

Investor Position Statement: A call for Corporate Net Zero Transition Plans

An Investor call for corporate net zero transition plans with routine votes and director oversight

The next decade is crucial to meeting the net zero goal of the Paris Agreement. According to The Intergovernmental Panel on Climate Change (IPCC), global GHG emissions must fall by 45% from 2010 levels by 2030 to limit warming to 1.5°C.¹ Encouragingly companies are moving to align with and provide disclosures on how they will meet net zero emissions objectives. For example, 52% of Climate Action 100+ focus companies are now targeting net zero at some level. Details on how such commitments will be delivered are however often limited. At the same time investors are increasingly looking to align portfolios overall with net zero objectives.

Detailed disclosures from companies showing how they will achieve net zero objectives as well as demonstrated progress is essential for investors to deliver net zero alignment of portfolios. Therefore, investors require a wide group of companies to rapidly scale up the provision of detailed transition planning and implementation progress disclosures. Accordingly, investors supporting this statement call on listed companies which they deem to be material to their portfolios to:

- 1. Disclose a Net Zero Transition Plan:** Investors require clear planning regarding how companies plan to transition to net zero emissions. A plan should be provided within overarching Taskforce on Climate Related Financial Disclosures (TCFD) climate reporting and use the recent [Climate Action 100+ Net-Zero Company Benchmark](#) as core indicators. Comprehensive net zero planning disclosures should at the least include the elements laid out in Annex A - 'Table 1' below.
- 2. Provide a routine vote on the implementation of the Net Zero Transition Plan:** Where net zero transition planning has been provided, there is a need to ensure that progress is made on implementation given the scale of the climate challenge. In jurisdictions with strong governance conventions and where permissible in local law a routine advisory vote on implementation provides one effective mechanism to do this. Alternatively, where advisory votes are not permissible, investors might consider reflecting their opinion on the implementation of the transition plan in their voting behaviour on other agenda items, such as the election of board members or discharging of the board. Where there is low voter support for either the plan, or the implementation of the plan, companies should explain publicly investors' rationale for withholding support and any remedial action undertaken ahead of the next Annual General Meeting (AGM). If mitigating actions are deemed to be insufficient investors may wish to escalate concerns on other voting items.
- 3. Identify the directors responsible for Net Zero Transition Planning:** To ensure adequate oversight of implementation it is critical to ensure director accountability for the plan. Ultimately, whilst responsibility for planning resides with the whole Board, and in particular the Chair of the Board, it is important that companies clearly identify any principal directors, that have been assigned responsibility for the development and implementation of the Company's Net Zero Transition Plan and corresponding disclosures. This enables investors to determine which directors of the Board, in addition to the Chair, should be engaged with and potentially (as a last resort) voted against when a plan hasn't been provided or implementation is insufficient.

The effectiveness of voting is dependent on the build out of high-quality assessments of corporate net zero transition planning to support investors taking decisions. The supporters of this statement acknowledge the critical role that proxy advisors and data providers will play in assessing the quality

¹ IPCC Special Report on Global Warming of 1.5 °C, <https://www.ipcc.ch/sr15/>

of net zero transition plans and the progress of their implementation to-date. Together with our peers across the investment industry that are concerned with ensuring the transition to net zero succeeds and through groups, such as The Institutional Investors Group on Climate Change (IIGCC), supporters of this statement will work with data providers and proxy advisors to ensure that effective systems are in place and that such assessments can inform voting for the most critical companies in the investment universe.

Signed by:

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BNP Paribas Asset Management

Border to Coast Pensions Partnership

Brunel Pension Partnership

BT Pension Scheme

CANDRIAM

CCLA Investment Management Ltd

Church Commissioners for England

Church of England Pensions Board

City of Zurich Pension Fund

CPEG

Danica

Danske Bank Asset Management

DWS Group

East Capital

Environment Agency Pension Fund

ERAFP

Ethos Foundation

Evenlode Investment

Federated Hermes EOS

Fidelity International

Fulcrum Asset Management

FullCycle Climate Partners

GAM Investments

Greater Manchester Pension Fund

J.P. Morgan Asset Management

Jupiter Asset Management

KBI Global Investors

Kempen

Lægernes Pension

Legal & General Investment Management

LGPS Central

Local Authority Pension Fund Forum (LAPFF)

Local Pensions Partnership Investments Ltd

Lombard Odier Investment Managers

M&G Investments

MN

NinetyOne

NN Investment Partners

Nordea Asset Management

OFI

P+, Pensionskassen for Akademikere

PGGM

Robeco

Scottish Widows

Swiss Federal Pension Fund PUBLICA

UBS Asset Management

Union Investment

USS

West Midlands Pension Fund

West Yorkshire Pension Fund

Annex A – Table 1 – A framework for Net Zero Alignment Disclosures based on the TCFD pillars and CA100+ Net Zero Alignment Indicators

TCFD Pillar	CA100+ Net Zero Alignment Indicators
Governance	<p>Climate Governance: Whether a company has established clear oversight of net zero transition planning and links executive remuneration to delivering the core net zero GHG targets (<i>CA100+ Indicator 8</i>).</p> <p>Climate Policy Engagement: Recognising the importance of policy in the net zero transition, how the company will ensure direct and indirect lobbying activities support the objective of achieving net zero (<i>CA100+ Indicator 7</i>).</p> <p>Just Transition: Whether the company has assessed and developed measures to prepare for the impacts from transitioning to a lower-carbon business model on its workers and communities (<i>CA100+ Indicator 9</i>).</p>
Strategy	<p>Commitment: Whether a clear commitment has been made to achieve net zero emissions by 2050 or sooner across all material GHG emissions (scope 1, 2 and material scope 3) (<i>CA100+ Indicator 1</i>). Companies should explicitly include a commitment that, to the best of the companies’ abilities, their strategy and methodology are aligned with the best available science and a 1.5°C temperature rise scenario. This should translate into appropriate short, medium and long term targets.</p> <p>Decarbonisation Strategy: Whether a quantified description has been provided setting out the measures that will be deployed to deliver the company net zero commitment and targets (<i>CA100+ Indicator 5</i>).</p> <p>Scenario Analysis: Whether the company uses both 1.5 °C and a ‘worst case’ scenario to analyse and test its strategic and operational resilience (<i>CA100+ Indicator 10</i>). This should include their transition and physical risks, how they mitigate and adapt for those risks, and what the operational and financial accounts impacts are.</p>
Risk Management	<p>Capital Allocation Alignment: Whether an assessment of the consistency of capital expenditures with achieving net zero emissions by 2050 has been carried out (<i>CA100+ Indicator 6</i>).</p>
Metrics and Targets	<p>GHG Targets: Whether a company has appropriate short, medium and long term GHG targets (scope 1, 2 and material scope 3) (<i>to meet CA100+ Indicators 2-4</i>).</p> <p><i>Note: CA100+ indicators 5 and 6 include sub-indicators that assess metrics and targets including whether a green revenue target has been set (5.2b) and if metrics for assessing capital alignment have been provided (6.2b).</i></p>