right°

Ensuring Appropriate Sector Benchmarking

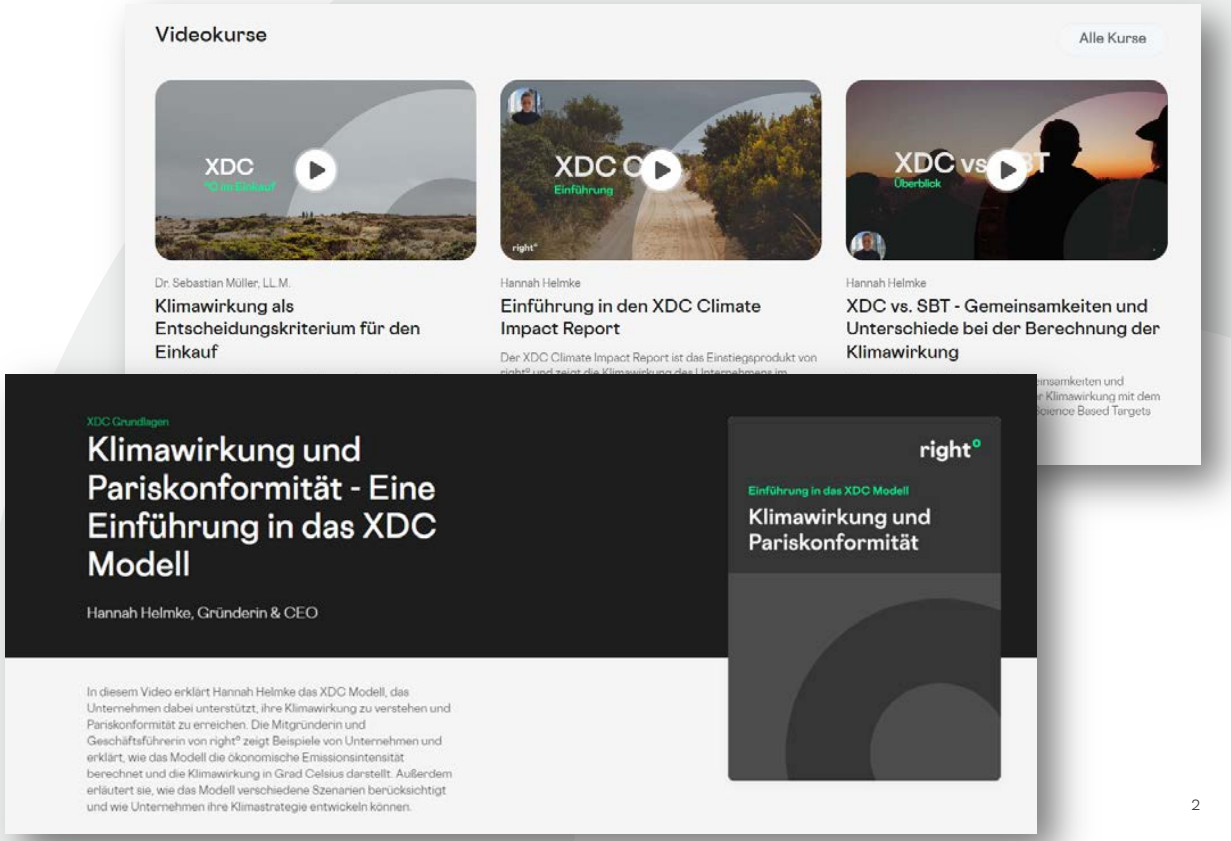
Specialist: Dr. Jacopo Pellegrino (CTO)

Competence Jour Fixe | XDC Direct Access

Relevant Case Resources in the XDC Academy

Your Resources | Client Pain Point | The XDC Solution | Impact

Solving this case can be supported by the following resource in our digital **XDC Academy:**



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The Company

right on target 1.5°C

Right° provides transparency on the climate impact of economic activities - plain & simple in °C. Our software and metrics enable stakeholders from the real economy, finance, and real estate to plot pathways to 1.5°C alignment.

Our pioneering X-Degree Compatibility (XDC) Model creates science-based 'temperature alignment' metrics that correspond directly to the goal of the Paris Agreement. That means, we guide your climate-related decisions with the best, most relevant science and data.

Selected Clients: Real Economy

Selected Clients: Finance

Selected Clients: Real Estate

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right° Presence in the Media

Extraordinary Attention for our Systematic Approach

Business Insider

Calculate the Climate Impact of a Business Model

"It's not about making companies look bad, but (...) calculating how strongly the respective business model influences the climate."

ZDF

Consider Emissions in Relation to Solutions

"The new analysis model looks at CO_2 emissions in relation to possible solutions for the 1.5 degree target."

brand eins

Measure Climate Impact According to the Paris Agreement

"The Frankfurt-based start-up right° enables companies to measure their climate impact according to the logic of the Paris Agreement: in degrees Celsius."

FAZ

Transform Climate Issues into a Competitive Advantage

"If approached correctly, Europe's credibility on climate issues could become a competitive advantage for companies."

Handelsblatt

CO_2 Emissions Shouldn't be the Only Indicator

"The carbon footprint alone (cannot) be a yardstick for assessing sustainability efforts."

Die Zeit

The Sector Must Be Considered in the Climate Impact

"When evaluating the respective climate efforts, it is taken into account that not all sectors are able to reduce emissions to the same extent."

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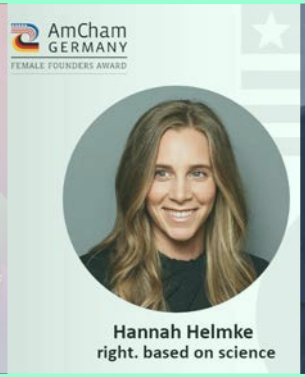
Quellen: Business Insider (2022); ZDF (2023); brand eins (2023); FAZ (2023); Handelsblatt (2021); Die Zeit (2019)

Nominierungen & Preise

Extraordinary Attention for our Systematic Approach

Digital Female Leader 2023 | **Menschen des Jahres 2023** | **Female Founders Award 2023** | **Female Finance Award 2023**



Next Economy Award | Change 2020 | **Portfolio Institutionell | Vordenker Award 2022**

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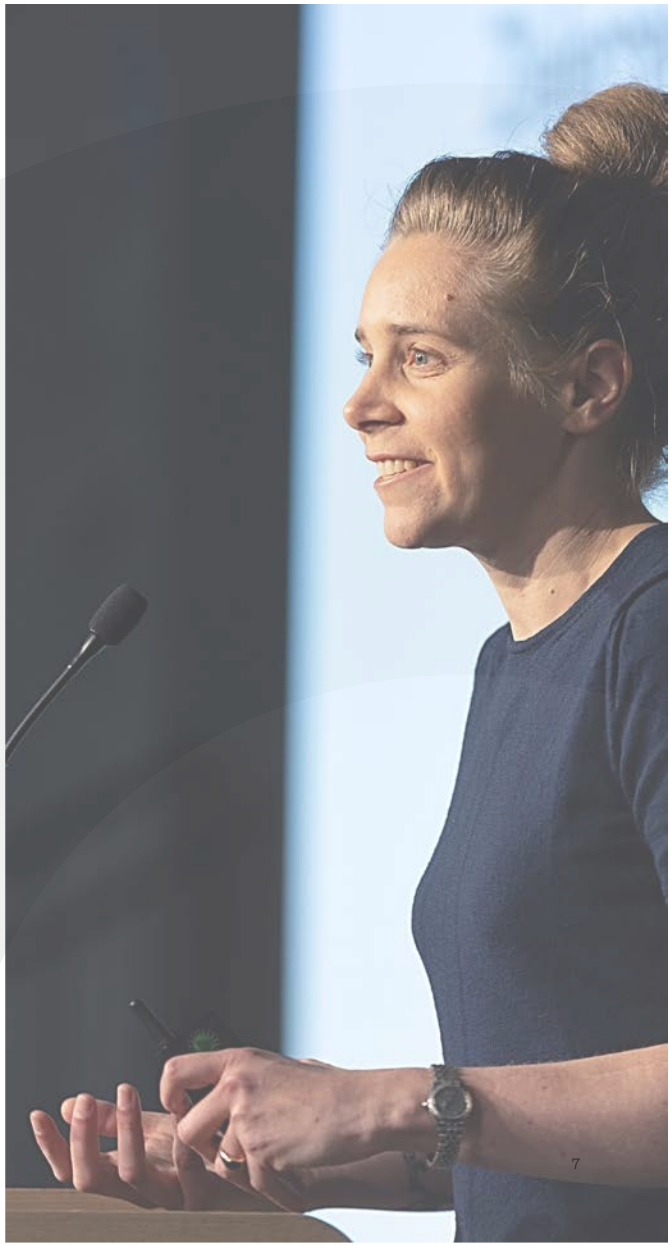
Quellen: Digital Female Leader Award (2020); Deutscher Nachhaltigkeitspreis (2020); Handelsblatt (2022); AmCham Germany (2021); portfolio institutionell Awards (2022); FOCUS MONEY (2023)

Stage Presence

Market Access through Large Stages

SEPT. 2023	Handelsblatt Tagung ESG-Reporting und -Steuerung
	Maschinenraum Momentum
	ZEIT WISSEN Kongress
JUL. 2023	Forum Bellevue zur Transformation der Gesellschaft
JUN. 2023	Deutscher Immobilientag (IVD)
	Konferenz ESG & Holzbau
MÄR. 2023	Süddeutsche Zeitung Nachhaltigkeitskongress
	Fachtagung Digitalisierung (VDW)



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Quelle: DAPB (2023)

XDC Solutions

Our Model and Software

Software Solutions by right°

Your Resources | Client Pain Point | The XDC Solution | Impact

1

XDC Climate Impact Report: Status Quo.

Understand where your customer stands today. Help them grasp the 1.5°C ambition and develop a vision.

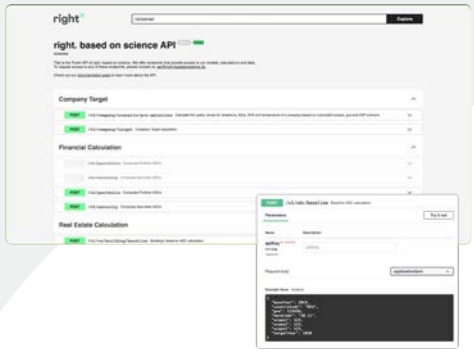
2

XDC Scenario Explorer: Scenario Analysis.

Apply your know-how of the XDC scenario analysis to develop a Paris-compliant strategy for your client.

3

XDC Public API: Integration.



Develop a verifiable controlling model for your client's transition pathway by making complexity manageable.

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The XDC Member Platform enables a completely new collaboration model between right° as an innovative climate tech company and established consulting experts to offer strong solutions.

XDC Direct Access Member Portal (right-basedonscience.de)

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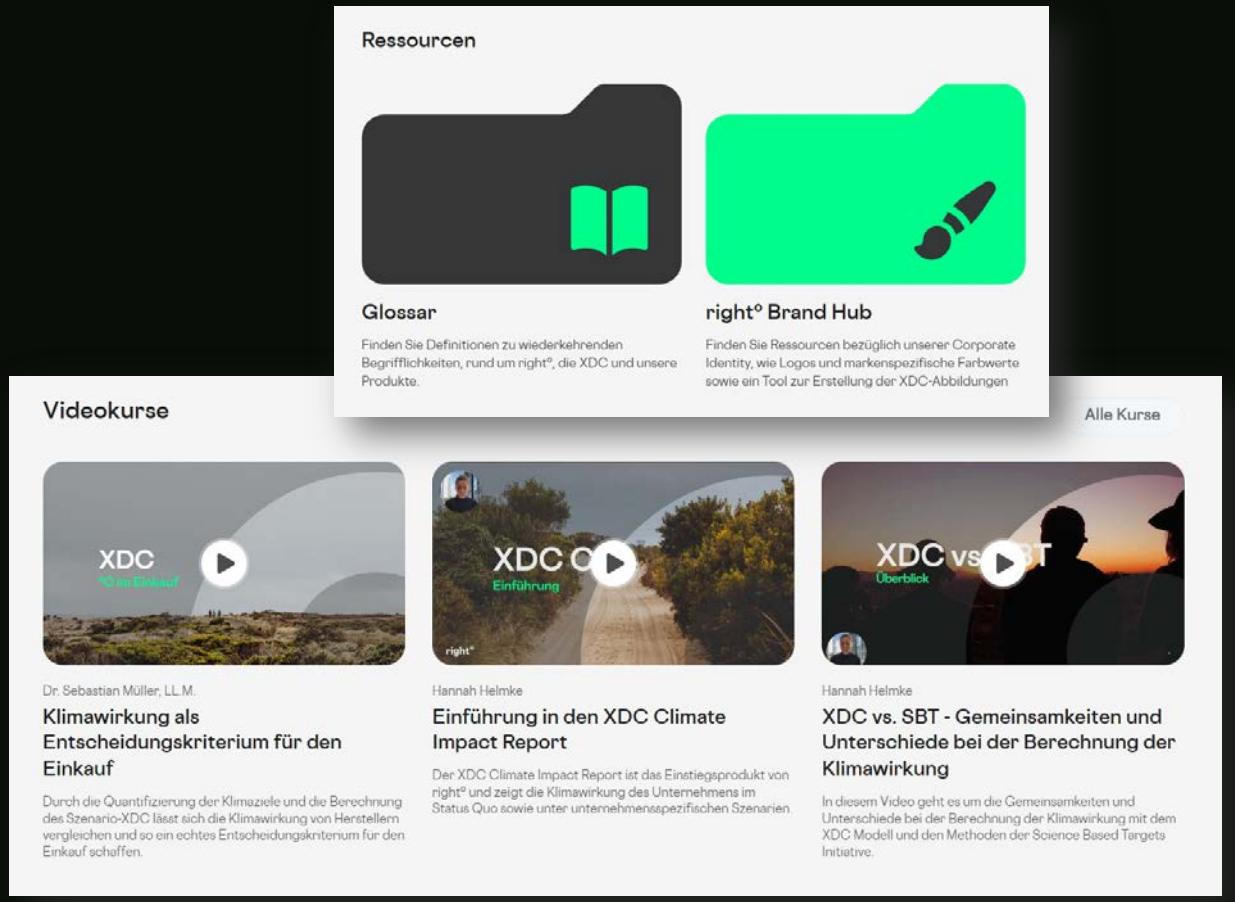
The **XDC Academy** is a Toolbox for XDC users to acquire knowledge and skills about the right° XDC model and learn to tackle climate-related challenges directly.



XDC Academy (right-basedonscience.de)

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right°

Understanding the Client Pain Point

Ensuring Appropriate Sector Benchmarking

Relevance of Competency: Ensuring Fair Benchmarks

Your Resources | Client Pain Point | The XDC Solution | Impact

Client Pain Point

Struggling to operationalize XDC results due to the **lack of fair climate performance benchmarks** .

Relevance	The XDC Solution
Setting climate targets that take company structure and activity into consideration.	**Enabling comparability** against more representative entities in the NACE sector.
Communicating results based on fair benchmarks for evidence of Paris-alignment.	**Facilitating fairer XDC analyses** that reflect multiple sectors.

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Relevance of Competency: Ensuring Fair Benchmarks

Your Resources | Client Pain Point | The XDC Solution | Impact

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Communicating **results based on fair benchmarks** for evidence of Paris-alignment.

The XDC Solution

Enabling comparability against more representative entities in the NACE sector.

Facilitating fairer XDC analyses that reflect multiple sectors.

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Relevance of Competency: Ensuring Fair Benchmarks

Your Resources | Client Pain Point | The XDC Solution | Impact

Client Pain Point	Relevance
Struggling to operationalize XDC results due to the **lack of fair climate performance benchmarks** .	**Setting climate targets that take company structure and activity** into consideration. **Communicating results based on fair benchmarks** for evidence of Paris-alignment.

The XDC Solution

Enabling comparability against more representative entities in the NACE sector.

Facilitating fairer XDC analyses that reflect multiple sectors.

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Case 1: Issue Faced by Niche Companies

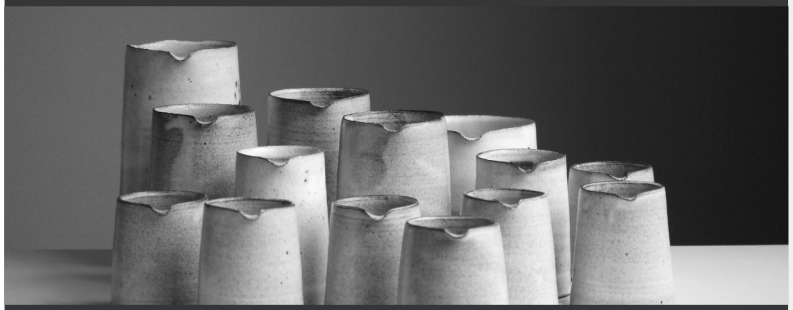
Your Resources | Client Pain Point | The XDC Solution | Impact

Different Companies

NACE C23

Circula Ceramics

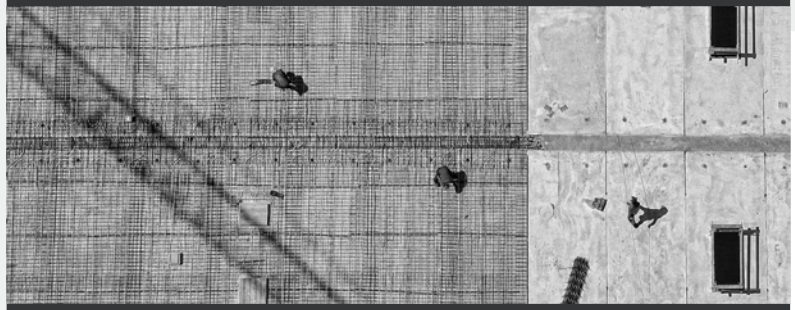
Specialized in household & ornamental products



Sector 23.41 has a lower EEI* profile

Cement Construct

Specialized in concrete building products



Sector 23.61 has a higher EEI* profile

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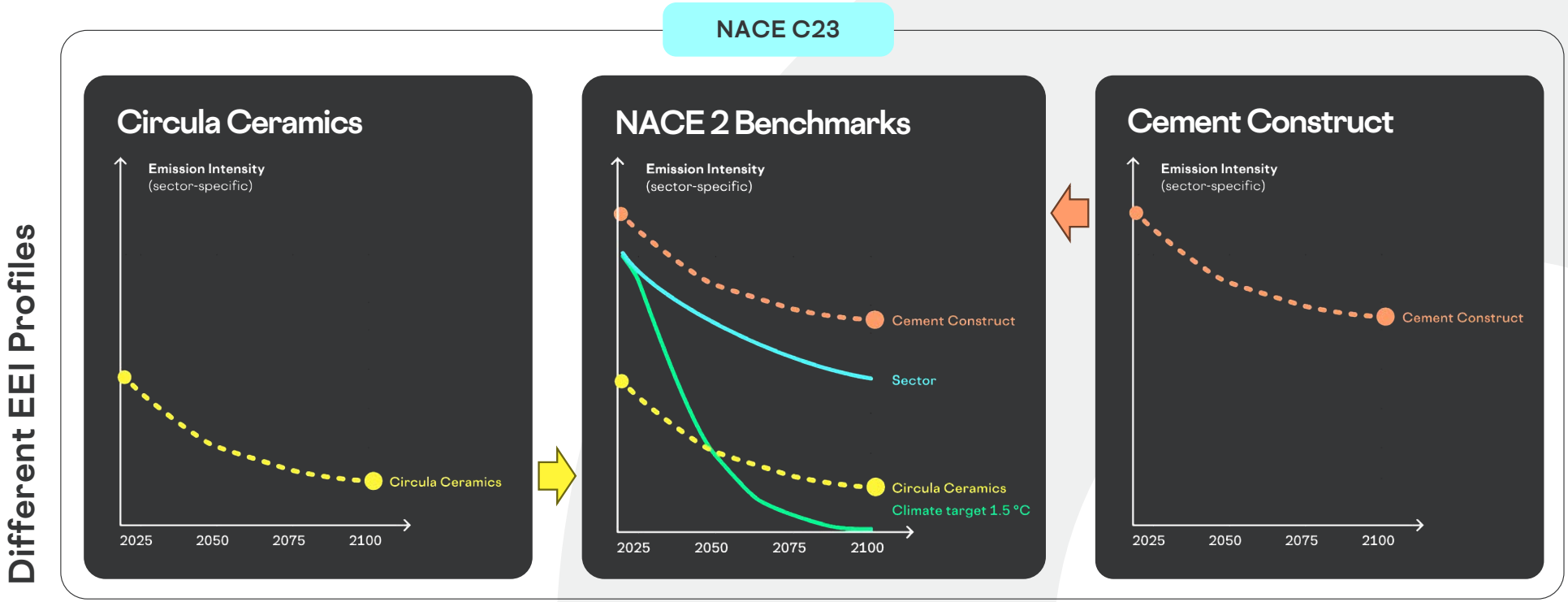
*EEI: Economic Emission Intensity

Case 1: Issue Faced by Niche Companies

Your Resources | Client Pain Point | The XDC Solution | Impact



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*EEI: Economic Emission Intensity

Case 2: Issue Faced by Multi-Sector Companies

Your Resources | Client Pain Point | The XDC Solution | Impact

Different Companies

NACE 07

Cepha (Mining)

Specialized in mining of metal ores

Sector 07 has a higher EEI* profile

NACE 64

Cepha (Finance)

Specialized in financial services activities

Sector 64 has a lower EEI* profile

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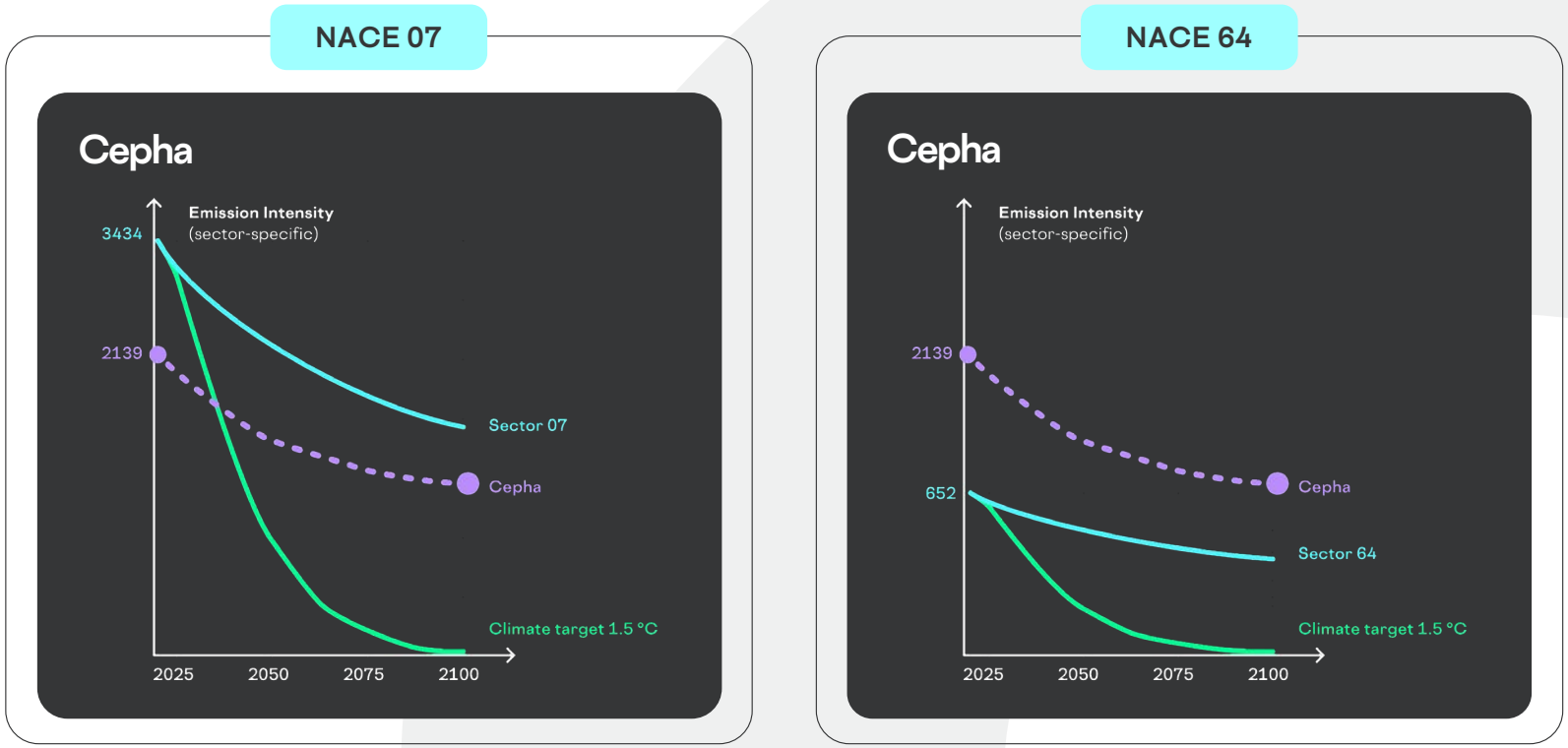
*EEI: Economic Emission Intensity

Case 2: Issue Faced by Multi-Sector Companies

Your Resources | Client Pain Point | The XDC Solution | Impact

Different Departments



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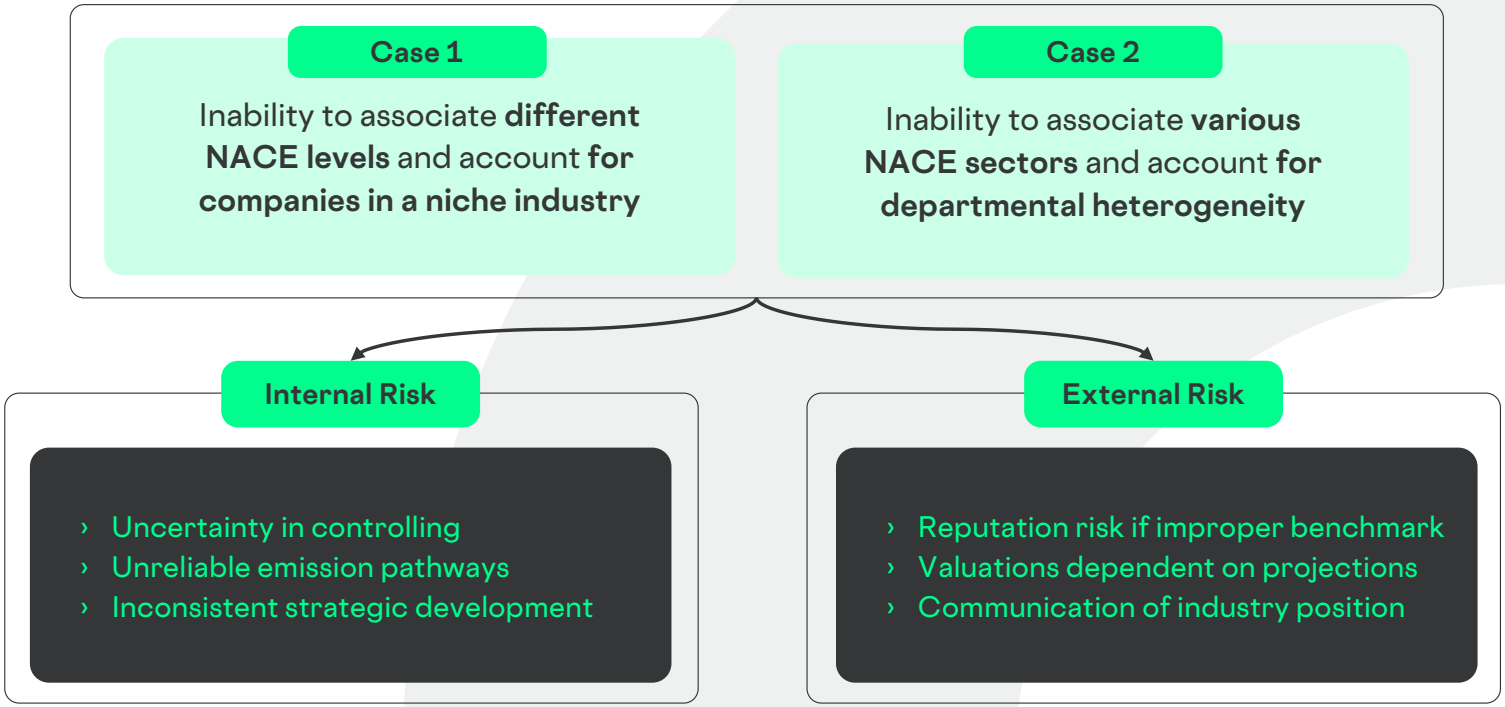
The Corporate Challenge of Appropriate Benchmarking

Your Resources | Client Pain Point | The XDC Solution | Impact



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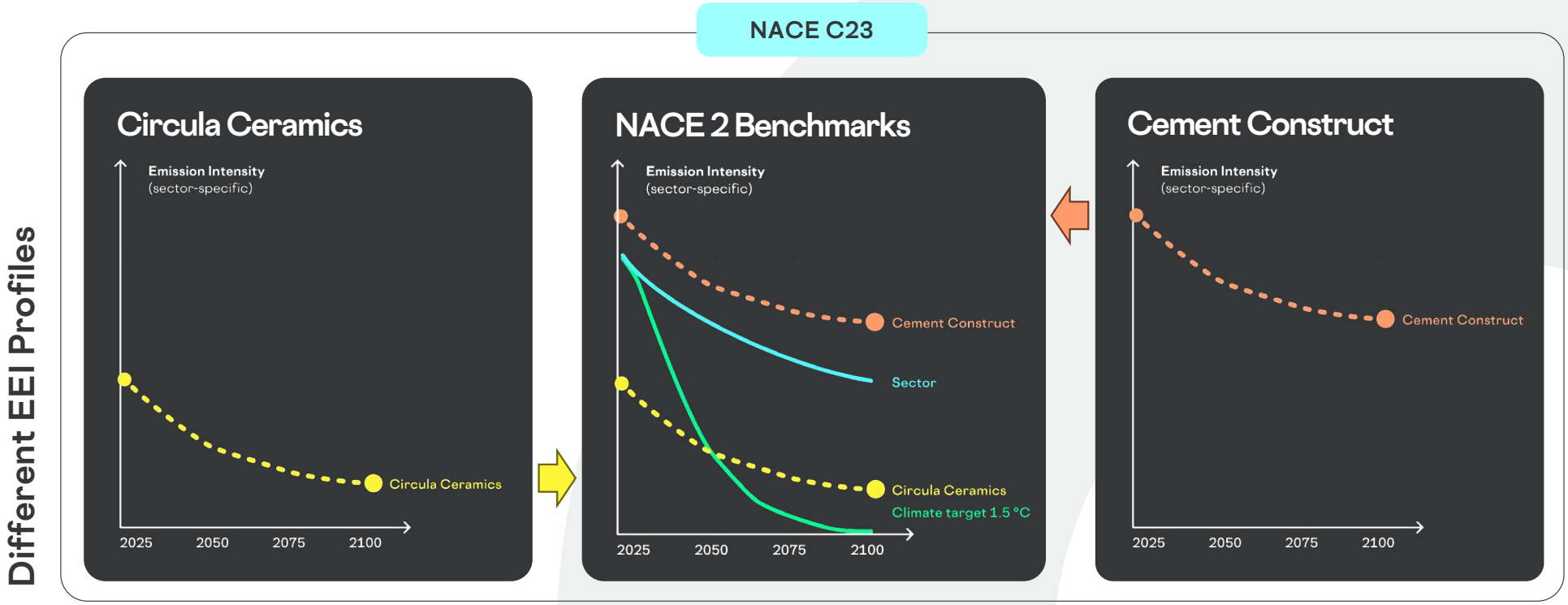
The XDC Solution

Ensuring Appropriate Sector Benchmarking

Case 1: Issue Faced by Niche Companies

Your Resources | Client Pain Point | The XDC Solution | Impact



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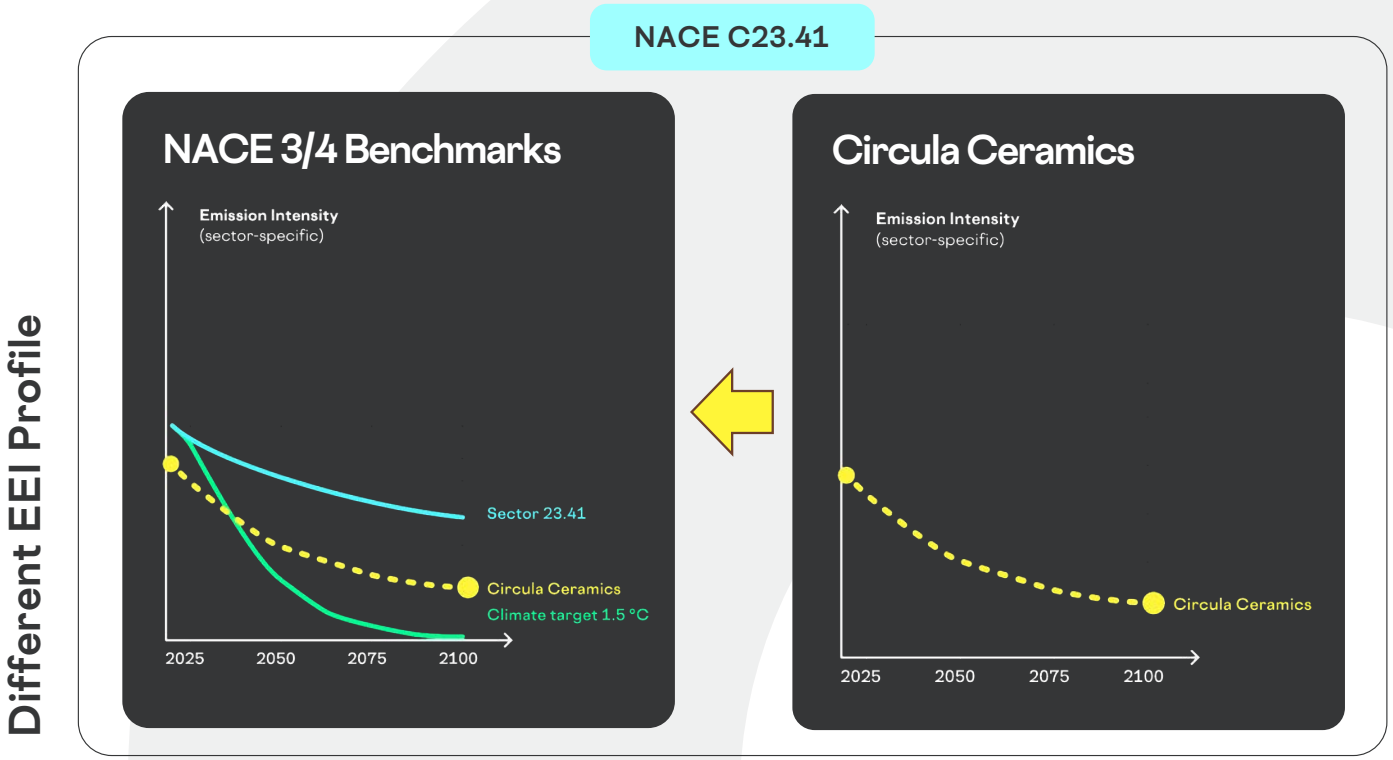
*EEI: Economic Emission Intensity

Case 1: Proper Benchmarking for Circula Ceramics

Your Resources | Client Pain Point | The XDC Solution | Impact

The Solution

Apply niche NACE level (3 / 4) benchmarks for Circula Ceramic's XDC analysis.



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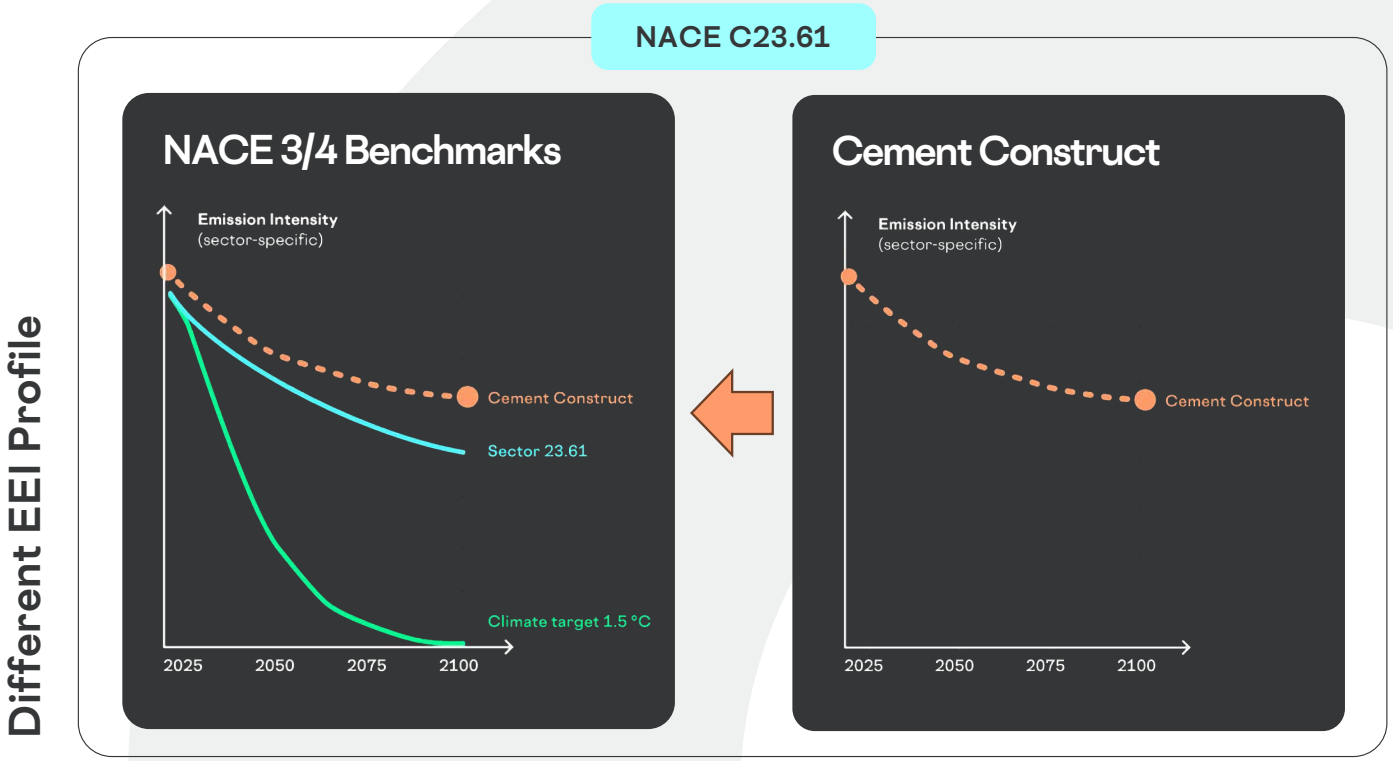
*EEI: Economic Emission Intensity

Case 1: Proper Benchmarking for Cement Construct

Your Resources | Client Pain Point | The XDC Solution | Impact

The Solution

Apply niche NACE level (3 / 4) benchmarks for Cement Construct's XDC analysis.



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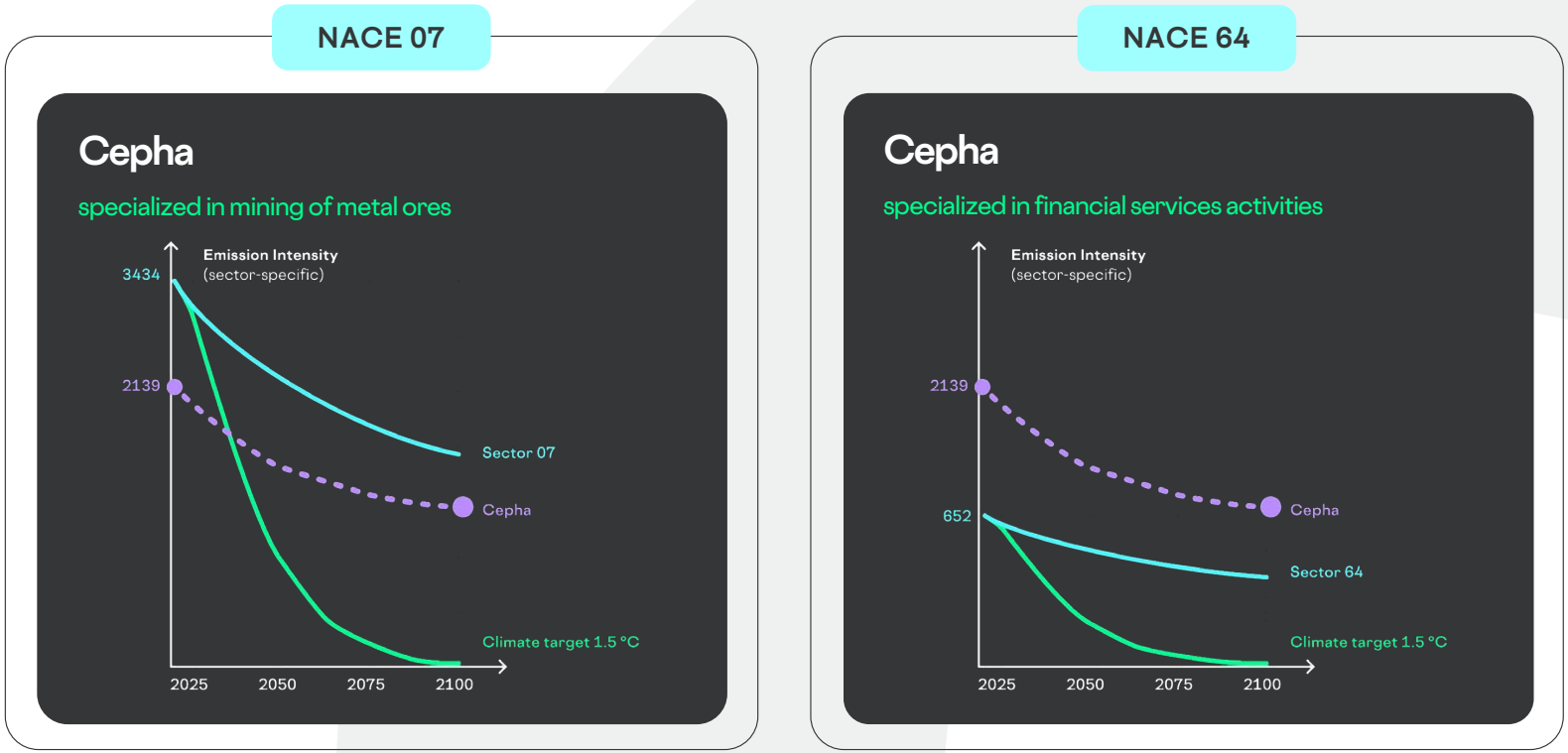
*EEI: Economic Emission Intensity

Case 2: Issue Faced by Multi-Sector Companies

Your Resources | Client Pain Point | The XDC Solution | Impact

Different Departments



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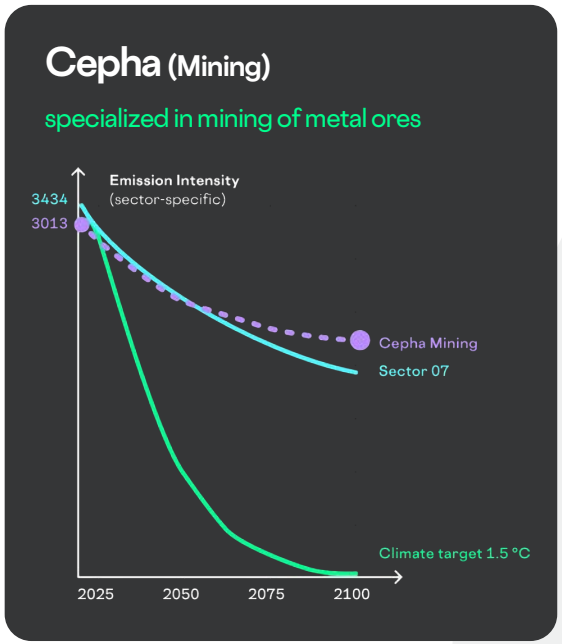
Case 2: Proper Benchmarking for Cepha

Your Resources | Client Pain Point | The XDC Solution | Impact

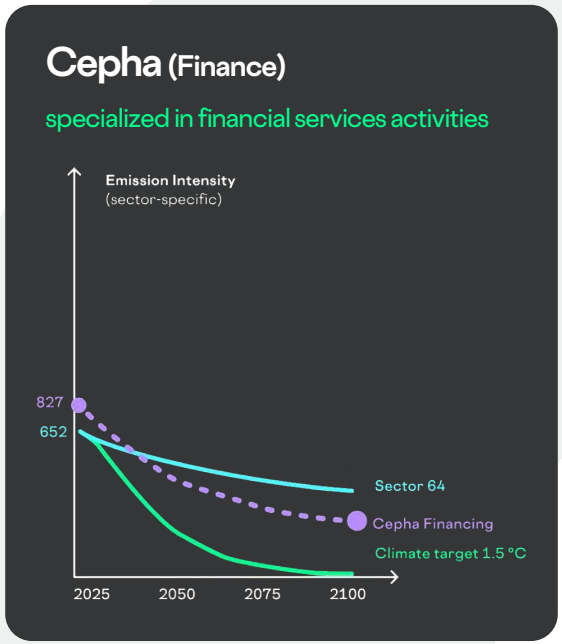
The Solution

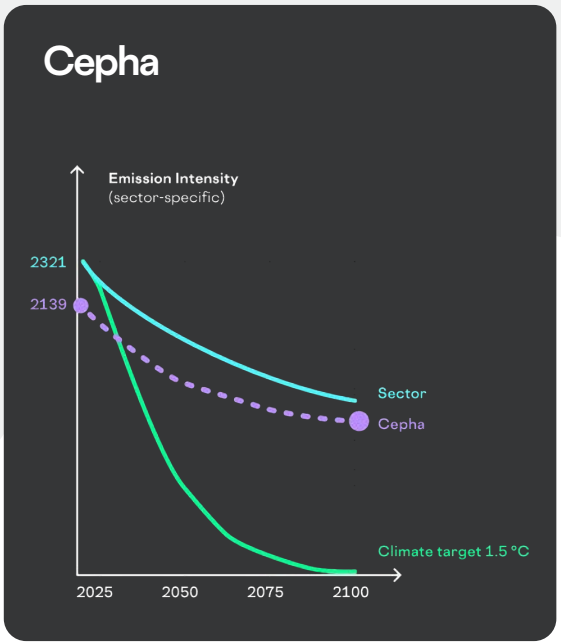
Apply specific NACE sector benchmarks for each department.

NACE 07



NACE 64





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Our Recommended Approach: Finding the Ideal Benchmark

Your Resources | Client Pain Point | The XDC Solution | Impact

Context: You have generated a **Climate Impact Report for your client. The XDC result has made them sceptical**: „the target pathways do not seem attainable, **we need to better understand** them**“.**

1 **Ensure that your client has access** to the API.

2 **Introduce the potential dilemma** to them. Could an incorrect benchmark have been used?

3a **Determine whether there is a more specific NACE code** that the company can be classified in.

- **If this proves to be true, support the client in making use of the new API endpoints**, which offer connections to NACE-Level 3 and 4 codes.

3b **Determine whether the company has multiple sectors** due to heterogenous departments.
In this case, check the client‘s data availability (emissions, GVA) for each department in question.

- **If this proves to be true, support the client in retrieving the corrected XDCs** based on the department-specific input data.

4 **Check API results to determine whether the XDC has changed**. If it has remained the same, the problem is not associated with the selected benchmark and diagnostics should be continued.

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Solving the Pain Point with XDC

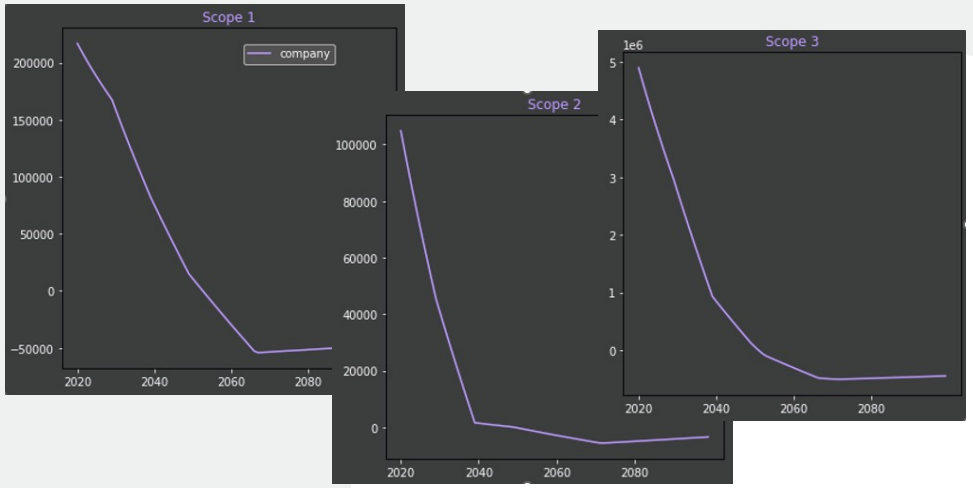
Your Resources | Client Pain Point | The XDC Solution | Impact

Context: You have generated a **Climate Impact Report for your client. The XDC result has made them sceptical**: „the target pathways do not seem attainable, **we need to better understand** them**“.**

Data (collect for CIR) → API (call endpoints) → Visualizations (build emission pathway curves)

Company Data	
Base Year	2021
Country	CAN
GVA (EUR)	268316491
NACE Sector	07
Scope 1 Emissions (tCO_2e)	216855
Scope 2 Emissions (tCO_2e)	104833
Scope 3 Emissions (tCO_2e)	4895158
Target XDC	1.5

```
input_dict = {
        "baseYear": 2021,
        "countryCode": "CAN",
        "provider": "IEA",
        "gva": 268316491,
        "naceCode": "07",
        "scope1": 216855,
        "scope2": 104833,
        "scope3": 4895158,
        "sspCode": "SSP2_RCP60",
        "targetXDC": {
            "scope1": 1.5,
            "scope2": 1.5,
            "totalScope": 1.5
        },
        "targetYear": 2100
    }
```



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Solving the Pain Point with XDC

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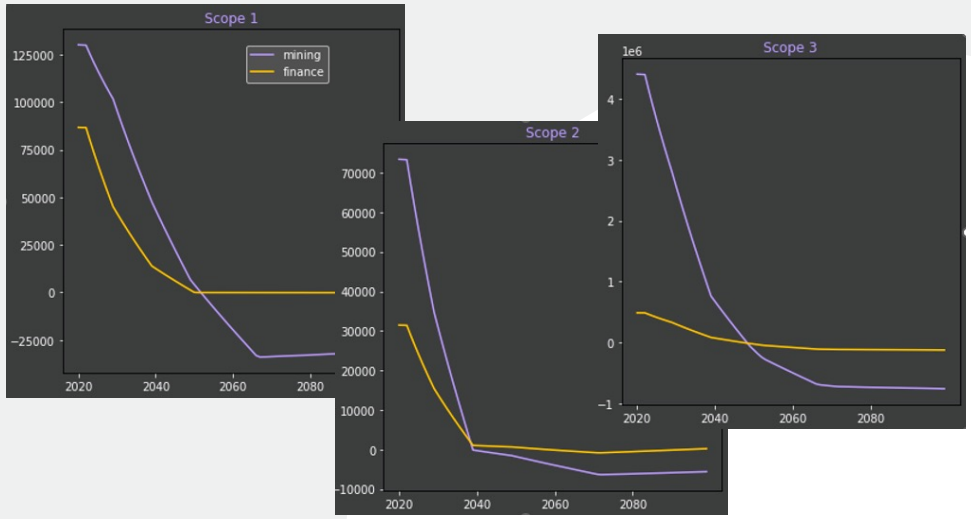
Data (collect for CIR) → API (call endpoints) → Visualizations (build emission pathway curves)

Department Data		
	Mining	Finance
Base Year	2021	
Country	CAN	
GVA (EUR)	160989895	107326596
NACE Sector	07.21	64
Scope 1 Emissions (tCO_2e)	130113	86742
Scope 2 Emissions (tCO_2e)	73383	31450
Scope 3 Emissions (tCO_2e)	4405642	489516
Target XDC	1.5	

```
input_dict = {
    "baseYear": 2021,
    "departments": [
        {
        "countryCode": "CAN",
        "departmentId": "mining",
        "gva": 160989895,
        "naceCode": "07.21",
        "scope1": 130113,
        "scope2": 73383,
        "scope3": 4405642,
        },
        {
        "countryCode": "CAN",
        "departmentId": "finance",
    ],
    "provider": "IEA",
    "reductionStartYear": 2023,
    "sspCode": "SSP2_RCP60",
    "targetXDC": {
        "scope1": 1.5,
        "scope2": 1.5,
        "totalScope": 1.5
    }
}
```



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Takeaways

Ensuring Appropriate Sector Benchmarking

Using the Ideal Benchmark with XDC

Your Resources | Client Pain Point | The XDC Solution | Impact

Pain Point

- Lacking fair climate performance benchmarks.
- Internal difficulties for reliable controlling and strategic planning.
- Risk of external backlash due to misrepresentative impact communication.

Takeaways

- Variations in the sector definition used for benchmarking can lead to different XDC results.
- It is possible for multiple NACE sectors to have the same growth/reduction curves.
- Emission pathways data can provide evidence of appropriate benchmarking.

Best Practice

- Sense-check the NACE sector and level selection to confirm precision of the XDC.
- NACE4 sectors are not yet exhaustively covered by the API, this should be communicated.
- Focus on appropriate benchmarking as a means to set representative climate targets.

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Q&A

to support your understanding

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Contact

Hannah Helmke

h.helmke@right-basedonscience.de
+49 69 979 83452

https://right-basedonscience.de
https://right-basedonscience.de/en/rightontarget

right. based on science GmbH
c/o Spaces

Große Gallusstraße 16-18, 1. OG
60312 Frankfurt am Main
Deutschland

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