

Climate Action 100+ Phase 2: Summary of Changes



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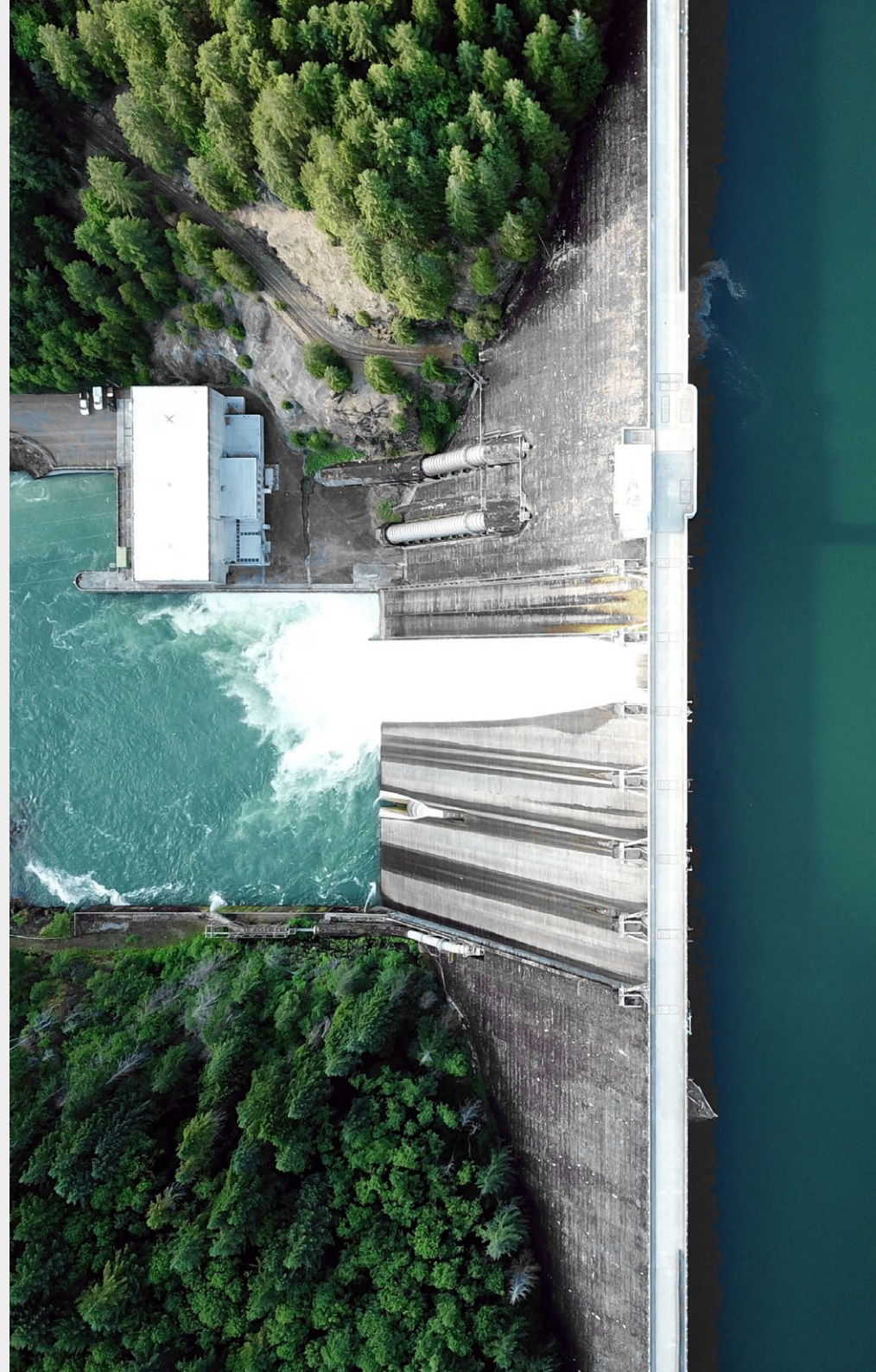
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Context

Launched in 2017 in the wake of the Paris Agreement, Climate Action 100+ is the largest investor engagement initiative on climate change having grown from an initial pool of 225 to over 700 investor signatories together responsible for \$68 trillion in assets. The initiative provides companies with the opportunity to enhance and streamline their communication with investors on issues related to climate change, as well as to improve and to signal the ways in which their current governance and strategy is future-proofing their viability as an investment prospect.

Climate Action 100+ was initially established for a period of five years based on the premise that a deadline for meaningful action is required given the pressing nature of the challenge. Yet Climate Action 100+ focus companies – indeed, many others too – still need to accelerate their transition to deliver a net zero economy. The science regarding the case for urgent climate action has never been clearer: as the UN Secretary General outlined following the release of the IPCC Synthesis Report, ‘humanity is on thin ice – and that ice is melting fast’.¹ The IPCC’s 1.5°C special report outlined that emissions need to approximately halve by 2030 to keep 1.5°C alive.²

In 2022, Climate Action 100+ consulted its signatories on extending the initiative to 2030 and introducing enhancements to the strategy. This document summarises the enhanced strategy, which was shaped by signatory feedback. The complete and detailed terms of reference can be found in the signatory handbook.

1 <https://www.un.org/sg/en/content/sg/statement/2023-03-20/secretary-generals-video-message-for-press-conference-launch-the-synthesis-report-of-the-intergovernmental-panel-climate-change>

2 https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_SPM.pdf



Key updates as part of Phase 2

Climate Action 100+ is pleased to announce the following key updates as part of Phase 2:

1. **Updated goals and signatory statement** to reflect the key areas where signatories plan to have impact in company engagements in the lead up to 2030.
2. **Marginal changes to the current focus company list** to remain focused on the top greenhouse gas emitting companies globally.
3. **Enhancements to the lead investors' terms of reference**, and introduction of the opportunity for leads to disclose their organisation's identities on the Climate Action 100+ website.
4. **New thematic engagements and publication of regional engagement priorities annually** to add transparency around the initiative's thematic priorities for each region in a given year.
5. **New sector engagements**, building on the Global Sector Strategies work.
6. **Expectation for lead investors and individual engagers to disclose voting records** on Climate Action 100+ flagged and alerted votes where appropriate and allowable by jurisdiction.
7. **Enhancements to the governance model** of Climate Action 100+.
8. **Updated Net Zero Company Benchmark**, which will drive greater company ambition and more effectively inform investor engagement with focus companies in the critical period up to 2030.
9. **Phase 2 survey for all signatories** to express interest in the new opportunities to participate and update contact information.
10. **Updated and streamlined Climate Action 100+ signatory handbook**, which has been made public for Phase 2.



Updated goals and signatory statement

Background

In 2017, Climate Action 100+ set out with the goal to unify the investor voice on climate around three core asks of companies to:

1. Implement a strong governance framework on climate change.
2. Take action to reduce GHG across the value chain.
3. Provide enhanced corporate disclosure.

Since then, the initiative has made good progress on these original goals. Of 166 focus companies:

1. 92% have some level of **board oversight** of material climate-related issues.
2. 75% have now committed to **net zero**.
3. 91% have now taken steps to align with the **Taskforce on Climate related Financial Disclosure (TCFD) recommendations**, either by supporting the TCFD principles or by employing climate scenario planning.

Phase 2 enhancements

As we move into Phase 2 of the initiative, the need for urgent action on climate change by 2030 is clear. The original three goals of the initiative remain critical, and there's a need to increase emphasis on implementation.

As such, Climate Action 100+ has enhanced the three original goals to ask companies to not only disclose but to implement robust transition plans and to take action with a wider set of stakeholders to address the sectoral barriers to the net zero transition.

The signatory statement now also includes an explicit reference to engaging with holders of equity and debt, to reflect a range of stewardship tools that investors can use to engage companies.

The updated Signatory Statement is as follows:



Phase 2 signatory statement

Preamble

Climate change is reshaping the way the world and the global economy can operate and the science is clear that every increment of warming will worsen the effects. Furthermore, a just transition is critical to enabling the shift to clean energy.³ Despite the challenges, the transition is accelerating. The policy environment has never been more supportive of a shift to zero carbon alternatives globally, creating new opportunities for investors, businesses and communities.⁴

Purpose

Corporate engagement to ask that the world's largest corporate greenhouse gas emitters take necessary action on climate change.

Mission

As institutional investors seeking to address the material financial risks and opportunities of climate change consistent with our fiduciary duty to our beneficiaries, we will work with the companies in which we invest to encourage them to work towards the global goal of halving GHG emissions by 2030 and delivering net zero GHG emissions by 2050, in line with the goals of the Paris Agreement to pursue efforts to limit warming to 1.5°C. We will do this by asking Climate Action 100+ focus companies to:

1. Implement a **strong governance framework** which clearly articulates the board's accountability and oversight of climate change risk.
2. Take action to **reduce greenhouse gas emissions** across the value chain, including engagement with stakeholders such as policymakers and other actors to address the sectoral barriers to transition. This should be consistent with the Paris Agreement's goal of limiting global average temperature increase to well below 2°C above pre-industrial levels, aiming for 1.5°C. Notably, this implies the need to move towards net-zero emissions by 2050 or sooner.
3. **Provide enhanced corporate disclosure on and implement transition plans** to deliver on robust targets. This should be in line with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and other relevant sector and regional guidance, to enable investors to assess the robustness of companies' business plans and improve investment decision-making.

How

As holders of equity and debt, investors will use both to engage companies to deliver on the above. Climate Action 100+ will seek to support these efforts using frameworks and tools such as the Net Zero Company Benchmark, recognising that the pathway for an orderly transition varies across regions and sectors.

³ <https://www.ipcc.ch/sr15/chapter/spm/>; https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_860182.pdf

⁴ <https://www.iea.org/news/renewable-power-s-growth-is-being-turbocharged-as-countries-seek-to-strengthen-energy-security>

Changes to the focus list

Background

In 2017, Climate Action 100+ identified the initial focus list companies by including the top 100 largest emitting companies globally (within the MSCI All Country World Index) based on their Scope 1-3 emissions, using Carbon Disclosure Project (CDP) modelled data for Scope 3 emissions and non-reporters. Additional companies were then added following a signatory consultation, which asked participants to identify other companies they believed should be engaged: Although the concentrated group of 100 companies account for the vast majority of portfolio greenhouse gas emissions, additional companies were deemed to be critical actors in their regions' transitions, or particularly exposed to climate-related financial risks. Climate Action 100+ committed to keeping companies on the focus list for the first five years unless there was a material corporate action, including a merger/acquisition, delisting or bankruptcy (or similar activity where the company effectively ceases to exist).

Phase 2 enhancements

For Phase 2, the initiative proposed to keep the scope of the focus company list the same, with a similar number of companies and sectors represented, but would run an analysis of recent CDP data to ensure Climate Action 100+ remained focused on the top emitters.

Following the review, the initiative has decided to add 14 companies and remove 10 companies.



Additions

Company	Network	Market	Sector
Ameren	Ceres	United States / North America	Electric Utilities
Baoshan Iron & Steel Co Ltd	AIGCC/PRI	China / Asia	Steel
Carrefour	PRI Global	France / Europe	Consumer Goods & Services
EOG Resources Inc	Ceres	United States / North America	Oil & Gas
EQT Corporation	Ceres	United States / North America	Oil & Gas
Honeywell Resources	PRI Global	United States / North America	Other Industrials
JBS	PRI Global	Brazil / South America	Consumer Goods & Services
Luxshare Precision Industry	AIGCC/PRI	China / Asia	Other Industrials
Mitsubishi Heavy Industries, Ltd.	AIGCC/PRI	Japan / Asia	Other Industrials
PBF Energy	Ceres	United States / North America	Oil & Gas
SABIC	PRI Global	Saudi Arabia / Asia (Middle East)	Chemicals
Samsung Electronics	AIGCC/PRI	Republic of Korea / Asia	Other Industrials
Tata Steel	AIGCC/PRI	India / Asia	Steel
The Home Depot	PRI Global	United States / North America	Consumer Goods & Services

Removals

Company	Network	Market	Sector
Devon Energy Corp.	Ceres	United States / North America	Oil & Gas
Enbridge	Ceres	Canada / North America	Oil & Gas (Midstream)
Kinder Morgan	Ceres	United States / North America	Oil & Gas (Midstream)
Koninklijke Philips	PRI Global	Netherlands / Europe	Other Industrials
PepsiCo	Ceres	United States / North America	Consumer Goods & Services
TC Energy	Ceres	Canada / North America	Oil & Gas (Midstream)
The Coca-Cola Company	Ceres	United States / North America	Consumer Goods & Services
Weyerhaeuser Co.	PRI Global	United States / North America	Consumer Goods & Services (Forestry)
Uniper SE*	IIGCC	Germany / Europe	Electric Utilities
Oil Search*	IGCC	Australia	Oil & Gas

*Note that as part of the regular annual review of the focus company list by Climate Action 100+, Uniper and Oil Search have been removed due to corporate actions. The timeline for removal was streamlined with the rest of the focus list changes.

Enhancements to lead investor terms of reference

Background

In Phase 1, Climate Action 100+ introduced the 'lead-collaborator engagement model' which consisted of one 'lead' or a few 'co-lead' investors engaging a company, supported by a group of 'collaborating investors'. The model is principally about sharing effort and has enabled constructive engagements with every company on the Climate Action 100+ focus company list.

Phase 2 enhancements

For Phase 2, the general principles of the lead-collaborator model remain the same. The 'lead investor' category has been expanded to cover signatories leading on specific thematic or sectoral engagements, as well as those leading on company engagements.

Collaborating investors have been renamed to 'contributing investors' to provide greater clarity on their role, but the expectations have not changed. The expectations of lead and contributing investors, alongside the other signatory categories, are set out in the Climate Action 100+ signatory handbook.

For Phase 2, all lead investors will be expected to prepare the following on an annual basis:

- **Year-ahead engagement plan including:**

- A set of annual engagement objectives.
- The schedule of planned engagement that are intended to be undertaken.
- Specified regionally appropriate escalation options that may be deployed in instances when annual engagement objectives are not met.
- How networks or contributing investors can support lead investors in their engagements (e.g., company or sector research, sharing best practice and showcasing case studies, additional participants, alternative thematic or sector strategies).

- **Engagement progress review including:**

- An assessment of whether the engagement objectives outlined in the engagement plan have been delivered and if not, whether escalation options have been progressed.
- Key outcome(s) of the engagement during the previous year.

Lead investors can also now opt-in to publicly disclosing their organisation's identity on the Climate Action 100+ website. This will increase the transparency of Climate Action 100+ and ensure that lead investors are recognised for their efforts. Lead investor engagements should also be conducted by a senior representative of the signatory's organisation.

These updates are reflected in the signatory handbook.

New thematic engagements and annual engagement priorities

Background

The thematic work builds on workstreams set up by investor specialists on key topics in Phase 1 of the initiative. Examples of themes are: ensure their financial statements reflect climate risks accurately, and aligning political lobbying with the goals of the Paris Agreement. Among other projects, subject matter experts have undertaken independent efforts to work with companies on those topics. These efforts have acted in a complementary way to lead investor engagements with companies and have strengthened the depth of engagement on key topics.

Phase 2 enhancements

For Phase 2, Climate Action 100+ is introducing new, optional ways for investor participants to contribute to the initiative. The initiative plans to increase the resources behind and focus on thematic engagements, to deepen engagement on key topics in support of the goals of Climate Action 100+ as we approach 2030.

The following table sets out more detail on the nature of thematic engagements:

Lead thematic investors	
Who?	Climate Action 100+ signatories who are lead or contributing investors on a Climate Action 100+ focus company can opt-in to also becoming a 'lead thematic investor'.
What?	Engage specific companies on defined themes, for example, a Benchmark indicator or a topic such as State-Owned Enterprises.
Where?	Thematic actions will be run regionally, supported by the relevant coordinating network(s). Where applicable, networks can work together on cross-cutting themes.
When?	Thematic leads may carry out "engagement sprints", which involve identifying and implementing specific priorities to be reviewed within a given year. The nature of thematic engagements will vary and, where appropriate, may run over a multi-year period.
How?	Potential activities include (but are not limited to): Letters, meetings, roundtables, and activities related to annual general meetings.
Outcome?	Enhanced performance from priority companies e.g. against the relevant indicator on the Benchmark.

How can signatories get involved?

Once a signatory has signed up as a lead or contributing investor on a company, they can also opt-in to becoming a lead thematic investor. Please refer to the signatory handbook for further information and terms of reference.

Signatories may propose new thematic engagements or enquire about existing opportunities with their regional network coordinator. The relevant network will discuss the idea in more detail with the signatory to understand the scope, annual objectives and engagement plan, and how this aligns with capacity and strategic priorities.

Annual engagement priorities

Each network is responsible for determining the final list of thematic engagements in a given year for their region. Each network will publish these on the Climate Action 100+ website as their 'annual engagement priorities' to be implemented in the coming year by thematic lead investors. Publication aims to increase transparency and awareness across the global initiative.

New sector engagements

Background

Climate Action 100+ is also introducing new, optional ways for investor participants to contribute to the initiative as sector lead or sector contributing investors.

In 2021, Climate Action 100+ launched the Global Sector Strategies. The initiative recognised that while companies need to take more action to decarbonise, policy and real economy conditions should be aligned with this goal for these corporates to thrive in a transitioning economy. Where they are not aligned, companies face barriers to completing their transition to net zero. Consequently, investor engagement with companies in isolation is often insufficient to ensure their full transition. Therefore, engagement with the wider ecosystem for each sector is needed.

The Global Sector Strategies project has already produced four reports: aviation, steel, food and beverage, and electric utilities.

Phase 2 enhancements

For Phase 2, the initiative will build on existing Global Sector Strategies to facilitate new sector engagements. Climate Action 100+ is expanding its focus to support signatories to identify and implement engagements with stakeholders to help create the ecosystem conditions needed for sectors to transition.

Such engagement could fall under four key categories around the main ecosystem barriers facing sectoral transition. The new sector lead investors under Climate Action 100+ would facilitate one or more of the following types of macro engagement:

Policy: Stakeholders such as policymakers and corporate peers (through industry-level policy advocacy) must help create the real economy and policy conditions for target list companies to succeed in a 1.5C world.

Value chain: Engagement with companies at a single point in the value chain is often insufficient as the company's alignment with 1.5°C oftentimes requires action along the value chain, e.g. heavy-duty transport engagement dialogues would be more effective if they included additional relevant corporate sectors (power utilities, vehicle manufacturers, vehicle customers, etc.) and their respective trade associations.

Technology: Paris-aligned engagement plans may rely on new and potentially unproven technologies. This raises financial and feasibility concerns to corporates and investors alike. Removing barriers to technological roll-out and costs requires a multi-stakeholder approach, including policymakers, investors, corporate peers, and value chain cooperation.

Financing: The global transition requires well over \$100 trillion in capital and innovative financing mechanisms. While corporates should disclose how they are going to finance their transition, there is an opportunity for investors to help develop financing mechanisms that can support specific transition needs in each sector.

The table below sets out more detail on the nature of sector engagements:

Sector investors	
Who?	Climate Action 100+ signatories who are lead or contributing investors on a Climate Action 100+ focus company can also opt-in to becoming a 'lead sector investor' or 'contributing sector investor'.
What?	The aim of sector engagement is to address sector-wide (and common cross-sector) barriers to each sectors' transition with relevant stakeholders, such as policy makers and value chain companies.
Where?	Global sector research helps identify actions investors can choose to take and then implement regionally through coordination by the local networks.
When?	May be shorter-term 'sprints' or longer-term engagements depending on the action, e.g. value chain engagement or policy advocacy.
How?	Potential activities include (but are not limited to): Letters, meetings, roundtables, and activities related to annual general meetings.
Outcome?	There will be increased investor engagement on key barriers to sector decarbonisation with ecosystem stakeholders. This in turn will unlock greater ambition from Climate Action 100+ companies.

How can signatories get involved?

Once a signatory has signed up as a lead or contributing investor on a company, they can also opt-in to becoming a lead sector or contributing sector investor. Please refer to the signatory handbook for further information and terms of reference.

Sector engagements are supported by the existing Global Sector Strategies papers and other upcoming resources from Climate Action 100+. Such resources include an annual, global report mapping out key barriers and priority macro engagement actions investors could choose to take across sectors.

Signatories may propose new sector engagements or enquire about existing opportunities with their regional network coordinator. The relevant network will discuss the idea in more detail with the signatory, to understand the scope, annual objectives and engagement plan, and how this aligns with capacity and strategic priorities.

Disclosing voting records

Background

Climate Action 100+ introduced a flagged votes process during Phase 1, whereby Climate Action 100+ may flag key shareholder proposals and management votes during proxy season for investors to take into consideration, on its website and in other communications. As an investor-led initiative, Climate Action 100+ flags votes that are accompanied by a public statement from a lead investor. Examples of public statements include shareholder proposals, exempt solicitations, explanatory memos, press releases or vote pre-declarations. These public statements demonstrate how the vote may advance the goals of the Climate Action 100+ initiative.

[The Climate Action 100+ Flagged Votes list](#) provides information to the market about company responsiveness to the goals of the initiative and progress towards disclosures requested through the Climate Action 100+ Net Zero Company Benchmark. More information is set out in the Climate Action 100+ signatory handbook.

Phase 2 enhancements

For Phase 2, all signatories are encouraged to disclose their votes and rationale after annual meetings for all votes flagged by the initiative, as well as other votes at focus companies that received alerts from coordinating networks. Lead investors as well as individual engagers are expected to disclose votes and rationales, where allowable by jurisdiction, if practical, and in line with signatories' own internal policies. Relevant signatories can do this by simply sharing the link to their website if they already disclose this or get support from a coordinating investor network on how to disclose that information. Additionally, for lead investors seeking to flag key votes, public statements will be required in advance of AGMs.



Governance

Background

Climate Action 100+ is governed by a global Steering Committee. In Phase 1, this was comprised of the five investor network CEOs and five investor representatives. The roles of Steering Committee chair and vice chair rotated every six months between different regional representatives.

Phase 2 enhancements

For Phase 2, the Steering Committee has been expanded to fifteen members. This comprises of the five investor network CEOs and ten investor representatives. The five investor networks appoint two investor representatives each. The chair and vice roles now rotate every 12 months and a term limit of 3.5 years has been introduced for investor representatives. This term length can be renewed once for a further 3.5 years.

Signatories are further expected to be members of the network through which they primarily undertake engagement with Climate Action 100+ companies.

Net Zero Company Benchmark 2.0

As Climate Action 100+ moves into the next phase, we have – in partnership with our research providers – enhanced the Net Zero Company Benchmark framework to ensure that it continues to drive greater company ambition and effectively informs investor engagement in the critical period up to 2030.

In March 2023, Climate Action 100+ released an updated framework as part of the Phase 2 strategy. The enhancements made intend to embed a stronger focus on emissions reductions, alignment with 1.5°C pathways and the robustness of transition plans. The updates included within this iteration were the outcome of a [public consultation](#) and collective decision making across the five coordinating investor networks of Climate Action 100+ (AIGCC, Ceres, IGCC, IIGCC, and PRI). A comprehensive overview of Benchmark 2.0 and all changes can be viewed [here](#).



Phase 2 survey

To kick off Phase 2, all signatories will be required to fill in a short survey, confirming their contact information and how they would like to participate in Phase 2.

Given the rapid growth of the signatory base during Phase 1 and routine personnel changes at signatory organisations during that time, this one-time survey will allow the initiative to confirm that all signatory records are accurate and up to date. This in turn will ensure streamlined communications regarding specific engagements and broader initiative-wide updates.

Additionally, signatories will be able to provide indications of interest for both thematic and sector engagements which will likely commence in Q4 2023. To participate in these new engagements, the survey must be received by September 15 2023.

The Phase 2 survey will include a link to the updated signatory handbook to ensure all signatories have received a copy. Overall, the updates in Phase 2 are enhancements that build on Phase 1, as outlined in this document.

Please note that signatories who do not submit the Phase 2 survey within 12 months after the survey is sent to signatories may be considered for delisting from the initiative.

Climate Action 100+ signatory handbook

The Climate Action 100+ signatory handbook has been updated and significantly streamlined for Phase 2. The handbook has been updated to reflect the changes outlined in this summary document and is intended to support signatories in their ongoing participation in Climate Action 100+. The handbook serves as the global terms of reference for investors participating in Climate Action 100+.

Prior versions of the handbook included substantial background information about Climate Action 100+ and how it was developed. Much of that information is now available on the initiative's [website](#). The updated handbook has been streamlined by removing the duplicative background information, in order to ensure it serves as a functional global terms of reference for signatories.

In addition, the previous versions of the handbook were for signatory reference only. The signatory handbook is now public.



