Clarity AI Guide

Climate & Environment

Temperature Alignment

Metric Name	Technical Definition	Real-World Application	Unit
Temp Rating Scope 1+2	Measures how a company's near-term emissions reduction targets for Scopes 1 and 2 align with global climate goals, specifically the Paris Agreement's 1.5°C target. Lower temperatures indicate stronger climate action.	*Screen portfolio companies to identify climate leaders (those aligned with <2°C pathways) versus laggards (>3°C). Use this to engage with underperformers on setting more ambitious near-term reduction targets for their direct operations and energy use.*	°C
Temp Rating Scope 3	Measures how a company's near-term emissions reduction targets for Scope 3 align with global climate goals. Lower temperatures indicate stronger climate action across the value chain.	*Assess value chain climate commitments for companies with significant supply chain or product-use emissions (e.g., consumer goods, automotive). Companies with strong Scope 3 alignment demonstrate supply chain influence and long-term business model adaptation.*	°C
Net Zero Target	Evaluates whether the company has set a net zero greenhouse gas (GHG) emission reduction target and assesses the robustness of the plan to meet that target. Score (0-100) reflects both the existence of the target and the quality of the implementation strategy.	*Assess long-term climate strategy credibility. Higher scores indicate not just target-setting but validated science-based targets (e.g., SBTi-approved), interim milestones, and clear transition plans. Essential for evaluating alignment with portfolio-level net-zero commitments and climate transition risk.*	Score (0-100)

Emissions Intensity

Metric Name	Technical Definition	Real-World Application	Unit
Financed Intensity Scope 1+2	Company Financed Emissions (Scope 1 + 2) divided by millions of dollars invested in the company. Measures the carbon footprint attributable to your investment	*Calculate your portfolio's carbon footprint for regulatory reporting (e.g., SFDR Principal Adverse Impacts). Aggregate this metric across all holdings to report*	tCO_2e / $M invested

Metric Name	Technical Definition	Real-World Application	Unit
	based on your ownership share of the company's direct and energy-related emissions.	*total financed emissions to clients. Track year-over-year to demonstrate decarbonization progress.*	
Financed Intensity Scope 3	Company Financed Emissions (Scope 3) divided by millions of dollars invested in the company. Captures the value chain emissions attributable to your investment, including suppliers, product use, and end-of-life treatment.	*Include in comprehensive carbon footprint reporting alongside Scope 1+2 financed emissions. Particularly important for understanding true climate impact of consumer-facing companies where most emissions occur in the value chain.*	tCO_2e / $M invested

Example Calculation:

Investment = $5M | Company enterprise value = $250M | Company emissions = 50,000 tCO_2e (Scope 1+2)
Ownership share = $5M / $250M = 2%
Financed emissions = 2% × 50,000 = 1,000 tCO_2e
Financed Intensity = 1,000 / 5 = 200 tCO_2e/$M invested

Metric Name	Technical Definition	Real-World Application	Unit
Carbon Intensity Scope 1+2	Tons of Scope 1+2 GHG emissions per million dollars of revenue (USD). Measures how efficiently a company generates revenue relative to its carbon emissions from direct operations and purchased energy.	*Compare operational efficiency across peers in the same sector. Lower intensity indicates better emissions management. Essential for sector-specific benchmarking —what's "good" for utilities differs vastly from software companies.*	tCO_2e / $M revenue
Carbon Intensity Scope 3	Tons of Scope 3 GHG emissions per million dollars of revenue (USD). Measures the carbon efficiency of a company's entire value chain, from raw materials to product end-of-life.	*Critical for sectors where Scope 3 dominates (e.g., retail, food & beverage, technology). Lower intensity suggests better supplier management, product design for circularity, and customer engagement on sustainable use.*	tCO_2e / $M revenue

Example Calculation:

Company emissions = 10,000 tCO_2e (Scope 1+2) | Revenue = $50M
Carbon Intensity = 10,000 / 50 = 200 tCO_2e/$M revenue

Natural Capital & Resources

Metric Name	Technical Definition	Real-World Application	Unit
Environmental Score	The Environmental pillar evaluates a company's management of environmental risks across areas such as climate change mitigation and adaptation, natural capital	*Use as a holistic environmental screening tool for portfolio construction. Companies with scores >70 demonstrate strong environmental governance. Combine with*	Score (0-100)

Metric Name	Technical Definition	Real-World Application	Unit
	preservation (such as water, biodiversity, and forests), and pollution and waste management. Score ranges from 0-100, with higher scores indicating better environmental management.	*sector-specific metrics (e.g., carbon intensity for energy companies, water recycling for manufacturing) for more nuanced analysis.*	
Land Use & Biodiversity	Evaluates incidents or controversies involving the company's impact on land use, ecosystems, and biodiversity. This is a backward-looking metric that assesses past controversies and reputational risks rather than proactive management practices.	*Screen for past incidents or controversies related to deforestation, habitat destruction, or ecosystem damage. Use to identify reputational risks and potential regulatory exposure, especially for companies operating in sensitive ecosystems or emerging markets.*	Score (0-100)
Biodiversity Reduction	Measures whether the company reports on its impact on biodiversity or on activities to reduce its impact on the natural environment. This is a disclosure metric—it evaluates transparency and reporting practices rather than actual biodiversity outcomes.	*Assess transparency and disclosure on biodiversity impacts. Companies that report demonstrate awareness of nature-related risks, which is increasingly important under frameworks like TNFD. Use to identify leaders in biodiversity disclosure, particularly in high-impact sectors (agriculture, mining, forestry).*	Score (0-100)
Water Recycled Ratio	The proportion of total water withdrawal that is treated and reused for operations, expressed as a percentage. Higher ratios indicate more efficient water management and reduced freshwater dependency.	*Critical for water-intensive industries (semiconductors, beverages, textiles). Companies with high recycling ratios (>50%) demonstrate operational resilience in water-stressed regions. Use to assess long-term viability in areas facing water scarcity.*	% of total water use
Waste Recycling Ratio	Total recycled and reused waste produced in tonnes divided by total waste produced in tonnes. Indicates circular economy practices and waste management efficiency.	*Evaluate circular economy leadership and operational efficiency. Higher ratios indicate better resource management and potential cost savings. Particularly relevant for manufacturing, retail, and packaging companies adapting to extended producer responsibility regulations.*	% of total waste

Social

Metric Name	Technical Definition	Real-World Application	Unit
Social Score	The Social pillar assesses a company's ability to manage risks related to its impact on people, including employees, customers, and communities. This includes labor practices, human rights, product safety, and community relations. Score ranges from 0-100, with higher scores indicating better social performance.	*Use for holistic social risk assessment in portfolio screening. Companies with scores >70 demonstrate strong stakeholder management. Particularly important for consumer-facing brands where reputational risks from labor practices or product safety can materially impact valuation.*	Score (0-100)
Gender Pay Gap	Percentage of remuneration of women to men. A value below 100% indicates that women are, on average, paid less than men for comparable work. Measures pay equity and fairness in compensation practices.	*Assess pay equity and potential regulatory risks. Companies with significant gaps (<85%) face reputational risk and potential litigation. Increasingly relevant as pay transparency regulations expand globally. Use to engage with companies on closing gaps and improving disclosure.*	% difference
Female Board Members	Percentage of female board members. Measures gender diversity in corporate leadership and decision-making.	*Track board diversity and compliance with emerging regulations (e.g., California mandates, EU directives). Research suggests boards with >30% women demonstrate better governance outcomes. Use to identify laggards (<20%) for engagement on diversity improvements.*	% of board members
Diversity Targets	Evaluates whether the company has set targets or objectives to be achieved on diversity and equal opportunity, and assesses the comprehensiveness and robustness of these commitments. Score (0-100) reflects both the existence of targets and their quality.	*Identify companies with credible diversity commitments. Higher scores indicate not just target-setting but measurable goals, clear timelines, and accountability mechanisms. Essential for assessing alignment with stakeholder expectations on DEI and talent management quality.*	Score (0-100)

Governance

Metric Name	Technical Definition	Real-World Application	Unit
Governance Score	The Governance pillar evaluates a company's ability to manage risks related to ethical conduct, leadership structure, transparency, and shareholder rights. This includes board independence, executive compensation, audit practices, and business ethics. Score ranges from 0-100, with higher scores indicating stronger governance.	*Use as a foundation for governance risk assessment. Companies with scores <50 warrant deeper due diligence on board structure, shareholder rights, and business ethics. Strong governance (>70) often correlates with better long-term financial performance and lower operational risk.*	Score (0-100)
Non-Executive Board	Percentage of board members who do not form part of the company's executive management team. Higher percentages indicate greater oversight independence from day-to-day operations.	*Assess board independence and oversight quality. Best practice is >50% non-executive members. Lower percentages may indicate insufficient checks on management decisions and potential conflicts of interest. Use alongside independent board member metric for comprehensive governance assessment.*	% of board members
Independent Board	Percentage of board members classified as "independent," meaning they have no material relationship with the company that could compromise their objectivity. As reported by the company; verify independently for critical decisions.	*Critical for assessing board effectiveness and shareholder protection. Best practice is >50% independent members. Based on company self-reporting; verify independently for critical decisions. Lower independence may indicate higher risk of conflicts of interest in executive oversight.*	% of board members
Anti-Bribery Score	An analysis of incidents that relate to companies paying bribes or kickbacks to government officials or private individuals to obtain business or regulatory advantages. Evaluates ethical conduct and compliance risks.	*Screen for governance and ethical risks, particularly for companies operating in high-risk jurisdictions. Past incidents signal weak internal controls and potential future violations. Critical for due diligence and exclusionary screening in compliance-sensitive portfolios.*	Score (0-100)

Important Notes

Understanding Scope 1, 2, and 3 Emissions:

• **Scope 1:** Direct emissions from sources your company owns or controls—fleet vehicles, on-site fuel combustion, manufacturing processes.
• **Scope 2:** Indirect emissions from purchased electricity and energy to power operations.
• **Scope 3:** All other indirect emissions across the value chain—suppliers' operations, product use, business travel, employee commutes. Often the largest category but most difficult to measure.

Data Sources & Limitations:

Some metrics rely on company self-reporting (e.g., Independent Board, Gender Pay Gap). Others evaluate historical incidents (e.g., Land Use & Biodiversity, Anti-Bribery). Still others measure disclosure practices rather than actual performance (e.g., Biodiversity Reduction). Consider these limitations when making investment decisions.

Score Interpretation:

Score metrics (0-100) evaluate both existence and robustness. Higher scores indicate not just that a practice exists, but that it's comprehensive, well-structured, and credible. For example, Net Zero Target and Diversity Targets assess both target-setting and implementation quality.

Temperature Ratings:

Show implied global warming potential from company trajectories. Values above 1.5°C indicate misalignment with Paris Agreement targets.

Methodology Alignment:

All metrics align with leading frameworks including PCAF, ISSB, SFDR, NZIF, SBTi, and TNFD.