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# The 2022 Corporate Climate Reporting Performance Report

**ecoact**  
an atos company



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# Welcome



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Welcome to the 12th edition of our annual Climate Reporting Performance research. For over a decade, we have been reporting on corporate climate disclosure, showcasing best practice and demonstrating the environmental, social and commercial imperative for bold climate action.

This year, I took the reins as CEO of EcoAct and Managing Director of the Net Zero Transformation practice at Atos. Over the past decade, I have seen the evolution of this research and the seismic shift in corporate perception of climate change. No longer am I having to make the case to businesses for addressing climate, rather companies are asking me, “How can I be a climate leader?”.

Having 70% of the largest listed companies committed to net-zero seems like progress worthy of celebration, but the climate reality today means that the most ambitious approach is urgently needed, not by a select few, but by each and every one of us in the private sector.

The Intergovernmental Panel on Climate Change (IPCC) has now published three of its Sixth Assessment reports, which consolidate the most up-to-date and comprehensive scientific knowledge on the state of our planet. We now know that not only is human-induced climate-change unequivocal, the consequences of a warming planet are already here, and many are irreversible<sup>1</sup>.

This summer, our experts carried out this research amidst a season of record-breaking heatwaves, droughts, floods and wildfires. At the time of writing,

Pakistan has been affected by deadly flooding after receiving three times its annual average rainfall; islands in the Caribbean currently have no electricity as they weather another record-breaking hurricane season. There can be no denying that urgent action is the only option to slow the runaway train of climate breakdown.

But it is not the only crisis of our time; we face many additional challenges, not least of all international pandemics, geopolitical conflicts and a crippling energy crisis. While these undeniably require our urgent attention, they could threaten early progress on global commitments to sustainable development and cooperation on climate change.

Organisations must also navigate an increasingly complex disclosure landscape – new frameworks, taxonomies, legislation, etc. For example, the Net-Zero Standard from the Science Based Targets initiative (SBTi) has provided a much-needed benchmark for corporate net-zero strategy. It upped the ante for those with net-zero commitments, but also left many companies scrambling to review their strategies. An environment of increasing scrutiny and cynicism of corporate climate commitments means climate action must be legitimate and transparent to avoid accusations of greenwashing.

<sup>1</sup> <https://www.ipcc.ch/report/sixth-assessment-report-working-group-ii/>



Our research suggests that though many businesses are well-versed in the requirements of climate disclosures and are able to tick the boxes for certain best practices, they are ultimately still failing to deliver the real emissions reductions required to limit temperature rise to 1.5°C. Furthermore, even after 12 years of research, there is a massive performance gap between those taking bold steps and those lacking an adequate climate strategy.

The collective carbon footprint of the international corporate world is vast, but perhaps greater still is the power that the private sector has to influence, innovate and deliver the transformational change required to decarbonise our economies and society at large. This is why we need the corporate world to be committed to science-aligned climate action.

It is now or never to slow the course of climate breakdown. We hope this report leaves you with examples of commitments, innovations and achievements to demonstrate that ambitious and impactful climate action is possible, to light your competitive fire and to inspire you ultimately to change the course of history.



## Stuart Lemmon

CEO of EcoAct, and Managing Director  
of the Net Zero Transformation practice at Atos



An aerial photograph of a lush green forest with a winding river. The image is overlaid with several semi-transparent blue circular shapes of varying sizes. In the bottom left corner, there are several thin, white, parallel diagonal lines.

# Introduction



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According to the World Meteorological Organisation, greenhouse gas (GHG) emissions must be reduced sevenfold by 2030 if we are to limit temperature rise to 1.5°C<sup>2</sup>. In 2021, we reached 1.1°C above pre-industrial levels<sup>3</sup>. How are companies taking action today at this critical juncture, and how do we measure progress in 2022?

The 2022 Corporate Climate Reporting Performance Report examines how some of the world's largest listed companies are tackling climate-related sustainability challenges and disclosing their progress.

Today more than ever, as the impacts of climate change become increasingly evident, companies must take action and be open and transparent with their stakeholders. This is why our research is based primarily upon publicly available information, readily accessible to any interested third party.

No additional assessment of corporate emissions and climate achievements has been undertaken by EcoAct experts; this is purely an examination of climate disclosures. Scoring is not relative to the size of a corporate carbon footprint and does not consider factors such as historical emissions.

This year, the scope of EcoAct's research has been broadened and for the first time we will be comparing progress of the twenty largest listed corporations by market capitalisation across the following indices: CAC, DAX, DOW, FTSE, FTSE MIB and IBEX. The refined focus on the largest organisations has enabled us to shine a light on some of the most influential companies across the Western economy and consider how they are stepping up to the biggest challenge facing humanity.

Please note that this adjustment in scope means that we can provide some comment on corporate progress, but year-on-year findings are not direct comparisons.

Supplementary to our international research, this report includes a separate analysis and climate ranking for all companies listed on the FTSE 100.

The 119 companies in our international research (accounting for one company sitting in two indices) are scored this year against 26 key indicators of best practice in terms of climate disclosure and action (including six information-only questions), with a maximum of 58.25 points available.

These questions are divided between four subject areas:

1. Emissions measurement & reporting
2. Ambition & emissions reduction targets
3. Strategy, governance and action plan
4. Achievements

To allow for some comparability and to track year-on-year progress, no major overhaul has been made to the questions. However, it is important that the measure for climate leadership be representative of both changing best practice and the level of ambition and action required to limit global warming to 1.5°C. Therefore, some adjustments have been made to specific questions and to the weighting of the scoring. In particular, a greater weighting has been applied to "Ambition & emissions reduction targets."

As introduced in 2021, a sector-specific weighting has been applied to emissions and targetting information to ensure that companies only earn the highest available points if they address all relevant emissions for their sector.

<sup>2</sup> [https://public.wmo.int/en/resources/united\\_in\\_science](https://public.wmo.int/en/resources/united_in_science)  
<sup>3</sup> <https://public.wmo.int/en/media/press-release/wmo-update-5050-chance-of-global-temperature-temporarily-reaching-15C2%B0c-threshold>



In the research, climate analysts used the most recent disclosures including annual integrated and corporate sustainability reports, and any additional links from company websites, sustainability micro-sites and blogs. Statements made by companies as part of their 2021 CDP Climate Questionnaires have also been considered to fill gaps around carbon footprint assessment and reduction achievements.

This year we continue to investigate how companies are responding to the global goal of net-zero. The past three years of research have demonstrated a rapid uptake of commitments to net-zero, but a lack of consistency in defining the goal and a concerning absence of clear action plans.

Released in October 2021, the SBTi's framework for science-aligned net-zero target setting for corporates set a high bar, and our methodological updates have aligned to this new standard. While our analysis recognises that there has been limited time for companies to align to it, our scoring uses this standard as the current bar for corporate climate leadership.

We also analyse other key areas of best practice, including Scope 3, climate risk, emissions reductions and voluntary carbon offsetting. Two significant sectors were also examined in more detail. Importantly, the focus is on action and progress. With a rapidly narrowing window to hit the crucial 2030 milestone, corporates need to be demonstrating that they are decarbonising their organisations.

In 2022, the measure of climate leadership is not just about commitment. It is about the ability to deliver science-aligned emissions reductions to keep the 1.5°C goal alive.

We can conclude with a high level of certainty that the 2020 emissions reductions reported in our 2021 report were a result of COVID-19 lockdowns, and this year we are seeing a bounce-back in corporate emissions as anticipated. Note that in 2021 (the year in which most companies' 2022 disclosures will be based), there were some continued measures in place across the world. Therefore, we must be mindful of the ongoing impacts of the global pandemic when assessing corporate performance on emissions reductions.



# International Top 20

	Name	Index	Industry	Score
1	<b>Telefónica</b>	IBEX	Information Technology and Telecommunications	<b>81.5%</b>
2	<b>Sanofi</b>	CAC	Biopharmaceuticals	<b>78.1%</b>
3	<b>E.ON</b>	DAX	Utilities	<b>75.5%</b>
4	<b>Cisco</b>	DOW	Information Technology and Telecommunications	<b>74.9%</b>
5	<b>GSK</b>	FTSE	Biopharmaceuticals	<b>71.5%</b>
6	<b>Microsoft</b>	DOW	Information Technology and Telecommunications	<b>70.8%</b>
7	<b>Schneider Electric</b>	CAC	Engineering and Materials	<b>68.7%</b>
8	<b>Eni</b>	FTSE MIB	Oil & Gas	<b>67.4%</b>
9	<b>AstraZeneca</b>	FTSE	Biopharmaceuticals	<b>67.0%</b>
10	<b>Nike</b>	DOW	Apparel and Accessory Goods	<b>65.9%</b>
11	<b>Apple</b>	DOW	Information Technology and Telecommunications	<b>65.7%</b>
12	<b>L'Oréal</b>	CAC	Personal Care and Cleaning Products	<b>64.4%</b>
13	<b>Deutsche Telekom</b>	DAX	Information Technology and Telecommunications	<b>64.3%</b>
14	<b>Ferrovial</b>	IBEX	Facilities and Construction	<b>64.0%</b>
15	<b>Unilever</b>	FTSE	Personal Care and Cleaning Products	<b>63.9%</b>
16	<b>Kering</b>	CAC	Apparel and Accessory Goods and Retail	<b>62.4%</b>
17	<b>Iberdrola</b>	IBEX	Utilities	<b>61.9%</b>
18	<b>Allianz</b>	DAX	Insurance	<b>61.0%</b>
19	<b>Vodafone Group</b>	FTSE	Information Technology and Telecommunications	<b>60.2%</b>
20	<b>Inditex</b>	IBEX	Apparel and Accessory Goods and Retail	<b>60.0%</b>

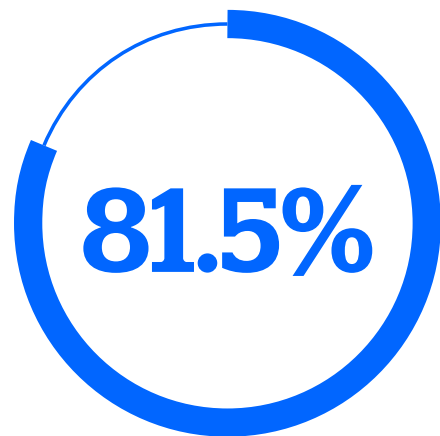


Our International Top 20 names the highest performing companies in our international research, recognising their achievements in corporate climate action and reporting.

The study this year examines the 20 largest listed companies by market capitalisation in the CAC, DAX, DOW, FTSE, FTSE MIB and IBEX. There is full representation across indices as well as a range of sectors among the high rankers.

However, this year we saw a significant drop in scores among our top performers. The highest scoring company in 2021 achieved 92.6%; this year our highest performer scored 81.5%. The average score for the Top 20 companies last year was 74.2% compared to 66.1% in this year’s research. The bar for best practice is rising rapidly but are the largest companies falling short?

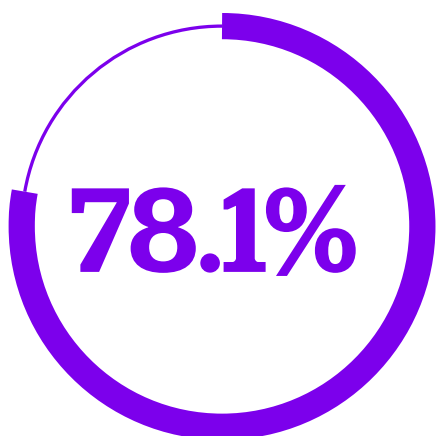
# The Top Three



## Telefónica

Congratulations to our highest scoring company this year, Telefónica!

An IBEX-listed telecommunications company, Telefónica is committed to net-zero by 2040 with a target to reduce emissions by 90%, in alignment with the new SBTi Net-Zero Standard. It has a clear strategy for offsetting the residual 10% following best-practice criteria, focusing on environmental and social co-benefits. It also has a clear action plan demonstrating a credible 1.5°C-aligned transition plan for its business and is delivering emissions reductions.



## Sanofi

French multinational pharmaceutical and healthcare company, Sanofi, has ranked second highest in our research this year. The company acknowledges that climate change is one of, if not the greatest, challenge of our age. It has aligned itself with the new SBTi Net-Zero Standard with validated near-term targets across all Scopes and pending validation of its long-term targets. To achieve its goal, it is focusing on a range of actions including engaging with its suppliers, internal carbon pricing, installing solar panels and driving positive change within its sector through innovations such as its Evolution Vaccine Facilities (EVF)<sup>4</sup>. It also achieved emissions reductions aligned to a 1.5°C trajectory across all Scopes of its emissions in 2021.

<sup>4</sup> <https://www.sanofi.com/en/your-health/vaccines/production>



## E.ON

E.ON is an electric utility company based in Germany with more than 51 million customers across Europe. It has SBTi-verified 1.5°C-aligned near-term targets to reduce Scope 1 & 2 emissions by 75%, and Scope 3 emissions by roughly 50% (including 42% Use of Sold products) by 2030. It aims for a 100% reduction across all Scopes by 2050, and progress towards these targets is factored into the Management Board’s compensation. The company has also pledged to invest €27 billion between 2022 and 2026 in the energy transition via the expansion of renewable energy networks, and to offer new services to its customers over the same timescale. E.ON achieved emissions reductions across all Scopes in the past year.

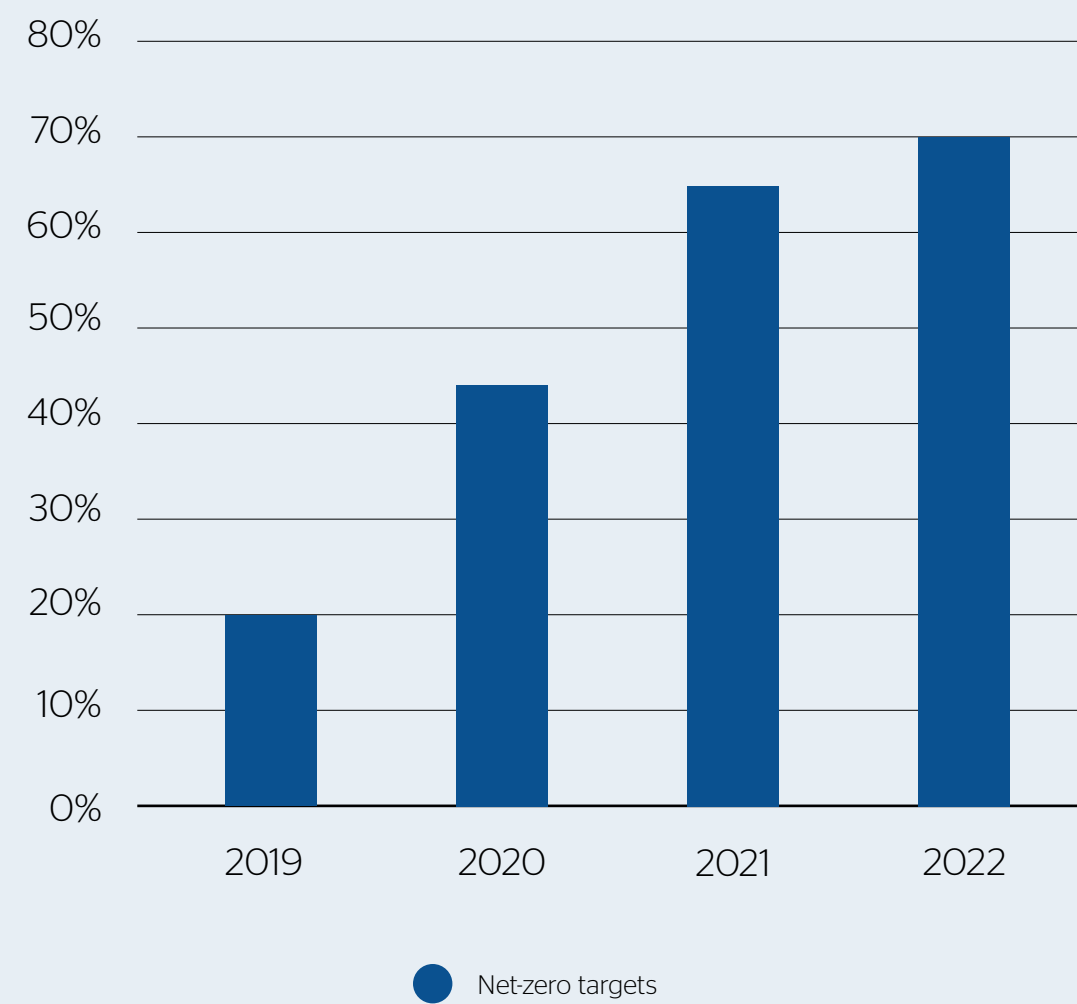


# International Data Dashboard

The following pages illustrate the trends in climate-related sustainability reporting across the international companies within our research. Note that due to the changes in the research group, year-on-year comparisons provide us with some insights into the progression of corporate climate progress, but do not represent direct comparisons. The focus this year is on the largest companies within a broader range of indices.

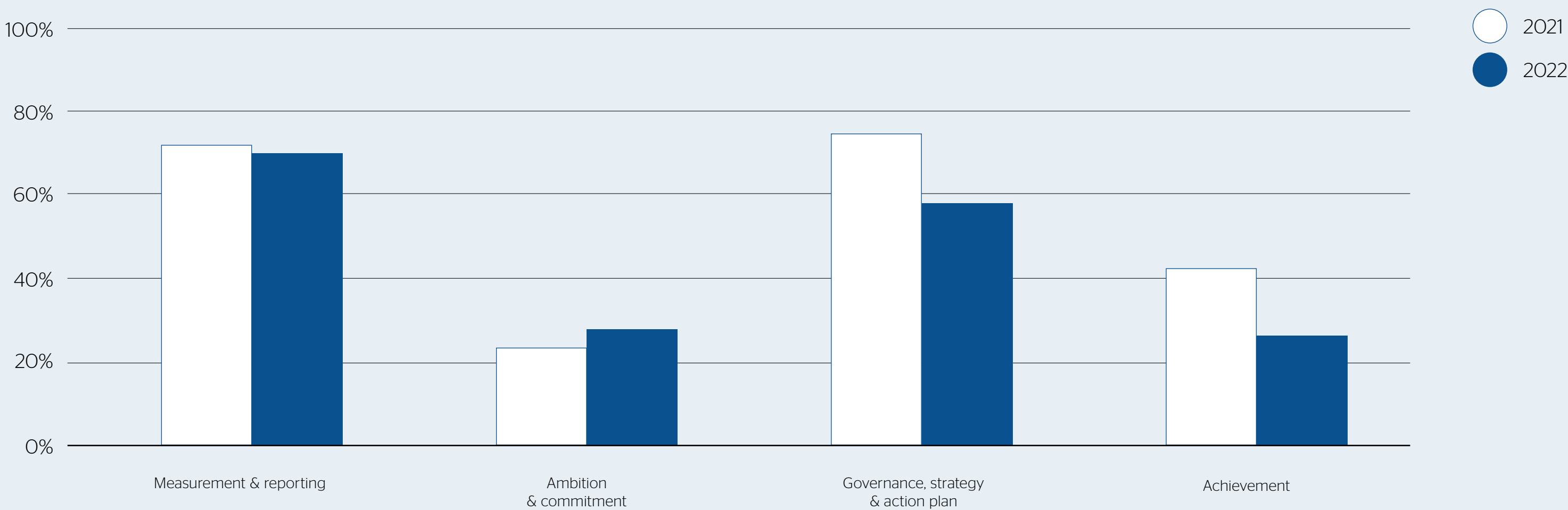
## Commitment to net-zero

It is well understood that we must reach net-zero by 2050 to avoid catastrophic climate change. Following three years of rapid movement to commit, commitments continue to rise but progress appears to have slowed.



## Average scores across research categories

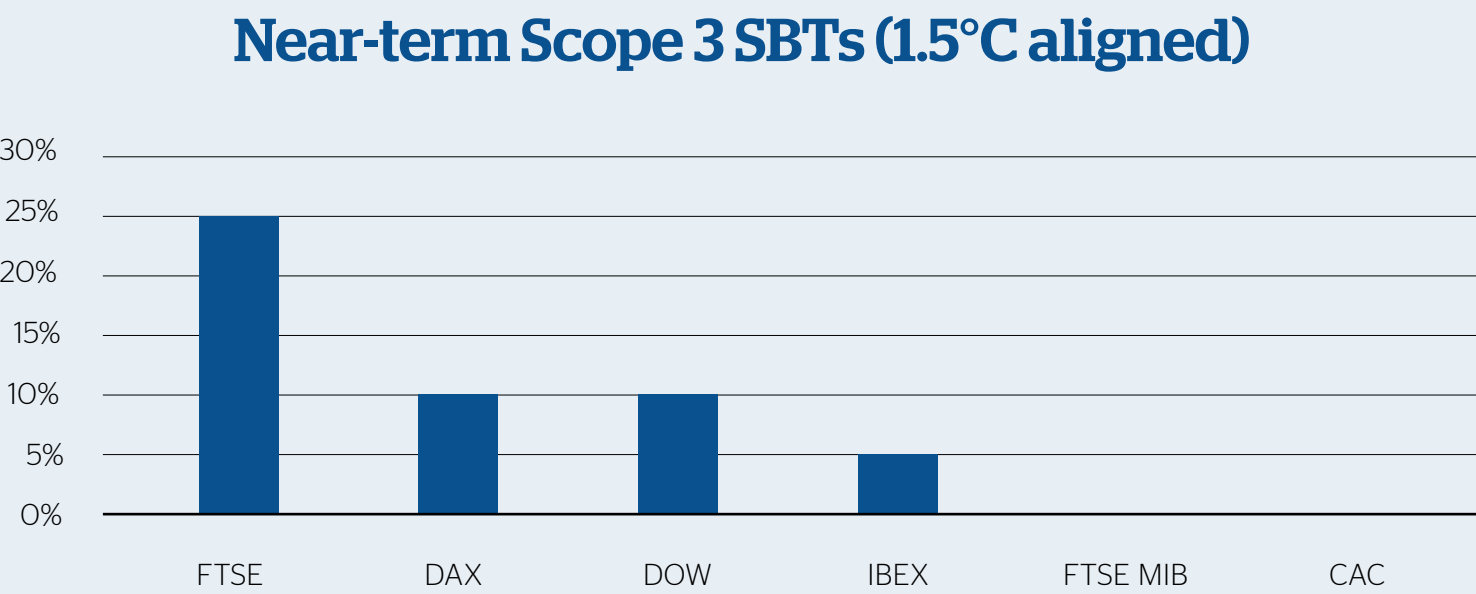
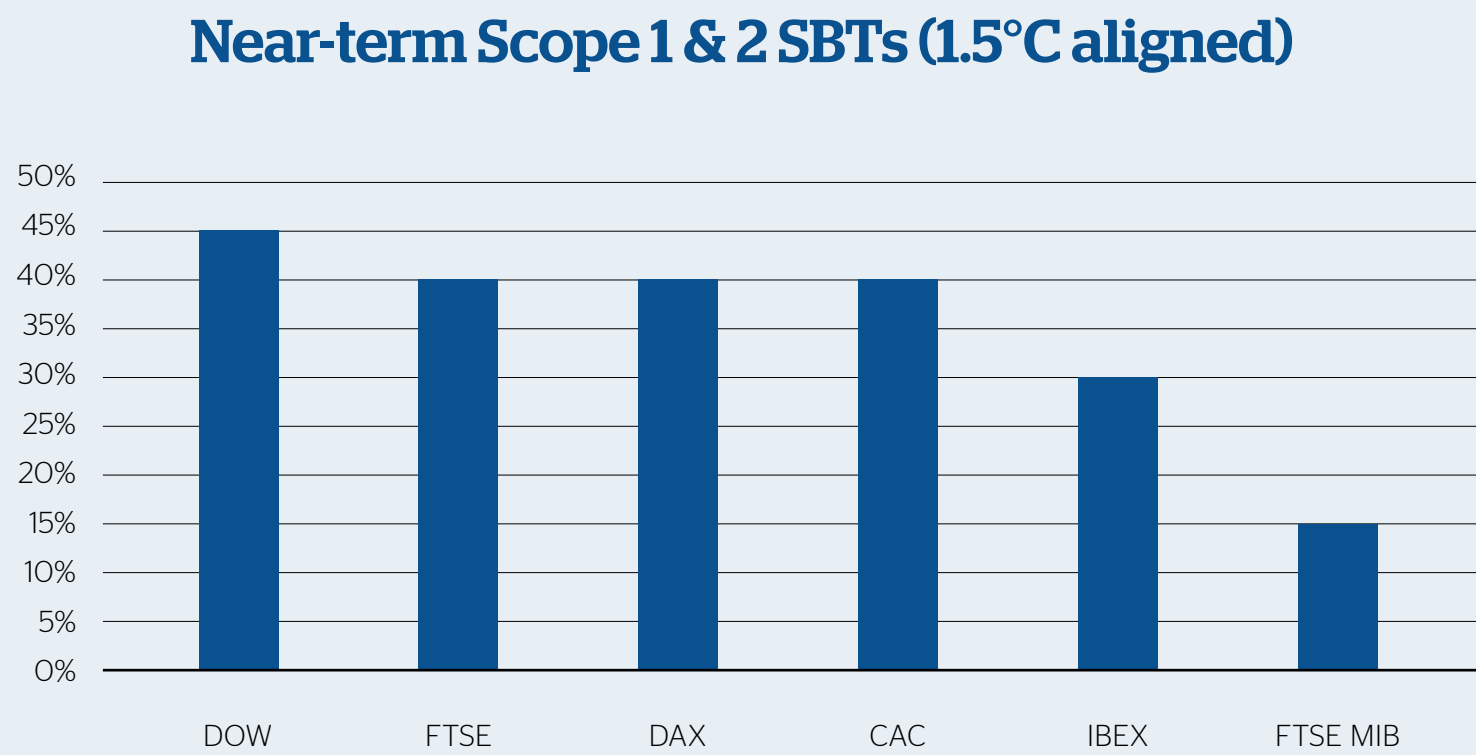
As observed last year, companies score highest in Measurement & Reporting and Governance but less so on Ambition & Achievement, suggesting that companies excel at compliance-based reporting requirements but are still falling short on setting and delivering on best practice targets. This year the largest companies have dropped back on most measures but show some improvement in Ambition & target-setting.





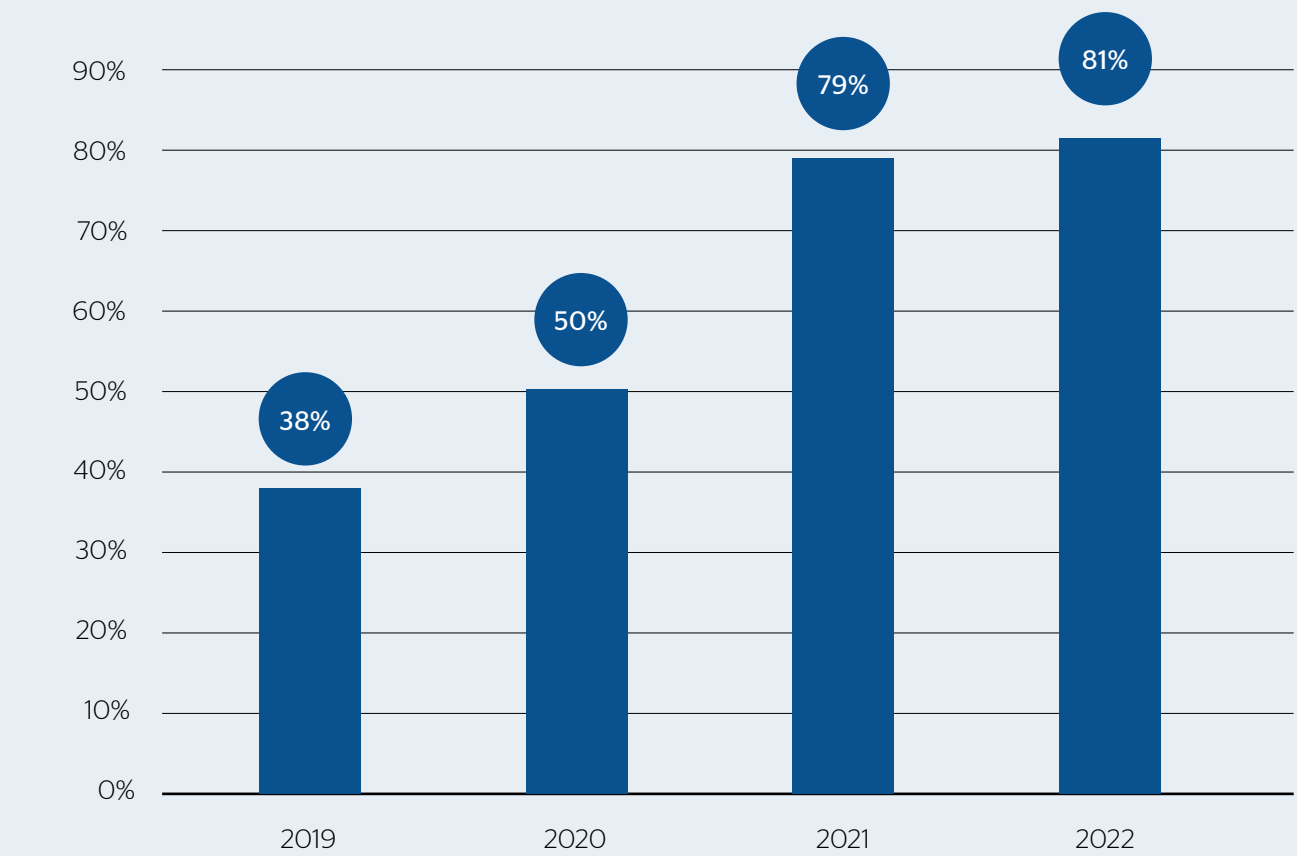
## Validated science-based targets

Just over a third (35%) of large companies have a validated science-based target (SBT) aligned to 1.5°C for Scope 1 & 2 emissions and just 8% have one for Scope 3. DOW companies perform best on Scope 1 & 2 and FTSE companies outperform their peers on Scope 3. Overwhelmingly, however, most corporates lack science-aligned and verified emissions reductions targets.



## TCFD alignment

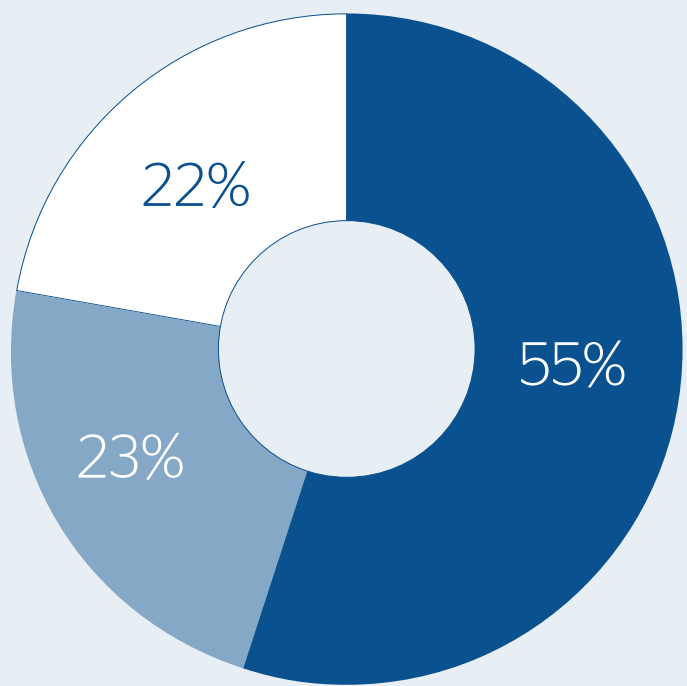
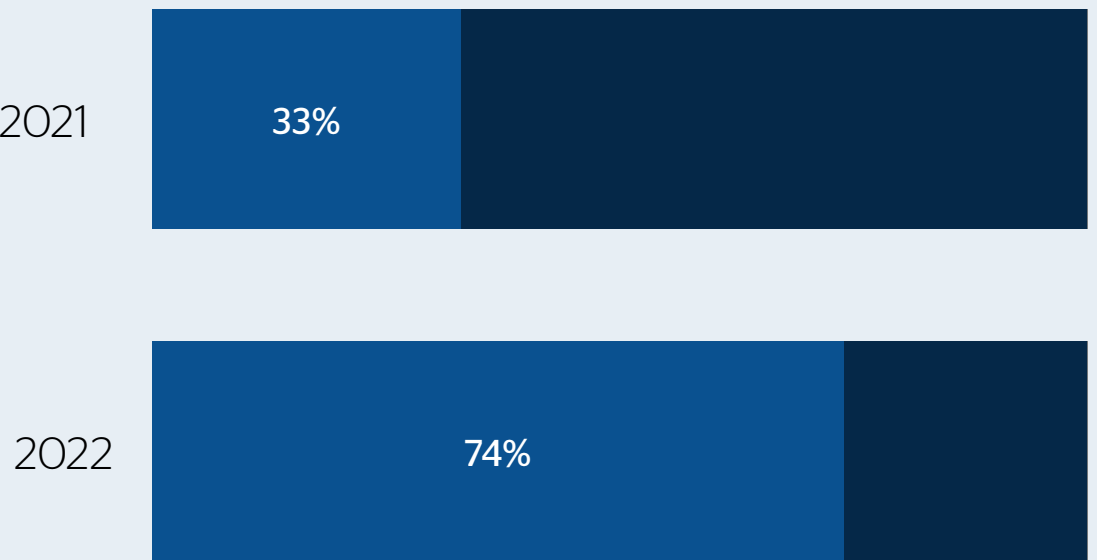
As various jurisdictions look to mandate climate-related financial disclosures, and in particular risk disclosures, growth in alignment to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) appears to have slowed but continues to grow year-on-year and now influences the vast majority of large entities.



## Voluntary carbon offsetting

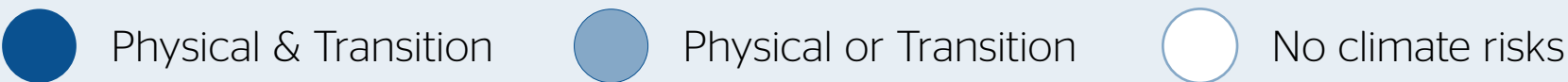
We see a marked rise in the number of companies committed to carbon offsetting this year. The upsurge in targets demonstrates the acknowledgement over the last two years that achieving net-zero will require removal of residual emissions via carbon removal projects.

### Companies with offsetting commitments



## Climate disclosed as a principal business risk

Although 78% of companies list climate as a risk in their Annual Reports, it is surprising that close to a quarter (22%) of the companies within the scope of our research do not publicly view climate change as a principal risk to their organisations.

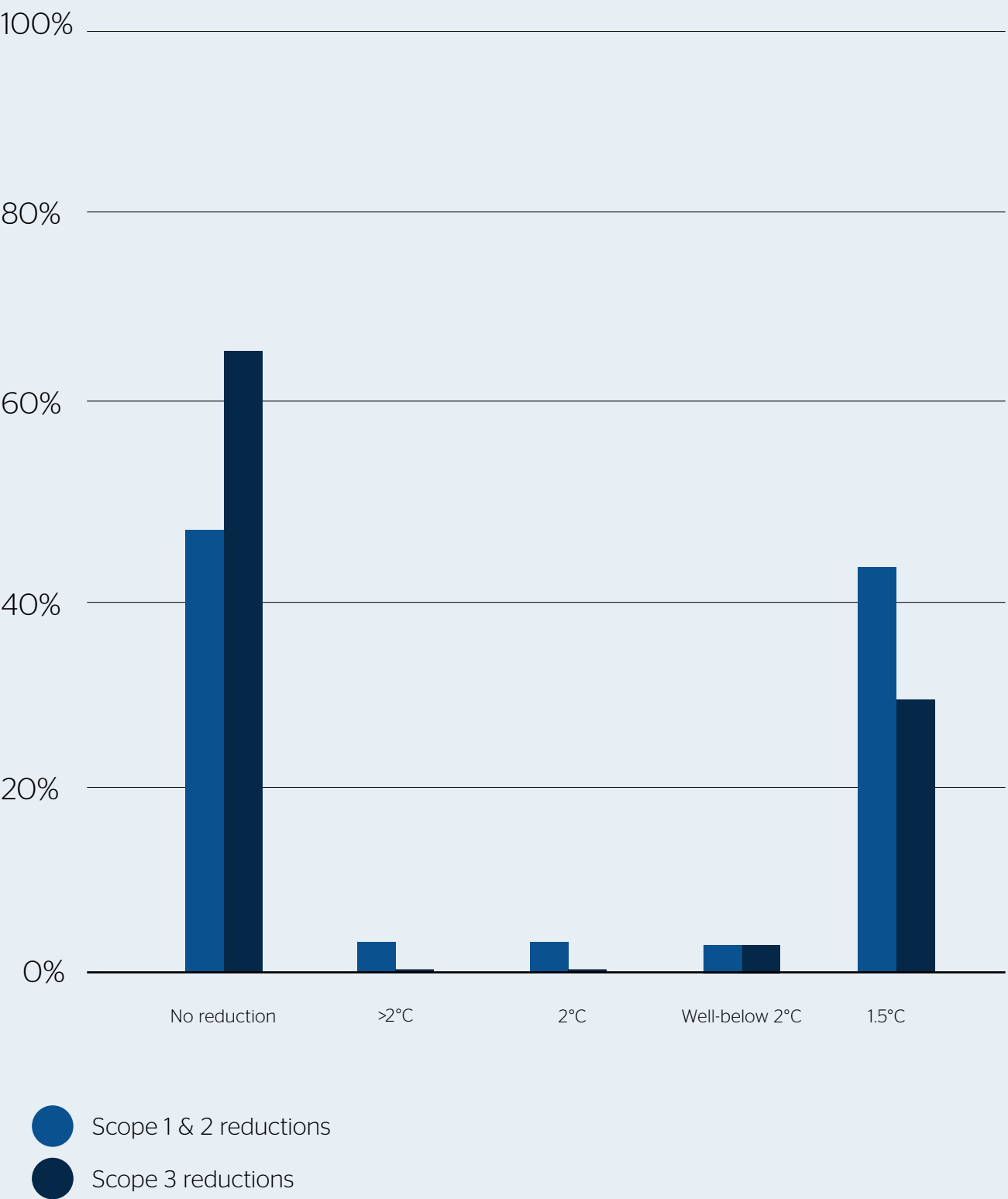




# Emissions reductions

The majority of large-listed companies have not demonstrated adequate emissions reductions over the course of last year despite many ongoing COVID-19 restrictions. Pledges to “build back better” are unfortunately failing to materialise.

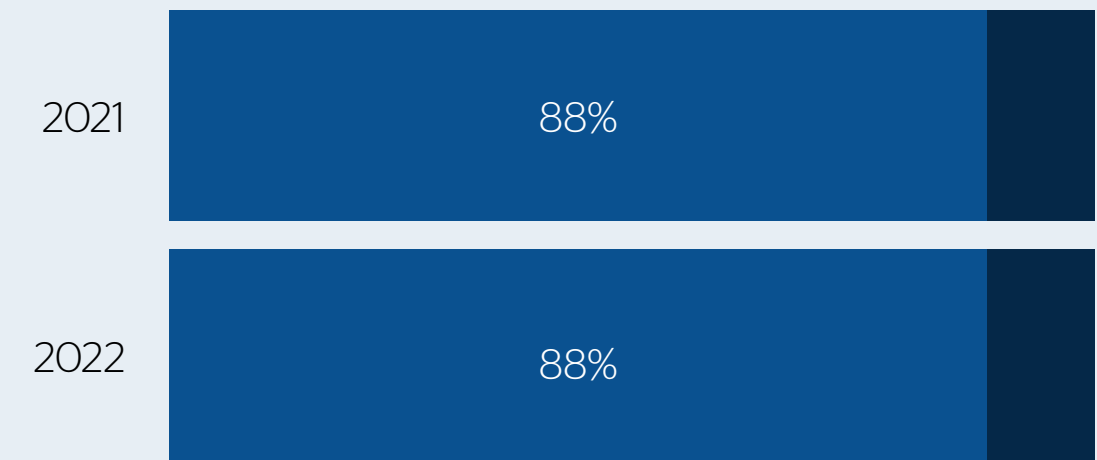
Achieved emissions reductions across all Scopes according to warming pathways



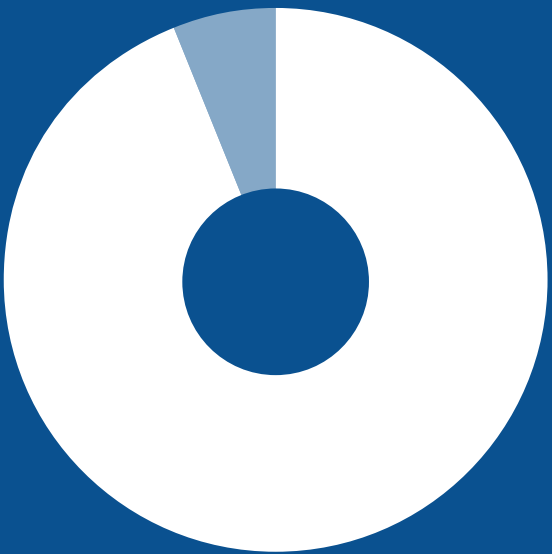
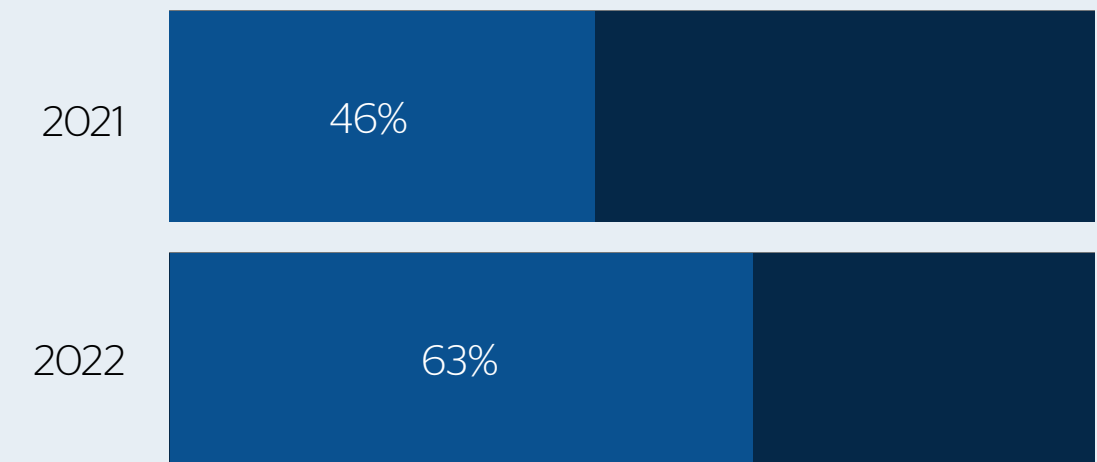
# Use of renewable electricity

88% of companies in the research use renewable electricity with the average coverage of renewable electricity now at 63% of operations.

Uses renewable energy



Average renewable usage



# Net-zero ambition: 13% of companies are targeting net-zero before 2040







# Climate reporting best practice



# Net-zero strategy and targets

The term “net-zero” needs little introduction in 2022. Four years ago, the IPCC released its report on Global Warming of 1.5°C<sup>5</sup> following a summer of wildfires and record-breaking temperatures and an uprising of climate protests across the Northern Hemisphere. The report made plain the catastrophic impacts of breaching this temperature threshold and underlined the global imperative of achieving net-zero no later than 2050. Since then, governments, policymakers, scientists, organisations and the public have all rallied behind the net-zero imperative.

As of March 2022, 33 countries and the European Union have committed to the goal<sup>6</sup> and 52 regions, 1,103 cities, 7,126 companies, 1,103 educational institutions and 541 financial institutions (among others) are members of the UN Race to Zero campaign<sup>7</sup>.

However, our findings over the last two years revealed that the vast majority of corporations with net-zero targets have no clear strategy for achieving their ambition and that they demonstrate a fundamental lack of understanding of what net-zero means for business. Of concern was a near-total absence of long-term emissions reductions targets.

In October 2021, the Science Based Targets initiative (SBTi) launched a new net-zero emissions standard for businesses. Its purpose is to enable certification of corporate net-zero targets and to remedy the wide disparity and lack of comparability in corporate climate ambition. It also provides us with an internationally accepted and science-aligned definition of net-zero for corporates.

With this standard, the SBTi clarifies that net-zero cannot be achieved until an organisation achieves deep decarbonisation of 90-95% (sector dependent) of its emissions across all Scopes and that the remaining residual emissions be “neutralised” via carbon removal offsets which must not exceed 5-10% of a company’s emissions<sup>8</sup>.

<sup>5</sup> <https://www.ipcc.ch/sr15/>

<sup>6</sup> <https://climateactiontracker.org/methodology/net-zero-targets/>

<sup>7</sup> <https://racezero.unfccc.int/join-the-race/>

<sup>8</sup> <https://sciencebasedtargets.org/resources/files/Net-Zero-Standard.pdf>



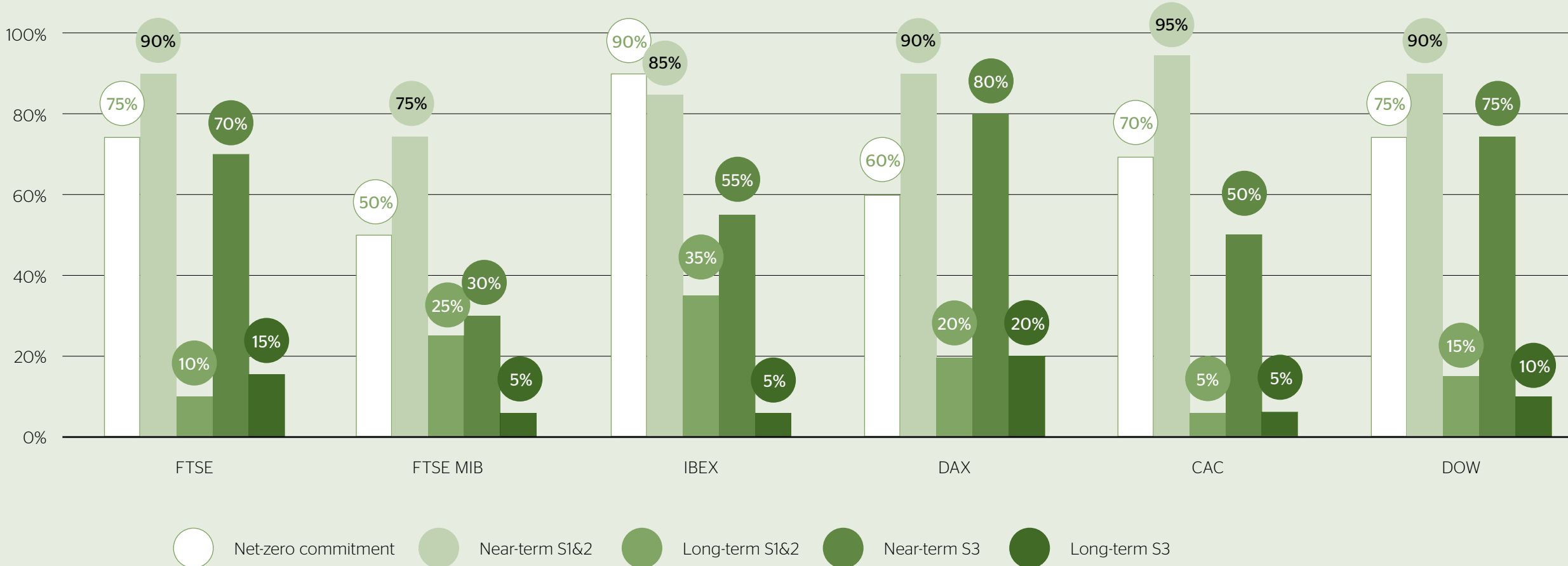
This sets an ambitious bar, but one that is necessary if we are to ensure net-zero targets are compatible with the urgent requirement to limit global warming to 1.5°C. The Standard is new, and for many companies, requires a serious overhaul of existing commitments. It is also of course, entirely voluntary.

In 2022, we have found that 70% of large corporates are committed to net-zero. There is little geographic variation in performance on net-zero and emissions reduction target setting, but a few small observations can be made.

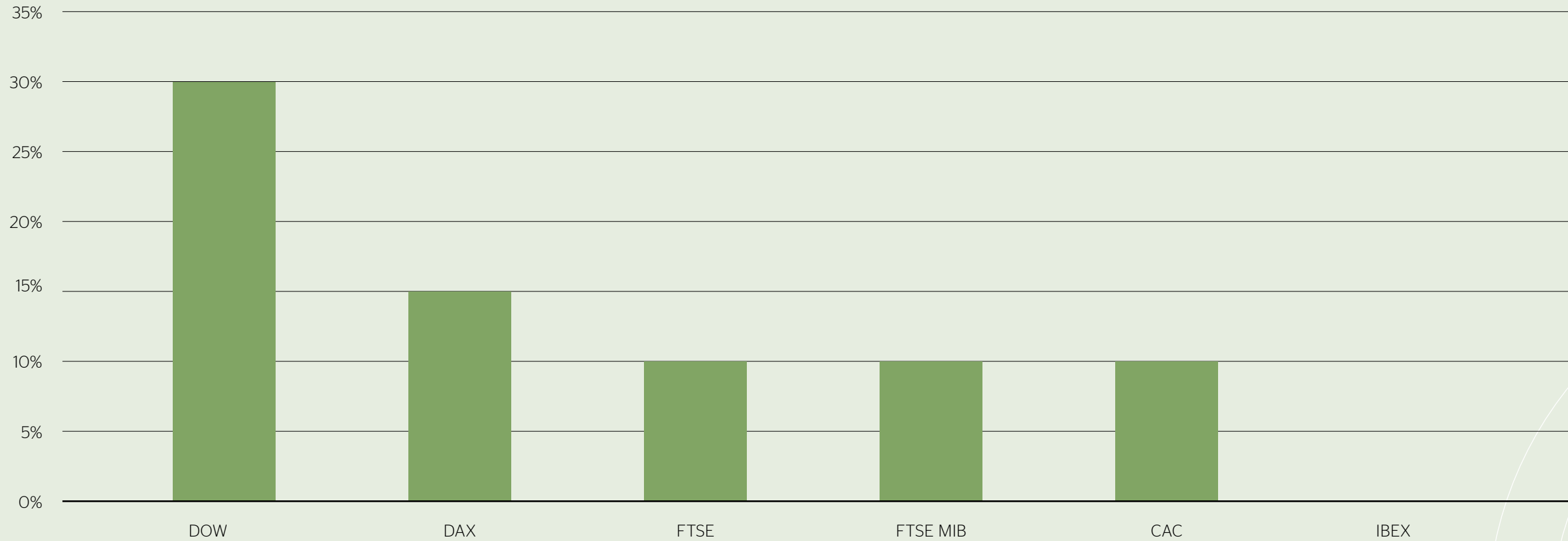
DAX, DOW and FTSE companies are stronger on short-term targets but equally weak when it comes to long-term ambition. With far fewer legislative drivers in place in Italy, only 50% of FTSE MIB companies are committed to net-zero and they appear to be trailing across most measures, although are somewhat stronger on long-term Scope 1 & 2 targets. The IBEX has some strong measures with the highest number of near-term Scope 1 & 2 targets and strongest performance on long-term targets. DOW companies are surprisingly strong in both ambition and target setting considering the absence of the legislative drivers seen in Europe.

However, irrespective of indices, there is a notable absence of long-term emissions reduction target setting. This suggests that the majority of net-zero corporate commitments among large companies have no long-term supportive plan. Worse still, the above graph includes any emissions reduction target; many of these are not aligned with the science.

Net-zero commitments and emissions reduction targets



Net-zero targets before 2040





## Science-based targets (SBTs)

Although the Net-Zero Standard is new, best practice reporting is well established and includes the need for near-term emissions targets aligned with science (i.e., SBTs). Last year, we reported a significant rise in the number of SBTs (or commitments to set one), with 65% of companies setting or committing – a 26% rise on the previous year. This year that figure has dropped to 45%, which is likely related to the expanded scope of our research group and unfortunate as we had hoped more large companies would have an SBT.

Although 91% of companies have a near-term reduction target of any kind, only 53% of companies in our study have a near-term SBT covering Scope 1 & 2 emissions that has been validated and therefore certified as credible. However, last year this number was 33% suggesting noteworthy progress. 2021 was indeed a record year for the SBTi, as the number of companies setting and committing to set science-based targets doubled to 2,253<sup>9</sup>.

The CAC and DAX have the highest proportion of companies with near-term SBTs aligned to 1.5°C and some strong examples of companies raising the bar for near-term decarbonisation. Kering, a French-based luxury goods corporation, intends to reduce its Scope 1 & 2 emissions by 90% by 2030 through renewable energy procurement and increasing efficiencies in its textile mills, which is well beyond a science-aligned requirement for 2030. In Germany, Deutsche Telekom intends to achieve a 90% reduction across the same Scopes by 2030 through initiatives such as the optimisation of data centre traffic and increasing fleet efficiency.

Only 8% of companies have a validated Scope 3 SBT in place that is aligned to 1.5°C, which suggests a huge shortfall in science-aligned Scope 3 targets. Considering almost half of all companies have no target of any kind for Scope 3, the climate impact of the value chain is still not being addressed by the majority of large organisations.

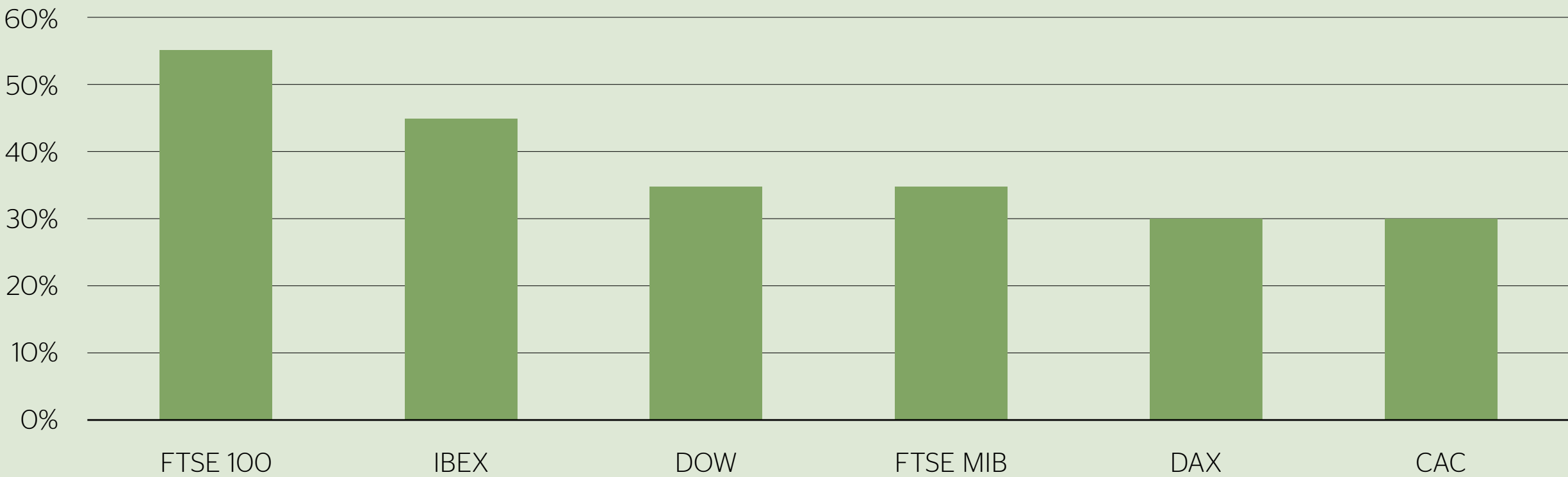
Long-term targets are clearly another shortfall. A mere 4% of our research group demonstrate science-aligned long-term targets for Scope 1 & 2; and barely 3% have a long-term science-aligned target for Scope 3. Large corporates have a huge performance gap to close in order to meet the scientific advice on decarbonisation

## Carbon offsetting for net-zero

74% of large companies now have some commitment to offset in place. It is increasingly accepted that reaching net-zero will mean some offsets are required and that “neutralisation” will need to come from carbon credits from projects that remove carbon from the atmosphere. This growing understanding explains a rise in commitments compared with previous years, and 15% of companies are explicitly outlining a strategy for the use of removal offsets to achieve net-zero.

<sup>9</sup> SBTiProgressReport2021.pdf (sciencebasedtargets.org)

### Companies with 1.5°C aligned transition plans





## Net-zero strategy

Reaching the levels of decarbonisation required to limit global warming will require a huge transformation of the way we do business and the products and services that companies offer. In 2019 and 2020, we reported that despite the increasing commitments to net-zero, few if any were supported by clear action plans and pathways.

This can be challenging to assess, but this year our methodology required that companies publish a dedicated plan, and/or elaborate on the steps they will take to achieve their goals. Most large, listed companies do not have any such plan, but IBEX and FTSE companies are more likely to have a strategy than those in the other analysed indices.

FTSE-listed Landsec, for example, has a net-zero carbon pathway that details the steps the company will take to achieve net-zero by 2030. Although their net-zero goal is not aligned to the SBTi Standard, it targets 70% emissions reduction by 2030 (a level of near-term reduction ahead of the required 1.5°C trajectory). Landsec's goal is backed by concrete actions including reducing operational energy use, investing in REGO-backed renewable energy contracts, use of an internal carbon price and increasing up- and down-stream efficiencies.

In 2022 there is some level of corporate progress on net-zero strategy and target setting. With 70% of large corporates committed to net-zero, this is surely a positive sign.

Ultimately, however, this progress is negligible when considering that the company commitments are not all science-aligned. The largest in the Western corporate community are therefore not on track to reach net-zero and there is still much work to be done.





# Risk and resilience

At our current level of planetary warming (1.1°C above pre-industrial levels), approximately 3.4 billion people are living in a state of vulnerability to climate-related risks<sup>10</sup>. Climate change is not limited to extreme weather events or specific regions; energy availability, ecosystem and biodiversity loss, food and water security and health-related risks are also increased by the continuous rise in temperatures.

In terms of financial ramifications, the European Union (EU) recorded that between 1980 and 2020, climate-related extreme events caused economic losses totalling an estimated EUR 487 billion, and without mitigating action, even greater losses could be seen in the future<sup>11</sup>.

In fact, there is widespread agreement among global economists that the benefits of climate action will outweigh the costs<sup>12</sup>. Understanding the economic risks and the disclosure of climate-related financial risks has been established best practice since the release of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in 2017. Designed to improve decision-useful information to inform investors, we have reported over the course of the last two years that these recommendations (and the demand for better climate-related financial disclosures and comprehensive risk analysis) have been a key driver in improving corporate climate disclosures.

In 2022, these types of disclosures are being written into law, with climate-related disclosures mandated in the UK since April this year, the EU Commission publishing guidelines on non-financial reporting, and the US Securities and Exchange Commission (SEC) proposing new rules be put in place. Climate risk disclosure is now becoming a mainstream corporate requirement.

Though over three quarters of companies claim alignment to the recommendations of the TCFD, with 19% still not aligned we have still yet to see up-take across the board. This is perhaps not surprising when 22% of large companies still do not acknowledge climate as a principal risk to their organisations in their annual filings.

<sup>10</sup> <https://www.ipcc.ch/report/sixth-assessment-report-working-group-ii/>

<sup>11</sup> <https://www.eea.europa.eu/ims/economic-losses-from-climate-related>

<sup>12</sup> <https://www.courthousenews.com/wp-content/uploads/2021/03/jpi-climate.pdf>



Our methodology does not award points for simple declarations of alignment; it awards points for evidence of best practice reporting aligned to the recommendations of the Task Force, including the metrics and targets already covered. Risk analysis is of course an integral element of TCFD alignment.

Just over half of large companies are assessing both types of climate risk – physical and transition – and putting in place mitigation actions (53%). Last year we reported this figure at 67%, so it is disappointing to see that larger organisations with a wider geographical spread are underperforming. It also suggests that the largest companies, those potentially with the most at risk, are not demonstrating leadership on climate risk management.

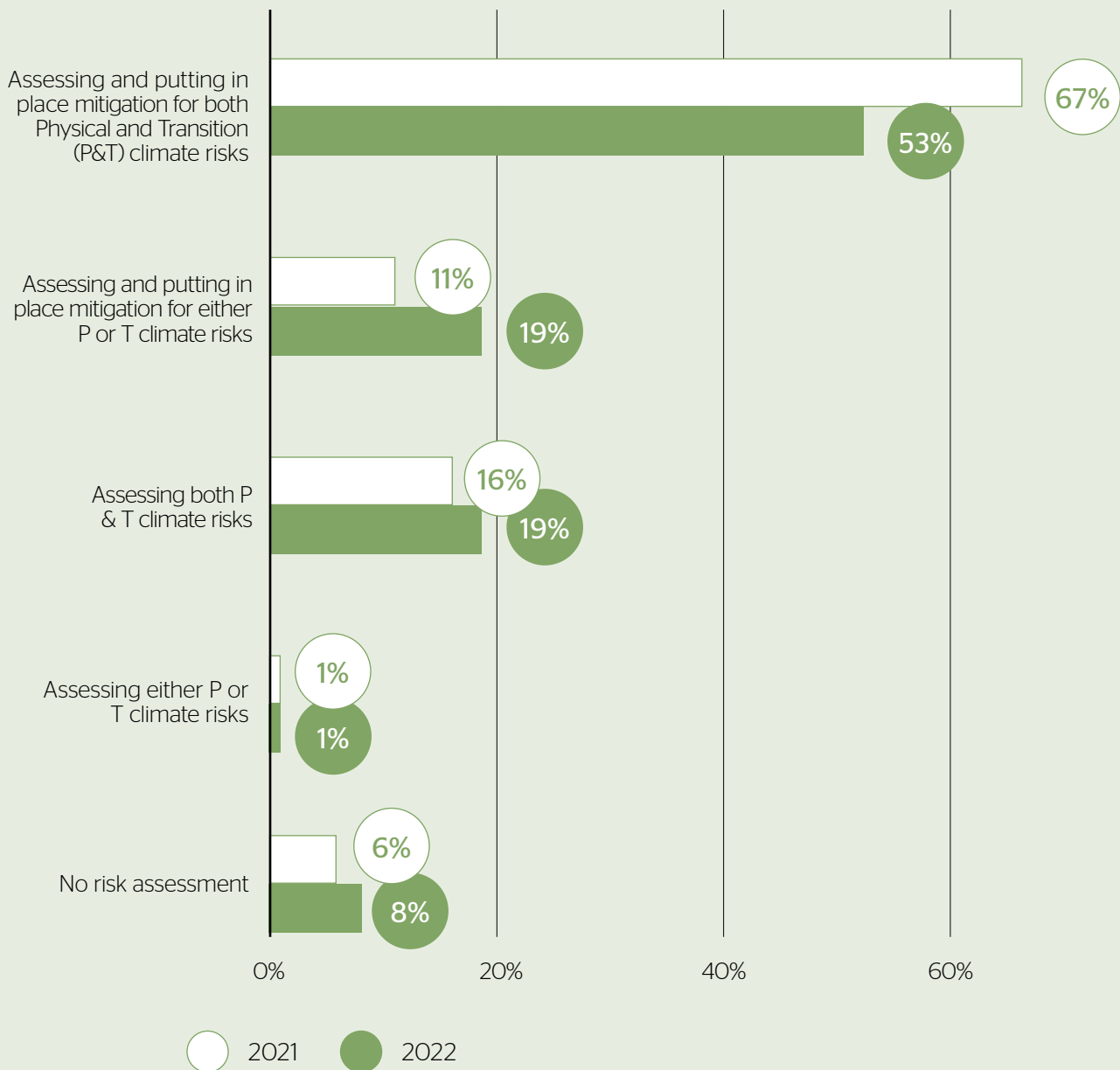
The largest 20 in the IBEX and FTSE MIB have the highest proportion of companies (45%) that are assessing and mitigating both physical and transition climate risks as well as disclosing climate risks as principle risks in their annual company reports. The CAC also performed well, but DOW companies lag behind with just 15% demonstrating the highest level of best practice risk reporting. However, perhaps this is unsurprising as the legislative drivers have only just been placed on the table at the national level in the US. Furthermore, some states have passed bills that restrict the state, localities and pension boards from doing business with financial firms that take climate risk into account, especially as it relates to the use of fossil fuels<sup>13</sup>.

As an example of best practice, delivery and logistics company Atlantis (FTSE MIB) has outlined the physical and transition risks that will be prioritised by the company over medium and long-term timeframes. They also highlight that risks will be mitigated through high resilience investments. The importance placed on climate risk is demonstrated by the inclusion of both types of climate risk as principal company risks in its annual filings.

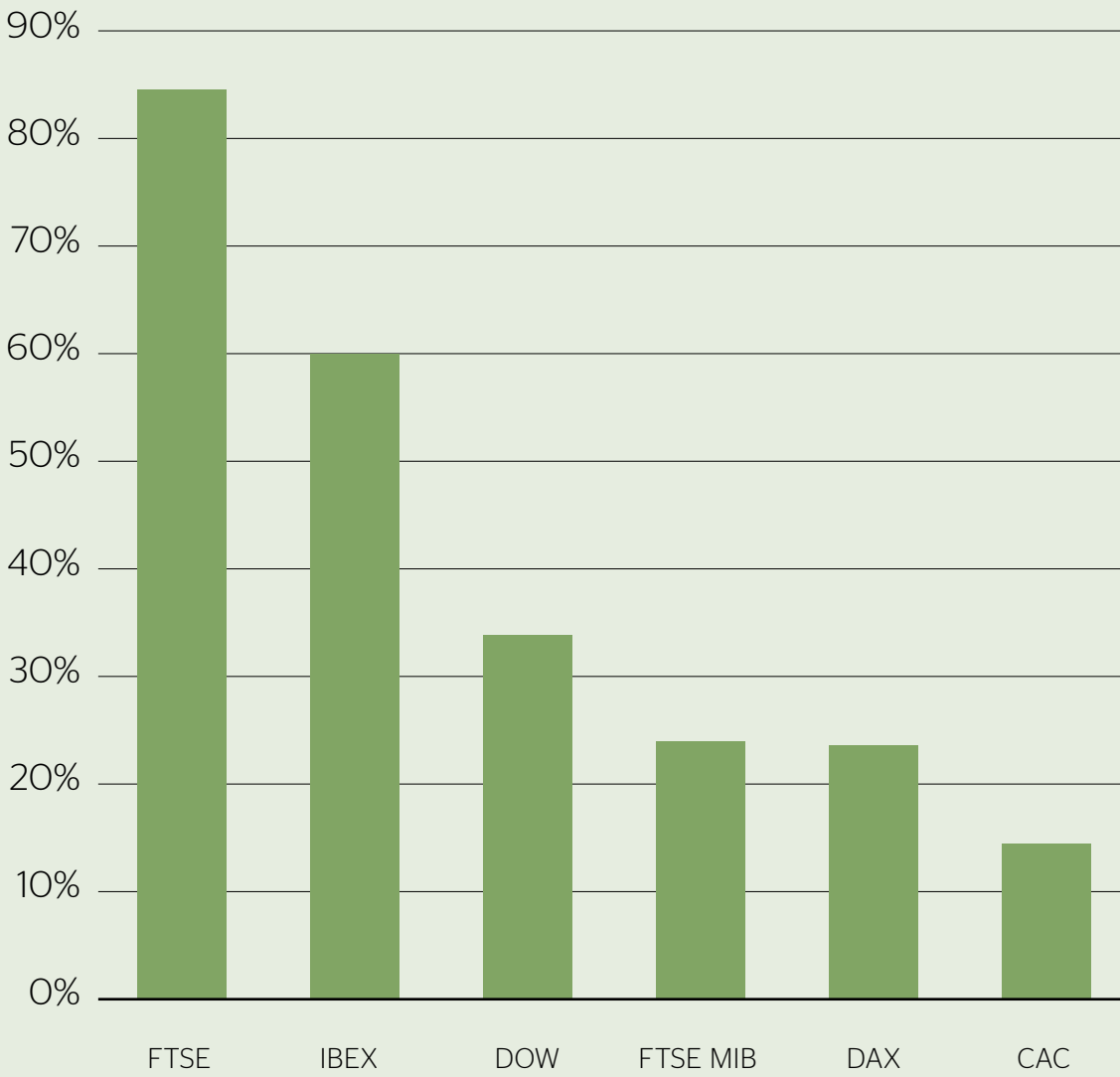
The TFCD also recommends that companies undertake Climate Scenario

13 <https://news.bloomberglaw.com/environment-and-energy/texas-spurs-copycats-as-states-punish-banks-that-snub-oil-gas>

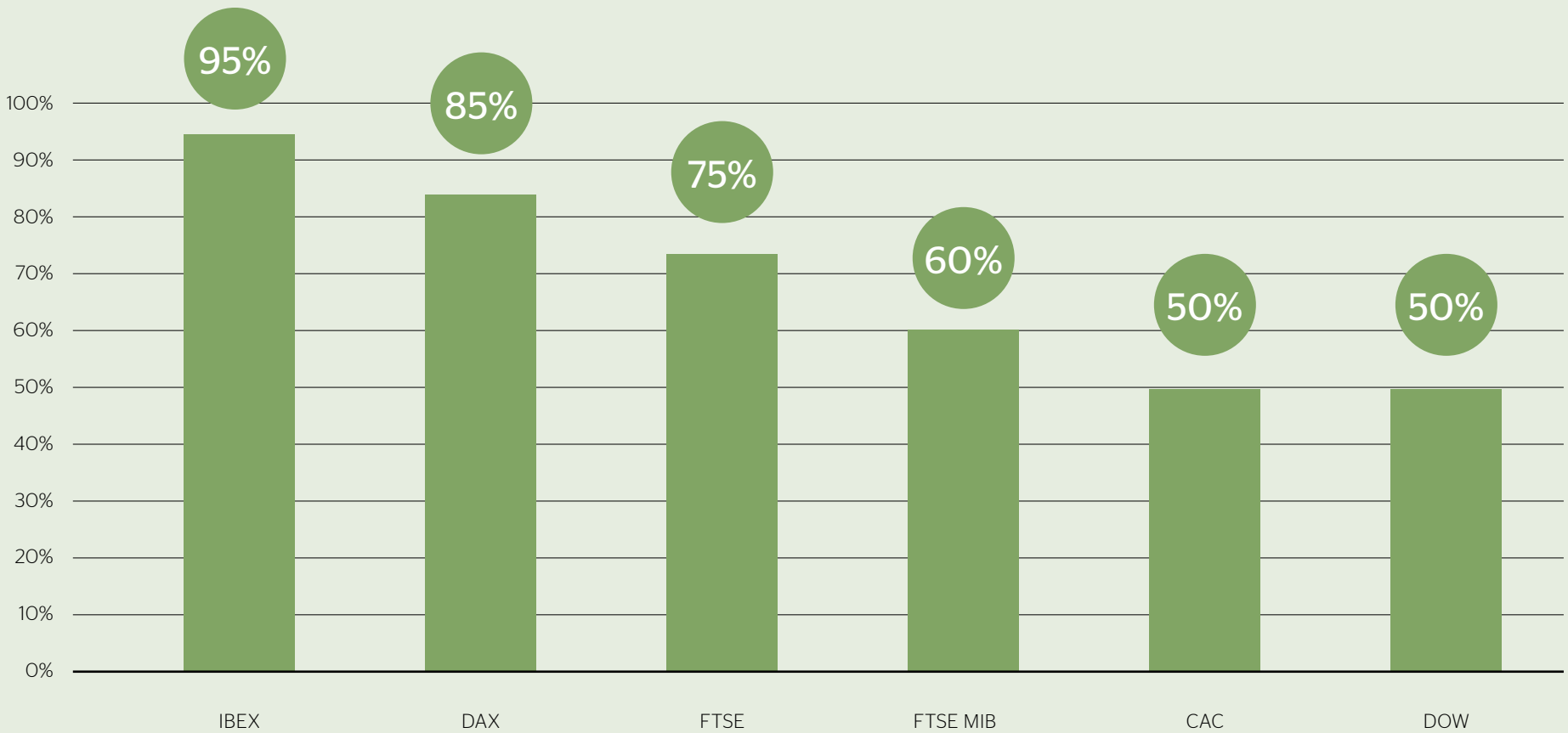
Overall risk assessment performance



Companies undertaking CSA for scenarios above and below 2°C



Remuneration for sustainability progress





Analysis (CSA), which involves the analysis of physical and transition risks according to at least two potential climate pathways. The legislative drivers appear to be wielding a strong influence, with 85% of large FTSE companies (now subject to climate disclosure legislation) undertaking CSA, while the CAC and FTSE MIB companies trail behind their peers on this measure. Without adequate understanding of the varied potential risks facing an organisation, it remains vulnerable to those risks and will potentially reduce the impetus it has to mitigate climate change and take ambitious action.

For example, National Grid has undertaken CSA for three separate climate scenarios: 1.5°C, 2°C and 4°C of warming. The company carried out detailed physical and transition modelling for the higher warming pathways to identify the relevant risks and hazards. In the physical modelling, coastal flooding, high winds and extreme temperatures were identified and the vulnerability of their assets to these risks were assessed. Transition risks were modelled as higher under a lower warming scenario and included the implementation of new policy and technological development.

The TCFD also requires the demonstration of governance on climate change, without which management of climate-related risks and opportunities will be severely challenged. Most companies report a clear governance structure for climate change matters, with 98% demonstrating board-level oversight; 68% can also demonstrate a clear governance structure. This is a fairly easy box to tick in the disclosure cycle – the strongest governance on climate change comes with the implementation of company policies that drive positive outcomes.

Spanish and German companies set the bar for such practice with 95% and 85% respectively providing remuneration incentives for progress on sustainability. Allianz (DAX) has numerous sustainability-related targets linked to remuneration for the board, including reducing emissions per employee and increasing the overall share of renewable energy used.

One of the most ambitious measures to incentivise emissions reduction

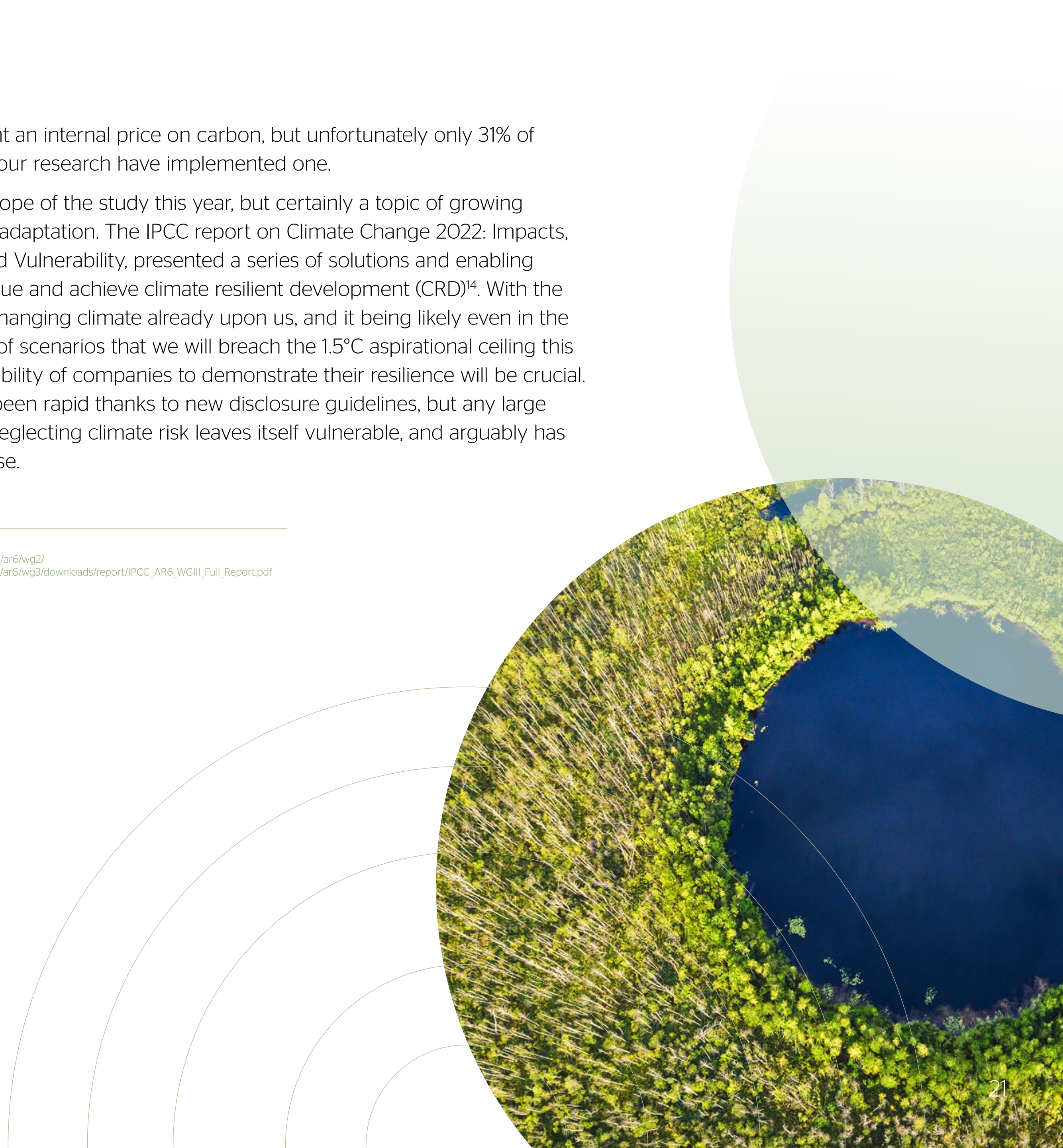
is to implement an internal price on carbon, but unfortunately only 31% of companies in our research have implemented one.

Beyond the scope of the study this year, but certainly a topic of growing importance is adaptation. The IPCC report on Climate Change 2022: Impacts, Adaptation and Vulnerability, presented a series of solutions and enabling factors to pursue and achieve climate resilient development (CRD)<sup>14</sup>. With the impacts of a changing climate already upon us, and it being likely even in the most positive of scenarios that we will breach the 1.5°C aspirational ceiling this decade<sup>15</sup>, the ability of companies to demonstrate their resilience will be crucial. Progress has been rapid thanks to new disclosure guidelines, but any large organisation neglecting climate risk leaves itself vulnerable, and arguably has the most to lose.

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<sup>14</sup> <https://www.ipcc.ch/report/ar6/wg2/>

<sup>15</sup> [https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC\\_AR6\\_WGIII\\_Full\\_Report.pdf](https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_Full_Report.pdf)





# Scope 3

For the majority of companies, the largest source of emissions resides up- or down-stream from their main operations. In 2016, CDP estimated that 40% of GHG emissions are driven – or influenced – by companies through their purchases and the products they sell<sup>16</sup>.

This year, the World Economic Forum reported that eight supply chains account for more than 50% of global emissions (relating to food, construction, fashion, fast-moving consumer goods, electronics, automotive, professional services and freight)<sup>17</sup>. There is no doubt that as UN Climate Action High-Level Champion Nigel Topping believes, “Supply-chain decarbonisation will be a ‘game-changer’ for the impact of corporate climate action. Addressing Scope 3 emissions is fundamental for companies to realise credible climate change commitments”<sup>18</sup>.

Most companies are reporting at least some of their Scope 3 emissions; only FTSE MIB companies trail slightly behind with 77% of companies reporting on Scope 3, while other indices exceed 85%. For the IBEX, 100% of the 20 largest companies cover Scope 3 emissions in their reporting. However, the larger French companies of the CAC demonstrate the best performance, as these companies are more likely to be reporting on all relevant Scope 3 emissions categories.

There are 15 categories of Scope 3 emissions set out by the GHG Protocol which cover the different aspects of a company’s value chain. Companies should calculate the emissions against each of these categories or clearly explain why a certain category is not material; categories that are the most

material will vary from sector to sector. Our scoring methodology applies a sector-based weighting to ensure that companies are not unfairly rewarded for reporting several categories whilst leaving the most significant areas undisclosed. For example, banks and financial institutions that do not report on Category 15 of their Scope 3 emissions (emissions associated with the reporting company’s investments, not already included in Scope 1 or Scope 2) are penalised, as this is where the overwhelming majority of their Scope 3 emissions reside.

Measurement, however, is only the first step. Companies must be targeting science-aligned emissions reductions. 34% of large companies demonstrate a science-aligned (not necessarily aligned to the highest ambition of 1.5°C) and validated emissions reduction target to reduce Scope 3 emissions in the near-term (up to 2030). Fewer still are thinking long-term about their value chain emissions: only four companies in our research group have a science-aligned long-term reduction target for Scope 3.

AstraZeneca (FTSE) stands out as the only company within the scope of our study to have an SBTi-verified long-term target that includes Scope 3. It plans to reduce its Scope 3 emissions by 90% by 2045 compared to a 2019 base year, and plans to do so through supplier engagement and decarbonisation of its

<sup>16</sup> [https://cdn.cdp.net/cdp-production/cms/reports/documents/000/001/228/original/CDP\\_Climate\\_Change\\_Report\\_2016.pdf?1485276095](https://cdn.cdp.net/cdp-production/cms/reports/documents/000/001/228/original/CDP_Climate_Change_Report_2016.pdf?1485276095)  
<sup>17</sup> <https://www.weforum.org/reports/net-zero-challenge-the-supply-chain-opportunity/>  
<sup>18</sup> <https://europeanbusinessmagazine.com/featured-article/supply-chains-decarbonization-offers-game-changing-opportunity-for-companies-to-fight-climate-change/>



products, such as the switch to low-impact respiratory inhaler propellants.

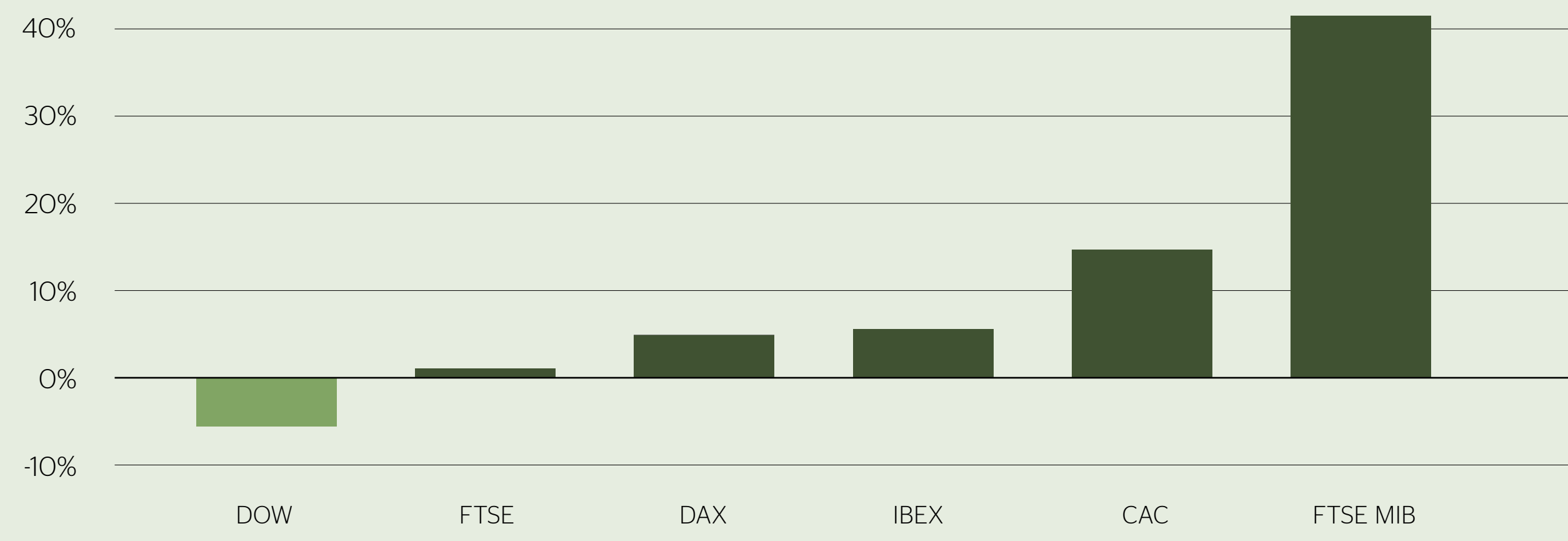
With a limited amount of control over Scope 3 emissions, gathering data and setting targets is clearly a challenge still being grappled with. More challenging yet will be putting in place mitigation actions across value chains.

German and Spanish companies demonstrate greater proactivity in terms of Scope 3 mitigation actions. In fact, we found that large German companies were much more likely to have a number of concrete mitigation actions in place within their value chains, and there were no German companies in our study doing nothing at all. International financial services provider Allianz (DAX), is committed to reducing the GHG emissions of its investments to achieve net-zero by 2050. This is supported through active engagement with companies in proprietary investments, policy-makers, regulators, sectors and individual companies. It has also achieved a 25% reduction in emissions of other Scope 3 categories this year related to energy, business travel and paper use.

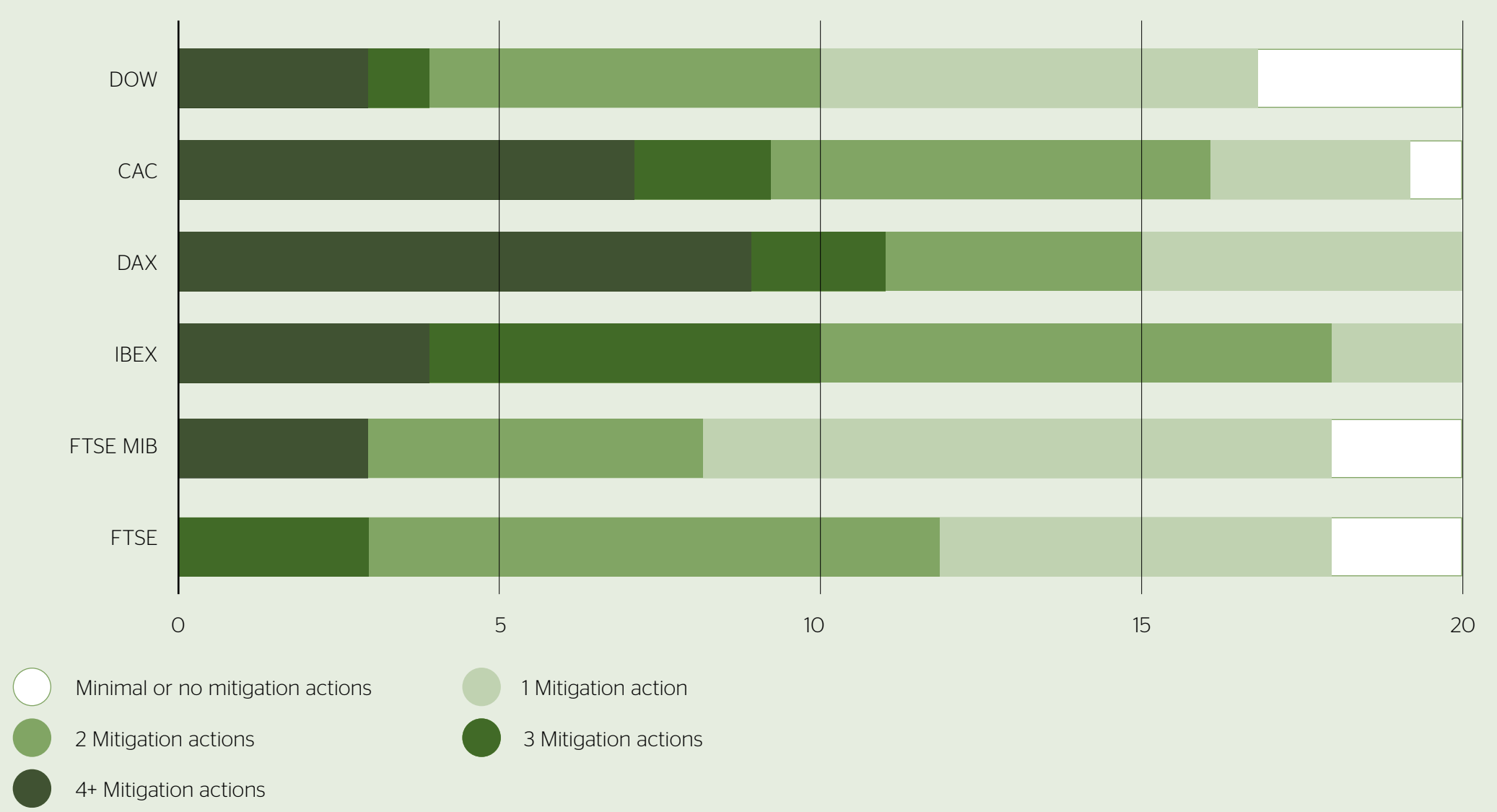
Tackling Scope 3 often means thinking in terms of the life cycle of products and services, and many companies are starting to do this. IBEX listed Industria de Diseño Textil (Inditex) is working to minimise the impact of the end-of-life of its products with a “Closing the loop” programme, in order to avoid textile products going to landfill and to find ways that products can be reused or recycled. Many of these more sustainable ways of doing business across the value chain translate to new business opportunities as an increasingly discerning and concerned public seek out more sustainable options.

Scope 3 is still at the frontier of climate reporting. Large organisations are acting upon expectations that they will report emissions and are starting to set targets, but considering the impacts of value chains and the importance of science-aligned reductions, Scope 3 looks like the biggest roadblock to corporate net-zero achievement.

Average % increase or decrease in Scope 3 emissions



Number of companies with Scope 3 mitigation actions





# Achievements

Net-zero will be unattainable if we spend the global carbon budget too soon. In its Mitigation of Climate Change report, the IPCC stated that emissions must peak by 2025 and be cut by 43% (almost half) by 2030<sup>19</sup>. This means that decarbonisation must start now.

Economic models show that front-loading climate action, paired with long-term planning over several years, is the most cost-effective way to reach a given temperature target<sup>20</sup>. Early action is therefore not only a climate imperative, but also represents a commercial advantage for large corporations.

Our methodology includes analysis of achieved emissions reductions. Strong ambition and clear strategy must be demonstrated, but they are meaningless without verifiable emissions reductions. The highest points available are allocated to those companies able to demonstrate reductions aligned to a 1.5°C pathway and across all three Scopes of emissions.

In our 2021 research, we reported that 74% of companies achieved a reduction in Scope 1 and 2 emissions in line with a science-led pathway, and 17% reported equivalent levels of reduction within their Scope 3 emissions. However, we cautioned that reductions were likely related to the COVID-19 pandemic and the widespread lockdowns across the world in 2020. The 2021 report warned that these levels of reduction would have to not only be sustained but also met by all companies if we are to remain on track for our climate goals.

The pandemic brought with it many calls to “build back better” and to do business differently. Despite the huge disruption caused by COVID-19, it showed how rapidly we could adapt and innovate when crisis deems it necessary.

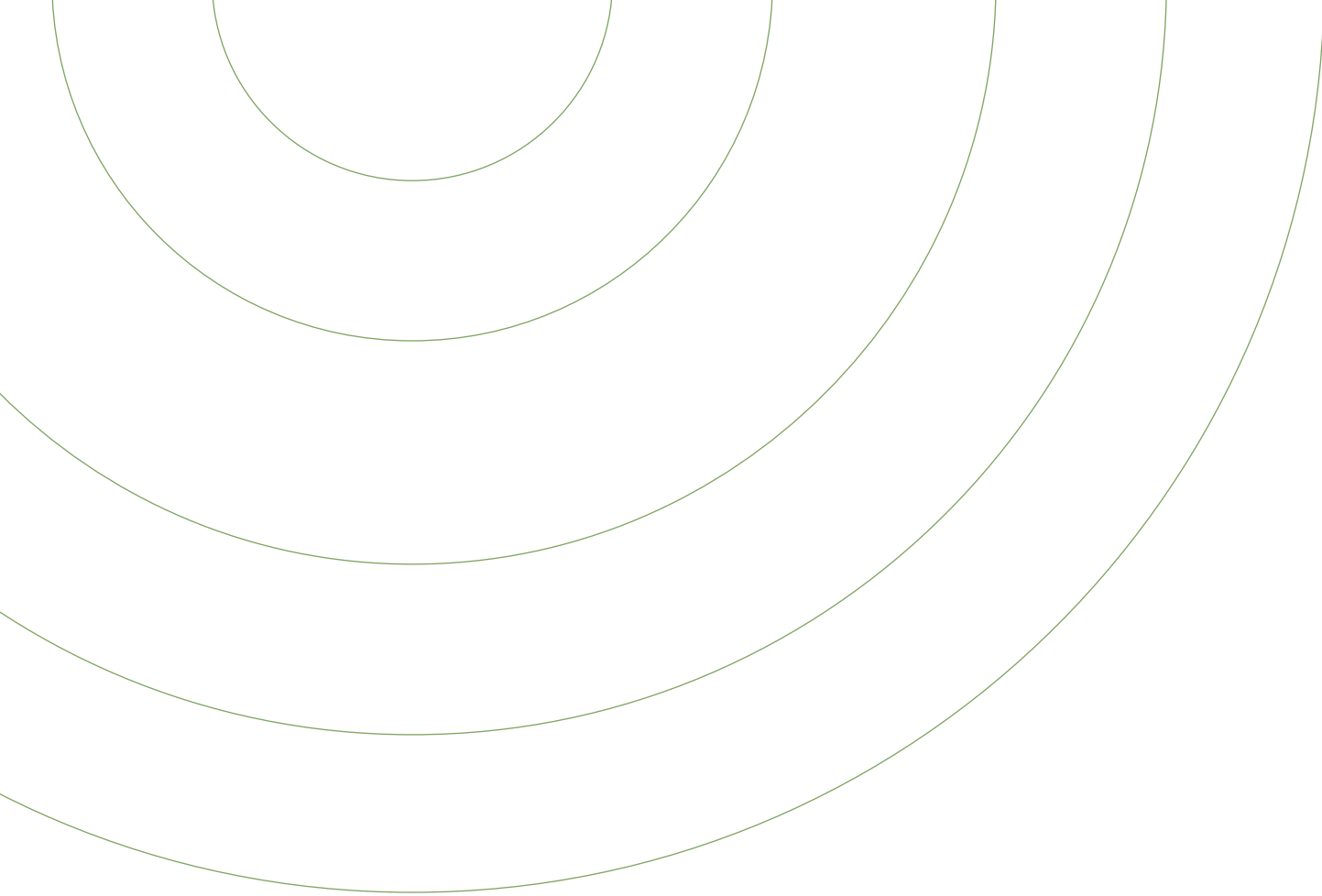
Sadly, in 2022, the companies within our analysis confirm that the economic rebound has indeed had a negative impact on emissions reductions. Only 43% of companies achieved the most ambitious level of reductions for Scopes 1 & 2. Although, the negative impact to Scope 3 emissions is notably less, with 29% of companies achieving 1.5°C aligned reductions for Scope 3.

Large FTSE companies are outperforming their peers with the highest reductions across Scope 1 and 2 emissions. This could be a consequence of ongoing social restrictions in the UK over the course of 2021 as other European countries opened up and moved out of lockdown; we also see high rates of homeworking in the UK, which may have also influenced companies’ emissions.

<sup>19</sup> <https://www.ipcc.ch/report/ar6/wg3/>

<sup>20</sup> <https://www.nature.com/articles/s41558-021-01245-w>



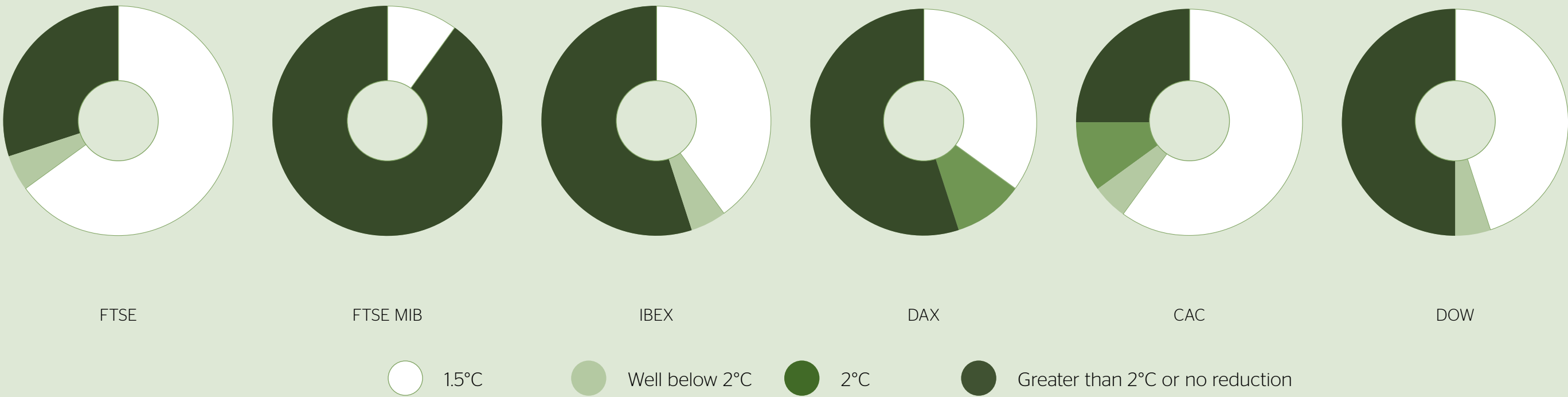


Standard Chartered, a FTSE-listed bank, achieved the highest reductions across Scope 1 & 2 (-27.32%) and Scope 3 (-26%). In 2021, they focused on energy and emissions reductions initiatives including clean power purchase agreements, water recycling, solar rooftops and on-site waste composting, and reduced their energy consumption by 15%.

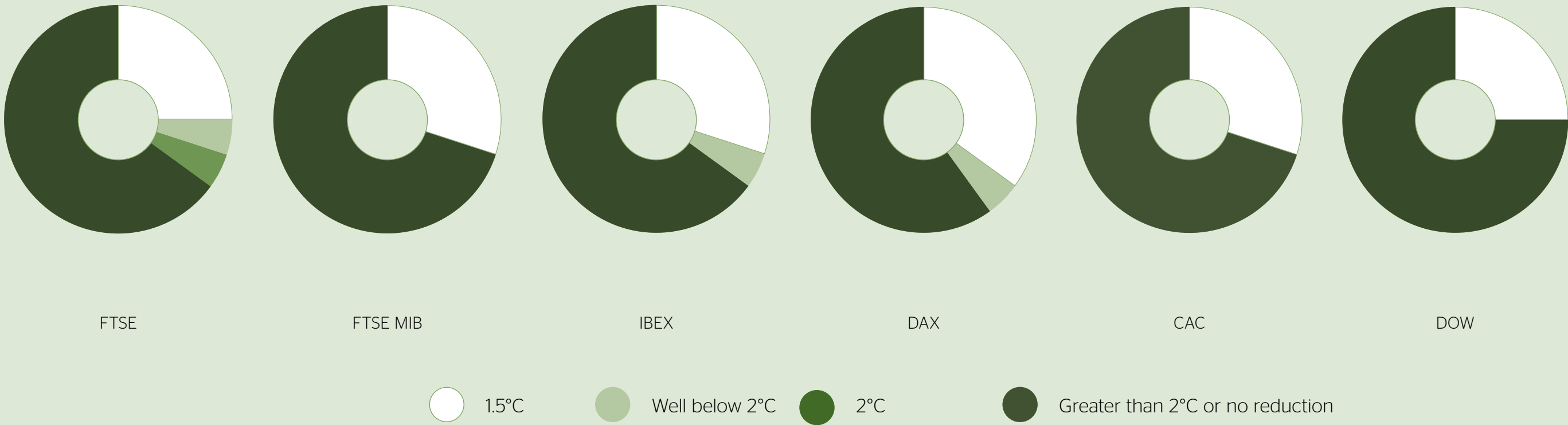
Other notable examples of reductions include German pharmaceutical company, Bayer, that reduced Scope 1 & 2 emissions by 16% in the last reporting year, and Scope 3 emissions were reduced by 7.5% for a total of 660,000 tonnes CO<sub>2</sub> reduced. These reductions are thanks to an ambitious climate strategy, including the implementation of a number of measures focusing on energy efficiency (such as more efficient inward and outward ventilation systems), energy sources (such as geothermal energy for heating and cooling and a switch to 100% purchased renewable electricity), and innovation within their value chain (such as more sustainable agricultural practices).

With the majority of companies over the past year failing to reduce emissions, the corporate world has a large task ahead of it and very little time to activate change.

Scope 1 & 2 emissions reductions according to warming pathways



Scope 3 emissions reductions according to warming pathways





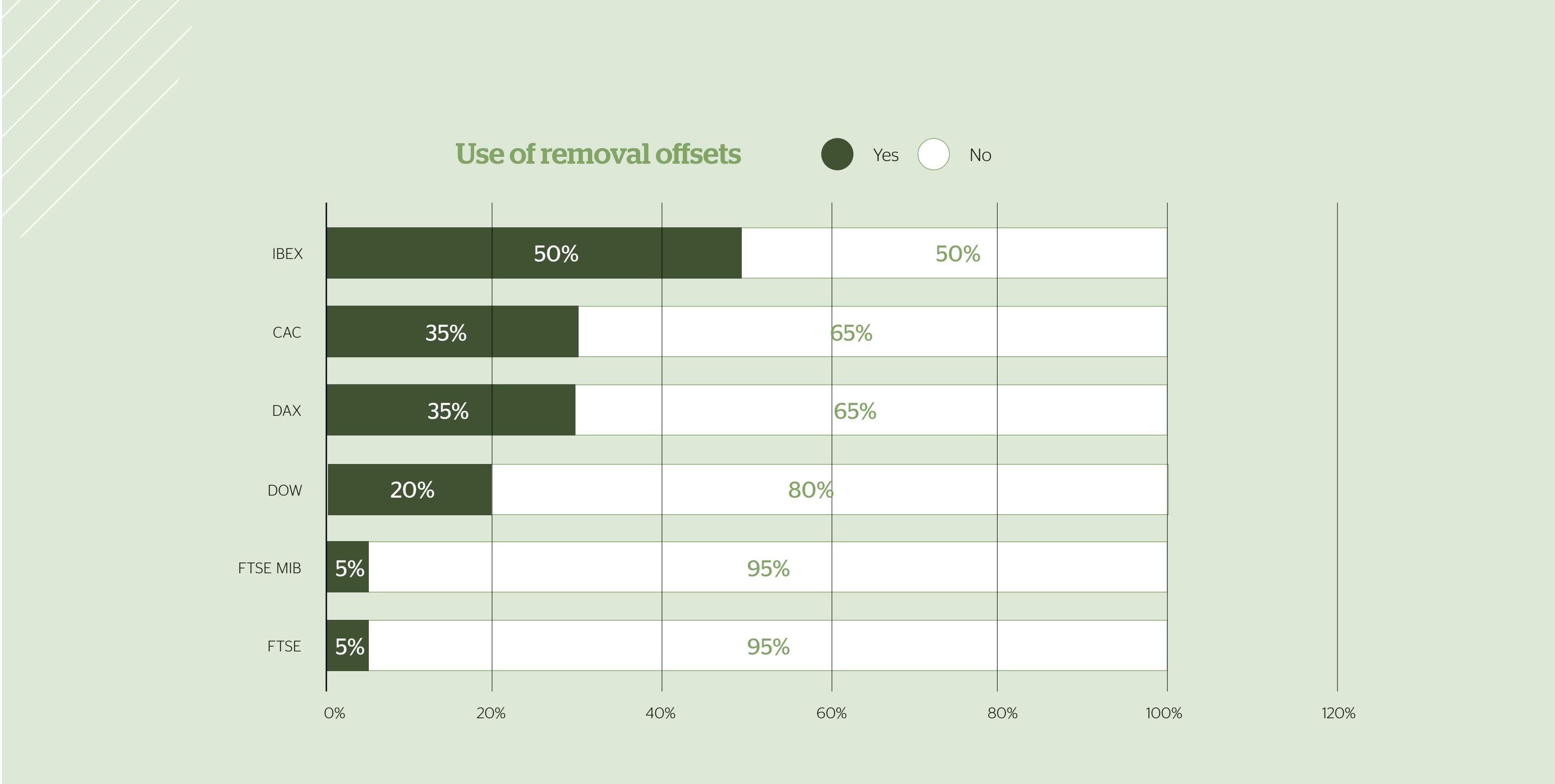
# Voluntary carbon offsetting

Despite huge, recent growth in the Voluntary Carbon Market (VCM)<sup>21</sup>, the findings this year suggest that just under half (48%) of large organisations are currently offsetting their emissions. Spanish companies are using the mechanism far more than other regions (75%), while only 20% of the largest Italian companies are doing so.

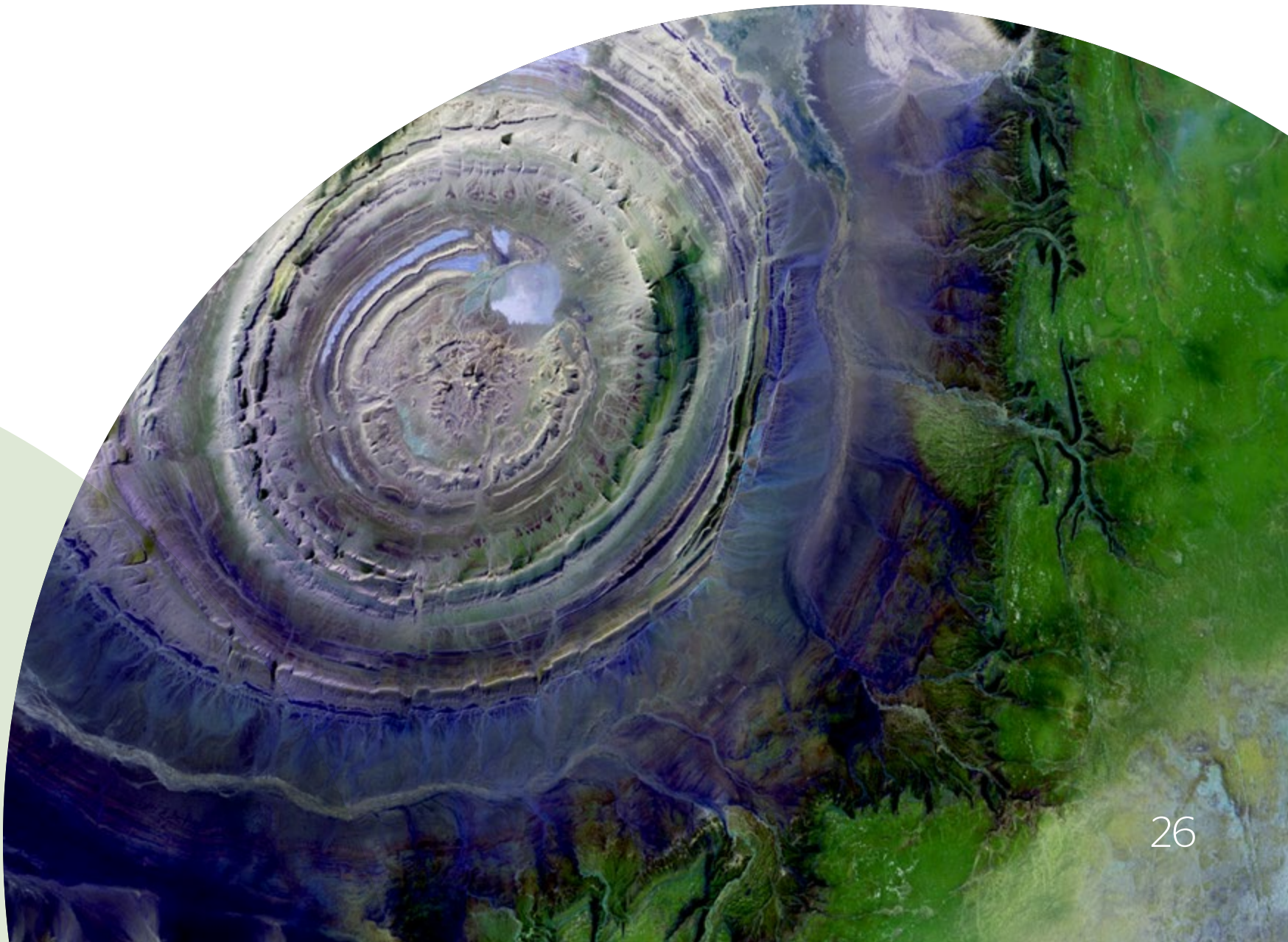
Spanish companies are more inclined to use offsets, but large German companies are more likely to offset a wider scope of their emissions. The largest Spanish companies are also far more likely to select carbon credits from removal projects. Just under half of US companies that are offsetting, are focused on removal.

For example, Salesforce (DOW) is planning to sequester 100 gigatons of carbon through conserving, restoring, and growing 1 trillion trees by 2030, protecting oceanic and coastal ecosystems through lobbying for legislation in the US, and the “ecopreneur revolution” by supporting entrepreneurs working on carbon sequestration.

With a larger proportion of companies committed to offset in future, and despite criticisms of the mechanism and its potential misuse, it is likely that the statistics on carbon offsetting will continue to rise as more and more corporates plan for net-zero. However, the impact of the SBTi Standard on corporate climate strategies remains to be seen, especially in terms of emission “neutralisation” or removal.



<sup>21</sup> <https://climatetrade.com/voluntary-carbon-market-value-tops-us2b/#:-:text=The%20value%20of%20the%20voluntary,%242BN%20mark%20in%202022.>





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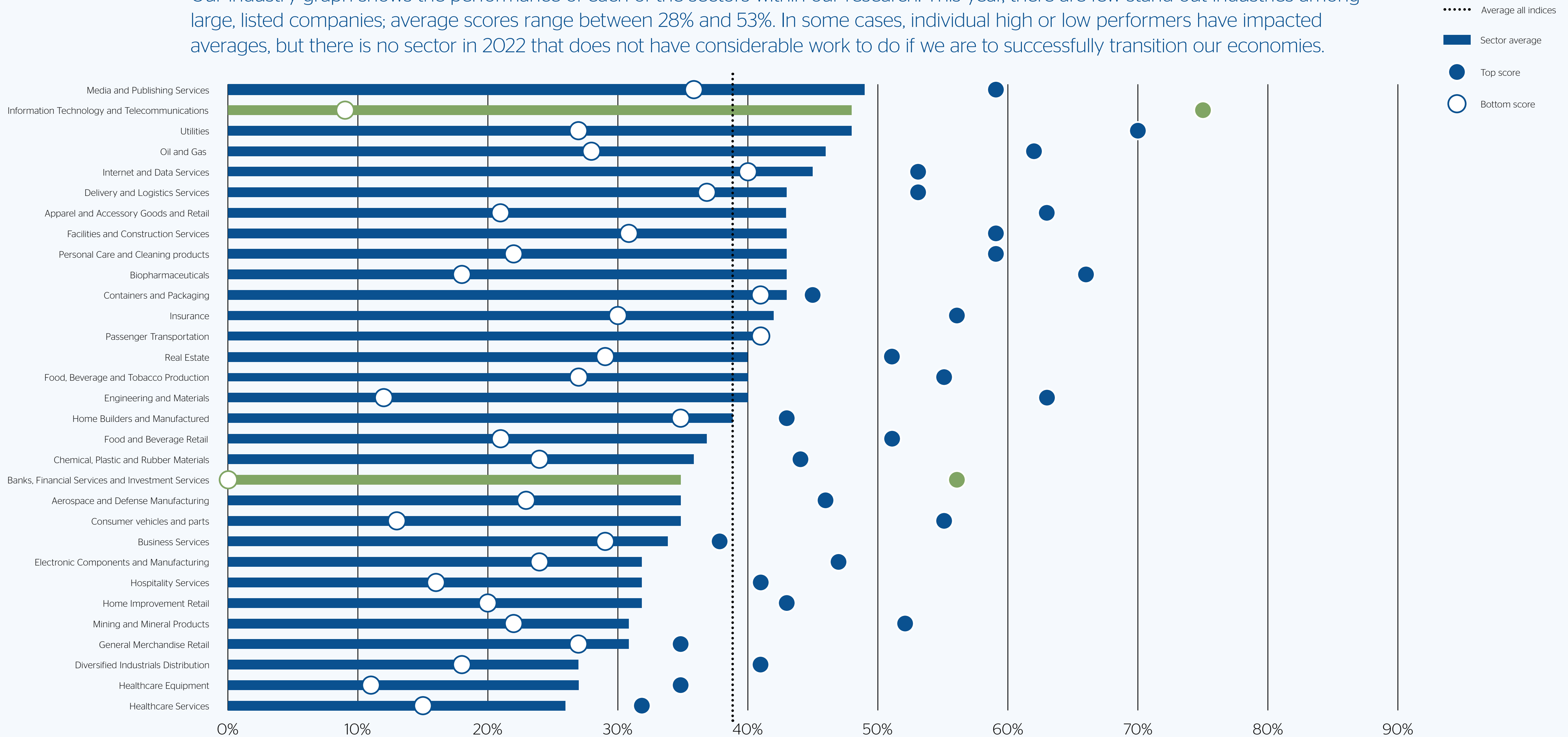
# Sector deep dive

In 2022, we focused our attention on two specific industries: the Financial sector and the Information Technology and Telecommunications (IT&T) sector. One has notably slipped down the ranks of our report over the past few years, the other increasingly dominates the top. Both, have a critical role to play in the global transition to net-zero, particularly in a post-covid digital age, when both innovation and financial investment will be key drivers of change.



# Average Score by Industry

Our industry graph shows the performance of each of the sectors within our research. This year, there are few stand-out industries among large, listed companies; average scores range between 28% and 53%. In some cases, individual high or low performers have impacted averages, but there is no sector in 2022 that does not have considerable work to do if we are to successfully transition our economies.





Sector deep dive 1

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# Financial sector



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# Financial sector

The research this year looks at 16 banking and financial sector companies which reside within the largest listed companies of the indices researched, excluding the DAX which has no finance companies within its 20 largest corporations. These are predominantly banks, but also include some Speciality Finance and Investment Services organisations.

The Financial Sector continues to be a sector of interest within our research, and certainly it has a key role to play in the response to climate change, as “the transition to a low-carbon economy will require substantial investment, which realistically can only be financed with private sector involvement”<sup>22</sup>. Not only will decarbonisation require investment, it will also require shifting the flow of existing investments towards more sustainable projects – this is the goal of green bonds, which enable capital-raising and investment for projects with climate and environmental benefits.

Unfortunately, however, this year it is not a strong-performing sector in our research. The average score for the sector is just 39% with the range in scores from just 12% to 58%.

The sector demonstrates fairly strong emissions measurement and reporting, although this is largely a compliance exercise. It underperforms on ambition and commitment, despite some improvement this year, and we saw a large drop in year-on-year results for Achievement. This suggests the sector is lagging behind on the net-zero transition.

In terms of Scope 3, all financial sector companies are reporting at least some Scope 3 categories, compared to 84% of companies last year (admittedly, last year was a slightly different data set). However, out of these companies, only one is disclosing all 15 categories of Scope 3 emissions and only 38% are reporting Category 15: Investments, which is accepted as by far the largest emissions segment for the Financial Services sector. In fact, according to CDP, the finance sector’s funded emissions are over 700 times greater than its own<sup>23</sup>.

Therefore, there is a great deal of pressure for financial companies to attend to Investment emissions. While last year’s report showed only 12% of financial companies addressing Category 15, this year’s 38% suggests improvements in the sector, or at least a better performance by the largest organisations. However, it is still a significant shortfall, which ultimately impacts the climate reporting performance of the sector.

Although 88% have a net-zero commitment and 13% are targeting net-zero before 2040, it is concerning that less than a third have a target for their most material emissions. This is where the sector continues to fall short; in 2018,

<sup>22</sup> <https://www.fca.org.uk/insight/banking-climate-and-competition#:~:text=Both%20physical%20and%20transitional%20risks,the%20viability%20of%20insurance%20products.>  
<sup>23</sup> <https://www.cdp.net/en/articles/media/finance-sectors-funded-emissions-over-700-times-greater-than-its-own>



banks were one of the highest performing sectors in our research, but they have been unable to keep pace with rising best practice and effectively face the Category 15 challenge. This makes it hard to assess whether the financial sector is adequately divesting from high-emissions industries and fossil fuels and investing in the low-carbon economy.

There are of course exceptions and signs that the financial sector is addressing the challenge. For example, we noted that Barclays uses a “BlueTrack” methodology in order to measure and track its financed emissions against the goals of the Paris Agreement, covering not only lending but also capital markets financing.

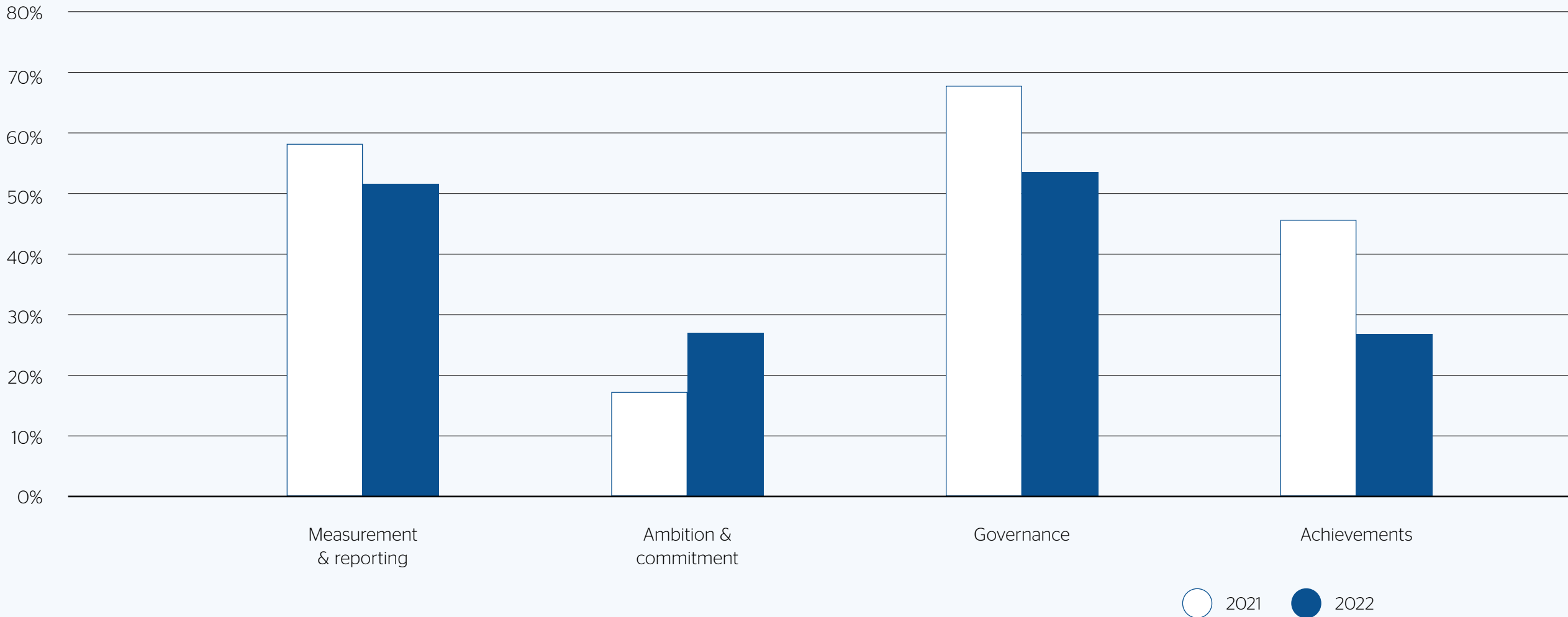
The International Monetary Fund (IMF) states that due to the huge levels of investments required, climate change represents a source of opportunity as well as risk for the financial sector<sup>24</sup>. Has the sector adequately anticipated these risk and opportunities?

Financial institutions will of course be particularly vulnerable to climate-related financial risks; in 2018 and 2019, we reported the sector as being early up-takers of the TCFD recommendations. This year’s research shows that while many are stating alignment to the TCFD recommendations, most are avoiding the more challenging but ultimately more meaningful aspects of the framework. The largest companies in the financial sector appear to be lagging with just 38% having completed a full CSA and declaring climate as a principal risk in their annual reports. That being said, 44% have analysed and put in place mitigation actions for both transition and physical climate risk.

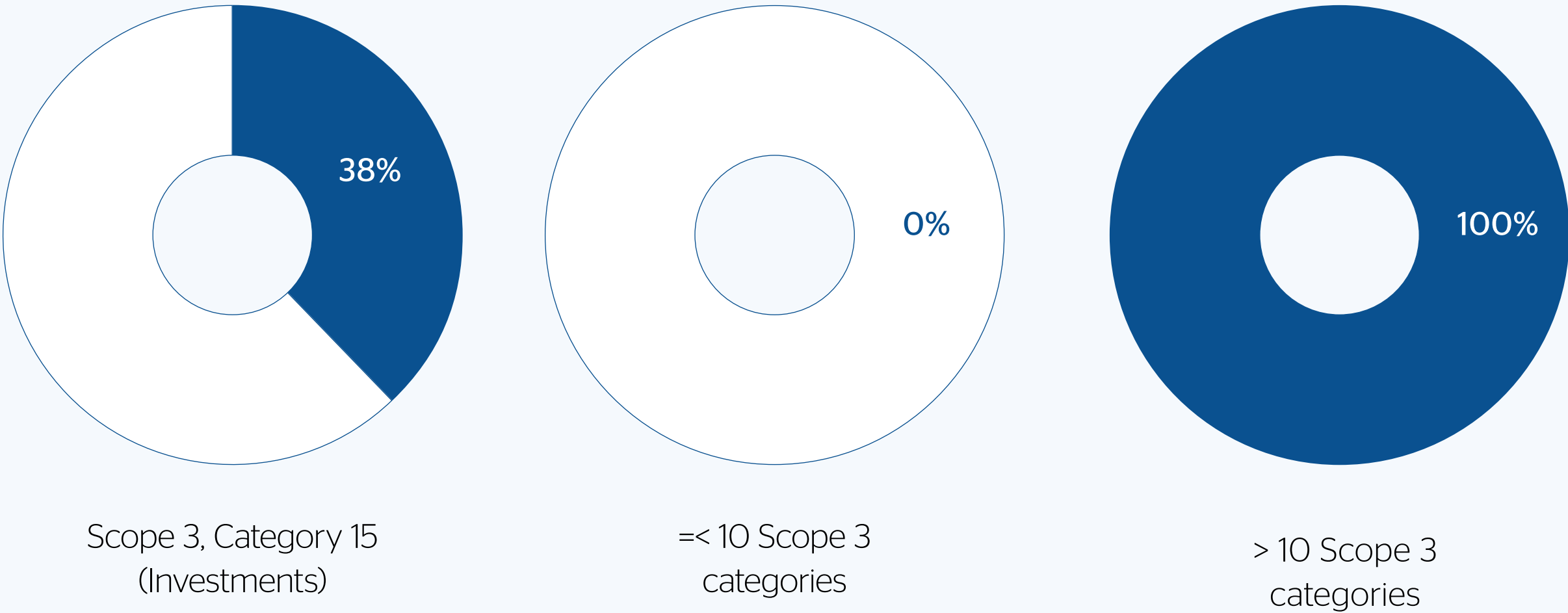
A stand-out example sits within the FTSE: UK-based global investment company, abrdn, has produced one of the most in-depth scenario analyses of all companies scored which includes 15 scenarios to identify both risks and opportunities which will be used to guide investment decisions.

<sup>24</sup> <https://www.imf.org/en/Publications/fandd/issues/2019/12/climate-change-central-banks-and-financial-risk-grippa>

Financial sector average across sections



Scope 3 reporting





56% can demonstrate a clear governance structure and 63% provide financial remuneration for sustainability KPIs. However, only a quarter have implemented a carbon price. This suggests that financial institutions are barely keeping up with best practice, and are not yet prepared to implement the transformational change required for the net-zero transition.

In terms of emissions reduction targets, 88% have a near-term Scope 1 & 2 target and 25% a Scope 3 target. Only 19% of these targets have been verified by the SBTi, but it is worth noting that the SBTi has only recently released (Aug 2022) its guidelines for financial sector SBTs.

For an industry that relies heavily on the long-term view in terms of making investments and supplying finance, it is disappointing that none of the largest in the sector can demonstrate a long-term emissions reduction target despite the existence of long-term net-zero commitments.

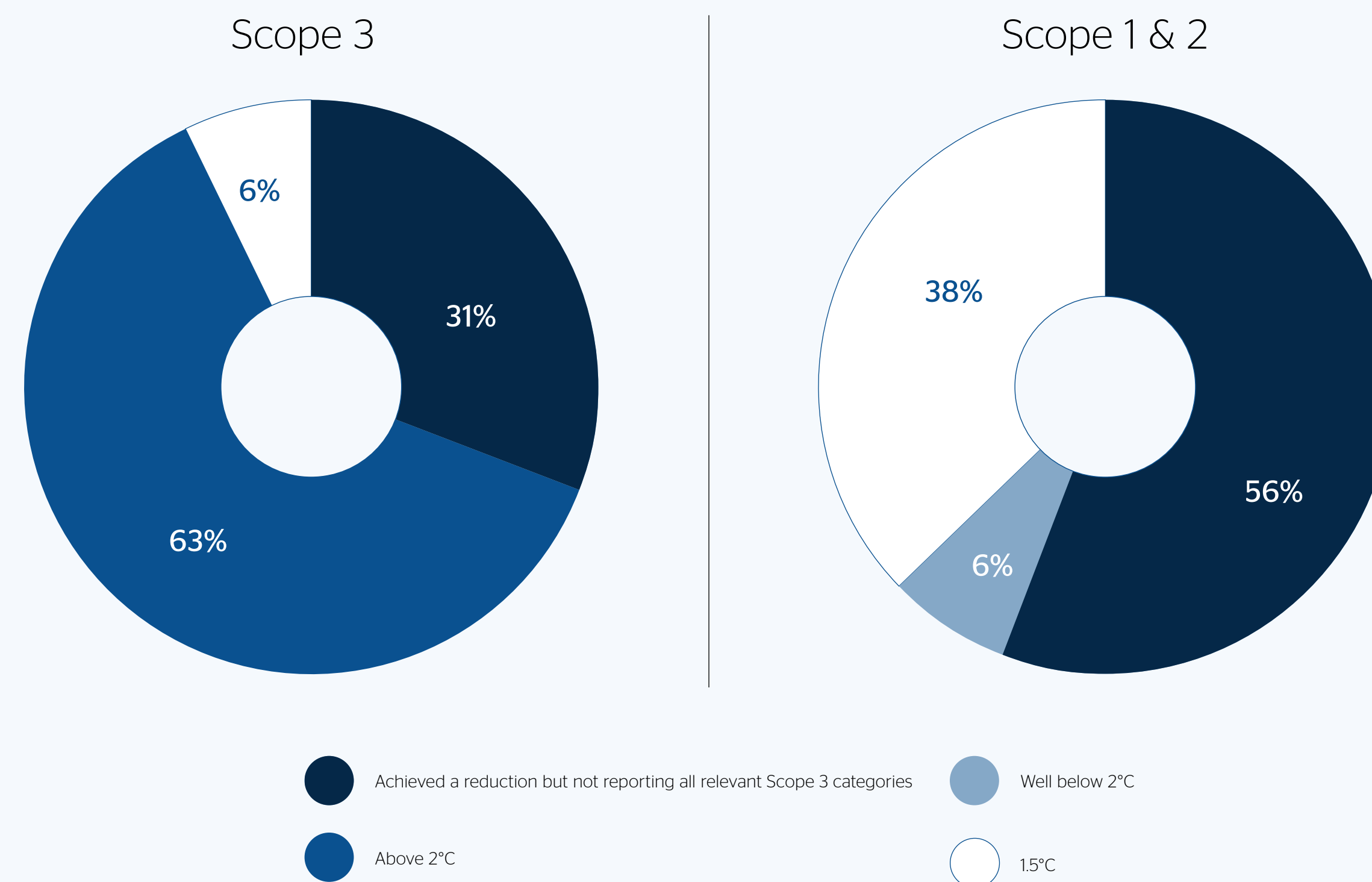
Although 75% of companies have committed to offsetting, none are discussing removals or including these removals in their targets as a prerequisite of reaching net-zero. Just 31% are currently offsetting, either for only Scope 1 & 2 emissions, or part of Scope 3.

Half of finance sector companies have achieved science-aligned reductions in Scope 1 & 2 emissions, but a mere 6% have reduced their Scope 3. This is a disappointing performance from the key budget holders for the net-zero transition.

FTSE-listed financial institutions again stand apart, as UK-based Standard Chartered achieved the highest reductions across all Scopes (over 25%) and is reporting all relevant Scope 3 emissions categories. These impressive results are due to clean power purchase agreements, water recycling and solar rooftops as well as a 5% reduction in its real estate portfolio and investment in energy-efficient products, accounting for a lower carbon and more efficient portfolio.

While financial institutions are lagging behind in terms of measurable reductions, it is encouraging to see that they are actively financing the net-zero transition for other organisations. 2021 was a record year for green bonds<sup>25</sup>, signalling that there are opportunities for the future via the reallocation of capital. Green bond issuance broke the half-trillion mark for the first time last year, a 75% jump compared to 2020<sup>26</sup>. Europe showed the most investment with USD 758bn, and the United States holds the top spot nationally with a 63% increase to USD 81.9bn. We anticipate seeing the first green trillion this year, with the goal of reaching USD 5tn by 2025.

### Scope 1 & 2, Scope 3 reduction achievements



<sup>25</sup> <https://www.linklaters.com/en/about-us/news-and-deals/news/2022/july/global-sustainable-bond-market-raises-442-billion>  
<sup>26</sup> <https://www.climatebonds.net/2022/04/sustainable-debt-tops-1-trillion-record-breaking-2021-green-growth-75-new-report>



Sector deep dive 2

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# Information Technology and Telecommunication (IT&T)



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# Information Technology and Telecommunication (IT&T) sector

The IT&T sector is significant today for several reasons. Firstly, most businesses are undergoing some form of digital transformation, elements of which have been accelerated by the COVID-19 pandemic over the last two years. Additionally, there are huge possibilities for climate innovation and decarbonisation, but unchecked growth would mean a significant increase to the sector's carbon footprint.

The IPCC reported in 2022 that digital innovations can contribute to the mitigation of climate change, and the World Economic Forum claimed digital technology has the potential to cut GHG emissions by 15%<sup>27</sup>. But how are the IT&T companies within our research measuring up on corporate climate reporting and what evidence is there to suggest that the sector is able to deliver on that potential?

Encouragingly, IT&T companies perform above average on all the main sections of our research, particularly in Ambition and Achievement, which are strongly weighted areas of the scoring.

They tend to demonstrate better best practice reporting across multiple metrics, and are generally outperforming their peers on emissions reporting; specifically, 15% report all relevant Scope 3 emissions. These companies are also all high CDP scorers, with 46% scoring an A.

Overall, IT&T companies demonstrate a high level of ambition on targets. They are more likely to have science-aligned targets than the other largest companies as a whole; 85% have SBTi-verified near-term targets for Scopes 1 & 2, compared to 53% of the full list of analysed companies.

<sup>27</sup> <https://www.weforum.org/agenda/2019/01/why-digitalization-is-the-key-to-exponential-climate-action>





This year, the sector has also shown a significant uptake of net-zero commitments. 77% of IT&T companies now have a net-zero commitment of 2040 or sooner, compared to just 15% last year. Very few are being left behind, with only 8% having either no net-zero commitment or one after 2050.

93% of the sector’s net-zero commitments are aligned to a 1.5°C warming pathway and 83% include near-term Scope 3 targets, all of which are SBTi-verified. This is compared to 34% of companies across this research with validated science-aligned near-term Scope 3 targets.

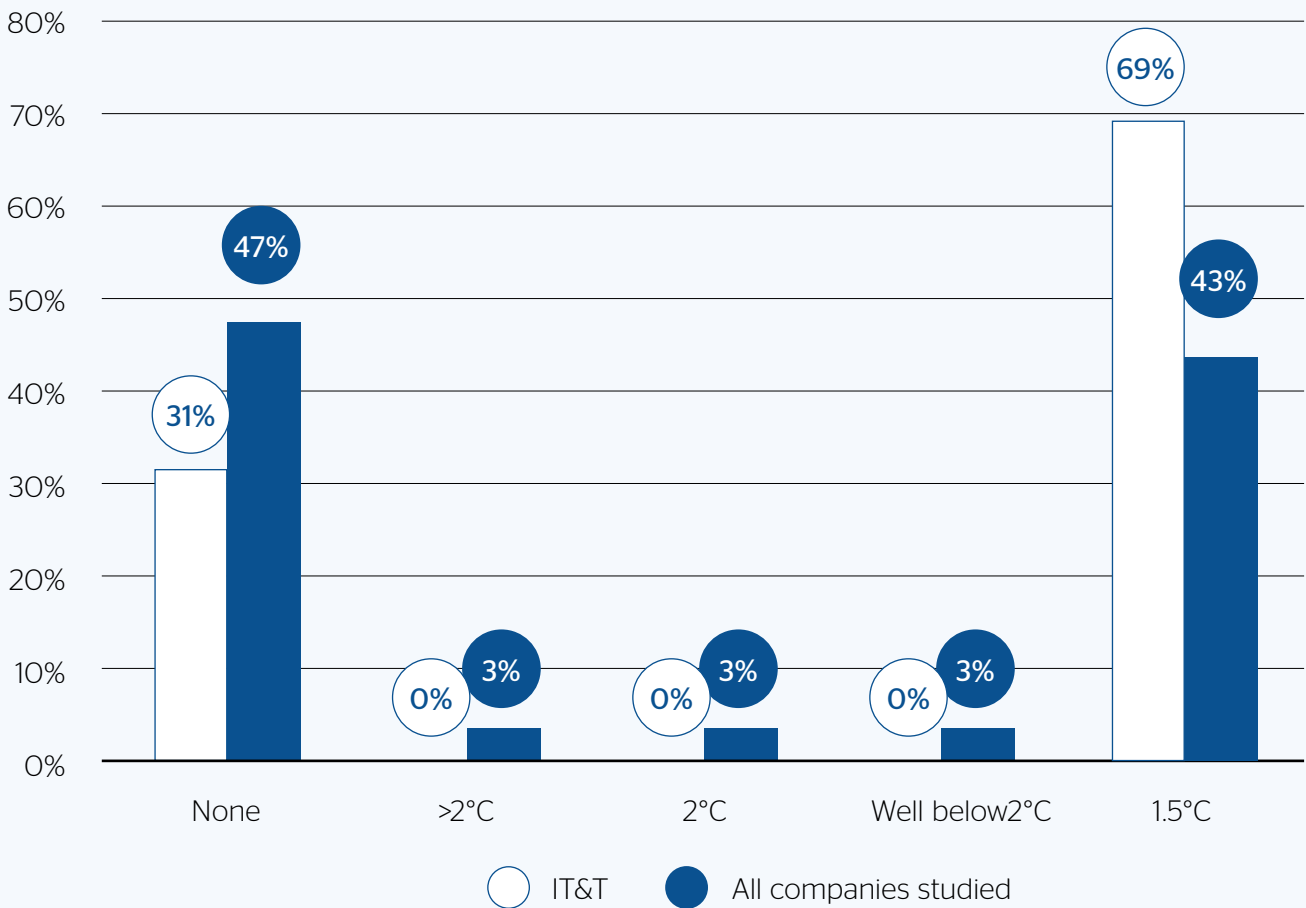
Compared to last year’s research, a higher proportion of IT&T companies are reporting in line with the recommendations of the TCFD, though this is expected as countries begin to mandate TCFD disclosures. There is also clear growth on the adoption of CSA, with 85% of IT&T companies now using it to inform their business plans, compared to 71% last year.

While just under half of IT&T companies are assessing and mitigating both physical and transition risks, nearly all IT&T companies – 92% – are reporting on some form of climate risk.

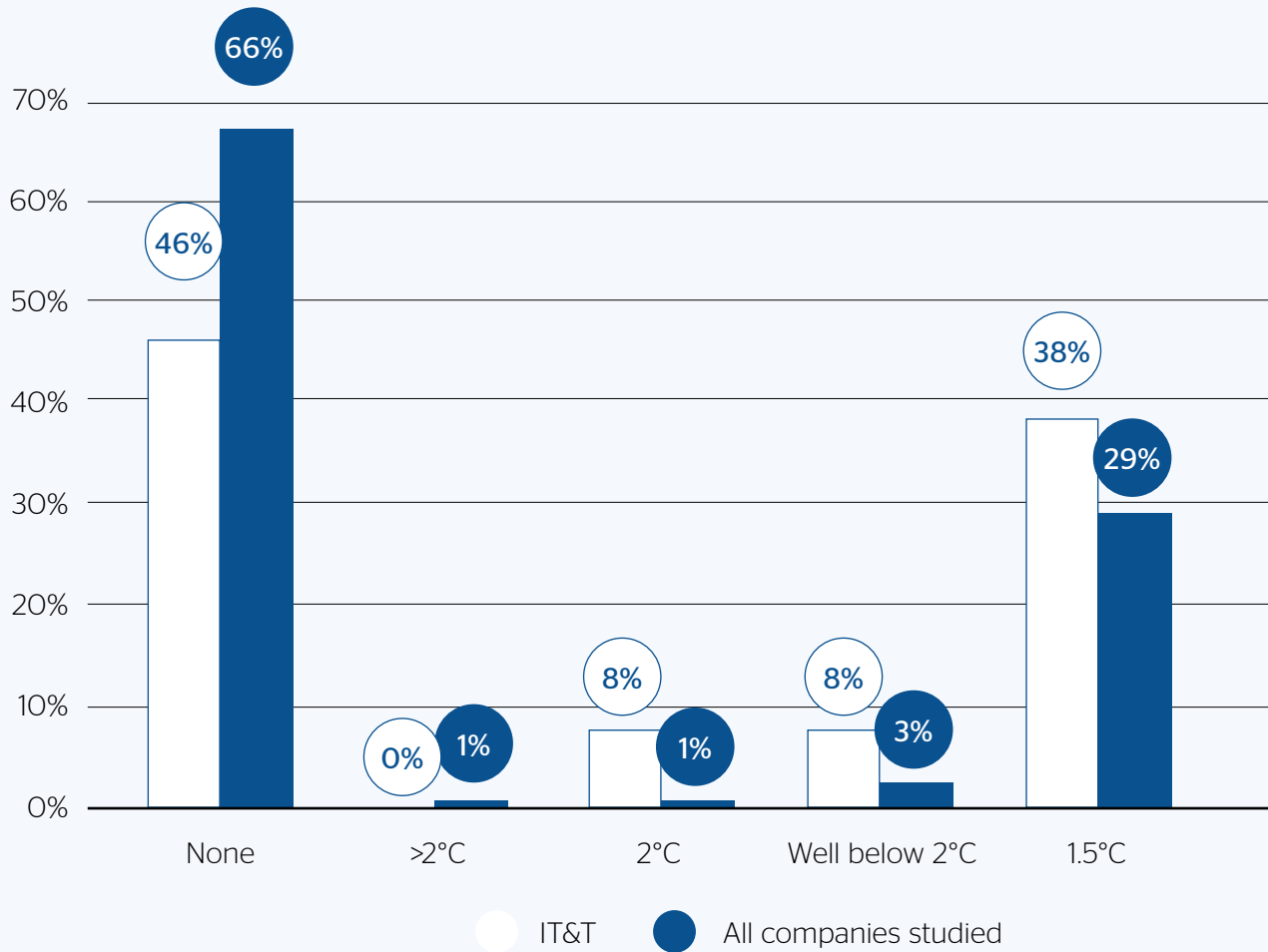
Perhaps most significant is the ability of the sector to demonstrate emissions mitigation actions across all Scopes of emissions. All IT&T companies in our study have some form of mitigation in place. For example, Microsoft is using 100% renewable energy to mitigate Scope 2 emissions and has achieved emissions reduction of more than 4.2% (1.5°C aligned). Cisco Systems also achieved science-aligned Scope 3 emissions reductions through a range of mitigating actions, such as waste reduction, supplier engagement, hybrid working and reduced power intensity of chips.

Although there has been a drop in emissions reductions, there are still some positive results compared to other sectors, despite the accelerated growth in

Achieved Scope 1 & 2 emissions reductions according to warming pathways

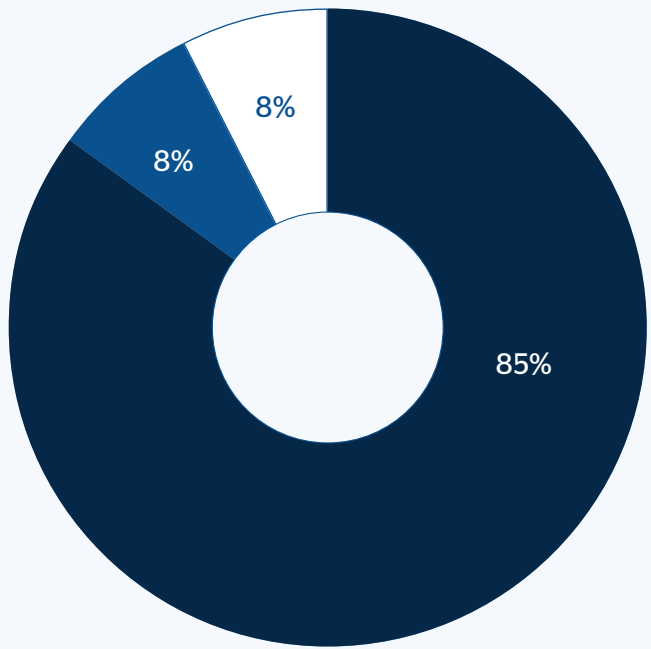


Achieved Scope 3 reductions according to warming pathways

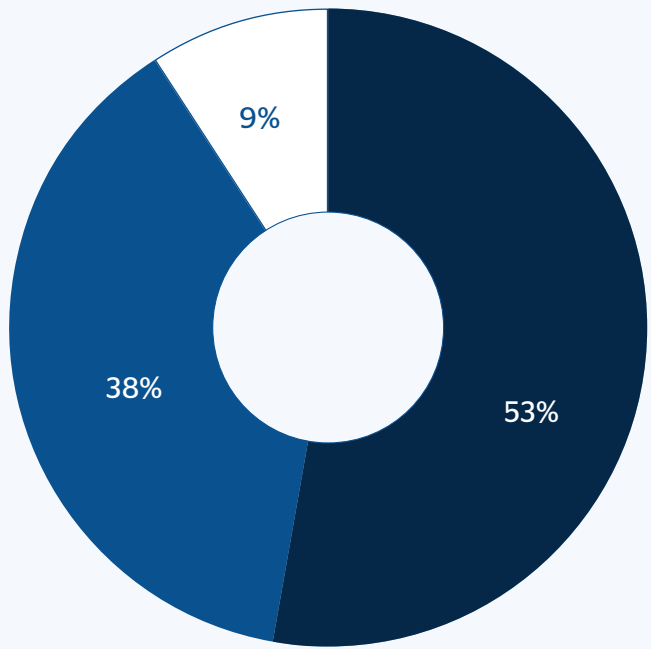


Near-term Scope 1 & 2 targets

IT&T



All companies studied



SBTi verified Other target None

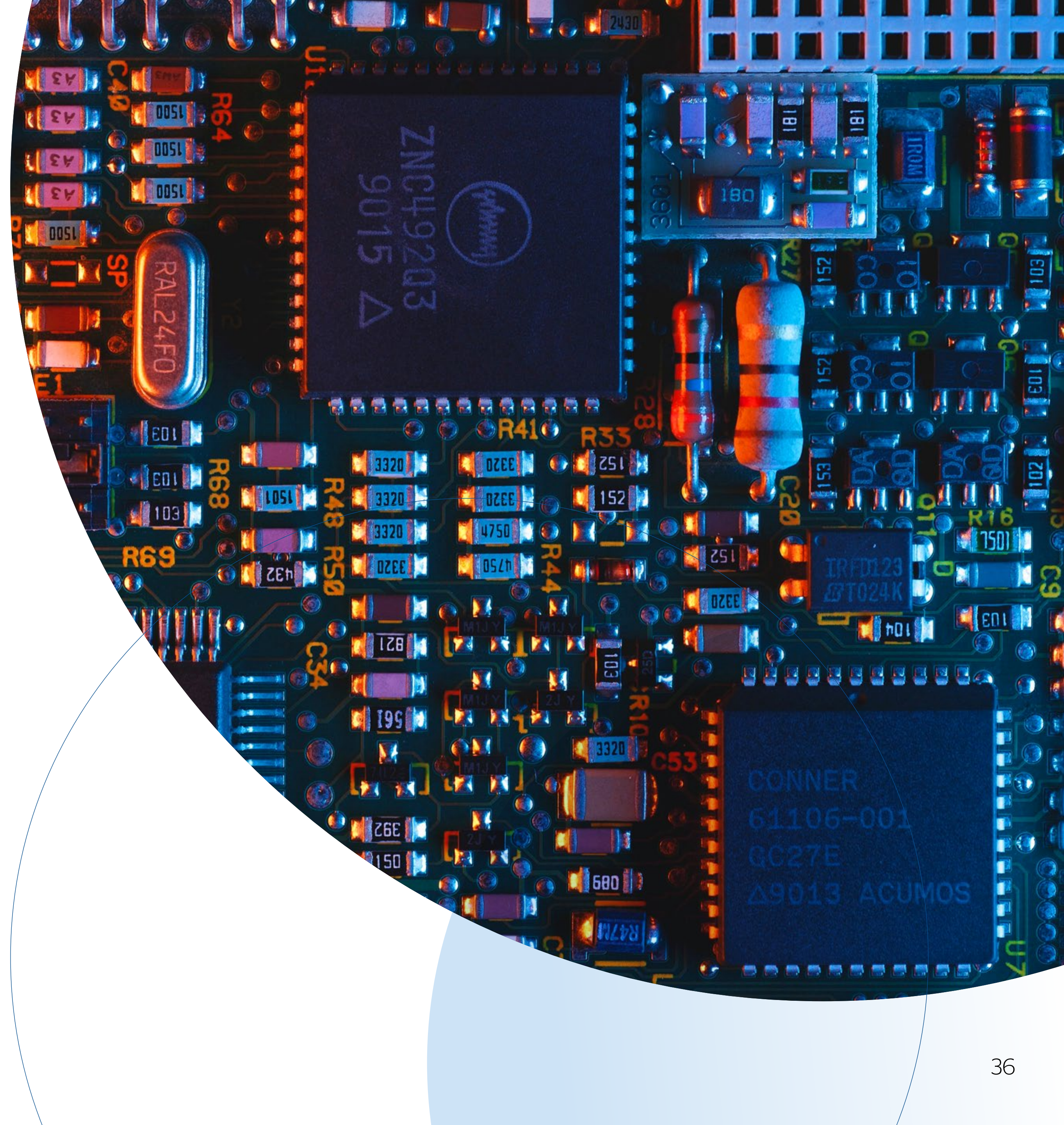


the digital sector during the pandemic and as businesses become increasingly digitised: 69% of IT&T companies achieved some form of Scope 1 & 2 reduction, compared to 50% across the group, and 54% achieved some level of Scope 3 reductions, compared to only 34% on average.

The sector appears to be making strides in terms of fulfilling its low-carbon innovation potential. For example, Apple's M1 chip is touted as the world's most powerful chip but uses much less energy to produce and use compared to previous generations of chips.

The sector demonstrates clear progress on incorporating offsetting into its climate strategy. 85% of IT&T companies have committed to offset some or all of their residual emissions compared with 57% of our IT&T research group last year. 46% are also using at least some removal offsets within their net-zero strategies; for example, Microsoft has committed through offsetting to be carbon negative by 2030 and is working towards removing the equivalent of all historical company emissions (since 1975) by 2050. Thanks in part to companies like Microsoft leading by example, this sector is quickly aligning to the SBTi's Net-Zero Standard regarding the importance of emissions "neutralisation" or removal from the atmosphere in order to reach net-zero and beyond value chain mitigation.

Digital transformation has been a key challenge for businesses for some time now, but the COVID-19 pandemic truly threw the IT&T sector into the foreground as companies, organisations, and society at large transitioned into an ecosystem where working from home became the norm. Moreover, with lockdowns and travel restrictions, populations all over the world depended on the IT&T sector to stay in touch with friends, family and loved ones while in isolation. Our findings suggest that, though there is plenty of room for improvement, the IT&T companies in our study rose to the challenge to meet demand without sacrificing their climate strategy; pushing ahead towards net-zero even as their businesses grow and evolve.





An aerial night view of London, featuring the River Thames and the illuminated dome of St. Paul's Cathedral. The image is overlaid with a semi-transparent red filter. Large, faint white circles and a series of parallel white lines are visible on the right side of the image.

# 2022 FTSE 100 report



# FTSE Top 10

	Name	Index	Score
1	<b>GSK</b>	Biopharmaceuticals	71.5%
2	<b>Burberry Group</b>	Apparel and Accessory Goods and Retail	68.6%
3	<b>Landsec</b>	Real Estate	67.9%
4	<b>AstraZeneca</b>	Biopharmaceuticals	67.0%
5	<b>WPP</b>	Media and Publishing Services	64.4%
6	<b>Unilever</b>	Personal Care and Cleaning Products	63.9%
7	<b>Schroders</b>	Banks, Financial Services and Investment Services	60.5%
7	<b>Informa</b>	Media and Publishing	60.5%
9	<b>Vodafone Group</b>	Information Technology and Telecommunications	60.2%
10	<b>ITV</b>	Media and Publishing Services	59.7%



Our FTSE 100 Top 10 represents the highest scoring companies for climate reporting and performance among the UK's most highly capitalised blue-chip companies listed on the London Stock Exchange.

This year the average score is 64.4%. This compares to 76.6% in 2021 and 83.2% in 2020. In the highest 10 performers in our international research the average is 72.1%.

Our updated methodology rewards best practice and achievement. However, the view from the top suggests that FTSE companies are not keeping pace with the rapidly rising best practice reflected in our evolved scoring criteria.

Across all 100 companies, the average score this year is 43% with individual scores ranging from 0% up to our highest performers. This wide performance gap shows that even in 2022, climate-related disclosures and action on climate are still far from standard for the UK's largest companies.

The UK Climate Change Committee (CCC) reported that UK emissions grew 4% in 2021 compared with 2020 as the economy recovered from COVID-19<sup>1</sup>. As emissions reductions are given additional weight this year, this emissions bounce-back is also impacting climate progress.

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<sup>1</sup> <https://www.theccc.org.uk/publication/2022-progress-report-to-parliament/#key-messages>





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# The Top Three



## GSK

This multinational pharmaceutical and biotechnology company has a net-zero target of 2030 backed up by a 1.5°C aligned transition plan. The company acknowledges that improving the environmental sustainability of its business makes its more resilient to enable it to continue delivering products to its clients<sup>2</sup>. Consequently, it demonstrates strong performance against climate reporting best practices including reporting all Scope 3 emissions categories; use of an internal carbon price and undertaking CSA to inform its business plan. Notably, it achieved 1.5°C aligned reductions across all Scopes of its emissions in 2021.

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<sup>2</sup> <https://www.gsk.com/en-gb/responsibility/environmental-sustainability/>

## BURBERRY

### Burberry Group

British luxury fashion house, Burberry, has rapidly climbed our FTSE 100 ranking over the past few years demonstrating increasingly high performance in climate-related reporting. It is one of the few companies across our entire study with a long-term Scope 3 emissions reduction target (90% by 2040) which is verified by the SBTi. The company aims to be “climate positive by 2040” with a commitment to steep emissions reductions and through the Burberry Regeneration Fund. The Fund is investing in quality carbon projects which focus on important environmental and social benefits such as regenerative agriculture and ending deforestation. Its net-zero roadmap sets a number of KPIs for which it can demonstrate Executive Committee accountability. .



### Landsec

As the first commercial real estate company in the world to have a validated SBT, Landsec’s aim is to lead its sector in climate sustainability. The company reports on all relevant Scope 3 emissions, has an internal carbon price and uses 100% renewable electricity to power its operations. All its core construction materials have responsible sourcing certification and it aims to minimise embodied carbon in its construction. It is committed to achieving net-zero by 2030 and to offset all emissions in future. It achieved emissions reductions across all Scopes of its emissions last year.



# FTSE 100: Key trends

In 2021, the UK hosted COP26 in Glasgow. Following a year's postponement due to COVID-19, it was the most highly anticipated climate summit to date. It was billed as critical for securing meaningful commitments to limit global heating.

The nation rallied behind it. The UK was keen to demonstrate its leadership credentials. Ahead of the conference, COP26 President-Designate Alok Sharma stood in front of Whitelee Wind Farm in Scotland and described the UK as “a beacon of green growth”, telling the world that “this is our moment. There are no second chances. So please let’s pick the planet”<sup>3</sup>

Our 2021 research, published just before the conference revealed that 66% of the UK’s largest companies were committed to net-zero. COP26 inspired the British corporate community, with many more signing up to the UN Race to Zero campaign during the event.<sup>4</sup>

The commercial case for net-zero was also made, with reports stating that what’s good for the planet could also be good for British business. According to McKinsey, supplying goods and services to enable the global net-zero transition could be worth £1 trillion to UK businesses by 2030.<sup>5</sup>

But are the UK’s largest corporations living up to the role of climate leadership, and how prepared are they to capitalise on green growth opportunities? Indeed, over the course of the last year, did they pick the planet?

## Key trends

Certainly, over the past year, FTSE 100 commitments to net-zero have continued to rise from 66% to 75% (with 9 targeting net-zero before 2040). This clearly demonstrates a growing commitment to climate from British business. The measure for TCFD alignment has also continued to rise year-on-year with 96% of FTSE 100 companies now aligned. However, this is to be expected given the mandatory requirement for certain large public and private companies and limited liability partnerships (LLPs) to disclose climate-related financial information since April this year. This clearly demonstrates that where the government shows proactivity, British business will follow.

Last year we warned that despite rising commitments to net-zero, few companies could demonstrate a clear and robust strategy – particularly one aligned to science and inclusive of long-term emissions reductions targets. Similarly, the UK Climate Change Committee (CCC) recently described the government’s own Net-Zero Strategy as containing “warm words on the wider enablers of the transition, but little progress”.<sup>6</sup>

For net-zero commitments to have any substance, deep decarbonisation must be an integral part of a strategy to achieve the goal of limiting global heating to 1.5°C.

<sup>3</sup> <https://www.gov.uk/government/speeches/pick-the-planet>

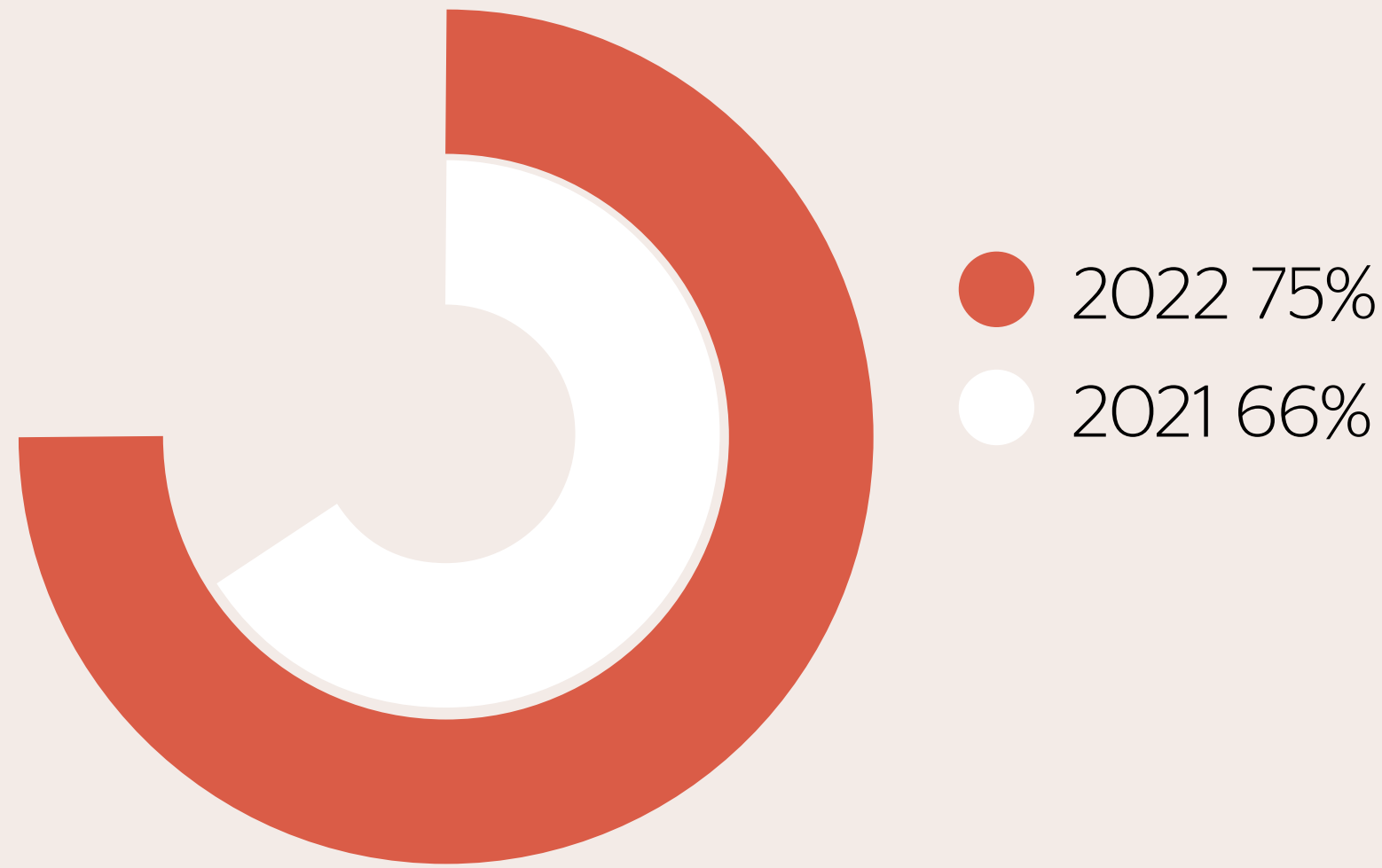
<sup>4</sup> <https://www.gov.uk/government/news/cop26-sees-uk-businesses-lead-the-world-in-climate-change-commitments#:~:text=At%20COP26%20and%20beyond%2C%20the,travel%2C%20and%20become%20landfill%20free.>

<sup>5</sup> <https://www.mckinsey.com/business-functions/sustainability/our-insights/opportunities-for-uk-businesses-in-the-net-zero-transition>

<sup>6</sup> <https://www.theccc.org.uk/2022/06/29/current-programmes-will-not-deliver-net-zero/>



FTSE 100 commitments to net-zero

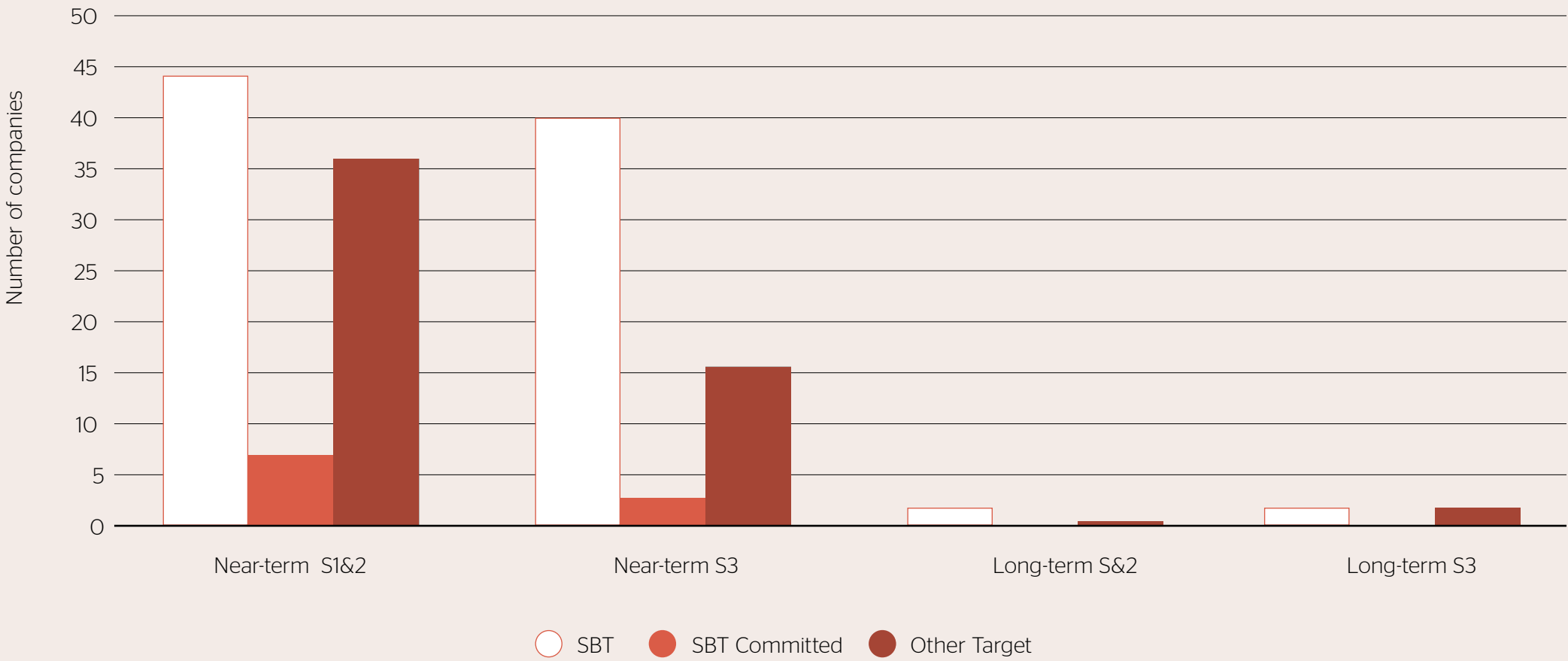


This year, we see some progress. The research reveals that 87 companies in the FTSE 100 have a near-term Scope 1 & 2 target. The majority (86%) of these are aligned with a 1.5°C trajectory and around half are SBTi-validated. By contrast, 59 have a near-term Scope 3 target, 40 of which are SBTi-verified which is promising.

To demonstrate the value of such targets, Landsec prides itself as the world’s first commercial real estate company to have a carbon emissions target approved by the SBTi and then the first to align it to 1.5°C. The company clearly sees climate leadership as a positive for its business and is managing to walk the walk on its climate ambition. In 2021/22 it reduced operational carbon emissions by 52% and energy intensity by 34%. Although some of the reductions are equated to continued lower utilisation in 2021, it is implementing a range of energy saving projects across its portfolio. It has also pledged a £135 million net-zero transition investment plan which includes solar PV deployment across retail centres, Building Management System (BMS) optimisation, advanced AI technology and lighting upgrades to improve building efficiency, air source heat pumps in buildings and customer engagement programmes to collaborate on energy efficiency.

Unfortunately, nearly all FTSE 100 companies lack long-term targets; 97% across Scope 1 & 2 and 96% for Scope 3. This suggests that companies have not yet aligned with the SBTi Standard, though perhaps unsurprising given it was only published during the year being reported on. The majority of net-zero targets still do not consider a long-term plan for decarbonising in order to reach the net-zero objective. AstraZeneca (FTSE rank 4), however, leads with best practice. It has SBTi-verified 1.5°C-aligned near and long-term targets for Scopes 1, 2 and 3, as well as a 2045 net-zero target.

FTSE 100 emissions reductions targets





In terms of Scope 3, we do see progress. While only 34% of FTSE 100 companies could demonstrate any Scope 3 target in 2021, this year's 60% is clearly a significant improvement. Calculating Scope 3 emissions is now fairly standard among FTSE 100 companies (73%), however only 14% are reporting all relevant emissions categories for their sector.

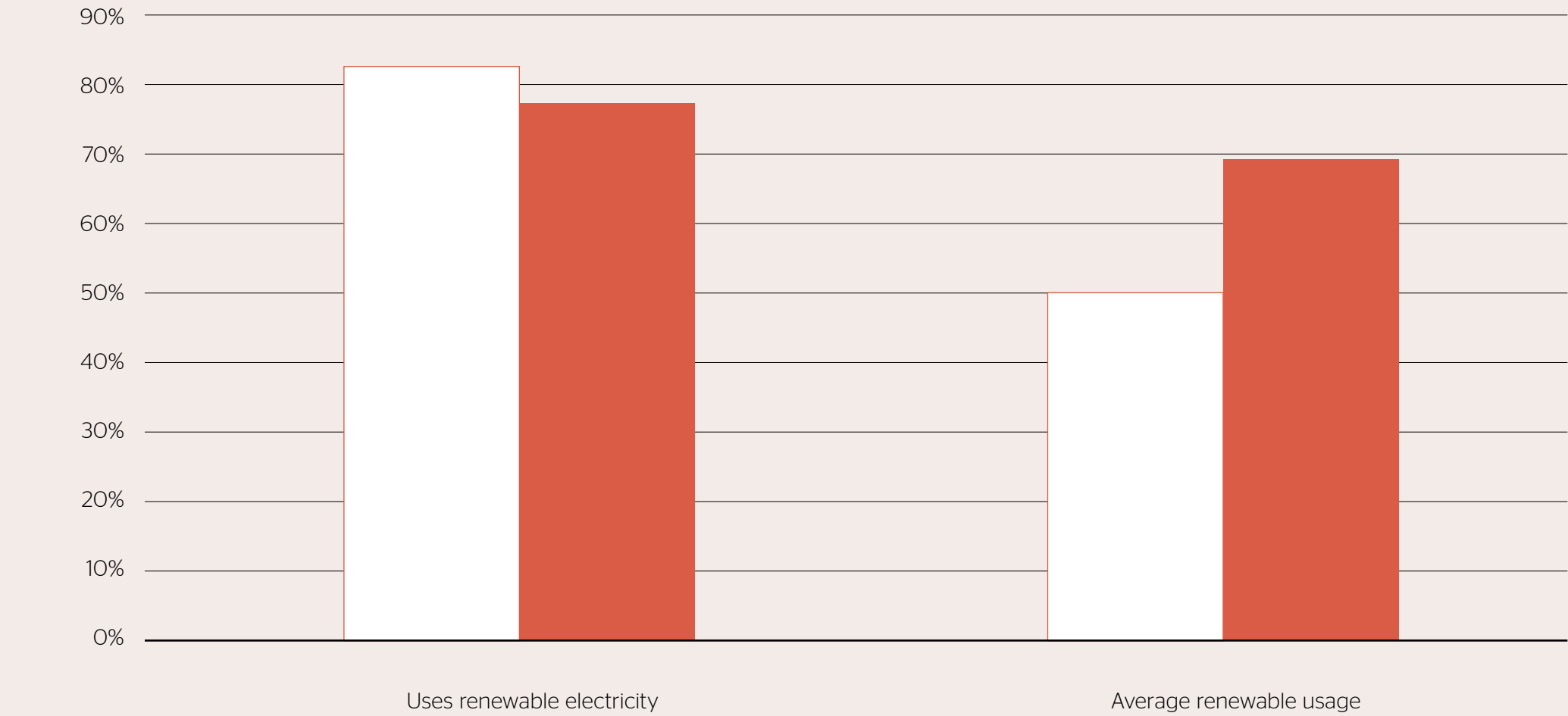
Clothing company, Next, achieved the full points available for Measurement & Reporting, including for Scope 3. By measuring these emissions, the company has recognised the impact of production which generally accounts for 70% of its products' environmental footprint and has developed a robust Responsible Sourcing Strategy to reduce emissions. This includes material-specific and production-specific roadmaps for the procurement of raw materials (including timber, leather, cotton and chemicals).

Following the release of the TCFD recommendations, our research has seen ongoing progress in governance on climate change, but we see a mixed bag of results, particularly as we have made the methodology stricter in some areas.

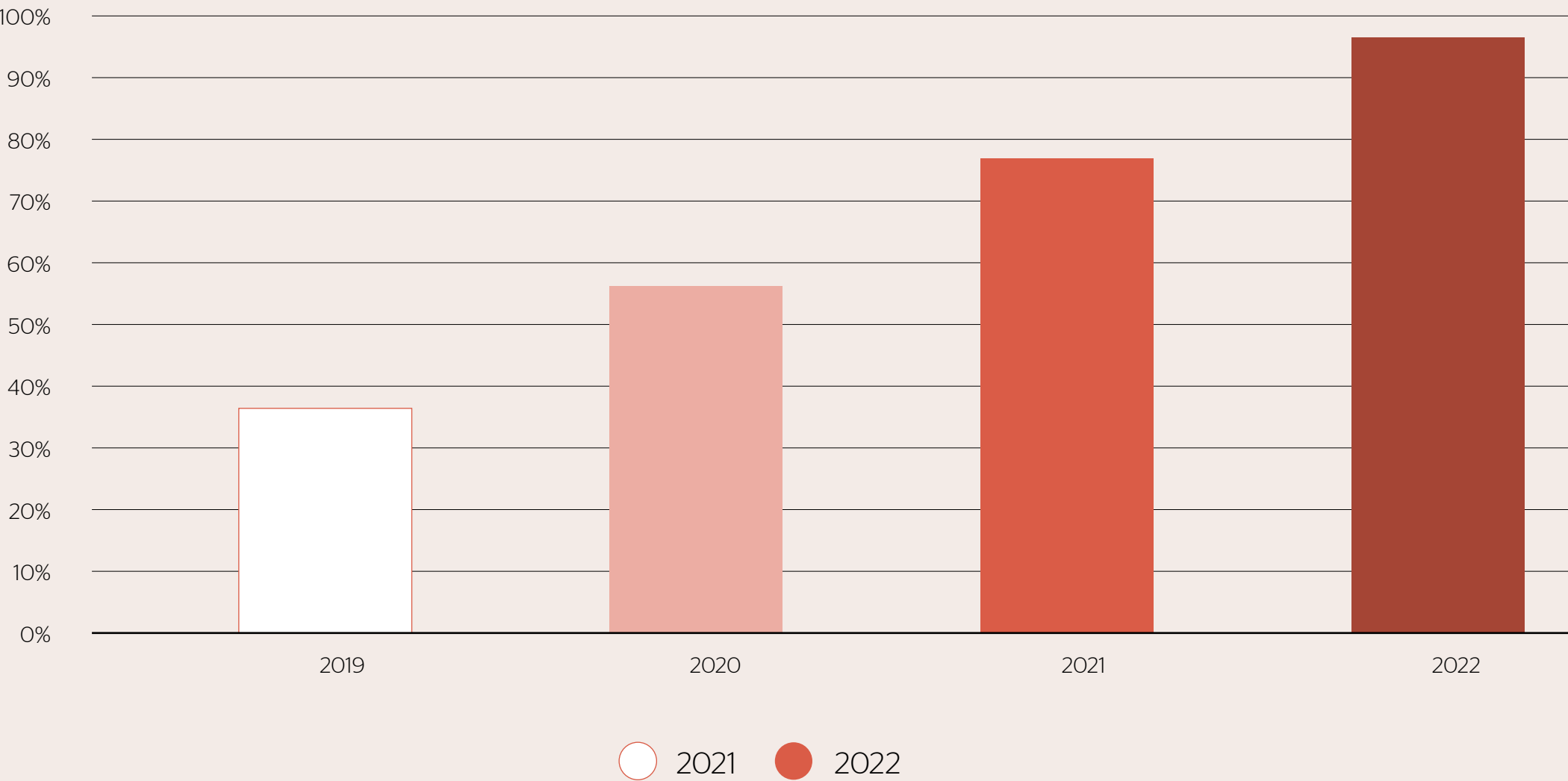
This year, more companies are providing financial incentives for upper management for sustainability progress - growing to 76% of companies, up from 67% last year. Additionally, 97% of companies are reporting climate risks (up from 93% last year). More than half have undertaken a full CSA (55%) covering more than two climate scenarios but in total 83% have done some form of CSA and 10 of the remaining intend to in the next two years. This is strong progress compared to other geographies in our research.

As noted in our international analysis, FTSE investment company, abrdn has produced one of the most in-depth CSAs of all companies in this year's research.

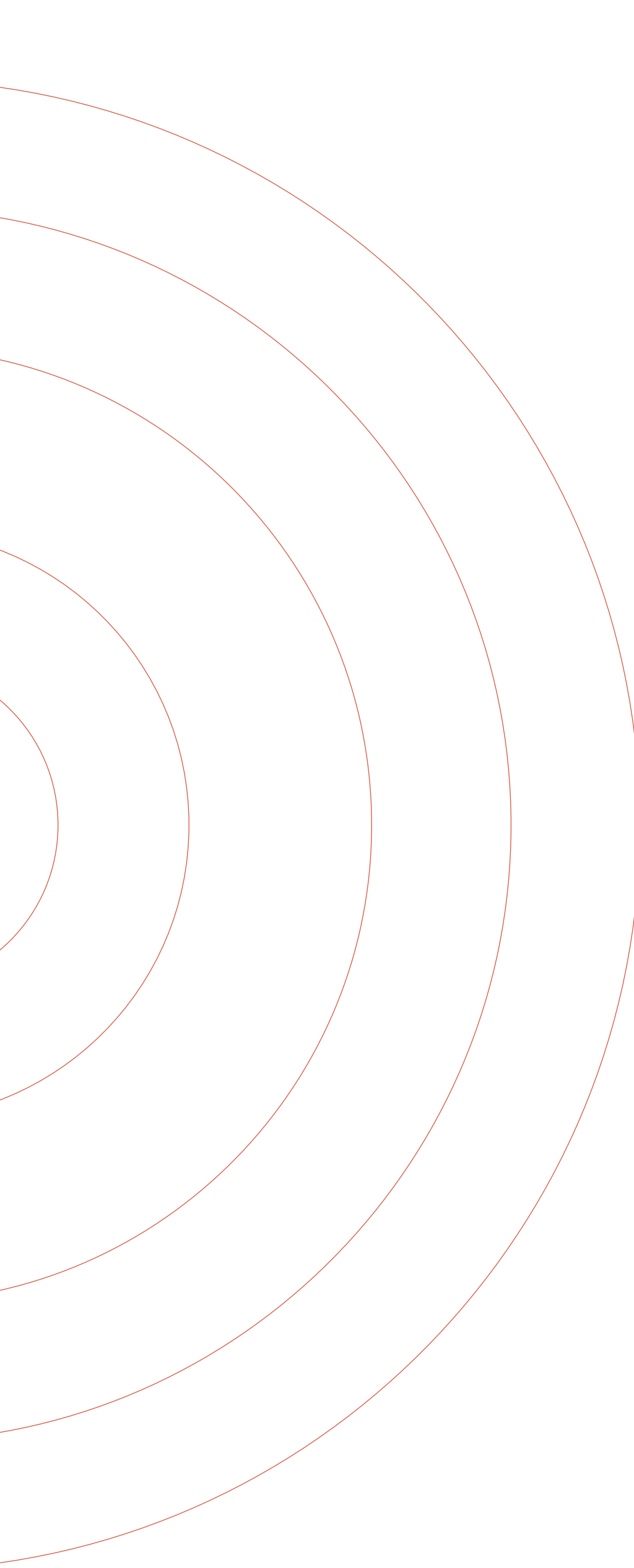
FTSE 100 renewable electricity usage



FTSE 100 TCFD alignment







However, this year we note a reduction in the number of FTSE 100 companies both assessing and mitigating physical and transition risks from 65% last year to 59% this year.

Our research uses information from CDP submissions to fill in gaps in information. However, this year points have only been awarded for governance measures if there is clear evidence within a company's wider climate disclosures that these actions are taking place. This is to ensure we continue to award transparency and not award companies for paying lip service only to certain elements of best practice.

This has impacted some other measures. For example, only 15% of FTSE 100 companies have set an internal carbon price (down from 32% last year). This is an ambitious measure that incentivises business departments to reduce carbon emissions further and drive change. Few companies in our international research are pricing carbon and it is noted that some gaps in strong corporate governance need to be closed to drive the change businesses are pledging.

As the UK braces itself for the impacts of the latest rises in energy costs, the transition to renewable energy is increasingly urgent. 77% of FTSE 100 companies currently use some level of renewable electricity. However, on average this covers just 69% of electricity consumption. It is disappointing to see a slight dip this year, rather than progression on renewables among British business, particularly given the current energy crisis. There is huge potential for UK business to drive demand for renewable electricity and improve its performance, but energy efficiency measures and reduced consumption will also be key.

Delivering on emissions reductions is undoubtedly the most important indicator of corporate climate progress and certainly a key element of our

scoring criteria. We must bear in mind again that the ongoing impacts of the COVID-19 crisis will still be affecting emissions reported for last year. Whether it is positively due to continued lockdowns, or negatively due to surges in post-pandemic recovery, there will undoubtedly be these and other contextual factors at play that our scoring methodology is unable to measure.

In 2022, 48% of companies reduced their Scope 1 & 2 emissions aligned to a 1.5°C trajectory compared with 72% last year. 38% of companies actually reported an increase in their Scope 1 & 2 emissions. 74% of FTSE 100 companies have either failed to achieve emissions reductions in Scope 3 or actually increased their emissions. Just 19% of companies managed to reduce their value chain emissions in line with a trajectory for limiting warming to 1.5C.

Just missing out on the Top 10 this year, the London Stock Exchange Group, achieved emissions reductions across all Scopes of its emissions. It uses 100% renewable electricity but also reports a reduction in office use as a factor. A reduction in business travel has also impacted a 66% reduction in emissions on the previous year. However, the company anticipates an increase in emissions from office use and business travel for the next reporting year as a consequence of post-pandemic office returns. This indicates that certain FTSE 100 emissions achievements are likely to be, at least in some part, still related to pandemic impacts in 2021.

In terms of offsetting, 28% of FTSE 100 companies purchased offsets in the last year. More companies this year have chosen to offset all residual emissions but most either focus on Scope 1 & 2 or partial Scope 3 emissions.

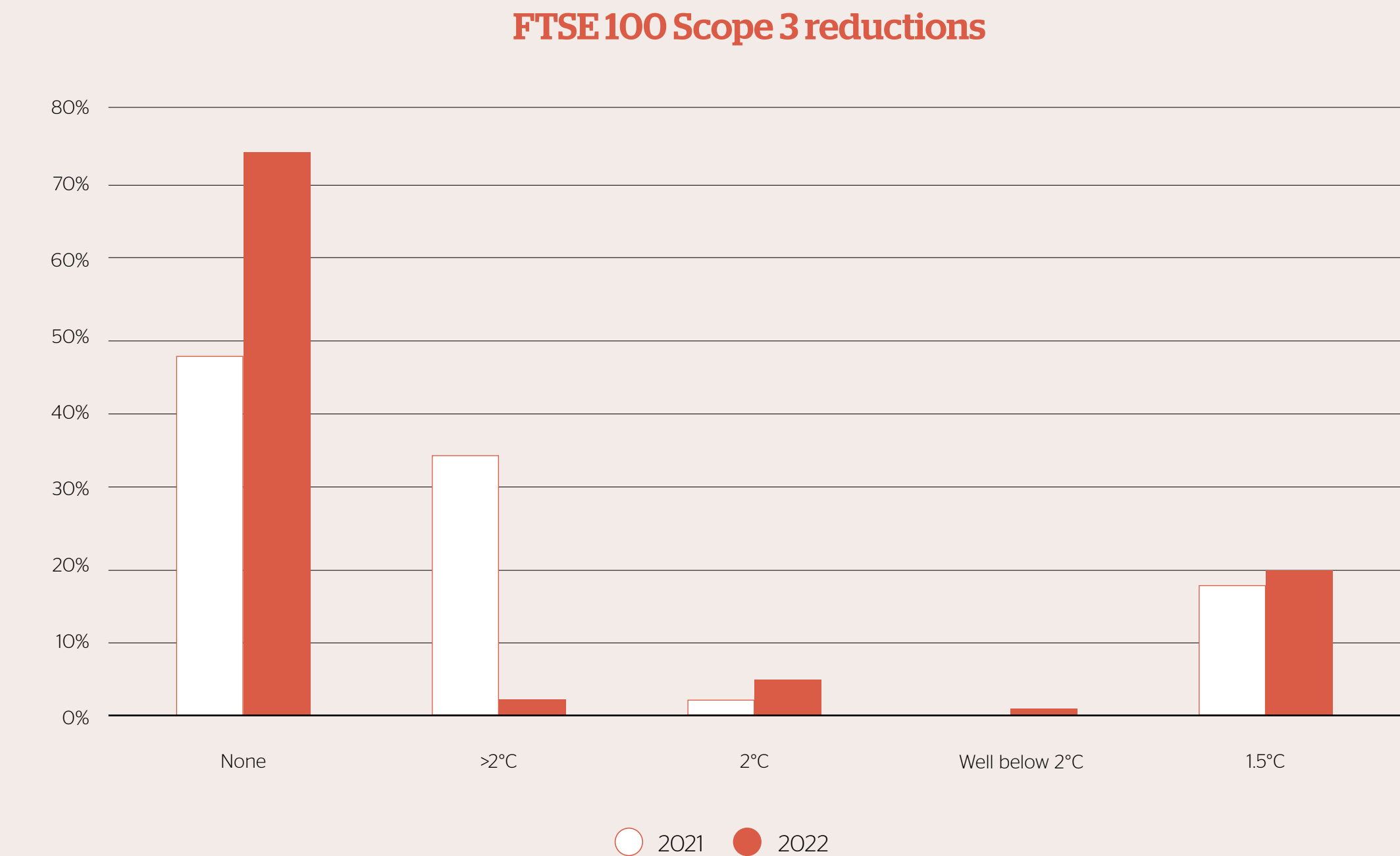
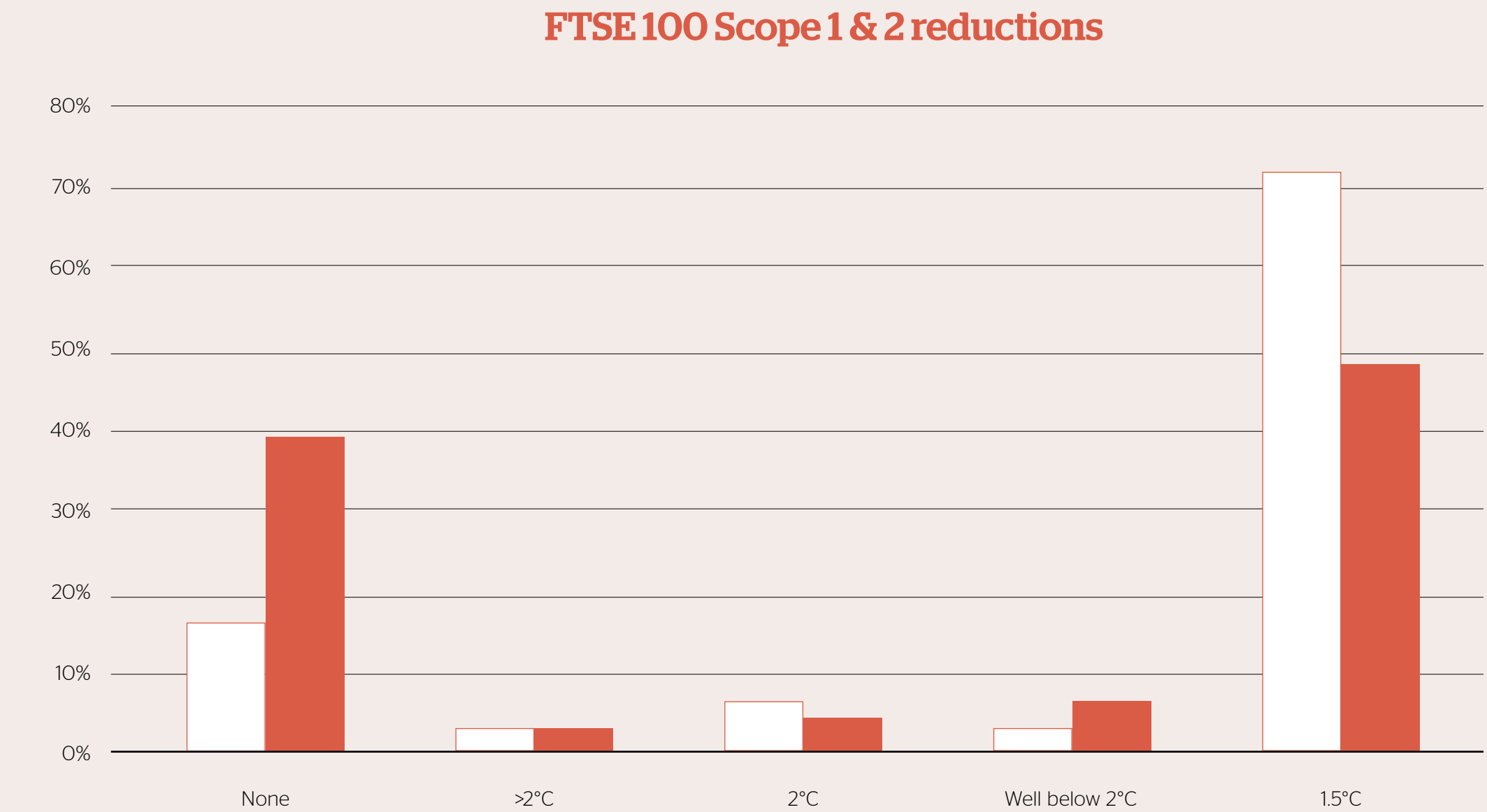
There is evidence that British business is taking advantage of the opportunities of more sustainable products and services and focusing on important innovations that will impact change. We found evidence that 74% of companies are implementing mitigation actions within Scope 1 emissions, 94% Scope 2



emissions and 93% within Scope 3 emissions. This shows, that despite the emissions picture, most companies are putting in place initiatives to tackle climate change across their value chains.

For example, climate leader, GSK, has developed a range of low carbon dry powder inhalers with a lifecycle carbon footprint around 24 times lower than a traditional propellant-based inhaler for one month’s treatment. Encouragingly, there are plenty more examples of low-carbon innovation across the FTSE 100 companies.

Overall, there are some examples of best practice in the FTSE 100 but despite Alok Sharma’s rallying call last year, UK corporates are definitely not on track to keep 1.5°C alive. And if we are not collectively able to do that, regardless of the progress on certain measures or by certain companies, the moniker of “climate leader” will ring hollow. Rapid progress on science-aligned targets and delivering decarbonisation is urgently needed by the UK’s largest and arguably, most influential, companies.





An aerial photograph of a winding asphalt road that curves through a dense forest. The trees are in various stages of autumn, with some showing bright yellow and orange foliage, while others remain green. The road has white lane markings and a metal guardrail. A large, dark, semi-transparent circular shape is overlaid on the left side of the image, containing the word 'Conclusion' in white. In the bottom right corner, there are several thin, white concentric circles.

# Conclusion



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# Conclusion

Despite progress in some areas, it is clear from the research this year that large corporates are not keeping pace with the rising bar for best practice in corporate climate reporting and performance. It must be acknowledged that the bar has risen rapidly. However, we no longer have the luxury of time.

Consequently, our report this year represents a change in tone for EcoAct. We continue to congratulate the highest performing companies and to recognise best practice, but this year our report comes with an urgent entreaty.

The corporate sector must align its strategies to scientific consensus on decarbonisation and begin delivering massive and measurable emissions reductions. In 2022, businesses are well able to tick the boxes and demonstrate some measure of best practice, but are for the most part not prepared to make the bold moves required to deliver transformational change to their organisations. This is what it will take to peak emissions within three years.

There are some year-on-year improvements to certain measures like commitments to net-zero and TCFD alignment, as well assessment of climate risk. Most in the corporate community acknowledge that climate heating is a principal risk to their organisations and are more engaged on the topic of climate than ever before, but an inability to turn this into business strategy, climate action and emissions reductions is thwarting progress.

The influence wielded by the 119 companies in this study is vast – from the products and services they sell to other businesses and consumers, to the

global supply chains they mobilise. This is why the corporate world can and must drive the transition to a low-carbon economy. We are simply seeing too few companies step up to the challenge.

There is clear evidence, however, of the potential for businesses to seize the opportunities this transition presents. Some in our research have aligned their strategies to science, some have achieved science-aligned reductions and many are innovating to create new products and services, demonstrating the possibility for competitive advantage in ambitious action on sustainability.

There are many other priorities and issues facing corporates and society at large which challenge our ability to make progress. COVID-19 was seen as an opportunity to change the way we do business, but our research suggests that efforts to recover have been focused on returning to business-as-usual, and emissions have bounced back. How the world responds to current global challenges without doubling down on carbon-heavy practices – particularly around energy production – will undoubtedly impact the coming years of this report, as well as the climate outcomes for this and future generations.





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# Methodology

## Sources of information

Our research is based on publicly available information readily accessible to any interested third party. Company scores are established following evaluation of the latest annual or sustainability reports, their reference documents, and any additional information found on websites, including microsites and blogs specifically dedicated to climate or energy. We strongly believe that for companies to be transparent in managing their carbon emissions and environmental impacts, it is important that any member of the general public has access to this information, and it is provided in a way that they can understand. The research rewards transparency and performance in terms of climate reporting and action.

## The scope of our study

The report focuses specifically on climate-related reporting, strategy and performance of the companies listed in the following international stock market indices: CAC, DAX, DOW, FTSE, FTSE MIB and IBEX. The research analyses and compares the twenty largest companies by market capitalisation in each index. (Three supplementary full index analyses are also available in their relevant regional languages: FTSE 100, FTSE MIB 40 and IBEX 35. These separate analyses follow the same scoring criteria and deliver their own separate rankings.)

These 119 companies are spread across 27 different sectors (modelled on the FactSet RBICS classification) and are scored against multiple criteria articulated around four broad categories:

1. Emissions measurement and reporting
2. Ambition and emissions reduction targets
3. Strategy, governance and action plan
4. Achievements

In 2022, the methodology was reviewed and updated to align with the latest climate science, specifically this year around net-zero target setting. Given the increasingly urgent need for emissions reductions, as we rapidly head towards a deadline of halving emissions by 2030, the scoring is weighted more heavily towards Ambition and Achievements (categories 2 and 4 respectively).

No large overhauls of the question set have been undertaken in order to enable comparability with previous years' findings to track progress.

To make the scoring process more efficient and data collection more accurate, the research makes use of the 2021 CDP dataset of company responses to their questionnaires. CDP's data is used to fill in any gaps found in the 2022 disclosures, particularly with regard to the assessment of the carbon footprint and calculating any achieved emissions reduction.





We summarise the criteria by category in more detail below:

### **Measurement and reporting:**

This section looks at the rigour and completeness of reporting, focusing on the disclosure of carbon data and calculation methodology. We look for disclosure of all direct and indirect carbon emissions material to the business. Scores account for the exhaustiveness of the reporting parameter, and all Scope 3 emissions categories are screened. A sector-specific weighting is applied to the assessment which accounts for the varying distribution of emissions across all three Scopes for different sectors. This is to assess whether the most material emissions are being adequately disclosed and reduced, and to ensure fairness in scoring outcomes.

The reporting of carbon emissions data over several years is rewarded, as is external third-party audit and verification of carbon data.

### **Ambition and emission reduction targets**

The purpose of this category is to analyse whether companies have set net-zero commitments and GHG emissions reduction targets and their level of ambition. This section has been updated to further align with the latest best practice for target setting, aligning in particular to the new Net-Zero Standard from the SBTi released in October 2021.

We assess whether companies have set near- and long-term emissions reduction targets; inclusion of Scope 3 carries additional points. Best practice targets are aligned with the goal of limiting global warming to 1.5°C and the most points are awarded to those companies committing to the new standard.

With a view to rewarding credible ambition, we check whether a company appoints an independent third party whose mission it is to validate, in an

impartial manner, conformity with a reference standard (in particular the SBTi).

The research also examines commitments to carbon offsetting of residual emissions, including strategies for carbon removal, in parallel with reduction targets, as part of the pursuit of net-zero emissions.

### **Strategy, governance and action plan**

This category considers measures put in place to deliver and oversee climate objectives. It covers 14 scored indicators relating to strategic measures and drivers of organisational change.

Companies are required to provide proof of alignment to the recommendations of the TCFD. This reflects the growing expectation that companies provide climate-related financial information to their stakeholders.

We examine whether the following strategic elements have been put in place: governance dedicated to climate issues; initiatives encouraging behavioural change; and a system for assessing risks (physical and/or transition) and opportunities related to climate change.

Furthermore, we assess whether the company intends to use or currently uses CSA. The inclusion of climate risk in annual reports, the implementation of an internal carbon price, and the shift towards using 100% renewable energy are also considered best practices in this area, and as such are awarded points.

Climate risk mitigation and decarbonisation actions are analysed across the entire value chain. Finally, companies are rewarded if they quantify the emissions that were avoided as a result of the implemented actions.



## Achievements

The purpose of this section is to assess the performance of carbon reduction and offsetting actions. By looking at the achieved reduction of the corporate carbon footprint, we evaluate the effectiveness of corporate engagement and innovation strategies.

It must be noted, however, that the scoring is unable to clarify the reasons for emissions reductions, be they contextual factors or the result of corporate mitigation activities. We can only report on the level to which decarbonisation has been achieved across Scopes of emissions. Following observation that contextual factors, such as ongoing lock-downs in 2021, are still impacting some emissions, in 2022 we postponed plans to increase the weighted scoring of this category.

Our research looks for absolute reductions achieved across all the three emissions Scopes, with maximum points awarded for reduction over the full parameter and in accordance with a 1.5°C target.

In addition, any carbon offsetting carried out to neutralise and/or compensate for residual emissions provides additional points, depending on the comprehensiveness of the parameter. However, we only reward the use of carbon credits if those credits are clearly certified by recognised international or national standards.

This scoring category is critical to assessing the successes of corporate climate action, and will be increasingly important to a company's overall rating in the coming years as best practice moves from commitment to measurable action.

## The scoring

All companies are scored against 26 questions, supplemented by 6 “information only” questions aimed at refining the analysis. Each question constitutes an indicator that is associated with a specific number of points in the rating, allowing a maximum of 58.25 points. The scores are expressed in percentages (58.25 points in total resulting in a score of 100%). Each of the four main categories is weighted 16%, 33%, 30% and 21% respectively (compared to 15%, 28%, 36% and 21% in 2021).

To encourage businesses to take bold action to reduce their emissions, this weighting will continue to evolve to give more importance to reduction achievement. The unscored additional criteria spread across the four categories were introduced to allow a thorough and refined analysis with a view to future developments.

There is no perfect score and there will always be room for improvement. Our methodology will continue to evolve just as companies must continue to transform their organisations to reach net-zero and beyond.





**Now  
is the  
time for  
action.**

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# Climate action. Commercial sense.

EcoAct, an Atos company, is an international climate consultancy and project developer that supports companies to set robust science-aligned net-zero strategies and achieve their climate targets. Founded in France in 2006, the company now spans three continents with offices in Paris, London, Barcelona, New York, Montreal, Munich, Milan and Kenya.

With a team of more than 300 international climate experts, EcoAct's core purpose is to lead the way in delivering sustainable business solutions that deliver true value for both climate and client. EcoAct is a CDP Gold Partner, a founding member of ICROA, a strategic partner in the implementation of the Gold Standard for the Global Goals and reports to the UN Global Compact.

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