

Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks

CHAPTER II

**MINIMUM STANDARDS FOR THE DESIGN  
OF THE BENCHMARK METHODOLOGY**

SECTION 1

**MINIMUM STANDARDS COMMON FOR EU CLIMATE TRANSITION  
BENCHMARKS AND EU PARIS-ALIGNED BENCHMARKS**

*Article 2*

**Reference temperature scenario**

Administrators of EU Climate Transition Benchmarks and administrators of EU Paris-aligned Benchmarks shall use the 1,5 °C scenario, with no or limited overshoot, referred to in the Special Report on Global Warming of 1,5 °C from the Intergovernmental Panel on Climate Change (IPCC) as the reference temperature scenario to design the methodology to construct those benchmarks.

*Article 3*

**Equity allocation constraint**

EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks that are based on equity securities admitted to a public market in the Union or in another jurisdiction, shall have an aggregated exposure to the sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 that is at least equivalent to the aggregated exposure of the underlying investable universe to those sectors.

*Article 4*

**Calculation of GHG intensity or absolute GHG emissions**

1 Administrators of EU Climate Transition Benchmarks and administrators of EU Paris-aligned Benchmarks shall calculate the GHG intensity or, where applicable, the absolute GHG emissions of those benchmarks using the same currency for all of their underlying assets.

2 Administrators of EU Climate Transition Benchmarks and administrators of EU Paris-aligned Benchmarks shall recalculate the GHG intensity and the absolute GHG emissions of those benchmarks on a yearly basis.

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## Article 5

### Phase-in of Scope 3 GHG emissions data in the benchmark methodology

1 The benchmark methodology for EU Climate Transition Benchmarks or EU Paris-aligned Benchmarks shall include Scope 3 GHG emissions data in the following way:

- a As of 23 December 2020, Scope 3 GHG emissions data for at least the energy and mining sectors referred to in Divisions 05 to 09 and 19 and 20 of Annex I to Regulation (EC) No 1893/2006;
- b within two years from 23 December 2020, Scope 3 GHG emissions data for at least the transportation, construction, buildings, materials and industrial sectors referred to in Divisions 10 to 18, 21 to 33, 41, 42 and 43, 49 to 53 and Division 81 of Annex I to Regulation (EC) No 1893/2006;
- c within four years from 23 December 2020, Scope 3 GHG emissions data for all other sectors referred to in Annex I to Regulation (EC) No 1893/2006.

2 For the purposes of paragraph 1, point (a), from 23 December 2020 to 31 December 2021, administrators of EU Climate Transition Benchmarks and administrators of EU Paris-aligned Benchmarks may use fossil fuel reserves, where they demonstrate that they cannot calculate nor estimate Scope 3 GHG emissions data.

## Article 6

### Companies setting and publishing GHG emission reduction targets

Administrators of EU Climate Transition Benchmarks and administrators of EU Paris-aligned Benchmarks may increase in those benchmarks the weight of the issuers of the constituent securities that set and publish GHG emission reduction targets, where the following conditions are fulfilled:

- (a) the issuers of the constituent securities publish consistently and accurately their Scope 1, 2 and 3 GHG emissions;
- (b) the issuers of the constituent securities have reduced their GHG intensity or, where applicable, their absolute GHG emissions, including Scope 1, 2 and 3 GHG emissions, by an average of at least 7 % per annum for at least three consecutive years.

For the purposes of the first subparagraph, Scope 3 GHG emissions shall be construed in accordance with the phase-in implementation period set out in Article 5.

## Article 7

### Setting a decarbonisation trajectory

1 The decarbonisation trajectory for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks shall have the following targets:

- a for equity securities admitted to a public market in the Union or in another jurisdiction, at least 7 % reduction of GHG intensity on average per annum;
- b for debt securities other than those issued by a sovereign issuer, where the issuer of those debt securities has equity securities admitted to a public market in the Union or

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- in another jurisdiction, at least 7 % reduction of GHG intensity on average per annum or at least 7 % reduction of absolute GHG emissions on average per annum;
- c for debt securities other than those issued by a sovereign issuer, where the issuer of those debt securities does not have equity securities admitted to a public market in the Union or in another jurisdiction, at least 7 % reduction of absolute GHG emissions on average per annum.

2 The targets referred to in paragraph 1 shall be calculated geometrically, which shall mean that the annual minimum 7 % reduction of GHG intensity or of absolute GHG emissions for year 'n' shall be calculated based on the GHG intensity or absolute GHG emissions for the year n-1, in a geometric progression from the base year.

3 Where the average EVIC of the constituent securities of the benchmark has increased or decreased during the last calendar year, the EVIC of each constituent shall be adjusted by dividing it by an enterprise value inflation adjustment factor. That enterprise value inflation adjustment factor shall be calculated by dividing the average EVIC of the benchmark constituents at the end of a calendar year by the average EVIC of the benchmark constituents at the end of the previous calendar year.

4 Administrators of EU Climate Transition Benchmarks and administrators of EU Paris-aligned Benchmarks shall, for each year in which the targets laid down in paragraph 1 are not achieved, compensate for those missed targets by upwardly adjusting the targets in their decarbonisation trajectory for the following year.

5 Administrators of EU Climate Transition Benchmarks and administrators of EU Paris-aligned Benchmarks shall no longer be able to label their benchmarks as such where:

- a the targets laid down in paragraph 1 are not achieved in a given year and the target miss is not compensated in the following year; or
- b the targets laid down in paragraph 1 are not achieved on three occasions in any consecutive 10-year period.

Benchmark administrators may relabel a benchmark as an EU Climate Transition Benchmark or as an EU Paris-aligned Benchmark where that benchmark meets the decarbonisation trajectory target for two consecutive years following the loss of the label, unless that benchmark lost that label twice.

## *Article 8*

### **Change in GHG intensity and absolute GHG emissions**

1 The change in GHG intensity or absolute GHG emissions shall be calculated as the percentage change between, on the one hand, the weighted average GHG intensity or absolute GHG emissions of all constituents of the EU Climate Transition Benchmark or the EU Paris-aligned Benchmark at the end of year 'n' and, on the other hand, the weighted average GHG intensity or absolute GHG emissions of all constituents of the benchmarks at the end of year n-1.

2 Benchmark administrators shall use a new base year whenever significant changes in the calculation methodology of GHG intensity or absolute GHG emissions occur.

For the purposes of the first subparagraph, a new base year shall mean the year against which the decarbonisation trajectory referred to in Article 7 is calculated.

The selection of a new base year shall be without prejudice to the rules laid down in Article 7(5).

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## SECTION 2

### MINIMUM STANDARDS FOR EU CLIMATE TRANSITION BENCHMARKS

#### *Article 9*

##### **Baseline reduction of GHG intensity or absolute GHG emissions for EU Climate Transition Benchmarks**

The GHG intensity or, where applicable, absolute GHG emissions for EU Climate Transition Benchmarks, including Scope 1, 2 and 3 GHG emissions, shall be at least 30 % lower than the GHG intensity or absolute GHG emissions of the investable universe.

For the purposes of the first subparagraph, Scope 3 GHG emissions shall be construed in accordance with the phase-in implementation period set out in Article 5.

#### *Article 10*

##### **Exclusions for EU Climate Transition Benchmarks**

1 Administrators of EU Climate Transition Benchmarks shall disclose in their methodology whether and how they exclude companies.

2 By 31 December 2022, administrators of EU Climate Transition Benchmarks shall comply with the requirements set out in Article 12(1), points (a), (b) and (c), and Article 12(2).

## SECTION 3

### MINIMUM STANDARDS FOR EU PARIS-ALIGNED BENCHMARKS

#### *Article 11*

##### **Baseline reduction of GHG intensity or absolute GHG emissions for EU Paris-aligned Benchmarks**

The GHG intensity or, where applicable, absolute GHG emissions for EU Paris-aligned Benchmarks, including Scope 1, 2 and 3 GHG emissions, shall be at least 50 % lower than the GHG intensity or absolute GHG emissions of the investable universe.

For the purposes of the first subparagraph, Scope 3 GHG emissions shall be construed in accordance with the phase-in implementation period set out in Article 5.

#### *Article 12*

##### **Exclusions for EU Paris-aligned Benchmarks**

1 Administrators of EU Paris-aligned Benchmarks shall exclude all of the following companies from those benchmarks:

- a companies involved in any activities related to controversial weapons;
- b companies involved in the cultivation and production of tobacco;

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- c companies that benchmark administrators find in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises;
- d companies that derive 1 % or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite;
- e companies that derive 10 % or more of their revenues from the exploration, extraction, distribution or refining of oil fuels;
- f companies that derive 50 % or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels;
- g companies that derive 50 % or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO<sub>2</sub> e/kWh.

For the purposes of point (a), controversial weapons shall mean controversial weapons as referred to in international treaties and conventions, United Nations principles and, where applicable, national legislation.

2 Administrators of EU Paris-aligned Benchmarks shall exclude from those benchmarks any companies that are found or estimated by them or by external data providers to significantly harm one or more of the environmental objectives referred to in Article 9 of Regulation (EU) 2020/852 of the European Parliament and of the Council<sup>(1)</sup>, in accordance with the rules on estimations laid down in Article 13(2) of this Regulation.

3 Administrators of EU Paris-aligned Benchmarks shall disclose in their benchmark methodology any additional exclusion criteria they use and which are based on climate-related or other environmental, social and governance (ESG) factors.

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- (1) Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 ([OJ L 198, 22.6.2020, p. 13](#)).

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