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INVESTORS SERVICE

ASSESSMENT
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Electricite de France SA

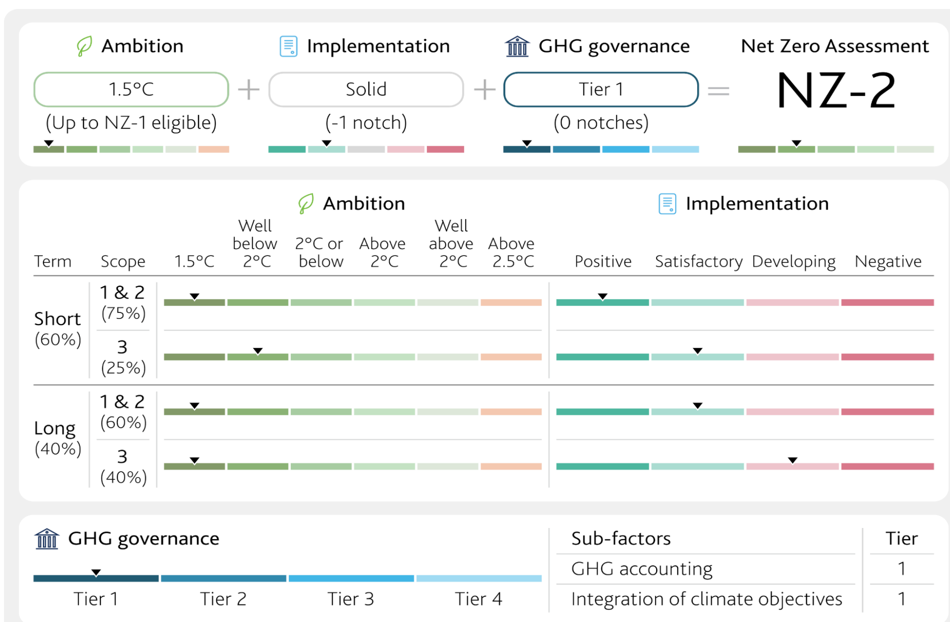
Net Zero Assessment — Electricite de France SA assigned NZ-2 score

Summary

We have assigned a NZ-2 net zero assessment (NZA) score (advanced) to Electricite de France SA (EDF)'s carbon transition plan. The group's emission reduction targets are consistent with the most ambitious Paris Agreement goals of limiting temperature increases. However, certain long-term execution risks lower the overall score from the NZ-1 potentially achievable at this level of ambition.

EDF has a strong track record of reducing power generation emissions in the last five years and appears on track to meeting its short-term targets. In the long term, the strategic importance of EDF as a vehicle for decarbonisation of the French economy should support its strategy, although there are execution risks relating to building new nuclear plants to replace retirements and in reducing the gas supply business.

Overall, while there are uncertainties around EDF's ability to meet all its transition objectives by their target date of 2050, our score still reflects a significant likelihood that the company will attain emissions levels near those required under 1.5 degrees Celsius (C) scenarios.[1]



NZA strengths

- Low-carbon power producer operating the largest nuclear fleet globally
- Track record of reducing emissions and coal power generation; target to completely phase out coal by 2030
- Supportive regulatory environment and strategic importance to the government of France to reach the country's net zero target
- Climate plan supported by interim targets every five years in the short and medium term
- Good quantification of steps to reach short-term targets, clear definition of long-term targets
- GHG Governance achieves a score of "Tier 1", which is the best possible outcome

NZA weaknesses

- Plan depends on new nuclear capacity, which can be susceptible to major cost overruns and delays
- Net zero by 2050 is delayed compared to some European utilities, but mitigated by a significantly lower initial carbon intensity
- Long term decarbonization of gas sales remains uncertain
- CEO pay does not vary based on achievement of emissions objectives, although the pay of other executives does

What could strengthen or weaken the NZA?

- ▲ The score could improve to NZ-1 in the long term, if there is greater certainty around the evolution of the company's nuclear fleet with progress in building new nuclear plants, as well as certainty around a sustained reduction in gas sales
- ▼ Failure to meet some of the disclosed steps in EDF's roadmap, such as divestment of stakes in Chinese coal-fired power generation assets, could also weaken EDF's score
- ▼ Abrupt political changes, in particular in France, away from the country's current climate goals, could also worsen the assessment

This assessment reflects our point-in-time opinion of the company's carbon transition plan as of the publication date of this report. Our view draws on public and non-public information provided by the company and is based on our Net Zero Assessments framework, published on 9 November 2023.

Entity profile

EDF, with a net installed generation capacity of 121.5 gigawatts (GW) as of 31 March 2023, is one of Europe's largest integrated utilities. EDF owns and operates the largest nuclear power generation fleet in the world, primarily in France. It provides a range of services including mainly electricity generation, distribution and supply. The group's operations are structured around various business lines.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

Its activities are predominantly focused on generation and supply in France, where it holds a dominant position as a power generator and supplier of electricity and gas. In addition, it provides electricity distribution services through its subsidiary, Enedis. In the UK, Italy and Belgium, the company also has significant operations as a power producer and a supplier of electricity and gas. The company carries out similar activities beyond Europe, primarily in the US and China.

EDF Renouvelables (EDFR) is the group's wholly owned investment vehicle for renewables, excluding hydropower. Apart from EDFR, other business units also invest in renewables. As of the end of March 2023, the group had 13.4GW net installed renewable (excl. hydropower[2]) capacity and 7.3GW gross capacity under construction. As of 2022, the company also had 20.1GW of hydropower capacity in operation in France.

EDF's other activities include Framatome (nuclear engineering), EDF Trading (energy trading and hedging) and energy services through Dalkia (energy efficiency solutions, heating and cooling). These diverse operations contribute to EDF's position as a leading European utility provider.

The company's main sources of greenhouse gas (GHG) emissions are its electricity generation activities (both fully owned and through ventures, accounted for in scope 1 and in category 15 of scope 3, respectively) and the energy it purchases for resale (both electricity and gas, reported within scope 3, categories 11 and 3). These activities accounted for over 94% of the group's emissions in 2019.

Exhibit 1

EDF appears on track to meet short-term targets

GHG inventory as of 2017 and 2019 base years, emissions reduction targets and track record

Activity	Scope	Absolute emissions (2017) MtCO2e	Absolute emissions (2019) MtCO2e	Share of emissions (2019)	CO2 intensity* (2017)	2030 target	Track record (absolute reduction by 2022 vs base year**)	Track record (intensity reduction by 2022 vs 2017)	2050 target (absolute target)
Direct emissions from owned or controlled sources	**Scope 1**	**51,300**	**33,100**	**21.7%**	**82 gCO2/kWh**	**30 gCO2/kWh**	**-53.6%**	**-39.0%**	**At least 90% reduction in GHG emissions, with scope 1 zero or almost zero**
Indirect emissions from the generation of purchased energy and T&D conversion losses	**Scope 2**	**500**	**290**	**0.2%**		**n/a**	**n/a**		
Indirect emissions from the value chain	**Scope 3**		**119,364**	**78.1%**		**-28% (from 2019)**	**-19.6%**		
Purchased goods and services	Scope 3, Cat 1		3,784	*2.5%*			*19.0%*		
Capital goods	Scope 3, Cat 2		4,323	*2.8%*			*23.4%*		
Fuel- and Energy-Related	Scope 3, Cat 3		40,545	*26.5%*			*-10.3%*		
Waste	Scope 3, Cat 5		190	*0.1%*			*-63.5%*		
Business travel	Scope 3, Cat 6		123	*0.1%*			*-37.7%*		
Employee commuting	Scope 3, Cat 7		315	*0.2%*			*-35.5%*		
Use of sold products	Scope 3, Cat 11		60,095	*39.3%*			*-31.9%*		
Investments	Scope 3, Cat 15		9,987	*6.5%*			*-15.4%*		
Total Emissions	**Scopes 1, 2, & 3**		**152,754**						

*Electricity and heat generation carbon intensity. Excludes non-CO2 GHG emissions. Excludes power generation activities reported within scope 3 (these are covered within scope 3 targets).
**The reduction shown is against the respective base years. Therefore, the reduction shown for scope 1 is calculated against 2017 and the reduction of scope 3 is calculated against 2019. The company has other targets in addition to those shown on the chart. Targets shown on the table are the main ones assessed for ambition.
Sources: Electricite de France and Moody's Investors Service

Ambition assessment – 1.5 C

We assess the ambition of EDF's transition plan as consistent with limiting temperature rise to 1.5 C for its short-term scope 1 and 2 targets, and well-below 2 C for its short-term scope 3 targets. EDF's long-term targets are assessed to be aligned with a 1.5 C temperature rise.

For EDF's scope 1 and 2 targets, both short and long term, we have used our electric and gas utilities global benchmark, which focuses on the carbon intensity of power generation, measured in grammes of carbon dioxide per kilowatt-hour (gCO2/kWh) produced. For scope 3 short- and long-term targets, we have selected our sector-agnostic rate of reduction benchmark, which addresses the wider diversity of emissions.

Short-term scope 1 and 2 — 1.5 C

EDF's target of a 63% decrease in carbon intensity by 2030 compared to 2017, which covers power and heat generation CO2 emissions, is in line with a 1.5 C trajectory under the electric and gas utilities benchmark.

This target does not cover scope 2 emissions and emissions from non-CO2 GHGs. However, based on EDF's historical reporting, we estimate that non-CO2 gases and scope 2 represent less than 5% of total scope 1 and 2 combined. In addition, non-CO2 gases are covered by other targets, in particular the target to reduce absolute emissions 70% by 2030.

As of 2022, the company's carbon intensity already stood below the 1.5 C benchmark level in 2030. If the company meets its target, its intensity level in 2030 will be well below the average global intensity even under a 1.5 C scenario.

Short-term scope 3 — Well below 2 C

The company's target of reducing scope 3 emissions 28% by 2030 compared to base year 2019, is compatible with a well below 2 C trajectory under the sector-agnostic benchmark. Use of sold products (3.11), generation from affiliates (3.15), generation of purchased energy and upstream emissions of purchased fuels (3.3), and procurement (3.1 and 3.2) are among EDF's most prevalent categories of scope 3. The categories waste (3.5), business travel (3.6) and employee commuting (3.7) are also reported, although together they account for less than 0.5% of total emissions.

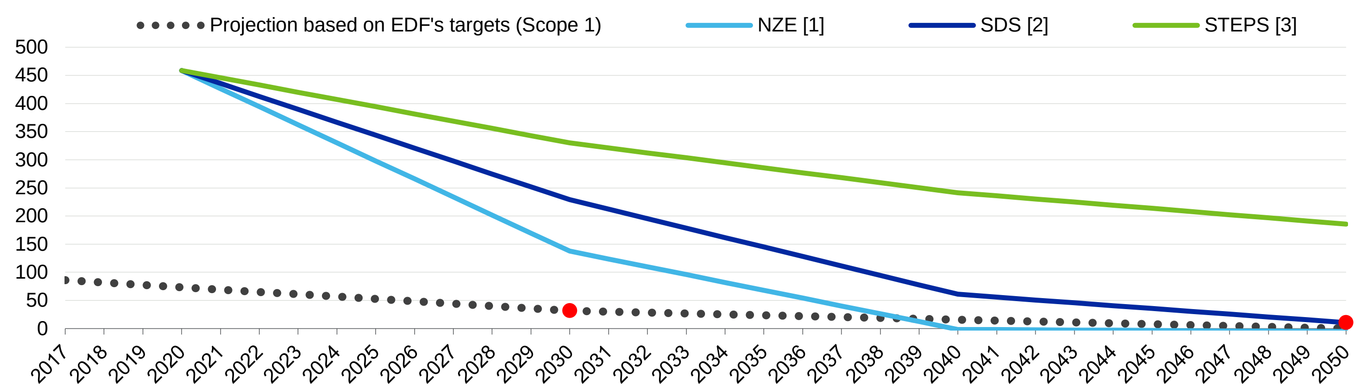
Long-term scope 1, 2 and 3 — 1.5 C

We find EDF's long-term target to reduce all scope emissions by at least 90% by 2050 (from a base year of 2017) to be consistent with a 1.5 C ambition (see Exhibits 2 and 3). Under this target, EDF commits to reducing scope 1 and 2 GHG emissions to zero or almost zero by 2050, with scope 3 contributing the remaining reductions. This implies a target of at least 87% reduction for scope 3, which is the level we have assessed. The company also commits to neutralise any residual emissions[3] remaining in 2050 with high-quality carbon contribution projects.

Exhibit 2

EDF's scope 1 targets are aligned with a 1.5 C trajectory

Scope 1 targets compared with the electric and gas utilities global benchmark, in gCO2/kWh

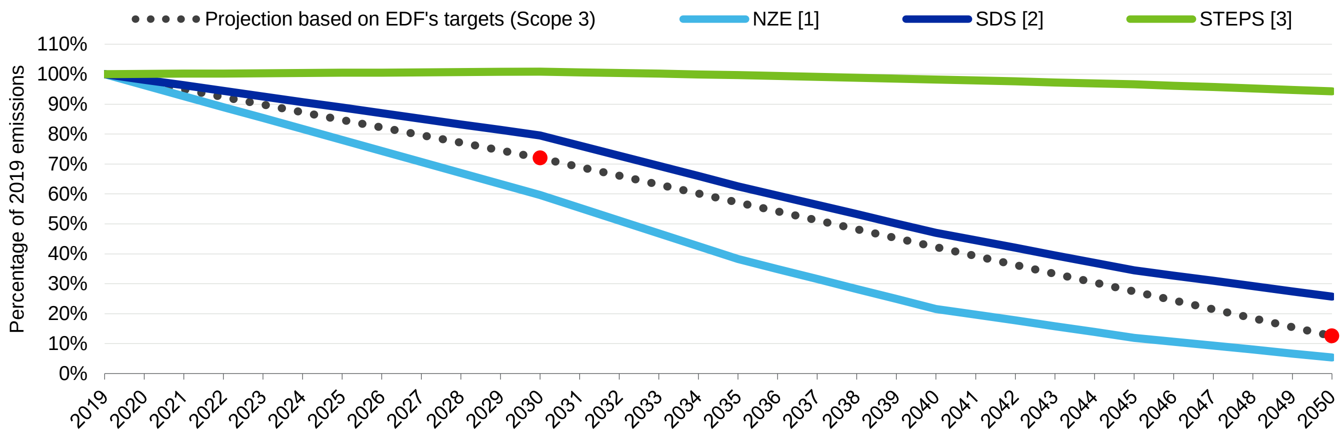


[1] NZE = International Energy Agency (IEA) Net Zero Emissions by 2050 Scenario
[2] SDS = IEA Sustainable Development Scenario
[3] STEPS = IEA Stated Policies Scenario
Sources: Electricite de France and Moody's Investors Service

Exhibit 3

EDF's scope 3 targets are aligned with a well-below 2 C trajectory in the short term and 1.5 C trajectory in the long term

Scope 3 targets compared with the sector-agnostic global benchmark, in percentage of 2019 absolute emissions



[1] NZE = IEA Net Zero Emissions by 2050 Scenario
[2] SDS = IEA Sustainable Development Scenario
[3] STEPS = IEA Stated Policies Scenario
Our framework allows for small deviations above the NZE benchmark for 1.5 C alignment. Please see our Net Zero Assessments framework for details.
Sources: Electricite de France and Moody's Investors Service

Implementation assessment – Solid

We assess the overall quality of EDF's implementation as solid. The company presents strengths in reaching short-term targets but there are some uncertainties in the long term.

EDF's transition plan is underpinned by a number of interim objectives, including phasing-out coal-fired power generation and reaching 60GW of net capacity in renewables (including hydropower) by 2030. As of 2022, EDF had reduced its coal power and heat generation capacity by around 60% compared to 2017. In addition, coal-fired generation represented only 0.4% of total generation. The company reached a portfolio of renewables (including hydropower) of 36GW in 2022, of which 13.4GW were wind, solar, biomass and geothermal.

Other objectives include successfully and safely extending the lifetime of nuclear reactors, building significant new nuclear capacity to replace retirements, increasing the share of renewable power-purchase agreements in contracted generation, and divestment of minority-stake fossil power generation subsidiaries, among others. The company is also working with customers to increase their energy efficiency, and is investing in low-carbon hydrogen and biomethane projects.

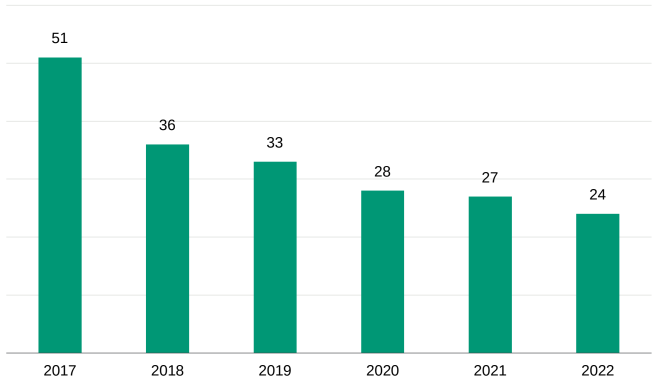
As a result of the war in Ukraine, nuclear generation and EDF have gained increasing importance in France's energy security and decarbonisation strategy. In February 2022, President Emmanuel Macron announced the launch of a construction programme for six 1.6GW new nuclear reactors in France. The government has also announced tentative plans for eight additional ones. In 2023, the French government renationalised the company, highlighting its commitment to the future of nuclear power. We believe this support will be a key factor underpinning EDF's ability to deliver on its long-term investment strategy.

Short-term scope 1 and 2 — Positive

We assess EDF's short-term plans for scope 1 and 2 as positive. This is mostly driven by the track record of reducing emissions since 2017 and the fact that the company's current carbon intensity of around 50 gCO2/kWh is already below the 1.5 C benchmark level at 2030. This means that if the company were to keep its carbon intensity stable, it would still be aligned with the global utilities' average carbon intensity under the International Energy Agency (IEA)'s Net Zero Emissions by 2050 scenario by 2030.

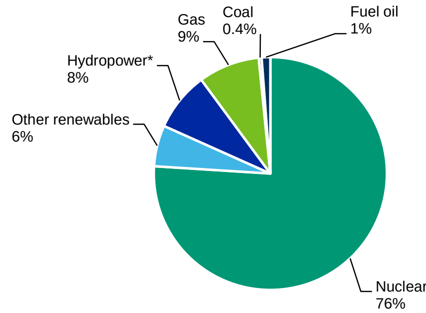
While we assess the company based on its target to reduce carbon intensity of power and heat generation by 2030, it has additional targets tied to scope 1 emissions. The company recently increased its previous target for reducing absolute emissions 50% by 2030, which it has already achieved (see Exhibit 4). The new target is to reduce them 70% by 2030, compared to 2017. Low-carbon sources represented 90% of EDF's power generation as of 2022 (see Exhibit 5).

Exhibit 4
EDF has already reduced scope 1 emissions by over 50% compared to 2017
Evolution of EDF Group's absolute scope 1 emissions from 2017 to 2022, MtCO2e



Sources: EDF and Moody's Investors Service

Exhibit 5
In 2022, low-carbon sources represented 90% of EDF's power generation
Electricity generation, by fuel, 2022



[1] Consolidated data
[2] Hydropower includes pump storage consumption and marine.
Sources: EDF and Moody's Investors Service

To fully reach its objective of 60GW in net renewable and hydropower capacity by 2030, the company will need to build approximately 3GW of net renewables per year between 2022 and 2030. This means that EDF will need to increase the pace of net renewable deployment. It has commissioned an average of around 1GW net per year since 2015, with 1.4GW and 1.6GW net respectively in 2021 and 2022.

The company has, however, shown the industrial capacity to reach these levels of construction. In 2022, the company commissioned 3.6GW gross of wind and solar capacity, and had 7.1GW under construction. The company further reported having a pipeline of 85GW in renewable projects around the world.

Short-term scope 3 — Satisfactory
We assess EDF's short-term plans for scope 3 as satisfactory, based on its track record with reduction in gas sales, as well as the relative ease of reducing other categories in line with its roadmap. We deem the reduction in gas sales as a structural shift that will not significantly reverse, triggered by the war in Ukraine, high fossil gas prices and new plans in the EU to decrease reliance on fossil gas.

The company sets out a clear roadmap of how the scope 3 target will be reached, quantifying the emissions reductions from each measure. Within this roadmap, the contribution from reducing gas sales (60% of the reduction) has already been achieved.

In addition to reducing gas sales, the company's plan features divestment of coal-fired electrical power generation in China which is reported in scope 3, as it is related to non-consolidated subsidiaries. This contributes a further 24% of the reduction. Finally, the company plans to replace contracted power generation with renewable power-purchase agreements for a further 15% of the total planned reduction. The remainder marginal decrease will be achieved by reducing business travel and employee commuting.

The score is not positive because of a combination of factors. First, some items of scope 3 (such as capital goods) that today represent a small share may rise amid efforts to build new renewable and nuclear power. In addition, while we have high confidence that gas sales will not fully return to 2019 levels, there is some uncertainty as to whether gas sales could partially bounce back by 2030. Lastly, the target will partly be achieved through divestment, which may decrease the company's reported emissions but may not lead to lower CO2 being emitted into the atmosphere.

Long-term scope 1 and 2 — Satisfactory
We score EDF's implementation quality for scope 1 and 2 targets as satisfactory. The challenges for EDF in the long term include the difficulty of managing an ageing nuclear fleet, the execution uncertainties of building new nuclear plants, and the need to increase its net renewable power capacity. However, the supportive regulatory environment, including the strategic importance of EDF as a key pillar in France's energy transition, largely reduce the potential execution risks.

The timeline for the phase out of unabated fossil fuel generation may be delayed by the pace and success of nuclear and renewable roll-out in France and elsewhere, and also by grid reliability and resilience concerns. However, even if nuclear generation underperforms expectations in France, EDF would still have some additional levers to achieve its 2050 scope 1 and 2 target.

The company could sell or shut down its relatively low share of fossil fuel generation capacity. Alternatively, fossil fuel back-up generation could be abated by carbon capture technologies, or by using low-carbon fuels such as green hydrogen or sustainable biomethane.

Nevertheless, the satisfactory score reflects some uncertainty in these scenarios, given EDF's current prominent role in providing reliable electricity in the markets where it operates, as well as uncertainty around the deployment of those technologies.

Finally, there is the risk that even if EDF sells its fossil fuel plants, it could still purchase electricity from those power plants for sale to end customers. This would lead to 'scope leakage' – i.e. scope 1 emissions would decrease, but scope 3 emissions from contracted electricity would increase. A key mitigant for this is the 'developing' score we give for scope 3 in the long term.

Long-term scope 3 — Developing

We assess EDF's efforts toward long-term reduction of scope 3 emissions as developing. The transition timeline away from natural gas is uncertain and will differ across EDF's main operational jurisdictions. As a gas marketer, EDF can partially control the type and amount of gas it sells, within regulatory, policy and supply constraints.

Achieving its goal to decarbonise gas sales largely depends on successful execution of national policies to phase out natural gas use by 2050. This is particularly relevant in France, EDF's primary market, where the national commitment (enshrined in law) to eliminate unabated natural gas will depend on a combination of reduced demand, and the growth of low-carbon hydrogen and sustainable biomethane.

Mitigating this uncertainty, EDF's scope 3 emissions are not solely from fossil gas combustion. In 2019, we estimate that only about 50% of reported scope 3 emissions were from fossil gas combustion. The rest comprised upstream emissions from gaseous fuel production (about 9%), various other sources (about 8%), and power generation sources not included in scope 1 (about 33%, of which 25% contracted generation and 8% non-consolidated power generation subsidiaries).

Compared to emissions from fossil gas combustion, those from power generation and fossil gas production are easier to reduce. European emissions from these sources are expected to decline substantially by 2050, even under conservative scenarios. In addition, even under the IEA's Stated Energy Policies Scenario, emissions from the European buildings sector (mostly related to gas heating) are expected to decrease by around three-fourths compared to 2021.

In addition, EDF's 2050 goal of reducing all GHG emissions by 90% leaves some flexibility for residual emissions. Representing about one-third of the Group's emissions, gas combustion emissions could reduce around 75% and the target could still be achieved if the company manages to drive other emissions to zero. EDF commits to neutralise any residual emissions with high-quality carbon contribution projects.

Lastly, we highlight that the company does not own gas transport and distribution assets and we estimate that gas sales currently represent a very small portion of the company's EBITDA. This means that the company would have low barriers to either exit this business, or to reduce significantly gas sales, for instance by supporting customers reduce their consumption through energy conservation and efficiency or switching to electricity. These factors together alleviate the obstacles we foresee for the company to meet the scope 3 reduction required by its 2050 target.

GHG governance assessment - Tier 1

We score EDF's GHG governance to be tier 1, which is the top score in our four-point scale. Overall, the company's governance practices related to its decarbonisation plan are adequate considering its level of ambition.

The company's GHG accounting practices show only small deviations from the optimum. The company's reported GHG emissions undergo third-party verification, encompassing all scopes. EDF has confirmed that it does not subtract any carbon offsets or avoided emissions from its GHG inventory. It also clearly delineates the role of offsets in its emissions reduction targets, which enhances transparency.

While we believe the company's reporting of absolute emissions is comprehensive, the reported carbon intensity does not include non-consolidated subsidiaries and contracted power generation. This can be justified by the fact that these emissions are reported within scope 3 in absolute terms, and the company has wished to set a scope 1 target for power and heat generation.

However, we believe including these sources in the intensity calculation (or reporting separate intensity for these sources) would enable market participants to evaluate EDF's progress more accurately and facilitate comparisons with other companies in the sector. Nevertheless, the partial penalty we have applied for this deviation is not sufficient to downgrade the score from tier 1.

For Integration of Climate Objectives, EDF also reaches the maximum score. The group seems to have clear board-level responsibility, reporting and scrutiny for its sustainability objectives. Its board appears competent on environmental matters, and includes a specialist on sustainability. The company's recent re-nationalisation strengthens its position as a key asset for France's achievement of long-term decarbonisation targets, which further supports governance.

Variable remuneration of executives is directly linked, up to around 5%, to a clear carbon intensity indicator. However, the remuneration of the CEO must comply with the limits provided for in Decree no. 2012-915. This ceiling means the remuneration of the CEO is fully fixed in practice. This remuneration structure may not properly incentivise the CEO to pursue climate commitments. While we have applied the lowest score possible under our framework for this consideration, this weakness is mitigated by other strengths in the scorecard.

Appendix – Detailed GHG governance scorecard

Exhibit 6

Sub-factors	Aspect	Score	Comment
GHG Accounting	Emissions reported comprehensively for all scopes	2	EDF does not have a target for intensity covering scope 3.15 and scope 3.3, which would be best practice for stakeholders to more accurately assess its ambition. In all other regards, reporting seems comprehensive and appropriate.
	The entity separately reports the carbon offsets, carbon removals and avoided emissions in its key GHG metrics and target disclosures	4	Offests are separately reported and the company has confirmed that tracking progress on targets will not include offsets.
	GHG disclosures for scope 1&2 are third-party verified	4	Third-party verififcation of GHG emissions data publicly available with a reasonable level of assurance.
	GHG disclosures for scope 3 are third-party verified	4	Third-party verififcation of GHG emissions data publicly available with a limited level of assurance.
	Targets are formulated based on absolute emissions	4	The company has a scope 1 intensity target by 2030, but EDF also has an accompanying absolute target.
	Progress against key material targets is tracked and reported (inc. for scope 3)	4	The company publishes comprehensive carbon footprint reports and the intensity metric since base year in its ESG pack. Reporting could make clearer that the intensity metric does not include power generation subsidiaries accounted for as investments within scope 3.
	Total GHG Accounting score	22	Tier 1
Integration of Climate Objectives	The entity's behaviour is coherent with its stated environmental commitments	4	There is no clear indication that the entity demonstrates a behavior that is inconsistent with its stated environmental commitments.
	Environmental and social risks associated with the implementation of transition plans are identified and managed	4	There is no clear indication that the entity's transition plan is subject to environmental (other than transition-related) or social risks. Any risks related to labour force skills in the transition are identified and discussed in the company's reports, with mitigating actions laid out. In terms of risks related to nuclear accidents and nuclear waste management, the company has extensive experience in managing these risks and has they are also addressed in their risk framework.
	The entity discloses evidence of board or board committee oversight of the management of climate change	4	Point persons with responsibilty for the company's climate performance are identified both at the board and executive committee level. The Corporate Responsibility Committee is chaired by a non-executive independent board member and attended by the Chairman and CEO, and examines the alignment of the company's investment projects with climate commitments.
	The board demonstrates experience with respect to managing climate risks	4	At least one independent board member has significant experitse in climate change mitigation. The company also has a scientific council which helps inform the strategy with the latest scientific knowledge.
	Climate-related Key Performance Indicators (KPIs) are tied to CEO or other senior executive compensation plans	1	Variable remuneration of executives is directly linked, up to 5%, to carbon intensity indicators. However, the remuneration of the CEO must comply with the limits provided for in Decree no. 2012-915. This ceiling means the remuneration of the CEO is fully fixed in practice. This remuneration structure may not properly incentivise the CEO to pursuit the climate commitments.
	Targets are subject to approval and oversight by owners or public authorities	4	The company was recently re-nationalised and the objective of decarbonisation is highly aligned with government policy in the case of France, with Net Zero by 2050 enshrined in Law.
	Total Integration of Climate Objectives score	21	Tier 1

Source: Moody's Investors Service

Moody's Net Zero Assessment: Summary of scoring approach

The Moody's Net Zero Assessment provides an independent and comparable evaluation of an entity's carbon transition plan, consisting of the Ambition score and the Implementation score.

Ambition score

The Ambition score assesses the level of ambition in an entity's emissions reduction targets. Moody's compares the entity's emissions targets with sector-specific decarbonisation pathways derived from scenario modelling conducted by the International Energy Agency (IEA). The most ambitious pathway considered aims to achieve global net zero emissions by 2050 and limit global temperature increases to 1.5 degrees Celsius.

Moody's assigns a score to each target based on the implied global warming, known as the Implied Temperature Rise (ITR). To determine the ITR, Moody's projects the entity's greenhouse gas (GHG) emissions using reported emissions and targets, comparing them with emissions estimates from three benchmarks (corresponding to three IEA scenarios: Net Zero Emissions by 2050, Announced Pledges Scenario and Stated Policies Scenario) in the target year. Linear interpolation is used between these three benchmarks (that imply different levels of global warming) and the entity's projected emissions in the target year, to determine the implied level of global warming in the entity's targets (the ITR).

The Ambition score is expressed on a six-point temperature scale, ranging from 1.5 degrees Celsius to Above 2.5 degrees Celsius.

Implementation score

The Implementation score evaluates the quality of an entity's transition plan implementation. Moody's examines the actions, assumptions, and strategic coherence of the entity's emissions transition plan. A higher Implementation score indicates a higher likelihood of achieving targeted emission reductions. This score is expressed on a five-point scale.

Implementation is evaluated by scoring the same four subfactors as ambition: Short-term Scopes 1 and 2, Short-term Scope 3, Long-term Scopes 1 and 2, and Long-term Scope 3. Each subfactor is scored on a four-point scale (positive, satisfactory, developing, negative) based on the strengths and areas requiring further development along technical, business, and financial considerations.

GHG Governance score

Governance is assessed using a predefined list of questions, assigning points for each and mapping them to a final factor score along a four-point scale of Tier 1-4.

Arriving at the final Net Zero Assessment score

The Ambition and Implementation scores are combined to generate the final NZA score, which represents the overall assessment of an entity's carbon transition plan. The Ambition score determines the maximum NZA that a company may receive, which may be lowered on account of implementation or governance risks. The NZA is expressed on a five-point scale, ranging from NZ-1 (Leading) to NZ-5 (Limited).

For more details on the framework, please see the Net Zero Assessments Framework, 9 November 2023.

Endnotes

1 1.5 C scenarios limit global warming above preindustrial levels to 1.5 C with low or limited overshoot, with 50% probability.

2 Includes non-consolidated affiliates and JVs

3 Residual emissions are defined as emissions within the value chain that remain unabated after all technically and economically feasible efforts to reduce them have been implemented. For more details about how we approach residual emissions, please see please see the section Offsets, Carbon Removals and Avoided Emissions within our Net Zero Assessments Framework, 9 November 2023.

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