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Climate Action 100+ Launches Phase 2 of Benchmarking Program Focusing on Taking Action

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In June 2023, Climate Action 100+, a climate-focused investor initiative, **launched the second phase** of its benchmarking program to help investors assess and engage with public companies on climate-related issues. Phase 2 makes reference to Climate Action's recent updates to its **Net Zero Company Benchmark** assessment tool. The Net Zero Company Benchmark uses public data, as well as self-disclosed company information, to evaluate the efforts of 166 focus companies to achieve a net zero transition. The publicly available data and self-disclosed company information will now be categorized into two types of indicators: disclosure framework indicators, evaluating the adequacy of corporate disclosure, and alignment of a company's goals with the Paris Agreement.

Climate Action 100+ develops its programs relative to three objectives: taking action to reduce emissions, implementing strong corporate governance and accountability around climate-related risk, and enhancing climate-related financial disclosures. The companies selected for assessment and engagement by the initiative's investor signatories account for 80% of global corporate industrial greenhouse gas emissions.

During the five-year Phase 1, the climate-focused investor initiative increased the number of participating companies from five to 166 and secured pledges from 75% of those companies to commit to net zero. Phase 2 extends until 2030, with the goal of shifting the focus from corporate climate-related disclosure to the implementation of climate transition plans.

In Phase 2, Climate Action 100+ will encourage signatories to ask companies to: implement a strong governance framework that articulates the board's accountability and oversight of

climate change risk; reduce greenhouse gas emissions across the value chain, including by engaging with policymakers to address barriers to transition; provide enhanced corporate disclosures on and implement transition plans to deliver on robust targets; and improve and expand the ways investors can participate to ensure engagement is effective and optimized to drive real change.

Climate Action 100+ details the updates to its strategy in its **“Phase 2: Summary of Changes,”** which include:

- Updated goals to reflect key areas where signatories plan to engage with companies in the lead up to 2030.
- Marginal changes to the current focus company list to remain focused on the top greenhouse gas emitting companies globally.
- A new “lead sector investor” category “to help create the ecosystem conditions needed for sectors to transition,” with the opportunity for leads to disclose their organizations’ identities on the Climate Action 100+ website.
- A new ‘lead thematic investor’ category, “allowing signatories to engage on specific themes in any given year,” with additional transparency around the initiative’s thematic priorities for each region in a given year.
- New sector engagements.
- Expectations for lead and other investors to disclose voting records on Climate Action 100+ where appropriate and allowable by jurisdiction.
- Enhancements to the governance model of Climate Action 100+.

Taking the Temperature: As we have noted, Climate Action 100+ reaches a sizable investor constituency — 700 investors with over \$68 trillion in assets under management. Its benchmarking program is voluntary, however. It therefore remains to be seen how influential or effective the initiative’s Phase 2 action plan will be. Earlier this year, Climate Action 100+ released its 2022 progress report, which indicates the initiative has made headway in some areas but notes the need for progress in others. In the foreword to the progress report, Andrew Gray, current chair of the global Steering Committee for Climate Action 100+, concedes that “the lack of credible short- and medium-term decarbonization strategies across the majority of focus companies needs to be tackled. So, too, does the clear lack of capital allocation commitments towards climate-change mitigation.”

Meanwhile, Climate Action 100+ continues to come under fire in the United States, driven in large part by the politicization of climate-related issues. In December, we reported that Climate Action 100+, along with Ceres and the California Public Employees' Retirement System (CalPERs), was the subject of an inquiry brought by Republican members of the House Judiciary Committee regarding antitrust compliance. The state of Louisiana also launched an investigation in April of CalPERs and investment firm Franklin Templeton for their roles on Climate Action 100+’s steering committee.