

**SIX 1.5°C CLIMATE  
EQUITY FLAG**  
REVIEW PROCESS

**STATUS:**  
Version 1.0

**PUBLIC**

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# 1 INTRODUCTION

## 1.1 BACKGROUND

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Developed by the SIX Swiss Exchange AG, the SIX 1.5°C Climate Equity flag helps Swiss-listed companies demonstrate how they can be expected to remain a contributor toward limiting global warming to 1.5°C, as per the Paris Agreement. This is because an approved, external sustainability expert has concluded that continued implementation of the emissions plan for the company's entire value chain emissions is credible.

As an external sustainability expert, SGS is a SIX-approved reviewer, authorized to assess a company's alignment with the SIX 1.5°C Climate Equity flag requirements.

This review is a qualitative, forward-looking validation to express an opinion on the plausibility of alignment with the requirements. To avoid doubt, this service is not an audit, assurance or verification exercise. The review relies on data provided by the company and additional scope relating to assurance to ensure the accuracy of the company's submitted data and its inclusion as a value-added service.

## 1.2 ABOUT SGS

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SGS is the world's leading testing, inspection and certification company. We are recognized as the global benchmark for sustainability, quality and integrity. Our 99,600 employees operate a network of 2,600 offices and laboratories around the world.

Our Sustainability Solutions help customers improve their environmental, social and governance (ESG) performance and reduce risks while increasing their value to society.

# 2 OUR APPROACH

## 2.1 OVERVIEW

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Our review evaluates the degree to which a company's emissions strategy aligns with the criteria specified in the SIX 1.5°C Climate Equity flag requirements, as analyzed by SGS. The assessment consists of three elements: Impact, Financials and Disclosures.

Firstly, we review the impact of the company's climate transition plan through four key assessment sub-areas:

1. Soundness of greenhouse gas (GHG) accounting and estimation approaches
2. Alignment of the company's GHG and fossil-fuel targets and transition plans with science-based methodologies
3. Strength of governance and track record to achieve plans
4. Credibility and feasibility of actions and financing plans

Secondly, we review the financials, including revenues and investments:

1. Annual revenues coming from 1.5°C-aligned activities
2. Annual investments (sum of OPEX and CAPEX) deployed into 1.5°C-aligned activities

Thirdly, we assess the completeness and quality of the company's disclosures of their climate-related performance metrics in the assessment report based on SIX's 1.5°C-aligned Climate Equity flag.

Based on our assessment, the company will receive an individual rating for each component: Impact, Financials and Disclosures. SGS will form a conclusive opinion derived from a combination of the three ratings. This reflects how consistent the company is with the SIX 1.5°C Climate Equity flag requirements. The final

assessment will be presented on a four-tier scale that reflects our opinion of the company's efforts and plans for transitioning to a low-carbon future.

As a result of the review, a company can be found to align or not align with the requirements. If the latter, SGS will conclude that the company does not align with the requirements, resulting in a negative opinion. SGS will provide detailed documentation explaining the reasons for the negative conclusion.

Conversely, if the company aligns with the requirements, it will be assigned one of three tiers with positive opinions. Each tier corresponds to a different level of maturity in the company's efforts toward contributing to a 1.5°C-aligned future. Each tier is explained in the table below.

Opinion	Score	Definition
Positive	Tier 1: Pioneer	The company has a 1.5°C-aligned, credible climate transition plan based on scientific consensus and can demonstrate a leading-edge governance structure and track record to achieve these targets. More than 75 percent of annual revenues come from 1.5°C-aligned activities, and over 75 percent of the company's annual investments (sum of OPEX and CAPEX) must be deployed into 1.5°C-aligned activities. The company's disclosures in the assessment report are clearly referenced to public disclosures and have been verified by a third party.
	Tier 2: Mature	The company has a 1.5°C-aligned, credible climate transition plan based on scientific consensus and can demonstrate a strong governance structure and track record to achieve these targets. More than 50 percent of annual revenues come from 1.5°C-aligned activities, and over 50 percent of the company's annual investments (sum of OPEX and CAPEX) must be deployed into 1.5°C-aligned activities. The company's disclosures in the assessment report are clearly referenced to public disclosures.
	Tier 3: Emergent	The company has a 1.5°C-aligned, credible climate transition plan based on scientific consensus and can demonstrate a sufficient governance structure and track record to achieve these targets. More than 50 percent of annual revenues come from 1.5°C-aligned activities, and over 50 percent of the company's annual investments (sum of OPEX and CAPEX) must be deployed into 1.5°C-aligned activities. The company's disclosures in the assessment report are complete.
Negative	Tier 4: Not Aligned	The company does not meet at least one of the SIX 1.5°C Climate Equity flag requirements.

Table 1: Tiered Assessment Output

The review is valid for one year. Reassessment will be carried out with the renewal of the Climate Equity flag.

## 3 DISCLAIMER

### **SGS S.A.**

We, SGS S.A. ("SGS"), adopt quantitative and qualitative approaches to analyze and evaluate the process for the external review. We adhere to the highest quality standards customary in responsible research worldwide. In addition, we create an assessment report on the security instruments based on the data from the issuer ("Data").

#### ***The Bases of Our Opinion***

This assessment report provides an independent opinion on the sustainability credentials and requirements of the relevant security, rendered upon the data available to SGS by the issuer. SGS hereby states that we do not test, inspect or verify the accuracy of the Data, or conduct any audits on-site. SGS has no responsibility toward ensuring the Data's accuracy, reliability or validity and, to the fullest extent permitted by laws, disclaims all liability arising from the statements based on the inaccuracy, unreliability and invalidity of the Data made available to us. The issuer shall be fully responsible for ensuring the Data's accuracy, reliability and validity, and issuing it in compliance with the relevant policies, laws and regulations.

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## SIX 1.5°C CLIMATE EQUITY FLAG REVIEW PROCESS

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**SGS Business Assurance**