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INVESTOR CLIMATE ACTION PLANS (ICAPs)

GUIDANCE ON USING THE EXPECTATIONS LADDER



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

Glossary of terms

- AIGCC:** Asia Investor Group on Climate Change
- AOA:** UN-Convened Net-Zero Asset Owner Alliance
- APRA:** Australian Prudential Regulation Authority
- FCA:** Financial Conduct Authority
- GHG:** Greenhouse Gases
- ICAP:** Investor Climate Action Plan
- IGCC:** Investor Group on Climate Change
- IIGCC:** Institutional Investors Group on Climate Change
- ILO:** International Labor Organization
- IPCC:** Intergovernmental Panel on Climate Change
- NGFS:** Network of Central Banks and Supervisors for Greening the Financial System
- PAII:** Paris Aligned Investment Initiative
- PCAF:** Partnership for Carbon Accounting Financials
- PRA:** Prudential Regulation Authority
- PRI/ UNPRI:** Principles for Responsible Investment
- SBTi:** Science Based Targets initiative
- TCFD:** Taskforce on Climate-related Financial Disclosures
- UNEP FI:** United Nations Environment Programme Finance Initiative



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INTRODUCTION

THE INVESTOR AGENDA

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 (AIGCC), CDP, Ceres, Investor Group on Climate Change (IGCC), Institutional Investors Group on Climate Change (IIGCC), Principles for Responsible Investment (PRI) and UNEP Finance Initiative (UNEP FI). The Investor Agenda draws on expertise from across the investor landscape to set out clear joint expectations in four interlocking areas – investment, corporate engagement, policy advocacy and investor disclosure (see Box 1).

Together, the four focus areas in Box 1 constitute the structure of Investor Climate Action Plans (ICAPs). The Investor Agenda partners have identified *Governance as a cross-cutting theme* underlying the four areas above to ensure that all climate-related considerations are embedded in investors' top-down governance arrangements.

Box 1: The Investor Agenda Key Focus Areas¹



Investment

Managing systemic climate risks in investor portfolios and enabling the transition by shifting capital to value-creating businesses set to succeed in a net-zero future.

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Corporate Engagement

Engaging companies to drive and demonstrate real progress in line with a 1.5°C future.

.....



Policy Advocacy

Advocating for policies aligned with delivering a just transition to a net-zero economy by 2050 or sooner.

.....



Investor Disclosure

Enhancing investor disclosure to help stakeholders track investor action in line with a 1.5°C pathway.

¹ <https://theinvestoragenda.org/focus-areas/>

THE INVESTOR CLIMATE ACTION PLANS (ICAPs) EXPECTATIONS LADDER

The Investor Agenda has developed the [Investor Climate Action Plans \(ICAPs\) Expectations Ladder](#) which sets out its joint expectations of investors across these four interlocking focus areas, and on governance. The Expectations Ladder establishes the dimensions of a comprehensive climate action plan for investors, at whatever stage they are on the journey to integrate climate change into their activities. It allows investors to understand where they currently sit and to identify the actions they might take to strengthen their approach.

This Guidance has been produced to help investors interpret the ICAPs Expectations Ladder. It helps investors to self-assess where they are on the Ladder, to understand the main actions they can take to strengthen their approach, and to navigate through a growing number of climate-related initiatives.

The Guidance includes a set of useful resources to help inform the development of ICAPs. This is not intended to be a comprehensive list of all tools and guidance, but rather provide an indication of the resources available.

The ICAPs Expectations Ladder ('the Ladder') equips investors to act on climate change by providing a single, comprehensive, and overarching framework that draws on resources that currently exist concerning investment, corporate engagement, policy advocacy, investor disclosure and governance. Investors can use the Ladder in several ways, including:

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

The ICAPs Expectations Ladder is designed to be relevant to all institutional investors, including asset owners and active and passive asset managers. The approach that different institutional investors take to climate change will be driven by factors such as their size, their position in the investment chain, their legal duties and obligations, and the needs and interests of their clients and beneficiaries. To help this diverse set of investors evaluate progress toward the ambition of net-zero carbon emissions, the Ladder establishes four tiers of sequential accomplishment, from those beginning to think about climate change (Tier 4) to the investors who have made net-zero commitments and are well along the path to setting and implementing science-based targets (Tier 1).

The ICAPs Expectations Ladder recognizes that certain elements may not be relevant (e.g. the investor might not have listed equity investments, the investor may not delegate investment management) or the investor may decide that a specific action is not relevant to or appropriate to its net-zero strategy. The expectation is that investors should meet most or all the requirements in a Tier before they move to the next Tier. It is also relevant to note that investors should assess each focus area separately, and they can sit in different Tiers in different focus areas. For example, an investor may be Tier 3 on Investment, Tier 4 on Corporate Engagement and Tier 1 on Policy Advocacy.

The ICAPs Expectations Ladder is not a reporting framework. Investors are not expected to publish a formal stand-alone report explaining how they perform against each of the Ladder's expectations. They can use a variety of public reporting channels to explain how they implement elements of the Ladder, including integrated reports, TCFD reporting, the PRI signatory reporting and assessment process (see Appendix 1), and/or the CDP reporting and assessment process as outlined in the CDP Climate Change Questionnaire for Financial Services (see also Appendix 1).



INVESTMENT

MANAGING SYSTEMIC CLIMATE RISKS IN INVESTOR PORTFOLIOS AND ENABLING THE TRANSITION BY SHIFTING CAPITAL TO VALUE-CREATING BUSINESSES SET TO SUCCEED IN A NET-ZERO FUTURE.

Investor Climate Action Plans



To achieve the goals of the Paris Agreement and limit global temperature rise to no more than 1.5°C above pre-industrial levels, it is necessary to significantly increase the level of new investment in low-carbon technologies and energy efficiency, to reduce emissions associated with investments, and, in particular, to eliminate all fossil fuel investments that are not consistent with science-based pathways for achieving 1.5°C alignment. The Investor Agenda encourages investors to make low-carbon investments and to phase out investments in thermal coal (a major contributor to global greenhouse gas emissions). Investors should also integrate climate change into their long-term investment decision-making process and portfolio analysis.

Net-zero performance assessment, net-zero scenario analysis, climate change

risk assessment and net-zero reporting are all emerging and evolving disciplines. There are asset classes where progress has been made and there are other areas – examples include derivatives and private markets – where robust methodologies have yet to be developed. As a general rule, investors can consider that they meet the requirements for a particular Tier when they have taken the specified action for all of the asset classes, sectors or geographies where appropriate tools and methodologies are available. As with other aspects of the ICAPs Expectations Ladder, they should be prepared to identify those asset classes, sectors, or geographies where progress is limited by the absence of appropriate tools or methodologies. We have highlighted useful tools and methodologies below.

Strategy

Establishing a formal policy on climate change and integrating climate change into investment strategy is a key first step in most investors' efforts to tackle the climate crisis. Such a policy will

set the intention and ambition for almost all other climate-related activity within the organization.

In Focus: Just Transition

The concept of the just transition underpins the Investor Agenda and the ICAPs Expectations Ladder.

The need to take into account of a just transition for workers and communities as the world's economy responds to the climate crisis is underlined in the preamble to the Paris Agreement. The concept recognizes that while the transition to a net-zero emissions economy will provide many benefits, there will also be transitional challenges for workers, communities, and countries, particularly those who heavily rely on fossil fuel reserves to fuel their economies or as a source of employment. There are a number of strategic motivations for investor action on a just transition, including broadening the understanding of systemic risks, reinvigorating fiduciary duty, recognizing material value chain drivers, uncovering investment opportunities and contributing to societal goals. What this means in practice is that investors should integrate consideration of workers' and human rights in their investment strategies, capital allocation decisions, corporate engagement,

and policy advocacy. In the specific context of the net-zero transition, it requires companies not only to transform their business models to reduce carbon emissions but also to ensure that the workers, consumers and communities in which they operate are not left behind in the move from the old (transition out) towards the new (transition in) business model in line with the ILO's Guidelines for a Just Transition, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

Integrating the just transition into decision-making on the net-zero transition is essential. For the net-zero transition to happen at the pace needed, it needs to be fair and needs to be accepted and supported by society. Investors cannot deliver on their commitments to the net-zero transition without addressing the social consequences of this transition. Furthermore, addressing these consequences is central to managing the investment risks and maximizing the investment opportunities associated with the net-zero transition.

Risk management

The process of establishing how to implement a climate change policy generally starts with developing an understanding of the investor's exposure to climate-related risks and opportunities. Investors have tended to start with measuring their carbon footprint or assessing the exposure of the portfolio (see for example the methodologies and tools listed below) and then, at the same time or later, moving towards the use of more sophisticated risk assessment and management tools such as scenario analysis.

Scenario analysis is a useful tool for investors seeking forward-looking assessments of climate risks. Scenario analysis is a key recommendation area for the Task Force on Climate-related Financial Disclosures (TCFD) which has set out its expectations on developing scenarios and the drawing conclusions (see the Selected Resources below).

Measuring portfolio alignment to net-zero

Investors require a framework to determine the alignment of a company or portfolio with net-zero. Tools such as the Climate Action 100+ Net Zero Company benchmark, Transition Pathways Initiative assessments and SBTi already provide metrics relevant to assessing company alignment. Much work is being undertaken to advance portfolio alignment assessment and metrics to enable investors to assess the position of their assets or portfolios on the path to net-zero. By using such metrics, an investor should be able to allocate capital more effectively to support the attainment of targets, and engage with companies to facilitate emissions reductions.

For investors in Tiers 3 and 4 of the ICAPs Expectations Ladder, this might mean using simple binary (off-track/on-track) metrics to

measure alignment of investments against net-zero targets. More advanced investors could consider using more sophisticated tools to report the degree of deviation of investments from sectoral or geographical benchmarks.

To the extent possible, portfolio alignment tools should be simple to use, transparent (easily communicable, usable outputs), science based (consistent with the latest peer-reviewed science), broadly applicable, aggregable at entity-level (covering a wide range of investments), and support investors' engagement with financed companies on their transition journey.

The Investor Agenda will continue to monitor the development of portfolio alignment frameworks and metrics.

Asset allocation

As part of the process of achieving net-zero goals, investors will need to increase the level of investment in low carbon activities, clean energy, and nature-based solutions while also reducing emissions associated with the investments in their portfolios. There are a growing number of taxonomies (or frameworks) for assessing whether an investment can be classified as clean energy, low carbon, or net-zero compliant. The European Union has already established a taxonomy in its Final report of the Technical Expert Group on Sustainable Finance March 2020. Similar taxonomies are being developed in other jurisdictions, with Australia, New Zealand, Canada,

Malaysia, South Korea, Singapore and Japan, amongst others, having announced their intention to develop or having started the process to develop taxonomies.

The Investor Agenda encourages investors to commit to phasing out their investments in thermal coal activities (specifically thermal coal mining and coal-fired power generation) in line with credible 1.5°C-aligned emissions pathways. However, the Investor Agenda has not defined formal thresholds for these exclusions. Investors have defined this expectation to phase out coal investments in

different ways: some exclude pure play coal companies, others define quantitative thresholds based on the percentage of a company's revenues that are derived from coal (30% and 50% are common thresholds) and others exclude companies deriving any or more than a de minimis proportion of their revenues from coal (a common upper limit is 10% of company revenues). Further still, phase-out for any fossil fuel type is region and technology specific, therefore specific sector pathways should be followed.

The requirement to integrate climate-related risks and opportunities into portfolio analysis and decision-making processes will inform investment decision-making. Investors may, as a result, conclude that they should reduce or exit from their holdings in other fossil fuel companies. The results may also lead investors to engage with these companies to encourage changes in their corporate strategies to align business plans with achieving the goals of the Paris Agreement.

Additional target-setting

Once risks and opportunities have been identified and familiarity gained with scenario analysis, investors should set targets. Setting achievable and meaningful targets is often one of the most challenging actions for investors. Nevertheless, target setting is essential to jump-start action, maintain accountability and to allow investors to measure their own progress. Target-setting for investor climate action should focus on setting targets related to reducing greenhouse gas (GHG) emissions in the real economy consistent with the best available science.

Targets should focus on emissions reductions that are consistent with achieving a given temperature outcome trajectory such as 2°C, well below 2°C (or 1.7°C) or 1.5°C, as referred to in the Paris Agreement. "Net-zero by 2050 or sooner" is a widely used short-hand term for emissions reduction alignment targets in line with 1.5°C of warming.

Intermediate shorter-term targets are needed to allow the investor and stakeholders to track progress towards these long-term targets and to ensure that action is taken now. In terms of best practice, the Investor Agenda recommends that a long-term net-zero target be supplemented by shorter-term and intermediate targets set at five yearly intervals.

Initially, targets will be set on asset classes where methodologies have been under development for some time such as public equity, corporate debt, and real estate. Methodologies for project finance and mortgages are also available, while methodologies for sovereign debt, private equity and infrastructure are under development by various initiatives. Generally, investors start by setting targets for the Scope 1 and 2 emissions from underlying companies or entities, with leading investors increasingly looking to set targets on Scope 3 emissions, although lack of data availability and consistency are often a constraint.

As investors advance (i.e. move towards Tiers 1 and 2 of the ICAPs Expectations Ladder), they should establish net-zero aligned targets for high impact sectors and they should also set targets for their investments in appropriate clean energy and low-carbon opportunities (such as those being defined in national and regional taxonomies, such as those listed in the Selected Resources below).

Finally, investors should supplement these investment-related emission reduction targets with engagement targets with the companies and other entities that they hold.

Selected Resources

Investment Focus Area	Description	Tools, Methodologies and Resources
Strategy	Investment Policy <p>These resources provide an overview of how an investor can develop a responsible investment policy.</p> <p>Investors who are more advanced may focus on refining their position on topics such as thermal coal or Just Transition (see below).</p>	<p>AIGCC (2018), <i>Integrating Climate Change into Investment Strategy: A Guide for Investors</i> https://www.aigcc.net/wp-content/uploads/2020/07/AIGCC-CC-Guide-Design-Final.pdf</p> <p>AOA (2020), <i>Alliance Thermal Coal Position</i> https://www.unepfi.org/publications/aoapublication/alliance-thermal-coal-position/</p> <p>PRI (2018), <i>An Introduction to Responsible Investment: Policy, Structure and Process</i> https://www.unpri.org/download?ac=10224</p> <p>PRI (2018), <i>What is Responsible Investment?</i> https://www.unpri.org/download?ac=10223</p> <p>PRI (2020), <i>An Introduction to Responsible Investment: Climate Change for Asset Owners</i> https://www.unpri.org/an-introduction-to-responsible-investment/an-introduction-to-responsible-investment-climate-change-for-asset-owners/5981.article</p>
	Just Transition <p>These resources provide guidance to investors, seeking to incorporate just transition principles into their climate-related investment strategy.</p>	<p>Business & Human Rights Resource Centre (2019): <i>Fast & Fair Renewable Energy Investments: A Practical Guide for Investors</i> https://old.business-humanrights.org/en/fast-fair-renewable-energy-a-practical-guide-for-investors</p> <p>Ceres (2020), <i>Practices for Just, Sustainable and Equitable Development of Clean Energy</i> https://www.ceres.org/resources/reports/practices-just-sustainable-and-equitable-development-clean-energy</p> <p>Grantham Research Institute on Climate Change and the Environment (LSE), Harvard Kennedy School Initiative for Responsible Investment, PRI and ITUC (2018), <i>Climate Change and the Just Transition: A Guide for Investors</i> https://www.unpri.org/download?ac=9452</p> <p>IGCC (2021), <i>Empowering Communities: How Investors can Support an Equitable Transition to Net-Zero</i> https://igcc.org.au/publications/</p> <p>IGCC (2017), <i>Coal, Carbon and the Community: An Investor Guide to a Just Transition</i> https://igcc.org.au/wp-content/uploads/2020/06/Coal-Carbon-and-Community_FINAL.pdf</p> <p>ILO (2015), <i>Guidelines for a Just Transition Towards Environmentally Sustainable Economies and Societies for All</i> https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_432859.pdf</p> <p>PRI (2020), <i>Just Transition Investor Statement</i>. 16 April 2020 https://www.unpri.org/download?ac=10382</p>

Investment Focus Area	Description	Tools, Methodologies and Resources
Risk management	Carbon accounting <p>These resources provide guidance on measuring carbon emissions.</p>	<p>Greenhouse Gas Protocol (2004), <i>The GHG Protocol, Corporate Accounting and Reporting Standard</i> https://ghgprotocol.org/corporate-standard</p> <p>Greenhouse Gas Protocol (2015), <i>GHG Protocol: Scope 2 Guidance</i> https://ghgprotocol.org/scope_2_guidance</p> <p>Partnership for Carbon Accounting Financials (PCAF) https://carbonaccountingfinancials.com/</p> <p>UNEP FI (2021), <i>The Climate Risk Landscape: Mapping Climate-related Financial Risk Assessment Methodologies</i> https://www.unepfi.org/wordpress/wp-content/uploads/2021/02/UNEP-FI-The-Climate-Risk-Landscape.pdf</p>

Investment Focus Area	Description	Tools, Methodologies and Resources
Risk management	<p>Scenario analysis</p> <p>These resources provide guidance on climate scenario analysis.</p>	<p>AOA (UN-Convened Net Zero Asset Owner Alliance) (2021), <i>Inaugural 2025 Target Setting Protocol, Scenario Chapter</i> https://www.unepfi.org/wordpress/wp-content/uploads/2021/01/Alliance-Target-Setting-Protocol-2021.pdf</p> <p>Climate Financial Risk Forum (2020), <i>Climate Financial Risk Forum Guide 2020: Scenario Analysis Chapter. June 2020</i> https://www.fca.org.uk/publication/corporate/climate-financial-risk-forum-guide-2020-scenario-analysis-chapter.pdf</p> <p>Intergovernmental Panel on Climate Change (IPCC) (2018), <i>Special Report: Global Warming of 1.5°C</i> https://www.ipcc.ch/sr15/</p> <p>IIGCC (2019), <i>Navigating Climate Scenario Analysis – A Guide for Institutional Investors</i> https://www.iigcc.org/resource/navigating-climate-scenario-analysis-a-guide-for-institutional-investors/</p> <p>NGFS (2020), <i>Guide to Climate Scenario Analysis for Central Banks and Supervisors</i> https://www.ngfs.net/sites/default/files/medias/documents/ngfs_guide_scenario_analysis_final.pdf</p> <p>PRI (2021), <i>The Inevitable Policy Response</i> https://www.unpri.org/inevitable-policy-response/what-is-the-inevitable-policy-response/4787.article</p> <p>TCFD (2020), <i>Guidance on Scenario Analysis for Non-Financial Companies</i> https://www.fsb-tcfd.org/publications/#scenario-analysis</p> <p>UNEP FI (2019), <i>Changing Course: A Comprehensive Investor Guide to Scenario-Based Methods for Climate Risk Assessment</i> https://www.unepfi.org/publications/investment-publications/changing-course-a-comprehensive-investor-guide-to-scenario-based-methods-for-climate-risk-assessment-in-response-to-the-tcfd/</p> <p>UNEP FI (2019), <i>Changing Course: Real Estate – TCFD Pilot Project Report and Investor Guide to Scenario-Based Climate Risk Assessment in Real Estate Portfolios</i> https://www.unepfi.org/publications/changing-course-real-estate-tcfd-pilot-project-report-and-investor-guide-to-scenario-based-climate-risk-assessment-in-real-estate-portfolios/</p> <p>UNEP FI (2021), <i>The Climate Risk Landscape: A Comprehensive Overview of Climate Risk Assessment Methodologies</i> https://www.unepfi.org/wordpress/wp-content/uploads/2021/02/UNEP-FI-The-Climate-Risk-Landscape.pdf</p> <p>The PRI website (https://www.unpri.org/climate-change/climate-scenario-analysis/3606.article) provides a list of the public and service provider scenario analysis tools supported by PRI. The PRI website also provides a table of reference scenarios, including details of the maximum temperature rise envisaged under the scenario, the year of peak emissions and the year in which net-zero is expected to be achieved.</p>
	<p>Portfolio climate risk management</p> <p>These resources describe portfolio risk management approaches for different asset classes and investor types.</p>	<p>For a range of examples of how investors are approaching portfolio climate risk management, see the Portfolio Climate Risk Management Case studies published by AIGCC, Ceres, IGCC and IIGCC: https://www.ceres.org/resources/reports/portfolio-climate-risk-management</p> <p>Other resources:</p> <p>Climate Financial Risk Forum (2020), <i>Climate Financial Risk Forum Guide 2020: Risk Management Chapter. June 2020</i> https://www.fca.org.uk/publication/corporate/climate-financial-risk-forum-guide-2020-risk-management-chapter.pdf</p> <p>Portfolio Alignment Team (2020), <i>Measuring Portfolio Alignment</i> https://www.tcfddhub.org/wp-content/uploads/2020/10/PAT-Report-20201109-Final.pdf</p> <p>PRI (2020), <i>An Introduction to Responsible Investment: Climate Change for Asset Owners</i> https://www.unpri.org/an-introduction-to-responsible-investment/an-introduction-to-responsible-investment-climate-change-for-asset-owners/5981.article</p> <p>PRI (2020), <i>TCFD for Private Equity General Partners: Technical Guide</i> https://www.unpri.org/private-equity/tcfd-for-private-equity-general-partners-technical-guide/5546.article</p> <p>PRI (2021), <i>Inevitable Policy Response</i> https://www.unpri.org/sustainability-issues/climate-change/inevitable-policy-response</p> <p>UNEP FI (2019), <i>Changing Course: A Comprehensive Investor Guide to Scenario-Based Methods for Climate Risk Assessment</i> https://www.unepfi.org/publications/investment-publications/changing-course-a-comprehensive-investor-guide-to-scenario-based-methods-for-climate-risk-assessment-in-response-to-the-tcfd/</p>
	<p>Company and sectoral assessment methodologies</p>	<p>2 Degrees Investing Initiative https://2degrees-investing.org/resource/company-analysis-and-engagement/</p> <p>Carbon Tracker Initiative https://carbontracker.org/company-profiles/</p> <p>CDP company responses https://www.cdp.net/en/responses</p> <p>Climate Action 100+ Net Zero Company Benchmark https://www.climateaction100.org/</p> <p>Science-based Targets Initiative https://sciencebasedtargets.org/sectors</p> <p>Transition Pathway Initiative https://www.transitionpathwayinitiative.org/</p> <p>UNEP FI (2021), <i>The Climate Risk Landscape: Mapping Climate-related Financial Risk Assessment Methodologies</i> https://www.unepfi.org/publications/banking-publications/the-climate-risk-landscape/</p>

Investment Focus Area	Description	Tools, Methodologies and Resources
Asset allocation	<p>Taxonomies</p> <p>This identifies national and regional taxonomies that have been developed or are in the course of being developed for sustainable finance.</p>	<ul style="list-style-type: none"> Australia https://www.sustainablefinance.org.au/ China http://www.pbc.gov.cn/en/3688110/3688172/4157443/4239595/index.html European Union https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy_en.pdf Japan https://www.meti.go.jp/english/press/2020/0916_001.html Malaysia https://www.bnm.gov.my/documents/20124/761679/Climate+Change+and+Principle-based+Taxonomy_Discussion+Paper.pdf/459228e8-d4ac-e8f4-e8da-33cda15bb76f?t=1578628525516 New Zealand https://www.theaotearoacircle.nz/sustainablefinance Singapore https://www.mas.gov.sg/news/media-releases/2021/industry-taskforce-proposes-taxonomy-and-launches-environmental-risk-management-handbook South Korea https://m.korea.net/english/Government/Briefing-Room/Press-Releases/view?articleId=75227&type=N
	<p>Clean energy and low carbon opportunities and phasing out investment in thermal coal</p> <p>These resources provide direction on how to ramp up investment in low carbon companies, products, and projects in multiple asset classes.</p>	<p>AIGCC (2021), <i>Asia's Net-Zero Energy Investment Potential</i> https://www.aigcc.net/wp-content/uploads/2021/03/March-2021_-Asias-Net-Zero-Energy-Investment-Potential-English.pdf</p> <p>Climate Bonds Initiative (2021), <i>Climate Bonds Taxonomy</i> https://www.climatebonds.net/standard/taxonomy</p> <p>Climate Investment Coalition (2021) <i>Best Practice Case Studies</i> https://www.climateinvestmentcoalition.org/best-practice</p> <p>IGCC (2020), <i>Net Zero Investment Report</i> https://igcc.org.au/wp-content/uploads/2020/10/Oct2020_Final-IGCC-Net-Zero-Investment-Report.pdf</p> <p>IGCC (2018) <i>Investing in Climate Solutions for New Zealand</i> https://igcc.org.au/wp-content/uploads/2020/06/IGCC-NZ-report-final.pdf</p> <p>PRI (2018), <i>How to Invest in the Low Carbon Economy</i> https://www.unpri.org/climate-change/how-to-invest-in-the-low-carbon-economy/3210.article</p> <p>PRI (2020), <i>Testing the Taxonomy: insights from the PRI Taxonomy Practitioners Group</i> https://www.unpri.org/eu-taxonomy-alignment-case-studies/testing-the-taxonomy-insights-from-the-pri-taxonomy-practitioners-group/6409.article</p> <p>PRI (2021), <i>Strategic Asset Allocation Guidance and Case Studies</i> https://www.unpri.org/investment-tools/asset-owner-resources/strategy-policy-and-strategic-asset-allocation</p> <p>PRI (2021), <i>Inevitable Policy Response: Implications for Strategic Asset Allocation</i> https://www.unpri.org/inevitable-policy-response/implications-for-strategic-asset-allocation/5191.article</p>
	<p>Net-zero/1.5°C aligned Target-setting</p> <p>For investors in Tier 1 and for some investors in Tier 2, these resources will provide guidance on how to ratchet up the ambition to setting net-zero targets.</p>	<p>AOA (2021), <i>Inaugural 2025 Target Setting Protocol</i> https://www.unepfi.org/wordpress/wp-content/uploads/2021/01/Alliance-Target-Setting-Protocol-2021.pdf</p> <p>CDP (2021), <i>CDP Temperature Ratings</i> https://www.cdp.net/en/investor/temperature-ratings</p> <p>IGCC (2020), <i>Zero Emissions/Sustainable Returns: Strategies for Achieving Net Zero Emissions</i> https://igcc.org.au/wp-content/uploads/2020/06/Feb2020_IGCC-Zero-Emissions_FINAL-2.pdf</p> <p>IGCC (2021), <i>Climate League 2030</i> https://climateleague.org.au/</p> <p>Paris Aligned Investment Initiative (2021), <i>Net Zero Investment Framework: Implementation Guide</i> https://www.parisalignedinvestment.org/media/2021/03/PAII-Net-Zero-Investment-Framework_Implementation-Guide.pdf</p> <p>Race to Zero (2021), <i>Race to Zero Minimum Criteria</i> https://racetozero.unfccc.int/wp-content/uploads/2021/04/Race-to-Zero-Criteria-2.0.pdf</p> <p>Science Based Targets Initiative (2020), <i>Financial Sector Science-Based Targets Guidance. Pilot Version. October 2020</i> https://sciencebasedtargets.org/resources/files/Financial-Sector-Science-Based-Targets-Guidance-Pilot-Version.pdf</p> <p>UNEP FI (2020), <i>Beyond 'Business as Usual': Biodiversity Targets and Finance</i> https://www.unepfi.org/publications/banking-publications/beyond-business-as-usual-biodiversity-targets-and-finance</p>



CORPORATE ENGAGEMENT

ENGAGING COMPANIES TO DRIVE AND DEMONSTRATE REAL PROGRESS IN LINE WITH A 1.5°C FUTURE.

Investors can directly influence corporate practices and performance on climate change. Collectively and individually, they have an essential role to play in accelerating the business transition to a net-zero emissions economy. Investors

can also leverage their influence to drive the boards and senior management of companies to take action to reduce GHG emissions across the value chain, consistent with the goals of the Paris Agreement.

Investor Climate Action Plans



Investment



Corporate Engagement



Policy Advocacy



Investor Disclosure

The scope of Corporate Engagement is defined broadly. It includes:

- All assets and all asset classes, including but not limited to corporate fixed income, private equity, infrastructure and sovereigns.
- Bilateral (i.e. individual engagement between a single investor and a company) and collective engagement (i.e. where more than one investor is involved), noting in particular the Investor Agenda’s explicit support for the Climate Action 100+ initiative, the CDP Disclosure Request and the CDP Non-Disclosure Campaign.
- The full range of influencing strategies including letter-writing, individual and collective dialogue, the use of the formal rights granted to investors (e.g. voting rights, formal AGM statements, the rights to take a formal role or governance position in certain private equity structures), media and communications, public advocacy and investment decision-making.
- The full range of actions and outcomes that might be sought, including climate-related disclosures, climate governance processes, decarbonization strategies, capital expenditures, and climate-related targets and outcomes.

Company engagement strategies are driven by a range of factors, including the profile of the company and industry sector, the company’s approach to climate change, its responsiveness to engagement, the investor’s active ownership approach and the regional context. In many cases, multiple investors may be working on engagement with a company.

Investors – individually or collectively – may choose to engage, for example, by:

- Requesting disclosure of environmental data
- Holding meetings with companies
- Conducting investor/company roundtables
- Asking a question at a company earnings call or Annual General Meeting (AGM)
- Making a statement at a company AGM
- Writing a public letter to the company
- Supporting shareholder resolutions on climate change risks and opportunities

- Voting for the removal of directors who have failed in their accountability of climate change risk
- Voting against reports, accounts and company led resolutions
- Making joint statements with the company
- Submitting resolutions at a shareholder meeting

The Investor Agenda has not defined the level of corporate engagement – in terms of the intensity of the engagement activities, or the coverage in terms of number of companies or the assets under management – considered sufficient to meet the requirements of each Tier. It recognizes that such assessments will be driven by each investor's resources, asset mix, investments and climate change strategy.

Collective/collaborative engagement

Collective/collaborative engagement is where more than one investor is involved. The benefits of such engagement allow investors to share knowledge, good practice relevant to their specific structure and business model, and build consensus on industry-specific standards. Collective engagement initiatives can also build pressure on companies, sectors and governments in a way that may not be possible for every individual investor.

Climate resolutions developed through collective initiatives may also help create accountability for action within a group of

investors. There are reasons why investors might choose not to support a specific climate-related resolution. These include situations where the resolution is poorly drafted, situations where the resolution is calling on the company to take actions that will not make a substantive impact on its approach to climate change, and situations where the investor considers that other engagement strategies will lead to better outcomes. In these types of situations, investors should follow their own judgements but they should be prepared to explain their reasoning publicly as well as to the company and to other stakeholders.

Bilateral engagement

Bilateral engagement is individual engagement between a single investor and a company. The bilateral engagement element of the ICAPs Expectations Ladder suggests that, for an investor to be in Tiers 1 or 2, most of the companies in the portfolio need to have or be committed to 1.5°C-aligned business strategies. To achieve this, Tier 1 and 2 investors are likely to need to engage actively with

a significant number of companies in their portfolio. For example, the Paris Aligned Investment Initiative's Net Zero Investment Framework suggests that a minimum level of at least 70% of portfolio emissions should either already meet net-zero alignment criteria or be targeted as part of engagement strategy in high impact sectors.

Corporate escalation and shareholder engagement

Investors are encouraged to establish and publish an escalation strategy that explains the actions they will take if a company is not responsive to their engagement or to their net-zero alignment criteria/asks including clear timeframes for underweighting or divestment should engagement not be successful. The specific escalation strategy or strategies will depend on the context, on the engagement strategies that have previously been adopted, and on the short and long-term goals of the engagement initiative.

In listed equities, climate-related shareholder resolutions and proxy voting – which includes decisions on whether or not to support specific resolutions, the filing or co-filing of resolutions, and the calling of AGMs – are recognized as important engagement and escalation strategies. Examples of such resolutions include those that encourage better corporate disclosures of climate-related information, those that encourage a company to address material and systemic climate

risks and opportunities and those that encourage a company to align their business strategies with 1.5 or 2°C pathways and issue transition plans. The ICAPs Expectations Ladder signals the type of resolutions that investors should generally support for each of the Tiers. In addition to climate change-specific resolutions (i.e. where the resolution itself is focused on a specific aspect of a company's climate change performance), investors may also use their views on a company's climate change performance to inform their votes on, for example, a company's report and accounts or a company's directors.

Finally, many jurisdictions have formal rules around engagement and proxy voting. Each investor must, therefore, be responsible for obtaining its own legal advice pertaining to shareholder voting and company engagement strategies, and for ensuring that they are in compliance with regulatory requirements in the jurisdictions in which the engagement is taking place.

Selected Resources

Corporate Engagement Area	Description	Tools, Methodologies and Resources
Collaborative/ collective engagement	Collaboration resources and frameworks	<p>AIGCC (2020), <i>Investor Expectations of Asian Electric Utilities Companies</i> https://www.aigcc.net/wp-content/uploads/2020/12/Asia-Utilities-IE-final.pdf</p> <p>AOA (2021), <i>Inaugural 2025 Target Setting Protocol, Engagement Chapter</i> https://www.unepfi.org/wordpress/wp-content/uploads/2021/01/Alliance-Target-Setting-Protocol-2021.pdf</p> <p>CDP Investor Signatory Disclosure Request https://www.cdp.net/en/investor/request-environmental-information</p> <p>CDP Non-disclosure Campaign https://www.cdp.net/en/investor/engage-with-companies/non-disclosure-campaign</p> <p>CDP Science Based Targets Campaign https://www.cdp.net/en/investor/engage-with-companies/cdp-science-based-targets-campaign</p> <p>Ceres Climate and Sustainability Shareholder Database https://www.ceres.org/resources/tools/climate-and-sustainability-shareholder-resolutions-database</p> <p>Climate Action 100+ https://www.climateaction100.org/</p> <p>Paris Aligned Investment Initiative (2021), <i>Net-Zero Investment Framework: Implementation Guide</i> https://www.parisalignedinvestment.org/media/2021/03/PAII-Net-Zero-Investment-Framework_Implementation-Guide.pdf</p> <p>PRI Collaboration Platform https://collaborate.unpri.org/</p>
Bilateral engagement	Stewardship practices and processes	<p>Ceres (2020) <i>Roadmap 2030: A 10-year action plan for sustainable business leadership</i> https://roadmap2030.ceres.org/</p> <p>PRI (2019), <i>Active Ownership 2.0</i> https://www.unpri.org/stewardship/active-ownership-20-the-evolution-stewardship-urgently-needs/5124.article</p> <p>Paris Aligned Investment Initiative (2021), <i>Net-Zero Investment Framework: Implementation Guide</i> https://www.parisalignedinvestment.org/media/2021/03/PAII-Net-Zero-Investment-Framework_Implementation-Guide.pdf</p>
Corporate escalation and shareholder engagement	Engaging with shareholders and companies to ensure action on climate	<p>AOA (2021), <i>Elevating Climate Diligence on Proxy Voting Approaches: A Foundation for Asset Owner Engagement of Asset Managers</i> https://www.unepfi.org/wordpress/wp-content/uploads/2021/04/16-Elevating-Climate-Diligence-2.pdf</p> <p>Ceres (2020) <i>Lead from the Top: Building Sustainability Competence On Corporate Boards</i> https://www.ceres.org/resources/reports/lead-from-the-top</p> <p>Ceres Climate and Sustainability Shareholder Resolutions Database https://www.ceres.org/resources/tools/climate-and-sustainability-shareholder-resolutions-database</p> <p>PRI Shareholder Resolution Database https://collaborate.unpri.org/shareholder-resolution</p> <p>Say on Climate https://www.sayonclimate.org/</p> <p>ShareAction guidance on proxy voting https://shareaction.org/research-resources/voting-matters/</p>



POLICY ADVOCACY

ADVOCATING FOR POLICIES ALIGNED WITH
DELIVERING A JUST TRANSITION TO A NET-ZERO
ECONOMY BY 2050 OR SOONER.

Investor Climate Action Plans



Investment



Corporate Engagement



Policy
Advocacy



Investor Disclosure

The case for investors to engage on climate change policy is clear. Advocacy for policy frameworks that unlock investment opportunities and scale up capital flows in low-carbon assets, adaptation measures, and ensure a just transition for affected workers and communities are essential to tackling the climate crisis and protecting

long-term returns. Policy measures relating to corporate and other disclosures should also ensure that investors can take full account of the risks and opportunities presented by climate change in their decision-making, thereby maximizing their ability to generate sustainable returns and create long-term value.

Investor statements

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Investors may begin their policy advocacy by working with other investors, through supporting investor-backed statements and calls for action on climate change. Investors in Tiers 1 and 2 on Policy Advocacy will also support investor-backed statements, particularly those that aim to achieve net-zero by 2050 or sooner, with credible interim targets.

Lobbying

Investors are a key influence on policymakers and, therefore, policy engagement by investors is an important extension of these investors' responsibilities and fiduciary duties to their beneficiaries. Policy engagement or lobbying may be done directly by the investor, collectively with other investors or through supporting industry bodies, think tanks and civil society organizations. Investors should ensure that all lobbying activities – both their own lobbying and

the lobbying carried out on their behalf by others - are aligned with the goals of the Paris Agreement. Investors in Tier 1 for Policy Advocacy should require partner organizations, such as trade associations and industry bodies, to align their lobbying with the goals of the Paris Agreement. These investors should also be prepared to withdraw their memberships and support if these partner organizations do not comply with this requirement.

Advocacy

Climate policy engagement occurs at a variety of levels, from the global (focused on actors such as the G7 and G20 and the international financial institutions, and international climate negotiations), to the regional (e.g. the European Union), the national and the state/local levels. For institutional investors, much of their international climate policy engagement is led by the Investor Agenda's founding partners working together, while regional, national and sub-national investor advocacy on climate change policies and regulations is generally led by the relevant regional founding partner or conducted via other industry associations.

Different jurisdictions have different rules on the role that investors and other private sector actors can play in the policy process, and on how they can engage. In broad terms, investors can engage through:

- Meetings with bureaucratic and legislative actors, including governing and opposition parties.
- Publishing research and reports that set out the case for policy action on climate change.
- Media and public outreach calling for policy action on climate change.
- Responding to public consultations (e.g. through making formal submissions, through giving evidence).
- Convening or participating in public seminars on climate, energy or sustainable finance related policy discussions.
- Working with other investors, through supporting investor-backed statements and calls for action on climate change (see the examples in the Selected Resources below).

Selected Resources

Policy Advocacy Area	Description	Tools, Methodologies and Resources
Investor Statements	Investor Agenda and partners' key statements and calls to action are detailed here, outlining examples of policy calls available to investors.	<p>A list of statements and calls to action, from the Investor Agenda and its founding partners can be found at https://theinvestoragenda.org/focus-areas/policy-advocacy/. Some recent examples include:</p> <ul style="list-style-type: none"> • (April 2021) <i>Letter to US Policymakers on the Climate Crisis</i> • (March 2021) <i>Letter on the Strategic Energy Plan Review to Minister Hiroshi Kajiyama of Japan</i> • (December 2020) <i>Statement on High Climate Ambition in the EU's 2030 Target and Sustainable Recovery package</i> • (November 2020) <i>Call for the United States to rejoin the Paris Agreement</i> • (May 2020) <i>Investor Statement to EU leaders on Sustainable Recovery from COVID-19</i>
Lobbying	Corporate Lobbying Expectations	<p>Ceres (2020), <i>Blueprint for Responsible Policy Engagement on Climate Change</i> https://www.ceres.org/resources/reports/blueprint-responsible-policy-engagement-climate-change</p> <p>IIGCC (2018), <i>Investor Expectations on Corporate Lobbying</i> https://www.iigcc.org/resource/investor-expectations-on-corporate-lobbying/</p> <p>PRI (2018), <i>Converging on Climate Lobbying</i> https://www.unpri.org/Uploads/g/v/q/PRI_Converging_on_climate_lobbying.pdf</p> <p>Responsible Lobbying (2020), <i>Responsible Lobbying: An Evaluation Framework</i> https://static1.squarespace.com/static/5e85df904eec2417de2b4800/t/5ef1e5fd5d6e1015f5b171ef/1592911361771/The-Responsible-Lobbying-Framework_v-June2020.pdf</p>
Advocacy	Investor Lobbying Expectations and Calls	<p>AOA (2021), <i>Inaugural 2025 Target Setting Protocol</i> https://www.unepfi.org/wordpress/wp-content/uploads/2021/01/Alliance-Target-Setting-Protocol-2021.pdf</p> <p>Ceres (2020), <i>Addressing Climate as a Systemic Risk: A Call to Action for U.S. Financial Regulators</i> https://www.ceres.org/news-center/press-releases/sweeping-new-report-provides-us-financial-regulators-key-action-steps</p> <p>IGCC (2019), <i>Policies for a Resilient Net Zero Emissions Economy</i> https://igcc.org.au/wp-content/uploads/2020/06/Policies-for-a-resilient-economy_FINALa.pdf</p> <p>IGCC (2020), <i>Mapping Australia's Net-Zero Investment Potential</i> https://igcc.org.au/wp-content/uploads/2020/10/121020_IGCC-Report_Net-Zero-Investment-Opportunity.pdf</p> <p>PRI (2021), <i>Policy Briefing: The Road to COP26</i> https://cop26policybriefingfinal20210427_385169.pdf</p> <p>PRI (2020), <i>How Government and Investors Can Deliver Net-zero in the UK</i> https://dwtzyx6upklss.cloudfront.net/Uploads/t/n/k/pri2020howgovernmentandinvestorscandelivernetzerointheuk_916363.pdf</p> <p>PRI (2020), <i>How Government and Investors Can Deliver Net-zero in the US</i> https://dwtzyx6upklss.cloudfront.net/Uploads/p/a/s/pri_usnetzerobriefing2020_42586.pdf</p> <p>PRI (2021), <i>Delivering Net Zero Emissions in Japan</i> https://dwtzyx6upklss.cloudfront.net/Uploads/t/e/i/pri_netzerobriefing2021japan_583956.pdf</p> <p>PRI (2021), <i>Delivering Carbon Neutrality in China</i> https://dwtzyx6upklss.cloudfront.net/Uploads/g/n/f/pri_netzerobriefing2021_china_6734.pdf</p> <p>PRI (2021), <i>Responsible Investment Policy Database</i> https://www.unpri.org/policy/regulation-database</p> <p>PRI and the London Stock Exchange Group (2021), <i>The Investor Guide to Climate Collaboration: From COP26 to Net-Zero</i> https://www.unpri.org/climate-change/the-investor-guide-to-climate-collaboration-from-cop26-to-net-zero/7236.article</p> <p>UNEP FI and PRI (2019), <i>A Legal Framework for Impact</i> https://www.unpri.org/policy/a-legal-framework-for-impact</p> <p>UNEP FI and PRI (2019), <i>Fiduciary Duty in the 21st Century. Final Report</i> https://www.unpri.org/download?ac=9792</p>



INVESTOR DISCLOSURE

ENHANCING INVESTOR DISCLOSURE TO HELP
STAKEHOLDERS TRACK INVESTOR ACTION IN LINE
WITH A 1.5°C CELSIUS PATHWAY.

Investor Climate Action Plans



Investment



Corporate
Engagement



Policy
Advocacy



Investor
Disclosure

Robust and comprehensive disclosures by investors enable clients, beneficiaries and other stakeholders to understand how climate-related risks and opportunities are being assessed and managed by investors. These disclosures also increase the demand for more consistent, comparable and reliable

disclosure of climate-related information by companies and other entities. Quality disclosures by companies and by investors are an important step in enabling market forces to drive the efficient allocation of capital and to support a planned transition to a net-zero emissions economy.

Many investors already report on aspects of their performance through the PRI reporting framework and/or the CDP Financial Services Questionnaire. **Appendix 1** of this report maps these two frameworks against the **ICAPs Expectations Ladder**, identifying those areas where existing disclosures can support reporting against the Ladder.

Commitments, objectives and targets

For disclosure to enable investor accountability, investors should publish information on their commitments as a first step. Investors in Tiers 2 and 3 will go beyond this to share portfolio objectives and targets. Over time, investors should report progress against any targets set. Investors in Tier 1 should provide quantitative targets that are aligned to net-zero. These investors should also provide detailed analysis describing the progress they have made against these targets.

Carbon emissions and portfolio assessment

Investors in Tier 3 will have begun to publish carbon emissions and portfolio emissions data using methodologies discussed in the Investments section above. Investors in Tiers 1 and 2 will have expanded their disclosures to cover the entirety of their portfolios. Carbon emissions disclosure will also be increasingly sophisticated and include details of scenario analysis undertaken.

TCFD alignment and assessment of disclosure

The Task Force on Climate-related Financial Disclosures (TCFD) provides recommendations for climate-related disclosures to enable better understanding of the financial implications to climate change. Many investors already disclose in alignment with TCFD recommendations, either through publishing relevant information in their own reports and/or through reporting through the PRI's Reporting and Assessment Framework and/or through CDP's Financial Services Questionnaire. There is significant commonality between the TCFD requirements and the ICAPs Expectations Ladder's Investor Disclosure

focus area expectations but they are not identical. Investors seeking to report actions against the Ladder's Investor Disclosure focus area would need to ensure their climate activities are consistent with the TCFD recommendations and have a special focus on activities that are forward looking (e.g. target setting and climate scenario planning). Some activities focused on systemic climate risk abatement such as climate policy advocacy and investment in climate solutions, which may not be explicitly included in the TCFD framework, can also be reported as actions in this focus area.

Selected Resources

Investor Disclosure Area	Description	Tools, Methodologies and Resources
Investor Disclosure	Relevant investor disclosure frameworks and tools	<p>AIGCC (2018), <i>Building on the Base: TCFD Disclosures in Asia</i> https://www.aigcc.net/wp-content/uploads/2020/07/AIGCC_Building-on-the-base_TCFD-Disclosure-in-Asia_FINAL-1.pdf</p> <p>AIGCC (2017), <i>Transparency in Transition: A Guide to Investor Disclosure on Climate Change</i> https://www.aigcc.net/wp-content/uploads/2020/07/AIGCC_IGCC-TRANSPARENCY-in-TRANSITION-FINAL.pdf</p> <p>CDP Climate Change Questionnaire (2021): <i>Financial Services</i> https://guidance.cdp.net/en/guidance?cid=18&ctype=theme&idtype=ThemedID&incchild=1&microsite=0&otype=Questionnaire&tags=TAG-13071%2CTAG-605%2CTAG-599</p> <p>PRI, <i>Reporting and Assessment Framework</i> https://www.unpri.org/signatories/reporting-and-assessment</p> <p>Task Force on Climate-Related Financial Disclosures (TCFD) https://www.fsb-tcfd.org/</p> <p>Appendix 1 of this report presents a mapping of (a) the PRI Reporting and Assessment Framework and (b) the CDP Climate Change Questionnaire 2021: Financial Services against the ICAPs Expectations Ladder.</p>

5

GOVERNANCE

INSTITUTIONAL INVESTORS HAVE AN OBLIGATION (OFTEN REFERRED TO AS FIDUCIARY DUTY) TO ACT IN THE FINANCIAL INTERESTS OF THEIR BENEFICIARIES.



These obligations include the duty of loyalty (serving all beneficiaries), the duty of impartiality (serving the interests of both current retirees and future retirees) and the duty of prudence (to identify, understand and prudently manage investment risks and opportunities). It is generally agreed that failing to consider all long-term investment value drivers, including ESG issues, is a failure of fiduciary duty².

The case for investors to be concerned about climate change – and to recognize climate change as a systemic risk that they need to manage – is clear. Climate change will broadly and systemically affect financial markets. The combined effects of energy transition risk and physical impact risk will affect virtually all companies, industries, assets, and investment portfolios and cannot be diversified away. These climate risks also present a growing set of investment opportunities, chiefly in assets that benefit from the accelerating transition to a low carbon, clean energy economy.

While the case for action to address the climate crisis is clear, investors need to

ensure that the actions and decisions they take are underpinned by robust decision-making and governance frameworks. These decision-making and governance frameworks – the policies, accountabilities, planning and evaluation processes, reporting and skills assessment processes identified in the ICAPs Expectations Ladder – guide organizational decision-making and action, and ensure that these decisions and actions are aligned with the investor's fiduciary duty. They also ensure that the commitments made by the organization – on investment, on corporate engagement, on policy advocacy, on investor disclosure – are effectively implemented and translated into concrete action.

Governance starts with robust oversight by the Board, Trustees and senior management. To discharge this responsibility, they need to be provided with robust information on climate-related policies, practices, processes and performance. They also need to be knowledgeable on climate-related risks and opportunities, which is likely to require them to complete climate-related training and to have their climate-related skills and competences assessed on a regular basis.

² See, further, UNEP FI and PRI (2019), *Fiduciary Duty in the 21st Century. Final Report*, <https://www.unpri.org/download?ac=9792>

Selected Resources

Governance Area	Description	Tools, Methodologies and Resources
ALL	<p>Governance frameworks</p> <p>The resources provide guidance on how an investor can establish an effective climate governance framework and effectively integrate climate risk considerations into investment decision-making.</p>	<p>APRA (2021), <i>Draft Prudential Practice Guide on Climate Change Financial Risks</i> https://www.apra.gov.au/consultation-on-draft-prudential-practice-guide-on-climate-change-financial-risks</p> <p>Ceres (2019), <i>Running the Risk: How Corporate Boards Can Oversee Environmental, Social and Governance (ESG) Issues</i> https://www.ceres.org/resources/reports/running-risk-how-corporate-boards-can-oversee-environmental-social-and-governance</p> <p>Ceres (2018), <i>Systems Rule: How Board Governance Can Drive Sustainability Performance</i> https://static1.squarespace.com/static/5143211de4b038607dd318cb/t/5afc5e271ae6cf3092ecd7ed/1526488627169/Systems+Rule_Final.pdf</p> <p>IIGCC (2018), <i>Addressing Climate Risks and Opportunities in the Investment Process</i> https://www.iigcc.org/resource/addressing-climate-risks-and-opportunities-in-the-investment-process/</p> <p>FCA & Bank of England PRA (2020), <i>Climate Risk Forum Guide 2020 Summary</i> https://www.fca.org.uk/publication/corporate/climate-financial-risk-forum-guide-2020-summary.pdf</p> <p>PRI (2017), <i>PRI Reporting Framework 2018 Strategy and Governance</i> https://www.unpri.org/Uploads/e/e/e/2.-SG-CC-2018---final.pdf</p> <p>World Economic Forum (2019), <i>How to Set Up Effective Climate Governance on Corporate Boards</i> http://www3.weforum.org/docs/WEF_Creating_effective_climate_governance_on_corporate_boards.pdf</p>




APPENDIX 1:


MAPPING (A) THE PRI REPORTING AND ASSESSMENT FRAMEWORK AND (B) THE CDP CLIMATE CHANGE QUESTIONNAIRE AGAINST THE ICAPS EXPECTATIONS LADDER INVESTOR DISCLOSURE AREA


Many investors already report on aspects of their performance through the PRI reporting framework and/or the CDP Financial Services Questionnaire. The following table maps these two frameworks against the ICAPs Expectations Ladder, identifying those areas where existing disclosures can support reporting against the Ladder.


Notes:


- The PRI indicators are classed as follows:
 - CORE:** Mandatory to report, public, assessed
 - PLUS:** Voluntary to report, public or private (choice), not assessed
- The PRI indicators show where investors can signal actions or progress towards ICAPs expectations. Indicators where additional information may be required to fulfill the ICAPs Expectations Ladder are marked with an asterisk.


Focus Area	Tier	ICAPs Expectations	CDP Questions	PRI Questions	
				Indicator ID	Type of Indicator
 Targets	Tier 4	Measure portfolio carbon footprint	C14.1, C14.1a, C14.1b, C14.1c	ISP 37 ISP 37.1 ISP 38 ISP 38.1	PLUS PLUS PLUS PLUS
	Tier 3	Align portfolio emissions reduction target with domestic policy goals and NDCs	C4.2, C4.2a, C4.2b	ISP 37 ISP 37.1	PLUS PLUS
	Tier 2	Align portfolio emissions reduction target with 1.5°C and global net-zero emissions by 2050	C14.3	ISP 37 ISP 37.1	PLUS PLUS
	Tier 1	Align portfolio emissions reduction target with 1.5°C and global net-zero emissions by 2050 or sooner. Set intermediate targets every 5 years using recognized methodologies and frameworks for setting, assessing, reporting and verifying performance	C4.1, C4.1a, C4.1b,	ISP 37 ISP 37.1	PLUS PLUS

Focus Area	Tier	ICAPs Expectations	CDP Questions	PRI Questions	
				Indicator ID	Type of Indicator
<div>1</div> <div>  </div> <div>Investment</div>	Tier 4	Establish a formal policy on integrating climate change into investment analysis, decision-making, and investment manager selection and appointment	C3.6, C3.6a, C3.6b, C3.6c	ISP 1.1 ISP 28*	CORE CORE
		Undertake portfolio climate risk assessment and regularly monitor portfolio climate risks including physical risks	C2.2, C2.2a, C2.2b, C2.2c, C2.2d, C2.2e	ISP 30 ISP 31 ISP 32 ISP 34 ISP 35 ISP 38 ISP 39	CORE CORE PLUS PLUS PLUS PLUS PLUS
		Invest at least part of the portfolio in 2°C aligned products	C14.3	ISP 10 ISP 10.1 ISP 37.1	CORE CORE PLUS
	Tier 3	Commit to increasing investments in appropriate clean energy and low-carbon opportunities	C14.3	ISP 37	PLUS
		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	C3.2, C3.2a, C3.2b	ISP 33 ISP 33.1	CORE PLUS
		Invest part of the portfolio in 1.5°C aligned companies, products, and projects	C14.3	ISP 10 ISP 10.1 ISP 37.1	CORE CORE PLUS
		Set Scope 1 and 2 decarbonization targets for your own operational emissions	C4.1, C4.1a, C4.1b, C4.1c	ISP 37 ISP 37.1	PLUS PLUS
	Tier 2	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	C3.6, C3.6a, C3.6b, C3.6c C14.3	ISP 4* ISP 37 ISP 37.1	CORE PLUS PLUS
		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 	C3.2, C3.2a, C3.2b	ISP 33 ISP 33.1	CORE PLUS
		Incorporate climate change into strategic asset allocation and invest in 1.5°C-aligned companies, products, and projects in multiple asset classes.	C14.3	ISP 10 ISP 10.1 ISP 37.1	CORE CORE PLUS
		Implement explicit net-zero aligned targets for clean energy and low carbon investments in each asset class	C14.3	ISP 37 ISP 37.1	PLUS PLUS
		Set Scope 3 decarbonization targets if they are material i.e. >40% of emissions of underlying assets		ISP 37 ISP 37.1	PLUS PLUS
	Tier 1	Eliminate all investments in thermal coal, tar sands, and Arctic drilling Define a strategy for all high emitting sectors	C14.3 C14.3	ISP 4*	CORE
		Explicitly incorporate net-zero scenario analysis	C3.2, C3.2a, C3.2b	ISP 33 ISP 33.1	CORE PLUS
		Invest (and grow the proportion annually) in 1.5°C aligned companies, products, and projects in all asset classes	C14.3	ISP 10 ISP 10.1 ISP 37.1	CORE CORE PLUS
		Set 1.5°C targets in all asset classes where recognized methodologies exist	C14.3	ISP 37 ISP 37.1	PLUS PLUS
		Establish net-zero-aligned targets for high impact sectors	C4.2, C4.2a, C4.2b	ISP 37 ISP 37.1	PLUS PLUS
		Set intermediate targets that enable progression and assessment of portfolio emissions reduction and assessment of portfolio emissions reduction in line with achieving net-zero emissions by 2050	C4.2, C4.2a, C4.2b	ISP 37 ISP 37.1	PLUS PLUS

Focus Area	Tier	ICAPs Expectations	CDP Questions	PRI Questions	
				Indicator ID	Type of Indicator
<div>2</div> <div>  </div> <div>Corporate Engagement</div>	Tier 4	Support collective/collaborative engagement initiatives that encourage better governance, management and disclosure of greenhouse gas emissions and physical climate risks	C12.5	ISP 18 ISP 18.1 ISP 35	CORE PLUS PLUS
		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	C14.3a, C14.3b, C12.1, C12.1c	ISP 15 ISP 35	CORE PLUS
		Explicitly integrate climate change into proxy voting guidelines	C12.5	ISP 35	PLUS
	Tier 3	Actively participate in collective/collaborative engagement initiatives that encourage companies to establish 1.5°C aligned business strategies.	C12.5	ISP 18 ISP 18.1 ISP 35	CORE PLUS PLUS
		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) 	C12.1, C12.1c, C12.3b, C12.3c	ISP 15 ISP 22 ISP 43 ISP 44	CORE PLUS CORE CORE
		Establish a clear escalation strategy for companies or other entities that have not responded appropriately to engagement	N/A	ISP 19 ISP 20	PLUS CORE
	Tier 2	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)	C12.1c, C12.5 N/A	ISP 18 ISP 18.1 ISP 22 ISP 43 ISP 44 ISP 19 ISP 20 ISP 35	CORE PLUS PLUS CORE CORE PLUS CORE PLUS
		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.	N/A N/A	ISP 37 ISP 37.1 ISP 38 ISP 44 ISP 19 ISP 20 ISP 35	PLUS PLUS PLUS CORE PLUS CORE PLUS
		Support, file, or co-file climate resolutions at companies who have not responded appropriately to engagement, and vote against directors on climate grounds.	N/A	ISP 19 ISP 20 ISP 35	PLUS CORE PLUS
	Tier 1	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)	C12.1, C12.5 N/A	ISP 18 ISP 18.1 ISP 22 ISP 43 ISP 44 ISP 19 ISP 20 ISP 35	CORE PLUS PLUS CORE CORE PLUS CORE PLUS
		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 and shareholder resolutions), publish criteria that need to be met for the investor to vote for a company's SOC plan	N/A N/A	ISP 22 ISP 37 ISP 37.1 ISP 12 ISP 12.1	PLUS PLUS PLUS CORE PLUS
		Pre-declare voting intentions on ESG defining resolutions and at company laggards	N/A	ISP 12.1	PLUS

Focus Area	Tier	ICAPs Expectations	CDP Questions	PRI Questions	
				Indicator ID	Type of Indicator
<div>3</div> <div>  </div> <div>Policy Advocacy</div>	Tier 4	Support collaborative investor statements calling on governments to: <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 	C12.3, C12.3a	ISP 23.1 ISP 26 ISP 27 ISP 43 ISP 44	CORE CORE CORE CORE CORE
		Ensure that all lobbying activities carried out by the investor are aligned with all the goals of the Paris Agreement	N/A	ISP 24 ISP 43 ISP 44	CORE CORE CORE
		Participation in regional or global investor network and contributing to the organization 's advocacy activities	C12.3, C12.3a	ISP 23	CORE
	Tier 3	Support collaborative investor statements calling on governments to implement specific policy measures aiming at achieving net-zero emissions by 2050 such as: <ul style="list-style-type: none"> • phasing out coal • phasing out fossil fuel subsidies • introducing carbon pricing 	C12.3, C12.3a	ISP 23.1 ISP 43 ISP 44	CORE CORE CORE
		Ensure that all lobbying activities carried out by the investor's trade associations are aligned with the goals of the Paris Agreement Publish trade association memberships and membership fees	N/A N/A	ISP 23.2 ISP 24 ISP 43 ISP 44 ISP 24.1 ISP 25	CORE CORE CORE CORE CORE CORE
		Participate in meetings with governments calling on them to: <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 	C12.3a	ISP 23 ISP 43 ISP 44	CORE CORE CORE
	Tier 2	Support collaborative investor statements calling on governments to implement specific policy measures aiming at achieving net-zero emissions by 2050 such as: <ul style="list-style-type: none"> • phasing out coal • phasing out fossil fuel subsidies • introducing carbon pricing 	C12.3, C12.3a	ISP 23.1 ISP 43 ISP 44	CORE CORE CORE
		Ensure that all lobbying activities carried out by the investor's trade associations are aligned with the goals of the Paris Agreement Publish trade association memberships and membership fees	N/A N/A	ISP 23.2 ISP 24 ISP 43 ISP 44 ISP 24.1 ISP 25	CORE CORE CORE CORE CORE CORE
		Participate in discussions or meetings with governments (regional, national, sub-national) calling on them to implement policy measures such as: <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 	C12.3, C12.3a	ISP 23 ISP 26 ISP 43 ISP 44	CORE CORE CORE CORE
	Tier 1	Support collaborative investor statements calling on governments to implement specific policy measures aiming at achieving net-zero emissions by 2050 such as: <ul style="list-style-type: none"> • phasing out coal • phasing out fossil fuel subsidies • introducing carbon pricing 	C12.3, C12.3a	ISP 23.1 ISP 43 ISP 44	CORE CORE CORE
		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. Require the organization to stop the lobbying otherwise or discontinue membership/support for the organization	N/A	ISP 23.2 ISP 24 ISP 43 ISP 44	CORE CORE CORE CORE
		Provide strong public support and play a leading/active role in discussion of sustainable finance policy and regulatory measures to ensure 1.5°C aligned financial flows	C12.3, C12.3a	ISP 23 ISP 23.1 ISP 26 ISP 27 ISP 43 ISP 44	CORE CORE CORE CORE CORE CORE

Focus Area	Tier	ICAPs Expectations	CDP Questions	PRI Questions	
				Indicator ID	Type of Indicator
<div>4</div> <div>  </div> <div>Disclosure</div>	Tier 4	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 	N/A	ISP 28 ISP 36	CORE PLUS
		Issue a public statement supporting TCFD	N/A	ISP 27	CORE
		Assess current disclosures against guidance from TCFD and other relevant reporting frameworks	Responding to CDP achieves this	Responding to PRI achieves this	
	Tier 3	Publish organizational and portfolio objectives/targets on climate change and report on progress against these	C4 Targets and Performance, C Portfolio Impact	ISP 37 ISP 37.1 ISP 38 ISP 38.1 ISP 39 ISP 39.1	PLUS PLUS PLUS PLUS PLUS PLUS
		Publish a carbon emissions profile for at least one portfolio or asset class	C Portfolio Impact	ISP 37 ISP 37.1 ISP 38.1	PLUS PLUS PLUS
		Publish an assessment of the risks and opportunities presented by climate change to the investment portfolio	C2 Risks and Opportunities	ISP 30 ISP 30.1 ISP 31 ISP 32	CORE CORE CORE PLUS
		Publish information on TCFD recommendations in financial report	Responding to CDP achieves this		
		Publish an assessment of the outcomes and impacts achieved from corporate engagement	C12 Engagement	ISP 22	PLUS
	Tier 2	Publish organizational and portfolio objectives/targets on climate change and report on progress against these	C4 Targets and Performance, C Portfolio Impact	ISP 37 ISP 37.1 ISP 38 ISP 38.1 ISP 39 ISP 39.1	PLUS PLUS PLUS PLUS PLUS PLUS
		Publish a detailed account of the analytical methodology and underlying data for calculating the portfolio's emissions profile	C Portfolio Impact	ISP 38.1	PLUS
		Publish details of the scenario analysis conducted by the investor, including information on the underlying assumptions and scenarios used	C3 Business Strategy	ISP 33 ISP 33.1	CORE PLUS
		Publish information on TCFD recommendations in financial report	Responding to CDP achieves this		
		Publish an assessment of the outcomes and impacts achieved from policy advocacy	C12 Engagement	ISP 25 ISP 43 ISP 44	CORE CORE CORE
	Tier 1	Disclose quantitative details of interim net-zero targets and report progress against them	C4 Targets and Performance, C Portfolio Impact	ISP 37 ISP 37.1	PLUS PLUS
		Publish a detailed account of the analytical methodology and underlying data for calculating the portfolio's emissions profile	C Portfolio Impact	ISP 38.1	PLUS
		Report on the investor's approach to scenario analysis, including details of the assumptions, the data used and the actions taken as a result	C3 Business Strategy	ISP 33 ISP 33.1	CORE PLUS
		Publish information on TCFD recommendations in financial report	Responding to CDP achieves this		
		Publish an independent third-party assessment of the investor's climate change reporting	CDP Scores	ISP 54.1	PLUS

Focus Area	Tier	ICAPs Expectations	CDP Questions	PRI Questions	
				Indicator ID	Type of Indicator
<div>.....</div>  Governance	Tier 4	Develop investment beliefs or statements of investment policy that define the organization's approach to managing climate risks and opportunities. Explain how this is integral to long-term value creation and to the fiduciary and other duties owed to beneficiaries or clients	C3.6, C3.6a, C3.6b, C3.6c	ISP 1.1 ISP 27 ISP 28	CORE CORE CORE
		Define roles and responsibilities for overseeing and implementing the organization's commitments on climate change and reporting on the organization's climate performance	C1.2, C1.2a	ISP 28 ISP 29	CORE CORE
		Develop a plan for delivering on the organization's climate-related objectives and for managing the risks and opportunities presented by climate change to the portfolio	C3.3, C3.4	ISP 28 ISP 29	CORE CORE
	Tier 3	Ensure that climate change is central to the organization's strategic plan and that the climate strategy is fully endorsed by the Board	C1.1, C1.1a, C1.1b	ISP 28 ISP 29	CORE CORE
		Define formal climate change responsibilities in Board and/or Board Committee Terms of Reference and role descriptions	C1.1a	ISP 28	CORE
		Implement processes to review and revise investment strategy as: • targets are met • climate risks exposures and best practices emerge / evolve	N/A	ISP 28 ISP 29	CORE CORE
		Ensure that the Board / Board Committees: • regularly review portfolio-related climate risks and opportunities • assess progress against climate-related objectives	C1.1, C1.1a, C1.1b	ISP 28	CORE
		Provide training for staff on climate risks and opportunities and implications for investment portfolios	N/A	ISP 29	CORE
	Tier 2	Ensure the organization's climate change policies and plans are actively supported by the Board and senior management	C1.1, C1.1a, C1.1b	ISP 28 ISP 29	CORE CORE
		Provide adequate resources to ensure the effective implementation of the organization's climate change policies and plans	C3.3	ISP 29	CORE
		Implement processes to review and revise investment strategy as: • targets are met • climate risks exposures and best practices emerge / evolve	N/A	ISP 28 ISP 29	CORE CORE
		Report regularly to the Board and senior management on climate performance and portfolio climate risk exposures	C1.1b	ISP 29	CORE
		Formally assess organizational knowledge and expertise on climate change for: • the Board • senior management • investment teams	N/A	ISP 29	CORE
	Tier 1	Ensure the organization's climate change policies and plans are actively supported by the Board and senior management	C1.1, C1.1a, C1.1b	ISP 28 ISP 29	CORE CORE
		Align achievement of climate-related metrics with executive remuneration incentives	C1.3, C1.3a	ISP 8 ISP 36	CORE PLUS
		Implement processes to review and revise investment strategy as: • targets are met • climate risks exposures and best practices emerge / evolve	N/A	ISP 28 ISP 29	CORE CORE
		Report regularly to the Board and senior management on climate performance and portfolio climate risk exposures	C1.1	ISP 28	CORE
		Ensure that the Board has sufficient capabilities and competencies to oversee, assess and manage climate change-related risks and opportunities	N/A	ISP 28 ISP 29	CORE CORE

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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.

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