

Climate Action 100+ Net Zero Company Benchmark shows an increase in company net zero commitments, but much more urgent action is needed to align with a 1.5°C future

- *While 69% of focus companies have set commitments to achieve net zero emissions by 2050 or sooner, overall Benchmark finds companies have failed to show progress across key indicators, including disclosure of 1.5°C-aligned medium-term emissions targets and capex strategies.*
- *Benchmark sets urgent engagement priorities for USD 68 trillion investor-led initiative ahead of U.S. and European proxy season and as it marks the final year of its first phase.*
- *Investor signatories will give focus companies another chance to step up action in 2022, with another round of assessments planned for later in the year.*

30 March 2022: New assessments released today by [Climate Action 100+](#), the world's largest investor engagement initiative on climate change, show some corporate climate progress against key climate indicators, but find much more action is urgently needed from focus companies to support global efforts to limit temperature rise to 1.5°C.

This is the second round of Net Zero Company Benchmark assessments to be released by Climate Action 100+ since March 2021. 166 companies on the initiative's focus list were measured on their progress against the initiative's three engagement goals and a set of key indicators related to business alignment with the goals of the Paris Agreement.

To reflect the pace of change required to limit global warming to 1.5°C and to ensure it is aligned with the most recent science-based policy, Climate Action 100+ updated the Benchmark methodology in 2022, assessing companies against the International Energy Agency (IEA)'s more challenging Net Zero by 2050 scenario for available sectors. It also added new indicators and assessments focused on the just transition and climate accounting and audit to drive greater company ambition and reflect evolving investor priorities.

The assessments indicate overall year-on-year improvements on cutting greenhouse gas emissions, improving climate governance, and strengthening climate-related financial disclosures. Driven by engagement from Climate Action 100+ investor signatories, the results specifically show that:

- **69%** of focus companies have now committed to achieve net zero emissions by 2050 or sooner across all or some of their emissions footprint, a 17% year-on-year increase
- **90%** of focus companies have some level of board oversight of climate change
- **89%** of focus companies have committed to align their public disclosures with TCFD recommendations or are listed as a supporter on the TCFD website.

However, it is alarming that the vast majority of companies have not set medium-term emissions reduction targets aligned with 1.5°C or fully aligned their future capital expenditures with the goals of the Paris Agreement, despite the increase in net zero commitments.

Specifically, the assessments reveal:

- **An absence of medium-term emissions reductions targets aligned with 1.5°C:** Only 17% of focus companies have set medium-term targets which are aligned with the IEA's 1.5°C scenario and cover all material emissions.
- **Continued absence of Scope 3 emissions:** Just 42% of focus companies have comprehensive net zero by 2050 or sooner commitments that cover all material GHG emissions, including material Scope 3 emissions.
- **Alignment of capex strategies with net zero transition goals remains almost non-existent:** Only 5% of focus companies explicitly commit to align their capex plans with their long-term GHG reduction targets.
- **Companies are setting emissions reduction targets but don't have the strategies to deliver them:** Only 17% of focus companies have robust quantified decarbonisation strategies in place to reduce their GHG emissions.
- **A failure to integrate climate risk into accounting and audit practices.** No company has demonstrated that its financial statements are drawn up using assumptions consistent with net zero by 2050, as per a new indicator on climate accounting and audit assessed by CTI and CAP.¹ This Benchmark indicator has been introduced into Climate Action 100+ for the first time this year.

These results are disappointing as they are focused on areas which demonstrate tangible translation of commitments into action, indicating what companies are going to do over the short term to achieve their longer-term goals. They also come amongst broader evidence that the world is failing to step up to the meet the challenges of the growing climate crisis.

In a newly released report, the Intergovernmental Panel on Climate Change warned that the window of opportunity to take any meaningful climate action is rapidly closing and worldwide emissions must fall by 45% by 2030 to have any chance at keeping global temperature rise under 1.5°C.

Climate Action 100+, which now includes 700 signatories responsible for USD 68 trillion in assets under management, is calling on all focus companies to step up climate ambition before a third round of Benchmark assessments is released later this year.

Following last year's record high majority votes on climate proposals in the United States and Europe, the next several months in the lead up to the upcoming proxy season will be a critical time for investors to support key climate shareholder resolutions that are aligned with the goals of the initiative and the Paris Agreement, as flagged by the initiative. These developments have spurred investors in Asia looking to further strengthen their own engagements and voting strategies to demonstrate to company boards their expectations for further progress and commitment.

The Benchmark is clearly driving an increase in corporate disclosures from focus companies. TPI, which assessed companies against the Disclosure Framework, received a record number of responses from companies during the review period in December 2021², signalling clear interest from companies to engage with the Benchmark. It also provided focus companies with

¹ This is a provisional assessment. The data is based on 2020 company accounts (released in 2021). Global accounting and auditing standard-setters, such as [IASB](#) and [IAASB](#), have clarified that material climate-related risks should not be ignored in accounts or in audits.

² During the review period in December 2021, focus companies were invited to review their preliminary assessments and flag any inaccuracies or missed disclosures.

a standardised way of reporting on corporate climate ambition, with the framework being increasingly used to frame net zero transition planning in company annual reports.

Sector and issue specific analyses from the Alignment Assessments, which complement the Disclosure Framework, finds that:

- **Less than one third of electric utility focus companies have a coal phaseout plan consistent with limiting global warming to less than 2°C**, according to data from Carbon Tracker Initiative (CTI). This is concerning as the IEA's Net Zero by 2050 roadmap, published in May 2021, says that in order to keep 1.5°C alive, coal-fired power must be phased out in advanced economies by 2030, and globally by 2040.³
- CTI also finds that **almost two thirds of oil and gas focus companies are still sanctioning projects inconsistent with limiting global warming to less than 2°C**. The IEA's Net Zero by 2050 roadmap made it clear that there can be no new oil and gas exploration and production if we are going to keep 1.5°C within reach.
- **There is a considerable gap between what companies are saying publicly on climate lobbying and doing in practice**. 54% of focus companies have mixed direct engagement with Paris-aligned climate policy, according to InfluenceMap data. However, only 9% have broad alignment between their direct climate policy engagement activities and the Paris Agreement. Also concerning is that only 2% of focus companies are aligned with the Paris Agreement in their indirect climate policy engagement activities via their industry associations.
- **Almost no steel, cement, or aviation focus companies' emissions intensities are aligned with limiting global warming to less than 2°C**, 2° Investing Initiative (2DII) finds. Most utility companies are not adding renewables and other low-carbon technologies fast enough to limit global warming to 1.5°C. Similarly, most auto companies are not phasing out internal combustion engine vehicles and adding enough electric vehicles and hybrid vehicles fast enough to limit global warming to 1.5°C.

Members of the Climate Action 100+ global Steering Committee join investor calls for stepped up climate ambition and action:

Rebecca Mikula-Wright, CEO of AIGCC and a member of the global Steering Committee: "Companies across Australia and Asia must respond to the very clear call from investors to accelerate their decarbonisation plans. The Climate Action 100+ Benchmark is a necessary and valuable tool for companies to understand investor expectations. It guides transparency around credible net zero emissions strategies. As part-owners, investors have a common goal to achieve short, medium and long term sustainable returns but they also need to see companies both managing and adapting to the increasing climate risks and also being successful in the transition by seizing opportunities. Net zero goals are the minimum expectation, and now investors need to see companies making faster progress executing their decarbonisation plans."

Seiji Kawazoe, Senior Stewardship Officer at Sumitomo Mitsui Trust Asset Management and a member of the global Steering Committee: "Asian companies have made encouraging progress on climate, but investors will expect many to publish clear and robust plans to reach net zero and assess their progress against their peers

³ International Energy Agency Net Zero by 2050 Roadmap for the Global Energy Sector, May 2021: <https://www.iea.org/reports/net-zero-by-2050>

through the Climate Action 100+ Net Zero Company Benchmark. Company commitments will be expected to be more ambitious than the Nationally Determined Contributions in their markets where they are based and where proven effective the deployment of decarbonisation technologies to achieve climate goals. Investors will expect detailed climate transition plans from companies and evidence they are matching their peers – not just in their home markets, but also in their sectors globally.

“The Benchmark provides investors with a clear view of where companies are positioned amongst their peers. By complementing these results with progress in private engagement with the companies, investors gain value intelligence to prioritise their engagement and voting strategies.”

Andrew Gray, Director, ESG and Stewardship at AustralianSuper and a member of the global Steering Committee: “We know that the current climate trajectory presents a systemic risk to investment portfolios and long-term returns to funds’ beneficiaries. This demands intensified engagement from investors, calling for near-term action from the companies they are invested in. Long-term engagement works and accountability is key.”

Stephanie Maier, Global Head of Sustainable and Impact Investment at GAM Investments and current chair of the global Climate Action 100+ Steering Committee: “Overall the Net Zero Company Benchmark clearly shows that focus companies are not making the progress required to align with achieving the 1.5°C climate goal agreed in Paris and reaffirmed in Glasgow last year. Given that these companies represent the world’s largest corporate greenhouse gas emitters, their ambition and pace of change is critical to a successful transition and needs to accelerate. The latest IPCC report starkly outlined the social and economic imperative for this. As a consequence, we should expect a ratcheting of investor-led shareholder resolutions as well as increased scrutiny on transition plans brought to the vote, starting with the imminent AGM season.”

Stephanie Pfeifer, IIGCC CEO and current vice-chair of the global Climate Action 100+ Steering Committee: “The Climate Action 100+ initiative has shown that investors can influence companies through meaningful engagement and good stewardship. However, while there has been a level of progress by focus companies towards net zero by 2050 with the majority setting long-term targets, many remain far from where they need to be if they are to help limit a global temperature rise to 1.5°C. Investors are calling on focus companies to credibly set out details of their net zero transition plans and will step up their engagements to ensure companies move from target setting to delivery.”

Simiso Nzima, Managing Investment Director of Global Equity at CalPERS and a member of the global Steering Committee: “We will continue to use the power of collaborative engagements and proxy voting to drive action at our portfolio companies to align their climate ambitions with their long-term strategies and capital allocation decisions. As a long-term investor, we want our portfolio companies to execute sustainable business models and thrive in a low carbon economy.”

Mindy Lubber, Ceres CEO and President and a member of the global Steering Committee: “While we welcome the new climate commitments from North American focus companies, companies are still not where they need to be to help stabilize the climate and mitigate the worst impacts of this growing crisis. Companies must ratchet

up their climate ambition and action, and as we head into this year's U.S. proxy season, investors will continue to use the results of the Climate Action 100+ Net Zero Company Benchmark to strengthen their own engagement and voting strategies. There is too much at stake. All eyes will be on companies and their investors as they work to respond to the results at the necessary speed and scale required."

David Atkin, CEO of PRI and a member of the global Steering Committee: "It's very encouraging to see the great progress achieved by Climate Action 100+ and its signatories. This Benchmark clearly shows meaningful progress on important areas with 69% of focus companies having now committed to achieve net zero emissions by 2050 or sooner. However, it's increasingly clear that we need to see more action, taken further and faster, to stand a realistic chance of keeping a 1.5°C future alive. That means we need to see companies make ambitious, near-term targets, and that we need investors to continue to push for improved transparency and accountability through their stewardship programmes."

Research and data organisations involved in the Benchmark provided comments:

Valentin Jahn, TPI Lead Research Analyst and TPI Climate Action 100+ Project Lead: "Although companies are not yet doing enough to limit global mean temperature rise to 1.5°C or even 2°C, the Climate Action 100+ Benchmark is a powerful asset in the climate mitigation toolbox. The long-term direction is clear as shown by the increase in 2050 net zero targets. However, this consensus is not yet tied to concrete action. Decarbonisation strategies should quantify the contribution of measures towards the company's emission targets and companies should state their commitment to align their capital expenditure with their emission reduction goals together with a methodology detailing how such alignment is assessed. The Climate Action 100+ Benchmark framework is well placed to incentivise and measure progress on these crucial issues, backing up ambitions with concrete plans."

Barbara Davidson, Head of Accounting, Audit, and Disclosure at Carbon Tracker Initiative: "Investors must urgently understand the level of capital at risk from continued use of fossil fuels, in order to work with companies to transition as quickly as possible. The Climate Accounting and Audit Alignment Assessment identifies the need for better transparency regarding impacts of the energy transition on companies' financial positions and operations. It highlights inconsistencies across companies' climate narratives, supporting investors in their assessment of corporate governance, allocation of capital, and investee engagement."

David Pitt-Watson, Leader, Climate Accounting Project: "The acid test of whether a company is taking climate into account is revealed in the way it draws up its financial statements. For all Climate Action 100+ focus companies, climate is a material issue. Hence, in drawing up their accounts, climate risks must be considered and assumptions shown. Climate Action 100+ investors have demanded those assumptions are sustainable ones. But this is not yet happening. It needs to, since we won't address global warming if in calculating profits, companies and their auditors simply turn a blind eye to the climate challenge".

Maarten Vleeschhouwer, Head of PACTA at 2° Investing Initiative: "2° Investing Initiative is proud to contribute to Climate Action 100+'s work as a provider of alignment assessment indicators and member of the Technical Advisory Group. Using the PACTA methodology and Asset Resolution data, our analysis shows almost all focus list companies in the steel, cement and aviation sectors are significantly behind IEA

net zero pathways. Additionally, while power and automotive focus list companies are starting to decrease production of coal power and ICE vehicles, planned investment in renewables and electric vehicles is nowhere near enough to be on a pathway to net zero. Critically, investors must also ensure that focus list companies are closing down coal power capacity, not just selling it off."

Joe Brooks, Climate Action 100+ Investor Engagement Lead and Senior Analyst at InfluenceMap: "The science shows that robust government climate policy is a prerequisite for delivering net-zero emissions. Investors are increasingly clear they expect companies to support the passage of such measures, rather than block them. However, Climate Action 100+ companies are falling far short of these expectations. The majority of focus companies continue to obstruct or undermine ambitious climate policy, either directly or via memberships to industry associations acting on their behalf. Investors are in a unique position to be able to push focus companies towards implementing robust and transparent audit processes, to drive closer alignment between corporate climate policy engagement and the 1.5°C goal of the Paris Agreement."

Climate Action 100+ will give focus companies another opportunity to step up and demonstrate progress with a further round of assessments to be released later this year. Companies will be given the opportunity to provide additional disclosures or commitments, announced between 1st January 2022 and 13th May, to improve their Benchmark results⁴.

Climate Action 100+, which is in its final year of phase 1, will continue with more ambitious goals as demanded by the urgency of the growing climate crisis.

Note to editors:

Main landing page: <http://www.climateaction100.org/net-zero-company-benchmark/>

Company assessments: <https://www.climateaction100.org/whos-involved/companies/>

About the Benchmark methodology

The Climate Action 100+ Net Zero Company Benchmark aims to define the key elements of a robust 'net zero aligned' business strategy, to give investors' confidence that companies are developing comprehensive net zero transition plans.

To reflect the pace of change required and to ensure it is aligned with the most recent science-based policy, the Benchmark methodology underwent a limited number of enhancements for the March 2022 company assessments. These include:

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

⁴ The review period, during which companies can provide additional disclosures or commitments, will be open from 14th April to 13th May.

- New indicators and assessments aim to drive greater company ambition on the just transition and climate accounting and audit, and reflect evolving investor priorities.⁵
- Additional Alignment Assessments, formerly known as ‘Capital Allocation Indicators’. These include InfluenceMap’s ‘Organisation Scores’ and ‘Relationship Scores’, which assess focus companies’ direct and indirect climate policy engagement activities respectively. In addition, they include new analytics from 2 Degrees Investing Initiative measuring the emissions intensities of steel, cement, and aviation companies against reference climate scenarios.

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About Climate Action 100+

Climate Action 100+ is the world’s largest investor engagement initiative on climate change. It involves 700 investors, responsible for over \$68 trillion in assets under management. Investors are focused on ensuring 166 of the world’s biggest corporate greenhouse gas (GHG) emitters take the necessary actions to align their business strategies with the goals of the Paris Agreement. This includes improving corporate governance of climate change, reducing GHG emissions, and strengthening climate-related financial disclosures.

The 166 focus companies include the initial 100 ‘systemically important emitters’, identified with the highest combined direct and indirect GHG emissions, and additional companies selected by investors as critical to accelerating the net zero transition.

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

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⁵ As the initiative is still developing appropriate methodology on just transition, this indicator will appear in ‘beta’ form for the March 2022 Benchmark, meaning that data will be collected internally to inform the indicator’s future development, but focus companies will not be publicly scored against it. Similarly, the climate accounting and audit assessment will take the form of a ‘provisional’ indicator, meaning that companies will be publicly assessed against it in March 2022 but the framework will be subject to change in future iterations of the Benchmark.