TPI Global Climate Transition Centre
Research and Data at LSE

LSE Global School of Sustainability

Management Quality framework: version 6.0 consultation report

September 2026

The TPI Global Climate Transition Centre at LSE

The TPI Global Climate Transition Centre (TPI Centre) is an independent, authoritative source of research and data on the progress of corporate and sovereign entities in transitioning to a low-carbon economy. It is part of the Global School of Sustainability at the London School of Economics and Political Science (LSE). The TPI Centre is the academic partner of the Transition Pathway Initiative (TPI), a global initiative led by asset owners and supported by asset managers, aimed at helping investors and other stakeholders assess company, bank and sovereign preparedness for the transition to a low-carbon economy and supporting efforts to address climate change. Globally, more than 155 investors, representing approximately US$80 trillion[1] combined Assets Under Management and Advice, have pledged support for TPI.

The TPI Centre provides data on publicly listed equities, corporate bond issuers, banks and sovereign bond issuers. The TPI Centre's company data:

- Assess the quality of companies' governance and management of their carbon emissions and of risks and opportunities related to the low-carbon transition
- Evaluate whether companies' current and planned future emissions are aligned with international climate targets and national climate pledges, including those made as part of the Paris Agreement
- Form the basis for the Climate Action 100+ Net Zero Company Benchmark Disclosure Framework assessments
- Are published alongside the methods online. They are public and free to use for non-commercial purposes and available at www.transitionpathwayinitiative.org.

Report authors

This report was written by Valentin Jahn, Jess Moo Young, Jon Ward, Edward Clinton and Simon Dietz. All were staff at the TPI Centre at the time of writing.

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[1] This figure is subject to market-price and foreign-exchange fluctuations and, as the sum of self-reported data by TPI supporters, may double-count some assets.

Contents

Executive Summary

This document describes proposed changes to the TPI Centre's Management Quality (MQ) framework. It accompanies an online consultation survey launched on 24 September 2026 and open until 22 October 2026, which seeks stakeholder feedback on the proposed changes.

The fundamental purpose of the MQ framework is to measure the quality of companies' governance and management of greenhouse gas (GHG) emissions and the risks and opportunities arising from the low-carbon transition. MQ is intended to sit alongside the Centre's assessments of companies' Carbon Performance – a quantitative comparison of companies' current and targeted GHG emissions against international climate goals.

The TPI tool has been assessing companies on MQ since 2017. Methodology version 5.0 (v5.0), published in November 2023, comprises 23 indicators assigned to six levels, from Unaware (Level 0) to Transition Planning and Implementation (Level 5). As of September 2026, nearly 2,000 companies are assessed against the MQ framework, with a significant planned coverage expansion later in 2026.

To ensure the MQ framework continues to meet users' needs, it is subject to periodic review and revision, as are all the TPI Centre's frameworks, which are transparent and publicly available on the TPI Centre's website. Three years on from the launch of the MQ framework v5.0, we have completed such a review and identified a targeted set of enhancements. Our proposals for version 6.0 (v6.0) are intended to achieve four goals:

1. **Better differentiate between companies at an intermediate stage in the transition, while maintaining the integrity of the established lower levels of the framework.** More than half of companies are currently concentrated on Level 3, limiting users' ability to distinguish between them. We therefore propose to split the current Level 3 into two levels, principally by reallocating existing indicators. This creates a new Level 3, 'Accountability and oversight', while the modified Level 4 retains the title 'Integrating into operational decision-making'. Levels 0-2 remain substantially unchanged, preserving their role in capturing early-stage climate management and supporting established investor use cases.
2. **Remove indicators that have become redundant over time.** Indicator 4 assesses whether a company has set GHG emissions reduction targets, quantified or unquantified, while Indicator 7 assesses whether it has set quantitative targets. As company practice has evolved, almost all disclosed targets are now quantitative, and the two indicators have become effectively indistinguishable. We therefore propose to replace Indicator 4 with Indicator 7 on Level 2.
3. **Keep pace with evolving disclosure standards, in line with the MQ framework's design philosophy.** We propose to introduce a new Level 4 indicator assessing whether companies disclose assets or business activities vulnerable to transition risk. This extends the framework's coverage of an area reflected in the International Sustainability Standards Board's (ISSB) IFRS S1 and S2 standards but not currently captured by MQ.
4. **Refine and update existing indicators where appropriate and necessary.** As company practice and disclosure evolve, scoring rules may need adjustment to continue capturing meaningful differences between companies. We therefore propose to revise the scoring condition for Indicator 10, which assesses companies' support for domestic and international efforts to mitigate climate change, and to expand the sectoral applicability of Indicator 12, which assesses disclosure of material Scope 3 emissions.

The proposed v6.0 framework is set out in **Table ES.1.** For the purposes of this consultation report, indicators are identified according to the numbers assigned in v5.0.

Table ES.1. Proposed version 6.0 framework

For the purposes of this consultation report, indicators are identified according to the numbers assigned in v5.0. The numbering to be adopted in the published v6.0 methodology is found in ***Appendix 1.***

Unless otherwise specified, levels are identified according to the numbers proposed in v6.0.

Proposed v6.0 levels	Indicators
0 – Unaware of (or not Acknowledging) Climate Change as a Business Issue	MQ 1. Acknowledge climate change
1 – Acknowledging Climate Change as a Business Issue	MQ 2. Recognise climate change risk MQ 3. Climate policy or commitment
2 – Building Capacity	**MQ 7. Quantitative targets to reduce GHG emissions** MQ 5. Publish Scope 1 & 2 GHG emissions
3 – Accountability and Oversight	MQ 6. Board responsibility for climate MQ 8. Report on Scope 3 emissions **MQ 10. Climate policy engagement** MQ 11. Process to manage climate risks
4 – Integrating into Operational Decision-Making	MQ 9. Verified Scope 1 & 2 emissions **MQ 12. At least one material Scope 3 category** MQ 13. Long-term quantitative targets **[NEW] Financial exposure to transition risk**
5 – Strategic Assessment	MQ 14. Executive remuneration incorporates climate MQ 15. Climate risks/opportunities in strategy MQ 16. Climate scenario planning MQ 17. Internal price of carbon MQ 18. Actions planned to meet targets
6 – Transition Planning and Implementation	MQ 19. Quantify emissions reduction strategy MQ 20. Role of offsets/NETs clarified MQ 21. Commit to phase out brown capex MQ 22. Align future capex with decarbonisation goals MQ 23. Consistency between own and trade associations' climate policy

We tested v6.0 using preliminary disclosure data for approximately 10,000 companies expected to comprise the expanded TPI universe. The analysis compares the distribution of companies across MQ levels under v5.0 and v6.0 and tests whether the revised staircase continues to exhibit increasing difficulty across successive levels. The results show that the proposed restructuring produces a more even distribution through the middle of the staircase (**Figure ES.1**) while preserving increasing stringency from lower to higher levels (**Figure ES.2**).

We also tested the main indicator-level changes. Replacing Indicator 4 with Indicator 7 has very little effect on companies' scores, consistent with the two indicators now capturing almost the same information. The proposed new transition risk indicator scores at 58.9%, supporting its placement on Level 4. The revised Scope 3 indicator (MQ 12) applies across the full sector universe, with 42.9% of companies scoring 'Yes', while 45.0% score on the revised Indicator 10, which covers climate policy engagement.

To enable orderly adoption of v6.0 by current users, we will launch the new framework in a Beta version for approximately 10,000 companies on the TPI Centre website. v5.0 scores for roughly 2,000 companies assessed against MQ since 2024 will be published alongside the Beta v6.0 scores.

This consultation report asks for stakeholder feedback (including by investors, companies and policymakers) on the proposed changes above. **To share your responses, please submit the online consultation survey by 22 October 2026 at 23:59 UTC+1 (London).**

Figure ES.1. Level distributions under versions 5.0 (current) and 6.0 (proposed) of the Management Quality methodology

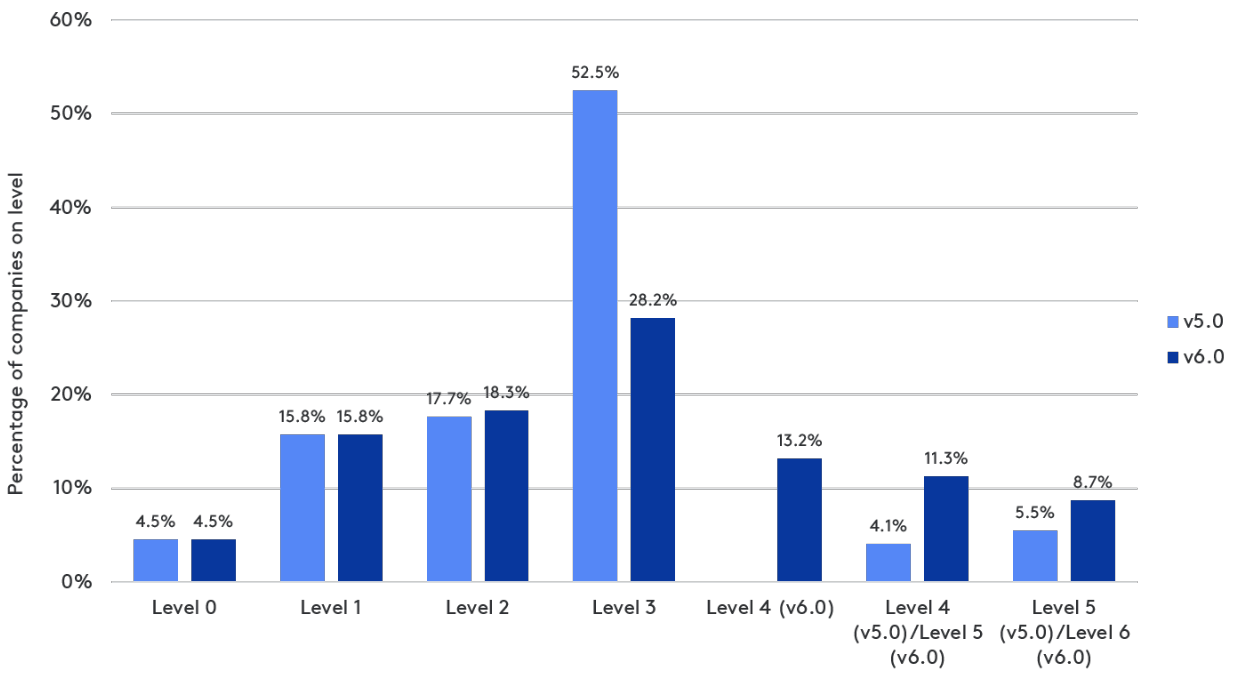
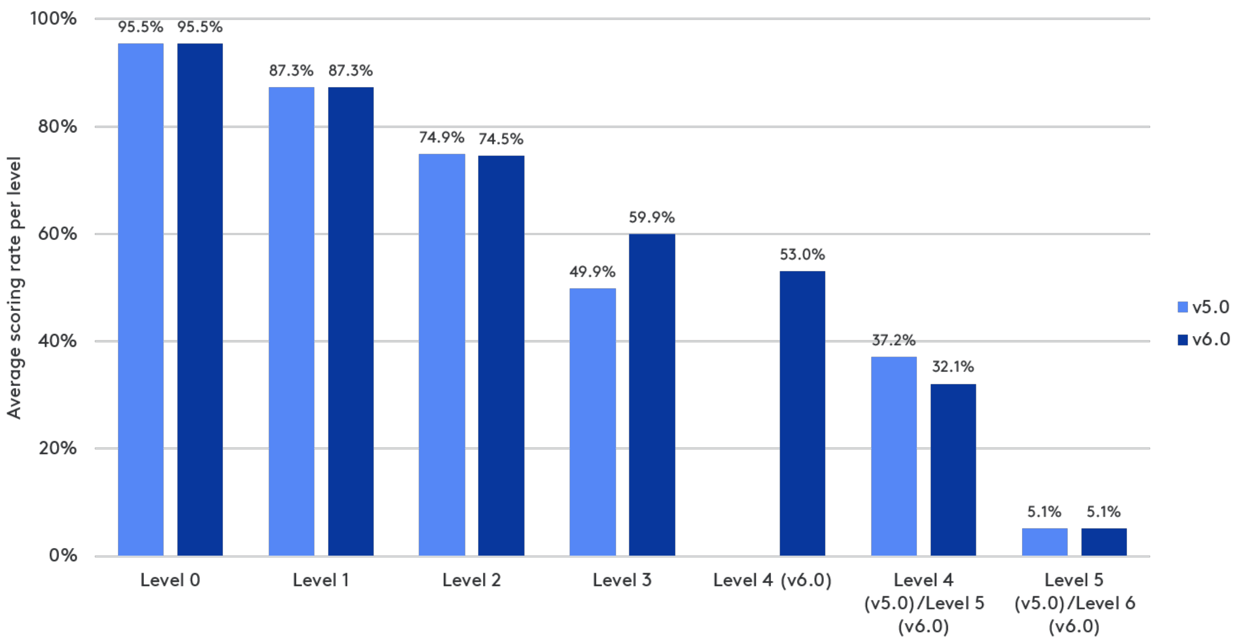


Figure ES.2. Average percentage of 'Yes' scores by level under versions 5.0 and 6.0



1. Introduction

This section provides a brief overview of the Management Quality (MQ) framework and the rationale for the proposed update to version 6.0.

The Management Quality (MQ) framework

TPI's MQ framework evaluates and tracks the steps that companies have taken to manage and govern their GHG emissions and the business risks and opportunities related to the low-carbon transition.

The current framework, version 5.0, comprises a set of 23 indicators, each of which corresponds to a discrete, observable carbon management practice implemented by a firm, for example, whether it has set emissions reduction targets, disclosed emissions data, assigned board-level responsibility for climate issues, or factored decarbonisation into capital allocation.

To organise these practices and provide an interpretable summary metric, the MQ framework maps firms onto an ordered 'staircase' of six MQ levels (**Figure 1.1**), ranging from Level 0 (Unaware of (or not Acknowledging) Climate Change as a Business Issue) to Level 5 (Transition Planning and Implementation). Progression up the staircase requires firms to satisfy all indicators on a given level before advancing to the next.[2]

The levels are designed to reflect a stylised sequence in the development of corporate climate management: awareness, capacity building, integration into operational decision-making, strategic assessment, and ultimately the formulation and implementation of detailed transition plans. Within this structure, the allocation of practices to levels has also been informed by the empirical distribution of firm performance, such that practices on higher levels are generally more demanding in the sense of being less frequently observed.

Approximately 2,000 companies are currently assessed on MQ v5.0, but we plan to significantly increase the assessed universe later this year. This universe expansion will include more companies with small market capitalisation and more companies in emerging markets.

Figure 1.1. The current Management Quality staircase (version 5.0)

[2] If a company does not acknowledge climate change as a significant issue for the business, it is placed on Level 0.

Rationale for updating the Management Quality framework to version 6.0

The TPI Centre reviews its methodologies periodically and initiates a consultation when material changes are proposed. This ensures that changes affecting how entities are assessed are subject to stakeholder input, and that methodologies remain robust and relevant. Each methodology update is clearly versioned, so that users, assessed entities and other stakeholders can identify which version applies at any point in time. There are four key reasons why we are proposing the updated MQ framework version 6.0:

1. To better differentiate between companies at an intermediate stage in the transition, while leaving intact the established lower levels of the framework. In the December 2025 MQ scores, more than half of companies were on Level 3. This can partially be explained by the number of indicators companies need to satisfy to move on to the next level; in v5.0, Level 3 contains seven indicators, the most of any level in the framework. Level 3 indicators also span a range of topics, from governance to emissions reporting and risk management. Due to the quantity and diversity of indicators on Level 3, companies that are just beginning to establish governance systems are grouped with those that are further on in integrating climate into their operations. Any changes to the structure of the framework must, however, maintain the integrity of the lower levels. Levels 0 to 2 capture the management practices that companies adopt first, such as setting a policy commitment to act on climate and reporting on operational greenhouse gas (GHG) emissions. These levels have remained unchanged through successive iterations of the methodology because of their continued effectiveness in capturing early-stage climate management. Key investor use cases such as negative screening are anchored on them.

2. To remove indicators that have become redundant over time. Each indicator should add information the others do not, and where two have converged into functionally indistinguishable measures, only one should be retained. On Level 2, Indicator 4 asks whether a company has set GHG emissions reduction targets, quantified or unquantified. Indicator 7 goes on to ask whether it has set quantitative targets specifically. When the framework was created, these captured distinct levels of ambition. Fast forward to today, almost all disclosed targets are quantitative, evidenced by the fact that the two indicators returned virtually identical scoring rates in the December 2025 publication.

3. To keep pace with evolving disclosure standards, such as the International Sustainability Standards Board (ISSB), in line with our MQ design philosophy. Since the Task Force on Climate-related Financial Disclosures was disbanded in 2023, IFRS S1 and S2,[3] issued by the ISSB, have become the reference point for corporate sustainability reporting and are being adopted or referenced by regulators in a growing number of jurisdictions. Most of their requirements are already covered by the MQ framework. However, their requirement that companies disclose the current and anticipated effects of sustainability-related risks and opportunities on financial performance, financial position and cash flows is not yet covered.

4. To ensure indicators measure what they are intended to measure and adjust underlying scoring rules where appropriate. An indicator's purpose is to discriminate between companies in ways that reflect real and meaningful differences in MQ. That alignment can weaken over time, as disclosure practices evolve, the assessed universe changes, and our own judgement of what constitutes a meaningful distinction develops. This is a natural learning process, but it can leave an indicator testing something narrower, broader or less discriminating than intended. Two indicators show the effect. Indicator 12 assesses disclosure of materially important Scope 3 emissions but applies to only eight of the more than 60 sectors assessed against MQ, in many of which there are material Scope 3 emissions. Indicator 10 asks whether a company supports domestic and international efforts to mitigate climate change and requires both membership of supportive business associations and a clear company position on climate-related public policy and regulation. However, arguably each is an independently meaningful signal of support.

[3] IFRS: International Financial Reporting Standards. S: Sustainability.

2. Proposal

This section presents key elements of the proposed Management Quality methodology version 6.0.

In summary, the proposal features the following changes:

1. Split v5.0's Level 3 into two levels;
2. Introduce a new indicator that assesses companies' financial exposure to transition risk;
3. Replace Indicator 4 with Indicator 7 on Level 2;
4. Expand the Scope 3 applicability of Indicator 12;
5. Revise the scoring condition for Indicator 10.

In the following, for ease of comparison, indicators are identified according to the numbers assigned to them in v5.0. Conversely, unless otherwise specified, levels are identified according to the numbers proposed in v6.0. The proposed v6.0 framework is presented in full in **Appendix 1.**

Split v5.0's Level 3 into two levels

To address the issue of companies concentrating on Level 3, we propose to split Level 3 into two levels, mainly by reallocating indicators (**Table 2.1**). The reallocation of indicators is informed by two key considerations. First, we consider what type of carbon management practice each indicator represents (e.g., governance versus strategy), and consequently how they should be grouped together thematically in line with the conceptual progression from capacity building to integration into operational decision-making and strategic assessment. Second, we look empirically at how companies perform on the indicators. We explicitly aim to ensure that the average percentage of 'Yes' scores on each level decreases across the staircase, so that the staircase represents increasing stringency from bottom to top.[4]

Table 2.1. Proposed v6.0 Levels 3 and 4, reallocated from v5.0's Level 3

<table>
<tr><th>v5.0 Levels</th><th>Indicators</th><th>v6.0 Levels</th><th>Indicators</th></tr>
<tr><td rowspan="2">3 – Integrating into operational</td><td rowspan="2">MQ 6. Board responsibility for climate
MQ 7. Quantitative targets to reduce GHG emissions
MQ 8. Report on Scope 3 emissions
MQ 9. Verified Scope 1 & 2 emissions
MQ 10. Climate policy engagement
MQ 11. Process to manage climate risks
MQ 12. Material Scope 3 emissions</td><td>3 – Accountability and oversight</td><td>MQ 6. Board responsibility for climate
MQ 8. Report on Scope 3 emissions
MQ 10. Climate policy engagement *
MQ 11. Process to manage climate risks</td></tr>
<tr><td>4 – Integrating into operational decision-making</td><td>MQ 9. Verified Scope 1 & 2 emissions
MQ 12. At least one material Scope 3 category *
MQ 13. Long-term quantitative targets **</td></tr>
</table>

[4] By enforcing this criterion on the average of indicators on each level, rather than on every indicator, we allow some variation in the percentage of 'Yes' scores within a level so that the framework is not strictly ordered by percentage of 'Yes' scores.

			[NEW] Financial exposure to transition risk

* Proposed modifications to indicator, outlined below.

** In v5.0, Indicator 13 is located on Level 4.

In v6.0, Level 3 is comprised of existing indicators that together assess whether a company has established a governance architecture for climate change. Level 4 builds on this by assessing the rigour and reach of what good governance supports: verified emissions data, material Scope 3 reporting, long-term quantitative targets and disclosure of financial exposure to transition risk. Level 4 is populated by two indicators moved up from v5.0's Level 3 (MQ 9 and MQ 12), one moved down from v5.0's Level 4 (MQ 13) and one new indicator that assesses companies' disclosure of their financial exposure to transition risk (see below).

A new MQ indicator

We propose to include a new indicator that assesses whether a company discloses details about its financial exposure to transition risk (**Table 2.2**).

Table 2.2. Proposed new indicator and scoring guidance

Indicator	Question
[NEW]	Does the company disclose assets or business activities vulnerable to transition risk? Companies are assessed as 'Yes' if they disclose specific assets or business activities that are vulnerable to transition risk, and address the financial impact on those assets or activities.

Placed on Level 4, this indicator captures an important element of how transition risk has been integrated in companies' financial reporting and business operations. Transition risks can include regulatory changes, market shifts, technological advancements, and reputational impacts related to the transition to a lower-carbon economy. Investors can use this indicator to understand whether a company has analysed these risks and their potential impact on financial performance and operational strategy.

The new indicator aligns with the ISSB's IFRS S1 and S2 disclosure requirements related to the current and anticipated effects of sustainability-related risks and opportunities on a company's financial performance, financial position, and cash flows. The addition of the indicator therefore expands the MQ framework's coverage of financial risk, so that it reflects the latest disclosure standards.

Replace Indicator 4 with Indicator 7

On Level 2, we propose to remove Indicator 4 (MQ 4) and replace it with Indicator 7 (MQ 7). The indicator wording and scoring guidance for MQ 7 will remain unchanged from v5.0 (**Table 2.3**).

Both indicators capture GHG targets, with MQ 7, which requires a quantitative target to reduce emissions, originally intended to be the more ambitious counterpart of MQ 4, which asks whether a company has set a target, quantified or unquantified. However, as disclosure practice has evolved resulting in virtually all targets being quantitative, these indicators have become duplicative. In the December 2025 MQ scores update, the scoring rate of both indicators was nearly identical, with 85% of companies scoring 'Yes'.

The proposed replacement reduces redundancy without altering the purpose of Level 2, which focuses on basic target-setting and emissions disclosure.

Table 2.3. Scoring guidance for Indicators 4 and 7

Indicator	Question
MQ 4. (to be replaced by MQ 7)	Has the company set greenhouse gas emission reduction targets? Companies are assessed as 'Yes' if they have greenhouse gas emissions reduction targets. These targets may cover Scopes 1, 2 and/or 3, and they may be quantified or unquantified.
MQ 7.	Has the company set quantitative targets for reducing its greenhouse gas emissions? Companies are assessed as 'Yes' if they have set quantified targets to reduce greenhouse emissions in relative or absolute terms (Scopes 1, 2 and/or 3).

Expand the sectors and Scope 3 categories assessed by Indicator 12

We propose to expand the current Scope 3 applicability of Indicator 12 (MQ 12) to new sectors and to update the Scope 3 categories applied.

MQ 12 assesses disclosure of materially important Scope 3 emissions by sector. Currently, the indicator is only applicable to eight of more than 60 sectors covered by the MQ framework, leaving over 75% of companies unassessed on this indicator despite in many cases having material Scope 3 emissions. For this reason, the framework must be adapted to reflect the Scope 3 categories that are material to the sectors assessed.

The proposed Scope 3 applicability rules are based on the GHG emissions estimation model developed by LSEG, TPI's data partner. The model assigns up to two material categories per sector according to the Industry Classification Benchmark (ICB), with which TPI's 'Industry' and 'Sector' classifications already closely align. Companies score 'Yes' on MQ 12 if they disclose at least one of the categories deemed most material for their sector (**Table 2.4**). The proposed sector Scope 3 applicability is detailed in **Table 2.5**.

Table 2.4. Proposed scoring guidance for Indicator 12

Indicator	Question
MQ 12.	Does the company disclose at least one materially important Scope 3 emissions category? Companies are assessed as 'Yes' if they disclose emissions for at least one of the Scope 3 categories deemed material for their sector.

Table 2.5. Proposed Scope 3 applicability by sector

TPI Industry	TPI Sector	Scope 3 applicability									
		Cat. 1	Cat. 2	Cat. 3	Cat. 4	Cat. 10	Cat. 11	Cat. 12	Cat. 13	Cat. 14	Cat. 15
Basic Materials	Aluminium										
	Chemicals										
	Copper										
	Diversified Mining										

TPI Industry	TPI Sector	Scope 3 applicability									
		Cat. 1	Cat. 2	Cat. 3	Cat. 4	Cat. 10	Cat. 11	Cat. 12	Cat. 13	Cat. 14	Cat. 15
Basic Materials (continued)	Industrial Materials										
	Metal Fabricating										
	Nonferrous Metals										
	Paper										
	Precious Metals and Mining										
	Steel										
Consumer Discretionary	Airlines										
	Auto Services and Parts										
	Autos										
	Consumer Services										
	Household Goods and Home Construction										
	Leisure Goods										
	Media										
	Personal Goods										
	Retailers										
	Travel and Leisure										
Consumer Staples	Beverages										
	Food Producers										
	Personal Care, Drug and Grocery Stores										
	Tobacco										
Energy	Alternative Fuels										
	Coal Mining										
	Electricity Utilities										
	Offshore Drilling and Other Services										
	Oil & Gas										
	Oil & Gas Distribution										
	Oil Equipment and Services										
	Oil Refining and Marketing										
	Renewable Energy Equipment										
Financials	Banks										
	Closed End investments										
	Finance and Credit Services										
	Insurance										
	Investment Banking and Brokerage Services										

TPI Industry	TPI Sector	Scope 3 applicability									
		Cat. 1	Cat. 2	Cat. 3	Cat. 4	Cat. 10	Cat. 11	Cat. 12	Cat. 13	Cat. 14	Cat. 15
Financials (continued)	Mortgage Real Estate Investment Trusts										■
	Open End and Miscellaneous Investment Vehicles										■
Health Care	Health Care Providers	■									
	Medical Equipment and Services	■					■				
	Pharmaceuticals and Biotechnology	■									
Industrials	Aerospace and Defense	■					■				
	Cement	■					■				
	Commercial Vehicles and Parts						■				
	Construction and Materials	■					■				
	Electronic and Electrical Equipment	■					■				
	General Industrials	■					■				
	Industrial Engineering						■				
	Industrial Support Services	■									
	Industrial Transportation						■				
	Shipping						■				
Real Estate	Real Estate Investment and Services Development						■		■		
	Real Estate Investment Trusts		■						■		
Technology	Software & Computer Services	■					■				
	Technology Hardware & Equipment	■					■				
Telecommunications	Telecommunications Equipment						■				
	Telecommunications Service Providers	■	■								
Utilities	Multi-Utilities						■				
	Waste & Disposal Services	■			■						

Revise the scoring condition for Indicator 10

We propose to revise the scoring condition for Indicator 10 (MQ 10), which assesses companies' support for domestic and international efforts to mitigate climate change.

Under v5.0, companies scored on this indicator if they demonstrated support through (i) membership of supportive business associations AND (ii) by having a clear company position on climate-related public policy and regulation. In v6.0, companies score 'Yes' if they meet either of these two conditions (**Table 2.6**).

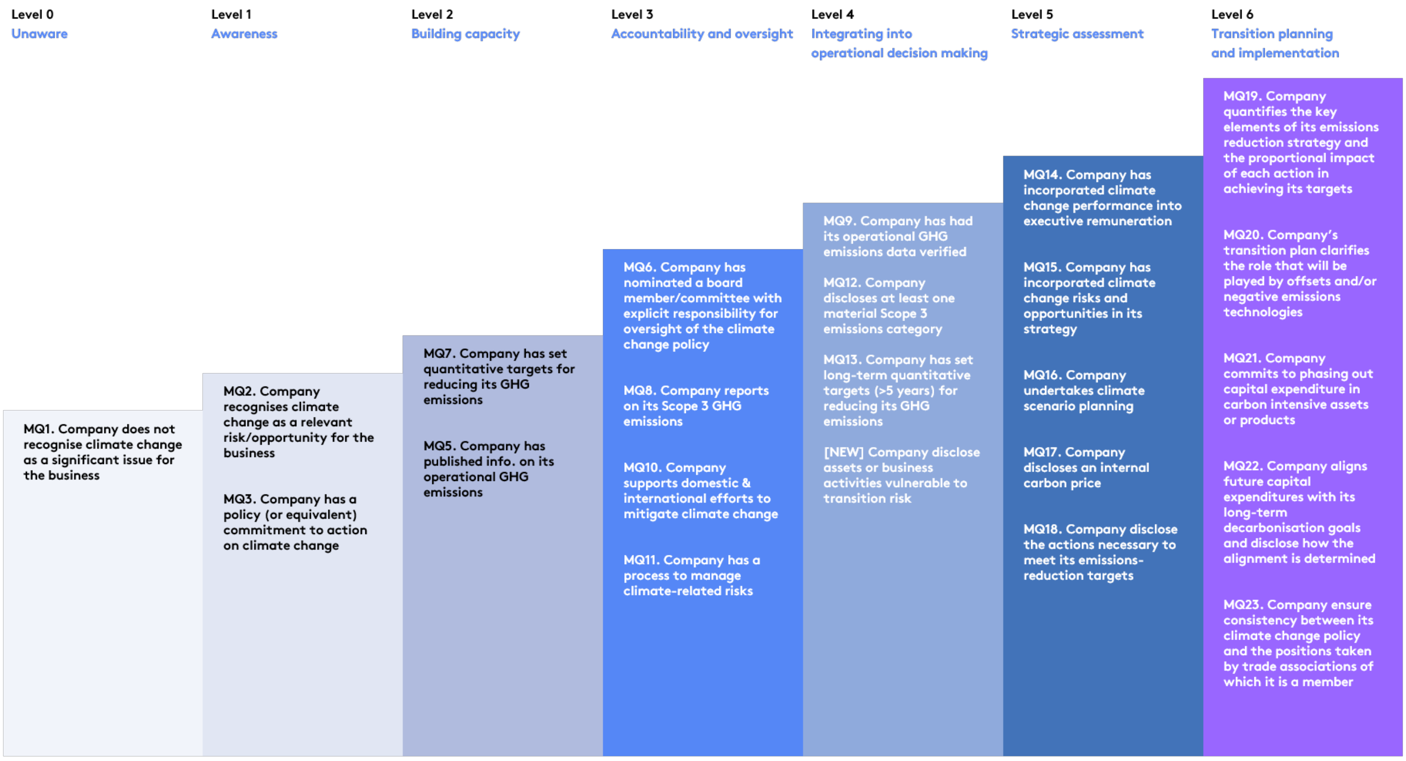
The proposed change recognises that each of the two forms of engagement are independently meaningful signals of a company's support for climate mitigation. Additionally, it acknowledges that companies in certain jurisdictions may face restrictions on policy engagement, while still upholding a global standard for corporate climate lobbying and advocacy.

Table 2.6. Proposed scoring guidance for Indicator 10

Indicator	Question
MQ 10.	Does the company support domestic and international efforts to mitigate climate change? Companies are assessed as 'Yes' if they demonstrate support for mitigating climate change through membership of business associations that are supportive, **or** if they have a clear company position on public policy and regulation.

Figure 2.1 depicts the proposed v6.0 Management Quality staircase. Indicators are identified according to the numbers assigned in v5.0.

Figure 2.1. The proposed Management Quality staircase (version 6.0)



3. Preliminary analysis of results

In conjunction with the version 6.0 update, the TPI Centre plans to expand the number of companies assessed on Management Quality. This section presents the results of testing the proposed v6.0 framework on scores for approximately 10,000 companies.

The proposed framework has been extensively piloted on samples of the latest LSEG data to answer the following questions: do the new Levels 3 and 4 differentiate between companies previously concentrated on the old Level 3? How does the replacement of Indicator 4 with Indicator 7 impact companies' scores? What percentage of companies meet the criteria of the updated Indicators 10 and 12?

Version 6.0 score distribution

Figure 3.1 compares the level score distributions for v5.0 and v6.0. The proposed changes to the framework fulfil our core objective of better differentiating between companies in the middle of the staircase.

Figure 3.2 shows the average percentage of companies scoring 'Yes' on each level. The average score across indicators on Level 4 is lower than on Level 3, so the proposed indicator reallocation also maintains the property of increasing difficulty across levels.

Figure 3.1 further illustrates the impact – or lack thereof – of replacing MQ 4 (Any GHG targets) with MQ 7 (Quantitative GHG targets). The number of companies reaching Level 2 is virtually unchanged, increasing from 17.7% to 18.3%. This is explained by the nearly identical scoring rate for the indicators (**Table 3.1**). As the indicators effectively capture the same information, this targeted replacement streamlines the framework while minimising the impact on companies' scores. In this sense, the proposed v6.0 achieves the objective of maintaining the integrity of the lower levels of the framework.

Figure 3.1. Level distributions under versions 5.0 (current) and 6.0 (proposed) of the Management Quality methodology

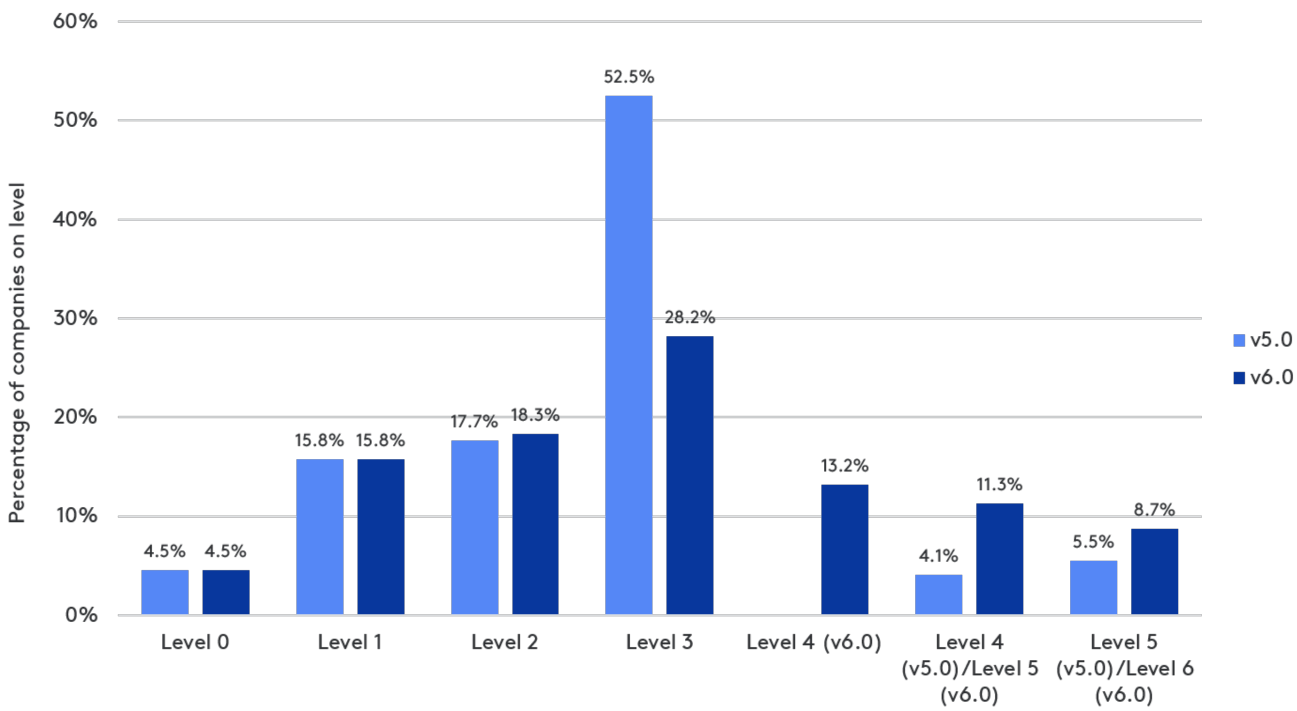


Figure 3.2. Average percentage of 'Yes' scores by level under versions 5.0 and 6.0

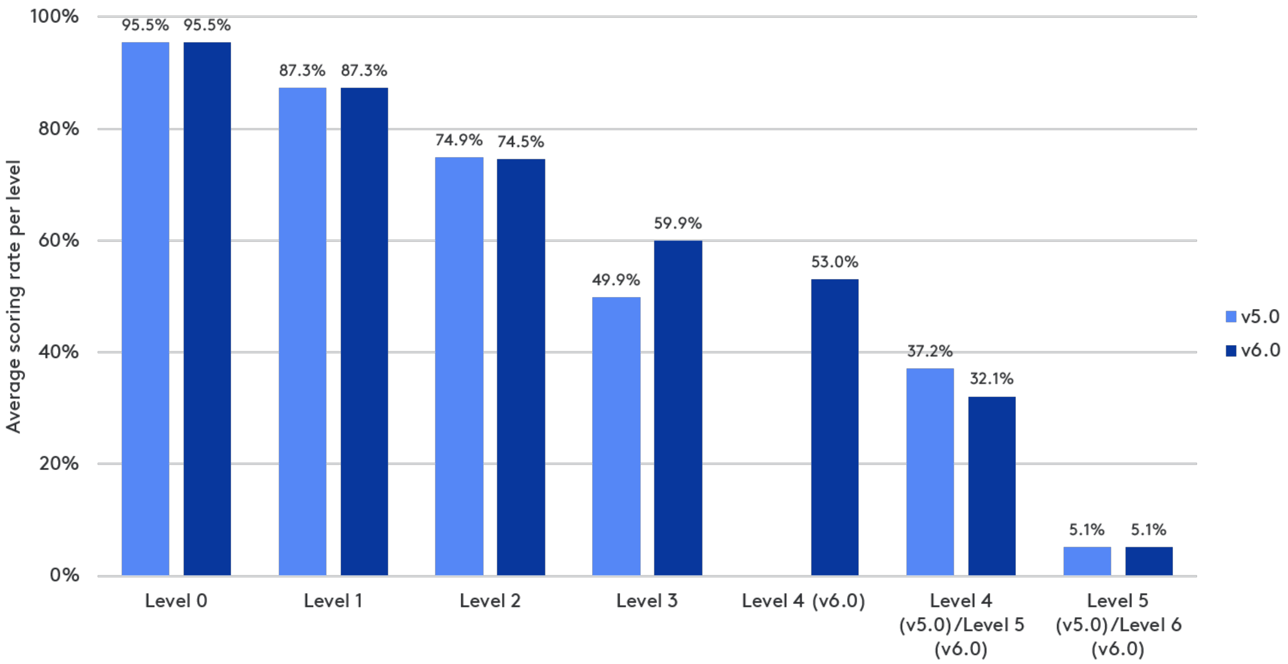


Table 3.1. Scoring analysis for Indicators 4 and 7

Indicator	Question	Number of TPI universe companies scoring 'Yes'	Percentage of TPI universe companies scoring 'Yes'
MQ 4. (to be replaced by MQ 7)	Has the company set greenhouse gas emission reduction targets? Companies are assessed as 'Yes' if they have greenhouse gas emissions reduction targets. These targets may cover Scopes 1, 2 and/or 3, and they may be quantified or unquantified.	6,628	65.8%
MQ 7.	Has the company set quantitative targets for reducing its greenhouse gas emissions? Companies are assessed as 'Yes' if they have set quantified targets to reduce greenhouse emissions in relative or absolute terms (Scopes 1, 2 and/or 3).	6,547	65.0%

Proposed new MQ indicator

Table 3.2 displays the number and percentage of companies that score 'Yes' on the new indicator (Financial exposure to transition risk). The scoring rate (58.9%) is consistent with placing the new indicator on Level 4, which represents integration of climate into operations, including risk management, and contains indicators with scoring rates ranging from 42.9% to 62.4%.

Table 3.2. Scoring analysis for the new indicator

Indicator	Question	Number of TPI universe companies scoring 'Yes'	Percentage of TPI universe companies scoring 'Yes'
[NEW]	Does the company disclose assets or business activities vulnerable to transition risk? Companies are assessed as 'Yes' if they disclose specific assets or business activities that are vulnerable to transition risk, and address the financial impact on those assets or activities.	5,935	58.9%

Proposed update of Scope 3 applicability for Indicator 12

The proposed update to MQ 12 (At least one material Scope 3 category) impacts all sectors assessed with the MQ framework, as each sector is assigned at least one material Scope 3 category. **Table 3.3** displays the number and percentage of companies that score 'Yes' on Indicator 12 based on the updated Scope 3 applicability. **Table 3.4** provides a breakdown of the companies scoring positively by sector. The quality of Scope 3 disclosure varies across sectors. Disclosing at least one material Scope 3 category signals that a company has begun reporting on what matters. The indicator recognises this positive step in climate-management maturity, rather than assessing the completeness of its Scope 3 disclosure.

Table 3.3. Scoring analysis for Indicator 12

Indicator	Question	Number of TPI universe companies scoring 'Yes'	Percentage of TPI universe companies scoring 'Yes'
MQ 12.	Does the company disclose at least one materially important Scope 3 emissions category? Companies are assessed as 'Yes' if they disclose emissions for at least one of the Scope 3 categories deemed material for their sector.	4,316	42.9%

Table 3.4. Sectoral breakdown of scoring analysis for Indicator 12

Industry	Sector	Number of companies in sector	Percentage of TPI universe companies scoring 'Yes'
Basic Materials	Aluminium	35	48.6%
	Chemicals	363	46.6%
	Copper	17	47.1%
	Diversified Mining	86	30.2%
	Industrial Materials	53	52.8%
	Metal Fabricating	32	28.1%
	Nonferrous Metals	62	22.6%
	Paper	51	68.6%

Industry	Sector	Number of companies in sector	Percentage of TPI universe companies scoring 'Yes'
Basic Materials (continued)	Precious Metals and Mining	89	39.3%
	Steel	144	45.1%
Consumer Discretionary	Airlines	56	67.9%
	Auto services and parts	191	31.9%
	Autos	57	56.1%
	Consumer Services	81	35.8%
	Household Goods and Home Construction	130	49.2%
	Leisure Goods	142	49.3%
	Media	151	41.7%
	Personal Goods	117	66.7%
	Retailers	316	46.8%
	Travel and Leisure	269	38.3%
Consumer Staples	Beverages	109	51.4%
	Food Producers	341	46.3%
	Personal Care, Drug and Grocery Stores	211	52.1%
	Tobacco	19	47.4%
Energy	Alternative Fuels	20	35.0%
	Coal Mining	69	20.3%
	Electricity Utilities	269	58.4%
	Offshore Drilling and Other Services	9	44.4%
	Oil & Gas	153	44.4%
	Oil & Gas Distribution	79	36.7%
	Oil Equipment and Services	85	9.4%
	Oil Refining and Marketing	66	42.4%
	Renewable Energy Equipment	59	54.2%
Financials	Banks	585	38.8%
	Finance and Credit Services	117	17.1%
	Insurance	215	37.2%
	Investment Banking and Brokerage Services	322	30.7%
	Open End and Miscellaneous Investment Vehicles	5	60.0%
Health Care	Health Care Providers	132	25.0%
	Medical Equipment and Services	241	40.2%
	Pharmaceuticals and Biotechnology	513	28.8%

Industry	Sector	Number of companies in sector	Percentage of TPI universe companies scoring 'Yes'
Industrials	Aerospace and Defense	94	34.0%
	Cement	89	52.8%
	Commercial Vehicles and Parts	30	46.7%
	Construction and Materials	374	52.4%
	Electronic and Electrical Equipment	253	53.8%
	General Industrials	216	57.4%
	Industrial Engineering	263	43.0%
	Industrial Support Services	289	54.7%
	Industrial Transportation	247	21.5%
	Shipping	90	14.4%
Real Estate	Real Estate Investment and Services Development	313	36.1%
	Real Estate Investment Trusts	340	48.2%
Technology	Software & Computer Services	507	43.8%
	Technology Hardware & Equipment	507	56.0%
Telecommunications	Telecommunications Equipment	81	45.7%
	Telecommunications Service Providers	171	56.7%
Utilities	Multi-Utilities	54	24.1%
	Waste & Disposal Services	32	50.0%

Proposed revision of Indicator 10

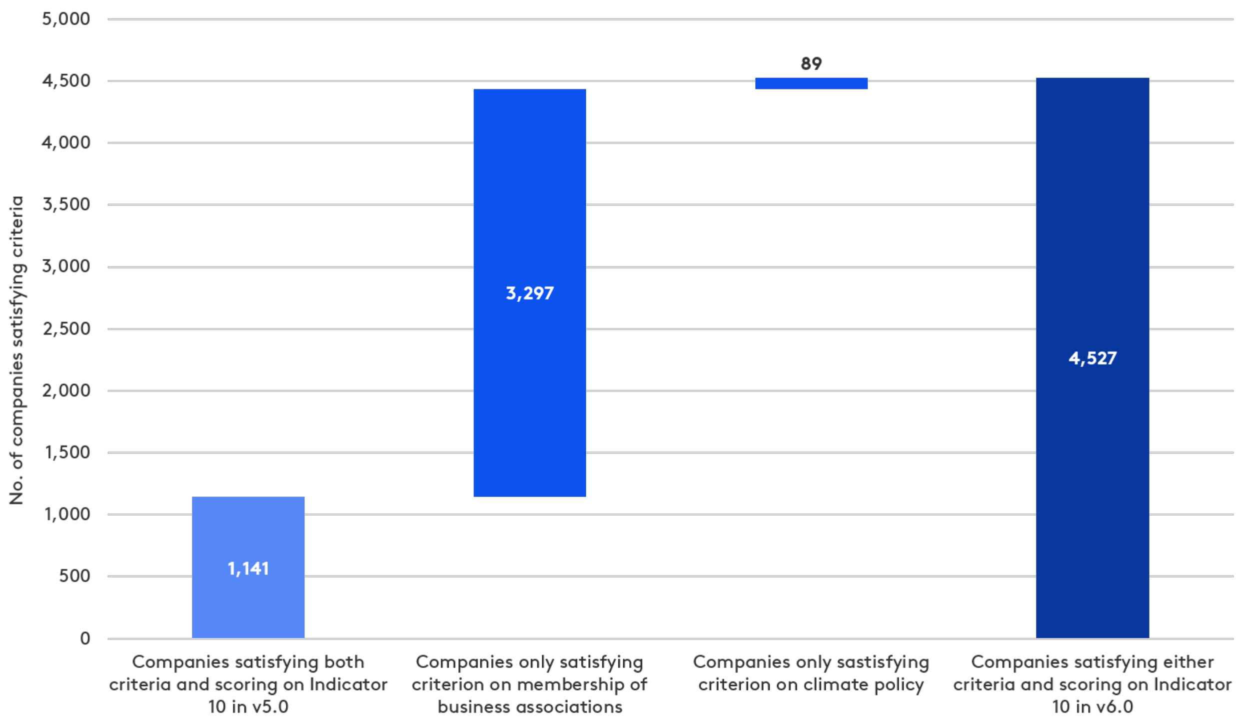
Table 3.5 displays the number and percentage of companies that score 'Yes' on MQ 10 based on the revised scoring condition, which allows companies to score if they meet either of the underlying criteria. **Figure 3.3** further provides a breakdown of how companies score on the underlying criteria. The large majority of companies disclose membership of business associations supporting domestic and international efforts to mitigate climate change, while fewer disclose a company-wide position on public policy and regulation. To the extent that lower scores on the latter criterion reflect jurisdictional restrictions on policy engagement by companies, the revised indicator provides a more accurate picture of company support.

Table 3.5. Scoring analysis for Indicator 10

Indicator	Question	Number of TPI universe companies scoring 'Yes'	Percentage of TPI universe companies scoring 'Yes'
MQ 10.	Does the company support domestic and international efforts to mitigate climate change? Companies are assessed as 'Yes' if they demonstrate support for mitigating climate change through membership of	4,527	45.0%

	business associations that are supportive, **or** if they have a clear company position on public policy and regulation.	

Figure 3.3. Breakdown of scoring analysis by criteria for Indicator 10



4. Consultation questions

We are keen to receive stakeholder feedback (including by investors, companies and policymakers) on the proposed changes to the MQ framework. Specifically, we request responses to the following questions:

1. Do you agree with the proposed changes to the MQ framework?
2. How useful will the new Level 3 and modified Level 4 be for your organisation in distinguishing between companies midway through the transition planning process?
3. Is the new indicator, which assesses whether a company discloses assets or business activities vulnerable to transition risk, useful for your organisation and relevant to the MQ framework?
4. Do you have comments on any of the other proposed changes to existing indicators (MQ 7, 10 and/or 12)?
5. Do you have any further comments on the proposal that are not captured by the questions above?
6. Looking forward to future updates of TPI's MQ framework, what would you like to see?

To submit your feedback, please fill in the online consultation survey by 22 October 2026 at 23:59 UTC+1 (London).

Your responses are crucial for ensuring that the TPI's MQ framework remains a useful tool for assessing the steps that companies take to manage their carbon emissions. Thank you for participating.

Appendix 1. Management Quality framework version 6.0

Level 0: Unaware of (or not Acknowledging) Climate Change as a Business Issue	
MQ 1.	**Does the company acknowledge climate change as a significant issue for the business?** Companies are assessed as 'Yes' if they: • Recognise climate change as a relevant risk and/or opportunity for the • business (MQ 2); or • Have a policy or an equivalent statement committing them to take • action on climate change (MQ 3); or • Have set quantitative greenhouse gas emissions reduction targets (MQ 4); or • Have published information on their operational greenhouse gas emissions (MQ 5). If the company does not acknowledge climate change as a significant issue for the business, it is placed on Level 0.
Level 1: Acknowledging Climate Change as a Business Issue	
MQ 2.	**Does the company recognise climate change as a relevant risk and/or opportunity for the business?** Companies are assessed as 'Yes' if they demonstrate recognition of climate change as a relevant risk and/or opportunity to the business, or if they have incorporated **at least two** of the following more advanced management practices, namely they: • Have a process to manage climate-related risks (MQ 9); • Have set long-term quantitative targets for reducing their greenhouse gas emissions (MQ 12); • Incorporate climate change performance into remuneration for senior executives (MQ 14); • Incorporate climate change risks and opportunities in their strategy (MQ 15); • Undertake climate scenario planning (MQ 16); • Disclose an internal price of carbon (MQ 17); • Ensure consistency between their climate change policies and the positions taken by trade associations of which they are members (MQ 23).
MQ 3.	**Does the company have a policy (or equivalent) commitment to action on climate change?** Companies are assessed as 'Yes' if they have a published policy or commitment statement on climate change that commits them to addressing the issue, or to reducing or avoiding their impact on climate change (e.g. to reduce emissions or improve their energy efficiency).
Level 2: Building Capacity	
MQ 4.	**Has the company set quantitative targets for reducing its greenhouse gas emissions?** Companies are assessed as 'Yes' if they have set quantified targets to reduce greenhouse emissions in relative or absolute terms (Scopes 1, 2 and/or 3). This question differs from MQ 12, which asks whether companies have set quantified targets for reducing greenhouse gases over the long term (i.e. targets that are more

	than 5 years in duration). Companies that are assessed as 'Yes' on MQ 12 are automatically assessed as 'Yes' on this indicator.
MQ 5.	Has the company published information on its operational (Scope 1 and 2) greenhouse gas emissions? Companies are assessed as 'Yes' if they report on their Scope 1 and 2, or their Scope 1, 2 and 3 emissions. Companies that only report Scope 1 emissions are assessed as 'No' on this question.
Level 3: Accountability and Oversight	
MQ 6.	Has the company nominated a board member or board committee with explicit responsibility for oversight of the climate change policy? Companies are assessed as 'Yes' if they provide evidence of clear board or board committee oversight of climate change, or if they have a named individual/position responsible for climate change at board level.
MQ 7.	Does the company report on Scope 3 emissions? Companies are assessed as 'Yes' if they report on Scope 3 emissions separately, either in total or in one or more categories, or if they provide a total for Scope 1, 2 and 3 emissions.
MQ 8.	Does the company support domestic and international efforts to mitigate climate change? Companies are assessed as 'Yes' if they demonstrate support for mitigating climate change through membership of business associations that are supportive, or if they have a clear company position on public policy and regulation.
MQ 9.	Does the company have a process to manage climate-related risks? Companies are assessed as 'Yes' if they have integrated climate change into multi-disciplinary company-wide risk management, or if they have a specific climate-related risk management process.
Level 4: Integrating into Operational Decision-Making	
MQ 10.	Has the company had its operational (Scope 1 and/or 2) greenhouse gas emissions data verified? Companies are assessed as 'Yes' if their operational greenhouse gas emissions have been independently verified by a third party, or if they state the international assurance standard they have used and the level of assurance.
MQ 11.	Does the company disclose at least one materially important Scope 3 emissions category? Companies are assessed as 'Yes' if they disclose emissions for at least one of the Scope 3 categories deemed material for their sector.
MQ 12.	Has the company set long-term quantitative targets for reducing its greenhouse gas emissions? Companies are assessed as 'Yes' if they have set quantified, long-term targets (i.e. more than 5 years in duration) to reduce greenhouse emissions in relative or absolute terms (Scopes 1, 2 and/or 3). This question is more demanding than MQ 4, as the targets must not only be quantitative, they must also be long-term.
MQ 13.	Does the company disclose assets or business activities vulnerable to transition risk? Companies are assessed as 'Yes' if they disclose specific assets or business activities that are vulnerable to transition risk, and address the financial impact on those assets or activities.

Level 5: Strategic Assessment	
MQ 14.	Does the company's remuneration for senior executives incorporate climate change performance? Companies are assessed as 'Yes' if executive remuneration incorporates climate change performance.
MQ 15.	Does the company incorporate climate change risks and opportunities in their strategy? Companies are assessed as 'Yes' if they detail how they incorporate climate change risks and opportunities in their strategy (mitigation, new products, R&D, etc.), and if they disclose the impact of climate change risks and opportunities on financial planning (OpEx, CapEx, M&A, debt).
MQ 16.	Does the company undertake climate scenario planning? Companies are assessed as 'Yes' if they mention the 2 degrees scenario in relation to business planning or confirm they have conducted climate related scenario analysis, and if they describe the business impact of one or more climate scenario analyses.
MQ 17.	Does the company disclose an internal price of carbon? Companies are assessed as 'Yes' if they disclose their internal carbon price.
MQ 18.	Does the company disclose the actions planned to meet its emissions reduction targets? Companies are assessed as 'Yes' if they disclose the set of actions they intend to take to achieve their GHG reduction targets, including Scope 3 emissions where applicable.
Level 6: Transition Planning and Implementation	
MQ 19.	Does the company quantify the key elements of its emissions reduction strategy and the proportional impact of each action in achieving its targets? Companies are assessed as 'Yes' if they quantify key elements of their emission reduction strategy, including Scope 3 emissions where applicable, and if they disclose the quantified contribution of each action in terms of the approximate proportion of the overall GHG target that the action will account for.
MQ 20.	Does the company's transition plan clarify the role that will be played by offsets and/or negative emissions technologies? Companies are assessed as 'Yes' if they clarify the role and type of offsets/negative emissions technologies used in their transition plans to meet medium- and long-term targets.
MQ 21.	Does the company commit to phasing out capital expenditure in carbon intensive assets or products? Companies are assessed as 'Yes' if they explicitly commit to a time-bound phase-out of investments in carbon intensive assets or products (as opposed to a commitment which only covers the draw-down of existing assets).
MQ 22.	Does the company align future capital expenditures with its long-term decarbonisation goals and disclose how the alignment is determined? Companies are assessed as 'Yes' if they commit to align all future capital expenditures with their long-term GHG targets or with the Paris Agreement's objective of limiting global warming to 1.5° Celsius. The company must also disclose the methodology used to align its future capital expenditure with its decarbonisation goals.
MQ 23.	Does the company ensure consistency between its climate change policy and the positions taken by trade associations of which it is a member? Companies are assessed as 'Yes' if they have a stated policy or commitment to ensure consistency between their climate change policy and the position taken by the trade associations of which they are members, and for responding appropriately in those

	instances where the trade association positions are significantly weaker than or contradict those of the company.

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TPI Centre research team

TPI Global Climate Transition Centre
London School of Economics and Political Science
Houghton Street
London WC2A 2AE, UK

T +44 (0)20 7107 5027
E tpi.centre@lse.ac.uk

www.transitionpathwayinitiative.org