Koldioxidtunga branscher och bolag – hur kan TPI stödja investerare?

Swesif
Stockholm, 3 februari 2020

Transition Pathway Initiative (‘TPI’)
Nadine Viel Lamare, Director
Please invest in line with the Paris agreement!

- What does it mean?
- Can we measure it?
- How would we like to measure it?
- Is data available?

TPI was the response to these questions

About TPI

- TPI is a global initiative led by Asset Owners and supported by Asset Managers.

- **over 60 supporters with over $18 trillion** of combined Assets Under Management and Advice.*

- Using **publicly disclosed data**, TPI assesses the progress companies are making on the transition to a low-carbon economy:
  - **In line** with the recommendations of TCFD;
  - **Providing data** for the Climate Action 100+ initiative.

**All TPI data** are published via an **open-access online tool**: www.transitionpathwayinitiative.org.

*as of January 2020*
TPI strategic relationships

The TPI’s *academic partner* is the Grantham Research Institute on Climate Change and the Environment, a research centre at the London School of Economics and Political Science (LSE). It developed the assessment framework, provides company assessments and hosts the online tool.

TPI’s *data partner* is FTSE Russell, a leading global provider of benchmarking, analytics solutions and indices.

*Secretariat* services and TPI *supporter coordination* is managed by the Principles for Responsible Investment (PRI), an international investor network implementing the six Principles for Responsible Investment.
TPI Governance

**TPI Co-Chairs:**

- The Church of England Pensions Board
- Environment Agency Pension Fund

**TPI Steering Committee:**

- AP Färde AP-fonden
- AP7
- Brunel Pension Partnership
- CCLA for the Church of England
- The Church Commissioners for England
- Environment Agency Pension Fund
- LGP5 Central Limited
- LPP Local Pensions Partnership
- Norges Bank Investment Management
- USS
- Wespath Benefits Investments
- Transition Pathway Initiative
We would like to thank our Research Funding Partners for their ongoing support to the TPI and their enabling the research behind this report and its publication.
Overview of the TPI methodology and tool
Overview of the TPI Tool

TPI’s company assessments are divided into 2 parts:

1. **Management Quality** covers companies’ management/governance of greenhouse gas emissions and the risks and opportunities arising from the low-carbon transition;

2. **Carbon Performance** assessment involves quantitative benchmarking of companies’ emissions pathways against the international targets and national pledges made as part of the 2015 UN Paris Agreement, for example limiting global warming to below 2°C.

Both of these assessments are based on company disclosures.
Management Quality

Level 0
Unaware

Level 1
Awareness

Level 2
Building capacity

Level 3
Integrating into operational decision making

Level 4
Strategic assessment

TPI’s Management Quality framework is based on 19 indicators, each of which tests whether a company has implemented a particular carbon management practice. These 19 indicators are used to map companies on to 5 levels/steps. Same for all sectors. The data are provided by FTSE Russell. See our latest Methodology and Indicators Report, version 3.0, for more detail.
Carbon Performance

TPI’s Carbon Performance assessment tests the alignment of company targets with the UN Paris Agreement goals.*

We use 3 benchmark scenarios for each sector, which in the industrials/materials sector are:

1. **Paris Pledges**, consistent with emissions reductions pledged by countries as part of the Paris Agreement (i.e. NDCs; note these are insufficient to limit global warming to 2°C or below);

2. **2 Degrees**, consistent with the overall aim of the Paris Agreement, albeit at the low end of the range of ambition (at least a 50% chance of limiting warming to 2°C);

3. **Below 2 Degrees**, consistent with a more ambitious interpretation of the Paris Agreement’s overall aim

**Benchmarking** is sector-specific and based on emissions intensity (e.g. grams of CO₂ per tonne of crude steel). See TPI website for further details.

Company A is not aligned with any of the benchmarks

Company B is eventually aligned with the Paris Pledges, but neither 2C/ nor Below 2C

Company C is aligned with all Paris benchmarks, including Below 2C

*We use the Sectoral Decarbonization approach (SDA), which was created by CDP, WWF & WRI in 2015 & is also used by the Science Based Targets Initiative.
<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of companies assessed for Management Quality</th>
<th>Number of companies assessed for Carbon Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and gas</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Electricity utilities</td>
<td>62</td>
<td>59</td>
</tr>
<tr>
<td>Coal mining</td>
<td>23</td>
<td>-</td>
</tr>
<tr>
<td>Automobiles</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Airlines</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Cement</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Steel</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>Aluminium</td>
<td>15</td>
<td>8</td>
</tr>
<tr>
<td>Paper</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Shipping</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Chemicals</td>
<td>21</td>
<td>-</td>
</tr>
<tr>
<td>Oil and gas distribution</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>Services</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>Consumer goods</td>
<td>9</td>
<td>-</td>
</tr>
<tr>
<td>Other basic materials</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Other industrials</td>
<td>18</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>332</strong></td>
<td><strong>238</strong></td>
</tr>
</tbody>
</table>

*Companies assessed in multiple sectors are counted once*
Results – TPI universe
Transition Pathway Initiative
### Management quality level

<table>
<thead>
<tr>
<th>Level 0</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Level 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unaware</td>
<td>Awareness</td>
<td>Building capacity</td>
<td>Integrated into operational decision-making</td>
<td>Strategic assessment</td>
</tr>
<tr>
<td>9 companies: 3%</td>
<td>60 companies: 22%</td>
<td>57 companies: 21%</td>
<td>71 companies: 26%</td>
<td>77 companies: 28%</td>
</tr>
<tr>
<td>5 Manufacturing and basic materials</td>
<td>29 Manufacturing and basic materials</td>
<td>17 Manufacturing and basic materials</td>
<td>25 Manufacturing and basic materials</td>
<td></td>
</tr>
<tr>
<td>1 Energy</td>
<td>21 Energy</td>
<td>35 Energy</td>
<td>34 Energy (including eight 4*)</td>
<td></td>
</tr>
<tr>
<td>3 Transport</td>
<td>9 Transport</td>
<td>5 Transport</td>
<td>9 Transport</td>
<td></td>
</tr>
<tr>
<td>1 Consumer goods and services</td>
<td>0 Consumer goods and services</td>
<td>5 Consumer goods and services</td>
<td>9 Consumer goods and services</td>
<td></td>
</tr>
</tbody>
</table>

Source: TPI State of Transition report July 2019  
Next update will be published on March 20, 2020
Management Quality level by sector cluster

Source: TPI State of Transition report July 2019
Next update will be published on March 20, 2020
Alignment with the Paris Agreement benchmarks

Source: TPI State of Transition report July 2019

Next update will be published on March 20, 2020
Carbon Performance: All sectors

CP alignment with the Paris agreement benchmarks by sector and cluster (number and % of companies). Please note that this information is not available for all sectors.

- Below 2 Degrees
- 2 Degrees
- Paris Pledges
- Not Aligned
- No Disclosure
The state of transition in the industrials/materials sector: overview of results
TPI coverage of industrials/materials

This latest TPI report covers 100 of the world’s largest and highest-emitting public companies in industrials/materials. They are grouped into five sectors: aluminium, cement, chemicals, paper and steel.

Aluminium, cement, paper and steel, have been assessed by TPI previously, allowing us to track companies’ progress.

Chemical sector – new (MQ only) 21 companies involved in commodity and speciality chemicals. No CP assessment due to data and methodological challenges in the sector.

Together, the direct CO₂ emissions from aluminium, cement, chemicals, paper and steel production make up over 2/3 of direct industrial CO₂ emissions (see chart opposite).
### Management Quality level

<table>
<thead>
<tr>
<th>Level 0</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Level 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unaware</td>
<td>Awareness</td>
<td>Building capacity</td>
<td>Integrating into operational decision making</td>
<td>Strategic assessment</td>
</tr>
</tbody>
</table>

#### Companies Count

<table>
<thead>
<tr>
<th>Level 0</th>
<th>3 Companies: 3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aluminium</td>
</tr>
<tr>
<td>2</td>
<td>Paper</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Level 1</th>
<th>25 Companies: 25%</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Aluminium</td>
</tr>
<tr>
<td>7</td>
<td>Cement</td>
</tr>
<tr>
<td>2</td>
<td>Chemicals</td>
</tr>
<tr>
<td>4</td>
<td>Paper</td>
</tr>
<tr>
<td>9</td>
<td>Steel</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Level 2</th>
<th>16 Companies: 16%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Aluminium</td>
</tr>
<tr>
<td>5</td>
<td>Cement</td>
</tr>
<tr>
<td>2</td>
<td>Chemicals</td>
</tr>
<tr>
<td>4</td>
<td>Paper</td>
</tr>
<tr>
<td>3</td>
<td>Steel</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Level 3</th>
<th>30 Companies: 30%</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Aluminium</td>
</tr>
<tr>
<td>5</td>
<td>Cement</td>
</tr>
<tr>
<td>10</td>
<td>Chemicals</td>
</tr>
<tr>
<td>4</td>
<td>Paper</td>
</tr>
<tr>
<td>6</td>
<td>Steel</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Level 4</th>
<th>26 Companies: 26%</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Aluminium</td>
</tr>
<tr>
<td>5</td>
<td>Cement</td>
</tr>
<tr>
<td>7</td>
<td>Chemicals</td>
</tr>
<tr>
<td>4</td>
<td>Paper (including one 4*)</td>
</tr>
<tr>
<td>6</td>
<td>Steel</td>
</tr>
</tbody>
</table>

Industrials & materials report published Feb 3, 2020
Carbon Performance: alignment with the Paris Agreement benchmarks

- 72 companies in the aluminium, cement, paper and steel sectors.
- Disclosure and methodological challenges for chemicals.
- Better disclosure of emissions – 75% (61%)
  - Asia (China) and Russia
- 30% of industrials/materials companies are aligned with the Paris Pledges, or better (24% mid 2018)
  - largely driven by the cement and paper sectors.
- 14 companies (19%) have 2030 targets at least in line with Paris Pledges up from 5 (7%)
Carbon Performance: sector breakdown

- **Paper** has the **strongest Carbon Performance** in the industrials/materials sector.

- **Steel** has not improved its Carbon Performance. However, both disclosure of emissions and target setting have improved.

- **Cement** producers aligned with the Paris Pledges has more than doubled, the sector still lags behind in terms of both alignment and disclosure.

- **Aluminium** remains one of the **worst performing** sectors on Carbon Performance. Only one aluminium company, Norsk Hydro, is expected to be aligned with the Paris Agreement (Below 2C).

Industrials & materials report published Feb 3, 2020

Report published Feb 3, 2020
Sector focus:

steel makers
Management Quality level

Level 0
Unaware

Level 1
Awareness
Steel: Industrials & materials report published Feb 3, 2020

Level 2
Building capacity

Level 3
Integrating into operational decision making
6 Companies: 25%
- Acerinox
- China Steel
- Hyundai Steel
- JFE Holdings
- Nippon Steel
- Tata Steel

Level 4
Strategic assessment
6 Companies: 25%
- Arcelor Mittal
- JSW Steel
- Posco
- SSAB
- ThyssenKrupp
- Voestalpine

Companies’ Management Quality ratings may not always reflect their most up-to-date disclosures. TPI updates its assessments once a year.
Carbon performance steel – number of companies

- **Disclosure is improving**: historical Carbon Performance can now be calculated for 79% of steel makers (compared to 65% in our previous assessment).

- **Alignment** in the sector **has not improved**, but the sector has become more forward-looking over the past year.

- In our **previous assessment**, no steel maker had a company-wide, **quantitative emissions target beyond 2020**. Now 50% have a target for 2020 or beyond. Moreover, **six companies** have set a target for **2030 or beyond**.
Alignment of steel makers, scaled by market cap.

Source for market capitalisation: FTSE Russell (31/12/2019), average of last 4 quarters (before investment weight)

Steel: Industrials & materials report published Feb 3, 2020
The report more in detail

Management Quality and Carbon Performance of Industrials and Materials Companies: February 2020

Simon Dietz, Glen Gaustad, Valentin John, Michal Nachmany, Julien Noels and Rory Sullivan

Full report

Webinar - TPI Report Findings: Carbon intensive industrial sectors

Webinar on Feb 13, 16.00 GMT
Using TPI
How investors are using TPI

Deliberately non-prescriptive in how it can be used

At the recent TPI Summit, funds highlighted various ways in which they are using it, including:

- Understanding transition risk
- Supporting below 2 degree alignment of pension funds
- Informing investment decision making
How investors are using TPI

Deliberately **non-prescriptive** in how it can be used

At the recent TPI Summit, funds highlighted various ways in which they are using it, including:

- Understanding **transition risk**
- Supporting **below 2 degree alignment** of pension funds
- Informing **investment decision** making
- Informing **exclusion decision**
How investors are using TPI

Deliberately non-prescriptive in how it can be used

At the recent TPI Summit, funds highlighted various ways in which they are using it, including:

- Understanding transition risk
- Supporting below 2 degree alignment of pension funds
- Informing investment decision making
- Informing exclusion decision
- Reporting tool for Managers to Asset Owners
How investors are using TPI

Deliberately non-prescriptive in how it can be used

At the recent TPI Summit, funds highlighted various ways in which they are using it, including:

- Understanding transition risk
- Supporting below 2 degree alignment of pension funds
- Informing investment decision making
- Informing exclusion decision
- Reporting tool for Managers to Asset Owners
- Informing construction of an index

---

News from

Church of England Pension Board invests £600 million in global new stock index backing the Paris Climate Agreement

- ‘FTSE TPI Climate Transition Index’ launched at London Stock Exchange with £600 million allocation from the Church of England Pensions Board.

- First Global Index that enables passive funds to capture company alignment to the Paris Climate Agreement.

- This new generation of Index has been developed by the Church of England Pensions Board, in collaboration with FTSE Russell and the Transition Pathway Initiative (TPI). The TPI is based at the London School of Economics Grantham Research Institute.
How investors are using TPI

Deliberately non-prescriptive in how it can be used

At the recent TPI Summit, funds highlighted various ways in which they are using it, including:

- Understanding transition risk
- Informing investment decision making
- Informing exclusion decision
- Supporting below 2 degree alignment of pension funds
- Informing construction of an index
- Reporting tool for Managers to Asset Owners
- Guiding voting
- Targeting and tracking engagement
We have trend data on 42 companies, which have now been assessed by TPI at least twice. We find that:

- 24 companies (57%) stayed on the same level as their previous assessment;
- 15 companies (36%) moved up at least one level;
- 3 companies (7%) moved down at least one level.

Twelve shipping companies, two airlines and one auto manufacturer are assessed for the first time in this report and are therefore not included in this trend analysis.
Free to use online tool:
www.transitionpathwayinitiative.org

Publications and news

Showing 71 items in All Publications and news

One in three major transport firms now align with Paris pledges, but sector must rev up climate ambition to match 2020 fast—

Article type: Press Releases

Management Quality and Carbon Performance of Transport Companies:
December 2019

By Simon Dietz, Rhoda Byrne, Valentin, Jahn, Michal Nachmanny, Jolien Noels and Rory Sullivan

Only 1 in 10 of the world’s largest energy companies have made plans to get to net zero emissions

Article type: Press Releases
Transition Pathway Initiative
- Navet i vårt nya temaarbete

Charlotta Dawidowski Sydstrand
Hållbarhetsstrateg
Fördjupningsteman

- Klimatlobbying 2017-2019
- Arbetsvillkor och gröna näringar 2018-2020
- Hållbar effektmätning 2019-2021
- Klimatomställning 2020-2022
Tema Klimatomställning 2020-2022

Just 100 companies responsible for 71% of global emissions, study says

A relatively small number of fossil fuel producers and their investors could hold the key to tackling climate change.

Climate Action 100+
Global Investors Driving Business Transition
Navet i nya temat: TPI

- Från 2020 AP7 i TPI Steering Group
- Transparens – open source
- Akademisk legitimitet
- Bygger på existerande metoder
- Kapitalägarstyrt
TPI:s analys för att driva på klimatomställningen
FRÅGOR?
Påverka bolag till förbättring genom att rösta

Presentation om Transition Pathway Initiative (TPI)

Arne Lööw
2020-02-03
Påverka genom bolagsstämmor

• AP4 röstade 2019 på 1 025 stämmor i den globala aktieportföljen och 12 623 stämmopunkter

• Målet är att öka antalet bolag över tid. Kvalitativ röstning – öka successivt

• Beslut fattas aktivt internt om bl a ersättningar, styrelsesammansättning och kapitalallokering

• Röstningskonsulter bistår med underlag. “Enklare” frågor röstas på genom instruktioner
Vägledande vid röstning är...

- AP4:s Ägarpolicy
- Etikrådets arbete
- Initiativ och samarbeten som AP4 stöder
- Diskussioner med andra investerare med liknande grundsyn/värderingar som AP4 och
- Fr om 2020 underlag från TPI
TPI påverkar aktivt bolag till att ställa om och minska utsläppen

- TPI:s arbete stöder Parisavtalet
- TPI påverkar bolag till att hantera och minska sina utsläpp - ett påverkansmedel inom klimat, som når många bolag
- Skapat och underhåller en öppen och gratis databas om bolags omställning
- Baserad på publik information från bolagen
- Främjar transparens och ökad publik data från bolagen – vilket vi investerare behöver 😊
- Lett av institutionella investerare med stöd av oberoende akademisk expertis, London School of Economics
- TPI är ett väl fungerande samarbete och med ett systematiskt arbetssätt
TPI - verktyg / underlag för aktiv ägarstyrning

- Påverkar bolag till att minska sina utsläpp och hantera bolagens omställning
- Påverkar till transparens om bolagets mål, strategier och arbete för att hantera bolagens omställning
- TPI management score – fokuserar på styrelsens och ledningens arbete för att hantera bolagens omställning
- Hur har styrelsen hanterat den största systematisk risk bolaget står inför? AP4 kommer att väga in styrelsens arbete med att leda bolaget genom deras omställning i sin bedömning - om kunna ge styrelsen ansvarsfrihet
- Där inte beviljat ansvarsfrihet –
  - skicka brev till bolagen för att informera om hur AP4 röstat och varför
  - att TPI används som underlag för bedömning av styrelsens arbete med bolagens omställning
  - vad AP4 kräver i form av TPI management score för att kunna rösta för styrelsen
Supporting the TPI
Supporting the TPI

- Show your commitment to combating climate change
- Use TPI data and reports to support climate change efforts

What we require from supporters:
- A commitment to working in this area
- Your AUM figure
- A high resolution copy of your logo, we add logos to our website
- A statement of no more than 50 words from a senior executive stating why you are supporting the TPI and how you will use the data
Thank you!

For more information or if you want to publicly support TPI

www.transitionpathwayinitiative.org

Contact: tpi@ubnpri.org / tpidirector@unpri.org
Disclaimer

1. All information contained in this report and on the TPI website is derived from publicly available sources and is for general information use only. Information can change without notice and The Transition Pathway Initiative does not guarantee the accuracy of information in this report or on the TPI website, including information provided by third parties, at any particular time.

2. Neither this report nor the TPI website provides investment advice and nothing in the report or on the site should be construed as being personalised investment advice for your particular circumstances. Neither this report nor the TPI website takes account of individual investment objectives or the financial position or specific needs of individual users. You must not rely on this report or the TPI website to make a financial or investment decision. Before making any financial or investment decisions, we recommend you consult a financial planner to take into account your personal investment objectives, financial situation and individual needs.

3. This report and the TPI website contain information derived from publicly available third party websites. It is the responsibility of these respective third parties to ensure this information is reliable and accurate. The Transition Pathway Initiative does not warrant or represent that the data or other information provided in this report or on the TPI website is accurate, complete or up-to-date, and make no warranties and representations as to the quality or availability of this data or other information.

4. The Transition Pathway Initiative is not obliged to update or keep up-to-date the information that is made available in this report or on its website.

5. If you are a company referenced in this report or on the TPI website and would like further information about the methodology used in our publications, or have any concerns about published information, then please contact us. An overview of the methodology used is available on our website.

6. Please read the Terms and Conditions which apply to use of the website. For the avoidance of doubt, clause 3.3 of the LSE Terms and Conditions shall be varied and replaced by the following clause:

3.3. You may download information from the Website for personal or commercial use. In the event of any copying, redistribution or publication of copyright material, no changes in or deletion of author attribution, trademark legend or copyright notice shall be made. You acknowledge that you do not acquire any ownership rights by downloading copyright material.