2023 Update of module 9: Business Model

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INTRODUCTION

In September 2022, the ACT initiative published updated versions of four qualitative modules which appear in all ACT methodologies (5. Management, 6. Supplier engagement, 7. Client engagement, and 8. Policy engagement). The fifth qualitative module, module 9: Business model, has now been updated. Along with the other qualitative modules, the updated version of module 9 is designed to be applied to multiple sectors (with some sector-specific adjustments), and will accordingly be integrated into all upcoming ACT methodology updates.

The update followed a multi-step process, including a literature review, multi-stakeholder consultation, testing, and final update. The following document presents the summarised list of changes to module 9, as well as the rationale, definitions, and scoring methodology for the updated module.
## SUMMARY OF CHANGES

<table>
<thead>
<tr>
<th>Existing version</th>
<th>Update summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of definitions of terms: “business model”, “business activity”, “low-carbon”, etc.</td>
<td>Introduced updated definitions of terms:</td>
</tr>
<tr>
<td></td>
<td>• “Low-carbon business model”</td>
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<tr>
<td></td>
<td>• “High-carbon business model”</td>
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<td></td>
<td>• “Low-carbon business activity”</td>
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<td></td>
<td>• “Low-carbon products and services”</td>
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<tr>
<td>Lack of “big picture”: existing module 9 structure assesses individual business model changes without evaluating the overall impact on the company’s revenue generation.</td>
<td>Introduced new indicator, 9.1: Revenue from low-carbon products and/or services.</td>
</tr>
<tr>
<td>A single maturity matrix is used to assess all business model changes, with no differentiation of different types of business model change.</td>
<td>Introduced new indicator, 9.2: Changes to business models. This replaces the existing maturity matrix, and is divided into three dimensions to reflect the different types of change a company can make to its business model:</td>
</tr>
<tr>
<td></td>
<td>• Dimension 1: Creation/expansion of low-carbon business models</td>
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<tr>
<td></td>
<td>• Dimension 2: Actions to decarbonise activities within existing business models</td>
</tr>
<tr>
<td></td>
<td>• Dimension 3: Termination/phase-out of existing high-carbon business models</td>
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<tr>
<td></td>
<td>Introduced new scoring calculations.</td>
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<tr>
<td>Depending on the sector methodology, module 9 may be split into several indicators based on categories of business model change. For example, module 9 in ACT Oil &amp; Gas is split into three indicators:</td>
<td>To integrate the existing categories of business model change into the updated version of module 9, introduced scoring cap depending on the number of categories the company is addressing. This cap will vary depending on the sector methodology.</td>
</tr>
</tbody>
</table>
• 9.1: Business activities that drive the energy mix to low carbon energy
• 9.2: Business activities that contribute to the reduction of energy demand
• 9.3: Business activities that develop CCS, CCUS and negative emissions technologies

Overall decarbonisation impact of individual business model changes is not addressed.

Introduced new subdimension to dimensions 1 and 2: “Importance of business model for global low-carbon transition”

**Module 9: Business Model**

A company may need to transition and/or replace its existing business model(s) to remain profitable in a low-carbon economy. The company’s future business model(s) should enable it to decouple financial results from GHG emissions, in order to meet the constraints of a low-carbon transition while continuing to generate value. This can be done by developing new, low-carbon business models outside the core business of the company, while decarbonizing or terminating existing, high-carbon business models. This should lead to the company’s revenue being generated entirely from low-carbon products and services, according to the ACT definition of “low carbon” for a particular sector.

This module aims to identify both:

- the “big picture” view of the company’s low-carbon transition, by assessing its overall share of revenue from low-carbon products and services and the trend in share over time (indicator 1);
- the detail of the specific changes it is making to its business: introducing/expanding new, low-carbon business models; and decarbonizing/terminating its existing, high-carbon business models (indicator 2).
It is recognised that transition to a low-carbon economy, with the associated change in business models, will take place over a number of years. The analysis will thus seek to identify and reward projects at an early stage as well as more mature business models.

While each sector methodology contains a list of low-carbon business models and activities that are considered relevant to the assessment, the following definitions provide further guidance to analysts.

**DEFINING “LOW-CARBON BUSINESS MODEL”**

A business model is a plan for performing activities that transform inputs (labour, capital, equipment, land, buildings, materials, and information) into outputs (products and services) that provide added value to customers and create value for the company. It includes sources of revenue, the intended customer base, and details of financing.

A low-carbon business model is one that is based primarily around a set of inputs, activities and/or outputs which are considered to contribute substantially to climate change mitigation. There are two main categories of business model that can be classed as low-carbon:

- **Aligned/transitional** business models. These are either widely recognised as low-carbon solutions (for instance, by recognised taxonomies of sustainable activities), or have GHG emissions that are substantially lower than the sector or industry average, do not hamper the development and deployment of low-carbon alternatives, do not lead to a lock-in of assets incompatible with the objective of climate change mitigation, considering the economic lifetime of those assets, and do no significant harm to the environment.
  - E.g., generating electricity from renewable sources; producing steel or aluminium using a process that emits significantly less emissions than the industry average;
  - An example of a business model that would not be classed as low-carbon, would be manufacturing internal combustion engine (ICE) vehicles using a process with GHG emissions that are substantially lower than the sector or industry average. While the company’s activities may be low-carbon in themselves, they lead to a lock-in of assets incompatible with the objective of climate change mitigation (due to the in-use emissions from ICE vehicles).

- **Enabling/contribution** business models. These are business models that enable other activities/companies/sectors to make a substantial contribution to climate change mitigation, provided that the enabling business models do not lead to a lock-in of assets incompatible with the objective of climate change mitigation, considering the economic lifetime of those assets.
  - E.g., producing batteries for renewable energy storage; building transmission & distribution infrastructure to enable the shift to renewable generation; providing sustainability services to the buildings sector, reducing energy demand, etc.

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DEFINING “HIGH-CARBON BUSINESS MODEL”
Indicator 2, dimensions 3 and 4 of module 9 require companies to decarbonise or commit to phasing out their existing, high-carbon business models. A high-carbon business model is one which is not based primarily around a set of inputs, activities and/or outputs which are considered to contribute substantially to climate change mitigation. As such, a high-carbon business model may:

- have GHG emissions that are not substantially lower than the sector or industry average, and may be substantially higher;
- hamper the development and deployment of low-carbon alternatives;
- lead to a lock-in of assets incompatible with the objective of climate change mitigation, considering the economic lifetime of those assets.

DEFINING “LOW-CARBON BUSINESS ACTIVITY”
A business activity is anything a company does in order to carry out its business model, i.e., as part of the process of transforming inputs into outputs. A low-carbon business activity is one which is considered to contribute substantially to climate change mitigation (following the definition in the section above, “Defining ‘low-carbon business model’”). A list of relevant low-carbon business activities is listed within each sector methodology.

This is particularly relevant in indicator 2, dimension 2 (“Actions to decarbonise activities within existing business models”), since this dimension assesses the specific actions the company introduces in order to decarbonize the activities that make up its existing business model.

- For example, a steel manufacturer may produce steel with GHG emissions that are not substantially lower than the sector or industry average. By introducing low-carbon activities such as increasing the share of scrap-based electric arc furnaces and developing carbon capture, use and storage (CCU/CCS) technologies, the company may contribute to reducing the GHG emissions of its business model such that they are substantially lower than the sector or industry average.

DEFINING “LOW-CARBON PRODUCTS AND SERVICES”
A low-carbon product or service is the output of a low-carbon business model (following the definition in the section above, “Defining ‘low-carbon business model’”). The exact definition of a low-carbon product or service will vary depending on the sector.
CALCULATION OF THE SCORE

- Indicator 1: The analyst uses the maturity matrix to calculate the company score for indicator 1.
- Indicator 2: The analyst identifies all relevant business model changes the company is making and scores them against the maturity matrix in the relevant dimension.
  - For example, if the company has introduced multiple new, low-carbon business models within the last 5 years, these should all be scored individually in dimension 1. If the company is also expanding another low-carbon business model, which it started more than 5 years ago, this should also be scored in dimension 1. If the company is taking action to decarbonise several of the main activities that form its existing, high-carbon business model, these should all be scored individually in dimension 2. Finally, if the company has committed to phasing out its existing, high-carbon business model(s), this should be scored in dimension 3.
  - The final score for indicator 2 is calculated based on the highest scoring example from each dimension.
    - For example, if the analyst identifies three examples of business models for dimension 1, two examples of decarbonisation actions for dimension 2, and one commitment to phase out a high-carbon business model for dimension 3, then the highest-scoring examples from each of these dimensions should be taken and contribute towards the final score for the indicator.
  - The weightings for the indicator 2 dimensions are as follows:
    - Dimension 1: 50%
    - Dimension 2: 10%
    - Dimension 3: 40%
  - A cap is applied to the company score for indicator 2 depending on which categories of low-carbon business model/activity are identified by the analyst. Depending on the sector, there may be one, two or three relevant categories of business model/activity that the company must be active in to score 100% (see the section “Categories of low-carbon business model and low-carbon business activity”). The cap depends on the number of relevant categories the company is active in, as follows:
    - Three categories:
      - If at least one example from all three categories is identified by the analyst, the maximum score for the indicator is 100%
      - If at least one example from two out of three categories is identified by the analyst, the maximum score for the indicator is 66%
      - If at least one example from one out of three categories is identified by the analyst, the maximum score for the indicator is 33%
    - Two categories:
      - If at least one example from both categories is identified by the analyst, the maximum score for the indicator is 100%
      - If at least one example from one out of two categories is identified by the analyst, the maximum score for the indicator is 50%
    - One category
There are two routes to calculating the indicator weightings:

1. The company scores 80% or above in indicator 1.
   - In this case, the indicator weightings are as follows:
     - Indicator 1: 70%
     - Indicator 2: 30%

2. The company scores below 80% in indicator 1.
   - In this case, the indicator weightings are as follows:
     - Indicator 1: 50%
     - Indicator 2: 50%

SCORING RATIONALE

- The rationale for adjusting the weighting of indicator 1 and indicator 2 based on the company’s score in indicator 1, is that companies which already have a high share of low-carbon products and services (i.e., which score 80% or above in indicator 1) have less need to be developing new, low-carbon business models and decarbonising or phasing out existing ones, than companies with a low share of low-carbon products and services. As such, indicator 1 is weighted highly for companies with a high share of low-carbon products and services, while both indicators are weighted equally for companies with a lower share of low-carbon products and services.

- The rationale for applying a scoring cap for indicator 2 depending on how many of the relevant categories of low-carbon business model/activity the company is active in, is that the ACT methodology development process identified several key areas that companies should be active in, in order to facilitate an effective low-carbon transition for the sector. For example, it was identified that Oil & Gas companies must be active in driving the energy mix to low-carbon, contributing to the reduction of energy demand, and developing CCS, CCUS and negative emissions technologies. Only if examples from all three areas are identified, can the company score 100% for this indicator.

- The rationale for the indicator 2 dimensions weightings is that the module is designed to assess the company’s transition into new, low-carbon business models outside of its core business model, in order to diversify its activities and stay profitable in a low-carbon economy. For this reason, dimension 1, “Creation/expansion of low-carbon business models”, has the highest weighting between the indicator 2 dimensions (50%). It is also recognised that companies must not only branch out into new, low-carbon business models, but must also take action to decarbonise their existing, core activities, hence the inclusion of dimension 2, “Actions to decarbonise activities within existing business models”. However, since company progress on decarbonisation is already partially taken into account in various other ACT performance indicators (such as trend in past and future emissions intensity, low-carbon investment, etc.), this
dimension is given a low weighting (10%). Finally, the necessary shift towards low-carbon business models must in many cases be accompanied by a commitment to terminate or phase out a company’s existing, high-carbon business models that may not easily be decarbonised. For this reason, dimension 3 has a relatively high weighting (40%).

### XX 9.1 REVENUE FROM LOW-CARBON PRODUCTS AND/OR SERVICES

<table>
<thead>
<tr>
<th>DESCRIPTION &amp; REQUIREMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>XX 9.1 Revenue from low-carbon products and/or services</strong></td>
</tr>
</tbody>
</table>

**Short description of indicator**

This indicator assesses the company’s overall share of revenue from low-carbon products and services, as well as whether this share is increasing over time.

**Data requirements**

Public sources of data used for the analysis of this indicator include, but are not limited to:

- CDP climate change questionnaire, C4.5 “Low-carbon products”
  - The analyst should check that the company’s definition of low-carbon products and services is aligned with the ACT definition for the particular sector. If it does not align, then the analyst must decide how to adjust the figure.
- Company financial statements showing breakdown of revenue by business segment.

**How the assessment will be done**

The analyst should identify the share of the company’s total revenue from low-carbon products and/or services in the reporting year (see the section “Defining ‘low-carbon products and services’”). They should then identify the share three years before the reporting year (RY-3) in order to calculate the annual average change in share during this time period.

The sources of information used to identify the share of low-carbon revenue in RY and RY-3 should be directly comparable (e.g., all CDP data or all financial statement data).

For the second subdimension “Trend over time”, if no actual figures are identified by the analyst, but there is clear evidence that the company is increasing its share of low-carbon products and/or services (e.g., if the company states this qualitatively), then “Advanced” should be awarded.

The maturity matrix is provided below:
### Rationale

**XX 9.1 Revenue from low-carbon products and/or services**

- See the section “Definition of low-carbon products and services” in the module 9 introduction.

### Rationale of the Indicator

See module 9 introduction.
### XX 9.2 Changes to Business Models

#### Description & Requirements

**XX 9.2 Changes to Business Models**

This indicator assesses the specific changes the company is making to its business in order to achieve its low-carbon transition. These changes include introducing and expanding new, low-carbon business models, and decarbonizing or terminating existing, high-carbon business models.

#### Data Requirements

Public sources of data used for the analysis of this indicator include, but are not limited to:
- CDP climate change questionnaire, C2.4 “Opportunity disclosure” and C4.3 “Emissions reduction initiatives”
- Company financial/sustainability reports
- Company low-carbon transition plan
- External sources to determine the importance of each business model for the global low-carbon transition. For example:
  - ETP Clean Energy Technology Guide – Data Tools - IEA;
  - Protecting People and Planet | Systems Change Lab;
  - Sector decarbonisation reports identifying the key action levers for a sector to decarbonise.

#### How the Assessment Will Be Done

The assessment is based on three dimensions. The analyst scores each of the company’s decarbonisation initiatives (including creation/expansion of low-carbon business models, actions to decarbonise activities within existing business models, and termination/phase-out of existing high-carbon business models) against the relevant dimension. The section “Calculation of the score” explains how the final score for the indicator is calculated.

#### Categories of Low-Carbon Business Model and Low-Carbon Business Activity

The relevant categories of low-carbon business model and low-carbon business activity for the sector will be listed here. At least one example from each category must be identified by the analyst for the company to be eligible to score 100% for the indicator (see the section “Calculation of the score” for more detail).
DIMENSION 1 – CREATION/EXPANSION OF LOW-CARBON BUSINESS MODELS (50%)

This dimension assesses the size and scheduled growth of new (started within five years before the reporting year) and existing (started before five years before the reporting year) low-carbon business models, as well as the business models’ relative importance for the global low-carbon transition. The weighting of the subdimensions within the maturity matrix depend on whether the business model in question is new or existing – new business models are scored on the first subdimension (“Size of business model (if started within RY-5)”) with a 40% weighting, with the second subdimension (“Size of business model (if started before RY-5)”) given a 0% weighting. For existing business models, this weighting is reversed. The rationale for having distinct subdimensions for new and existing low-carbon business models is that newer business models are not expected to be as large as existing ones, meaning the thresholds differ between the subdimensions.

Since ACT’s focus is on company-level decarbonisation, “creation/expansion of low-carbon business models” may include acquiring existing low-carbon assets or business divisions from another entity, as well as organically growing a new, low-carbon business model within the company.

<table>
<thead>
<tr>
<th>Associated score</th>
<th>Basic</th>
<th>Advanced</th>
<th>Low-carbon aligned</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of business model (if started within RY-5)</td>
<td>Business model represents &lt;1% of total FTE, revenue, or relevant activity-based metric of size</td>
<td>Business model represents 1 to 5% of total FTE, revenue, or relevant activity-based metric of size</td>
<td>Business model represents &gt;5% of total FTE, revenue, or relevant activity-based metric of size</td>
<td>40% (if BM was started within RY-5) or 0% (if BM was started before RY-5)</td>
</tr>
<tr>
<td>Size of business model (if started before RY-5)</td>
<td>Business model represents 0 to &lt;5% of total FTE, revenue, or relevant activity-based metric of size</td>
<td>Business model represents 5 to 20% of total FTE, revenue, or relevant activity-based metric of size</td>
<td>Business model represents &gt;20% of total FTE, revenue, or relevant activity-based metric of size</td>
<td>0% (if BM was started within RY-5) or 40% (if BM was started before RY-5)</td>
</tr>
<tr>
<td>Scheduled growth of business model</td>
<td>Business model not scheduled to grow (based on total FTE, revenue, or relevant activity-based metric of size)</td>
<td>Business model scheduled to grow (based on total FTE, revenue, or relevant activity-based metric of size)</td>
<td>Business model scheduled to at least double in size within RY+5 (based on total FTE, revenue, or relevant activity-based metric of size)</td>
<td>30%</td>
</tr>
</tbody>
</table>
Importance of business model for global low-carbon transition*  

<table>
<thead>
<tr>
<th>Importance of Business Model</th>
<th>The business model is of low importance to the global low-carbon transition</th>
<th>The business model is of medium importance to the global low-carbon transition</th>
<th>The business model is of high importance to the global low-carbon transition</th>
<th>30%</th>
</tr>
</thead>
</table>

• How to determine whether a business model is of high, medium, or low importance to the global low-carbon transition:
  o The analyst may base their assessment on various sources, including:
    ▪ **ETP Clean Energy Technology Guide – Data Tools - IEA**
      • If the business model is listed as a technology in the IEA ETP Clean Energy Technology Guide with an “Importance for net-zero emissions” score of “Low”, it scores “Basic”; “Moderate” scores “Advanced”; “High” or “Very high” scores “Low-carbon aligned”.
    ▪ For other, non-technological business models, such as those aimed at reducing structural barriers to market penetration, or creating synergies with other industries, improving circularity, etc., other sources will need to be consulted to determine relative importance for low-carbon transition. For example:
      • **Protecting People and Planet | Systems Change Lab**
        o If the business model relates to one of the Systems Change Lab “Shifts” (critical changes that can help deliver systemwide transformations), it should generally be considered to have high importance, and score “Low-carbon aligned”.
      • Sector decarbonisation reports identifying the key action levers for a sector to decarbonise. For example:
        o **Iron and Steel – Analysis - IEA**
      • ACT methodology – usually identifies the key action levers in the “Introduction” section
      • Other relevant sources

**DIMENSION 2 – ACTIONS TO DECARBONISE ACTIVITIES WITHIN EXISTING BUSINESS MODELS (10%)**

This dimension relates to changes (actions) the company is making to decarbonise the activities which make up its existing business model (which may be high- or low-carbon) in order to make the overall business model lower-carbon.
E.g., A steelmaker that is adding CCU/CCS capability to its factories, or electrifying its production processes and switching to 100% renewable energy, to reduce the emissions from its production activities; a car manufacturer reducing the emissions from its manufacturing activities by installing renewables on its factories.

<table>
<thead>
<tr>
<th>Associated score</th>
<th>Basic</th>
<th>Standard</th>
<th>Advanced</th>
<th>Next practice</th>
<th>Low-carbon aligned</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>What percentage of the activity does this decarbonisation action apply to?*</td>
<td>Decarbonisation action applies to ≤ 25% of the activity being considered</td>
<td>Decarbonisation action applies to 26 to 50% of the activity being considered</td>
<td>Decarbonisation action applies to 51 to 75% of the activity being considered</td>
<td>Decarbonisation action applies to 76 to 95% of the activity being considered</td>
<td>Decarbonisation action applies to &gt; 95% of the activity being considered</td>
<td>25%</td>
</tr>
<tr>
<td>Scheduled growth of decarbonisation action</td>
<td>Decarbonisation action is not scheduled to grow (based on total FTE, spend, or relevant activity-based metric of size)*</td>
<td>-</td>
<td>Decarbonisation action is scheduled to grow (based on total FTE, spend, or relevant activity-based metric of size)*</td>
<td>-</td>
<td>Decarbonisation action is scheduled to at least double in size within RY+5 (based on total FTE, spend, or relevant activity-based metric of size)*</td>
<td>25%</td>
</tr>
<tr>
<td>Relevance of the decarbonisation action†</td>
<td>Action does not impact any of the most relevant activities/life-cycle phases of the business model being considered in terms of GHG emissions</td>
<td>-</td>
<td>Action impacts a relevant activity/life-cycle phase of the business model being considered in terms of GHG emissions</td>
<td>-</td>
<td>Action clearly targets and impacts the most relevant activity(ies)/life-cycle phase(s) of the business model being considered in terms of GHG emissions</td>
<td>25%</td>
</tr>
<tr>
<td>Importance of business model decarbonisation for</td>
<td>The business model decarbonisation is of low importance to</td>
<td>-</td>
<td>The business model decarbonisation is of medium importance</td>
<td>-</td>
<td>The business model decarbonisation is of high importance to</td>
<td>25%</td>
</tr>
</tbody>
</table>
Examples:
- Iron & Steel: what percentage of the company’s electricity consumption has been switched to renewables?
- Oil & Gas: what percentage of the company’s gas production emissions is being captured by CCUS?
- Electricity: what percentage of the company’s customers has had smart meters installed?

† Examples:
- Iron & Steel: the action to switch 100% of the company’s electricity consumption to renewables clearly targets the most relevant activity of its steel production business model if the company uses this renewable electricity in electric arc furnaces used to produce iron (scores “Low-carbon aligned”). If the renewable electricity is only used to power company offices while its furnaces remain un-electrified, this does not impact the company's most relevant activities (scores “Basic”).
- Oil & Gas: the action to capture 100% of the company’s gas production emissions by CCUS does not target the most impactful life-cycle phase of the company’s business model (the use phase) (may score “Basic” or “Advanced” depending on how significant the emissions from gas production are)
- Electricity: the action to provide 100% of customers with smart meters may score “Advanced” even if the company generates most of its electricity from fossil fuels, if this action contributes significantly to demand reduction. It should not score “Low-carbon aligned” since the company’s most relevant activity is its fossil fuel generation, and this is what it should target directly.

† How to determine whether the change the company is making to its activities is of high, medium, or low importance to the global low-carbon transition:
- The analyst may base their assessment on various sources, including:
  - ETP Clean Energy Technology Guide – Data Tools - IEA
    - If the activity is listed as a technology in the IEA ETP Clean Energy Technology Guide with an “Importance for net-zero emissions” score of “Low” or “Moderate”, it scores “Basic”; “High” scores “Advanced”; “Very high” scores “Low-carbon aligned”.
  - For other, non-technological business activities, such as those aimed at reducing structural barriers to market penetration, or creating synergies with other industries, improving circularity, etc., other sources will need to be consulted to determine relative importance for low-carbon transition. For example:
    - Protecting People and Planet | Systems Change Lab
If the business activity relates to one of the Systems Change Lab “Shifts” (critical changes that can help deliver systemwide transformations), it should generally be considered to have high importance, and score “Low-carbon aligned”.

- Sector decarbonisation reports identifying the key action levers for a sector to decarbonise. For example:
  - Iron and Steel – Analysis - IEA
  - ACT methodology – usually identifies the key action levers in the “Introduction” section
  - Other relevant sources

**DIMENSION 3 – TERMINATION/PHASE-OUT OF EXISTING HIGH-CARBON BUSINESS MODELS (40%)**

This dimension relates to commitments the company has to terminating/phasing out one or several of its existing, high-carbon business models.

Since ACT’s focus is on company-level decarbonisation, “termination/phase-out of high-carbon business models” may include selling high-emitting assets or business divisions from a company’s portfolio to other entities. However, decommissioning assets and closing down business divisions are preferred forms of divestment since they are more likely to drive emissions reductions in the real world. If a company’s commitment to terminate/phase out its existing, high-carbon business model(s) relies exclusively on selling high-emitting assets or business divisions, this should be reflected negatively in the Narrative section of the assessment (Business model and strategy criterion).

- For example, if a car manufacturer has committed to phasing out production of ICE vehicles by 2035, this is relevant to consider. Or if an electric utility has committed to phasing out fossil fuels from its generation mix.

<table>
<thead>
<tr>
<th>Associated score</th>
<th>Basic</th>
<th>Standard</th>
<th>Advanced</th>
<th>Next practice</th>
<th>Low-carbon aligned</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment to terminate/phase out existing, high-carbon business model</td>
<td>The company has a commitment to terminate/phase out ≤ 25% of its existing, high-carbon business</td>
<td>The company has a commitment to terminate/phase out 26 to 50% of its existing, high-carbon business</td>
<td>The company has a commitment to terminate/phase out 51 to 75% of its existing, high-carbon business</td>
<td>The company has a commitment to terminate/phase out 76 to 95% of its existing, high-carbon business</td>
<td>The company has a commitment to terminate/phase out &gt; 95% of its existing, high-carbon business</td>
<td>70%</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
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<th>Standard</th>
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<tr>
<td>Commitment to terminate/phase out existing, high-carbon business model</td>
<td>The company has a commitment to terminate/phase out ≤ 25% of its existing, high-carbon business</td>
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<td>The company has a commitment to terminate/phase out 76 to 95% of its existing, high-carbon business</td>
<td>The company has a commitment to terminate/phase out &gt; 95% of its existing, high-carbon business</td>
<td>70%</td>
</tr>
<tr>
<td>Termination/phase-out date</td>
<td>model(s) (based on FTE, revenue, or relevant activity-based metric of size)</td>
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<td>---------------------------</td>
<td>--------------------------------------------------------------------------</td>
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<tr>
<td></td>
<td>or The company has no commitment</td>
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<tr>
<td></td>
<td>The company's commitment has a phase-out date from RY+21 onwards</td>
<td></td>
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<td></td>
<td>or The company has no commitment</td>
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<tr>
<td></td>
<td>The company's commitment has a phase-out date between RY+16 and RY+20</td>
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<tr>
<td></td>
<td>The company's commitment has a phase-out date between RY+11 and RY+15</td>
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<tr>
<td></td>
<td>The company's commitment has a phase-out date between RY+6 and RY+10</td>
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<tr>
<td></td>
<td>The company has already terminated/phased out the entirety of its existing, high-carbon business model(s)</td>
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</tr>
</tbody>
</table>

**Rationale**

**XX 9.2 Changes to business models**

**Rationale of the indicator**

See module 9 introduction.