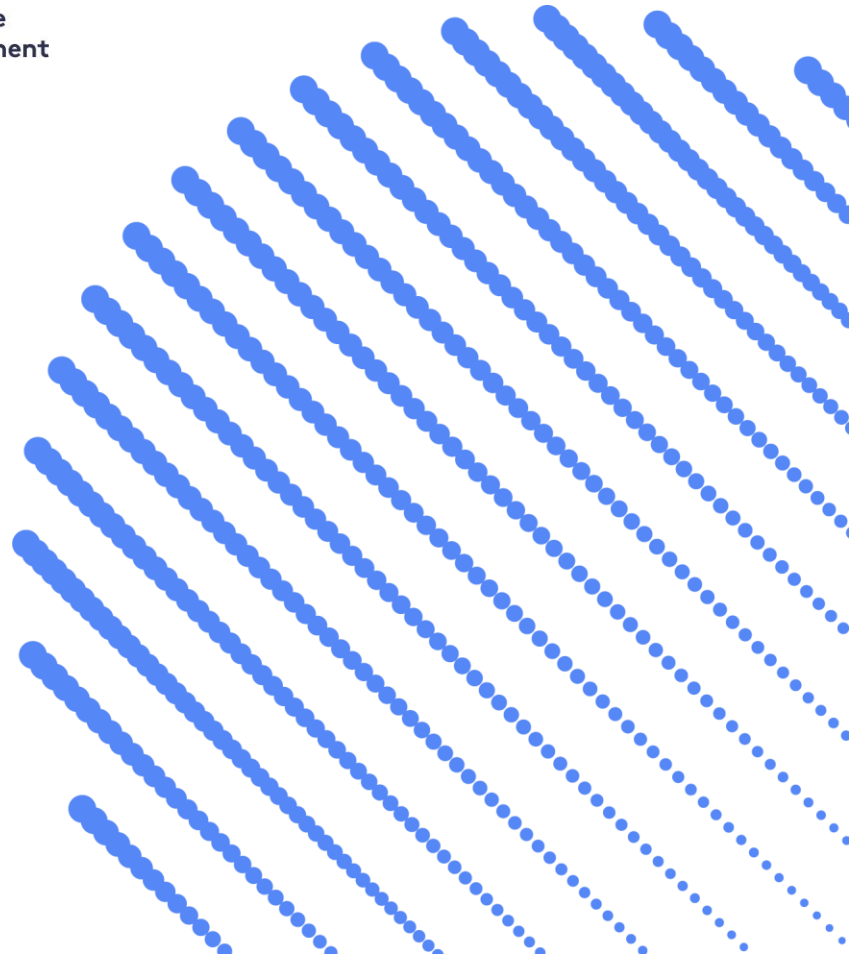


Transition
Pathway
Initiative



Grantham
Research Institute
on Climate Change
and the Environment

Management Quality Framework Results 2024



TPI Centre at a glance



An independent, rigorous source of research and data into the progress made by corporate and sovereign entities in the transition to a low-carbon economy.



Detailed and transparent methodologies to assess entities and to monitor transition pathway trajectories and net zero target alignment.



Open access tool i.e., publicly available and aligned with existing reporting frameworks.



Research partner of TPI, a global asset owner-led initiative supported by asset managers and service providers.

Research areas and data offering

Projects

Management Quality



FTSE RUSSELL
An LSEG Business

Carbon Performance

CA100+ Disclosure Framework

Banking

Sovereigns

ASCOR

Assessment (2024)

2,000 companies
in 24 sectors

515 companies
in 11 sectors

165 companies



38 banks

70 countries

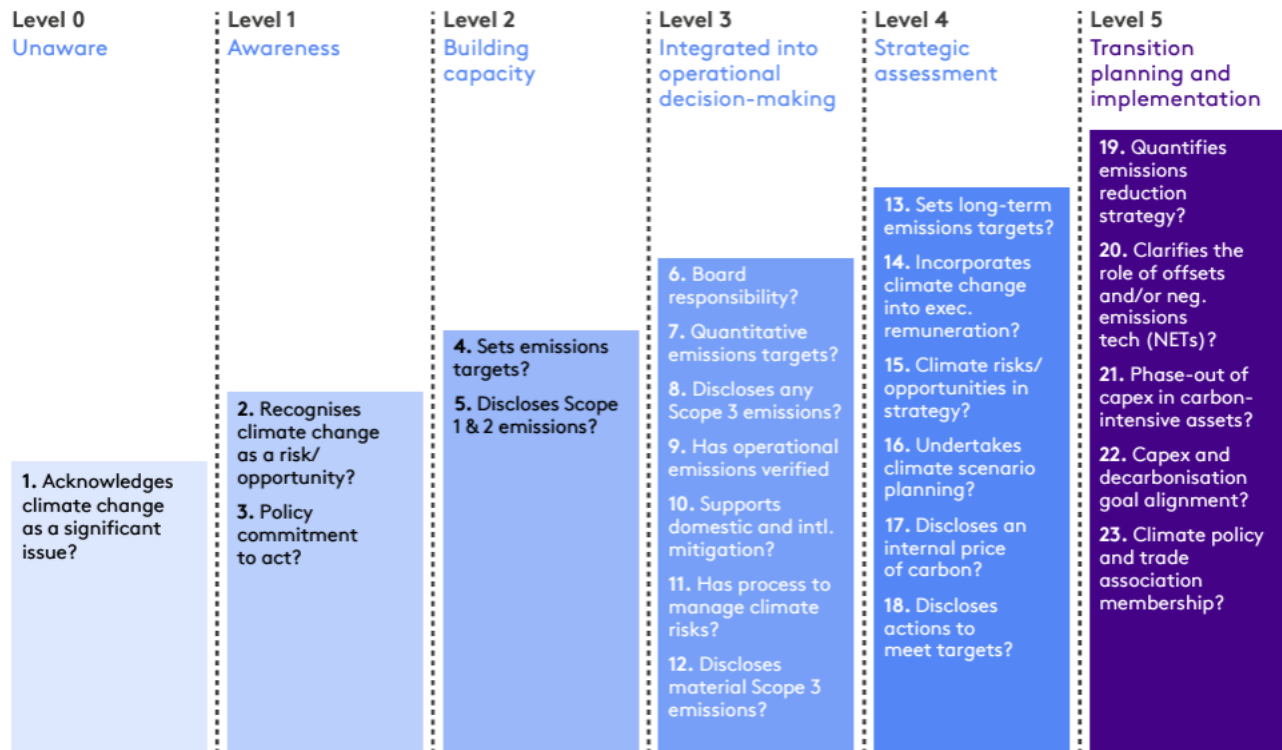
Updates and Key Findings from This Year's Assessments

- **1,002 companies have been newly added to the TPI universe, taking the total number of listed companies covered by TPI's Management Quality (MQ) framework to 2,000.** This is the largest ever expansion of the TPI company universe. Coverage now extends to 24 sectors, and the combined market cap of the companies covered is \$86 trillion*.
- **Data for both the previous V4.0 framework and current V5.0 framework, previously launched as Beta in 2023, are available for all 2,000 companies on the TPI website.** This report displays the results of company scores using the V5.0 framework.
- **For the second consecutive year, the majority (55%) of companies covered by TPI are on MQ Level 3 (Integrating climate change into operational decision making).** This reaffirms the insight that Level 3 functions as the new 'par score', characterising what may be considered normal for a company regarding its governance of greenhouse gas emissions and management of risks and opportunities arising from the low-carbon transition.
- **No more than 10% of companies score on any Level 5 indicator, and no company scores on all Level 5 indicators.** This highlights the shortage of disclosure on the quantification of transition plans and alignment of company climate ambitions and capital expenditure plans.

*As of 10 October 2024

MQ Overview

Management Quality Framework Overview



Note: See the [TPI's Methodology V5.0](#) for the full list of Management Quality indicators.

Key Features

TPI's MQ framework is based on a set of indicators, each of which test whether a company has implemented a particular carbon management practice.

These indicators are used to map companies on to different levels. Companies must meet all indicators to progress to the next level.

The underlying data are provided by FTSE Russell, an LSEG business.



**FTSE
RUSSELL**
An LSEG Business



Increase in TPI Company Coverage

Company Expansion

TPI has doubled the number of MQ scores it displays and now covers 2,000 listed equities.

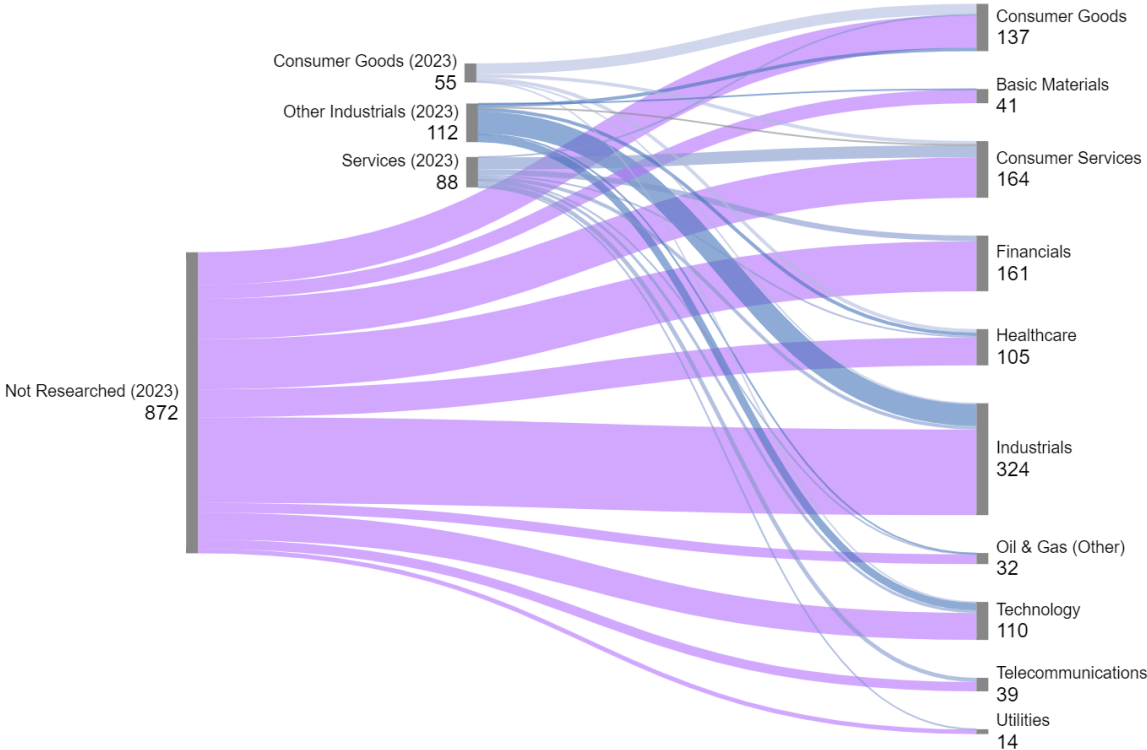
As coverage of companies in TPI's core sectors* reaches saturation, a sector-agnostic company expansion, using market capitalisation and Scope 1&2 emissions as selection criteria, has led to a greater variety of companies covered.

* Core sectors: Coal Mining, Electricity Utilities, Oil & Gas, O&G Distribution, Airlines, Autos, Shipping, Aluminium, Cement, Chemicals, Diversified Mining, Paper, Steel, Food Producers

**14 companies are assessed in more than one sector, so while TPI's MQ framework covers 2,000 companies, there are 2,017 assessments

Cluster	Sector	New Companies	Total Companies**
Energy	Electricity Utilities	27	149
	Oil & Gas	12	93
	Coal Mining	1	53
	Oil & Gas Distribution	1	23
Transport	Airlines	0	39
	Autos	1	38
	Shipping	2	33
Industrials and materials	Aluminium	0	31
	Basic Materials	41	42
	Cement	9	71
	Chemicals	37	136
	Diversified Mining	0	31
	Industrials	248	325
	Oil & Gas (Other)	28	32
	Paper	0	35
Consumer Goods and Services	Steel	13	75
	Consumer Goods	96	137
	Consumer Services	116	163
	Financials	145	161
	Food Producers	24	81
	Health Care	81	105
	Technology	78	110
	Telecommunications	27	39
	Utilities	13	14
Total		1,002	2,017

Non-Core Sector Industry Classification Benchmark (ICB) Alignment



To facilitate the increase in the companies now covered by TPI, classification of non-core sector companies has been aligned with FTSE ICB Sector allocation.

This reallocation has primarily impacted companies previously classified as Consumer Goods, Other Industrials, and Services, along with those covered for the first time in 2024.

Headline Results

2024 Results for the TPI Universe

- **The average MQ level of the new TPI universe is 3.0.** This means that, on average, companies are in the process of integrating climate change into operational decision making (Level 3) but are still well short of strategic assessment (Level 4).
- **In total, 22% of companies still score on Levels 0-2** meaning they have failed to undertake at least one of the following: acknowledge climate change as an issue, have a climate change policy in place, disclose Scope 1 & 2 emissions, or have some type of emissions reduction target.
- **Fewer than one in ten companies meet all the indicators necessary to reach Level 5, and fewer than one in ten companies score against any of the Level 5 indicators** which focus on quantification of transition plan actions and alignment of capital expenditure with decarbonisation goals.
- **Average scoring across the four industrial clusters is very similar, though this disguises a high degree of variation in the average MQ score of the different MQ sectors which make up these clusters (see Appendix).** Despite this, there is no clear relationship between either a sector's current emissions profile or how difficult it is to decarbonise and its TPI MQ Level. For example, Oil & Gas and Diversified Mining score well on average while Chemicals and Cement score poorly.

2024 Results for the TPI Universe

Level 0
Unaware

9 companies: **0.5%**

6 Industry
3 Consumer Goods & Services

Level 1
Awareness

245 companies: **12%**

16 Transport
34 Energy
133 Industry
62 Consumer Goods & Services

Level 2
Building capacity

189 companies: **9%**

12 Transport
30 Energy
81 Industry
65 Consumer Goods & Services

Level 3
Integrating into operational decision making

1,101 companies: **55%**

46 Transport
158 Energy
570 Industry
327 Consumer Goods & Services

Level 4
Strategic assessment

303 companies: **15%**

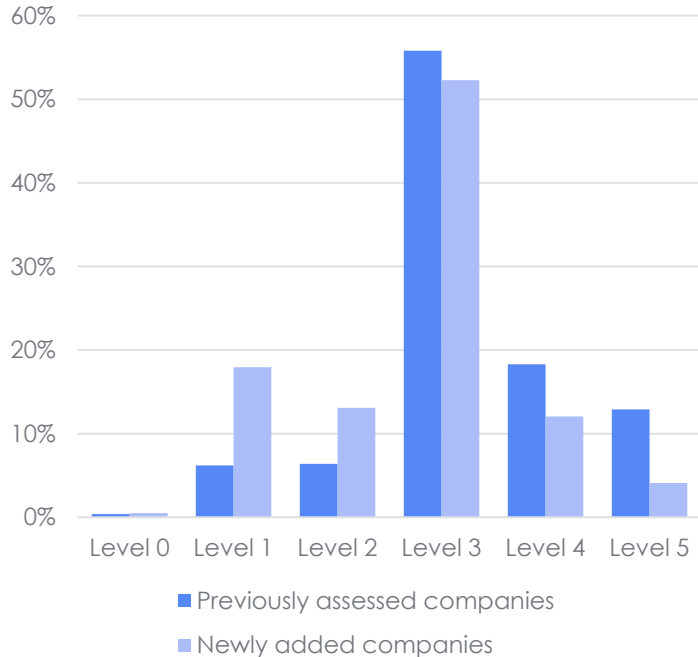
20 Transport
50 Energy
122 Industry
111 Consumer Goods & Services

Level 5
Transition planning and implementation

170 companies: **8.5%**

16 Transport
46 Energy
71 Industry
37 Consumer Goods & Services

Company Expansion



The 2,000 companies covered this year are split equally between new additions to the TPI universe and those which were assessed in previous years. However, the average MQ performance of these two groups is starkly different.

31% of newly added companies scored on Levels 0-2 as opposed to just 13% of previously assessed companies. Conversely, 16% of newly added companies reached levels 4-5 compared to 31% of previously assessed companies.

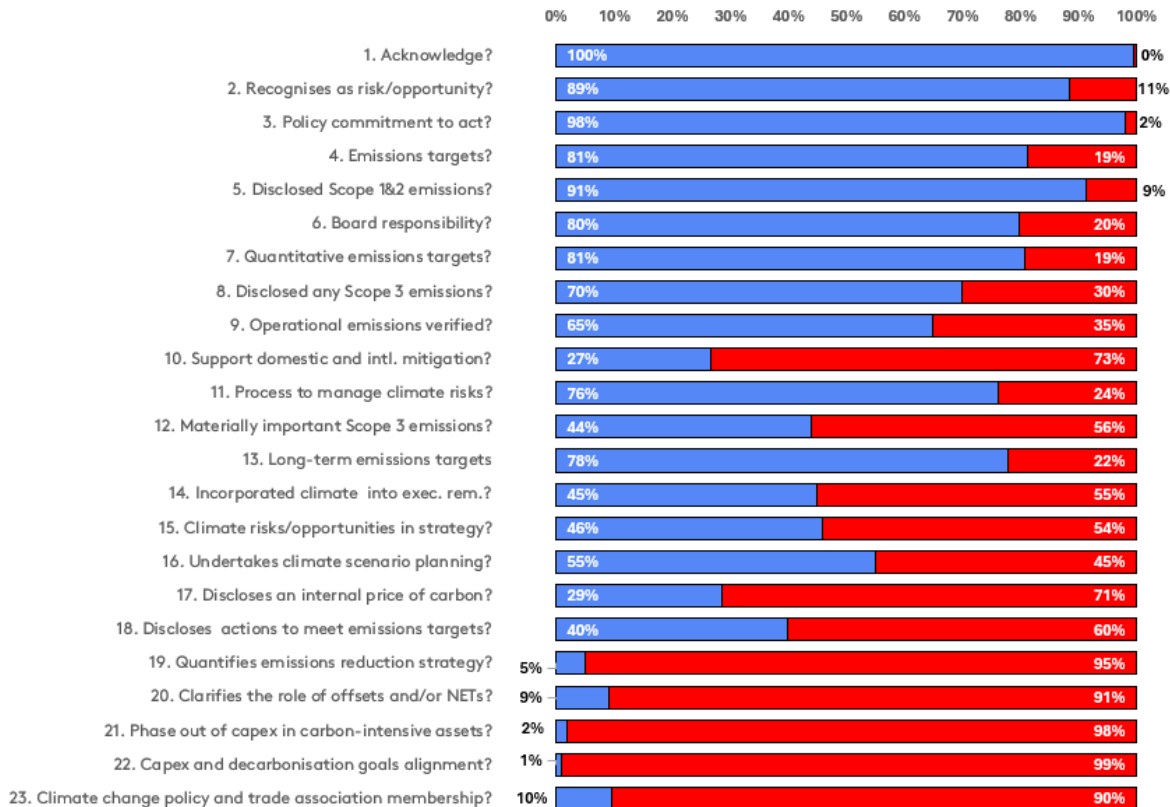
A regression analysis undertaken for [Section 2.3 of the State of the Transition Report 2024](#) found that size, region and sector all matter for Management Quality. While the newly added and previously assessed companies have similar numbers of high market cap companies, almost all the companies from high-performing sectors such as airlines and electric utilities have been assessed in previous years, while the newly selected group contains a higher concentration of companies headquartered in China and Other Asia (38%, as opposed to 24%) - a driver that has a negative impact on MQ score, controlling for other variables.

Indicator by Indicator

Approximately 90% of companies acknowledge climate change, recognise it as a relevant business risk and/or opportunity, and have a policy commitment to act (indicators 1–3 in the framework).

Setting quantitative emissions targets is commonplace. Approximately four in five companies now have a quantitative emissions target covering at least one of Scopes 1, 2 or 3 (Q7), and a similar share have a long-term emissions target (target date more than five years into the future) (Q13)

Companies continue to struggle on indicators at the interface between corporate and public policy (MQ10 and MQ23) and disclose little about how they align capital expenditure with climate goals (MQ20 and 21).



Appendix

Proportion of 'Yes' scores by sector and indicator

Sector	Mean Level	Level 1		Level 2		Level 3						Level 4						Level 5						
		MQ1	MQ2	MQ3	MQ4	MQ5	MQ6	MQ7	MQ8	MQ9	MQ10	MQ11	MQ12	MQ13	MQ14	MQ15	MQ16	MQ17	MQ18	MQ19	MQ20	MQ21	MQ22	MQ23
Oil & Gas Distribution	3.6	100%	100%	100%	87%	100%	87%	87%	74%	78%	48%	83%	43%	87%	57%	61%	61%	30%	48%	0%	17%	4%	0%	22%
Telecommunications	3.5	100%	97%	100%	92%	100%	92%	92%	87%	85%	49%	90%	NA	92%	64%	64%	77%	41%	46%	3%	18%	0%	0%	10%
Oil & Gas	3.4	100%	97%	99%	91%	98%	87%	89%	68%	71%	40%	82%	52%	84%	66%	38%	66%	39%	58%	6%	17%	2%	1%	9%
Airlines	3.3	100%	87%	97%	77%	90%	85%	77%	74%	74%	51%	79%	NA	77%	41%	46%	51%	41%	51%	18%	28%	0%	0%	13%
Technology	3.2	99%	90%	99%	91%	95%	90%	91%	85%	80%	35%	87%	NA	90%	54%	62%	65%	35%	49%	3%	8%	0%	0%	14%
Diversified Mining	3.2	100%	97%	100%	81%	94%	90%	81%	74%	77%	29%	90%	48%	77%	58%	45%	71%	48%	65%	10%	6%	0%	16%	23%
Utilities	3.2	100%	100%	100%	93%	93%	80%	93%	73%	60%	20%	73%	NA	87%	53%	53%	67%	27%	60%	0%	13%	7%	0%	7%
Electricity Utilities	3.2	100%	90%	99%	81%	89%	85%	80%	73%	59%	42%	82%	NA	79%	52%	48%	60%	41%	48%	3%	7%	10%	1%	7%
Financials	3.1	100%	96%	99%	86%	98%	92%	86%	84%	80%	30%	91%	NA	82%	50%	45%	64%	27%	31%	1%	5%	14%	0%	9%
Paper	3.1	100%	86%	100%	83%	97%	83%	80%	74%	60%	31%	83%	NA	80%	40%	51%	60%	31%	37%	6%	11%	0%	0%	17%
Autos	3.1	100%	89%	100%	79%	97%	84%	79%	74%	68%	29%	79%	53%	79%	39%	47%	63%	34%	47%	3%	24%	0%	0%	5%
Aluminium	3.0	100%	84%	97%	81%	87%	71%	81%	58%	55%	35%	71%	NA	81%	45%	45%	58%	26%	39%	10%	16%	0%	6%	13%
Health Care	2.9	98%	94%	94%	80%	89%	83%	80%	68%	70%	20%	80%	NA	74%	48%	48%	51%	23%	32%	2%	7%	0%	0%	4%
Food Producers	2.9	100%	93%	99%	83%	93%	83%	83%	72%	51%	12%	72%	52%	75%	42%	40%	44%	16%	33%	2%	5%	0%	0%	5%
Shipping	2.9	100%	84%	97%	84%	84%	78%	84%	59%	63%	22%	72%	NA	84%	25%	38%	50%	19%	41%	9%	6%	0%	3%	13%
Industrials	2.9	100%	89%	99%	81%	91%	78%	80%	69%	62%	19%	74%	NA	76%	44%	47%	52%	24%	34%	2%	5%	1%	0%	9%
Consumer Services	2.9	99%	91%	94%	80%	93%	79%	80%	73%	59%	23%	76%	NA	79%	40%	41%	51%	12%	32%	0%	2%	0%	0%	10%
Consumer Goods	2.9	100%	83%	99%	77%	90%	72%	77%	72%	71%	23%	70%	NA	75%	45%	51%	53%	37%	42%	4%	7%	0%	0%	12%
Oil & Gas (Other)	2.8	100%	88%	97%	72%	94%	66%	72%	50%	44%	22%	63%	NA	69%	25%	22%	47%	13%	28%	3%	0%	0%	0%	3%
Steel	2.8	100%	85%	99%	82%	89%	73%	82%	64%	61%	19%	69%	NA	82%	31%	38%	50%	31%	38%	11%	9%	0%	0%	12%
Cement	2.7	94%	82%	94%	73%	82%	72%	72%	55%	51%	23%	65%	NA	66%	35%	38%	49%	32%	38%	8%	13%	3%	1%	10%
Chemicals	2.7	99%	79%	99%	79%	87%	72%	79%	64%	58%	26%	65%	26%	75%	46%	51%	52%	40%	42%	10%	9%	1%	0%	10%
Basic Materials	2.6	100%	71%	100%	68%	78%	63%	68%	51%	56%	17%	56%	NA	66%	34%	24%	44%	20%	24%	2%	10%	0%	0%	12%
Coal Mining	2.6	74%	64%	72%	57%	66%	62%	57%	55%	55%	38%	58%	NA	57%	30%	34%	38%	30%	38%	13%	21%	0%	0%	9%
TOTAL TPI UNIVERSE	3.0	98%	88%	97%	80%	90%	79%	80%	69%	65%	30%	75%	#REF!	78%	44%	45%	56%	30%	41%	6%	11%	2%	1%	11%

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