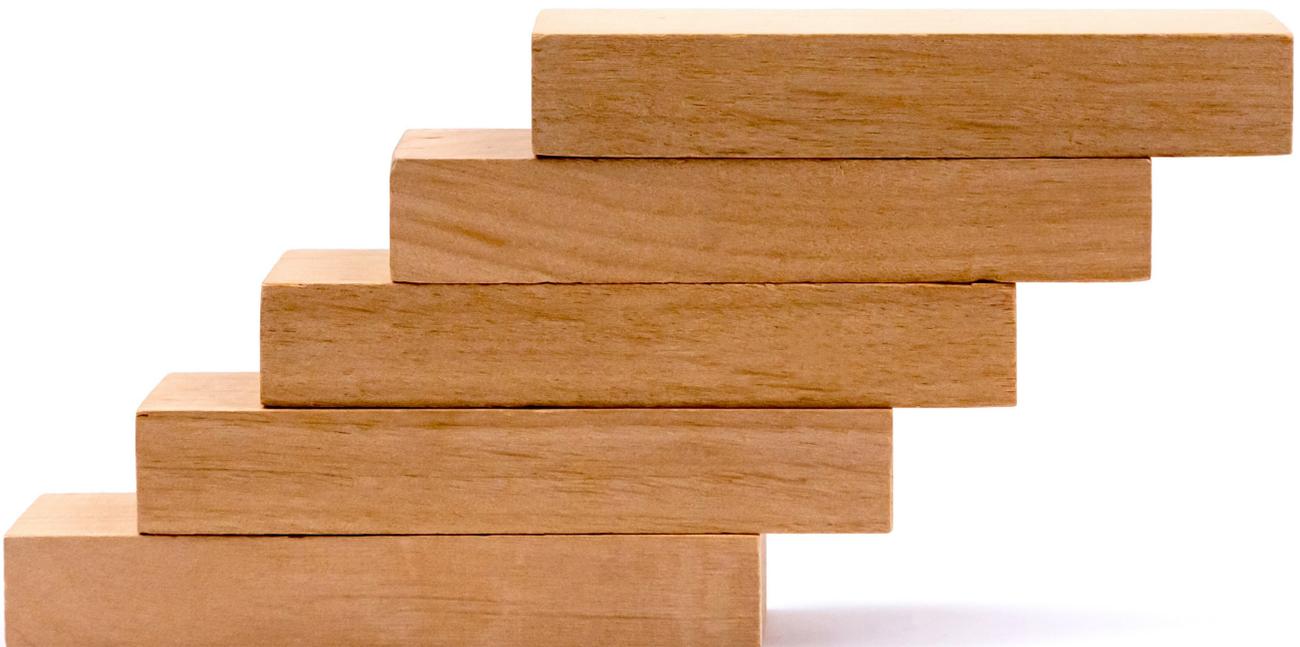


# Climate Action 100+

Global Investors Driving Business Transition



## 2021 Year in Review A Progress Update



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# Climate Action 100+ at a glance



**615+**  
SIGNATORIES

170% increase since start



RECORD USD  
**65**  
TRILLION  
in signatory AUM



**167**  
FOCUS COMPANIES  
responsible for 80% global  
industrial emissions



**52%**  
OF COMPANIES  
with net-zero commitments



**87%**  
OF COMPANIES  
with board-level oversight of  
climate change



**72%**  
OF COMPANIES  
aligned disclosures with TCFD  
recommendations



**6**  
MAJORITY  
SHAREHOLDER VOTES  
for initiative flagged resolutions

## 1. A milestone year

2021 was a year of more growth, impact and influence for Climate Action 100+, the world's largest-ever investor engagement initiative on climate change. With 70 new investors joining in 2021, Climate Action 100+ now has more than 615 signatories responsible for a record USD 65 trillion in assets under management. This represents an increase of 170% in investor participation since the initiative launched in 2017.

These investors are engaging with 167 of the world's biggest listed corporate emitters and driving faster corporate climate action in line with the global goal of reaching net-zero emissions by 2050 or sooner.

Through deeper engagements, established indicators for corporate progress, and a record-breaking year for shareholder climate action, the initiative has signalled a new reckoning with business as usual. The strength of Climate Action 100+ is the global focus on results and the spirit of partnership between investors and companies. There was a notable increase in investor appetite for climate action in Asia this past year, expanding our impact and influence in that region of the world.

Investor engagement through the initiative resulted in faster and more ambitious climate commitments from a significant number of focus companies. BNEF analysis from September 2021, building on the initiative's Net-Zero Company Benchmark, found that 111 focus companies have set net zero targets for 2050 or before, compared to just five in 2018 after the initiative's launch. To demonstrate the scale of impact, it is estimated that these net zero targets – which Climate Action 100+ investors have played a significant role in securing – will reduce greenhouse gas (GHG) emissions by 9.8 billion metric tons annually by 2050, roughly equivalent to China's annual emissions<sup>1</sup>.

Throughout the year, investors across the initiative engaged companies on critical actions around short-, medium- and long-term emissions targets, corporate lobbying disclosure and board climate competence. The progress being achieved by investors through Climate Action 100+ is emblematic of how times have changed and reinforces how seriously large investors are in addressing climate change as a financial risk.

The initiative resonated across global financial media markets. Influential finance and business media outlets around the world, including the Financial Times, Reuters, Bloomberg, Wall Street Journal, Forbes and the Sydney Morning Herald, have covered the initiative's key achievements and successes. It is regularly cited in news stories to evidence the power of collaborative engagement and how this is effectively driving unprecedented change at some of the largest corporate emitters.

Climate Action 100+ is coordinated by its five founding investor networks: AIGCC, Ceres, IGCC, IIGCC and PRI. It is led by the global Climate Action 100+ Steering Committee, which comprises five investor representatives and the heads of the investor networks. The strategy is delivered by investor network staff who work closely with investors and support making their engagements with focus companies as effective as possible.

1 BNEF analysis, published September 2021: <https://about.bnef.com/blog/two-thirds-of-the-worlds-heaviest-emitters-have-set-a-net-zero-target/>

## 2. Focus company commitments

Climate Action 100+ investor signatories continued to push for harder, faster climate action from focus companies in 2021 and secured numerous commitments around setting net zero targets, improving climate lobbying disclosure and developing decarbonisation strategies.

Selection of commitments and developments in 2021 from Climate Action 100+ global focus company list:

- **BlueScope**, an Australian steel producer, announced a commitment to net zero emissions by 2050 and an initial capital allocation of USD 150M over five years to support mid- and long-term climate ambitions, while exploring renewable hydrogen and options for low-emissions steelmaking.
- **Boral**, Australia's largest construction materials and building products supplier, has set a Science Based Targets initiative (SBTi) verified absolute target to reduce Scope 1 and 2 emissions by 46% by 2030, making it the first company in the cement sector to set targets aligned with 1.5°C for Scope 1 and 2 emissions. Boral has additionally set a Scope 3 emissions intensity reduction target of 22% per tonne of cementitious materials produced by 2030.
- **Ecopetrol**, the Colombian state-owned oil and gas company, committed to achieve net zero emissions by 2050 (Scopes 1-2), including medium- and long-term targets. In addition, the company committed to reduce its Scope 3 emissions 50% by 2050 (vs. 2019 levels).
- **Enel**, the world's largest utility company headquartered in Italy, became the first utility to commit to an exit from natural gas generation by 2040. It has set an absolute net zero emissions target for 2040, which it will achieve through producing energy exclusively from renewables and not relying on any offsets or negative emissions removal technologies.
- **Engie**, a French multinational utility company, committed to net zero emissions by 2045, following the negotiated withdrawal of a shareholder resolution.
- **Ford Motor Company, General Motors, and PACCAR**, three of the major North American automobile and truck manufacturers, each set medium-term SBTi verified targets which include Scopes 1, 2, and 3. Both Ford's and General Motors' Scope 1 and 2 emissions targets are aligned with 1.5°C.
- **KEPCO**, the largest electric utility in South Korea, and its six subsidiaries have committed to carbon neutrality and a complete phase out of coal by 2050, following the development of national plans by the South Korean Presidential Committee on Carbon Neutrality.
- **LyondellBasell**, one of the world's largest plastics, chemicals and refining companies, announced its ambition to achieve net zero emissions from its global operations by 2050, and to achieve an absolute reduction of 30% in Scope 1 and 2 emissions by 2030.
- **Nissan Motors**, a Japanese multinational automobile manufacturer, has set goals to achieve carbon neutrality across the company's operations and the life cycle of its products by 2050, investing USD 17.6 billion over the next five years to speed up electrification of its products. The company also aims to have 100% of all new vehicle offerings in key markets to be electrified by the early 2030s, which will comprise a 50% electrification mix by 2030.

- **Phillips 66**, the Texas-headquartered multinational energy company, announced plans to reduce the greenhouse gas emissions intensity from its operations and energy products by 2030: it aims to reduce Scope 1 and 2 emissions intensity from operations by 30% and Scope 3 emissions intensity of its energy products by 15%, below 2019 levels. Phillips 66 is the first US refiner and only the second US oil company to set emissions reduction targets that include Scope 3.
- **Rio Tinto**, the world's second-largest metals and mining corporation, has more than tripled its medium-term 2030 target, setting a new target to reduce absolute Scope 1 and 2 emissions by 50% by 2030.
- **Sasol**, the global integrated fuels and chemicals company and fifth largest company in South Africa<sup>2</sup>, committed to net zero emissions by 2050. Sasol also strengthened a previous 2030 Scope 1-2 emissions reduction target from 10% to 30% and established a new target to reduce Scope 3 emissions from the company's energy business, aiming for a 20% reduction by 2030<sup>3</sup>.
- **Rolls-Royce**, a leading FTSE100 aerospace and defence company, mapped out detailed decarbonisation plans, with clearer short- and medium-term targets. It committed to making all its civil aero-engines compatible with 100% Sustainable Aviation Fuel (SAF) by 2023 and embedded this target into its executive remuneration policy.
- **Sinopec**, one of the largest national oil companies in China, has committed to achieving carbon neutrality by 2050, 10 years ahead of the China's initial national decarbonisation target of 2060. The company is also aiming to peak its emissions prior to the national timeline of 2030 and pivoting the business towards hydrogen and biofuels in the long run.
- **Xcel Energy**, a US based utility company, expanded its greenhouse gas reduction target to deliver net-zero greenhouse gas emissions from its natural gas business by 2050. It makes Xcel Energy one of the first North American Climate Action 100+ electric power focus companies to set a comprehensive Scope 3 GHG target.

Please note this list does not indicate that the featured company commitments align with the goals of the Paris Agreement. They are simply meant to offer a flavour of the type of focus company ambitions we witnessed in 2021. The role of investor engagement in each of these commitments and developments varies.

For more, see our [Successes page](#) on the Climate Action 100+ website.

### 3. Net-Zero Company Benchmark launch

The initiative launched the first company assessments using the new Net-Zero Company Benchmark in March 2021 ahead of the U.S. and European proxy seasons. This was widely covered, include in [ABC](#), [AsianInvestor](#), [Bloomberg](#), [Financial Times](#), [Reuters](#) and [The Sydney Morning Herald](#).

The Benchmark provides an objective way of measuring company progress against the initiative's three high-level goals: emissions reduction, governance, and disclosure. The Benchmark framework is the foundation for company engagement coordinated through the initiative and the assessments have become a widely cited demonstration of the progress companies are making in aligning their businesses to a net zero future.

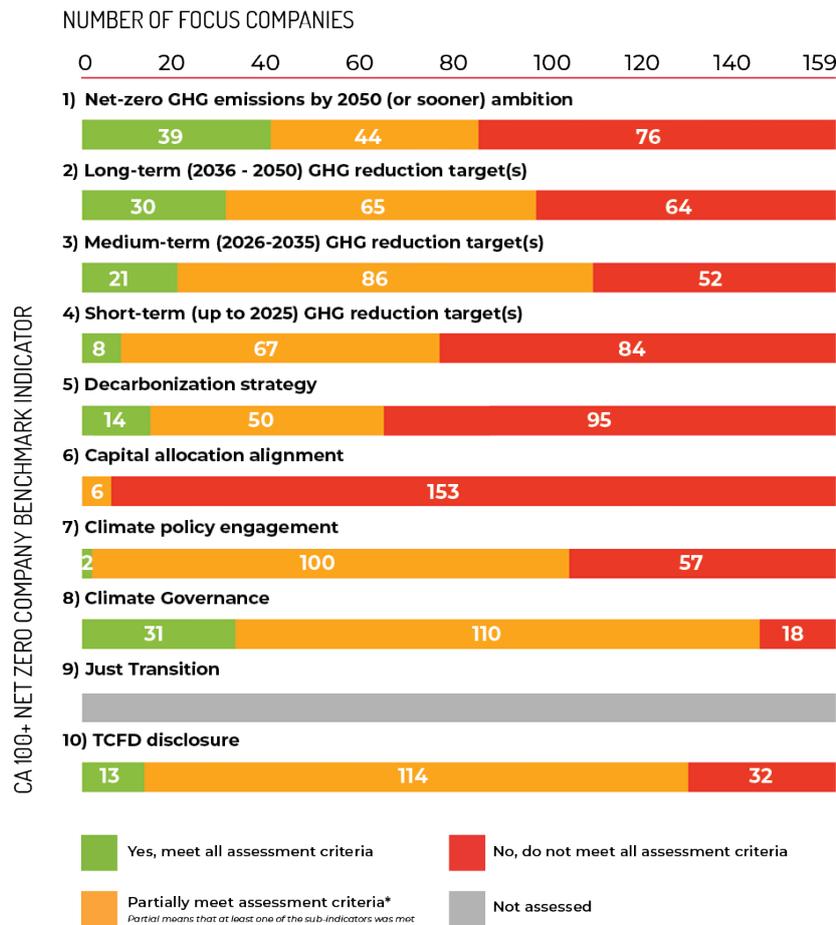
<sup>2</sup> By market cap in 2020. <https://najjaquest.com/biggest-companies-in-south-africa/>

<sup>3</sup> Sasol's Scope 1-2 targets are with reference to a 2017 baseline and encompass both the company's energy and chemicals businesses. Sasol's Scope 3 target is with reference to a 2019 baseline.

The results from the first company assessments found that 52% of companies had set 2050 net zero targets in some form, 87% had board-level oversight of climate change and 72% had committed to align their disclosures with TCFD recommendations. However, overall no company performed at a high level across all indicators and there were clear gaps around short- and medium-term targets, Scope 3 emissions and aligning capex with a 1.5°C global warming scenario. These results played a crucial role in shaping investor engagement priorities in 2021 and shone a clear light on the urgent gaps where faster corporate climate action needs to happen.



### CLIMATE ACTION 100+ NET ZERO COMPANY ASSESSMENTS



Climate Action 100+ has published an [updated framework and indicators](#) for the next round of Net-Zero Company Benchmark company assessments, which will be released in March 2022. While overall changes to the framework have been kept to a minimum to facilitate year-on-year comparisons, some methodological updates and new assessments have been included to reflect the evolving priorities of investors. This includes a new climate accounting and audit indicator representing the increased investor focus around incorporating climate risk in financial accounts<sup>4</sup> and a new just transition indicator which assesses the impact of a company's net zero transition on its workforce, communities and supply chains<sup>5</sup>.

4 This climate accounting assessment will be “provisional”, meaning focus company results against it will be publicly released, but the assessment itself will be subject to change in future iterations.

5 This just transition indicator will be in “beta” form, meaning that the initiative will collect data internally to inform its future development, but the results will not be released publicly.

## 4. Proxy Season highlights

Majority votes on climate-related shareholder proposals. Alternative director slates. Climate transition plans. These themes made headlines during the historic 2021 proxy season in the US and Europe. Climate Action 100+ investor signatories secured unprecedented results, accelerating the decarbonisation of the world's largest corporate greenhouse gas emitters through winning new net zero commitments, replacing directors and aligning political lobbying with the Paris Agreement.

### Key highlights:

- Shareholder resolutions:** The 2021 proxy season saw an extraordinary growth in climate-related shareholder resolutions, particularly in the U.S. where there were over 147 climate-related resolutions filed, with 47 going to a vote and vote results averaging 40%.
- Introduction of new resolution flagging process:** Climate Action 100+ introduced a new flagging process to enable the initiative to flag relevant shareholder votes related to the initiative's goals, and circulate information from investor signatories filing or co-filing resolutions at Climate Action 100+ focus companies. Six out of 14 shareholder proposals filed by Climate Action 100+ investor signatories and flagged by the initiative won majority votes in 2021. These included a 98% vote at General Electric and a 99% vote at Bunge, both of which were supported by management; a 65% vote at United Airlines and 62% at Phillips 66.
- Holding boards accountable:** The oil and gas sector faced its own reckoning this proxy season, with investors demonstrating their willingness to hold boards accountable on climate change. ExxonMobil shareholders elected three new board members to the company's board. This was backed publicly by three of the largest pension funds in the U.S. and Climate Action 100+ signatories – CalPERS, CalSTRS, and the New York State Common Retirement Fund. This followed extensive engagement coordinated by Climate Action 100+.
- Securing commitments behind the scenes:** In Europe, investors secured a huge number of significant announcements through private engagement. After an intense period of engagement and the consideration of filing shareholder resolutions and escalation strategies, several resolutions were withdrawn following private commitments from companies. These include: Air Liquide and BASF's net zero emissions by 2050 commitments; Fortum's commitment to produce a lobbying report aligned to investor expectations; and Heidelberg Cement's publication of a lobbying report.
- 'Say on Climate' votes:** 'Say on Climate' shareholder votes gathered momentum and were a prominent feature of the 2021 proxy seasons. Following investor engagement during the European and Australian AGM proxy seasons, 18 Climate Action 100+ companies agreed to put their climate transition strategies to a voluntary shareholder vote. Whilst this is a step in the right direction, it is critical these strategies are fit for purpose for the net zero transition.

147  
CLIMATE-RELATED  
RESOLUTIONS  
filed in US

6/14  
SHAREHOLDER  
PROPOSALS  
flagged by Climate  
Action 100+ won  
majority votes

18  
COMPANIES  
put climate transition  
strategies to  
shareholder vote

## Looking ahead to 2022 proxy seasons

In 2022, investor signatories expect more climate-focused shareholder resolutions and higher votes, including a laser focus on how company net zero goals are being met with short, medium- and long-term emissions reduction targets aligned with the Paris Agreement. An increasingly critical and hot topic, they also anticipate more resolutions on integrating climate risk into financial accounts and oversight of such risks by audit committees and auditors.

Building on success in 2021, Climate Action 100+ plans to utilise its shareholder vote flagging process to alert investors of resolutions and other votes in line with the initiative's goals.

Signatories also expect to see more companies producing robust climate transition plans. Whilst investors commend companies for taking this important step, they are also prepared to make tough decisions when companies have not provided adequate disclosures or been ambitious enough in their transition plans.

And finally, investors have made it clear that if companies aren't willing or able to respond to the challenge of moving towards a net zero transition, they will look for new leadership. Where signatories don't see required progress from companies, the next step is to ask board directors to respond to these challenges and bring about required change.

## 5. Global Sector Strategies

Investors recognise that to fulfil their net zero commitments, including Scope 3 emissions, companies need to collaborate in new ways and require the support of investors. Climate Action 100+ launched a new sectoral programme this year, to support companies in decarbonising their value chains and building out effective sector-wide climate transition plans. The global sector strategies look at carbon intensive sectors and the actions that both companies and other stakeholders must take individually and collectively to accelerate the pace of the net zero transition.

Furthermore, investors must now go beyond asking companies to disclose against the Net-Zero Company Benchmark and ensure they take sector-specific actions to achieve global, net zero emissions by 2050<sup>6</sup>. Ensuring investors focus on sector-specific company actions requires significant research and nuanced engagement tactics and is a key focus for investors being coordinated by the investor networks that deliver Climate Action 100+ in 2022.

The strategies published so far for the aviation, steel, food and beverage and electric utilities sectors aim to provide sector-specific detail and clarity for companies, whole sectors and investors. This includes what credible net zero pathways should look like and what the associated engagement implications should be.

In 2022, sector strategies for diversified mining and trucks will be published. Signatories will continue to identify sector-specific actions companies need to take to facilitate the broader economic transition to net zero emissions, in addition to aligning with the Net-Zero Company Benchmark.

<sup>6</sup> In accordance with the IEA's Net Zero by 2050 Roadmap published in May 2021.

## 6. Our goals for 2022

2021 drew a line in the sand for action on climate change, with a flood of net zero commitments and pledges. We must look forward with optimism. COP26 finally took place amidst the global pandemic and whilst the outcomes weren't perfect, they will play a significant role in reducing global emissions and moving the international community forward on climate action. Investors will be asking companies to explain how they are factoring the outcomes of the Glasgow Climate Pact into their future business plans, particularly the 'phase down' of fossil fuels. Climate Action 100+, its investor networks and signatories will continue to raise the game and play their role in accelerating the net zero transition of world's largest corporate greenhouse gas emitters. Key goals and priorities for 2022 include:

- **Outlining the initiative's next steps:** As the initial 5-year time horizon for Climate Action 100+ draws closer, the investors networks that coordinate the initiative are planning its long-term strategy which will be announced later in 2022.
- **Measuring company progress:** Investor signatories will continue to push for faster and more ambitious climate commitments from focus companies. Signatories will step up the intensity of their engagements with companies and request increased alignment with the Net-Zero Company Benchmark and the publication of more detailed decarbonisation strategies. The release of the second round of company assessments in March 2022 will play a critical role in shaping investor priorities for the engagements and the proxy seasons ahead.
- **Advancing the Net-Zero Company Benchmark:** The initiative will develop a long-term strategy for future iterations of the Benchmark, aiming to ensure the Benchmark remains a critical and useful tool for investors and wider stakeholders in measuring the ambition and quality of corporate climate transition strategies.

There is still a huge amount of work to do and the climb ahead remains a steep one. Limiting the rising global temperature trajectory hangs in the balance but there are signs of hope if countries, companies and society deliver and strengthen promises through tangible action.

We believe this is possible and we look forward to working closely with investor signatories, focus companies and wider stakeholders this year to deliver maximum impact in reducing corporate greenhouse gas emissions.

# Climate Action 100+

Global Investors Driving Business Transition

