

June 2021

## Launch statement from investor participants in the Asian Utilities Engagement Program

As members of the Asia Investor Group in Climate Change (AIGCC), we seek to collaboratively engage with some of Asia's systemically important utility companies on climate change. We are long-term asset owners, asset managers and stewardship service providers, with combined assets under management or advice of \$US8.8 trillion, and own equity and debt in listed Asian electric utilities.

Climate change is now widely recognised as a systemic financial risk that no long-term investor can afford to ignore. To support the full implementation of the Paris Agreement, it is vital that major companies move swiftly to address the risks and pursue the opportunities presented by climate change and the transition to net zero emissions.

Investor engagement with Asian electric utilities will play a key role in addressing climate risk as the sector contributes approximately 23 per cent of global greenhouse gas emissions, has a young asset age profile of about 13 years (vs an average economic lifetime of 40 years) and represents more than \$US200 billion of market capitalisation on Asian stock markets. This sector will also play a critical role in enabling the transition and decarbonisation of other sectors which are dependent on utilities.

This public statement introduces the Asian Utilities Engagement Program, a new investor-led initiative to engage with Asia's systemically important utility companies and help them curb emissions across the value chain, strengthen climate-related financial disclosures and improve governance of climate-related risks that may affect companies. This initiative is complementary to [Climate Action 100+](#) and will run in parallel to it.

The Asian Utilities Engagement Program was formed to increase the effectiveness of climate engagement with focus companies through a common agenda, shared objectives and collaborative effort. The recent heightened climate ambition of many Asian governments and the rapid pace of technological progress creates a positive environment for the net zero transition of the regional electric utilities sector.

With 197 countries around the world having signed the Paris Agreement, we believe that working with the companies in which we invest on the common agenda below is consistent with our fiduciary duty and is essential to achieving our common and internationally agreed climate goals to limit global warming to well below 2°C and pursuing 1.5°C.

We have agreed on a common agenda for discussion with focus companies based on [AIGCC's Investor Expectations of Asian Electric Utilities Companies](#) and will be engaging with their board and senior management to commit to the following measures:

- **Implement a strong governance framework** that clearly articulates the board's accountability and oversight of climate change risks and opportunities.

- **Take action to reduce greenhouse gas emissions in a way that is aligned with the Paris Agreement.** Companies should have clear decarbonisation strategies with short-, medium-, and long-term action plans including a timetable to phase out coal-based emissions in line with 1.5°C temperature scenarios, such as the International Energy Agency (IEA) NZE2050 scenario. The IEA NZE2050 scenario specifies that unabated coal power is phased out in advanced economies by 2030 and at the latest by 2040 in all other regions. Generation using natural gas without carbon capture starts falling by 2030 and is 90 per cent lower by 2040 compared with 2020.
- **Provide enhanced corporate disclosure** in line with the [final recommendations of the Task Force on Climate-related Financial Disclosures \(TCFD\)](#).
- **Outline physical risks to the company** and relevant adaptation strategies to mitigate these risks.
- **Engage with public policy makers** and other stakeholders in support of cost-effective policy measures to mitigate climate-related risks and facilitate low carbon investments in line with achieving net zero emissions by 2050 or sooner.

Supporting this high-level agenda, we are identifying and communicating with companies on more detailed company-specific expectations as well.

There are five focus companies of the initiative at launch: China Resources Power Holdings, CLP Holdings, Chubu Electric Power Co., Electric Power Development Co. (J-POWER) and Tenaga Nasional Berhad.

We look forward to discussions with these focus companies, with the support of AIGCC, and to reporting on progress in due course.

***Disclaimer:***

*The Asian Utilities Engagement Program does not facilitate or require collective decision-making regarding an investment decision. The initiative will not provide recommendations to investors to divest, vote in a particular way or make any other investment decision – investors continue to make their own independent investment and strategic decisions.*

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