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Climate Action 100+ Launches Phase 2 of Investor Engagement,
Expanding Key Agenda and Updating the List of Focus Companies

Climate Action 100+, the world's largest investor-led engagement initiative on climate change, has launched a new phase in its engagement efforts following consultation with its membership. Phase 2, which runs until 2030, will ask focus list companies to implement climate transition plans in line with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and other relevant sector and regional guidance. Companies will also be asked to 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," with a guiding goal of halving greenhouse gas emissions by 2030 and achieving net zero emissions by 2050.

Climate Action 100+'s updated engagement strategy will also expand avenues for investors to engage with companies by allowing thematic and sectoral engagements. Going forward, all signatories will be encouraged to disclose their votes and rationale after annual meetings for all votes flagged by Climate Action 100+, as well as other votes at focus companies that receive alerts from coordinating networks. In the United States, Climate Action 100+'s efforts are led by the 220+ investors with $60+ trillion assets under management in the Ceres Investor Network. In addition to Ceres, Climate Action 100+ is supported and coordinated by the Asia Investor Group on Climate Change, the Investor Group on Climate Change, the Institutional Investors Group on Climate Change, and the Principles for Responsible Investment. To focus attention on companies they deem most critical to driving the net zero emissions transition, Climate Action 100+'s company focus list has also been updated, with 14 companies added and 10 companies removed.

The changes follow Climate Action 100+'s revisions to its Net Zero Company Benchmark, whose indicators serve as a guide for investor engagement. Key changes include the expansion of indicators relating to offsets, negative emissions technology, abatement measures and use and investments in technologies and products that facilitate decarbonization. Indicators tracking carbon disclosures and audit reports will also feature more granular grading designed to measure progress while climate-related lobbying activities will face closer scrutiny as to their accuracy and alignment with the Paris Agreement. Updated company assessments under the new benchmark are expected to be released this fall.

These latest updates underscore that while many investors have become more cautious in their support of prescriptive and "one-size-fits-all" approaches to emissions reduction strategies, as evidenced by the decline in support for climate-related proposals during the past two proxy seasons, concern regarding management of climate-related risks remains a priority. The revisions to Climate Action 100+'s engagement strategy allow for more tailored engagement approaches while clearly signaling that investor expectations have expanded beyond governance and disclosure to credible and actionable climate transition strategies. Moreover, the enhanced focus on public disclosure of votes indicates that strategies such as exempt solicitations, press releases and vote pre-declarations will continue to gain traction in coming proxy seasons.

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