Global Investors Driving Business Transition

Climate Action 100+ Net Zero Company Benchmark Summary of company assessments, March 2022

Climate Action 100+
Global Investors Driving Business Transition

Asia Investor Group on Climate Change
Ceres
Investor Group on Climate Change
IIGCC The Institutional Investors Group on Climate Change
PRI Principles for Responsible Investment

Contents

01. EXECUTIVE SUMMARY

March 2022 Net Zero Company Benchmark

This is the second round of Net Zero Company Benchmark assessments to be released by Climate Action 100+ since March 2021.

166 companies on the initiative's focus list were measured on their progress against its three engagement goals and a set of key indicators related to business alignment with the goals of the Paris Agreement.

To reflect the pace of change required to limit global warming to 1.5°C and to ensure it is aligned with the most recent science-based policy, Climate Action 100+ updated the Benchmark methodology in 2022, assessing companies against the IEA's more challenging Net Zero by 2050 scenario for available sectors.

New indicators and assessments focused on the just transition and climate accounting and audit were also added, to drive greater company ambition and reflect evolving investor priorities.

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Key findings

Disclosure Framework

The assessments indicate overall year-on-year improvements toward the initiative's three original engagement goals. Driven by pressure from Climate Action 100+ signatory investors, the results show that:

69%

of focus companies have now committed to achieve net zero emissions by 2050 or sooner across all or some of their emissions footprint, a 17% year-on-year increase

90%

of focus companies have some level of board oversight of climate change

89%

of focus companies have aligned with TCFD recommendations either by supporting the TCFD principles or by employing climate-scenario planning

However, one year after releasing the first set of Benchmark assessments, no company is fully aligned with all of the Benchmark indicators. Most alarming is the significant lack of progress on the following critical indicators:

Only 17% of companies have set medium-term targets aligned with limiting global warming to 1.5°C

Only 17% of companies have produced quantified decarbonisation strategies whilst over half did not meet any criteria related to this indicator.

No companies met all criteria on capital expenditure (capex) alignment, due to a major gap in corporate reporting on how companies are integrating their climate strategies into their capex. Only 9 out of 166 companies scored on any criteria on this indicator.

Key findings
Alignment Assessments

Less than one third of electric utility focus companies have a coal phaseout plan consistent with limiting global warming to below 2°C (let alone 1.5°C), according to data from Carbon Tracker Initiative (CTI). The IEA's Net Zero by 2050 roadmap says that in order to keep 1.5°C alive, coal-fired power must be phased out in advanced economies by 2030, and globally by 2040.

Almost two thirds of oil and gas focus companies are still sanctioning projects inconsistent with limiting global warming to below 2°C, finds CTI. The IEA is clear that Net Zero by 2050 roadmap made it clear that there can be no new oil and gas exploration and production if we are going to keep 1.5°C within reach.

There is a considerable gap between what companies are saying publicly on climate lobbying and doing in practice. Only 9% of focus companies have broad alignment between their direct climate policy engagement activities and the Paris Agreement, and only 2% align indirect climate policy engagement via industry associations with the Paris Agreement, according to InfluenceMap data.

Almost no steel, cement, or aviation focus companies' emissions intensities are aligned with limiting global warming to below 2°C, 2° Investing Initiative (2DII) finds. In addition, most utility companies are not adding renewables and other low-carbon technologies fast enough to limit global warming to 1.5°C. Similarly, most auto companies are not phasing out internal combustion engine vehicles and adding enough electric vehicles and hybrid vehicles fast enough to limit global warming to 1.5°C.

A failure to integrate climate risk into accounting and audit practices. Not a single company has demonstrated that its financial statements are drawn up using assumptions consistent with Net Zero by 2050, as per new indicator on climate accounting and audit assessed by CTI and Climate Accounting Project (CAP).

So what needs to happen now?

Companies must move beyond rhetorical target setting to practical delivery. We must see a substantial shift in 1.5°C target setting and transition plans over the next 12-18 months if there is any chance of limiting global warming to 1.5°C. Companies will have another opportunity to step up and demonstrate progress with a further round of Climate Action 100+ Net Zero Company Benchmark assessments later in 2022.

Investors will escalate pressure on focus companies during the final year of the initiative's first phase. The upcoming AGM season in US and Europe will be a critical time for investors to escalate through supporting key climate resolutions, flagging votes aligned with the initiative's goals and voting against directors where warranted.

Climate Action 100+ will move into its second phase in 2023. Phase 2 will see increased ambition, urgency and accountability for both companies and signatories to play their role in the net zero emissions transition.

02. DISCLOSURE FRAMEWORK ASSESSMENTS

There is progress against high-level goals...

The Indicators that most closely reflect the original high-level goals continue to show good foundations for progress:

Net zero target setting (Indicator 1): **69%** of the world's largest corporate GHG emitters have committed to achieve net zero emissions across all or some of their emissions footprint. This is up 17%, from **52%** in March 2021.

Long- and medium-term target setting: **73%** (Indicator 2, long-term targets) and **77%** (Indicator 3, medium-term targets) of companies have set a target covering at least one scope of emissions. This is up from **60%** and **67%** in March 2021 respectively.

Climate governance (Indicator 8 – excl. 8.3): **90%** of companies have some level of board oversight on climate. This is unchanged from March 2021.

TCFD reporting (Indicator 10): **89%** of focus companies have aligned with TCFD recommendations either by supporting the TCFD principles or by employing climate-scenario planning. All companies met at least one requirement for this Indicator.

Please note that these figures represent all companies assessed in their respective years and do not account for additions or removals of companies from the Benchmark focus list. Between the 2022 and 2021 Benchmark, 10 new companies were added (Grupo Argos, Grupo Mexico, Incitec Pivot, Oil Search, Orica, Pemex, Saudi Aramco, UltraTech Cement, Stellantis, Siemens Energy) and 3 companies were removed (Siemens AG, Fiat Chrysler and Peugeot). There is an overlap of 156 companies between the two Benchmarks. Please also note that the figures on this slide represent companies that scored either 'Yes' or 'Partial'.

But absence of detail on delivering targets is alarming

Indicators that assess how companies' actions align with decarbonisation targets indicate that these **targets are still not being backed by robust strategies:**

Decarbonisation plans (Sub-indicator 5.1): While 49% of the world's largest corporate GHG emitters have published a decarbonisation strategy, only **17%** of companies have quantified the proportion of overall GHG emissions reductions each key element of their strategy will account for.

Capital Expenditure (capex) (Indicator 6): Only **5%** of companies explicitly commit to align their capex plans with their long-term GHG reduction targets or to phase out planned expenditure in unabated carbon intensive assets or products. Only one company commits to align their capex with the goals of the Paris Agreement and to phase out carbon-intensive investment.

Few companies are setting short-term targets (Indicator 4): Only **49%** of companies have set short-term (by 2025) GHG emission reduction targets across at least one scope of emissions. This is in contrast to 73% and 78% of companies for long-and medium-term targets respectively.

Transition Pathway Initiative

FTSE Russell

Please note that these figures represent all companies assessed in their respective years and do not account for additions or removals of companies from the Benchmark focus list. Between the 2022 and 2021 Benchmark, 10 new companies were added (Grupo Argos, Grupo Mexico, Incitec Pivot, Oil Search, Orica, Pemex, Saudi Aramco, UltraTech Cement, Stellantis, Siemens Energy) and 3 companies were removed (Siemens AG, Fiat Chrysler and Peugeot). There is an overlap of 156 companies between the two Benchmarks.
Please also note that the figures on this slide represent companies that scored either 'Yes' or 'Partial'.

Changes in Disclosure Framework methodology result in some score downgrades

While most metrics see improved company performance (i.e. 'upgrades'), some metrics see companies dropping in score (i.e. 'downgrades'). Some of these downgrades can be attributed to methodological changes, particularly:

Metric 2.3 (long-term target alignment): 20 downgrades, in part due to the switch to IEA's more stringent 1.5°C scenario (from B2DS*)

Metric 5.1.b (quantification of decarbonisation strategy): 15 downgrades, in part due to stricter requirement to state the approximate proportion of GHG reductions that specific actions account for

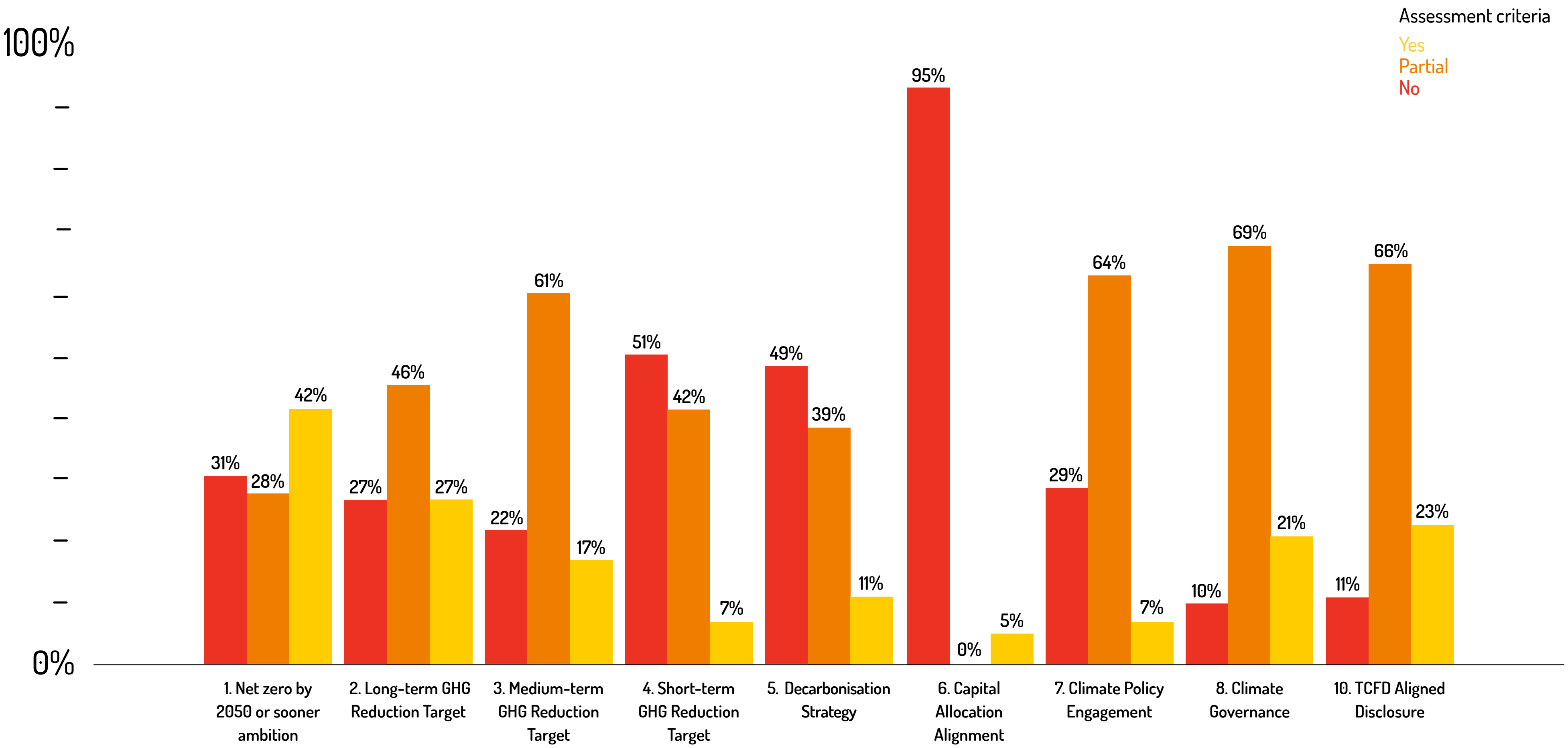
Metric 8.2.b (executive remuneration): 14 downgrades, in part due to stricter requirements for senior executive remuneration to incorporate progress on publicly disclosed GHG reduction targets

Note: B2DS is a rapid-transition scenario equivalent to an estimated 1.75°C of global warming in this century (with an approximate 50% probability). Net zero emissions would be reached by 2060.

Transition Pathway Initiative

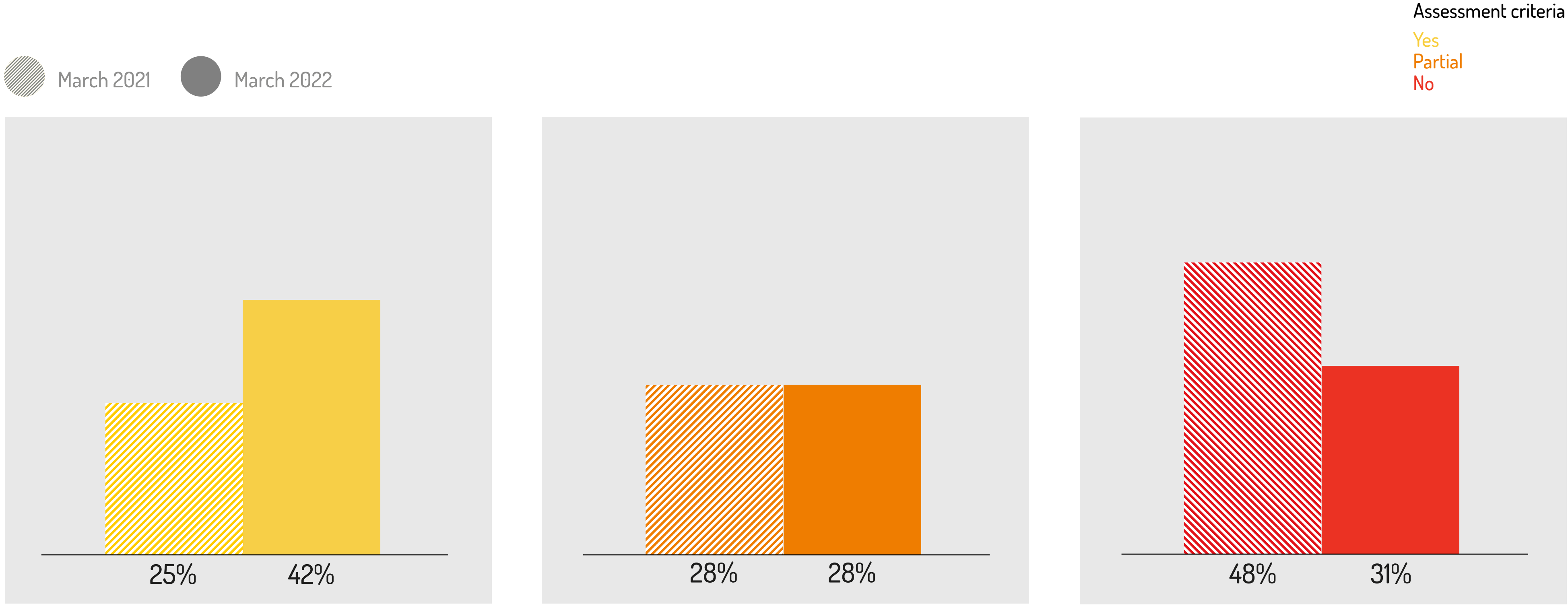
FTSE Russell

Summary: 2022 Company Disclosure Assessment Results by **Indicator**



Note: The percentages relate to 166 focus companies assessed for the March 2022 Benchmark. Companies scored 'Partial' if they received a 'Yes' for at least one, but not all, of the Metrics comprising each Indicator.

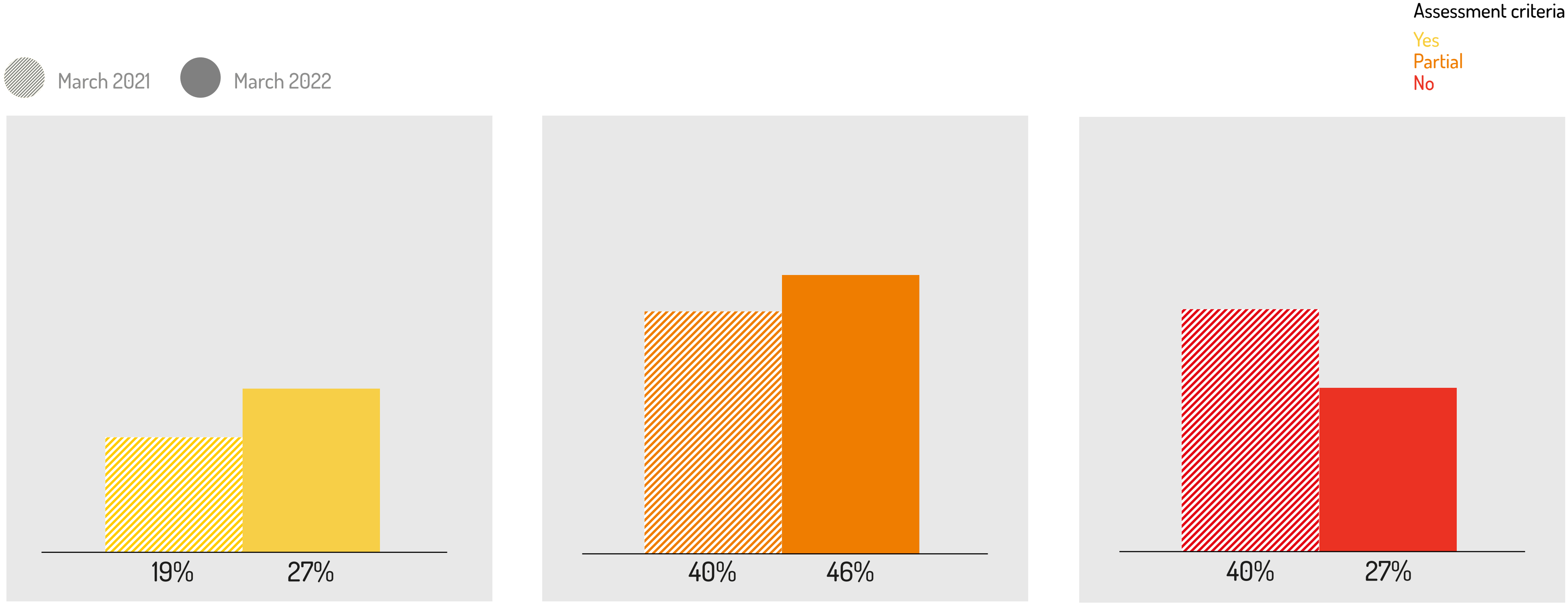
Indicator 1. Net zero GHG by 2050 (or sooner) ambition



- **42%** of focus companies have comprehensive net zero commitments that cover all material GHG emissions (including Scope 3).
- Companies have typically committed to a qualitative net zero ambition but are yet to include a net zero target or include Scope 3 emissions within that target. Whilst the majority of companies have targets that cover Scopes 1 and 2 (Indicator 1.1a), **few** are addressing Scope 3 emissions (Indicator 1.1b).
- Addressing material Scope 3 emissions remains a barrier and this should be a priority focus for investor engagements.

Note: Reaching Net Zero emissions by 2050 should not necessarily be the final goal for companies in all sectors. Please see the Climate Action 100+ Global Sector Strategies for more detailed guidance.

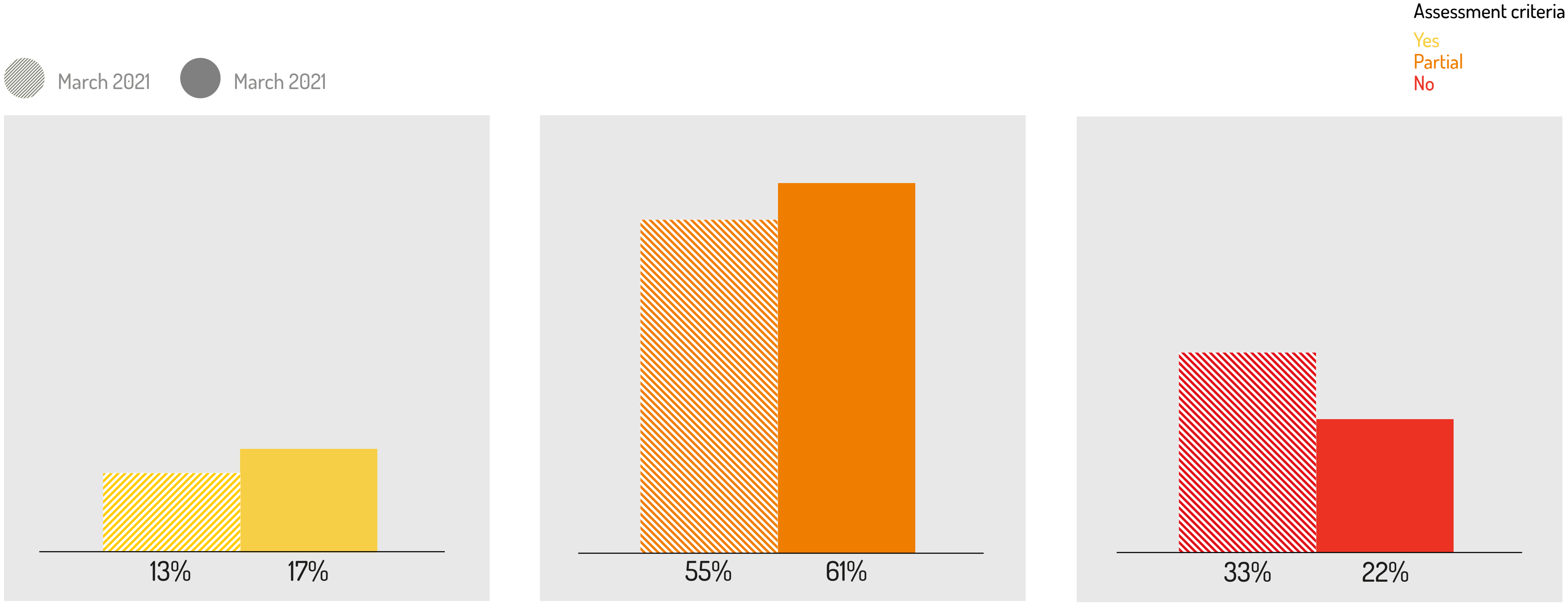
Indicator 2. Long-term (2036-2050) GHG reduction target(s)



- More focus companies have set long-term targets that cover all material emissions and align with a 1.5°C global warming pathway where applicable*, relative to medium- or short-term targets (**27%** compared to 17% and 7% respectively).
- Whilst more focus companies setting long-term GHG targets is positive, the absence of material Scope 3 emissions, often the largest share of a company's carbon footprint, within these targets means their impact may be limited.
- As with net zero by 2050 targets, setting comprehensive targets that cover Scope 3 emissions should be a priority focus for companies as they align business strategies with 1.5°C.

*As a credible 1.5°C scenario remains absent for the paper and autos sectors, these companies are currently assessed against a Below 2 Degrees scenario. Due to a lack of methodology, companies in following sectors are not currently assessed on their alignment with a 1.5°C pathway: other industrials, other transport, consumer goods & services, chemicals, coal mining and oil & gas distribution. In total, these are 48 out of 166 companies.

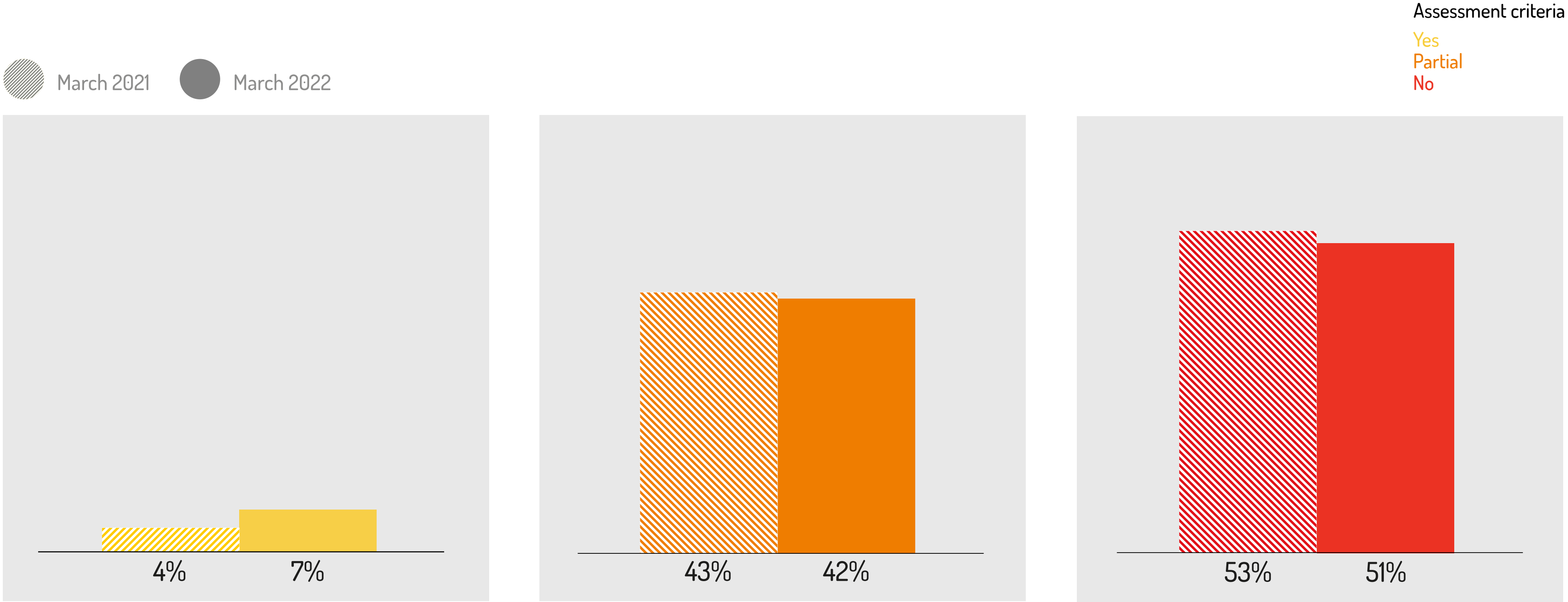
Indicator 3. Medium-term (2026-2035) GHG reduction target(s)



- There was a minor improvement for focus companies setting medium-term targets that cover all material emissions and are aligned with a 1.5°C global warming pathway where applicable*, from 13% in March 2021 to **15%** in March 2022.
- However, only a relatively small number of these targets include Scope 3 emissions (Indicator 3.2b) and few are aligned with 1.5°C (Indicator 3.3).
- Given that medium-term targets are essential for staying on track for limiting global warming to 1.5°C, this should be an urgent priority area of investor engagements with focus companies that have not set these.

*As a credible 1.5°C scenario remains absent for the paper and autos sectors, these companies are currently assessed against a Below 2 Degrees scenario. Due to a lack of methodology, companies in following sectors are not currently assessed on their alignment with a 1.5°C pathway: other industrials, other transport, consumer goods & services, chemicals, coal mining and oil & gas distribution. In total, these are 48 out of 166 companies.

Indicator 4. Short-term (2020-2025) GHG reduction target(s)



- **Only 7%** of focus companies have set short-term targets that cover all material emissions and are aligned with a 1.5°C global warming pathway where applicable*.
- Given the need to reduce absolute global emissions incrementally each year to 2030, it is very concerning that **93%** of companies do not have short-term targets that meet all criteria.
- Short-term targets must be a focus point for moving companies towards net zero in the near term. Emissions need to decrease by **-45%** by 2030 (vs. 2010 levels) in order to stay on course to limit global warming to 1.5°C, according to the IPCC.

*As a credible 1.5°C scenario remains absent for the paper and autos sectors, these companies are currently assessed against a Below 2 Degrees scenario. Due to a lack of methodology, companies in following sectors are not currently assessed on their alignment with a 1.5°C pathway: other industrials, other transport, consumer goods & services, chemicals, coal mining and oil & gas distribution. In total, these are 48 out of 166 companies.

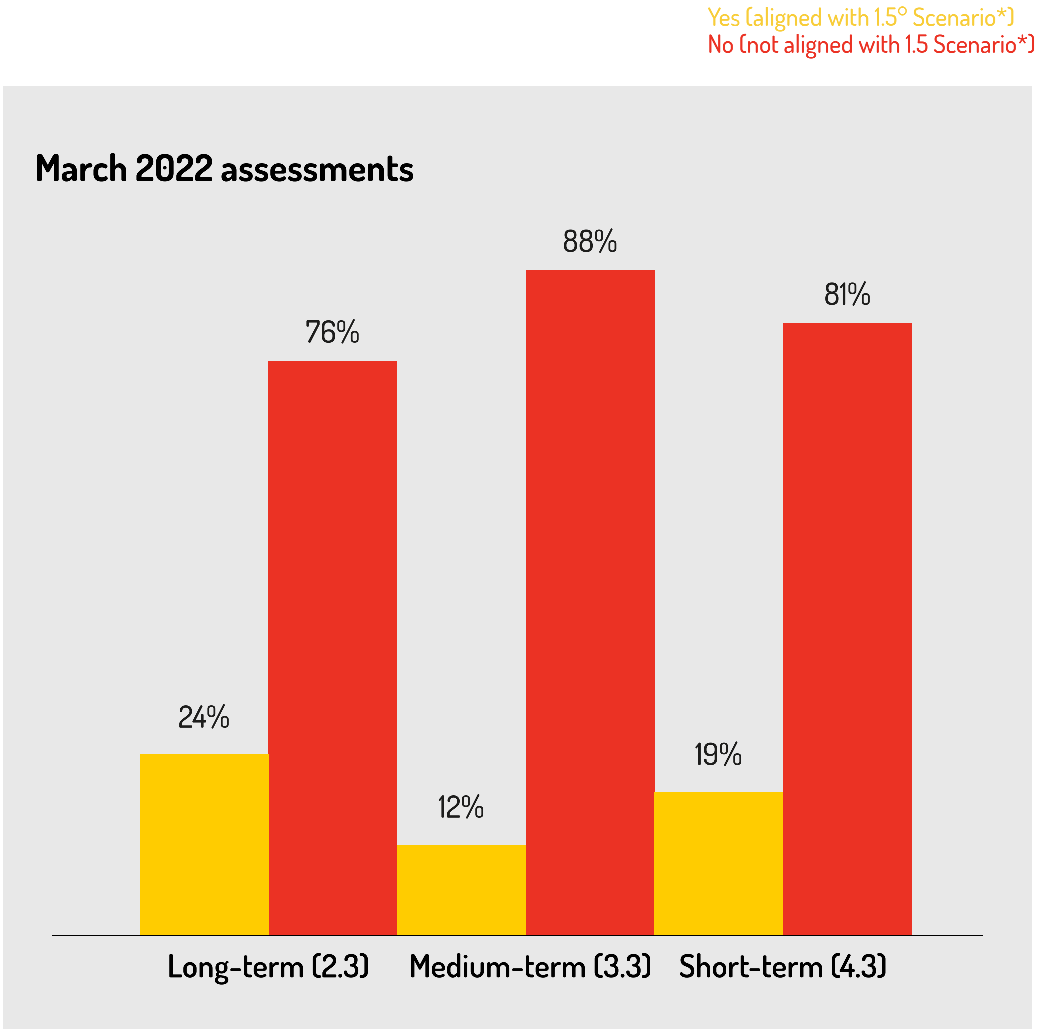
Indicators 2-4. Detail on emissions reduction target alignment levels with 1.5°C climate scenarios (metrics 2.3, 3.3 and 4.3)

Focus companies in available sectors were assessed against the IEA's 1.5°C scenario* for the March 2022 assessments, in contrast to the B2DS** scenario used for the March 2021 assessments.

Long-term target alignment: This resulted in a 6% decrease, from 30% alignment in March 2021 to 24% in March 2022.

Medium-term target alignment: Although this resulted in a 2% increase, it is alarming that 88% of focus companies do not have 1.5°C-aligned medium-term targets.

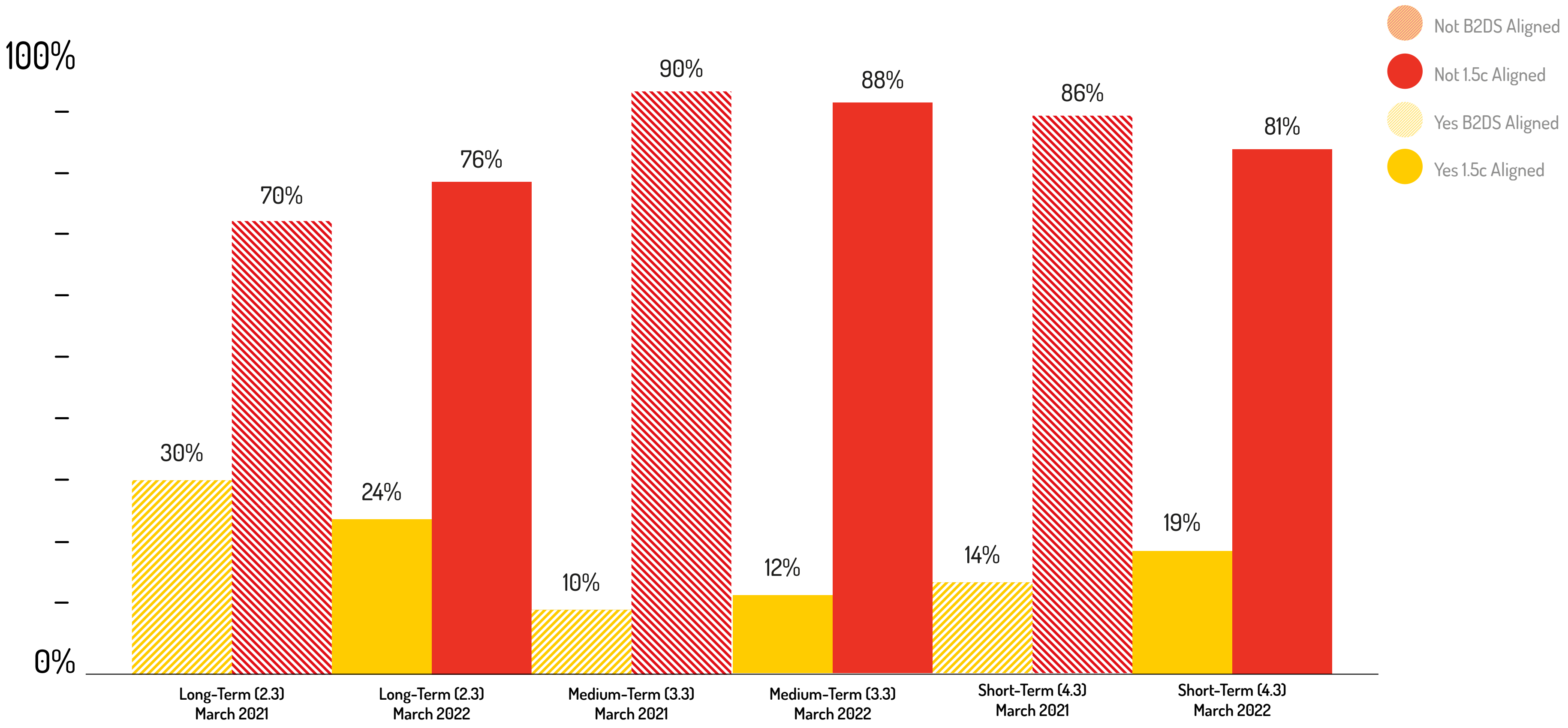
Short term target alignment: This saw a 5% increase between March 2021 and March 2022, but again the overall result is concerning: over 80% of focus companies do not have 1.5°C-aligned short-term targets.



* Refers to TPI's interpretation of IEA's 1.5C scenario.
** B2DS is a rapid-transition scenario equivalent to an estimated 1.75°C of global warming in this century (with an approximate 50% probability). Net zero emissions would be reached by 2060.

Indicators 2-4. Detail on emissions reduction target alignment levels with climate scenarios (metrics 2.3, 3.3 and 4.3)

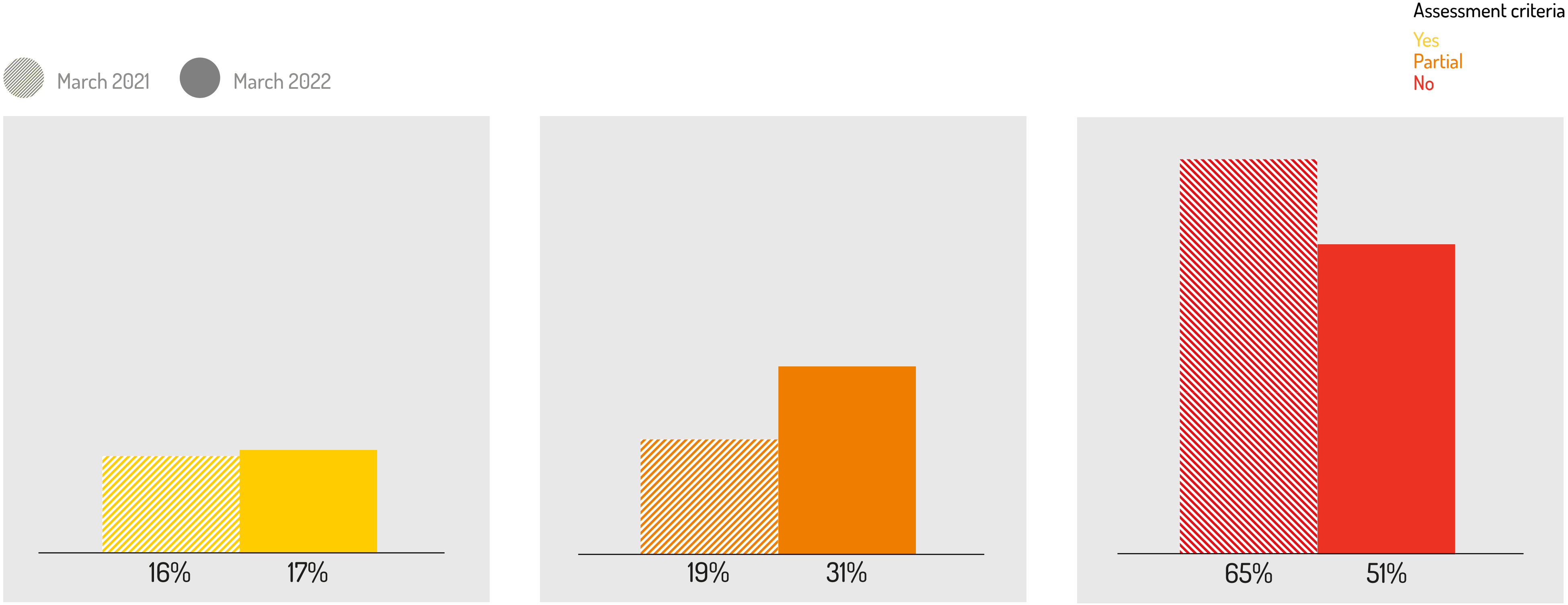
Assessing focus companies' decarbonisation targets against IEA's 1.5C scenario (instead of a B2DS scenario) impacted some year-on-year scores. The main impact seen is an 6% decrease in long-term target alignment, as the percent of aligned companies on Metric 2.3 dropped from 30% in March 2021 to 24% in March 2022.



Note: These metrics are based on TPI's Carbon Performance methodologies which applies the Sectoral Decarbonisation Approach (SDA), a science-based method for assessing corporate GHG emission reduction targets against reference climate scenarios. Companies were assessed against the best-available below 2°C scenario in the March 2021 iteration of the Benchmark, owing to the absence of a credible 1.5°C scenario. Companies were assessed against the IEA's 1.5°C scenario for the March 2022 iteration of the Benchmark, except for paper and autos companies, where a credible 1.5°C scenario remains absent. Companies in these sectors were assessed against the IEA's Beyond 2°C and the 2°C High Efficiency scenarios, respectively. If a company's current emissions intensity is aligned with the assessment scenario used (or will be aligned in the short or medium-term), it is assumed that the intensity will continue to be aligned in the long term.The figures on this slide relate to companies operating in sectors covered by the TPI Carbon Performance assessment methodologies (Airlines, Autos, Cement, Diversified Mining, Electricity Utilities, Oil & Gas, Paper, Shipping and Steel). This amounted to 113 companies in the March 2021 Benchmark and 118 companies in March 2022.

Indicator 5. Decarbonisation strategy (target delivery)

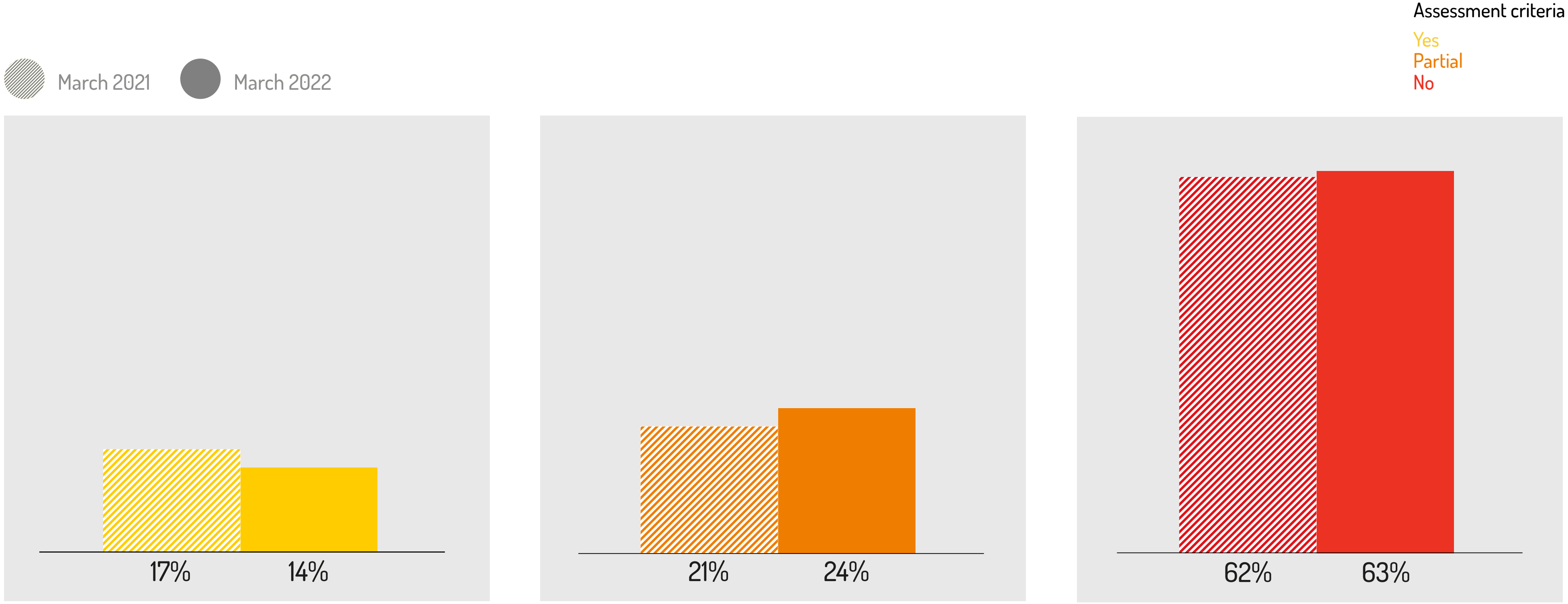
Sub-indicator 5.1 The company has a decarbonisation strategy for its long- and medium-term GHG reduction targets



- While **48%** of companies have identified the set of actions they intend to take to achieve their GHG reduction targets, only 17% state the contribution of each measure to the overall emissions reduction target (a requirement to meet Metric 5.1.b).
- Indicator 5 is contingent upon companies having set medium- and long-term GHG targets, which are basic building blocks of a decarbonisation strategy. If companies haven't set these targets, they cannot score well on this Indicator.
- Companies are describing their actions but not quantifying them – investor engagement should focus on pushing companies to publish robust, quantitative transition plans on how they intend to action and implement their GHG reduction targets.

Indicator 5. Decarbonisation strategy (target delivery)

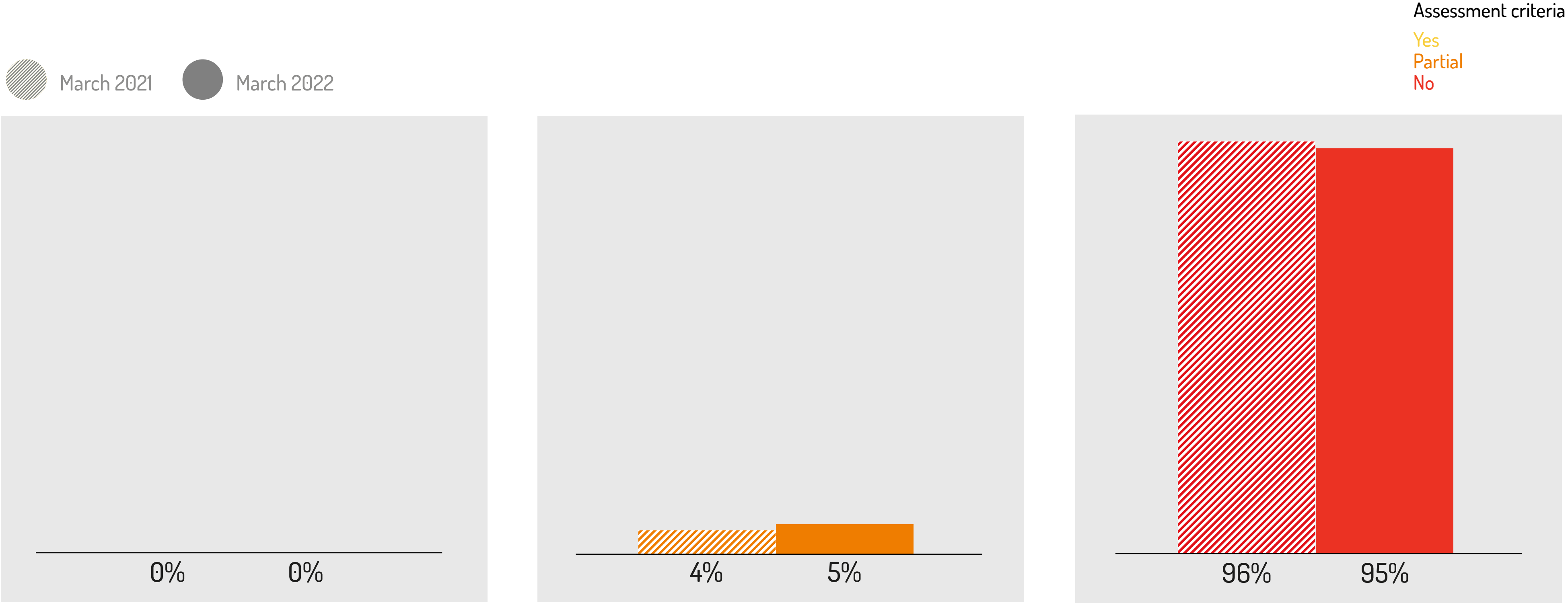
Sub-indicator 5.2 The company's decarbonisation strategy specifies the role of 'green revenues' from low carbon products and services



- Although 38% of companies meet some of the requirements, **63%** of companies do not meet any criteria for this Indicator.
- These results sound an urgent call for European companies to start taking action in this area, as they will soon be legally required to disclose their green revenue shares.

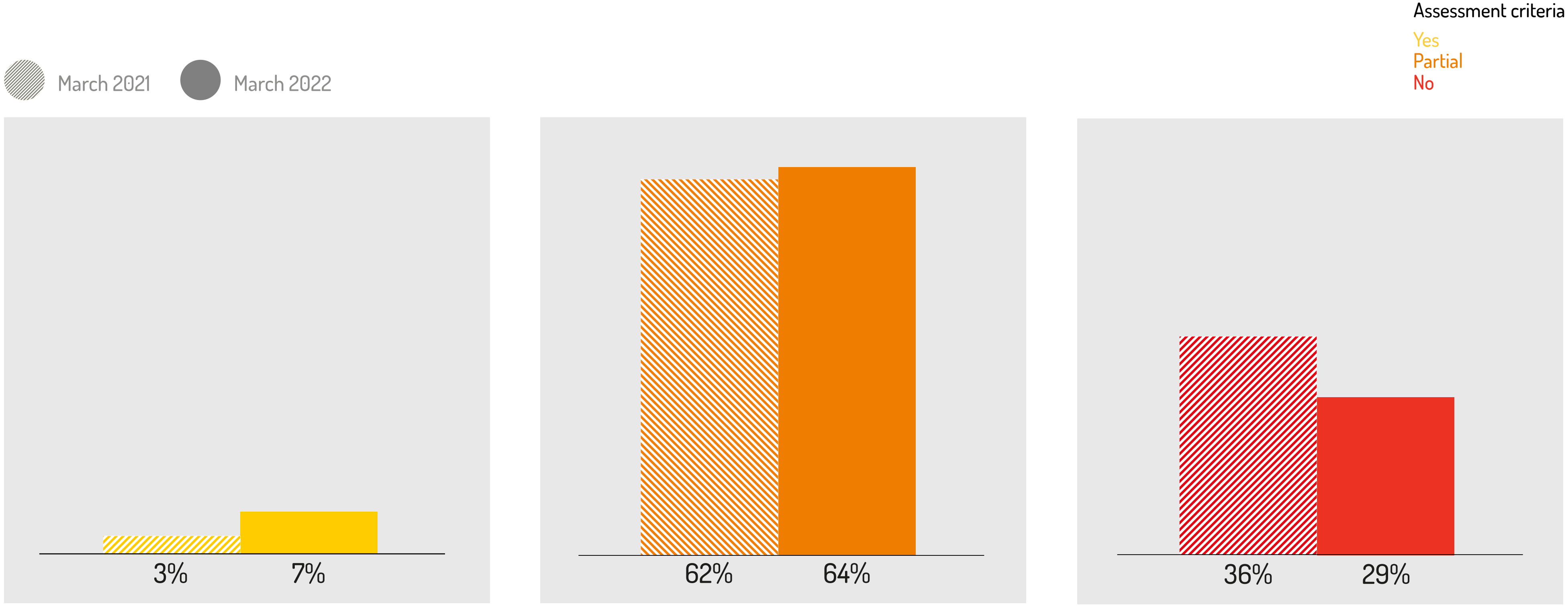
Note: Only 30% of companies (51) are assessed against Sub-indicator 5.2, as this Sub-indicator is assessed only against companies headquartered in the European Economic Area (EEA) or the United Kingdom (UK). This reflects disclosure of green revenues for these companies only. When using third party data to assess green revenue generation performance against metric 5.2.a, this increases.

Indicator 6. Capital alignment



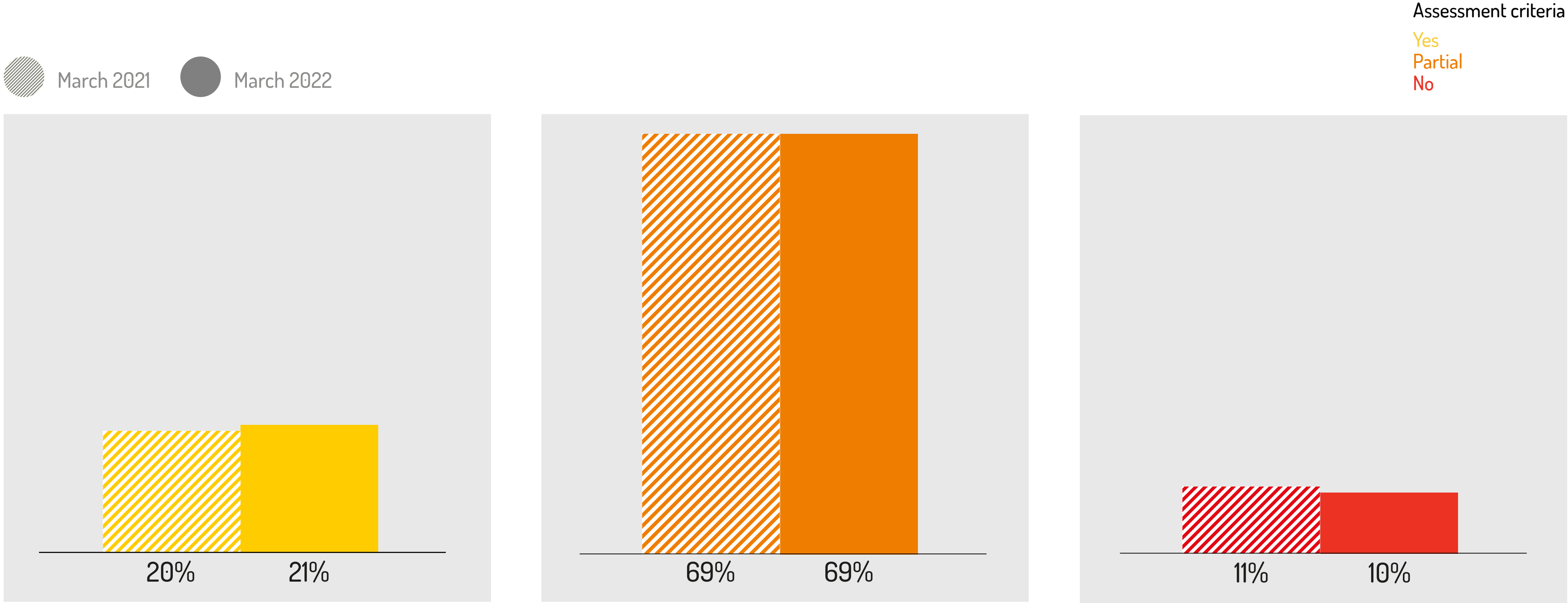
- **No focus companies meet all criteria** on this indicator due to a major gap in corporate reporting on how companies are integrating their climate strategies into their capex plans.
- **Only 9** focus companies meet some of the criteria.
- Whilst there are capex investments into low carbon technologies mentioned in some company disclosures, most companies that offer any detail on this lack a comprehensive capex plan aligned to their emissions reduction targets or the Paris Agreement goals.
- While net zero commitments are the foundation of a net zero transition strategy, capex is indicative of what companies actually intend to do. Any misalignment is misleading and so this should be a critical topic of engagement for investors.

Indicator 7. Climate policy engagement



- **71%** of focus companies meet some or all of the criteria. Out of the **7%** of focus companies that meet all of the criteria, most are from the energy sector.
- **64%** of focus companies scored partially. This can partly be attributed to this indicator including the highest number of individual metrics, so it can be difficult to score a Yes.
- Overall, companies still have a long way to go in making meaningful progress on this indicator. Whilst many companies list their direct lobbying activities and their trade association memberships, very few have commitments to align both direct and indirect lobbying, or to disclose a process to address misalignment.

Indicator 8. Climate governance



- **21%** of focus companies meet all criteria, and **69%** have instituted some level of board oversight of climate change, which is effectively unchanged from March 2021.
- Metric 8.2b, focused on executive numeration, experienced a number of company downgrades (14), partly due to stricter requirements for senior executive remuneration to incorporate progress on publicly disclosed GHG reduction targets.
- Whilst overall board level oversight of climate change is good, investors need to see climate governance being strategically integrated throughout companies and to see GHG reduction targets being tied more explicitly to renumeration.

Note: Companies were not publicly assessed on Sub-indicator 8.3 in March 2021 or in March 2022. Therefore, Indicator 8 scores have been calculated based only on Sub-indicators 8.1 and 8.2.

Indicator 9. Just Transition

This is a **Beta** Indicator to be included in the March 2022 assessments. Companies will not be publicly assessed on it in March 2022.

Sub-Indicator 9.1 – Acknowledgement

Metric a): The company has made a formal statement recognising the social impacts of their climate change strategy - the Just Transition – as a relevant issue for its business.

Metric b): The company has explicitly referenced the Paris Agreement on Climate Change and/or the International Labour Organisation's (ILO's) Just Transition Guidelines).

Sub-Indicator 9.2 – Commitment

The company has committed to Just Transition principles:

Metric a): The company has published a policy committing it to decarbonise in line with Just Transition principles.
Metric b): The company has committed to retain, retrain, redeploy and/or compensate workers affected by decarbonisation.

Sub-Indicator 9.3 - Engagement

The company engages with its stakeholders on Just Transition:
Metric a): The company, in partnership with its workers, unions, communities and suppliers has developed a Just Transition Plan.

Sub-Indicator 9.4 – Action

The company implements its decarbonisation strategy in line with Just Transition principles.

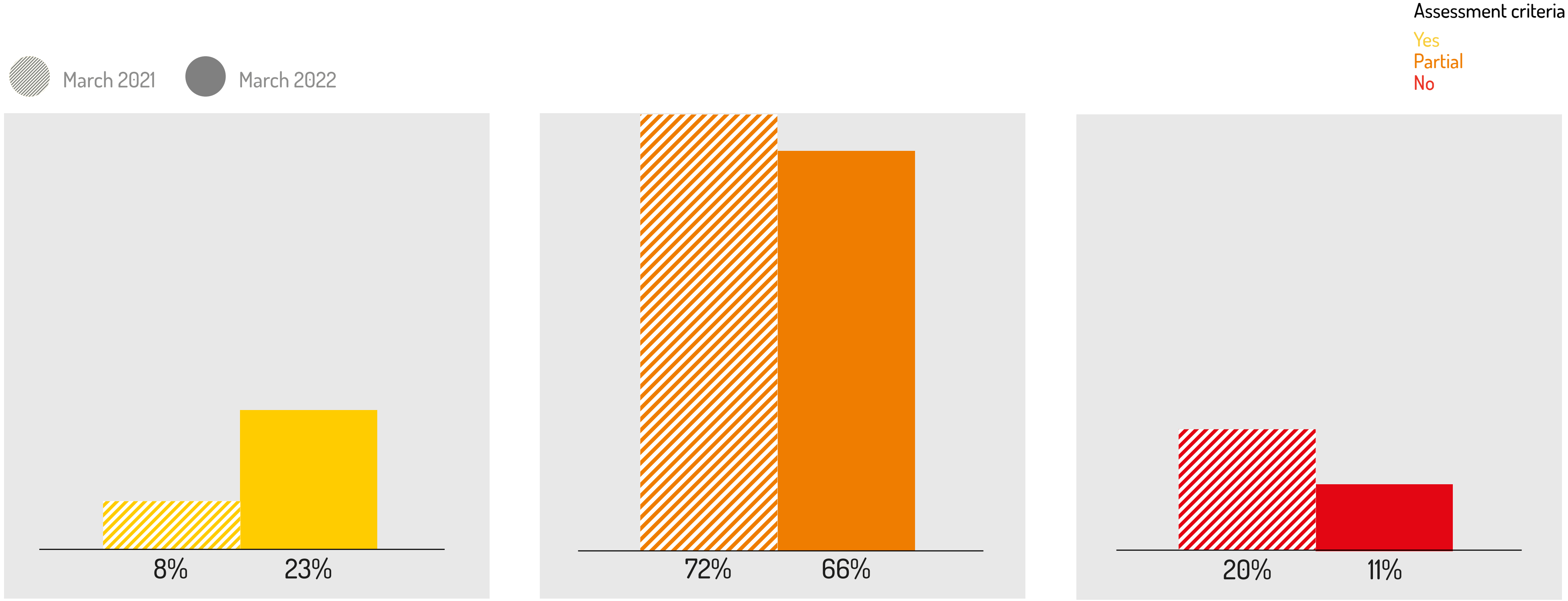
Metric a): The company supports low-carbon initiatives (e.g. regeneration, access to clean and affordable energy, site repurposing) in regions affected by decarbonisation.

Metric b): The company ensures that its decarbonisation efforts and new projects are developed in consultation and seek the consent of affected communities.

Metric c): The company takes action to support financially vulnerable customers that are adversely affected by the company's decarbonisation strategy.

Contingency: Metrics 9.2-9.4 will not be scored unless the requirements for 9.1 are met. 9.4 is contingent on 9.2a.

Indicator 10. TCFD disclosure



- There is a high level of commitment to TCFD, as **89%** of focus companies have aligned with TCFD recommendations either by supporting the TCFD principles or by employing climate-scenario planning.
- **66%** of focus companies scored partially. One of the reasons for this could be only a small number of companies are using 1.5°C scenario analysis and so weren't able to meet all criteria for 10.2b. Given that a credible 1.5°C scenario was only published in May 2021 by the IEA, we expect to see more companies performing 1.5°C scenario analyses in future iterations of the Benchmark.
- Overall, few companies are embracing the more advanced aspects of the TCFD framework that would help to give investors a fuller picture of the risks and opportunities posed by climate change. Investors expect to see companies conducting more robust climate scenario analyses in upcoming reports.

Note: Companies were not publicly assessed on Sub-indicator 8.3 in March 2021 or in March 2022. Therefore, Indicator 8 scores have been calculated based only on Sub-indicators 8.1 and 8.2.

03. ALIGNMENT ASSESSMENTS

Capital Allocation Alignment for utilities/oil and gas

Capital Allocation Alignment for utilities/autos/steel/cement/aviation

Climate Policy Engagement Alignment

About the Alignment Assessments

The Alignment Assessments (formerly called Capital Allocation Indicators) complement the Disclosure Framework. They provide independent evaluations of the alignment and adequacy of company actions with the goals of Climate Action 100+ and the Paris Agreement.

These assessments come from different data providers of the Climate Action 100+ Technical Advisory Group:

Carbon Tracker Initiative

Capital Allocation Alignment
(For Utilities/Oil and Gas)
Assessed by CTI

2° Investing Initiative

Capital Allocation Alignment
(For Utilities/Autos/Steel/Cement/Aviation)
Assessed by 2 Degrees Investing Initiative

InfluenceMap

Climate Policy Engagement Alignment
Assessed by InfluenceMap

Carbon Tracker Initiative

Climate Accounting and Audit
Assessed by Carbon Tracker Initiative (CTI) and the Climate Accounting and Audit Project (CAAP)

Capital alignment of Climate Action 100+ upstream oil & gas

All Climate Action 100+ upstream oil & gas companies have un-sanctioned oil & gas project capex opportunities that are inconsistent with Paris aligned pathways in IEA's Beyond 2°C.

67% of un-sanctioned oil & gas capex opportunities are inconsistent with B2DS – unchanged from the March 2021 Benchmark.

Almost 2/3 of companies sanctioned new projects that were inconsistent with B2DS during full year 2020 **against 3/4** of companies during full year 2019. Thus, project approval processes are not yet

Less than **40%** of focus companies disclosed their commodity price assumptions used for asset impairment testing, a reduction from **47%** of companies in the March 2021 Benchmark iteration.

Net zero requires **33%** lower oil and gas production in the 2030s for the Climate Action 100+focus companies against a 2021 baseline (assuming no new oil & gas sanctioning and running-off existing production).

CTI's suggested engagement implications for upstream oil and gas companies

All relevant Climate Action 100+ focus companies have exposure to unsanctioned oil and gas projects that are inconsistent with the oil and gas demand from Paris Agreement aligned scenarios and many sanctioned inconsistent projects in 2019 and 2020.

Thus, Climate Action 100+ investor signatories should engage focus companies on upstream oil and gas capital allocation plans to better understand:

How are companies using climate constrained and net zero scenarios as part of their new upstream project investment decision approval process – and if not using, why not?

What strategic planning and scenario analyses are management using to implement the company's net zero emission transition plans – and if none, why is management not considering a net zero transition plan?

Have companies analysed the consequences for their investment decisions, return on capital, and cost of capital if they apply a $100/ton carbon price into their investment models?

What incentive structures have the board of directors put in place to ensure that management's strategic planning is in alignment with the company's stated climate targets and ambitions?

Coal

Carbon Trackers' analysis of the full phase-out of coal units by 2040.

No company has announced a fully consistent phase-out plan for coal and gas that are aligned with Paris pathways (i.e., full retirement of all capacity consistent with CTI's interpretation of IEA's Beyond 2°C Scenario (B2DS) and with an assigned phase-out year)

10 companies have announced full phase-out aligned with Paris pathway (up from **4** companies in 2018)

2 have announced a full phase-out that is inconsistent with a Paris-aligned pathway

13 have announced partial phase-out and **7** have provided insufficient information to assess

63% of companies' coal generation are aligned with a Paris aligned pathway (B2DS)

Gas

CTI analysis of the full phase-out of natural gas units by 2050.

No focus company with gas capacity has announced a Paris Agreement aligned phase-out plan

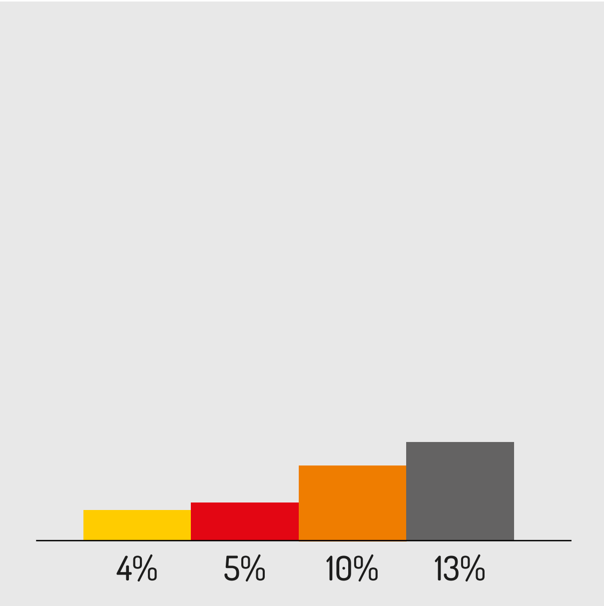
13 have announced partial phase-out and **19** have provided insufficient information to assess

56% of companies' gas generation are aligned with a Paris aligned pathway (B2DS)

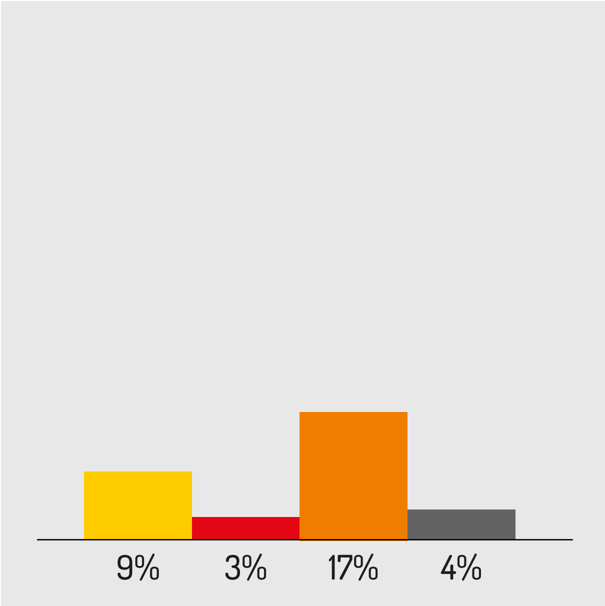
Coal improvements

Coal phase-out plans alignment with Paris Agreement

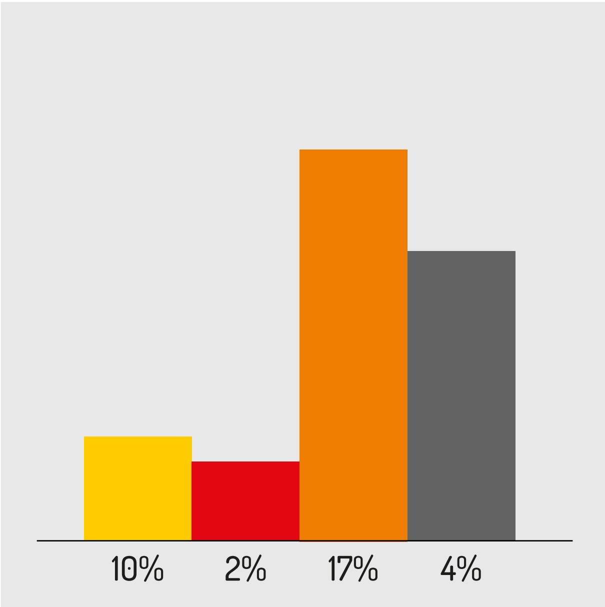
Assessment criteria
Announced full phase-out of coal fired generation fleet consistent B2DS
Full phase-out which is not yet consistent with B2DS
Partial phase-out of the fleet
Unannounced/ insufficient data on phase-out



2019*



2020

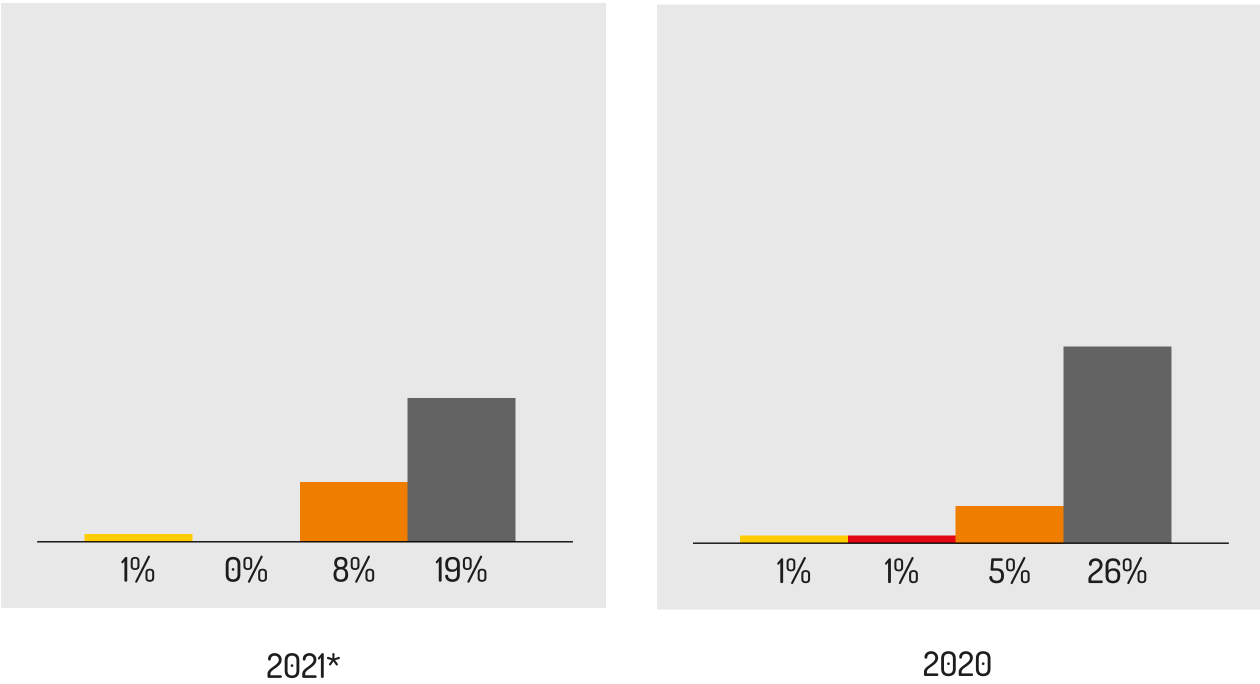


2019*

(*) Excluding Uniper, added during 2020, in 2021 Uniper and Fortum are evaluated separately

No gas owner has aligned phaseout

Gas phaseout plans



Assessment criteria
Announced full phase-out of coal fired generation fleet consistent B2DS
Full phase-out which is not yet consistent with B2DS
Partial phase-out of the fleet
Unannounced/ insufficient data on phase-out

(*) Not analyzed capacity outside EU, UK, US. Uniper and Fortum evaluated separately

CTI's suggested engagement implications for power generation companies

Carbon Tracker Initiative

None of the electric utility focus companies have announced a full phase-out schedule of all their coal and gas generation capacity that is consistent with Paris Agreement aligned pathways, although many have announced net zero commitments.

Thus, Climate Action 100+ investor signatories should engage focus companies on capital allocation plans for existing and planned new coal and gas-powered generation capacities to better understand:

How are companies planning to meet climate targets and net zero commitments if they keep operating coal and gas generation capacity beyond the 2030s?

How are companies using climate constrained and net zero scenarios as part of their power generation project investment decision process - and if not using, why not?

Have companies analysed the consequences for their investment decisions, return on capital, and cost of capital if they apply a $100/ton carbon price into their investment models?

What incentive structures have the board of directors put in place to ensure that management's strategic planning is in alignment with the company's stated climate targets and ambitions?

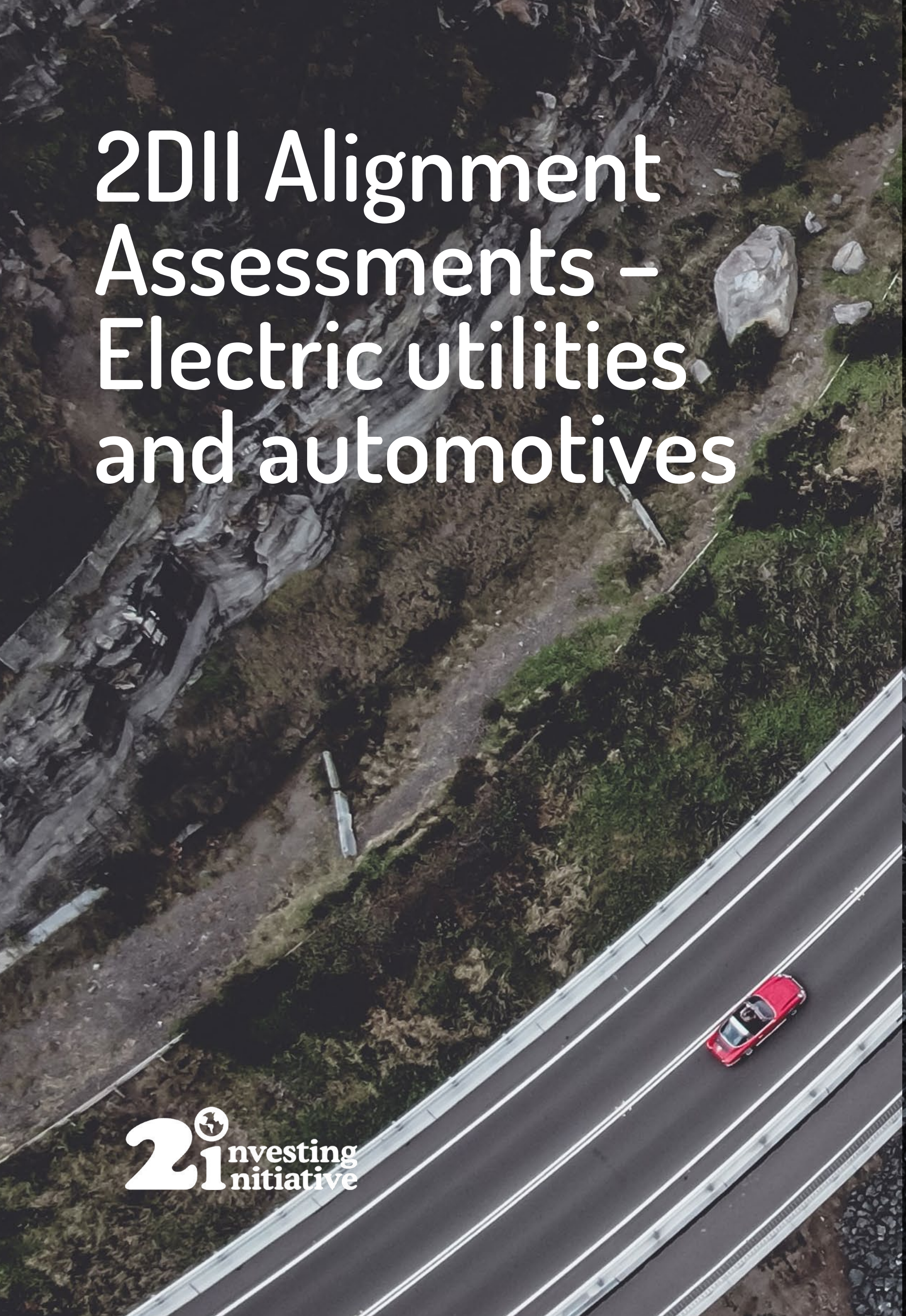
03. ALIGNMENT ASSESSMENTS

Capital Allocation Alignment for utilities/oil and gas

Capital Allocation Alignment for utilities/autos/steel/cement/aviation

Climate Policy Engagement Alignment

2DII Alignment Assessments – Electric utilities and automotives



These alignment assessments from the 2° Investing Initiative (2DII) are made using the PACTA methodology and data provided by Asset Resolution. They analyse electric utility and automotive companies' using three main metrics and data as of Q4 2021:

Company technology mix vs. sector average:
How does each company's present mix of technologies compare with the sector average for each technology?

Technology-level scenario alignment assessment:
How does each company's 5 year planned production for each technology compare with IEA climate change scenario pathways for the relevant sector?

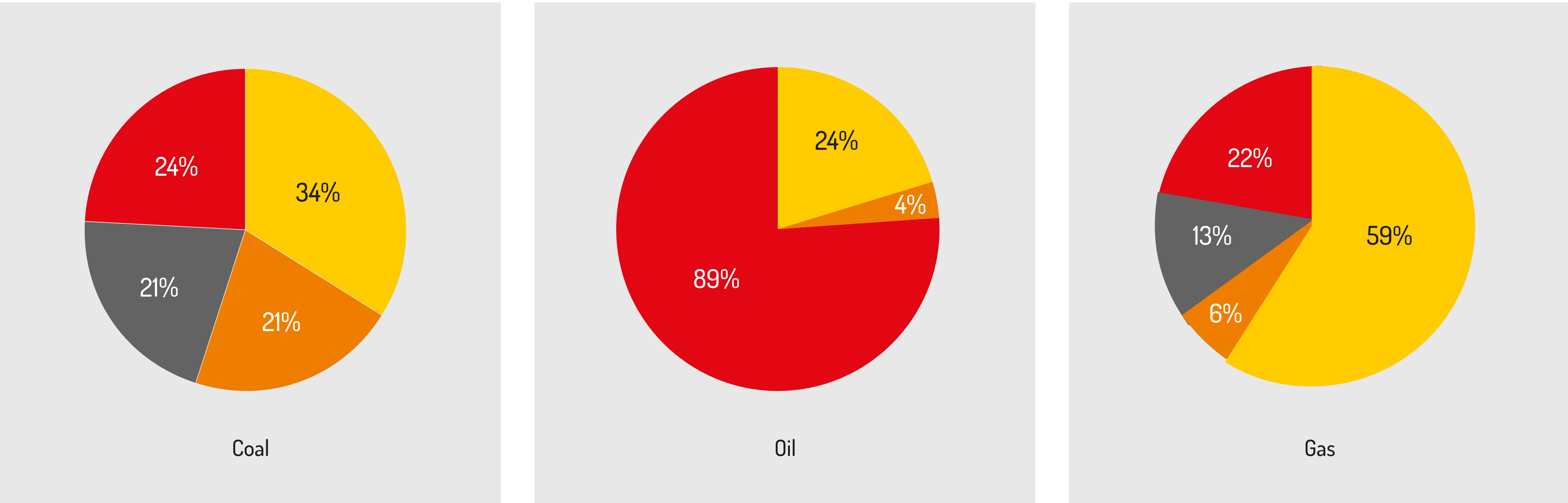
Company-level scenario alignment assessment:
How does each company's 5 year planned production across the technologies compare with IEA climate change scenario pathways for the relevant sector?

Alignment assessments: Electric utilities (33 companies)

Assessment of IEA scenario alignment for each technology

This metric assesses how each company's 5 year planned production for each technology compares with targets based on IEA climate change scenario pathways for the sector.

Assessment criteria
Aligned to NZ <1.5°C
Close to SDS 1.5°C-1.8°C
Above SDS >1.8°C
Significantly above SDS >2.7°C

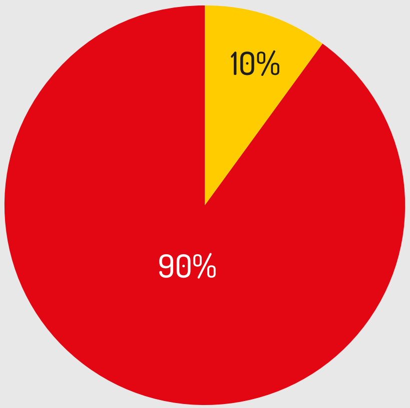


Alignment assessments: Electric utilities (33 companies)

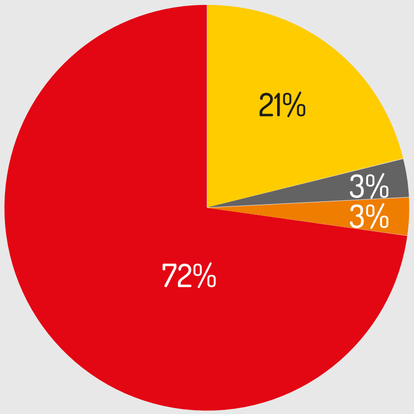
Assessment of IEA scenario alignment for each technology

This metric assesses how each company's 5 year planned production for each technology compares with targets based on IEA climate change scenario pathways for the sector.

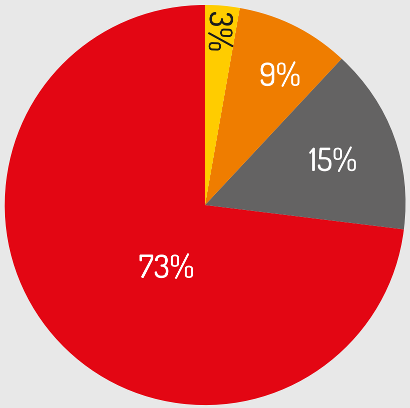
Assessment criteria
Aligned to NZ <1.5°C
Close to SDS 1.5°C-1.8°C
Above SDS >1.8°C
Significantly above SDS >2.7°C



Nuclear



Hydro

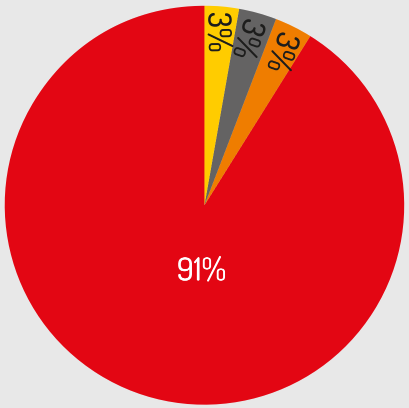


Renewables

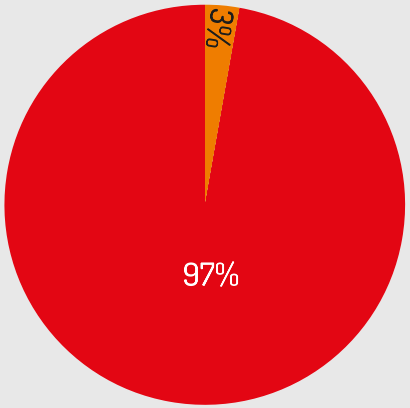
Alignment assessments: Electric utilities (33 companies)

Assessment of company aggregate IEA Net Zero (NZ) scenario alignment

This metric assesses how each company's 5 year planned production across technologies compares with IEA climate change scenario pathways for the sector (specifically the IEA's Net Zero Emissions by 2050 Scenario).



Company aggregate Q4 2021



Company aggregate Q4 2020

NZE Ahead
NZE Slightly Ahead
NZE Aligned
NZE Slightly Behind
NZE Behind

2DII Investing Initiative's suggested engagement implications for electric utilities

A significant focus is required on the buildout of new renewable technologies as the majority of the utilities are a significant distance from aligning with a 1.5°C or even 1.8°C global warming scenario.

There is also potential to engage with those utilities active in nuclear and hydro technologies in order to identify opportunities for new investment. *

Although there are positive signs of a phase down in coal capacity, attention is needed on whether this capacity is being closed down or sold off, as the latter action may not reduce emissions in the real economy.

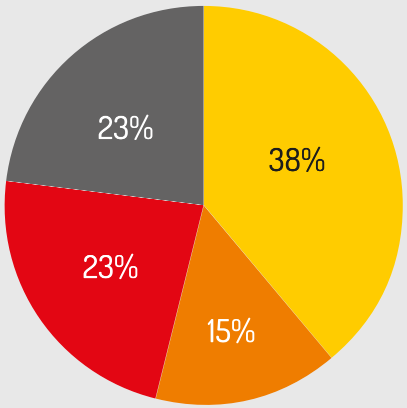
* In the March 2022 iteration of the Climate Action 100 Net Zero Company Benchmark, scenario targets are only applied to companies that are already active in these technologies.

Alignment assessments: Automotives (13 companies)

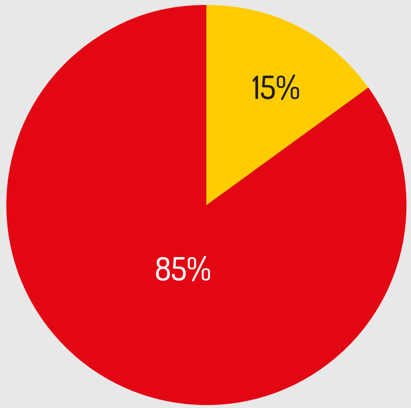
Assessment of IEA scenario alignment for each technology

This metric assesses how each company's 5 year planned production for each technology compares with targets based on IEA climate change scenario pathways for the sector.

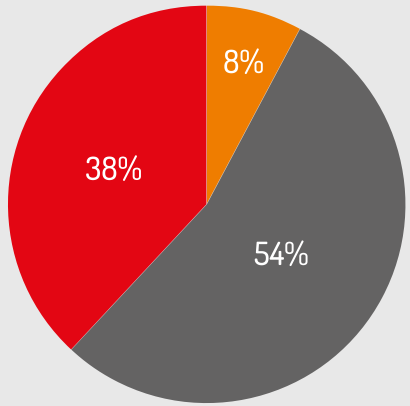
Assesssment criteria
Aligned to NZ <1.75°C
Close to SDS 1.75°C-2°C
Above SDS >2°C
Significantly above SDS >2.7°C



Electric Vehicle



Hybrid

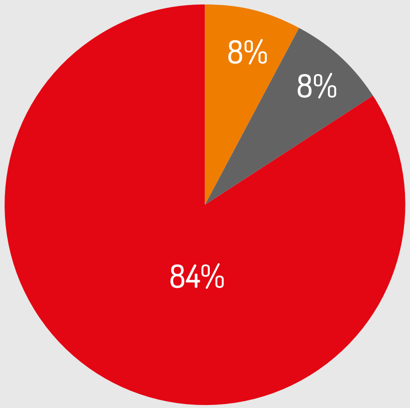


Internal Combustion Engine

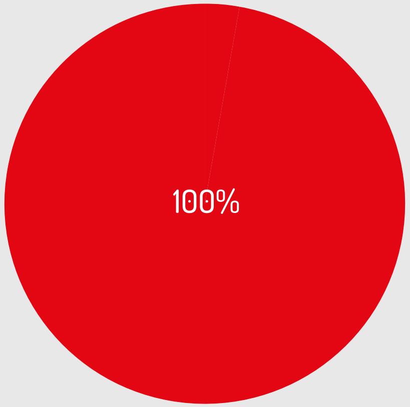
Alignment assessments: Automotive (13 companies)

Assessment of company aggregate IEA Net Zero scenario alignment

This metric assesses how each company's 5 year planned production across technologies compares with climate change scenario pathways for the sector (specifically the IEA's Beyond 2° Scenario).

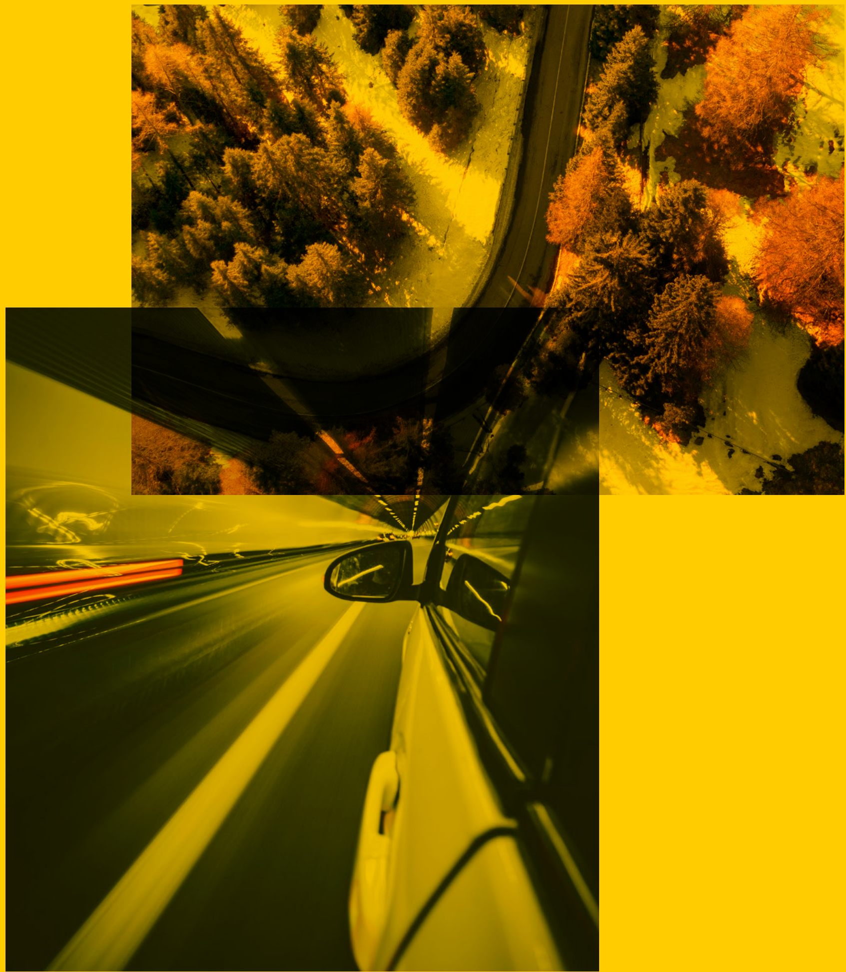


Company aggregate Q4 2021



Company aggregate Q4 2020

Assessment criteria
B2DS Ahead
B2DS Slightly Ahead
B2DS Aligned
B2DS Slightly Behind
B2DS Behind



2DII Investing Initiative's suggested engagement implications for automotives

Company targets for the transition from internal combustion engine (ICE) vehicles to a combination of electric and hybrid vehicles should be a focus of attention. Companies must accelerate the phase out of ICE vehicles.

A possible question to ask focus companies is when they anticipate their peak ICE production to occur before then shifting to hybrid and EV technologies.

A number of focus companies still appear to be significantly behind the sector in their plans for electric vehicle production, so engagement should focus on their readiness to deliver this technology.

Alignment assessments – steel, cement and aviation companies

2DII assessment of each company's distance to IEA scenario alignment in 2030

This metric assesses how much each company needs to reduce its emissions intensity in order to achieve the 2030 IEA Beyond 2 Degrees Scenario (B2DS)* target for the relevant sector.

Steel (8 companies)

- 1 company (Nippon Steel) is a **moderate distance** to being aligned, meaning it is on the pathway to 1.75°C but still needs to make a 15-36% emissions reduction by 2030.
- 7 companies are a **significant distance** to being aligned, meaning they are not yet on the pathway to 1.75°C and will need to make emissions reductions of >36% by 2030.

Cement (11 companies)

- All 11 companies are a **significant distance** to being aligned, meaning they are not yet on the pathway to 1.75°C and will need to make emissions reductions of >20% by 2030.

Aviation (5 companies)

- All 5 companies are a **significant distance** to being aligned, meaning they are not yet on the pathway to 1.75°C and will need to make emissions reductions of >30% by 2030.

*B2DS is a rapid-transition scenario equivalent to an estimated 1.75°C of global warming in this century (with an approximate 50% probability). Net zero emissions would be reached by 2060.

2DII Investing Initiative's suggested engagement implications for steel, cement and aviation companies

The results indicate that the majority of the relevant focus companies are not yet on the decarbonisation pathway set by the B2DS 1.75°C scenario, meaning they are behind the anticipated emissions intensity for 2021.

Meeting the 2030 B2DS scenario targets will require capital investments in plants and equipment.

Possible questions to ask focus companies are therefore:

- What measures could be implemented in the short term to improve emissions intensity performance?

- What combination of investments are planned in order to converge with the targets set by IEA scenarios such as the Net Zero by 2050 Scenario or B2DS and by when?

03. ALIGNMENT ASSESSMENTS

Capital Allocation Alignment for utilities/oil and gas

Capital Allocation Alignment for utilities/autos/steel/cement/aviation

Climate Policy Engagement Alignment

Climate Policy Engagement: Organisation Score

InfluenceMap

Organisation Score

Is the company's indirect climate policy engagement aligned with the Paris Agreement?

Yes, meets criteria (Organisation Score 75-100): Score over 75 indicate broad alignment between the Paris Agreement and the company's direct lobbying activities

Partially meets criteria (Organisation Score 50-74): Scores in this range indicate mixed engagement with Paris-aligned climate policy.

No, does not meet criteria (Organisation Score 0-49): Scores under 50 indicate increasingly significant misalignment between the Paris Agreement and the company's direct lobbying activities

Not applicable (Engagement Intensity Score 0-4) IM's Engamgent Intensity' metric is a measure of the level of policy engagement by the company, whether positive or negative. Scores below 5 indicate low-level engagement with climate policy

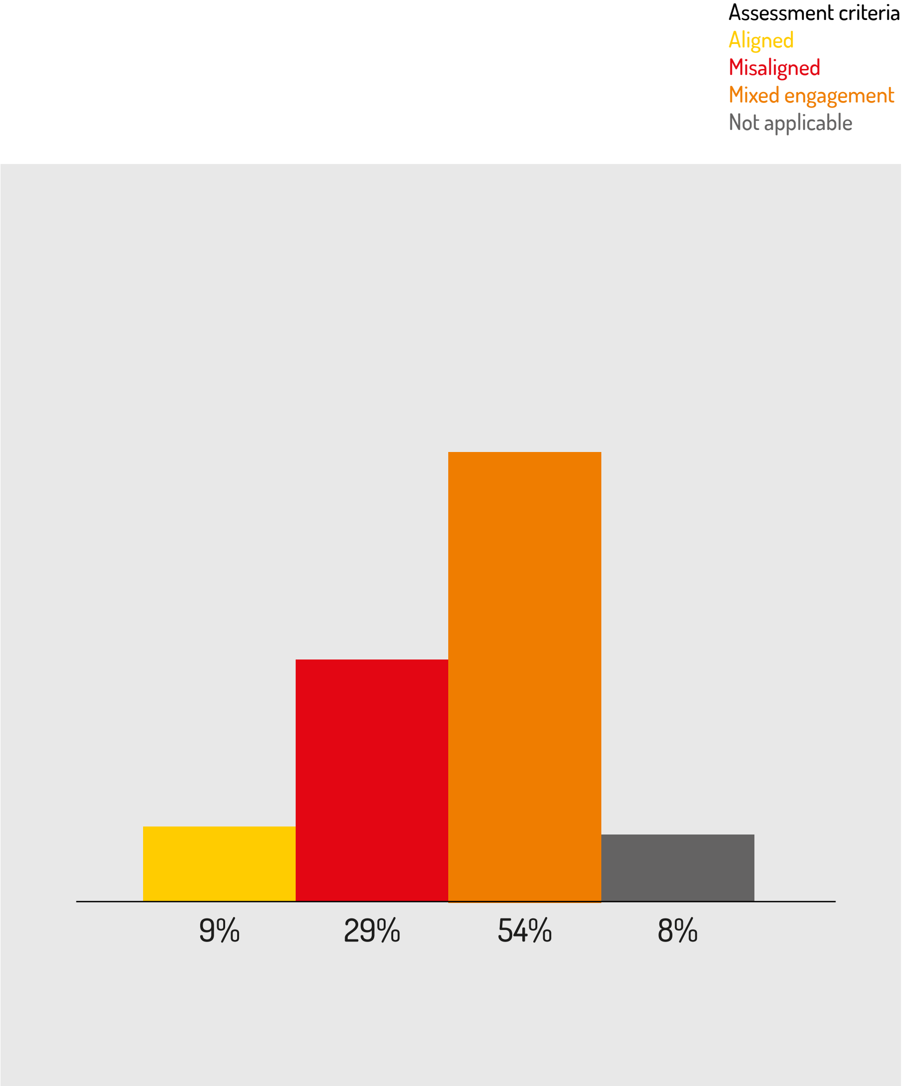
Results: Organisation Score (Direct Engagement)

48 of **166** Climate Action 100+ focus companies (29%) have **misalignment** between their direct lobbying activities and the Paris Agreement;

89 of **166** focus companies (54%) have **mixed direct engagement** with Paris-aligned climate policy;

15 of **166** focus companies (9%) have **broad alignment** between their direct lobbying activities and the Paris Agreement;

14 of **166** focus companies (8%) have **low measurable engagement** with climate-related policy and did not receive a score under this indicator.



InfluenceMap

Findings: Organisation Score
(Direct Engagement)

Most Climate Action 100+ focus companies have started heading in the right direction, with **over 50%** of companies demonstrating a meaningful improvement in their Organisation Score compared to the first Benchmark assessments released in March 2021.

However, these reforms often are not going far enough, with only a small proportion of focus companies **(9%)** aligning their detailed, real-world climate policy engagement practices with Paris-Agreement-aligned policy and regulatory pathways.

Influence Map's suggested Engagement Priorities:

A key area for future engagement should therefore be to push focus companies to implement thorough climate policy engagement audits across their global operations, followed by meaningful action to:

(a) Eliminate direct policy engagement that would weaken the climate ambition of local, regional or intergovernmental policy processes;

(b) Ensure policy positions on technology and energy pathways are aligned with the latest science on limiting global warming to 1.5°C; and

(c) Increase transparent, positive advocacy across a range of climate policy issues.

Climate Policy Engagement: Relationship Score

Relationship Score

Is the company's indirect climate policy engagement via industry associations aligned with the Paris Agreement?

Yes, meets criteria (Relationship Score 75-100): Score over 75 indicate broad alignment between the Paris Agreement and the lobbying activities by the company's trade associations

Partially meets criteria (Relationship Score 50-74): Scores in this range indicate mixed engagement with Paris-aligned climate policy by the company's trade associations

No, does not meet criteria (Relationship Score 0-49): Scores under 50 indicate increasingly significant misalignment between the Paris Agreement and the lobbying activities of the company's trade associations

Not applicable: Companies found not to maintain significant links to trade associations actively influencing climate policy (as per InfluenceMap's database) are excluded from this assessment

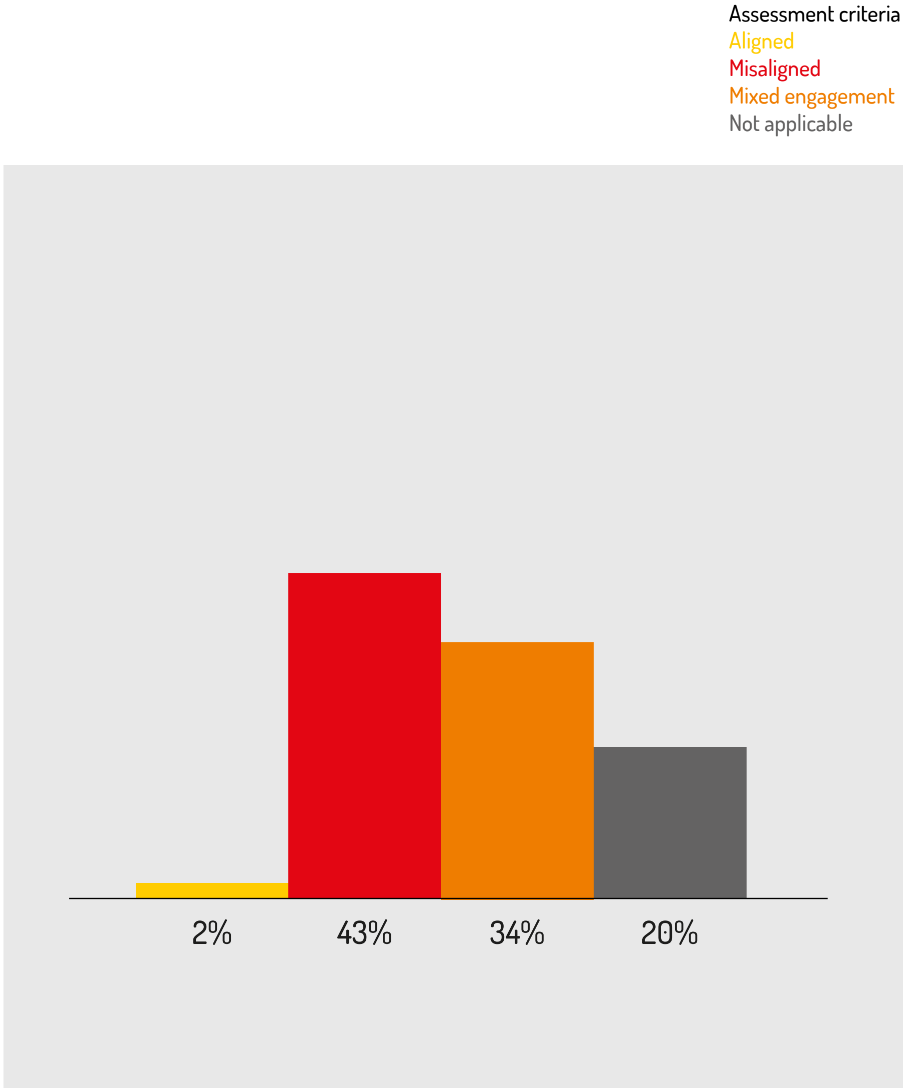
Results: Relationship Score (Indirect Engagement)

72 of 166 Climate Action 100+ focus companies (43%) have **misalignment** between the Paris Agreement and the lobbying activities of their industry associations;

57 of 166 focus companies (34%) have **mixed indirect engagement** with Paris-aligned climate policy via their industry associations;

3 of 166 focus companies (2%) have **broad alignment** between the Paris Agreement and the lobbying activities of their industry associations;

34 of 166 focus companies (20%) have **no significant links to industry associations** actively influencing climate policy, as per Influence Map's database, and did not receive a score under this assessment.



InfluenceMap

Findings: Relationship Score
(Indirect Engagement)

The analysis did not find meaningful reform of climate policy engagement practices amongst the vast majority of industry associations that Climate Action 100+ focus companies hold memberships to, with many assessed to be persistently in conflict with Paris-Agreement-aligned policy and regulatory pathways.

As such, and with only few focus companies opting to leave industry associations that are failing to reform, there has been limited improvements in companies' Relationship Scores, with **43%** of companies assessed as 'Red' under the March 2022 Benchmark for this assessment.

Influence Map's suggested Engagement Priorities:

A key area for future engagement should therefore be to push focus companies to make significant improvements in their industry association alignment management processes.
This includes:

(a) Improved transparency for companies opting to 'stay inside the tent' to influence industry associations, with detailed reviews and timely communications making clear where climate-obstructive industry associations are misaligned from the companies' own positions; and

(b) More robust escalation strategies and deadlines for where 'inside the tent' strategies are clearly not producing the necessary reform of industry association lobbying practices.

04. CLIMATE ACCOUNTING AND AUDIT

New: Climate Accounting and Audit Alignment Assessment

Assessment of climate accounting and audit – first of its kind.

Development led by Carbon Tracker Initiative (CTI) and the Climate Accounting and Audit Project (CAAP).*

CTI and CAAP have previously conducted company-level analyses on climate accounting and many of the measures they use have already been implemented in other initiatives.

'Provisional' assessment for the March 2022 Net Zero Company Benchmark.**

View the full methodology **here.**

* The Climate Accounting and Audit Project is an informal team of accounting and finance experts drawn from the investor community and commissioned by the PRI.

** This means that information will be collected and publicly assessed as part of the March 2022 Climate Action 100+ Net Zero Company Benchmark, but the assessment framework will be subject to change in future iterations.

Climate Accounting and Audit – Overall scores*

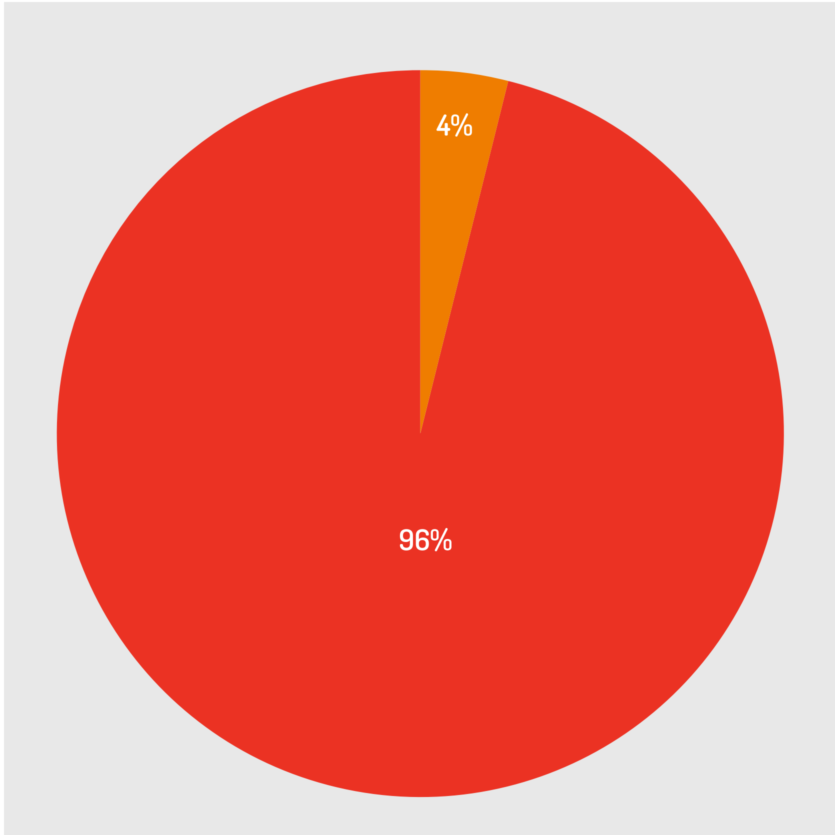
No company achieved an overall 'Yes' score for this alignment assessment.

Only six companies/auditors achieved a 'Partial' score. These were BP, BHP, Glencore, National Grid, Rio Tinto and Shell.

This means that these companies (and/or their auditors) **provided evidence of comprehensive consideration of climate or provided quantitative disclosures** in the financials, the audit reports or both. All six reported using IFRS Standards.

Two of these companies, Rio Tinto and Shell, only received a 'Partial' score because their auditors (KPMG and EY, respectively), scored well.

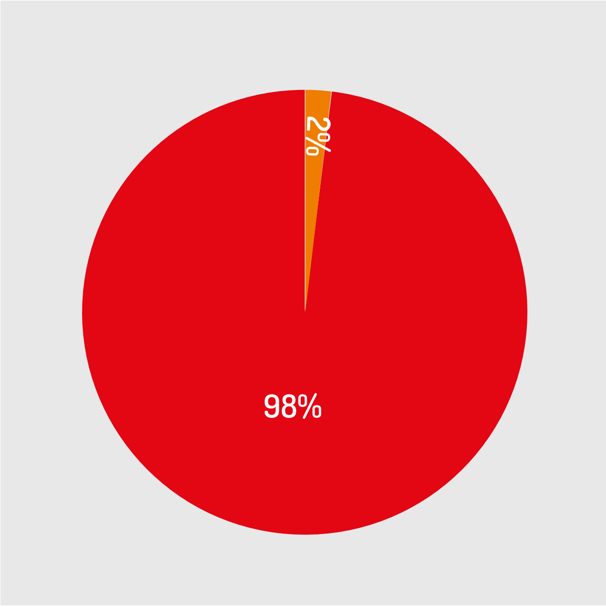
Assessment criteria
Partially met
Not met



• of 164 companies assessed

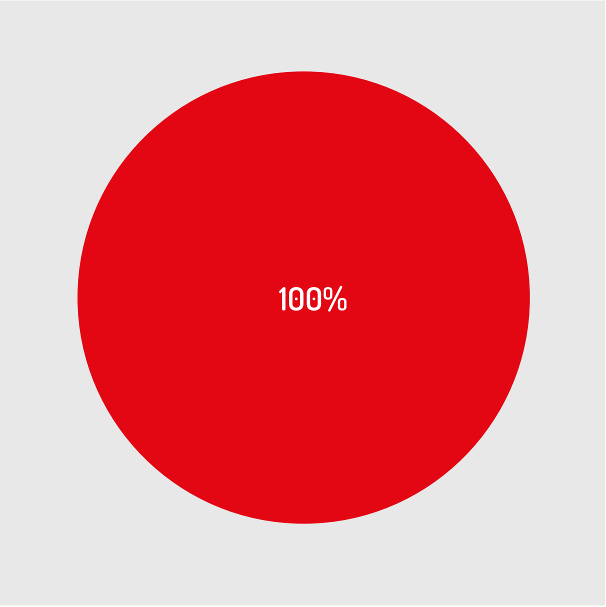
Climate Accounting and Audit - Sub-indicator scores*

Assessment criteria
Met
Partially met
Not met



Sub-indicator 1:
Considerations in audited financial statements and notes

Sub-indicator 2:
Considerations in audit reports



Sub-indicator 3:
Incooporation of impacts net-zero 2050 (or sooner)/no more than 15°C warming

- **Only one report achieved a 'Yes' at the Sub-Indicator level:** Shell's auditor, EY, for auditor consideration of climate (Sub-indicator 2).
- **None provided criteria required to meet Sub-indicator 3:** Inputs aligned with net zero GHG emissions by 2050 or sooner (and no more than 1.5°C of global warming).

Only six companies received 'Partial' scores overall

Assessment criteria
Announced full phase-out of coal fired generation fleet consistent B2DS
Full phase-out which is not yet consistent with B2DS
Partial phase-out of the fleet

		Financial statements				Audit report			Net zero by 2050		
Companies	**Overall scores**	**SI 1**	**1a**	**1b**	**1c**	**SI 2**	**2a**	**2b**	**SI3**	**3a**	**3b**
BHP Group	🟠	🟠	🟡	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🔴
BP plc	🟠	🟠	🟡	🔴	🔴	🟠	🟠	🔴	🔴	🔴	🔴
Glencore	🟠	🔴	🔴	🔴	🔴	🟠	🟠	🔴	🔴	🔴	🔴
National Grid	🟠	🟠	🔴	🟡	🔴	🟠	🟠	🔴	🔴	🔴	🔴
Rio Tinto	🟠	🔴	🔴	🔴	🔴	🟠	🟠	🟡	🔴	🔴	🔴
Shell	🟠	🔴	🔴	🔴	🔴	🟡	🟡	🟡	🔴	🔴	🔴

Only one of these companies scored 'Yes' for metric 1b for providing comprehensive disclosure of climate-related quantitative inputs.

None of them received a 'Yes' for metric 1c – consistency of the financial statements with 'other information'.

Only two auditors received a 'Yes' for 2b (consistency check) for indicating that the company's assumptions and estimates were not aligned with its net zero targets.

None of these companies or auditors received a 'Yes' on metrics 3a or 3b: regarding aligning to net zero by 2050 in the financial statements or assessments of this in the audit reports, respectively.

CTI and CAAP's suggested engagement implications

Very few focus companies scored better than 'No' on any of the metrics that make up this assessment.

Note: part of this is a result of the binary scoring system. CTI is looking at informal ways of indicating variations in 'No' scores for investor reference -outside of this alignment assessment.

Climate accounting and audit appears to be a topic that many companies and their auditors have yet to fully consider when preparing their reports.

- This was the expectation when the research was carried out (mostly covering December 2020 year-ends).

Climate Action 100+ investor signatories should therefore engage focus companies on this topic to better understand:

- The financial impact that climate-related matters can have on company financial statements and audit work.
- Corporate governance (e.g., audit committee) oversight of these issues.
- The financial implications of company climate targets and decarbonisation strategies.

What comes next?

The results of the March 2022 Climate Accounting and Audit Alignment Assessment will be used as the starting point for future assessments of focus companies' audit reports.

CTI and CAAP continue to speak to market regulators about the lack of oversight of climate-related matters.

As a result of ongoing outreach efforts **(including on the findings of CTI's Flying Blind report)** and investor engagements, reporting on such matters could improve in 2022 and beyond.

As this alignment assessment was considered 'Provisional' for the March 2022 iteration of the Climate Action 100+ Net Zero Company Benchmark, there might be modifications and enhancements in future iterations.

Examples of items that may require further consideration:

Strict, binary scoring for accounting and audit metrics means:

There is currently a greater percentage of "No" (Red) scores than in **CTI's Flying Blind report.**

Company progress not readily apparent; no differentiation between levels of disclosure for Red scores.

Assessing rate-regulated entities (utilities):

The climate-related financial impacts for rate-regulated entities could be mitigated if such activities, such as asset impairments. are subject to rate-regulation. Regulators can choose between allocating losses to either consumers or shareholders. CTI and CAAP may consider how to account for this in future iterations of the assessment.

Carbon Tracker Initiative

05. APPENDIX

About Net Zero Company Benchmark

Disclosure Framework analysis by sector

About Climate Action 100+

Climate Action 100+ is the world's largest investor engagement initiative on climate change. It involves 700 investors, responsible for over $68 trillion in assets under management.

Investors are focused on ensuring 166 of the world's biggest corporate greenhouse gas (GHG) emitters take the necessary actions to align their business strategies with the goals of the Paris Agreement. This includes improving corporate governance of climate change, reducing GHG emissions, and strengthening climate-related financial disclosures.

Launched in 2017, Climate Action 100+ is coordinated by five investor networks: 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).

Climate Action 100+
Global Investors Driving Business Transition

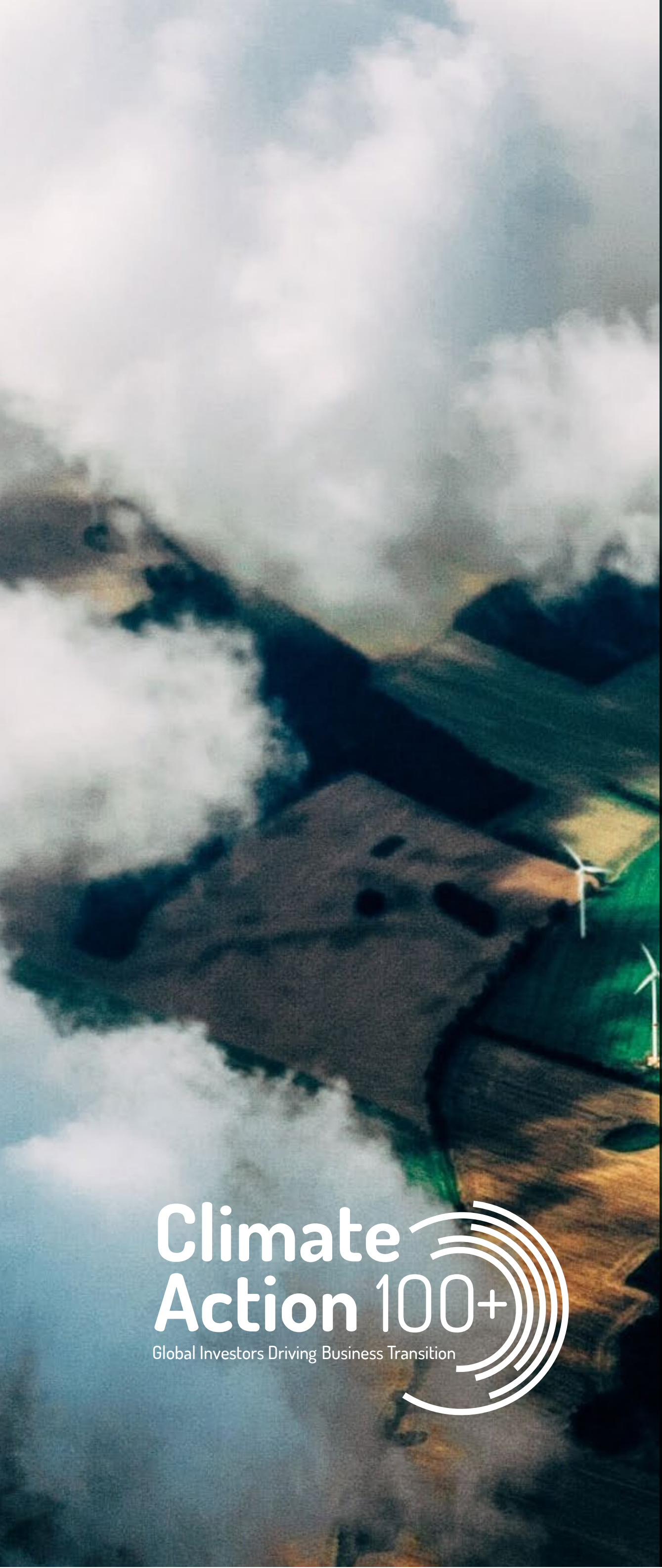
ASIA INVESTOR GROUP ON CLIMATE CHANGE

Ceres

Investor Group on Climate Change

IIGCC
The Institutional Investors Group on Climate Change

PRI Principles for Responsible Investment



Objectives of Net Zero Company Benchmark

The Climate Action 100+ Net Zero Company Benchmark was launched in March 2021 to establish a high ambition for companies across all sectors and regions around the world.

The Benchmark builds on the original high-level engagement goals of Climate Action 100+: improving climate change governance, cutting emissions and strengthening climate-related financial disclosures.

It raises the bar on ambition by codifying what companies should disclose so investors can have confidence they are developing comprehensive net zero emissions transition plans.

166 focus companies were assessed for the March 2022 Benchmark iteration.

Asia Investor Group on Climate Change   Ceres   Investor Group on Climate Change   IIGCC The Institutional Investors Group on Climate Change   PRI Principles for Responsible Investment

Overview Benchmark assessment indicators

The Benchmark is composed of distinct sets of assessments, which draw on unique analytical methodologies and datasets provided by the organisations summarised in this deck. These sets of assessments (that collectively make up the Benchmark) are designed to evaluate focus company performance on addressing climate change risks and provide greater insights for investors on companies' transition towards a net zero emissions future.

The types of assessments can broadly be categorised into two types of Indicators, which form a dual approach to evaluate corporate progress:

DISCLOSURE
whereby assessments evaluate the adequacy of corporate disclosure. This draws on public and self-disclosed data from companies, such as company annual reports, sustainability reports, CDP reports, press releases etc.

ALIGNMENT
whereby assessments evaluate the alignment of company actions with the Paris Agreement goals. These include analyses on a range of company activities such as emissions targets, capex lobbying and accounting.

Summary of Climate Action 100+ data providers

Transition Pathway Initiative (TPI)*

TPI applies primarily a **disclosure** framework. This includes 10 disclosure-based Indicators in the Benchmark.

TPI also applies an alignment test (of GHG targets with the Paris Agreement goal of limiting global warming to 1.5°C) for three metrics (2.3/3.3/4.3).

transitionpathwayinitiative.org

Carbon Tracker Initiative (CTI)

CTI analyses **alignment** of company capital expenditures (capex) and output with the Paris Agreement goals (based on asset-level inventory data sources).

CTI also provides an assessment on the incorporation of climate into the corporate financial statements and accounting practices, including the alignment with Paris Agreement goals.

carbontracker.org

2° Investing Initiative (2DII)

2DII analyses **alignment** of company capital expenditures (capex) and output with the Paris Agreement goals (based on asset-backed company level inventory data sources).

2degrees-investing.org

InfluenceMap

InfluenceMap provides detailed analyses of corporate climate policy engagement and the **alignment** of company lobbying actions (direct and indirect via their industry associations) with the Paris Agreement goals.

influencemap.org

*Only the assessments provided by TPI (highlighted) were subject to the Dec 2021 review period. CTI, 2DII and InfluenceMap provide additional, independent analyses that each have their own unique process and assessment methodologies.

Climate Action 100+ Net Zero Company Benchmark

Disclosure Framework		Assessed by
01:	Net Zero GHG by 2050 ambition	TPI
02:	Long-term (2036-2050) GHG target	TPI
03:	Medium-term (2026-2035) GHG target	TPI
04:	Short-term (2020-2025) GHG target	TPI
05:	Decarboniation strategy	TPI
06:	Capital alignment (disclosure)	TPI
07:	Climate policy engagement (disclosure)	TPI
08:	Climate governance	TPI
09:	Just transition [Beta*]	TPI
10:	TCFD disclosure	TPI

Alignment Assessments	Assessed by
Capital allocation ALIGNMENT (for utilities/oil & gas)	CTI
Capital allocation ALIGNMENT (for utilities/autos/steel/cement/aviation	2DII
Climate policy engagement ALIGNMENT	InfluenceMap

Disclosure Framework	Assessed by
Climate accounting and audit (Disclosure & Alignment) [Provisional**]	CTI

*Beta = data collected, but not publicly assessed. Subject to change in future. **Provisional = data collected and publicly assessed. Subject to change in future.

The data providers each provide independent, but complementary sets of Indicators. Only the assessments provided by TPI (highlighted) were subject to the Dec 2021 review period.

CLIMATE ACCOUNTING AND AUDIT (DISCLOSURE & ALIGNMENT) [Provisional**]

Disclosure Framework Indicators:

How are companies assessed?

Companies have been **assessed** at three levels:

Indicators:
Specific area the company is being assessed on (10 Indicators overall).

Sub-Indicators:
Component of Indicator that divides it into specific areas of interest.

Metrics:
Highest resolution assessment that separates sub-Indicators into components, creating the opportunity for evaluation across the subject of attention.

Each metric is assessed with a binary Yes/No, based on information and evidence published by the company.

Aggregation at the sub-Indicator and Indicator levels then use the following system:

Yes	When all metrics for a sub-Indicator or Indicator are Yes
Partial	When at least one metric for a sub-Indicator or Indicator is Yes
No	When all metrics for a sub-Indicator or Indicator are No

Note – Sub-Indicators usually have only two metrics (a + b). Indicators can have multiple Sub-Indicators and metrics (e.g. Indicator 7 = three sub-Indicators and six metrics). The only exception to this rule is Indicator 9, where Sub-Indicator 9.3 has one metric (9.3.a) and Sub-Indicator 9.4 has three metrics (9.4.a, 9.4.b and 9.4.c). Metrics can also be 'Not Applicable' and 'Not Assessed'. Where this is the case, the metric is not included as part of the threshold for Yes/No/Partial score.

March 2022 Benchmark: Disclosure framework methodology

The initiative has raised expectations of companies through a more stringent Benchmark methodology for March 2022. This included the following enhancements since March 2021:

Companies have been assessed against the IEA's more challenging Net Zero by 2050 scenario for available sectors to reflect the level of ambition required to limit global warming to 1.5°C. This applies to Disclosure Framework metrics 2.2, 3.3, and 4.3. In March 2021, most focus companies were assessed against the IEA's Beyond 2° Scenario, a less stringent scenario. The initiative recognises this may have made improving scores on some indicators more challenging for focus companies.

New indicators and assessments on just transition and climate accounting and audit have been added to reflect evolving investor priorities.

Additional Alignment Assessments were added, including InfluenceMap's 'Organisation Scores' and 'Relationship Scores', which assess focus companies' direct and indirect climate policy engagement activities respectively, as well as new analytics from 2DII measuring the emissions intensities of steel, cement, and aviation companies against reference climate scenarios.

For more detail, please see the March 2022
Disclosure Framework assessment methodology

Some clarifications have been made to the Indicator and methodology wording for the Disclosure Framework for March 2022. This included the following enhancements since March 2021:

Indicator 1: The Indicator wording has been amended to focus on tracking net zero ambitions to create a clearer distinction between this indicator and those tracking targets (Indicators 2, 3 and 4).

Indicator 5: Clarifications for meeting the requirements of Metric 5.1.b have been added since the March 2021 iteration of the Benchmark.. In order to be assessed as "Yes" on this metric in the March 2022 iteration, companies must quantify the approximate proportion of emissions reduction each action in their decarbonisation strategy will contribute to their overall greenhouse gas reduction target. Some year-on-year scoring changes were therefore anticipated.

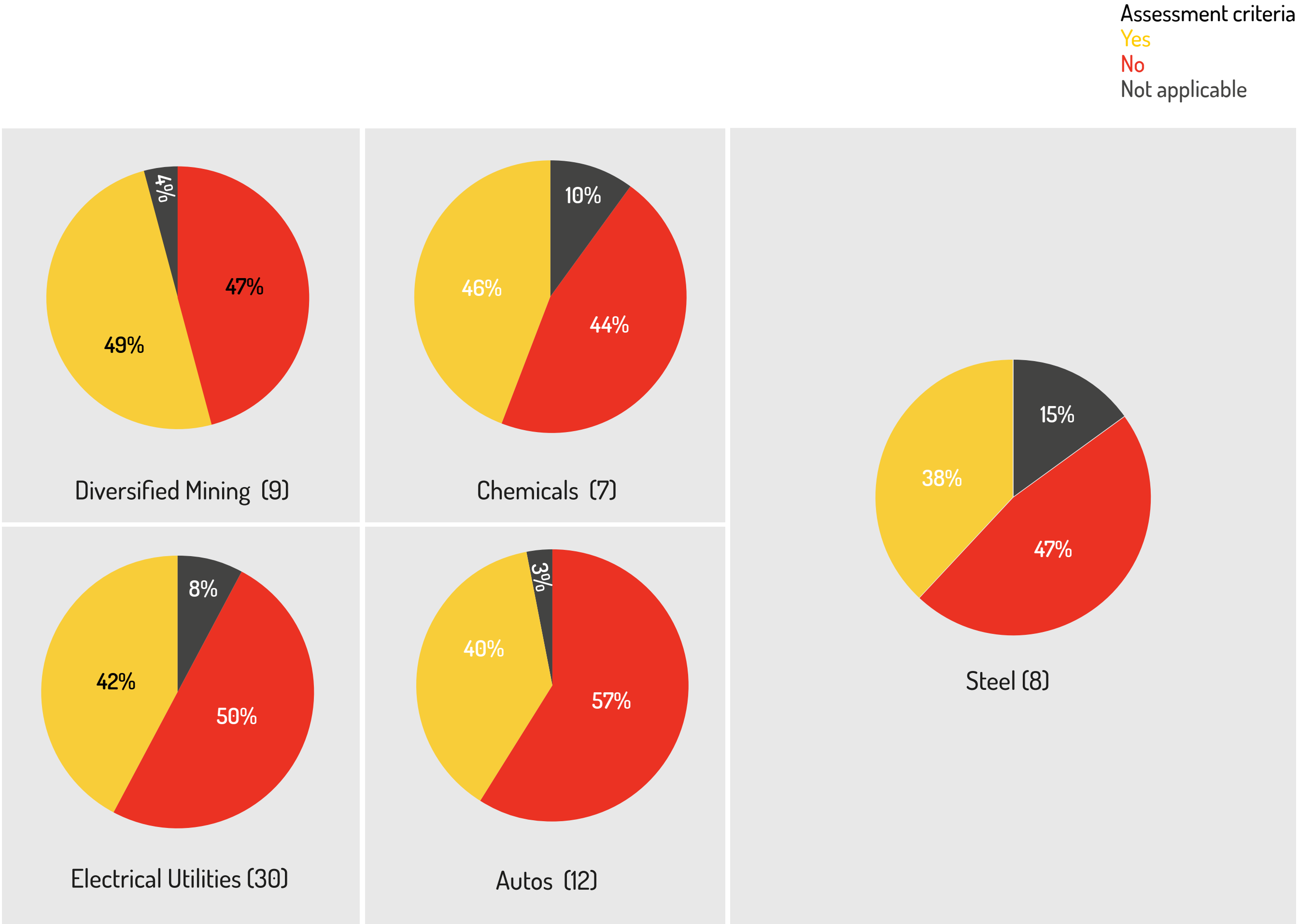
Indicator 6: Clarifications have been added to metrics 6.1a and 6.1b to enable assessment of companies' plans to phase out carbon intensive assets. This may lead to some year-on-year scoring changes.

Metric Scores by Sector

This graph shows the progress of sectors by Metric.

Key takeaway: Diversified mining companies met the highest number of all criteria across all Metrics at 49% and coal mining companies met the lowest number of all criteria across all metrics at 3%.

The graph shows the percentage breakdown of all criteria met, no criteria met and not applicable/assessed scores across 5,976 Metric datapoints assessed in the Benchmark. ('Partial' scoring is not included as the Benchmark does not provide 'Partial' score on Metric level rather only Indicator level).



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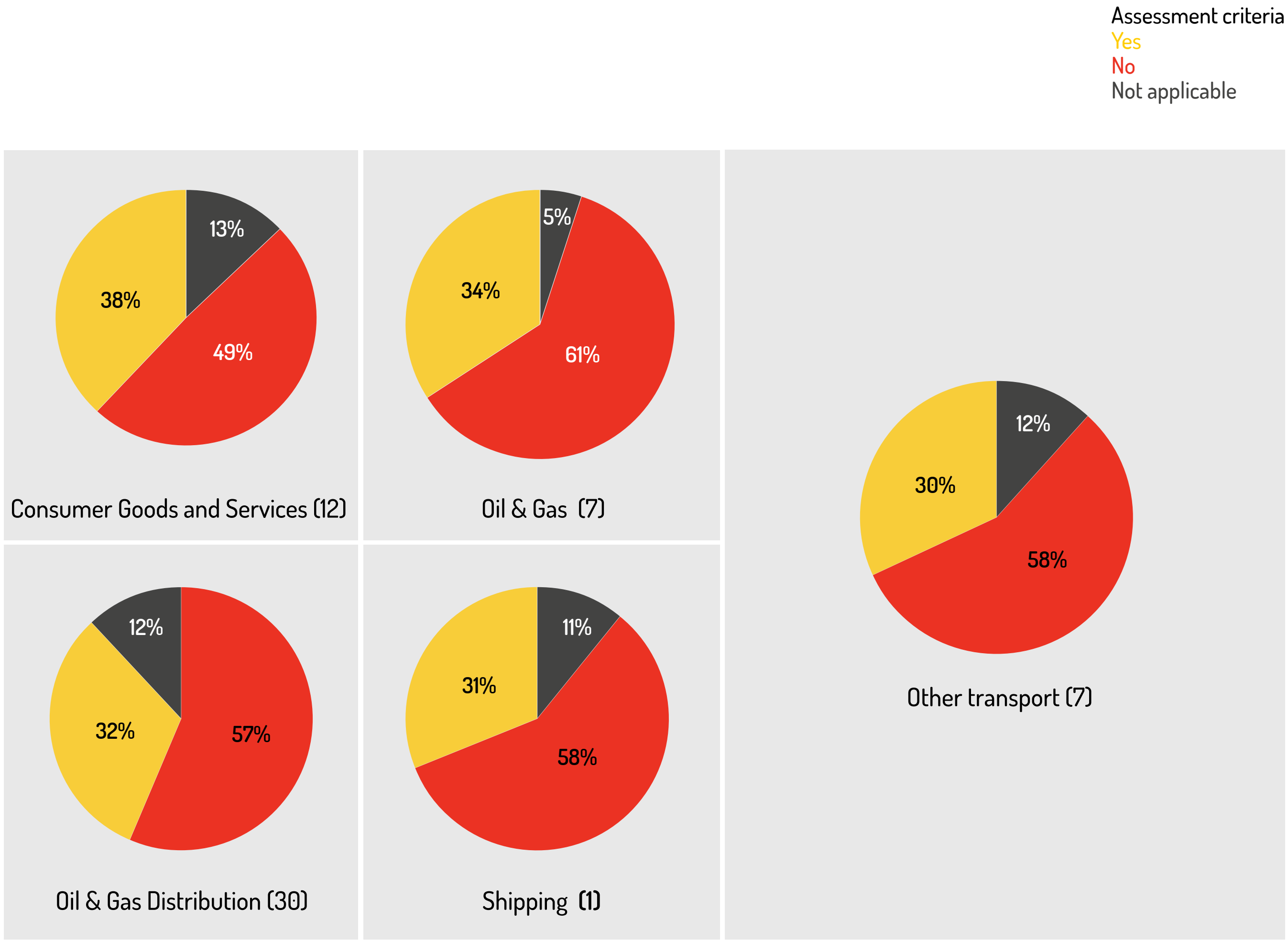

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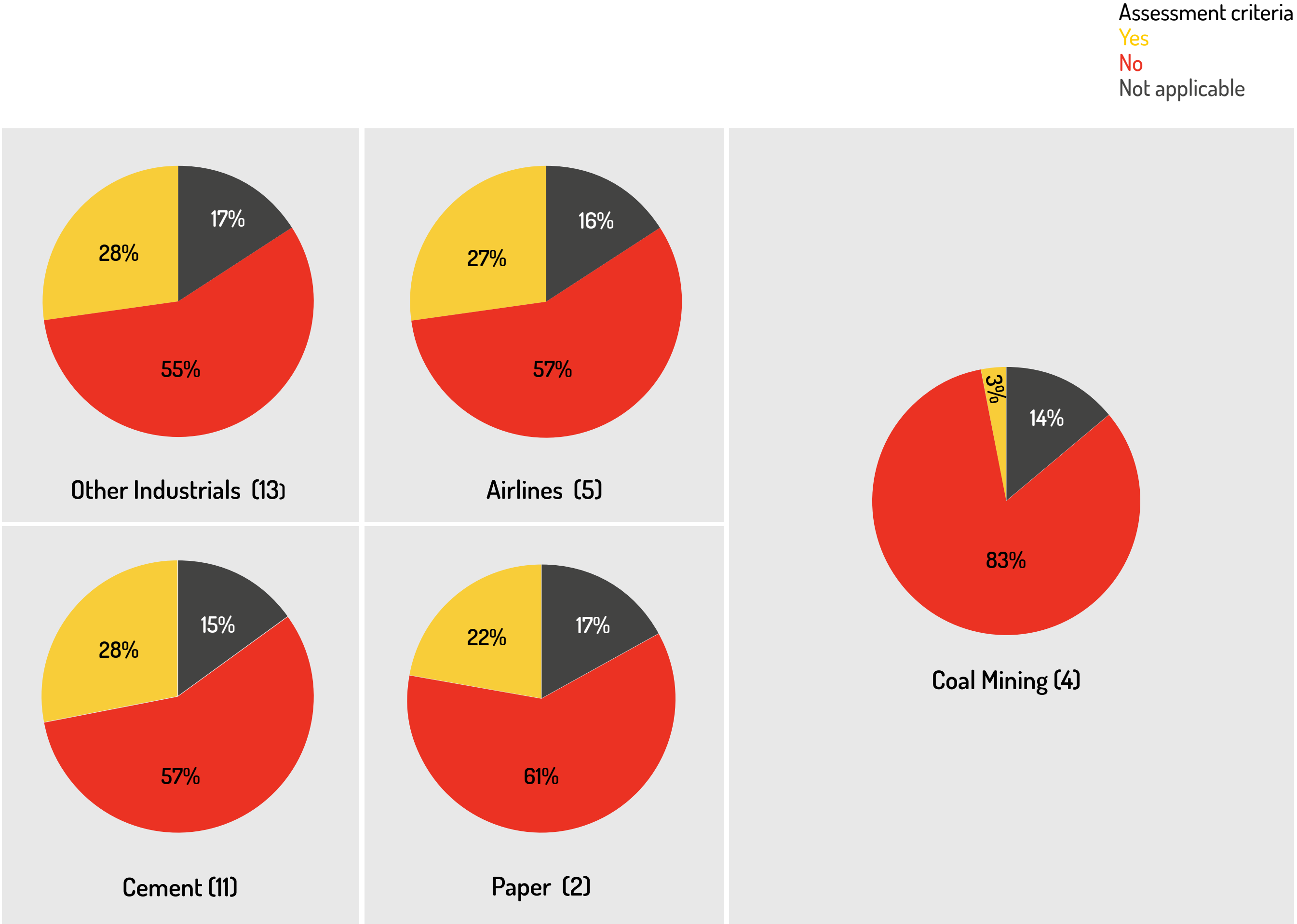

Sector analysis: Key takeaways

Only one **oil and gas** company has a 1.5C aligned CAPEX (Eni).

Oil and gas distribution companies underperformed in every category aside from TCFD aligned-disclosure.

60% of **electric utility** companies met all criteria for net zero by 2050 targets, but almost 50% have not set a short-term GHG reduction target.

Three quarters of **auto** companies met all criteria for net zero by 2050 targets but medium- and short-term targets require urgent action, with no companies scoring Yes on medium- and short-term target indicators.

83% of **consumer good & services** companies have set a medium-term target which meets all criteria. The sector also performed strongly on TCFD disclosure, with 92% of companies scoring Partial.

The long-term ambition of **cement** companies was highly polarised, with most companies meeting or failing all requirements for net zero by 2050 and long-term targets.

Diversified mining companies met all criteria on 49% of metrics, one of the highest across all sectors. This is partially due to 70% of companies meeting all criteria on TCFD-aligned disclosure.

88% of **steel** companies met all criteria on net zero by 2050 and long-term targets, the strongest of any sector on these two indicators. However, company performance on medium- and short-term targets requires more work.

Note: This analysis does not cover all sectors, as companies within some sectors are not comparable.

Sector analysis: Year-on-year comparison

Consumer goods and services and **chemicals** companies have improved across most metrics and have experienced few downgrades.

Oil and gas companies demonstrate improved scores across Indicators 1 and 2 (net zero targets and long-term targets) but their performance on other indicators is mixed. Oil and gas companies need to strategically rethink their business models following the IEA's finding that no new oil and gas investment is needed in order to keep holding global warming to 1.5C alive. This means robust transition and capex strategies.

Electric utilities demonstrate a high number of downgrades, primarily due to the more ambitious 1.5°C scenario used to score Metrics 2.3, 3.3 and 4.3.

Note: This analysis does not cover all sectors, as companies within some sectors are not comparable
*Neither of these sectors are assessed on Metrics 2.3, 3.3 or 4.3.

Oil & Gas

Number of companies in the sector: 10

Criteria met
Criteria almost met
Criteria not met

	Criteria met	Criteria almost met	Criteria not met	
Indicator 01:	13%	44%	44%	Net zero by 2050 or sooner ambition
Indicator 02:	8%	59%	33%	Long-term GHG reduction targets
Indicator 03:	-	67%	33%	Medium-term GHG reduction targets
Indicator 04:	-	62%	38%	Short-term GHG reduction targets
Indicator 05:	10%	21%	69%	Decarbonisation strategy
Indicator 06:	-	3%	97%	Capital allocation alignment
Indicator 07:	13%	64%	23%	Climate policy engagement
Indicator 08:	21%	64%	15%	Climate Governance
Indicator 10:	15%	72%	13%	TCFD Aligned-Disclosure

Key takeaways:
Poor performance on carbon performance Metrics (2.3, 3.3 & 4.3), with no companies meeting all criteria for Metrics 3.3 and 4.3 and only 8% of companies meeting all criteria on Metric 2.3.
Only one oil and gas company has 1.5°C aligned CAPEX (Eni).

Oil & Gas Distribution

Number of companies in the sector: 5

Criteria met
Criteria almost met
Criteria not met

	Criteria met	Criteria almost met	Criteria not met	
Indicator 01:	-	60%	40%	Net zero by 2050 or sooner ambition
Indicator 02:	-	60%	40%	Long-term GHG reduction targets
Indicator 03:	20%	60%	20%	Medium-term GHG reduction targets
Indicator 04:	-	20%	80%	Short-term GHG reduction targets
Indicator 05:	-	40%	60%	Decarbonisation strategy
Indicator 06:	-	-	100%	Capital allocation alignment
Indicator 07:	-	100%	-	Climate policy engagement
Indicator 08:	-	100%	-	Climate Governance
Indicator 10:	60%	40%	-	TCFD Aligned-Disclosure

Key takeaways:
Oil & Gas Distribution underperformed in every category, aside from Indicator 10 which comprised nearly a quarter of their total scores across all Metrics.
No company had long- or short-term Scope 3 targets, contributing to poor performance in Indicators 1, 2 & 4 .

Electric Utilities

Number of companies in the sector: 30

Criteria met
Criteria almost met
Criteria not met

	Criteria met	Criteria almost met	Criteria not met	
Indicator 01:	60%	23%	17%	Net zero by 2050 or sooner ambition
Indicator 02:	13%	73%	13%	Long-term GHG reduction targets
Indicator 03:	17%	67%	17%	Medium-term GH reduction targets
Indicator 04:	13%	40%	47%	Short-term GHG reduction targets
Indicator 05:	20%	50%	30%	Decarbonisation strategy
Indicator 06:	-	10%	90%	Capital allocation alignment
Indicator 07:	3%	77%	20%	Climate policy engagement
Indicator 08:	33%	63%	3%	Climate Governance
Indicator 10.	27%	67%	7%	TCFD Aligned-Disclosure

Key takeaways:
60% of electric utilities met all criteria for net zero by 2050 targets, including covering Scope 3 emissions.
The sector's short-term performance is less impressive: nearly half of companies have not set a short-term GHG reduction target.

Autos

Number of companies in the sector: 12

Criteria met
Criteria almost met
Criteria not met

	Criteria met	Criteria almost met	Criteria not met	
Indicator 01:	75%	-	25%	Net zero by 2050 or sooner ambition
Indicator 02:	58%	25%	17%	Long-term GHG reduction targets
Indicator 03:	-	75%	25%	Medium-term GHG reduction targets
Indicator 04:	-	58%	42%	Short-term GHG reduction targets
Indicator 05:	-	67%	33%	Decarbonisation strategy
Indicator 06:	-	-	100%	Capital allocation alignment
Indicator 07:	-	50%	50%	Climate policy engagement
Indicator 08:	17%	67%	17%	Climate Governance
Indicator 10:	42%	42%	17%	TCFD Aligned-Disclosure

Key takeaways:
No companies have aligned their CAPEX with a 1.5C pathway.
75% met all criteria for net zero by 2050 targets but no company meets all criteria for the medium-term and short-term target Indicators.

Consumer Goods & Services

Number of companies in the sector: 12

Criteria met
Criteria almost met
Criteria not met

	Criteria met	Criteria almost met	Criteria not met	
Indicator 01:	50%	33%	17%	Net zero by 2050 or sooner ambition
Indicator 02:	50%	33%	17%	Long-term GHG reduction targets
Indicator 03:	83%	17%	-	Medium-term GHG reduction targets
Indicator 04:	17%	17%	67%	Short-term GHG reduction targets
Indicator 05:	-	67%	33%	Decarbonisation strategy
Indicator 06:	-	8%	92%	Capital allocation alignment
Indicator 07:	-	58%	42%	Climate policy engagement
Indicator 08:	33%	67%	-	Climate Governance
Indicator 10:	8%	92%	-	TCFD Aligned-Disclosure

Key takeaways:
Long- and medium-term GHG reduction targets are common in the sector: 83% of companies have set a long-term target and 100% have set a medium-term target.
The sector showed strong performance on TCFD disclosure with all companies scoring at least one metric of Indicator 10.

Cement

Number of companies in the sector: 11

Criteria met
Criteria almost met
Criteria not met

	Criteria met	Criteria almost met	Criteria not met	
Indicator 01:	45%	-	55%	Net zero by 2050 or sooner ambition
Indicator 02:	36%	9%	55%	Long-term GHG reduction targets
Indicator 03:	9%	64%	27%	Medium-term GHG reduction targets
Indicator 04:	9%	45%	45%	Short-term GHG reduction targets
Indicator 05:	18%	27%	55%	Decarbonisation strategy
Indicator 06:	-	9%	91%	Capital allocation alignment
Indicator 07:	-	45%	55%	Climate policy engagement
Indicator 08:	9%	73%	18%	Climate Governance
Indicator 10:	9%	73%	18%	TCFD Aligned-Disclosure

Key takeaways:
Cement companies remain polarised on their long-term ambitions, either meeting all requirements for Indicators 1 & 2 or failing them.
70% of companies scored Partial on climate governance and TCFD-aligned disclosure.

Diversified Mining

Number of companies in the sector: 10

Criteria met
Criteria almost met
Criteria not met

	Criteria met	Criteria almost met	Criteria not met	
Indicator 01:	20%	50%	30%	Net zero by 2050 or sooner ambition
Indicator 02:	10%	60%	30%	Long-term GHG reduction targets
Indicator 03:	-	90%	10%	Medium-term GHG reduction targets
Indicator 04:	-	70%	30%	Short-term GHG reduction targets
Indicator 05:	30%	40%	30%	Decarbonisation strategy
Indicator 06:	-	20%	80%	Capital allocation alignment
Indicator 07:	20%	70%	10%	Climate policy engagement
Indicator 08:	30%	70%	-	Climate Governance
Indicator 10:	70%	30%	-	TCFD Aligned-Disclosure

Key takeaways:
On average, Diversified Mining companies met all criteria on 49% of Metrics – one of the highest across all sectors.
The high percentage is partially due to excellent performance on Indicator 10, with every company meeting all criteria for Metrics 10.1.a, 10.1.b & 10.2.a.

Steel

Number of companies in the sector: 8

Criteria met
Criteria almost met
Criteria not met

	Criteria met	Criteria almost met	Criteria not met	
Indicator 01:	88%	-	13%	Net zero by 2050 or sooner ambition
Indicator 02:	88%	-	13%	Long-term GHG reduction targets
Indicator 03:	13%	88%	-	Medium-term GHG reduction targets
Indicator 04:	13%	25%	63%	Short-term GHG reduction targets
Indicator 05:	25%	63%	13%	Decarbonisation strategy
Indicator 06:	-	-	100%	Capital allocation alignment
Indicator 07:	13%	38%	50%	Climate policy engagement
Indicator 08:	13%	-	88%	Climate Governance
Indicator 10:	13%	-	88%	TCFD Aligned-Disclosure

Key takeaways:
Steel's long-term carbon alignment is strong with 88% of companies meeting all criteria for Indicators 1 & 2.
All companies score on the medium-term target Metrics apart from 3.3, meaning all companies have set targets but only one (SSAB) is ambitious enough.

Global Investors Driving Business Transition

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PRI Principles for Responsible Investment