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INVESTOR CLIMATE ACTION PLANS (ICAPs) EXPECTATIONS LADDER



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The **Investor Climate Action Plans (ICAPs) Expectations Ladder** is intended to help investors act on climate through a single, comprehensive framework which draws on existing initiatives and guidance.

The *Expectations Ladder* is inclusive and meant for all investors wherever they are on their climate change journey. That is why the *Expectations Ladder* sets out a summary of actions over four tiers from those beginning to think about climate (Tier 4) to the net-zero standard-setters (Tier 1).

The *Expectations Ladder* covers the Investor Agenda's four interlocking focus areas of investment, corporate engagement, policy advocacy and investor disclosure, alongside governance which is a cross-cutting theme across the four areas. It is neutral with respect to the tool, approach or initiative that might be used and is meant to serve as a 'self-assessment checklist' for investors

to identify where progress has been made and where advancement is needed. It is anticipated that an investor will meet most of the actions in a tier before progressing to a higher tier of action. Expectations set out in the framework may result in investors:

- (1) Assessing their current approach to managing climate change risk and opportunity
- (2) Publishing a standalone ICAP
- (3) Embedding elements of the ICAPs into their climate change strategies and disclosures
- (4) Communicating their current activities and future plans to stakeholders

Additional information on the ICAPs *Expectations Ladder* and how to take action are provided in the ICAPs *Guidance*.





Alignment Target

	Tier 4	Tier 3	Tier 2	Tier 1
Alignment Target	Measure portfolio carbon emissions	Align portfolio emissions reduction target with domestic policy goals or NDCs	Align portfolio emissions reduction target with 1.5°C and global net-zero emissions by 2050	Align portfolio emissions reduction target with 1.5°C and global net-zero emissions by 2050 or sooner Set intermediate targets covering all assets every 5 years using recognised methodologies and frameworks for setting, assessing, reporting, and verifying performance
Strategy				
	Establish a formal policy on integrating climate change into: <ul style="list-style-type: none"> investment analysis decision-making investment manager selection and appointment 	Commit to increasing investments in appropriate clean energy and low-carbon opportunities	Establish a formal investment policy on fossil fuels and other high impact activities, such as deforestation and biodiversity loss, that: <ul style="list-style-type: none"> aligns with a net-zero target includes an explicit commitment to phase out exposure to fossil fuels (either through engagement or divestment) in line with science-based net-zero pathways aligns with just transition principles Develop and start implementing a decarbonisation strategy for at least one portfolio or asset class	Eliminate all investments in thermal coal, tar sands and Arctic drilling Define a strategy for all high emitting sectors
Risk management				
	Undertake portfolio climate risk assessment Regularly monitor portfolio climate risks including physical risks	Conduct a 1.5°C and 2°C scenario analysis including transition and physical risks, using a recognised methodology Revise and update this analysis annually	Use scenario analysis and stress testing to: <ul style="list-style-type: none"> assess the impacts of physical and transition risks on the portfolio inform current and future investment decisions 	Explicitly incorporate net-zero scenario analysis.
Asset allocation				
	Invest part of the portfolio in 2°C aligned products	Invest part of the portfolio in 1.5°C aligned companies, products, and projects	Incorporate climate change into strategic asset allocation and invest in 1.5°C-aligned companies, products, and projects in multiple asset classes.	Invest (and grow the proportion annually) in 1.5°C aligned companies, products, and projects in all asset classes.
Additional target setting				
	N/A	Set Scope 1 and 2 decarbonization targets for your own operational emissions	Implement explicit net-zero aligned targets for clean energy and low carbon investments in each asset class Set Scope 3 decarbonization targets if they are material i.e. >40% of emissions of underlying assets	Set 1.5°C targets in all assets classes where recognised methodologies exist Establish net-zero-aligned targets for high impact sectors Set intermediate targets that enable progression and assessment of portfolio emissions reduction in line with achieving net-zero emissions

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Focus Area Corporate Engagement

Tier 4	Tier 3	Tier 2	Tier 1
Collective/collaborative engagement			
Support collective/collaborative engagement initiatives that encourage better governance, management and disclosure of greenhouse gas emissions and physical climate risks	Actively participate in collective/collaborative engagement initiatives that encourage companies to establish 1.5°C-aligned business strategies	Lead collective/ collaborative engagement initiatives that encourage companies to establish 1.5°C-aligned business strategies and publish target companies Support climate resolutions that call on companies to address material and systemic climate risks and opportunities (in situations where the company has shown little commitment to aligning its business strategies with 1.5°C pathways)	
Bilateral engagement			
Engage directly with companies, asset managers, industry forums and other entities to encourage better governance, management and disclosure of greenhouse gas emissions and physical climate risks	Engage with companies to: <ul style="list-style-type: none"> • reduce greenhouse gas emissions across their value chains in line with just transition principles, and • align their public policy activities with the goals of the Paris Agreement (directly or via industry associations and trade bodies) 	Ensure that most of the companies in the portfolio have 1.5°C-aligned business strategies or have committed to establishing such strategies Support and/or file climate resolutions at companies whose public policy engagement is not aligned with the goals of the Paris Agreement	Ensure that most of the companies in the portfolio meet 1.5°C-aligned (external) sector-specific benchmarks, taxonomies, or thresholds Publish detailed voting policy on ESG (focusing on director votes shareholder resolutions), publish criteria that need to be met for the investor to vote for a company's climate plan and/or resolution.
Corporate escalation and shareholder engagement			
Explicitly integrate climate change into proxy voting guidelines	Establish a clear escalation strategy for companies or other entities that have not responded appropriately to engagement	Support, file or co-file climate resolutions at companies who have not responded appropriately to engagement, and vote against directors on climate grounds	Pre-declare voting intentions on ESG defining resolutions and at company laggards

Detailed information is provided in the ICAPs Guidance

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Focus Area Policy Advocacy

Tier 4	Tier 3	Tier 2	Tier 1
Investor statements			
<p>Support collaborative investor statements calling on governments to:</p> <ul style="list-style-type: none"> • achieve the Paris Agreement's goals • accelerate private sector investment into the net-zero transition in line with just transition principles • improve climate-related financial reporting 	<p>Support collaborative investor statements calling on governments to implement specific policy measures aiming at achieving net-zero emissions by 2050 such as:</p> <ul style="list-style-type: none"> • phasing out coal • phasing out fossil fuel subsidies • introducing carbon pricing 		
Lobbying			
<p>Ensure that all lobbying activities carried out by the investor are aligned with the goals of the Paris Agreement</p>	<p>Ensure that all lobbying activities carried out by the investor's trade associations are aligned with the goals of the Paris Agreement</p> <p>Publish trade association memberships and membership fees</p>	<p>Review the lobbying activities of all relevant trade associations and industry bodies to ensure that they are in line with the goals of the Paris Agreement.</p> <p>Require the organization to stop the lobbying otherwise or discontinue membership / support for the organization</p>	
Advocacy			
<p>Participation in regional or global investor network and contributing to the organization's advocacy activities</p>	<p>Participate in meetings with governments calling on them to:</p> <ul style="list-style-type: none"> • achieve the Paris Agreement's goals • accelerate private sector investment into the net-zero carbon economy in line with just transition principles • institute mandatory climate-related financial reporting 	<p>Participate in discussions or meetings with governments (regional, national, sub-national) calling on them to implement policy measures such as:</p> <ul style="list-style-type: none"> • phasing out coal • phasing out fossil fuel subsidies • introducing carbon pricing in line with the goal of achieving net-zero emissions by 2050 	<p>Provide strong public support and play a leading/active role in discussion of sustainable finance policy and regulatory measures to ensure 1.5°-aligned financial flows</p>

Detailed information is provided in the ICAPs Guidance

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Focus Area Investor Disclosure

Tier 4	Tier 3	Tier 2	Tier 1
Commitments, objectives and targets			
Publish a formal statement recognising that climate change: <ul style="list-style-type: none"> • presents new and material challenges • requires an organization-wide commitment to integrating related risks and opportunities into investment practice 	Publish organizational and portfolio objectives / targets on climate change and report on progress against these	Disclose quantitative details of interim net-zero targets and report progress against them	
Carbon emissions			
N/A	Publish a carbon emissions profile for at least one portfolio or asset class	Publish a detailed account of the analytical methodology and underlying data for calculating the portfolio's emissions profile	
Portfolio assessment			
N/A	Publish an assessment of the risks and opportunities presented by climate change to the investment portfolio	Publish details of the scenario analysis conducted by the investor, including information on the underlying assumptions and scenarios used	Report on the investor's approach to scenario analysis, including details of the assumptions, the data used and the actions taken as a result
Task Force on Climate-related Financial Disclosures (TCFD) Alignment			
Issue a public statement supporting TCFD	Publish information on TCFD recommendations in financial report		
Assessment of disclosures			
Assess current disclosures against guidance from TCFD and other relevant reporting frameworks	Publish an assessment of the outcomes and impacts achieved from corporate engagement	Publish an assessment of the outcomes and impacts achieved from policy advocacy	Publish an independent third-party assessment of the investor's climate change reporting

Detailed information is provided in the ICAPs Guidance



Cross-cutting theme Governance

Cross-cutting theme across all focus areas

Tier 4	Tier 3	Tier 2	Tier 1
Policy			
<p>Develop investment beliefs or statements of investment policy that define the organization's approach to managing climate risks and opportunities</p> <p>Explain how this is integral to long-term value creation and to the fiduciary / other duties owed to beneficiaries or clients</p>	<p>Ensure that climate change is central to the organization's strategic plan and that the climate strategy is fully endorsed by the Board</p>	<p>Ensure that the organization's climate change policies and plans are actively supported by the Board and senior management</p>	
Accountability			
<p>Define roles and responsibilities for:</p> <ul style="list-style-type: none"> overseeing and implementing the organization's commitments on climate change reporting on the organization's climate change performance 	<p>Define formal climate change responsibilities in Board and/ or Board Committee Terms of Reference and role descriptions</p>	<p>Provide adequate resources to ensure the effective implementation of the organization's climate change policies and plans</p>	<p>Align achievement of climate-related metrics with executive remuneration incentives</p>
Planning and evaluation			
<p>Develop a plan for delivering on the organization's climate-related objectives and for managing the risks and opportunities to the portfolio</p>	<p>Implement processes to review and revise investment strategy as:</p> <ul style="list-style-type: none"> targets are met climate risks exposures and best practices emerge / evolve 		
Board reporting			
N/A	<p>Ensure that the Board / Board Committees:</p> <ul style="list-style-type: none"> regularly review portfolio-related climate risks and opportunities assess progress against climate-related objectives 	<p>Report regularly to the Board and senior management on climate performance and portfolio climate risk exposures</p>	
Skills assessment			
N/A	<p>Provide training to staff on climate risks and opportunities and the implications for investment portfolios</p>	<p>Formally assess organizational knowledge and expertise on climate change for:</p> <ul style="list-style-type: none"> the Board senior management investment teams 	<p>Ensure that the Board has sufficient capabilities and competencies to oversee, assess and manage climate change-related risks and opportunities</p>

Detailed information is provided in the ICAPs Guidance

Antitrust, Legal and Regulatory Disclaimer

The Investor Agenda and its partners are committed to comply with all laws and regulations that apply to them. This includes, amongst others, antitrust and other regulatory laws and regulations and the restrictions on information exchange and other collaborative engagement they impose.

The ICAPs Expectations Ladder and ICAPs Guidance Framework are for informational purposes only and should not be construed as legal, tax, investment, financial, or other advice.

The Investor Agenda is a common leadership agenda on the climate crisis that is unifying, comprehensive, and focused on accelerating investor action for a net-zero emissions economy. The founding partners of The Investor Agenda are seven major groups working with investors: Asia Investor Group on Climate Change, CDP, Ceres, Investor Group on Climate Change, Institutional Investors Group on Climate Change, Principles for Responsible Investment and UNEP Finance Initiative.

theinvestoragenda.org

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