Executive Summary

The urgent need for a transition to a net-zero-emission economy is a crucial objective for global sustainability efforts. In this scenario, challenges in assessing companies' climate-related commitments and actions, misleading claims and greenwashing have arisen.

This thesis investigates the net-zero emission alignment of the MSCI World Index and its constituents using the Cheap Talk Index (CTI) and Sentiment Index (OppRisk) developed by Bingler et al. (2022b), as well as net-zero emission (NZE) metrics proposed by Le Guenedal et al. (2022). It explores the relationship between these variables and proposes a greenwashing classification framework.

The analysis focused on scope S1 and S2 emissions due to limited scope S3 data availability. The estimated emissions and NZE metrics results uncover a misalignment between the companies' target trajectories and NZE goals.

The results reveal that companies whose emission reduction targets are not aligned with NZE goals tend to disclose specific commitments (low CTI) and present a pessimistic sentiment (negative OppRisk). In contrast, companies whose expected emissions are not aligned with their targets tend to disclose non-specific commitments (high CTI). Furthermore, the regression analysis between the portfolio's velocity and OppRisk revealed a positive correlation, suggesting that a pessimistic sentiment at time $t - 2$ is associated with higher emission reduction rates at time t.

The proposed classification framework resulted in 98% of the analyzed companies falling into the Unambitious or Greenwashing categories and the portfolio into the Unambitious category. Additionally, unambitious companies are associated with low CTI levels.

The findings underline a lack of ambition in achieving NZE goals, emphasizing the need for companies to align their targets to the NZE pathways modelled by either the International Panel on Climate Change (IPCC) or the International Energy Agency (IEA).