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Climate Action 100+ Announces New Iteration of Benchmarking Program

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Climate Action 100+, a climate-focused investor initiative, last month announced an updated framework designed to help investors assess and engage with public companies on climate-related issues. Its March 23 statement announced the **upcoming launch** of the third iteration of its Net Zero Company Benchmark, somewhat confusingly named Benchmark 2.0.

Billed as an assessment tool, the 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 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.

According to Climate Action 100+, the particular companies selected for assessment and, more to the point, for engagement by the initiative's investor signatories were chosen because they will drive the global net zero emissions transition. Generally operating in emissions-heavy industries—commercial aviation, automotive manufacturing, energy, mining or chemical manufacturing, among others—the focus companies collectively account for 80% of global corporate industrial greenhouse gas emissions. Focus companies are further classified as either one of the largest 100 greenhouse gas emitting companies globally or part of the "plus list" (more than 60 other companies that have been identified by investors as either contributing climate-related risks to investor portfolios or representing a significant opportunity to drive the transition to net zero emissions, although they are not otherwise identified by emissions data as a top emitter).

The **Benchmark** provides two different analyses for each of the companies, both of which are publicly accessible: the Disclosure Framework and the Alignment Assessments.

The current Disclosure Framework uses publicly available information to assess the adequacy of each company's climate-related disclosures relative to 10 listed "disclosure indicators" that Climate Action 100+ describes as "key actions companies can take to align their businesses with the Climate Action 100+ and Paris Agreement goals." These indicators are:

- Net zero GHG Emissions by 2050 (or sooner) ambition
- Long-term (2036 to 2050) GHG reduction target(s)
- Medium-term (2026 to 2035) GHG reduction target(s)
- Short-term (up to 2025) GHG reduction target(s)
- Decarbonization Strategy (Target Delivery)
- Capital Alignment
- Climate Policy Engagement
- Climate Governance
- Just Transition
- Task Force on Climate-Related Financial Disclosures (TCFD) Disclosure

Companies are rated with a "traffic light" score (green/yellow/red) for whether they meet, partially meet, or do not meet the criteria. Specific and granular sub-indicators and metrics underpinning the assessment are provided for each of these indicators. Companies are given the opportunity to provide factual feedback on their Disclosure Framework assessments prior to publication on the site.

As part of the rollout of Benchmark 2.0, an additional indicator—Disclosure Indicator 11: Historical Emissions Reductions—will be added. The upcoming iteration will also include what the initiative calls "significant amendments" to certain of the indicators (Decarbonization Strategy, Capital Allocation, Climate Policy Engagement and Just Transition) and minor amendments related to other indicators (related to long-, medium- and short-term reduction targets).

The second framework, the Alignment Assessments, includes independent evaluations of the alignment and adequacy of company actions with the goals of Climate Action 100+ and the Paris Agreement based on the company's financial statements, related disclosures and auditor reports. The site provides scores and underlying data for three sets of factors: climate accounting and audit; capital allocation alignment; and climate policy engagement alignment. The criteria underpinning the capital allocation alignment assessment vary and are relative to sector-specific climate change scenarios.

The planned Benchmark 2.0 retains the three sets of factors and includes expanded data categories, provides revisions to how certain assessments are made and communicated (e.g., traffic light scores rather than yes/no indicators, and the addition of letter grades A+ through F), and offers industry-specific changes to indicators and assessment scenarios for the capital allocation alignment assessments for companies in the automobile and oil and gas sectors.

Climate Action 100+ plans to release assessments using Benchmark 2.0 in Fall 2023.

Taking the Temperature: Climate Action 100+ is noteworthy for a number of reasons, including the size of its investor constituency (700 investors with over $68 trillion in assets under management), the global reach of that constituency and the investor networks involved (its work is coordinated by five regional investor networks, including Ceres and Principles for Responsible Investment), and the longevity of the initiative, which was conceived in September 2016 following the 2015 Paris Agreement, and launched in December 2017.

We have reported extensively on the work of and, at times, controversy surrounding, industry-specific climate-related initiatives, particularly in the financial services and insurance sectors. Recently, three large insurance providers announced their exit from the Net-Zero Insurance Alliance, citing, among other things, material antitrust risks and the opportunities to more efficiently pursue decarbonization goals independently. At the same time, other stakeholders are challenging decisions on the part of asset managers to leave such coalitions or perceived steps by these groups to water down membership requirements, such as complaints that were raised over the decision by the Net-Zero Banking Alliance declining to impose binding limitations on fossil fuel financing or decisions by the Glasgow Financial Alliance for Net Zero regrading its relationship to the UN-supported Race to Zero campaign.

In addition, Climate Action 100+ itself (along with Ceres and CalPERs) is the subject of an inquiry by Republican members of the House Judiciary Committee regarding antitrust compliance.