

PRESS RELEASE  
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## Climate Action 100+ calls for net-zero business strategies & sets out benchmark of largest corporate emitters

*- Letter sent to CEOs & chair of the board at 161 global companies sets out benchmark and calls on firms to commit to net-zero business strategies<sup>1</sup>.*

*- Initiative, involving over 500 global investors with over \$47 trillion in assets, to assess company progress in line with net-zero transition against 30 indicators.*

The Climate Action Steering Committee is writing to 161 CEOs and Chairs of the Board for the world's largest greenhouse gas (GHG) emitting companies, calling on the businesses to put in place net-zero business strategies and define targets to support delivery. The letters also inform CEOs that companies will be assessed on progress made in becoming net-zero businesses<sup>2</sup>.

Working with leading research organisations<sup>3</sup>, a new 'Climate Action 100+ Net-Zero Company Benchmark' set to be released in 2021 will provide comprehensive analysis on which companies are leading the transition to net-zero emissions, alongside a range of other indicators used by investors to inform investment and corporate engagement strategies.

Launched in December 2017, Climate Action 100+ looks to support 161 'focus companies', that are systemically important to the global transition to net-zero emissions, in their efforts to align their business strategies with the goals of the Paris Agreement<sup>4</sup>. The companies engaged through the initiative are collectively responsible for up to 80% of global industrial greenhouse gas emissions<sup>5</sup>.

Significant progress has already been made by some focus companies in line with investor expectations and engagement:

- **Climate change governance:** 120 companies have now nominated a board member or board committee with explicit responsibility for oversight of the climate change<sup>6</sup>.
- **Alignment of value chain GHG emissions with the Paris Agreement Goals:** 50 companies have indicated they will aim to achieve net-zero emissions by 2050 or sooner<sup>7</sup>.
- **Task Force for Climate-related Disclosure (TCFD) reporting:** 59 companies have now formally supported the TCFD Recommendations via the official supporter statement<sup>8</sup>.

The letter shared with executives acknowledges and underscores the welcome progress seen to date from companies. However, it also highlights the importance of greater action, in accelerating emissions reductions in achieving net zero emissions and preventing the devastating impacts of otherwise avoidable climate change.

This is reflected in the call for companies to come forward with net-zero business strategies, where they are yet to do so, set out in the letter. This makes clear the need for companies to ensure strategies aim

to achieve net-zero emissions by 2050 or sooner, cover emissions across the full value chain – inclusive of scope 3 emissions covering end use of products – and define related targets and goals to deliver emission reductions in line with the science on limiting global warming to 1.5°C<sup>9</sup>. A focus is also placed on ensuring CEOs set related medium-term objectives – given the importance to investors of ensuring companies demonstrate sufficient ambition and material targets – in substantiating that net-zero ambitions will be achieved and relevant changes made to the company’s core business strategy.

The ‘Climate Action 100+ Net-Zero Company Benchmark’ has been designed to clarify investor expectations and will be used to evaluate company action and ambition demonstrated in tackling climate change. Despite the significance of the shift to net-zero emissions, there is a need to standardise what constitutes a ‘net-zero aligned’ business strategy and how to measure alignment with a 1.5°C transition pathway. The benchmarking provided through the initiative provides guidance for companies to identify the path that is needed to address this issue in their respective sectors and regions.

Outcomes of the analysis and responses of CEOs will also inform investor engagement strategies through Climate Action 100+, particularly for unresponsive or poorly performing companies. Where relevant, this will include shareholder activity for the 2021 annual general meeting season.

The letter has been signed by members of the Climate Action 100+ Steering Committee, including investor representatives and the CEOs of five investor networks – AIGCC, Ceres, IGCC, IIGCC and PRI – involved, on behalf of the initiative as a whole.

*"The Climate Action 100+ Net-Zero Company Benchmark is a critical investor engagement tool to make further progress at speed and scale with the world's largest corporate emitters on climate change," said **Mindy Lubber, Ceres CEO and President and Climate Action 100+ Steering Committee member**. "It will send a strong message to corporate boards and management that companies across sectors have already begun to make the shift to a net-zero emissions business, and it is time for the rest to follow. Investors are ready to engage the initiative's focus companies to raise their climate ambition in order to accelerate the global transition to a net-zero emissions economy."*

*"Companies across all sectors need to take more ambitious action to ensure otherwise devastating impacts of climate change are avoided while they still can be," adds **Stephanie Pfeifer, CEO, Institutional Investors Group on Climate Change and Climate Action 100+ Steering Committee member**. "Supported by investor engagement, we're seeing encouraging commitments and 'net-zero leaders' beginning to emerge, but a broader step change is urgently required if global warming is to be limited to 1.5°C. The benchmark will ensure it's clear which companies are acting on climate change as a business-critical issue and embracing a net-zero future. Investors will be paying particular attention to those shown to be falling short."*

*"Asian investors have forged stronger relationships with companies on emissions performance through Climate Action 100+ engagement, leading to a number of increasingly strong outcomes," adds **Rebecca Mikula-Wight, Asia Investor Group on Climate Change, Executive Director and Climate Action 100+ Steering Committee member**. "This benchmark project provides an aspirational pathway of investor expectations for Asian companies to contribute beyond existing commitments to tackle climate change*

and reduce emissions. The project is also aimed at further galvanising the alignment required across policymakers, regulators and industry associations to meet the goals of the Paris Agreement.”

“Investors and their beneficiaries are becoming increasingly vocal and demanding more tangible climate action on the part of companies, especially those that are high emitters of greenhouse gases,” said **Fiona Reynolds, CEO of the Principles for Responsible Investment (PRI) and Climate Action 100+ Steering Committee member**. “Central to achieving climate goals is the setting of clear targets on how companies plan to move to net-zero as well as ensuring that they are transparent and held accountable for actions taken.”

“Investors expect Australian companies to be actively preparing their businesses for the net-zero emissions transition with clear targets, strategies and executive oversight,” explains **Emma Herd, Investor Group on Climate Change Chief Executive Officer and Climate Action 100+ Steering Committee member**. “The Climate Action 100+ benchmarking project will provide companies with clear markers on how their progress towards devising and implementing comprehensive business strategies to achieve net-zero emissions by 2050 or sooner will be assessed.”

The Climate Action 100+ Net-Zero Company Benchmark contains the following indicators:

1. **Ambition:** Whether the company has set an ambition to achieve net-zero GHG emissions by 2050 (or sooner);
2. **Targets and goals:** If clear short-, medium- and long-term GHG reduction targets or goals covering all material scope 1, 2 and 3 GHG emissions are in place and aligned to a 1.5°C global warming trajectory;
3. **Decarbonisation strategy:** Whether the company has a robust decarbonisation strategy to deliver these GHG reduction targets, goals and ambitions;
4. **Capital alignment:** Whether an assessment has been carried out of the extent to which a company’s capital investment in carbon-intensive assets or business lines are consistent with the goals of the Paris Agreement;
5. **Climate policy support:** If a clear commitment and set of disclosures, clarifying intent to support climate policy, has been developed by the company, together with a demonstration of how direct and indirect lobbying is consistent with this intent;
6. **Governance:** Whether the company has effective board oversight of, and remuneration linked to, delivery of GHG targets and goals (as described in point 2 above);
7. **Just transition:** Whether the company has disclosed information on how a ‘just transition’ can be achieved – taking account of the impact on employees, communities and other stakeholders – and has been incorporated into the company’s transition planning;
8. **Reporting:** Whether the company’s overall climate risk reporting is consistent with the recommendations of the TCFD.

These indicators are supported by 22 additional sub-indicators, against which focus companies will also be assessed. All indicators are aligned with the overall engagement goals of the initiative. Company assessment results are expected to be published in phases by sector, in Spring 2021 and will be updated going forward.

There is already a wide array of climate disclosure initiatives and platforms available to investors. The Climate Action 100+ Net-Zero Company Benchmark is designed to provide an assessment that is complementary and reinforcing of existing initiatives.

The letter to companies also highlights the planned focus on “the development and implementation of transition pathway action plans, to provide guidance in achieving net-zero emissions for [company] sectors or value chains.” CEOs are invited to express their interest in collaborating with investors in developing these action plans. More detail on this process will be shared in coming months.

The intervention comes as investor participation in the initiative continues to grow, with 44 investors joining so far this year. There are now 518 investors that are signatories to the initiative, representing over \$47 trillion in assets.

- Ends -

### Notes to Editor

1. The letter requests companies make (or reconfirm) the following commitments:

- I. *To work towards providing disclosures consistent with the new Climate Action 100+ Net-Zero Benchmark, to enable investors to assess your company's potential for long-term value;*
- II. *Confirm that your company will, in good faith, set (or has set) an ambition to achieve net-zero emissions by 2050 or sooner across all material GHG emissions, and medium-term targets or goals consistent with a global reduction in emissions of 45 per cent by 2030 relative to 2010 levels;*
- III. *Join investors working through Climate Action 100+ in the development and implementation of net-zero transition action plans, to provide pathways toward achieving net-zero emissions for your sector or value chain overall.*

2. See [here](#) for a full list of the 161 focus companies receiving a letter. It has been sent by the Climate Action 100+ Steering Committee on behalf of the broader initiative.

3. The Climate Action 100+ Net Zero Company Benchmark was developed during the first half of 2020 with [EY Consulting](#), which was hired to help research and facilitate construction of the framework in collaboration with almost 50 signatories, network experts and leading climate research and data NGOs. [The Transition Pathway Initiative](#) (TPI), supported by its research and data partners the Grantham Research Institute on Climate Change and the Environment at the London School of Economics (LSE) and FTSE Russell, has also been selected to conduct the company research and analysis. Additionally, [Carbon Tracker Initiative](#) and [2 Degree Investing Initiative](#) will analyse recent focus company CAPEX and output relative to a range of alternative climate change scenarios, to give investors independent verification for company assessments for benchmark indicator #6—Capital Stock Alignment. Other experts and data providers may be identified as the company research progresses and aspects of the benchmark are further developed and refined.

4. See [here](#) for a more detailed summary of the goals of the initiative.

5. Based on analysis conducted in October 2019 and published as part of the initiatives progress report [here](#).

6. Assessed using TPI data. TPI's full data set may be viewed [here](#).

7. A total of 50 Climate Action 100+ focus companies have set a GHG reduction target or made a statement indicating that the company aims to achieve net zero emissions by 2050 or sooner. See [here](#) for full list of the company commitments noted to date. However, it is noted that the scope of emissions included in these

commitments varies considerably, demonstrating the need for greater standardisation. As outlined below, investors expect that net zero emissions commitments and/or GHG reduction targets include scope 1, 2 and all material scope 3 emissions and are accompanied by short- and medium-term GHG reduction targets.

8. The full list of TCFD supporters may be viewed [here](#). Note that some companies have formally aligned their disclosure with TCFD recommendations but have not signed on as supporters of TCFD.

9. As per findings of the IPCC, Special Report: Global Warming Of 1.5°C [here](#).

### **About Climate Action 100+**

[Climate Action 100+](#) is an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. More than 450 investors with more than \$40 trillion in assets collectively under management are engaging companies on improving governance, curbing emissions and strengthening climate-related financial disclosures. The companies include 100 'systemically important emitters', accounting for two-thirds of annual global industrial emissions, alongside more than 60 others with significant opportunity to drive the clean energy transition.

Launched in December 2017, Climate Action 100+ is coordinated by five partner organisations: Asia Investor Group on Climate Change ([AIGCC](#)); Ceres ([Ceres](#)); Investor Group on Climate Change ([IGCC](#)); Institutional Investors Group on Climate Change ([IIGCC](#)) and Principles for Responsible Investment ([PRI](#)). These organisations, along with five investor representatives from AustralianSuper, California Public Employees' Retirement System (CalPERS), HSBC Global Asset Management, Ircantec and Sumitomo Mitsui Trust Asset Management, form the global Steering Committee for the initiative. Follow us on Twitter: [@ActOnClimate100](#).