JYSKE BANK

Methodology for the categorisation of oil and gas companies

Approach

Jyske Bank wishes to take a transparent and data-driven approach to the categorisation of oil and gas companies. The aim of this document is to present the parameters we use to assess how companies are working on the climate transition. A separate paper presenting Jyske Bank's position on fossil fuels sets out our approach to oil and gas companies in each category: red, yellow, green, and dark green.

Net Zero Investment Framework (NZIF)

Jyske Bank is a signatory to the Net Zero Asset Managers Initiative. As part of this work, we use the categories in the Net Zero Investment Framework (NZIF) for how well companies are aligned with the Paris Agreement. Jyske Bank has decided also to use the NZIF as the underlying framework for our categorisation of oil and gas companies.

Chart 1:
Categorisation of companies in the NZIF

For a more detailed description of Net Zero Investment Framework – see iigcc's website

Alignment categories
NZIF consistently uses five categories of alignment, representing progressive steps towards alignment with a net zero pathway. Investors can use these to evaluate where investments are on this progression and by extension, a forward-looking nuanced understanding of their portfolio alignment (when investments are aggregated). The five categories are:

'Not aligning'
Refers to assets without a commitment to decarbonise in a manner consistent with achieving global net zero.

1

'Committed to aligning'
Refers to assets with a long-term decarbonisation goal consistent with achieving global net zero by 2050.

2

'Aligning to a net zero pathway'
Refers to assets with emissions performance not equal to a contextually relevant net zero pathway. However, importantly they have science-based targets and a decarbonisation plan and are thus ready to transition.

3

'Aligned to a net zero pathway'
Refers to assets which have science-based targets, a decarbonisation plan, and current absolute or emissions intensity at least equal to a relevant net zero pathway. This category broadly signifies that transition risk is being managed at an asset level.

4

'Achieving Net zero'
Typically, this refers to when assets meet all relevant criteria and have an emissions performance at net zero which can be expected to continue.

5

Categories

Jyske Bank categorises oil and gas companies into red, yellow, green, and dark green. As stated above, this categorisation is based primarily on a proprietary framework which is consistent with the NZIF. The categorisation of oil and gas companies is reviewed regularly. A company considered to be making improvements will be moved up a category and treated accordingly, while the reverse will apply to companies considered to be moving in the wrong direction when it comes to the transition to a low-carbon economy.

The green category spans the NZIF categories of "achieving net zero", "aligned" and "aligning". The dark green category consists of oil and gas companies in the green category that also derive no more than 5% of their revenue from various unconventional production activities.

The yellow category corresponds to the NZIF category of "committed to aligning" and thus covers companies that have committed to a long-term goal of net zero in 2050 but have not backed this long-term commitment up with all three of the following:

1. 1. Publication of scope 1, 2 and 3 emissions data
2. A specific plan for reducing emissions of greenhouse gases
3. Short-term targets aligned with the 1.5°C scenario for scope 1, 2 and 3 emissions

The red category consists of oil and gas companies that have not published a long-term commitment to net zero or where we do not have data.

Chart 2: Jyske Bank's categorisation of oil and gas companies

- Companies that have climate targets and a transition plan consistent with the Paris Agreement's 1.5°C scenario, and do not derive more than 5% of their revenue from Arctic drilling, deepwater drilling and fracking.
- Companies that have climate targets and a transition plan consistent with the 1.5°C scenario.
- Companies that have committed to a long-term goal of net zero in 2050 but otherwise do not have climate targets and a transition plan consistent with the 1.5°C scenario.
- Companies that have not committed to a long-term goal of net zero in 2050 or where data are not available.

Data

The data Jyske Bank uses to assess the NZIF categories come from Clarity, an external data provider, which sources data from the likes of CDP and the Science Based Targets initiative (not yet possible for oil and gas companies).

Clarity evaluates companies on the basis of five of the NZIF's alignment criteria:

1. Ambition
2. Targets
3. Emission performance
4. Disclosure
5. Decarbonisation plan

Where relevant data are not available from Clarity, we assess companies on the principles underlying the NZIF using other available sources.

Chart 3:
Relationship between Jyske Bank categories and NZIF categories and alignment criteria

		Alignment criteria				
Jyske Bank	**NZIF**	**Ambition**	**Targets**	**Emissions per-formance**	**Disclosure**	**Decarbonisation plan**
Green	Achieving Net zero	No companies in this category				
Green	Aligned	Net zero in 2050	Net zero aligned 1.5°C, short, medium, long term	Emissions aligned with targets	Material emissions disclosed	Decarbonisation plan developed
Green	Aligning	Net zero in 2050	Net zero aligned 1.5°C, short, medium, long term		Material emissions disclosed	Decarbonisation plan developed
Yellow	Committed to aligning	Net zero in 2050				
Red	Not aligned					

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