

ISS ESG Climate Scenario Analysis

Organization ISS ESG

Summary

ISS ESG offers detailed scenario analyses to enable clients to assess the potential business implications of climate change, as suggested by the Task Force on Climate-Related Financial Disclosures (TCFD). Historical emissions intensities for the past five years are used to estimate future emissions trajectories. The average emissions intensities for both direct (scope 1) and indirect (scope 2) emissions are then compared to what is required under three scenarios provided by the International Energy Agency in its *World Energy Outlook 2019*: Sustainable Development Scenario (SDS), Stated Policy Scenario (STEPS), and Current Policy Scenario (CPS).

Each scenario corresponds to a certain carbon budget and temperature increase in 2050. Company-specific emissions trajectories show the expected yearly change in emissions (increase or decrease). The calculated trajectory considers historic emissions intensity trends and, if relevant, the company's science-based targets and other corporate targets. If the intensity is in line with or below the required sector intensity for the SDS, the company is considered aligned. If not, the company is considered unaligned. ISS ESG's scenario analysis also includes a Temperature Score, displaying the global temperature increase implied by the portfolio at the end of the analyzed period.

Climate Focus

Alignment	Impact	Risk
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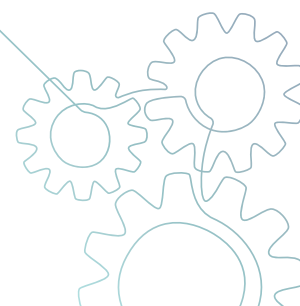
Resource Type

Data & Metrics	Pathways & Scenarios	Assessment Tools	Methodology	Target Setting Guidelines & Verification	Reporting Frameworks & Guidelines	Collaborative Initiatives
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Intended Users

Banks	Investors	Insurers	Central Banks	Regulators
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<p>WHO</p>	<p><i>This tool can be used by financial institutions including:</i></p> <ul style="list-style-type: none"> • Banks • Investors • Insurers • Central banks
<p>WHAT</p>	<ul style="list-style-type: none"> • ISS ESG’s scenario analysis allows financial institutions to assess the current and future emissions intensity of issuers in their portfolios in relation to different climate scenarios up until 2050. This allows financial institutions to ensure alignment with Paris Agreement goals or other targets and serves as an indicator of transitional climate risks in their portfolios. • This tool is built on and offered alongside other climate offerings such as carbon footprinting, physical and transitional risk analysis, and assessments of potential avoided emissions.
<p>WHEN</p>	<p>ISS ESG’s scenario analysis tool should be used at regular intervals to monitor progress in emissions reductions and to ensure portfolio alignment with the targeted scenario.</p>
<p>WHERE</p>	<p>ISS ESG’s scenario analysis covers all sectors and can be leveraged across asset classes, including public and private equity, fixed income, and private debt.</p>
<p>WHY</p>	<ul style="list-style-type: none"> • ISS ESG’s scenario analysis is an important tool for financial institutions to use in their strategic planning processes, helping to consider a broad range of assumptions, uncertainties, and potential future states. It thereby enables clients to assess the potential business and financial implications of climate change, and it can support regulatory compliance and stakeholder communication in line with the recommendations of the TCFD and other frameworks. • Various insights and factors derived from ISS ESG’s scenario analysis further support decision-making in portfolio construction and risk management, and metrics such as the implied temperature increase support communication with internal and external stakeholders.
<p>HOW</p>	<p>Additional information can be found on ISS ESG’s website.</p>