The Climate Reporting and Performance of the DOW 30, EURO STOXX 50 and FTSE 100

Annual Research
October 2021

ecoact
an atos company

Contents

Welcome

Welcome to the 11th edition of our annual Climate Reporting and Performance Research. For over a decade now, we have been examining how some of the largest companies in the world are acting and reporting on climate change. We are proud to announce that this is our first edition of the report as EcoAct, an Atos company.

Never has it been more important to assess corporate responses to the climate crisis. To put it into perspective, the last decade[1] was the hottest in roughly 125,000 years, continuing the upward trend of the three preceding decades and confirming "unequivocally" that human-induced climate change is not only a reality[2], but one of the biggest challenges facing humanity today. Our actions in this decade will determine the level of warming we will experience over the course of this century, and the severity of the subsequent impacts around the world.

If warming continues at pace, no corner of the world will be unaffected. In fact, the physical impacts of a changing climate are already being felt in nearly every country on earth, in many cases catastrophically. The time for action is rapidly running out, with only the next decade to divert the course of history. Scientists have sounded the alarm: this is "code red" for planet earth[3].

This report is published on the eve of COP26, possibly the most crucial and highly awaited international conference on climate change to date. International governments are set to meet in Glasgow to agree on global commitments and coordinated action to tackle climate change. What happens in Glasgow this year will impact our collective future. Countries must drastically reduce their climate and environmental impact.

We strongly believe that all organisations, and particularly large international corporates, have a critical role to play in this coordinated effort to reach our global objective of limiting global warming to 1.5°C above pre-industrial levels and achieving net zero by 2050 at the latest. After all, we need innovation, new technologies and low-carbon products and services to fuel what must be a global transformation.

Encouragingly, our research shows how net-zero commitments have rapidly swept through the corporate world in recent years and how climate-related information has become a requisite part of business reporting.

Although climate commitments are clearly vital, so too is action and achievement, so this year we have evolved our methodology to match the urgency with which we now need robust net-zero strategies and real emissions reductions in line with a 1.5°C trajectory across our full value chains.

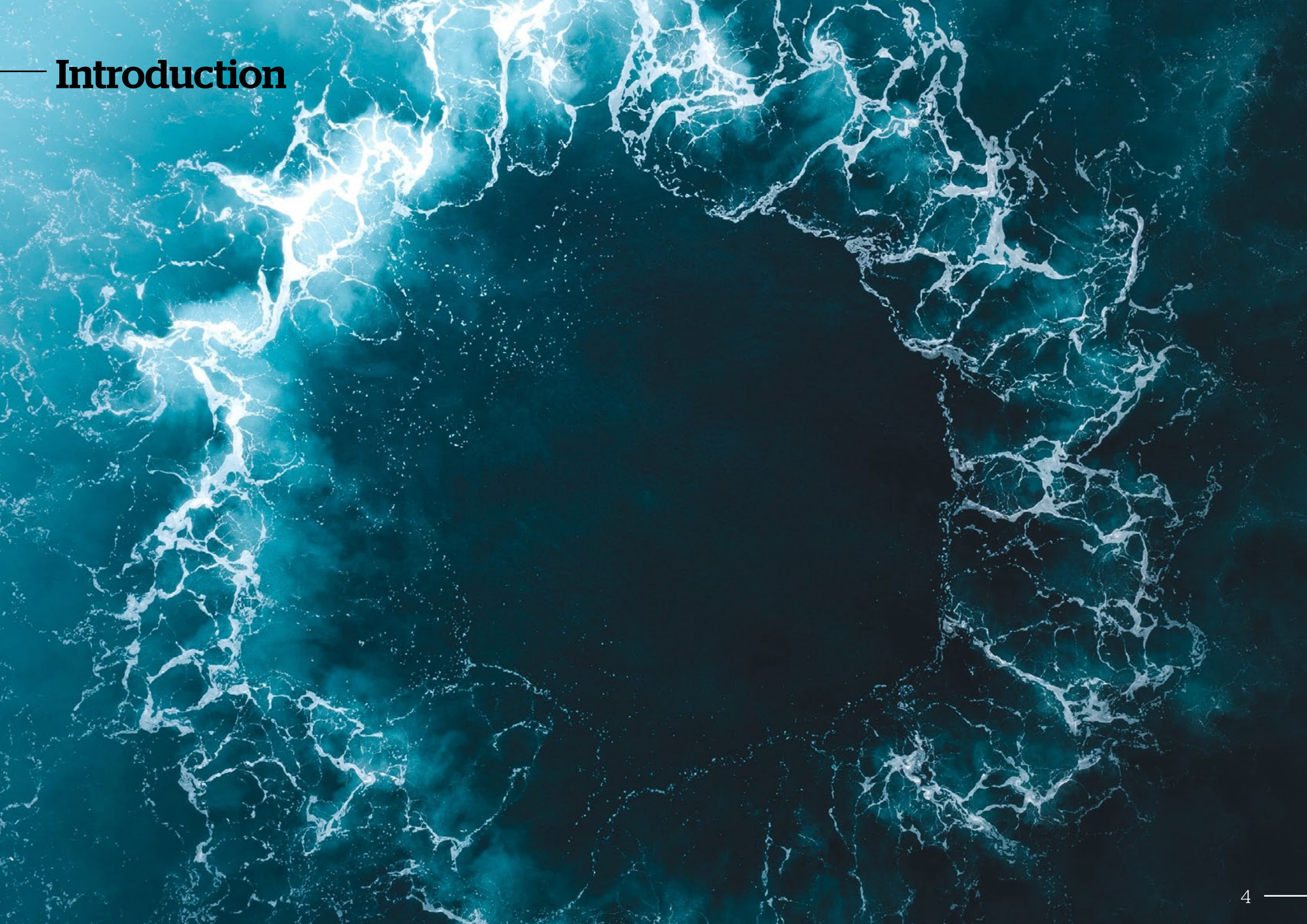
The purpose of this report is to find out if organisations are making adequate progress on this endeavour. Unfortunately, many companies are still falling short. However, by showcasing the leaders in climate action, our objective is also to demonstrate the possibilities of ambitious climate action, to show that it is possible for us to meet the climate challenge head-on.

We acknowledge that this year businesses are reporting on an unprecedented year of new challenges and perhaps for some, huge loss or growth stimulated by the COVID-19 pandemic. We acknowledge the varied impact on emissions for the companies in this report. That being said, and regardless of the difficult times, the complexity of our carbon footprints or even the outcomes of COP26, efforts to decarbonise must continue apace. We must all work together to safeguard the future of our organisations, our communities and our planet by continuing to forge ahead with the net-zero transformation.

Now is the time for action.

Gérald Maradan
& **Thierry Fornas**
Co-Founders,
EcoAct, an Atos
company

Introduction



Introduction

2021 has been defined by unprecedented extreme events. Not only are we now in our second year of the COVID-19 pandemic, we have also witnessed geopolitical changes, global unrest, and multiple extreme weather events, including an unparalleled heat wave in North America, flooding in Europe, severe rainfall in India and China, and deadly wildfires across the globe.

In August, the Intergovernmental Panel on Climate Change (IPCC) published the first part of the Sixth Assessment Report (AR6) on the scientific aspects of the climate system and climate change. The conclusions of this research are both extreme and alarming: the report confirms that human activity is indeed the cause of global warming, and that much of the damage caused by climate change is now irreversible.

The bottom line is that this decade represents our last chance to implement climate policies and strategies that meet these global challenges and help us avoid the most catastrophic physical, meteorological, and geopolitical consequences of climate change. Now more than ever is the time for urgent climate action.

With this in mind, EcoAct, an Atos company, is proud to publish the 11th edition of our annual research on the climate strategies of some of the largest publicly listed companies in the world. Our objective is to understand how these companies are tackling climate-related sustainability issues and how they communicate their goals and achievements.

As climate change becomes increasingly tangible, today more than ever, companies need to take action and to be open and transparent with their stakeholders about what those actions are. This is why our research is based primarily upon publicly available information readily accessible to any interested third party. This year we have used CDP questionnaire response data to provide the most comprehensive picture possible of corporate climate action and achievement.

In previous reports, we looked at the CAC 40, DOW 30, FTSE 100 and IBEX 35. This year, in order to broaden the international scope of our research, we scored companies in the DOW 30, Euro STOXX 50 and FTSE 100. Our analysis looks at top performers and best practices across these indices, and includes both regional and industry perspectives on climate action and reporting.

Perhaps most importantly, our report considers the impact of corporate pledges to reach net zero, how companies are defining their path to net zero and the progress they have made so far. Climate science is clear: net zero is the most robust long-term objective. We must drastically reduce greenhouse gas (GHG) emissions and reach net zero as soon as possible in order to stabilise global temperatures.

Consequently, we have revised and updated our scoring methodology to include not only climate reporting performance (with a focus on thoroughness and transparency), but also measurable climate action and achievement.

Companies are scored in response to 28 questions for a total of 61 points covering four subject areas:

- Emissions measurement & Reporting
- Ambition & Emission reduction targets
- Strategy, Governance & Action plan
- Achievements

The most recent disclosures are scored using annual integrated and corporate sustainability reports, and any additional links from company websites, including sustainability micro-sites and blogs. This year, statements made by companies as part of their 2020 response to the CDP questionnaires have also been considered to fill in any gaps, especially around carbon footprint assessment and reduction achievements.

Our research shows how companies are responding to the climate crisis, what companies can do to reduce their climate impact, and how they can contribute to the construction of a low-carbon future. It also reveals how many companies have committed to reaching net zero, and how they are tracking their progress.

We hope you find our analysis both interesting and inspiring. By highlighting innovative strategies, regulatory trends and best practices in our research, we hope to encourage corporate climate leadership and contribute to the growing global momentum around net zero.

COVID-19: This year's report is set within the ongoing context of a global pandemic which has caused extensive and unparalleled challenges for many businesses. We are aware that some of the recorded emissions reductions over the past year are pandemic-related. However, according to the Global Carbon Project[4], the pandemic-related drop in CO_2 emissions had no detectable impact on atmospheric CO_2 or climate change. Despite the pandemic, governments and businesses must continue their reduction, offsetting and sequestration efforts if we are to reach net zero by mid-century.

International Top 20

Our International Top 20 presents the highest performing companies across all indices within our study: the DOW 30, Euro STOXX 50 and FTSE 100. These high scoring companies demonstrate that corporate leadership on climate reporting and action is possible, irrespective of geography and sector.

#	COMPANY	INDEX	SCORE
1	Microsoft	DOW	92.6%
2	Apple	DOW	86.9%
3	Landsec	FTSE	83.6%
4=	Schneider Electric	STOXX	81.1%
4=	Vodafone	FTSE	81.1%
6	Kering	STOXX	79.5%
7=	BT	FTSE	78.7%
7=	SAP SE	STOXX	78.7%
9	GlaxoSmithKline	FTSE	78.3%
10	Informa	FTSE	77.9%
11	Salesforce	DOW	77.0%
12	Astrazeneca	FTSE	76.2%
13	Eni	STOXX	75.8%
14	Enel	STOXX	75.4%
15=	Philips	STOXX	74.6%
15=	L'Oréal	STOXX	74.6%
17	BMW	STOXX	73.7%
18	NatWest Group	FTSE	73.2%
19	Coca Cola Hbc	FTSE	72.9%
20=	Sanofi	STOXX	72.1%
20=	Unilever	FTSE	72.1%
20=	SSE	FTSE	72.1%
20=	Barratt Developments	FTSE	72.1%
20=	Anheuser-Busch InBev	STOXX	72.1%

Best performers across each research section

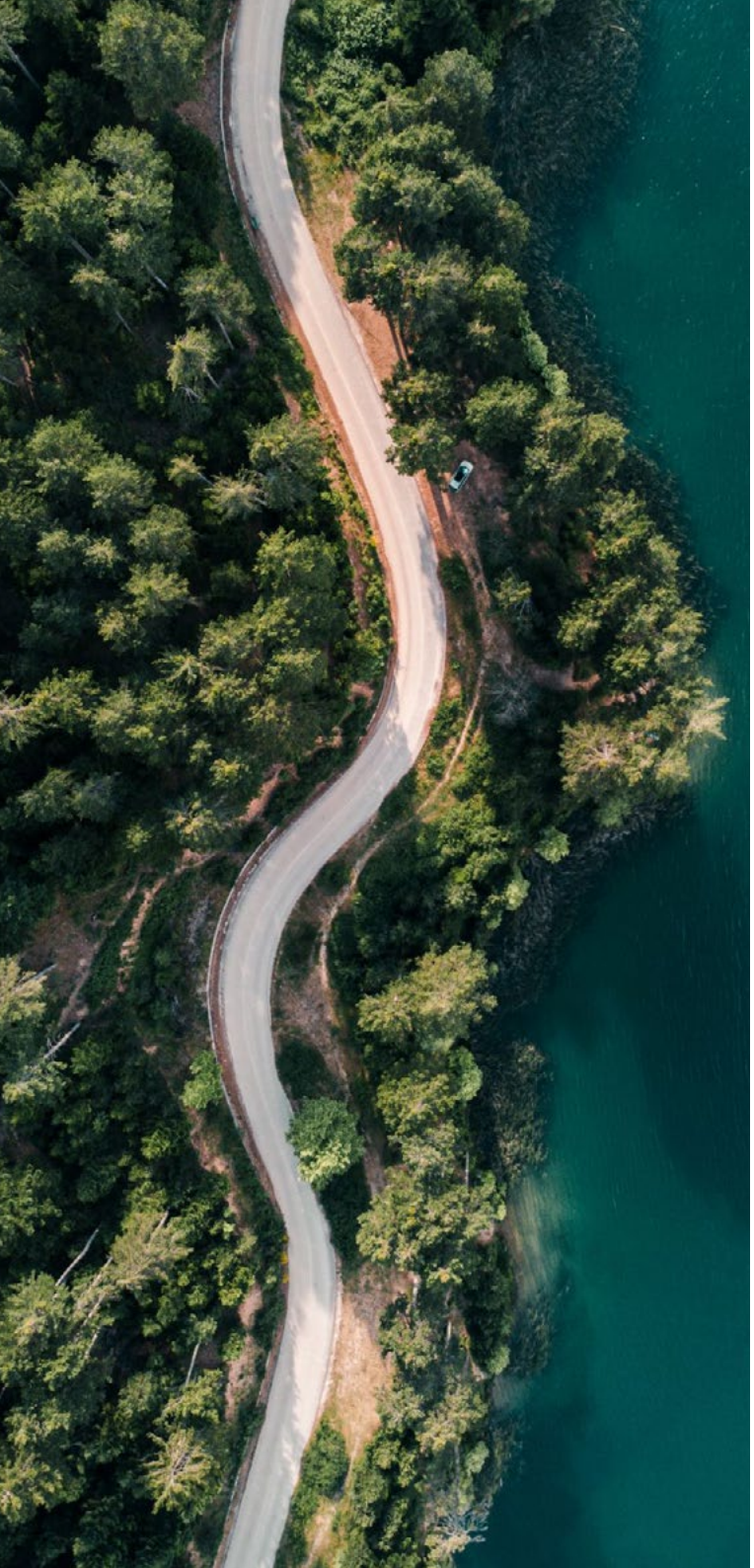
Here we present the corporate leaders according to the four broad categories of our research. These categories correspond to key aspects of best practice climate reporting, and each has a vital role to play in delivering a robust net-zero strategy.

Emissions measurement & reporting

The joint highest scorers in the Measurement and Reporting category were BT and Sanofi, both of which scored 100% of the available marks in this section. These companies have set the standard for how companies should be reporting their carbon emissions across all three Scopes, with calculations verified by a third party.

Ambition and targets

SAP SE has raised the bar for ambitious climate targets. Its verified science-based target (SBT) for 2025 aims for a 40% reduction in emissions across its total Scope 1, 2 and 3 footprint. This is aligned with an ambitious emissions reduction pathway that limits global warming to 1.5°C. Its net-zero commitment for 2023 also covers all three Scopes of emissions and is accompanied by a strong long-term carbon reduction target of 85% by 2050.



Governance, strategy & action plan

BT, Landsec, Microsoft, Procter & Gamble, Unilever and Vodafone all scored 100% of the marks available in the Governance, Strategy and Action Plan category. All are aligned to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Additionally, they have all conducted Climate Scenario Analysis (CSA) to understand the climate risks and opportunities for their business and to inform their business plan. Furthermore, all of them have reported the results of this analysis. They are all committed to using 100% renewable electricity – four already source 100% of their electricity from renewable sources – and are transparent on multiple actions to mitigate all three Scopes of their emissions.

Achievement

Allianz, Kering, Informa, Microsoft and Salesforce achieved the strongest emissions reductions and offsetting performance this year. All have achieved reductions across all three Scopes aligned to a 1.5°C warming pathway. These five companies have also all offset at least their Scope 1 and 2 emissions and some portion of their Scope 3 footprint, while three of the five have taken this further and achieved some carbon removal as part of their respective offsetting programmes.

International Data Dashboard

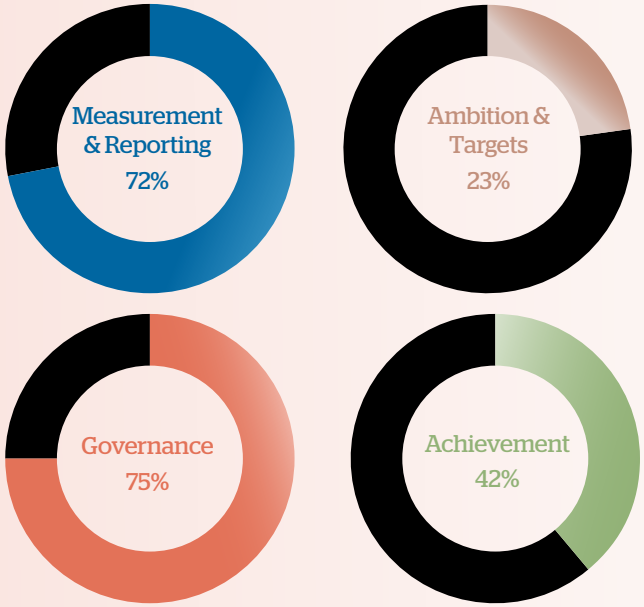
International trends

The following figures illustrate the international trends in climate-related sustainability across the DOW 30, Euro STOXX 50 and FTSE 100.

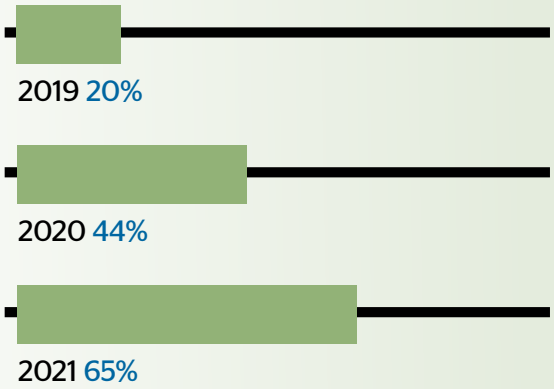
Please note, that due to the changes in the research group, year-on-year trends are not exact comparisons.

Average scores by research area

In 2021, our methodology has been updated to include a new set of climate reporting criteria under the heading 'Achievement'. This is to represent the important need to deliver action and emissions reductions. It is clear this year that while the majority of companies are performing well on measurement, reporting and governance, there is a large gap between this and the delivery of ambitious targets and real-world achievements in tackling climate change.



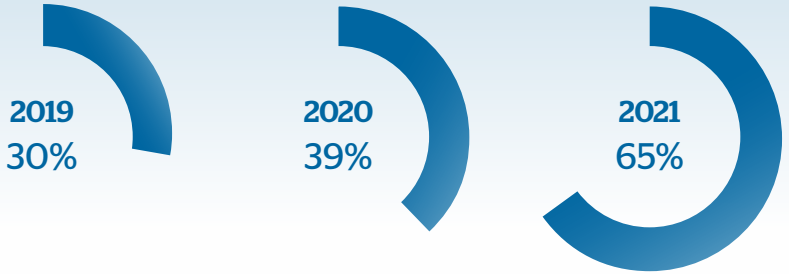
Commitment to net zero across all indices



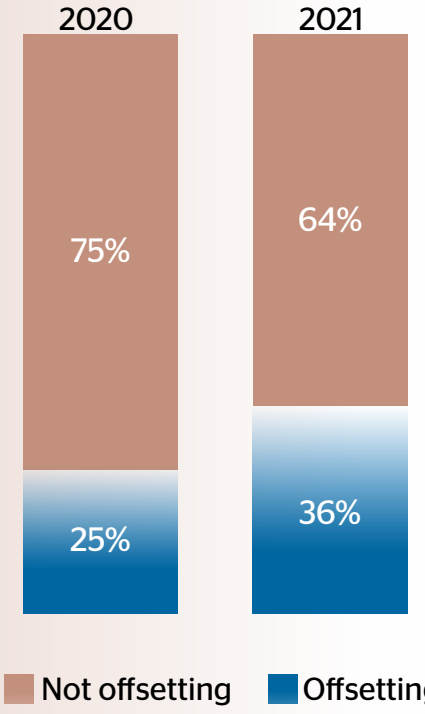
According to science, we must achieve global net zero by 2050 at the latest in order to avoid the worst impacts of climate change. For the third year running, we have recorded a marked increase in the number of corporates pledging their commitment.

Science-based target setting

SBTs are emissions reductions targets aligned with limiting warming to levels advised by science. Over the last few years, this ambition has risen from aligning to 2°C, to well-below 2°C and now 1.5°C. Our research provides the highest scores to companies aligned with the most ambitious trajectory. Encouragingly, we continue to see year-on-year increases in the number of companies committing to SBTs although only 39% include Scope 3 emissions.

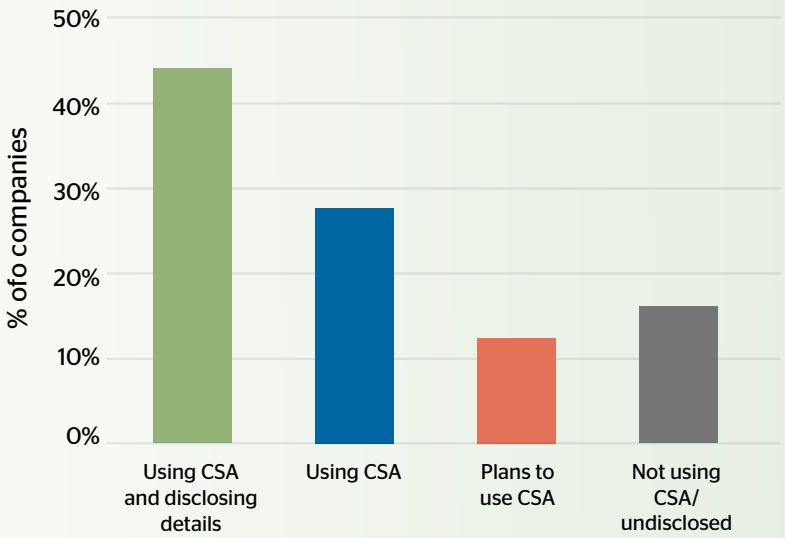


Voluntary carbon offsetting



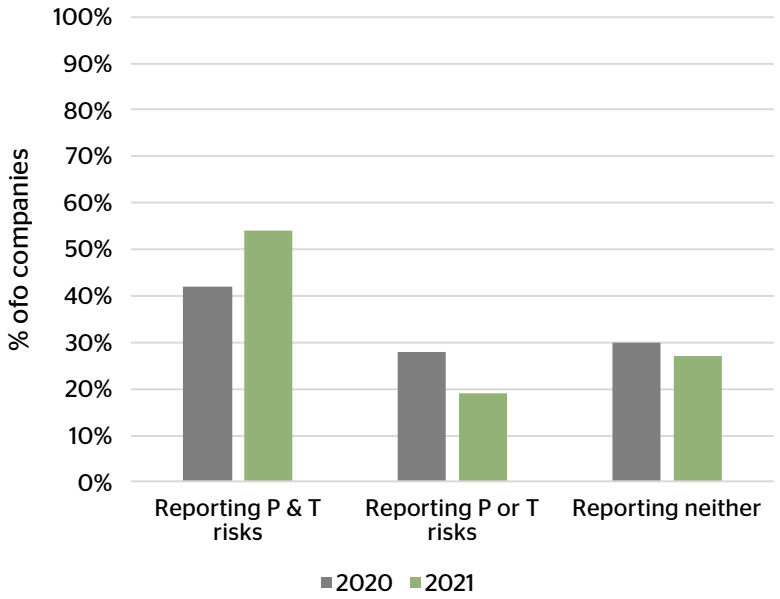
International trends

Companies using CSA to guide their climate strategy



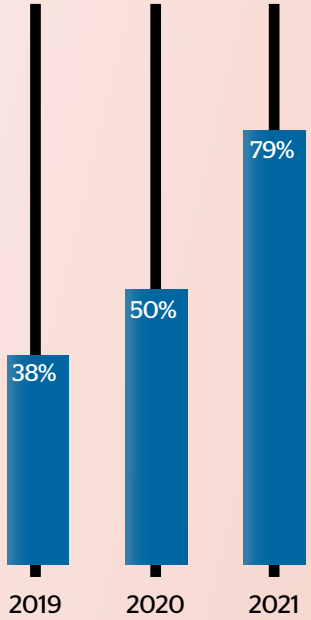
Climate reporting should not be a siloed activity, it is now best practice that companies are disclosing both the physical impacts and the transitional risks (such as legislative changes, shifting markets, reputational risks) of climate change in their Annual Reports. They should also be assessing these risks against varying potential future climate outcomes via Climate Scenario Analysis (CSA).

Companies reporting physical and/or transition risks within the principle risks section of their annual report

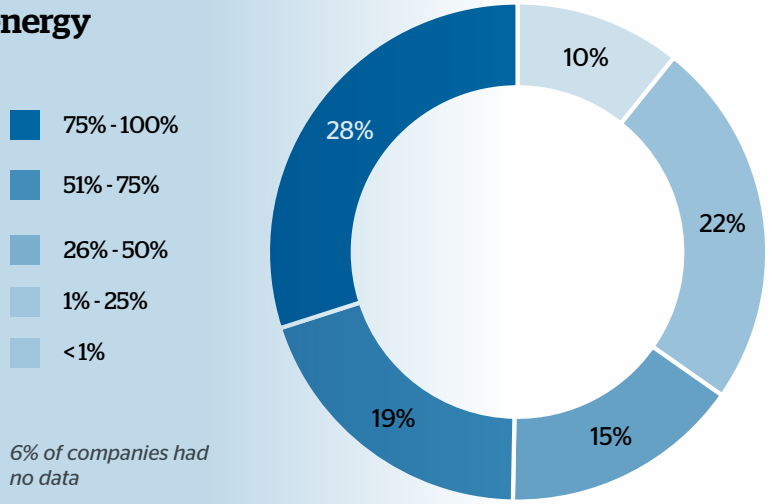


Companies aligned to the TCFD recommendations

The TCFD is designed to guide businesses towards the disclosure of decision-useful information for investors in relation to the climate risks and opportunities facing an organisation. The last three years have witnessed a rapid rise in companies aligning their reporting, demonstrating the powerful driver of the investment community on corporate climate transparency.



Use of renewable energy

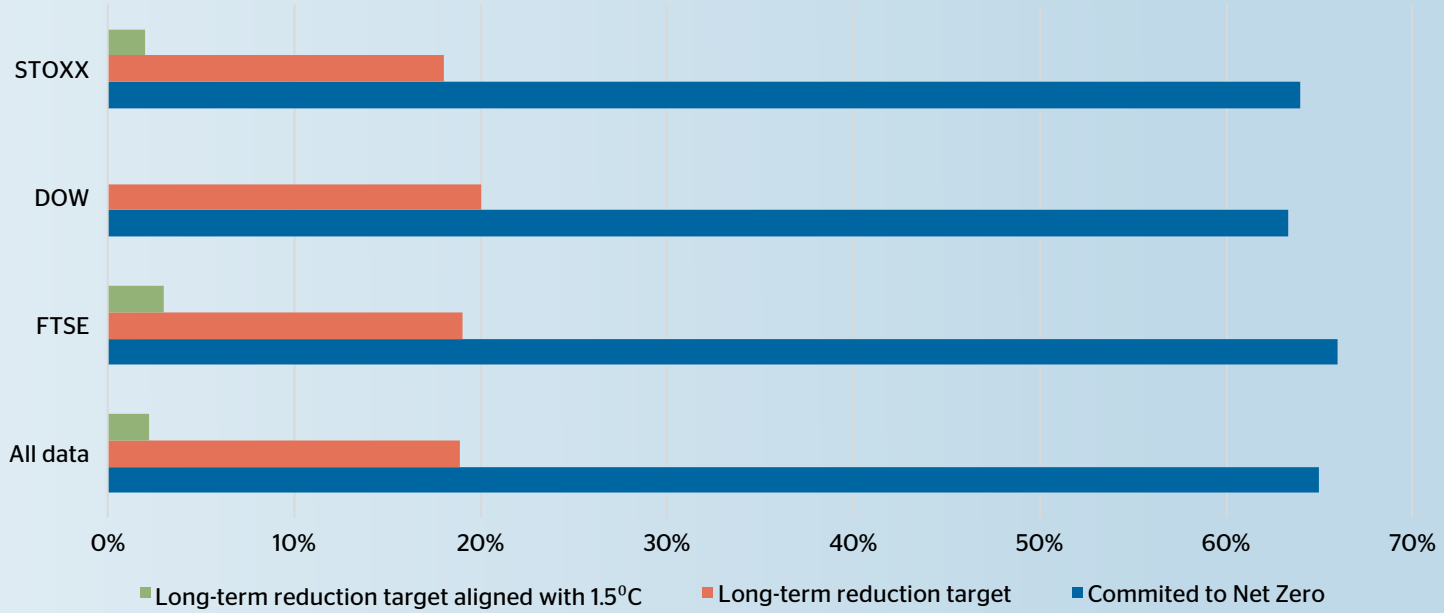


6% of companies had no data

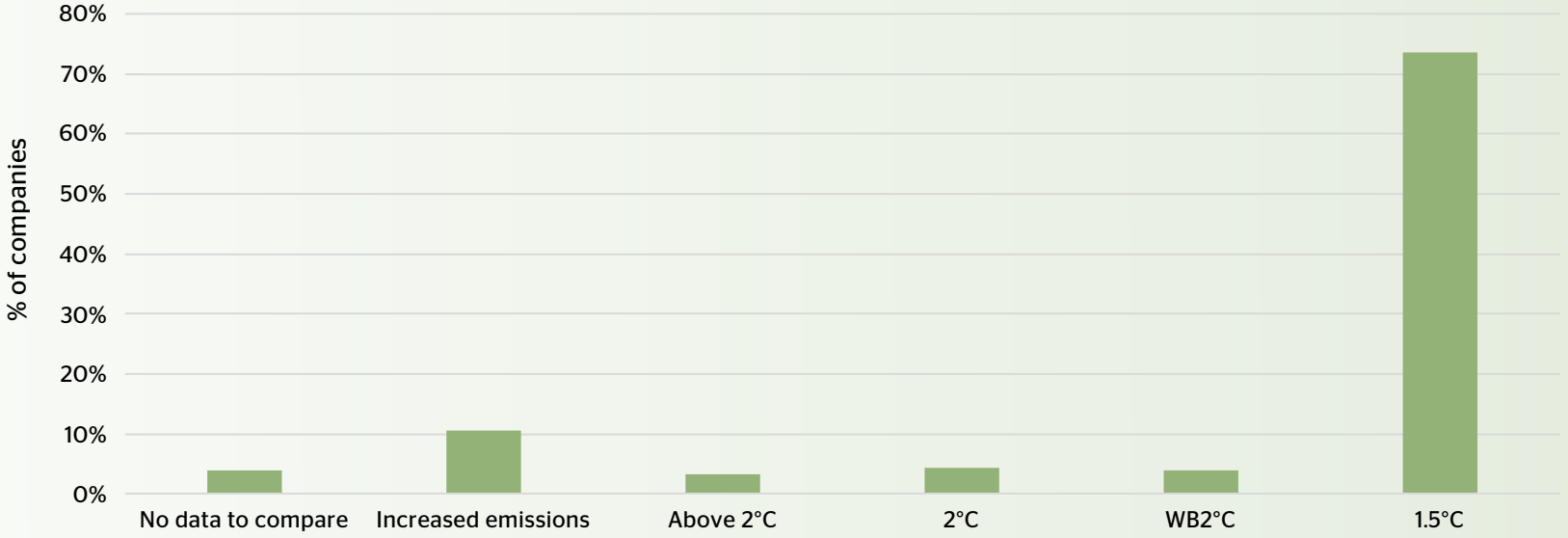
International trends

Commitment and targets for net zero

SBTs cover emissions reduction targets for the short – medium term. However, net zero is a long-term commitment and therefore a robust net-zero strategy will have a long-term emissions reduction target, as well as a target for offsetting residual emissions to achieve net zero. Few companies are able to demonstrate a clear long-term plan for reaching net zero.

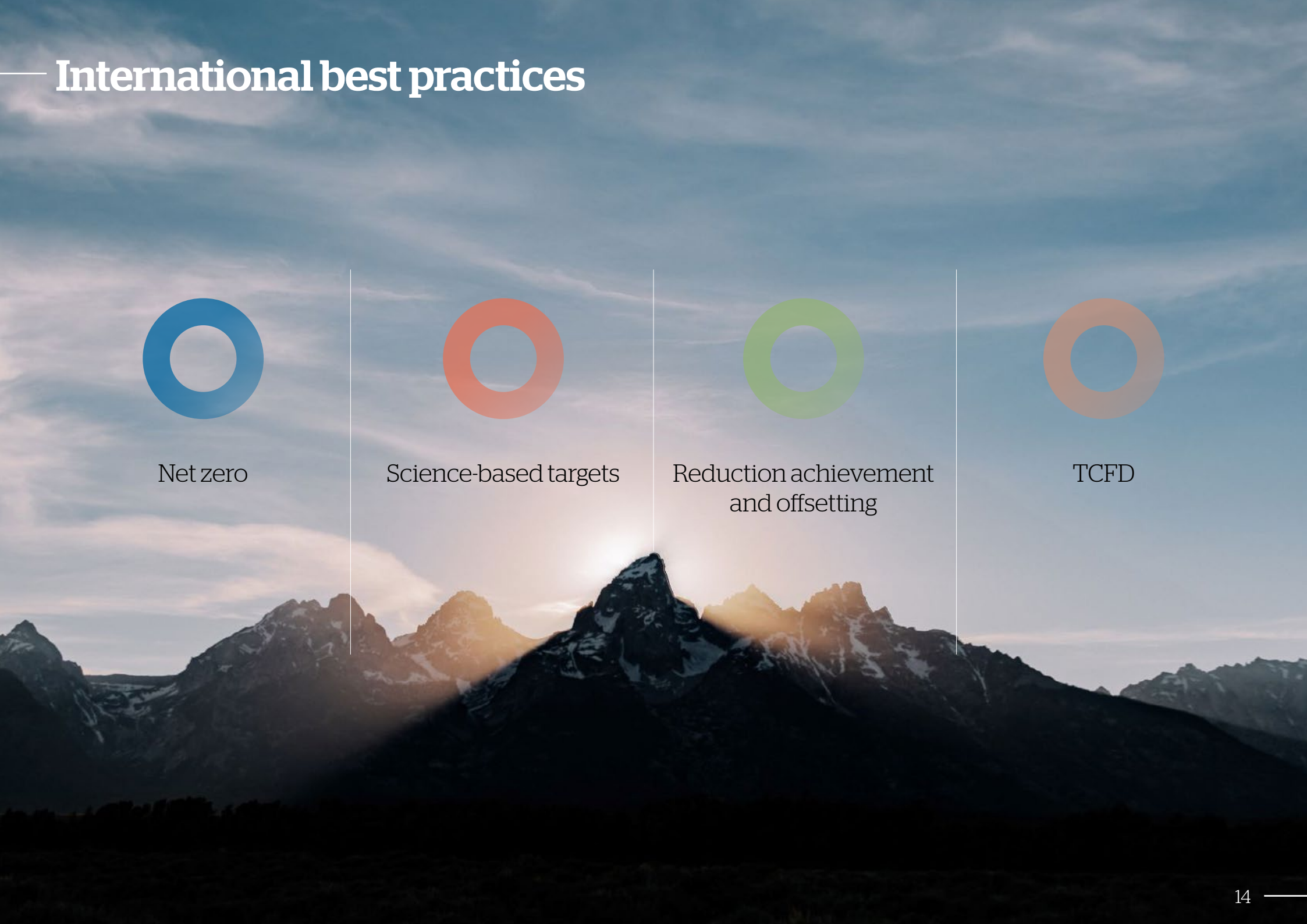


Achieved reductions of direct emissions (Scope 1 & 2)



Commitment is no longer enough; we must now be reducing emissions in line with a trajectory for limiting global warming to 1.5°C. This year 74% of companies in our study have achieved this level of reduction for their Scope 1 & 2 emissions, as the global pandemic dramatically impacted operations. This seems positive, but it will have to be sustained post-pandemic and cover all Scopes of emissions to have adequate effect on our climate ambitions.

International best practices



Net zero

Science-based targets

Reduction achievement and offsetting

TCFD

Net zero

With the release of the Working Group I's contribution to the IPCC's Sixth Assessment Report, the urgency to reach net-zero emissions by 2050 has never been so clear or irrefutable. The report underlines that 'without net-zero CO_2 emissions, and a decrease in the net non-CO_2 forcing, the climate system will continue to warm'[5]. Furthermore, in an IPCC press briefing, Professor of Physical Climate Change and Director of the Priestley International Centre for Climate at the University of Leeds, Professor Piers Forster, described how '...the report does really show – scientifically and robustly – that net zero does work for stabilising or even reducing surface temperatures."[6]

Therefore, it is important that corporates commit to and contribute to this net-zero imperative. The categories of assessment within this research cover best practices that are all crucial to robust net-zero strategies and delivering results which keep us on track to achieve net zero within the timeframes set out by the latest science.

The Science Based Target initiative (SBTi) is set to release its criteria for science-based net-zero target setting for the corporate community in the coming months.[7] At the time of writing this report, there is still no internationally recognised definition or any universal guidelines on how corporates are to achieve net zero. At EcoAct, an Atos company, and for the purposes of this report, we follow what is now a growing consensus among climate experts and professionals, including the SBTi, and define net zero as follows.

Net zero is a state where we add no incremental GHGs to the atmosphere. For an organisation to be net zero, it must reduce its direct and indirect emissions in line with a 1.5°C trajectory or as close to zero as possible. It must then remove from the atmosphere an amount of CO_2 equivalent to all its remaining emissions over a specific period. It can do this via natural carbon sinks (e.g. forests, mangroves, peat lands, etc.) or carbon capture technologies.

There is confusion and interchangeability between the terms 'net zero', 'carbon neutral', 'climate neutral', etc. which can make it difficult to compare targets. For this reason, we have been lenient regarding the nomenclature used to describe net zero as we appreciate there is, as of yet, no widely accepted standard.

International best practices:
Net zero

The focus of our study is predominantly on the elements of best practice which make up a robust climate strategy aligned to science.

Ambition vs action

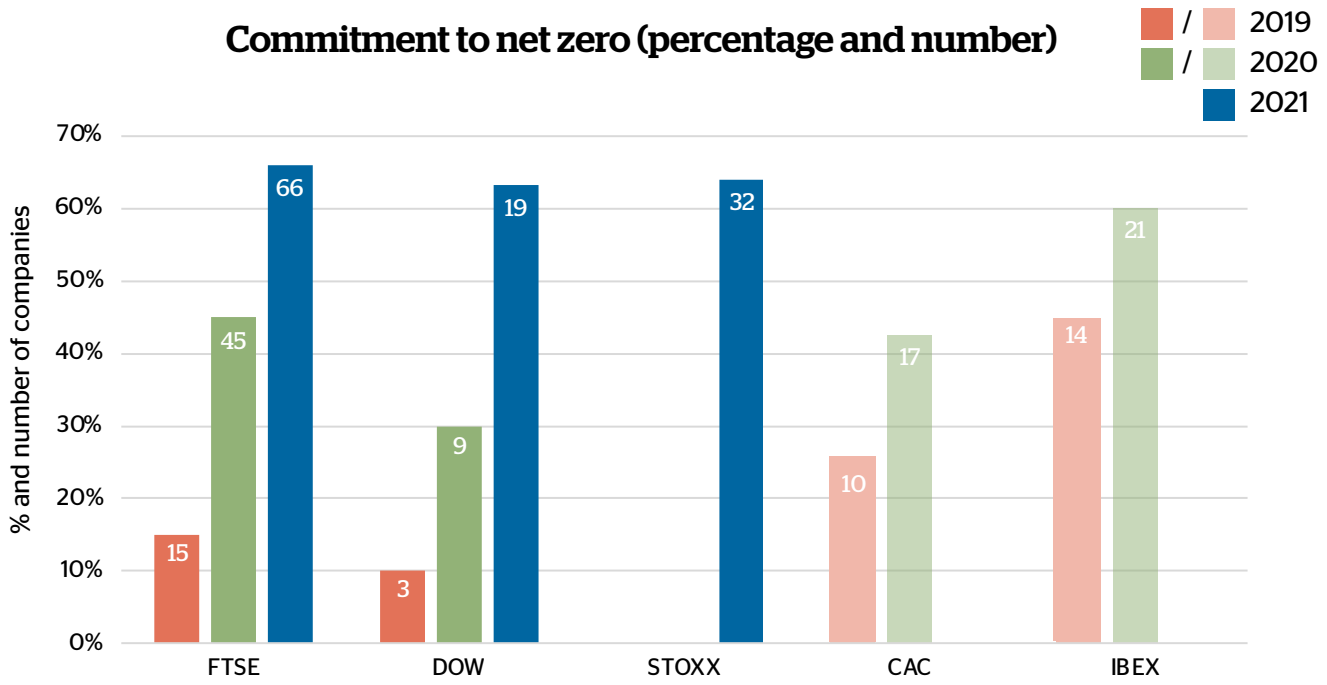
Overall, there has been a significant increase – over 40% - in the number of companies committed to net zero from last year. However, it is important to note that due to the amended research group, this is not a direct comparison.

The FTSE 100 is out in front with 66% of companies now committed to net zero (an increase from 45% last year). In 2019, the UK set its legal commitment to cut emissions by 78% by 2035 (compared to 1990 levels) and to achieve net zero by 2050. At this time, the country was on course to miss its less ambitious target of an 80% reduction by 2050, and two years later, criticism remains for the lack of a clear plan to achieve net zero[8]. It's safe to say that this year's COP26 hosts have a long way to go, and that reaching net zero will require transformative actions on the part of government as well as private companies. FTSE 100 companies seem well poised to contribute, with the highest number of net-zero commitments in this study. However, it is imperative that the remaining 34% of companies step up to the plate and that existing commitments are turned into successful action.

Closely following the FTSE 100 is the Euro STOXX 50, where the level of commitment sits at 64%. As this is the first year that we have examined this index, it is not possible to make a year-on-year comparison. However, it is interesting to note that while in previous years there was considerable variance in commitment between indices, it is not the case this year. With the Euro STOXX 50 only 2% behind the FTSE 100 and the DOW 30 only 1% lower still, there appears to be a more geographically multilateral approach to climate change commitments.

In June 2021, the European commission published the "Fit for 55" plan as part of European climate law. This plan sets a new and binding target of a 55% reduction in GHG emissions by 2030 from a 1990 base year and calls upon companies and states alike to set more ambitious carbon reduction goals, in order to transform to a net-zero economy. As a result, we can expect more and more companies over the next few years to be setting ambitious SBTs in line with 1.5°C as well as a boost in the number of companies committing to net zero.

Commitment to net zero (percentage and number)



International best practices:
Net zero

The greatest improvement this year came from the DOW 30, which more than doubled its rate of commitment from 30% of companies to 63%. Alongside a general shift in public and shareholder expectations of corporates regarding climate change action, this is likely to have been fuelled by the appointment of President Biden, his immediate re-joining of the Paris Agreement and his subsequent publishing of the USA's NDC (Nationally Determined Contribution). This NDC targets a 50-52% reduction in GHG emissions by 2030 from a 2005 base year. This target goes hand-in-hand with the goal to produce 100% carbon and pollution-free electricity by 2035 and is a significant step after four years of climate policy being absent from the agenda.

Unfortunately, while there has been a relatively ubiquitous rise in commitment to net zero across the indices, there has also been a disappointingly small number of companies setting associated long-term carbon reduction and removal goals. While we acknowledge the lack of a standardised approach to setting net-zero targets, it is clear that many companies have made net-zero commitments without having a clear strategy or an understanding of the implications of a net-zero transition.

A robust net-zero strategy should include emissions reductions aligned with science for limiting global warming to 1.5°C. SBTs are best practice, and 95% of our Top 20 companies have a Scope 1 & 2 SBT aligned to a 1.5°C trajectory. However, these targets are medium-term. Net zero is generally a long-term target, aimed at 2050 at the latest. Therefore, a robust net-zero commitment should have appropriate long-term reduction and offsetting targets, in line with the company's net-zero timescale.

Across all indices, only 19% of companies disclose a long-term emissions reduction target and only 2% of companies disclose targets for sequestration of residual emissions. This suggests that very few companies have a clear strategy to back up their net-zero pledges.

In the Top 20 performing companies of this research, this rate is higher with 45% of companies setting a long-term reduction target and 25% of companies setting a sequestration target. However, only 20% of these leading companies are able to demonstrate a long-term emissions reduction target that is also aligned to a 1.5°C trajectory.

Industry leaders

While we have seen a considerable increase in net-zero commitments across the board, there are a handful of companies that stand out as the most ambitious. At the top of our international ranking,

Microsoft has ambitious climate commitments to achieve net zero in advance of global goals. It clearly discloses its emission reduction targets and a comprehensive strategy for carbon removal.

However, now it is no longer alone in its level of ambition. Companies such as Apple, Natwest Group and GlaxoSmithKline also have carbon reduction and carbon sequestration targets to achieve net zero by 2030 or earlier. In fact, Microsoft and Natwest Group target carbon negativity, i.e. to sequester more than their residual emissions, within the next 10 years. With the recent IPCC AR6 report explaining how warming is more than likely to break 1.5°C during 2021-40, even under a low emissions scenario, no net-zero commitment is too ambitious, and we look forward to seeing more companies raising the bar in the coming years.

The following sections analyse the observed trends of key best practices which are central to a robust climate strategy, and must therefore go hand-in-hand with a net-zero commitment.

Science-based targets

In order to limit global warming to 1.5°C, science states we must halve all carbon emissions by 2030 and reach net zero by 2050. This requires massive decarbonisation across businesses, states and organisations alike.

This year has seen a considerable increase in the number of companies setting SBTs. Across all indices, 65% of analysed companies have now set an SBT, which is a 26% increase compared to 2020. Furthermore, it appears that companies are listening to both the science and the SBTi: from 2019, there has been an impressive increase in the number of companies setting ambitious (in line with a well below 2°C or 1.5°C scenario) SBTs from 20% last year to 51% this year.

Europe appears to be slightly ahead of the curve with 58% of companies within the Euro STOXX 50 having SBTs aligned with 1.5°C or well below 2°C, compared to 57% of the DOW 30 and 45% of the FTSE 100. It's worth noting that while the FTSE 100 appears to be the worst performer, it is also considerably larger than the other two indices and as such has a larger range of companies, industries, and therefore results. This is a significant and promising upward trend in best practice target setting among large corporates.

In July 2021, the SBTi began the process of phasing out all well-below 2°C reduction targets and now requires all new SBTs to be in line with the 1.5°C pathway. It has also stipulated that any existing targets will only have until 2025 to update to the new criteria[9]. This new strategy is in response to the increasing urgency for climate action and will challenge companies to be more ambitious in setting their SBTs and associated net-zero commitments.

Validation of SBTs by the SBTi is very important as it demonstrates credibility in both the reporting of emissions data and targets. This year saw a 10% increase in the number of companies publishing SBTi approved SBTs, meaning over half of all SBTs in this research are validated (51%). Our study also shows that this process drives more ambitious target setting, especially regarding Scope 3: three quarters of all Scope 3 targets have been set by companies with a validated SBT.

International best practices:
Science-based targets

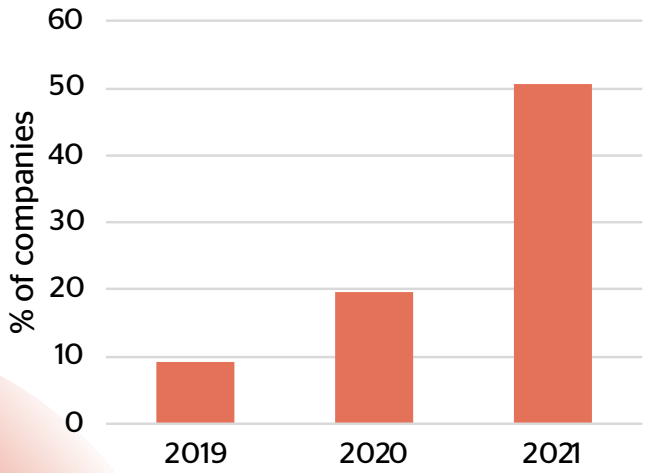
Scope 3 emissions

Across all indices, 65% of companies have set a Scope 1 & 2 SBT, while only 39% of companies have set one for their Scope 3 emissions. For almost all companies, these emissions make up a large proportion, if not the majority, of total emissions. Organisations are, therefore, facing increasing pressure to demonstrate that they are taking responsibility for their full climate impact. Reporting Scope 3 emissions is undeniably best practice in climate reporting and tackling these emissions is essential if we are to affect the global shift required to reach net zero.

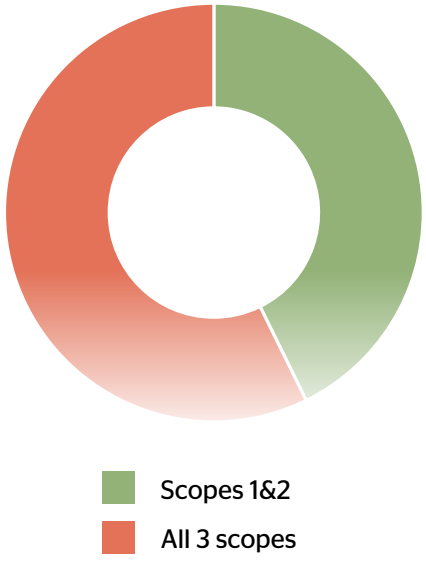
Unfortunately, since 2019 the number of companies setting Scope 3 SBTs has stagnated, indicating either a lack of global corporate urgency in this area or that corporates are still grappling with the challenges of calculating and/or reducing these emissions.

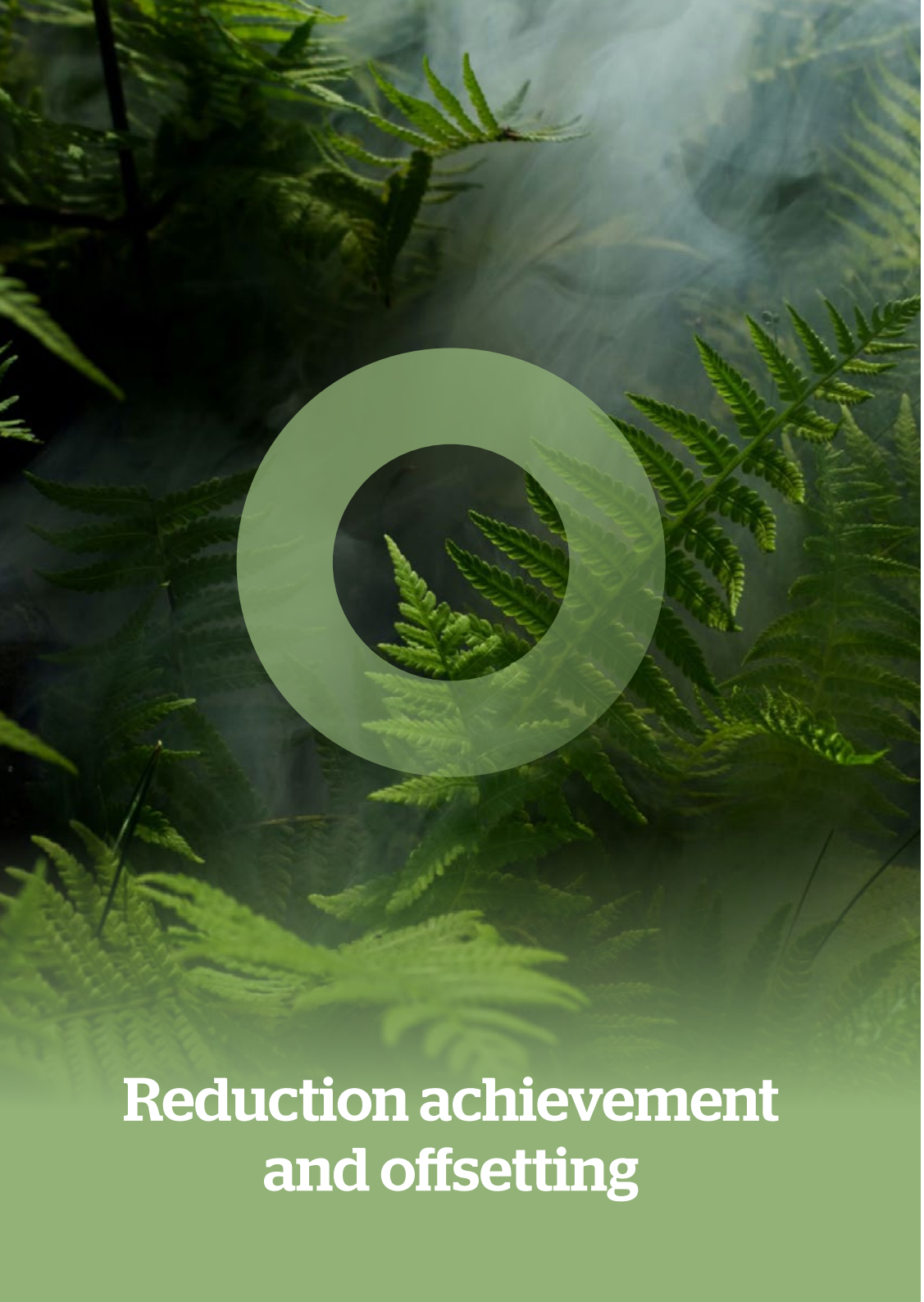
Of the 178 companies we scored this year, only four companies have successfully set 1.5°C aligned Scope 1, 2 and 3 SBTi-validated SBTs. These companies (Astrazeneca, Vodafone, Apple, and SAP SE) unsurprisingly make up some of the highest scoring companies in this year's report.

Scope 1&2 SBTs aligned with 1.5°C or well below 2°C



SBTs by Scope





Reduction achievement and offsetting

This year our research places larger emphasis on climate action and achievement. Although strategy, governance, and targets are essential to reach net zero, it is increasingly urgent to turn strategy into real world achievement. Companies must now demonstrate strong ambition and clear, verifiable emissions reductions alongside full reporting and governance to score in the top bracket. We awarded the highest points to those companies that demonstrated emissions reductions of above 4.2%, as this is the annual percentage required to limit global heating to 1.5°C according to the latest climate science.

Offsetting residual emissions is also an important mechanism to ensure that organisations are taking urgent action on any emissions they are still working to reduce. Although reaching net zero will require residual emissions to be offset through carbon removal, offsetting via verified carbon projects that preserve existing carbon sinks, reduce deforestation, or finance renewal technologies worldwide have an essential role to play on the journey to net zero and are therefore included in the scoring.

It is important to mention the impact of the COVID-19 pandemic on emissions reductions. Due to the global recession and resulting reduced economic activity, many companies have reported reductions in their GHG emissions across all Scopes. Companies such as Prudential plc, Munich Re, and Safran specifically report the pandemic as a key driver of their emissions reductions in 2020, and Total Energies even provided emissions weightings to estimate what their emissions would have been without the pandemic.

However, in general it has been difficult to assess which companies are operating successful decarbonisation plans vs. which companies are reeling from the pandemic's effects. Over the course of the next year, it will be interesting to see the impacts of the economic rebound and whether these reductions can be sustained.

International best practices:
Reduction achievement and offsetting

The 'Information, Technology and Telecommunications' sector is well represented among our highest performing companies in the Achievement category and is therefore the most successful sector in our research for achievement of emissions reductions and demonstrating robust offsetting strategies.

It is important to note that most companies in this study are not disclosing emissions from employee homeworking. Historically, there has been no clear provision for these emissions in the GHG Protocol Scope 3 emissions categories or any guidelines for calculating them. However, they are now increasingly material as a consequence of the COVID-19 pandemic and the shift in working patterns. Therefore, the drop in direct emissions outlined below may be offset by an increase in home working emissions, but without company transparency it is hard to assess the true emissions impact of the pandemic.

In 2020, EcoAct released the first ever open-source carbon calculation methodology for these emissions, in partnership with Lloyds Banking Group and NatWest Group. Both companies wished to assess this potentially material source of emissions that could jeopardise their ambitious net-zero targets. They are two of a small minority of companies in this research to do so.

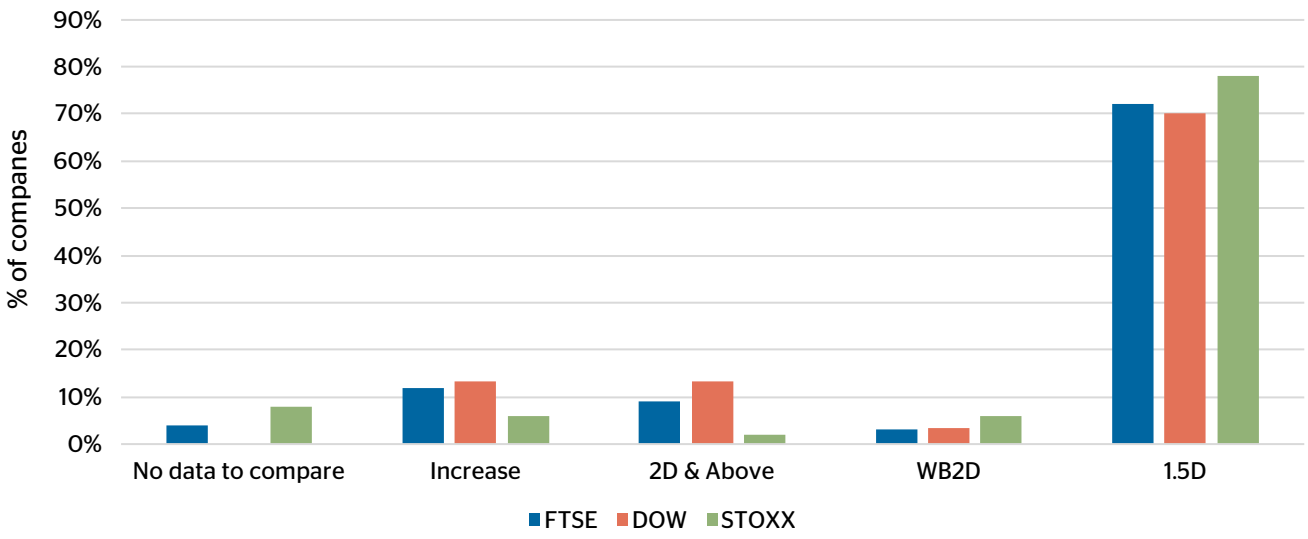
Scope 1 and 2 reduction achievement

This year 74% of companies have reported a reduction in their Scope 1 & 2 emissions that is in line with limiting global heating to 1.5°C. With such a high percentage demonstrating this level of reduction, it is likely we are seeing the impacts of the pandemic. The percentage of companies that increased emissions (11%) is clearly still too high given the urgency of the net-zero target but some of these companies have also experienced rapid growth during the pandemic. One such company is Ocado, a food delivery FTSE 100 company. It increased its Scope 1 & 2 emissions by 0.5%, which may be a result of the surge in sales due to the shift towards online food shopping as a consequence of national lockdowns[10] .

The change in global emissions from this year to the next could be a defining moment, and it is urgent for all large companies to be working towards achieving sustained reductions in their direct emissions and decarbonising their business models.

The Euro STOXX 50 companies performed best in achieved reductions. Only 6% of companies reported increased emissions compared to 13% and 12% for the DOW 30 and FTSE 100 respectively, and it also has the highest percentage of 1.5°C aligned reductions with 78% of companies doing so, in comparison to 70% for the DOW 30 and 72% for the FTSE 100.

Scope 1 & 2 achieved reductions by index



International best practices:
Reduction achievement and offsetting

Overall, however, we can see a fairly consistent picture of corporate business emissions reductions internationally. The challenge now will be to match emissions reductions as the economy recovers from an international pandemic.

In previous years, we have identified a correlation between setting an SBT and achieving emissions reductions. Out of companies with an SBT, 73% were on track to meet their target last year, compared with only 55% of those with a non-science-based target. For Scope 1 & 2 emissions, this correlation remains present to some extent: 80% of companies that set SBTi-verified targets had 1.5°C aligned emissions reductions, compared to 70% for those with an unverified SBT, and 70% of those with no SBT whatsoever. We expected a stronger correlation, but again, the impacts of the COVID-19 pandemic on emissions levels are likely artificially inflating emissions reductions achievements.

Scope 3 reduction achievement

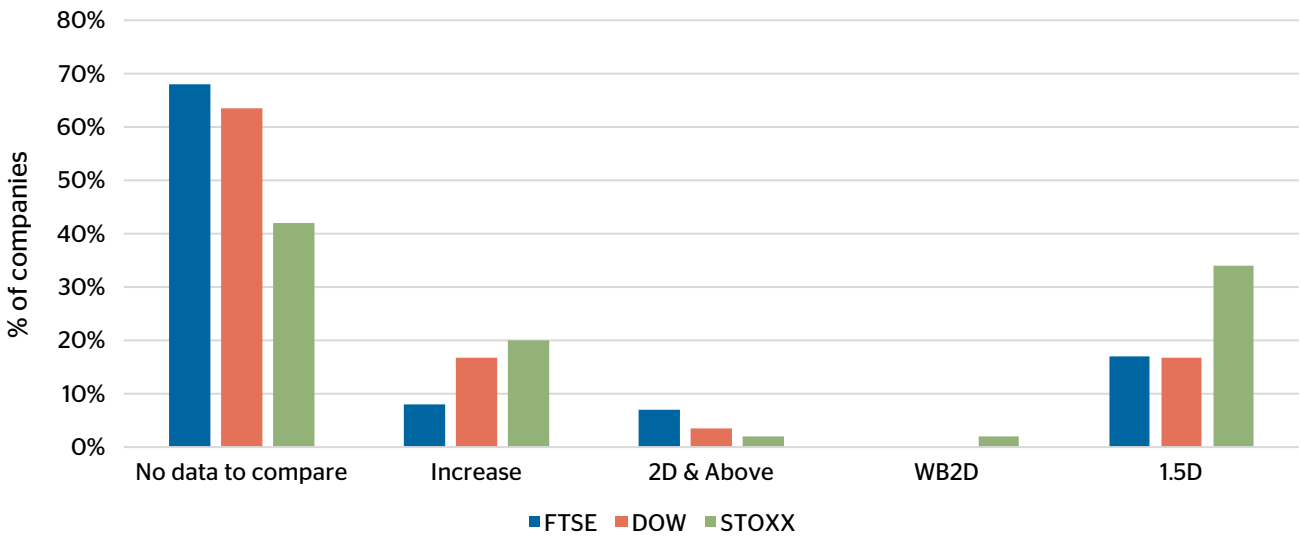
By comparison only 22% of companies reduced their Scope 3 emissions in line with a 1.5°C scenario. The percentage of companies verifiably reducing Scope 3 emissions by any amount stood at 28% in comparison to 85% for Scope 1 & 2. Many companies are failing to even report Scope 3 emissions, so it is challenging to assess the majority of companies in this study - 31% of companies reported no comparable data, and 28% demonstrated some emissions reduction but failed to provide complete and verifiable Scope 3 data.

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 – from business travel to waste disposal. Companies should calculate the emissions against each of these categories, or clearly explain why a certain category is not material.

It is worth bearing in mind that not all Scope 3 categories are material to certain sectors and therefore a sector weighting has been applied to the scoring. Companies were penalised if they disclosed multiple categories but failed to disclose any that are a significant emissions source for their sector.

This year there is only a slight upward trend in the proportion of companies reporting all Scope 3 categories: 24% compared with 20% evidenced in last year's research. However, there has been a rise from 18% to 51% of companies reporting 6-14 categories. This indicates that more work is being undertaken by organisations to assess Scope 3 emissions, but there is still room for improvement, which will need to be made if we are to understand and act upon the full climate impacts of our corporate value chains.

Scope 3 achieved reductions by index



International best practices:
Reduction achievement and offsetting

The Euro STOXX 50 companies appear to be performing much better at reducing these value chain emissions. It has the highest percentage of companies reducing emissions in line with a 1.5°C scenario, with 34% in comparison to the DOW 30 and FTSE 100 which are both at 17%. The FTSE 100 companies exhibit especially poor reporting against all 15 Scope 3 emissions categories.

Studying the correlation between SBTs and Scope 3 emissions reductions displayed a more pronounced trend than seen for Scope 1 & 2 emissions reductions. It is more likely that a company that has set an SBTi-verified target reduced their Scope 3 emissions in line with a 1.5°C scenario with 40% doing so in comparison to 22% doing so with an unverified SBT and 12% doing so with no SBT. Having a verified SBT still remains the most effective driver of emissions reductions, particularly for Scope 3 emissions.

SBTs and Scope 3 achieved reduction 1.5°C aligned

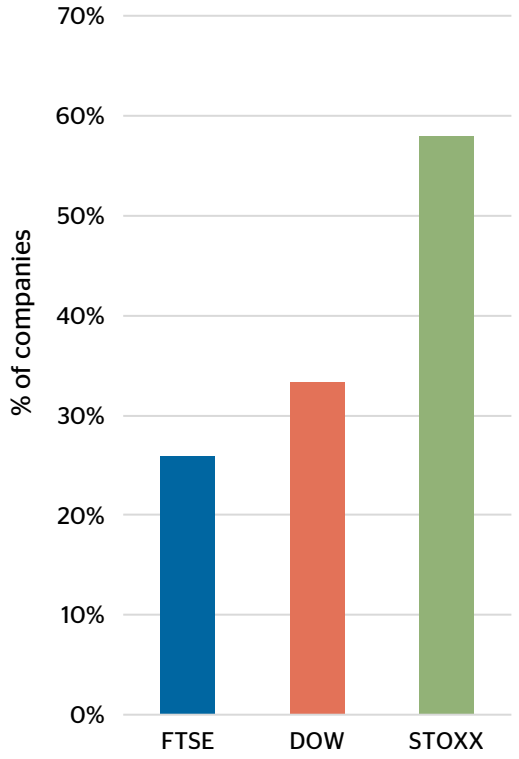
Offsetting

Achieving net zero will inevitably require robust offsetting strategies to ensure that all emissions are being tackled as we continue to work on reductions. Net zero is achieved when residual emissions are offset via carbon sequestration. However, companies are awarded for having verified carbon offsets from both carbon avoidance and carbon removal projects. It is important in our transition to net zero that we are taking every action to deal with residual emissions, and nature-based solutions that preserve existing carbon sinks and reduce emissions have a vital role to play.

This year, we have evidenced a small increase in the percentage of companies offsetting from 25% to 36% overall. The DOW 30 and FTSE 100 (which were assessed last year) both saw percentage point increases of 7%. There is still a high percentage of companies that are not offsetting at all, despite 65% of companies being committed to net zero. There may be some hesitancy remaining for a number of reasons.

Firstly, offsetting is a voluntary action with a financial cost. In addition to this, uncertainty remains around international rules for carbon compensation, particularly in anticipation of Article 6 of the Paris Agreement, which will set the rules for global cooperation on a carbon market system.

Voluntary carbon offsetting - index comparison



International best practices:
Reduction achievement and offsetting

Companies that are offsetting are taking the lead in demonstrating urgent action on their emissions, with a notable leader being Microsoft, who has offset all Scope 1 & 2 emissions since 2012, is offsetting some of their Scope 3 emissions and has an ambition to remove all the carbon it has ever emitted by 2050.

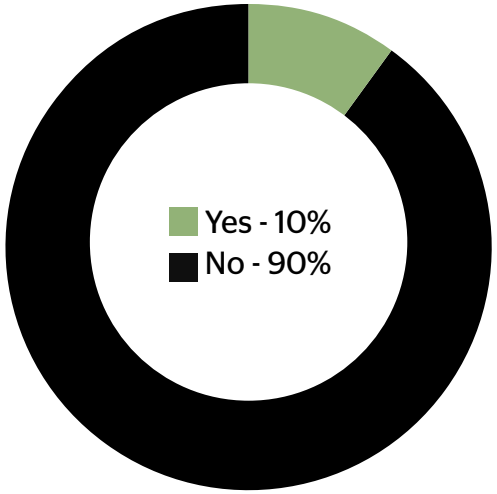
When comparing the indices, the Euro STOXX 50 stands out because they have a larger spread of organisations who are offsetting to various degrees. Kering, a French luxury goods company, is offsetting the highest percentage of its emissions, including all Scope 1 & 2 emissions and 64% of Scope 3 emissions, alongside its ambitious emission reductions targets.

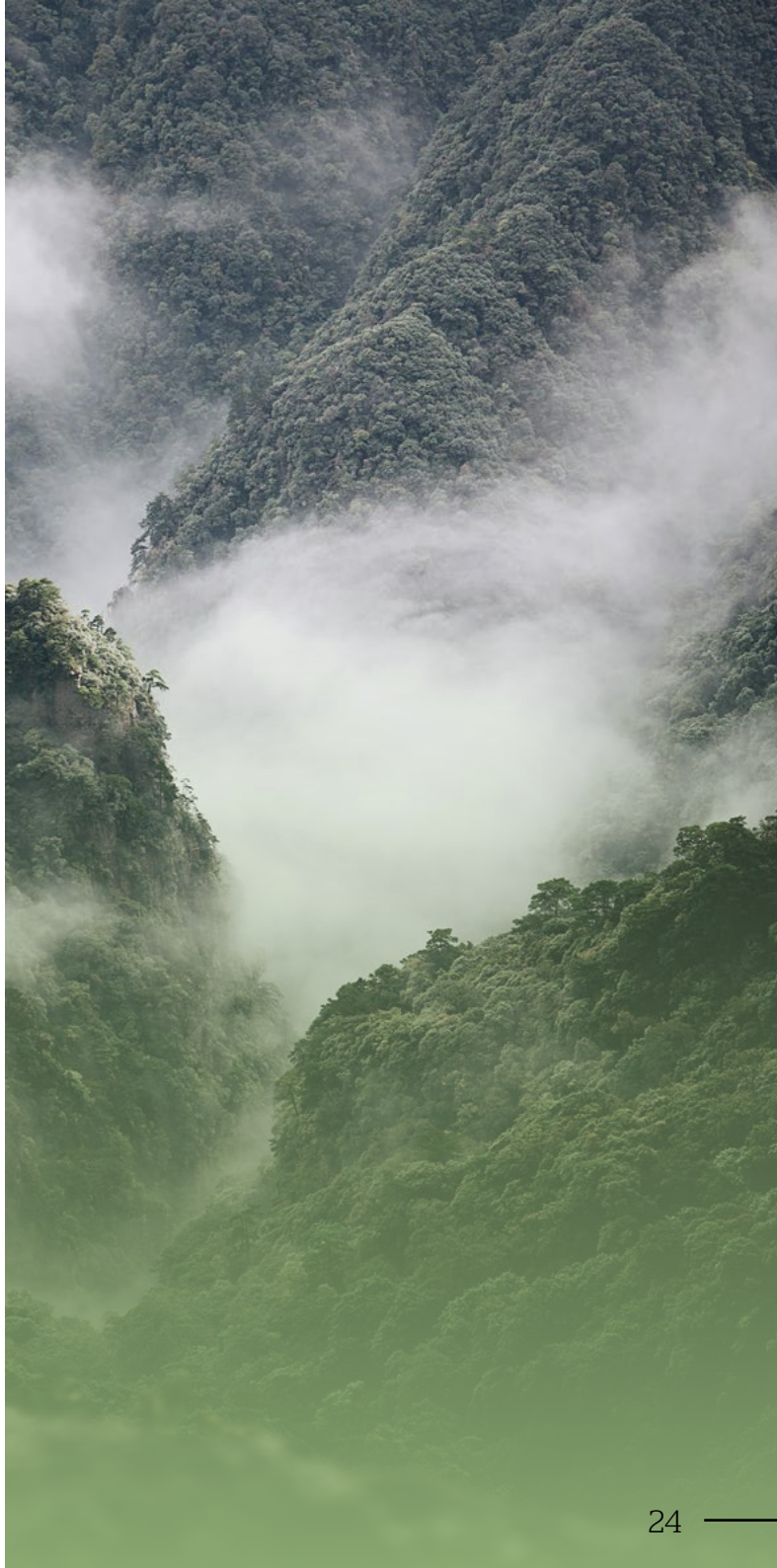
This is being done by purchasing carbon credits from certified Forest REDD+ projects which help to avoid carbon emissions by mitigating deforestation and forest degradation. For example, Kering supports a reforestation project in Gujarat, India, where 4,000 fruit trees have been planted with the help of a local NGO, VIKALP. The objective of the project is also to improve living conditions for local communities, women in particular.

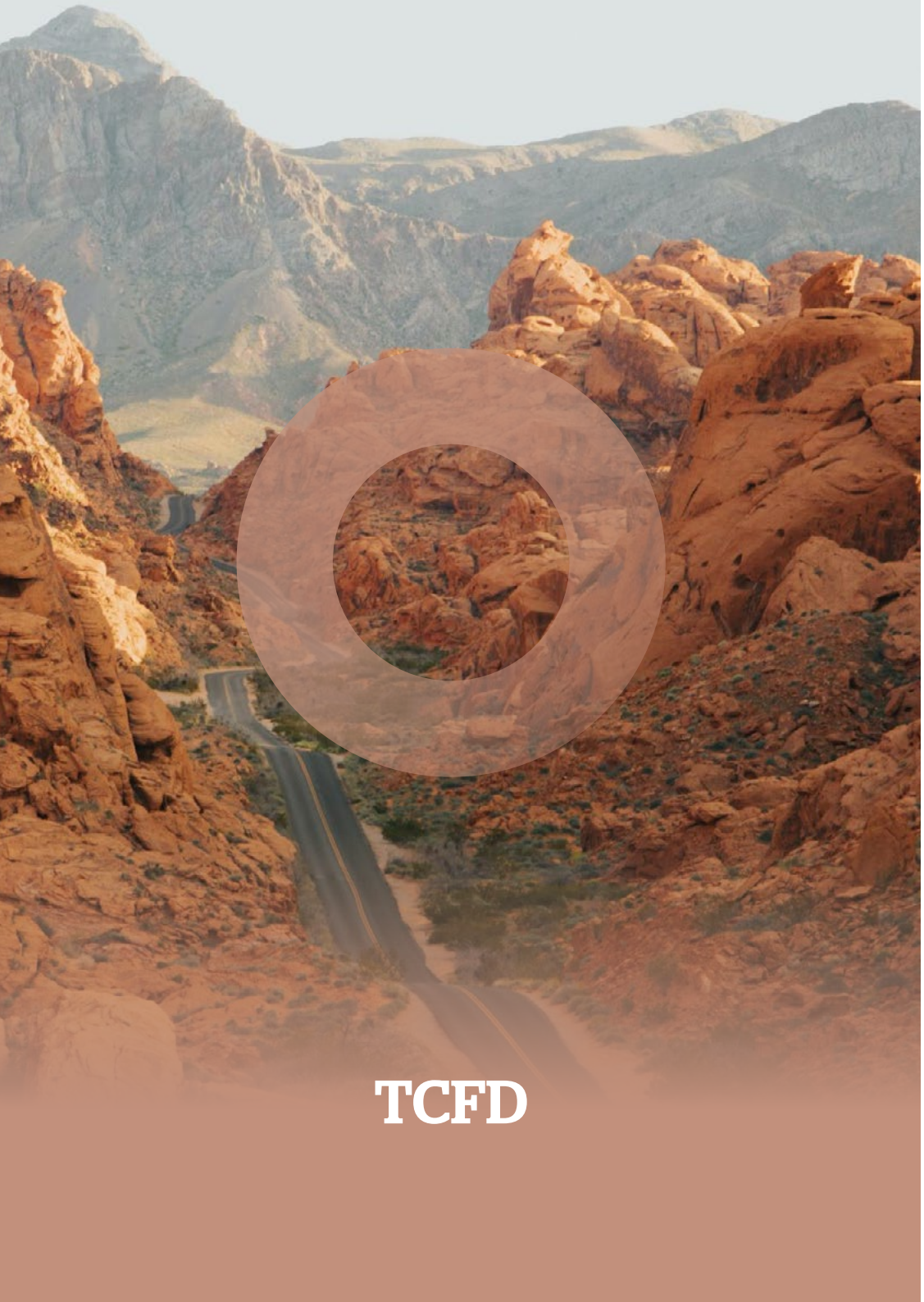
However, reaching net zero will require not only avoiding and reducing emissions, but also and most importantly, the removal of carbon equal to any remaining emissions from the atmosphere either via technological or nature-based solutions.

Currently, only 10% of companies are removing carbon. Commitments for net zero are future commitments so this is perhaps not surprising; there is still much clarity to be gained and the carbon market will need to grow to meet the demand. Focus on reductions is first and foremost, but companies will need to include offsetting in their net-zero strategies. The climate leaders are not only doing this, but are also voluntarily investing in non-sequestration carbon projects in order to support the preservation of existing carbon sinks and finance important sustainable development projects worldwide.

Companies investing in carbon removal projects







TCFD

The Taskforce on Climate-Related Financial Disclosures (TCFD) was set up to "develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions"[11]. Without reliable climate-related financial information, financial markets cannot adequately account for climate risks and opportunities which could result in stranded assets and destabilising costs if we have to rapidly adjust to the impacts of climate change.

In 2017, the TCFD released its recommendations which have since been widely adopted by companies in many different countries and industries, endorsed by many financial organisations and quickly integrated into other sustainability reporting frameworks. Over the last three years, we have reported rapid increases year-on-year in the number of companies aligning themselves to these recommendations.

The TCFD recommendations address four key pillars of climate-related information: Governance, Strategy, Risk management, and Metrics & Targets. These are accompanied by 11 recommended points of climate-related information to be disclosed. The criteria in this research only awards companies that are demonstrating actions against all four pillars of the TCFD.

In 2021, the UK government outlined plans for regulation that will mandate TCFD reporting by all UK-registered companies, with the ambition to become the first nation to do so[12]. These proposals build on the expectation for all UK companies to align their disclosures with the TCFD recommendations by 2022, as set out in the 2019 Green Finance Strategy[13]. The EU has taken a different approach. On 21 April 2021, it adopted a proposal for a Corporate Sustainability Reporting Directive (CSRD). It is planned to amend the existing Non-Financial Reporting Directive (NFRD), which had integrated the recommendations of the TCFD. It will mandate all large listed companies to report a wide range of sustainability information according to EU sustainability reporting standards.[14][15]

International best practices:
TCFD

As part of the wide-ranging drive for climate regulation in the US under the new Biden administration, proposals for mandatory reporting have been put forward and have been backed by several of the country's biggest companies. As part of the wide-ranging drive for climate regulation in the US, proposals for mandatory reporting have been put forward and have been backed by several of the country's biggest companies[16].

With rising support, such disclosure is now considered, not just best practice, but a necessity for large organisations. The driving force of the investment community behind the TCFD has dramatically pushed forward advancements in corporate climate reporting in the last few years of our research.

International trends

It is not surprising therefore, that the momentum around the TCFD continues. This year, alignment has increased by almost 30% up to nearly 80% (79%). This is the biggest year-on-year increase we've seen in TCFD-aligned reporting and likely a response to the anticipated legislation.

The continuing year-on-year increase can also be linked to ever-increasing stakeholder and investor expectations of transparency around climate reporting. CDP indicates that companies are twice as likely to report their climate risks following investor pressure, and 206 companies last year reported new information to CDP after being pressured by their investors[17]. Detailed and transparent climate disclosures are becoming non-negotiable for companies wanting to avoid shareholder criticism and attract investment.

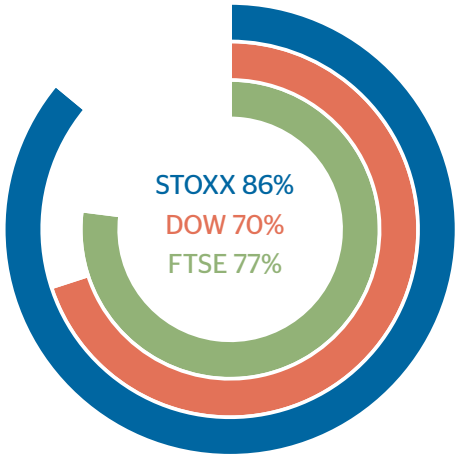
It would appear in Europe that momentum is slightly stronger, with 86% of companies currently aligned to the TCFD. Approximately a third of DOW 30 companies are yet to align, but with new regulatory drivers coming into force in the US, we would anticipate the gap closing in the years to come.

Best performing sectors

Discounting any sectors with only one company included in our research, there are 10 industries demonstrating a trend of 100% alignment with the recommendations of the TCFD. These are: Technology Consulting Services; Utilities; Facilities & Construction Services; Oil & Gas; Healthcare Equipment; Containers & Packaging; Insurance; Home Improvement Retail; Consumer Vehicles & Parts; and Mining & Mineral Products. Companies in high-emitting sectors such as Oil & Gas continue to show strong alignment to the recommendations of the TCFD following significant public and regulatory pressures to report climate-related information.

In EcoAct's 2019 report on the sustainability reporting performance of the FTSE 100, the Insurance sector was found to be far behind in its

Companies aligned to the recommendations of the TCFD by index

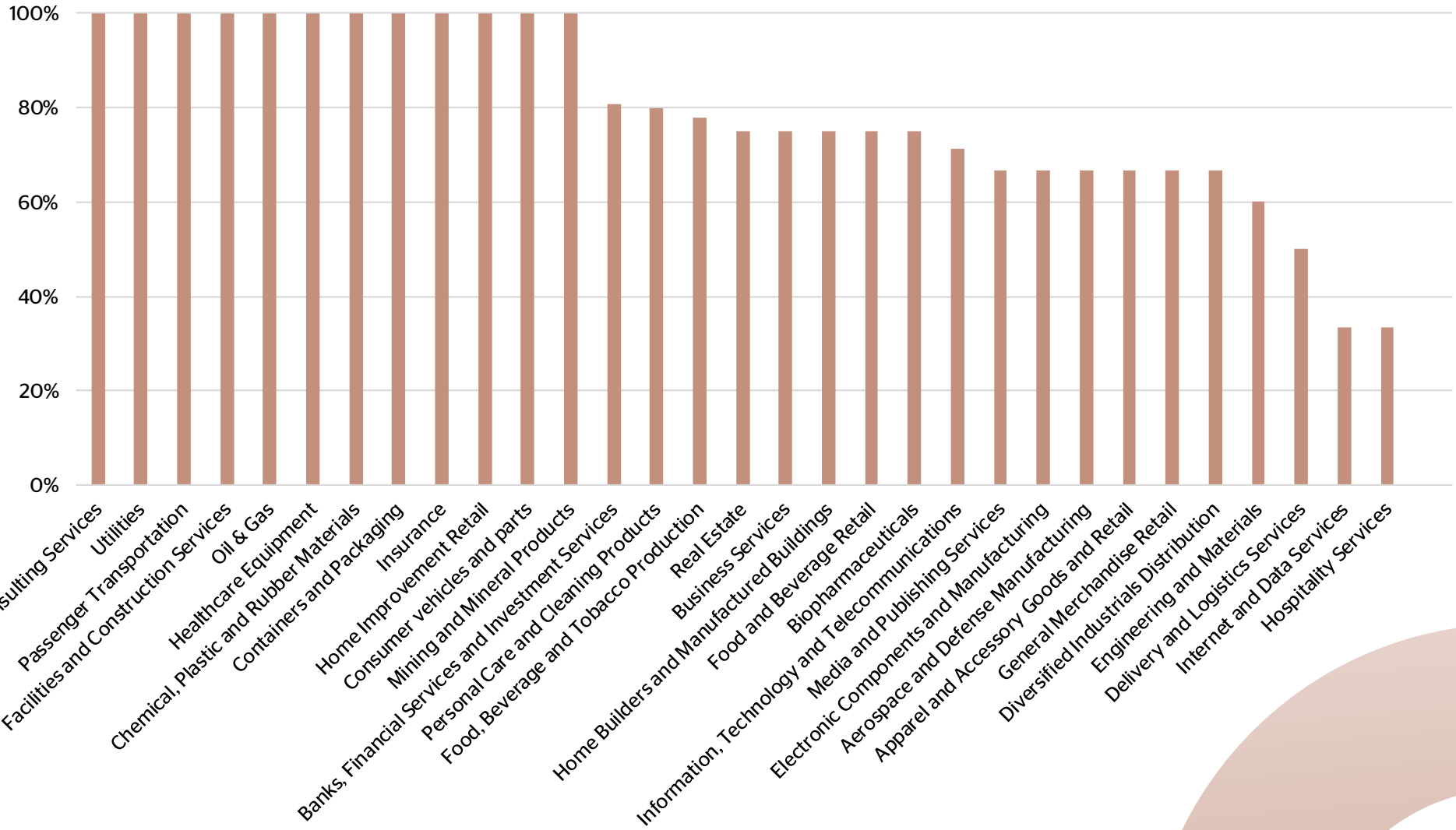


TCFD alignment, which was surprising given the increasing risk of exposure to physical climate impacts faced by its customers. Last year, this began to change and we reported that 80% had aligned to the TCFD recommendations. This year all insurance companies in the research group have now aligned their reporting.

This rapid change from lagging behind as little as two years ago to 100% alignment may have been driven by increased awareness of the risks of climate change. Indeed, insurance broker AON, although not listed on the indices in this study, reported in July that insured losses from natural disasters hit a 10-year high in the first half of 2021.[18]

International best practices:
TCFD

Companies aligned to the recommendations of the TCFD by sector



International best practices:
The TCFD

TCFD alignment trends

This section provides a snapshot of how companies have been performing across the four TCFD pillars and gives a comparison of how TCFD-aligned companies are performing against the companies that have yet to align their reporting.

Governance:

One of the recommendations of the TCFD is that there should be board-level oversight of climate-related issues. Without this high-level oversight, accounting for climate risks and opportunities and undertaking the transformations needed to achieve net zero will be near impossible.

Overall, 94% of the companies that we scored have demonstrated board-level oversight of climate-related issues. Climate-related issues are frequently being assessed at the very top level of companies as they acknowledge the significance of growing legal requirements and shareholder pressure to properly manage and report on climate change, in addition to the growing physical risks to which companies are exposed. All TCFD-aligned companies demonstrate board-level oversight on climate change issues, but even 71% of companies that are not aligned to the TCFD recommendations are doing so as well.

Strategy:

The TCFD recommends that companies assess their climate risks through Climate Scenario Analysis (CSA). CSA is now best practice climate risk reporting and increasingly the expectation due to the TCFD.

Companies undertaking CSA will adopt a selection of plausible warming scenarios, such as the UNFCC's Representative Concentration Pathways (RPCs), for analysis. They will often adopt a high emissions – or business-as-usual – scenario, an intermediate scenario and a low emissions scenario (i.e. 1.5°C). These can then be used to assess potential physical and transition risks to the business along each of the potential scenarios. Physical risks here will often include increased flooding, rising sea levels or more frequent extreme weather. Transition risk analysis will consider how an organisation is impacted by changes to policy/regulation, technology or market changes aimed at emissions reductions, energy efficiency, subsidies/taxes or other constraints or incentives implemented to facilitate a low-carbon economy.

Overall, 44% of companies have undertaken and reported details of their CSA compared to only 20% from last year. However, 16% of companies have not yet used CSA and appear to have no plans to do so in the near future. This may increase these companies' vulnerability to physical and transition risks in the event of a rapid shift to a low-carbon economy characterised by tightened environmental regulations and increased taxes.

Of the companies that are aligning with the TCFD, 81% are using CSA to define their climate strategy compared to only 34% of unaligned companies. Companies not yet aligned to the TCFD are therefore less likely to have the necessary information to inform their business strategies on the risks and opportunities of a changing climate which could impact their future resilience. CSA is a challenging undertaking, so not all companies are there yet. It is however promising to see that the percentage of companies undertaking and reporting CSA details has risen significantly compared to last year.

Risk management:

According to the TCFD recommendations report, published in 2017, "Creditors and investors are increasingly demanding access to risk information that is consistent, comparable, reliable, and clear. There has also been increased focus, especially since the financial crisis of 2007-2008, on the negative impact that weak corporate governance can have on shareholder value, resulting in increased demand for transparency from organizations on their risks and risk management practices, including those related to climate change"[19].

International best practices:
The TCFD

This increased demand for risk information continues to impact corporate reporting. This year, 54% of companies were reporting both physical and transitional climate risks within the principal risks section of their annual report, up from 42% in 2020. Similarly, compared to 60% in 2020, 78% of companies this year are detailing how they are mitigating those risks.

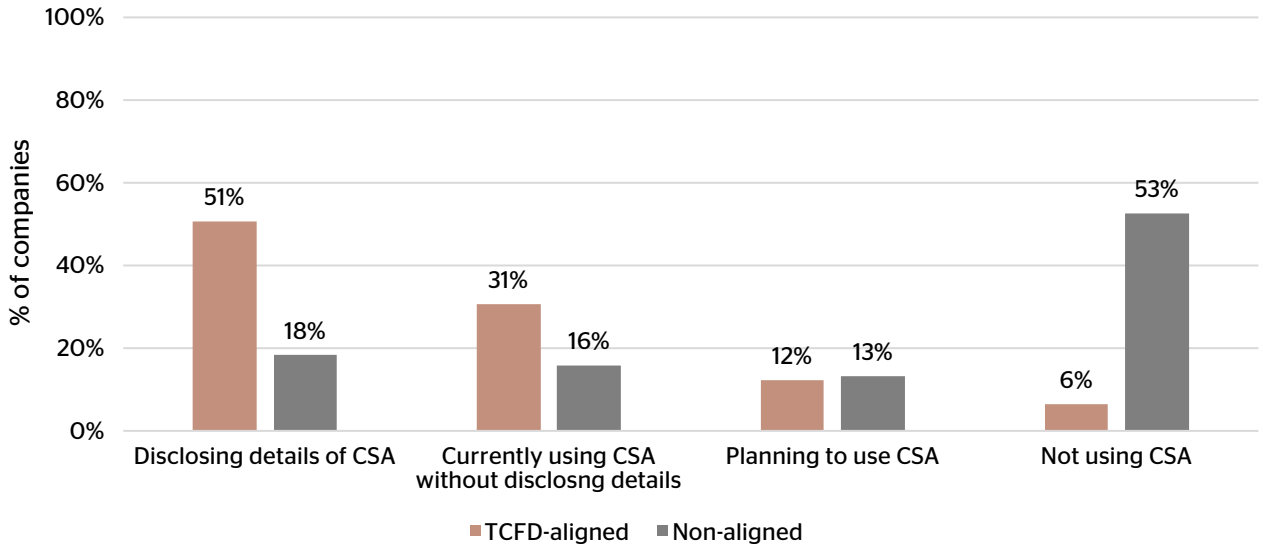
Of companies not aligned to the TCFD, almost a quarter do not report any climate risks – 47% are not disclosing climate risks in their Annual Reports. Comparatively, 85% of aligned companies report climate risk assessment as well as mitigation plans and 62% are reporting both physical and transitional climate risks as principal risks within their Annual Report.

Metrics & targets:

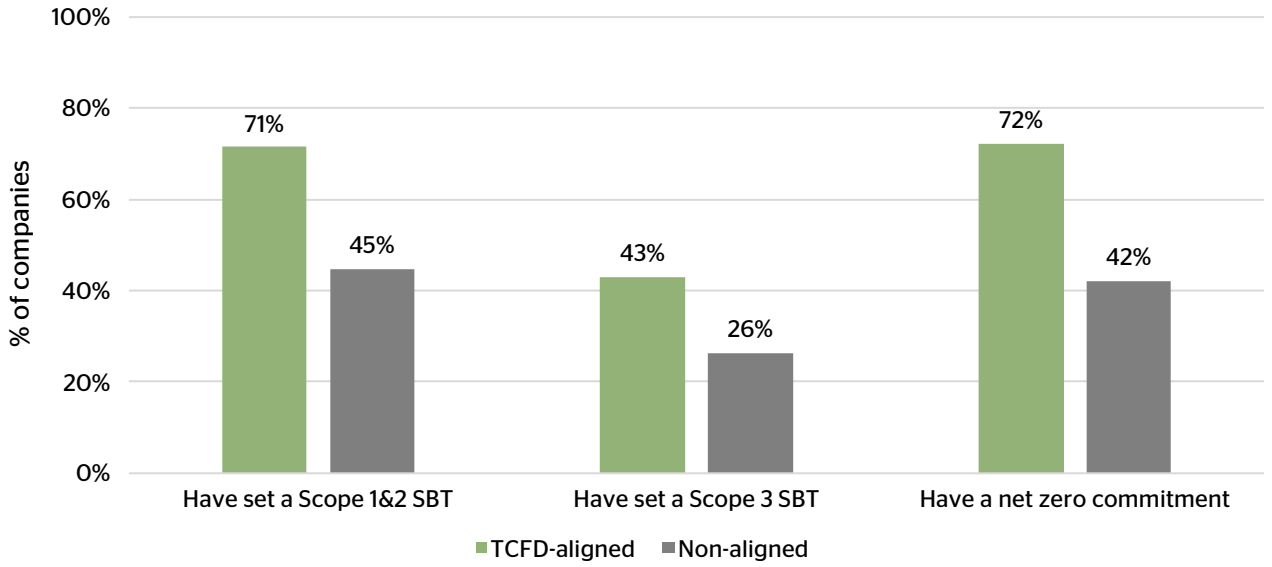
The data shows that TCFD-aligned companies are generally much more ambitious in terms of setting carbon reduction goals. They are much more likely to have set targets for their Scope 1, 2 & 3 emissions, as well as to have made a commitment to net zero.

Backing up our observation last year, this year's statistics show the positive impact that the TCFD recommendations are having on corporate climate responses, and the power the investment community has in driving progress in climate action and reporting.

CSA for TCFD-aligned and non-aligned organisations



Target setting for TCFD-aligned and non-aligned organisations

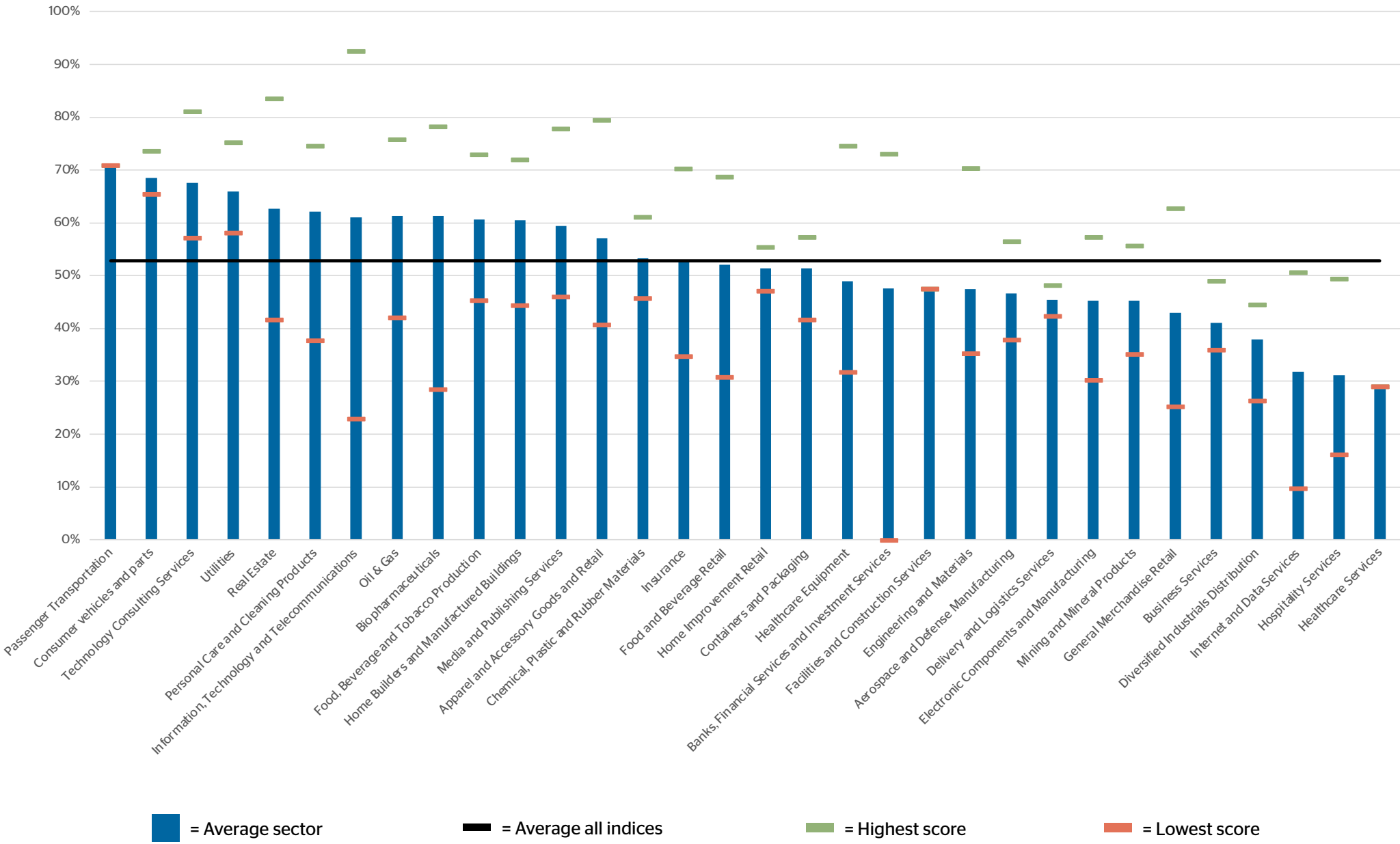


International industry focus

In this section of the report, we examine how key industries are performing in terms of climate reporting best practice. This year, using the FactSet RBICS classification, there are 32 sectors in this research, but not all sectors are widely represented across the study ('Passenger Transportation', the highest scoring sector, is only one company for example). Therefore, it must be noted that for some it is difficult to evaluate sector-wide trends. Within most sectors, there is a significant gap between the highest and lowest scores, which suggests a general lack of consistency within industries.

This year we take a deeper look into four key sectors: 'Information, Technology and Telecommunications'; 'Biopharmaceuticals'; 'Banks, Financial Services and Investment Services'; and 'Mining and Mineral Products'. Each is well represented within the study group, and each has a vital role to play in the global net-zero transformation.

International industry focus



1

Information, Technology and Telecommunications

International industry focus
IT & Telecommunications

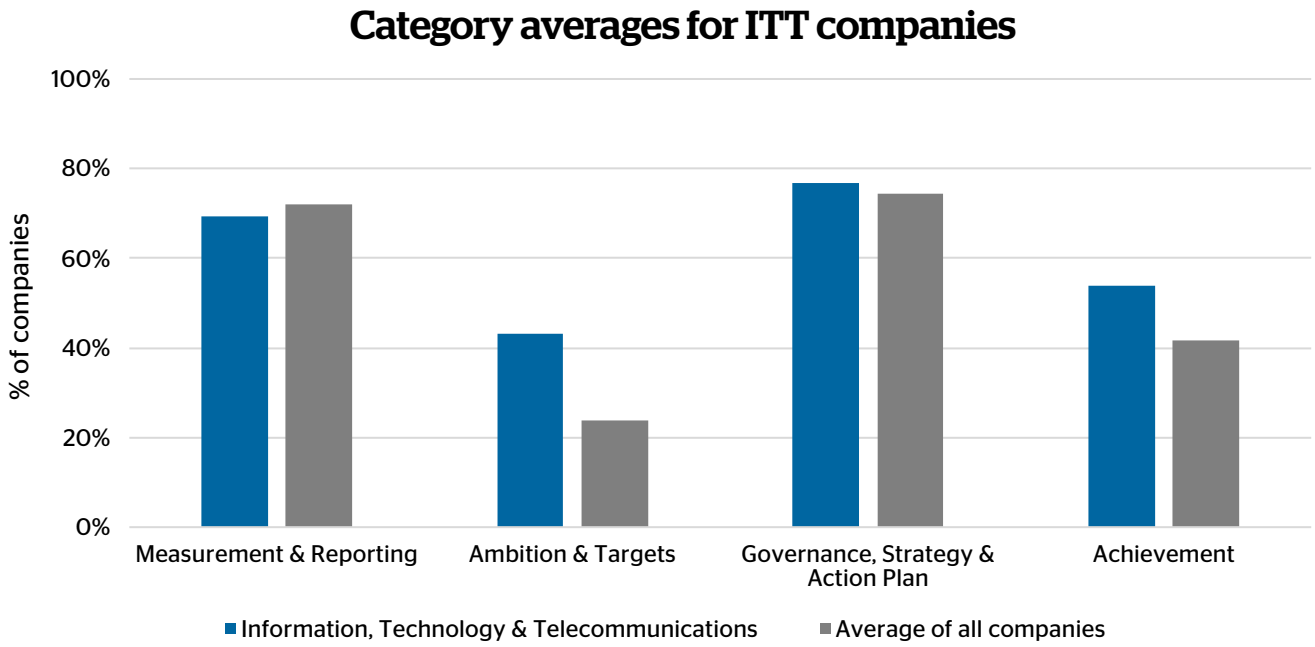
Sector context

The Information, Technology and Telecommunications (ITT) sector is one of the strongest performing in the analysis with six companies in our Top 20 and two companies, Microsoft and Apple, taking the very top positions.

The ITT sector is the second most populous in the study, and also split relatively evenly across the three indices we researched. Its average score of 61% is above the overall average of 53%, although there is a wider range in scores, with some companies scoring particularly highly, and others lagging significantly behind.

The wide range of scores in this sector may be due to the diversity in business models for these companies. While many of the larger tech companies are almost completely digital and electrified, others may have hardware manufacturing supply chains or logistics and delivery systems that are incredibly complex and carbon-intensive[20].

Looking at the four categories in this research, ITT has performed far above average in both the Ambition & Emissions reduction targets and the Achievement sections.



This suggests that companies within the ITT sector are not only setting ambitious targets, but most importantly are making progress towards these targets, more so than other sectors.

As we move through the pandemic, connectivity via digital technology has become increasingly essential, and the ITT sector has led the way in innovating new strategies that other sectors are now using to adapt[21]. At certain points in 2020, more than half of the global workforce was working remotely[22] and research has suggested that only 12% of knowledge workers want to return to the office full-time in the future[23]. This sector has therefore been at the forefront of the rush to provide digital solutions that support this huge and potentially permanent transition in the way that we live our lives. With this in mind, the emissions reduction achievement seen by this sector at a time when they have been severely challenged to adapt to new conditions is particularly promising.

Technology companies have a significant role to play in providing decarbonised and digital solutions to climate change; many companies in the sector are now seeing the opportunity and the urgency of climate action.

International industry focus
IT & Telecommunications

This year, 26 companies have stepped up to form a European Green Digital Coalition (EGDC)[24]. These include several of the companies in this report (Microsoft, SAP SE, Schneider Electric and Vodafone Group). These companies have committed to developing solutions to support the green and digital transition of the European Union[25]. A key part of this is working with leaders in alternative sectors to co-create recommendations and guidelines for the green digital transformation of other industries[26].

EcoAct and Atos

In 2020, EcoAct was acquired by Atos. A French digital services company and leader in decarbonised digital solutions, Atos has its own ambitious target to achieve net zero by 2028. The company recognises the crucial role that the ITT sector can play in the wider net-zero transformation and has dedicated its business approach to this end. The vision of EcoAct and Atos is to bring technology and climate expertise together to help more organisations succeed in their climate actions.

Artificial intelligence (AI), blockchain technology and even satellites could play important roles in these green digital transitions[27]. Inger Andersen, Executive Director of the UN Environment Programme said, "Only digital technologies move at the speed and scale necessary to achieve the kind of dramatic reduction in emissions that we need to see in the next 10 years".

This emphasises the important role that ITT can play in the fight against climate change, not just by reducing their own climate impact, but also by developing low-carbon digital solutions that support the decarbonisation of other companies across a broad range of different sectors.

Top performers

The climate leaders within this sector, and indeed for the entire study, are Microsoft and Apple. Microsoft claims the top position for the second year running and Apple is in second place, up from tenth in lasts year's research. These companies ranked consistently highly across all four research categories, scoring a minimum of 79% in all sections. They excelled because of their strong net-zero commitments and for having achieved emissions reductions across all three Scopes. Both companies set out clear medium and long-term emissions reduction targets and demonstrate ambitious strategies for carbon removal in order to achieve their net-zero ambitions.

Microsoft aims to be carbon negative by 2030, well ahead of global net-zero targets. Microsoft – along with Vodafone and BT – scored 100% of the marks available in the Governance & Action plan section, demonstrating the importance of good governance in driving consistent and successful climate action.

Sector highlights

As discussed, companies within the ITT sector have an important role to play in providing low-carbon, digital solutions to environmental challenges across various sectors. This year, 86% of ITT companies were providing low-carbon products or services, compared to the overall average of 78%. Good examples of these decarbonised offerings include SAP SE's Green Cloud data centres which draw 100% of their power from renewable electricity sources[28], Aveva's design tools that are supporting the energy transition to green hydrogen[29] and Vodafone's Internet-of-Things helping to optimise energy consumption in buildings[30]. It is encouraging to see so many companies offering these products and services, which clearly demonstrates that opportunities abound in the net-zero transition for the ITT sector. Hopefully, agreements such as the European Green Digital Coalition may provide the framework to further this trend in the coming years.

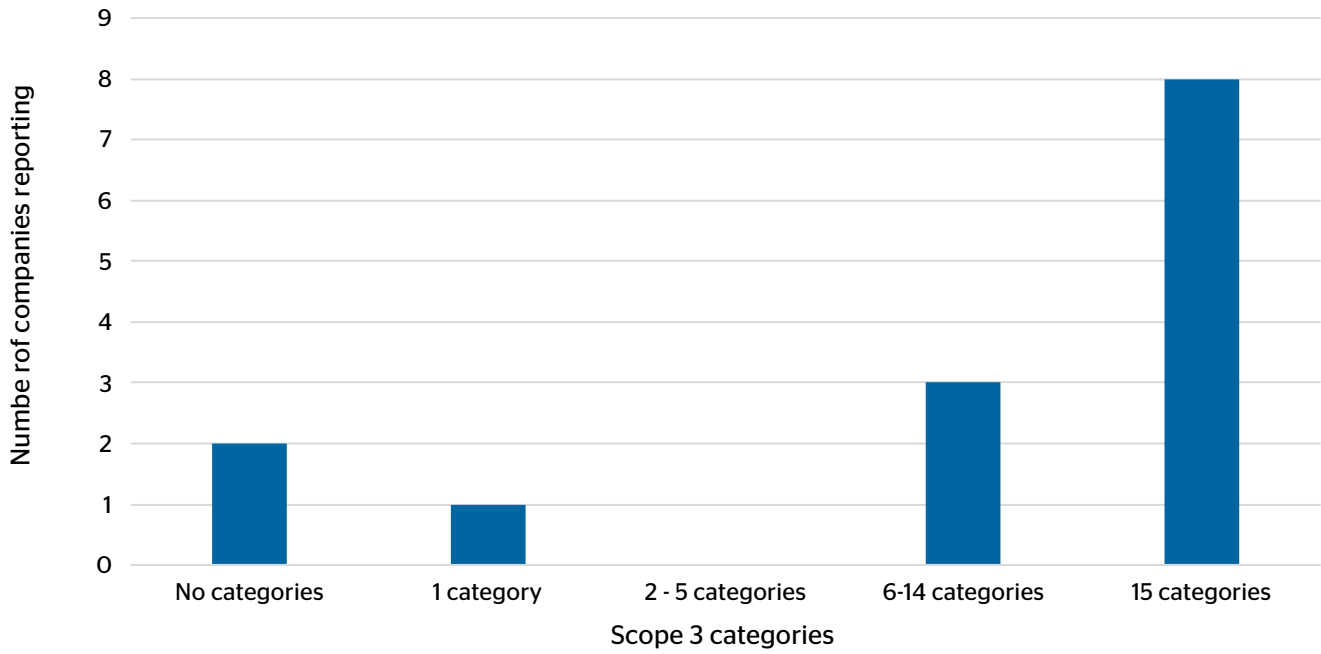
International industry focus
IT & Telecommunications

Also of note this year is the quality of the sector's climate commitments. While the sector as a whole performs close to average in terms of companies that have made net-zero commitments, of those that have a commitment, more are demonstrating clear and robust plans. This means that they are being explicit about both base and target year, the Scopes of emissions they are including and the percentage of reduction they are targeting. In addition to this, more ITT companies (14%) are disclosing clear targets for carbon sequestration to offset residual emissions, whereas very few companies in the whole study (only 2%) disclose sequestration targets. Microsoft's ambition to become climate positive by 2030 through its clear reduction and removal targets sets it apart as a leader in this regard.

To achieve net zero, emissions reductions targets must be in line with the science for limiting global warming to 1.5°C and must extend across all Scopes (1, 2 & 3) of an organisation. In total, 71% of ITT companies have set an SBT for their Scope 1 and 2 emissions and 90% of these targets commit to the most ambitious reductions aligned with limiting warming to 1.5°C. Additionally, 90% of these targets are verified by the SBTi, which demonstrates they are robust. There are significantly more ITT companies with a validated SBT spanning all Scopes of emissions (57% compared with 39% for the average).

While this performance is impressive, there is significant variation in the scores for some companies. All companies reported their Scope 1 and 2 emissions; however, Scope 3 reporting was more variable with 21% of the companies reporting only one category of Scope 3 emissions or failing to report any at all. Well-performing companies are BT, Cisco, Deutsche Telekom, Microsoft, Salesforce, SAP SE, Verizon and Vodafone – all reporting against all relevant Scope 3 emission categories.

ITT Scope 3 reporting



International industry focus

2

Biopharmaceuticals

International industry focus
Biopharmaceuticals

Sector context

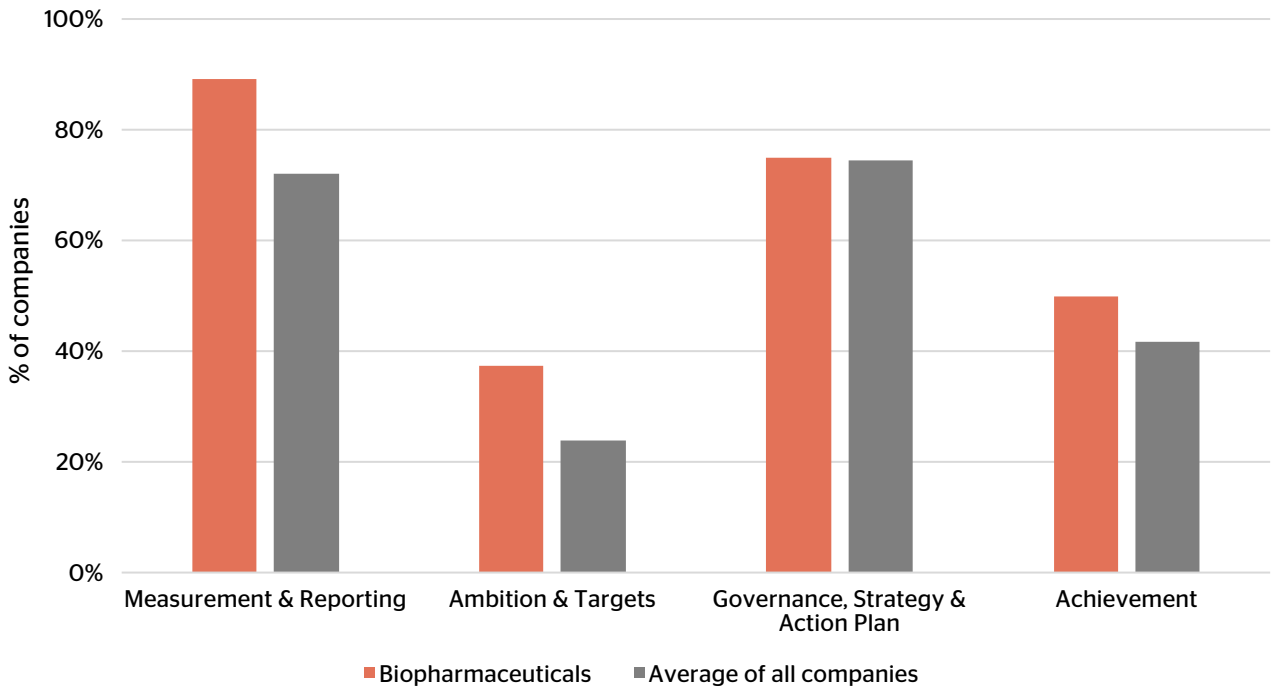
The Biopharmaceuticals industry has been spring-boarded into the public eye by the global COVID-19 pandemic, with much of the world focussed on scaling up vaccinations and wider healthcare production. Therefore, this year we examine how this key sector is handling its response to the climate crisis even as it adapts to the ongoing health crisis.

Companies in our study fall fairly equally across the indices. The average score for the sector as a whole was 61%, significantly above the overall average of 53%. GlaxoSmithKline (GSK) was the sector's best performer, finishing in ninth position in the overall rankings while AstraZeneca just missed out on a place in the Top 10, ranking twelfth. Only one Biopharmaceutical company placed in the bottom 50 companies in the overall ranking.

Looking at the sector's performance in the specific research categories, their highest performance is in Emissions measurement & Reporting, but they also set themselves apart through target-setting and, to a lesser extent, reduction achievement. In our Governance, Strategy & Action plan section they match a relatively strong average bar. This all indicates that the sector has consistently performed well in relation to other sectors across all four scoring categories.

However, the sector is carbon intensive. A 2019 study found that the pharmaceutical industry's emission intensity is about 55% higher than the automotive industry[31] despite being a smaller sector[32]. This places extra significance on these companies' emissions reduction pledges, net-zero commitments, and reduction achievement.

Category averages for biopharmaceutical companies

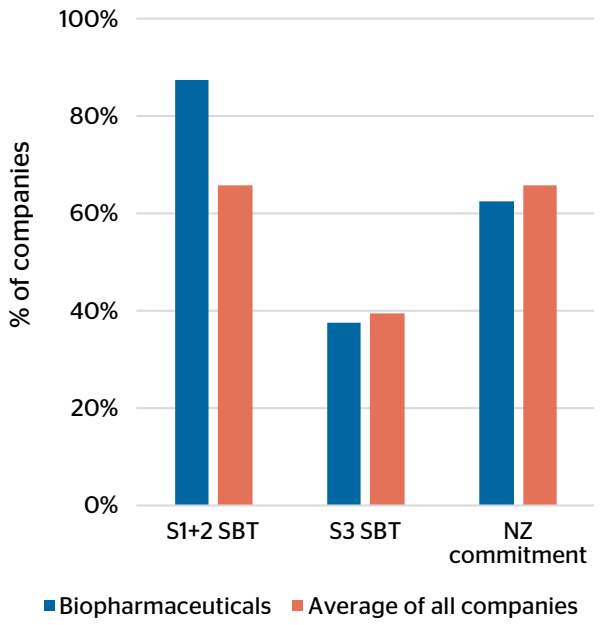


International industry focus
Biopharmaceuticals

Emissions reporting, targets and reduction

With such a high level of carbon intensity, it is vitally important for these companies to be disclosing their emissions and setting ambitious reduction targets. This year, all the biopharmaceutical companies in the study have reported their Scope 1 and 2 emissions, and 63% have disclosed their Scope 3 footprints with transparency on all relevant Scope 3 categories.

Biopharmaceutical targets and commitments



With 88% of companies setting Scope 1 and 2 SBTs, the Biopharmaceuticals sector has performed significantly above the average; Scope 3 SBTs and commitment to net zero are close to the average scores. In terms of overall ambition, the sector is performing relatively well: AstraZeneca and GlaxoSmithKline are in the top ten companies overall in terms of their score in the Ambition & Emissions reduction targets category. In setting a verified 1.5°C-aligned SBT for their Scope 1, 2 and 3 emissions and ambitious targets to be carbon negative across all Scopes by 2030, AstraZeneca stands out as a strong leader in its sector.

However, performance is lacking in terms of the sector's offering of low-carbon products or services. Only 38% of companies are offering them, which is significantly below the global average of 78%. A study published in March 2021 has shown that the carbon footprint associated with the supply of Personal Protective Equipment in England was 106,478 tonnes CO_2e during the first six months of the pandemic, but this could have been reduced by 75% had a combination of different measures such as UK manufacture, reusing PPE and maximal recycling been implemented[33].

Despite the potential impacts of the pandemic on this sector, these companies have generally performed well in terms of their reduction achievement. This year, 75% of Biopharmaceutical companies have managed to reduce their Scope 1 and 2 emissions in line with a 1.5°C warming pathway, and 50% have done so for their Scope 3 emissions. Both figures are above the overall averages, but Scope 3 reduction stands out as a significant area of strength for this sector with only 22% of companies over the whole study achieving 1.5°C-aligned Scope 3 reduction this year.

Direct emissions reduction may be related to these companies' strong performance in mitigation of their Scope 1 and 2 emissions with 86% of companies reporting multiple actions to mitigate their Scope 1 emissions and 75% doing the same for their Scope 2 footprint. Strong examples include AstraZeneca's switch to a fully electric vehicle fleet and Bayer's measures to increase production efficiency, including heat recovery and more effective steam generation. All the companies in the Biopharmaceuticals sector are also using renewable electricity.

It appears from these results that the increased pandemic load on these companies has not significantly impacted their ability to reduce their carbon footprints. Any increase in production-related emissions may have also been offset to some extent by the expected reduction in Scope 2 emissions from the shift to home working for many staff.

International industry focus
Biopharmaceuticals

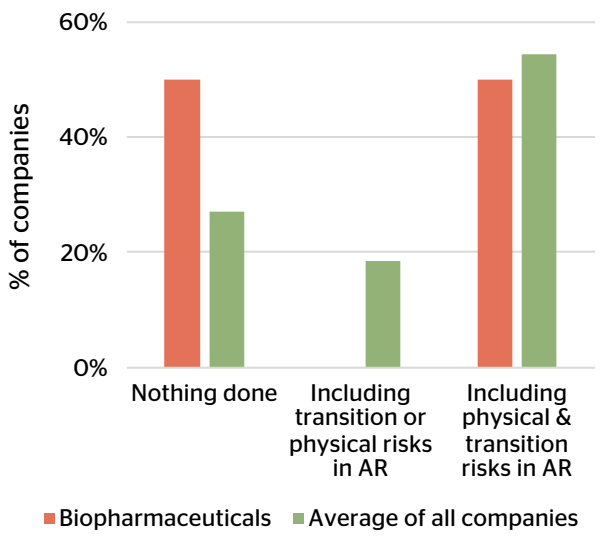
Climate risks and opportunities

Many biopharmaceutical companies will be heavily affected by the impacts of climate change. In their annual report, Johnson & Johnson identify water scarcity as a principal risk which may significantly increase operational costs if access to sufficient high-quality water for production is limited in certain locations[34]. This was just one example of a number of physical risks identified by this sector, such as wildfires, flooding, storms and extreme heat. Similarly, AstraZeneca, GlaxoSmithKline, Johnson & Johnson and Merck all identified the transition to a low-carbon economy as a key risk to their businesses. Carbon pricing mechanisms were of particular concern, with several companies predicting future increases in carbon prices.

A Morgan Stanley report predicted that some pharmaceutical companies have the potential to benefit from certain climate trends[35] due the rise in new diseases, though this is dependent upon these companies having conducted a comprehensive analysis of their climate risks and opportunities across a range of potential future warming scenarios.

75% of companies in this sector are using CSA to inform their business plans, which is slightly above the average of 71% and a huge uplift compared to previous years. In 2019, we observed no Pharmaceutical and Biotechnology companies undertaking a CSA in our research which increased to 22% last year. 76% are also assessing climate-related opportunities, which is a promising performance although it does suggest that a quarter of these companies are not yet prepared to mitigate risks, nor do they understand the opportunities of the low-carbon transition. Only 50% are reporting climate risks as principal risks in their annual reports, which suggests that there is still some work to be done for climate change to be a central issue for this sector.

Biopharmaceutical companies reporting physical and transition risks as principle risks in their annual report



Banks, Financial Services & Investment Services

International industry focus

Banks, Financial Services & Investment Services

Sector context

To limit global warming to 1.5°C, it is estimated that 1.6 to 3.8 trillion USD of new climate investment is required by 2050[36]. Although we are still waiting to find out whether 2019 set a record for climate finance flows for a single year as anticipated, it is important to note that year-on-year flows still appear to be far lower than those needed to achieve the Paris agreement goals. This is even before considering the effect that COVID-19 will have on investment. With global GDP estimated to have dropped around 3.5% in 2020 due to the pandemic[37], uncertainty has developed regarding the future of climate finance in the mid-to-long term.

Despite the drop in GDP, the recent observed growth in climate finance is predominantly driven by development finance institutions as opposed to private finance. This indicates that, while a large majority of Banks, Financial Services and Investment Services examined in this report do in fact offer green products and services such as bonds and investments, there is much room for improvement and further growth.

Due to new guidance published in April 2021, it is now possible for companies within the financial sector to have their SBT validated by the SBTi. Not only should this guide and educate financial institutions on the magnitude and source of their respective emissions, it should also encourage companies to set ambitious science-based carbon reduction targets in support of their net-zero commitments. This year, we have found that 46% of financial companies have set an SBT, three quarters of which are aligned with a 1.5°C trajectory.

Alignment with the TCFD's recommendations is of particular importance for the financial sector and it is good to see that over 80% of the financial institutions in this study have done so.

Portfolio emissions

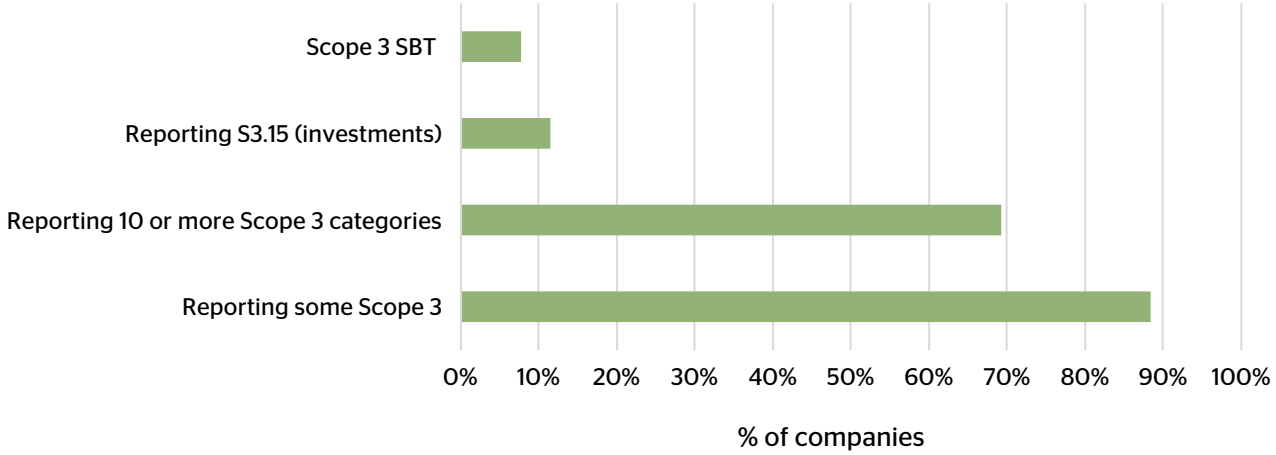
For any robust SBT and net-zero commitment, an organisation must account for all of their emissions, both direct and indirect.

While 65% of Banks, Financial Services and Investments Services have commendably committed to net zero, it is telling that only 15% of companies have a long-term emissions reductions target to achieve net zero and only a mere 8% have a Scope 3 SBT.

The main issue faced by the financial sector is that of reporting Scope 3 category 15: Investments. Banks in particular are facing increased scrutiny of the climate impacts of their financed emissions[38].

This year is the first time this research has awarded weighted points for each individual category of Scope 3 emissions reported; we can therefore see that only 12% of financial institutions reported their investment emissions.

Financial sector reporting & targets for Scope



Without this category, which a recent CDP publication estimated to be over 700 times larger than direct emissions[39], financial companies will not be able to set accurate or robust Scope 3 SBTs or receive SBTi validation. For a Scope 3 SBT to be validated, at least two thirds of total Scope 3 emissions must be accounted for, and this must include investment emissions for financial institutions.

There are a few notable exceptions such as St. James Place and Visa, who have either reported their investment emissions or incorporated them into their Scope 1 & 2 portfolio, and NatWest Group and Lloyds Banking Group who have both committed to halve financed emissions by 2030. But it is clear from our data that this is an area that the majority in this sector need to improve on in order to fully commit to and deliver a net-zero future.

Banks, Financial Services and Investments Services is by far the largest sector in our research this year. This leads to much greater variation within the scoring outcome which can in turn lead to a lower overall average score for the sector. However, a drop from 4th place last year to 20th place this year is considerable and is directly a result of the new weighted scoring of Scope 3. Scope 3 reporting is a crucial aspect of the net-zero journey that will be continuously scrutinised in future reports.

Low-carbon financial instruments

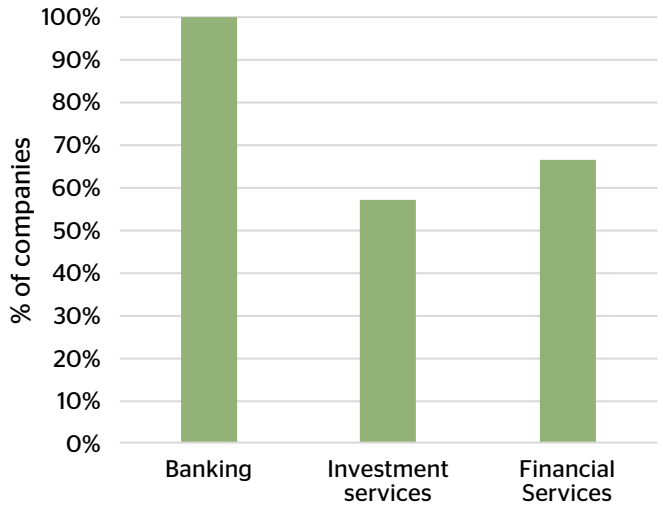
This year, 73% of financial companies offered low carbon products and/or services, which predominantly consists of green bonds and investment funds. Despite the pandemic, it is encouraging to see that 2020 once again broke the record for the highest number of green bonds issued, equating to $290 billion globally, with over 50% being issued in Europe alone[40].

This is possibly due to the 'bounce back' of the economy following the global lockdown, and it is widely predicted that this will continue into 2021[41].

This consistent and steady growth in the number of green bonds being offered year-on-year is a sign not only of companies listening and responding to the shifting views of both the public and shareholders, but also an indication that confidence in the fiscal returns of renewable and sustainable projects is high. To provide further weight to this, in September this year, the UK Government's first Green Gilt raised £10 billion, with investors placing £100 billion of bids, the highest ever for a UK government bond sale[42].

A key policy influencing change in sustainable finance, is the EU Green Taxonomy. The purpose of the taxonomy is to establish a common language between the financial community, as well as policy makers and project promoters, in order to better inform investors about which investments are consistent with the commitments of the Paris Agreement. It is intended that this will help direct finance to low-carbon sectors and drive forward the transition to net zero. By the end of this year, investors that offer funds in Europe will need to disclose how any "sustainable investments" fit with the taxonomy and report the proportion of investments that are aligned to the taxonomy. We would anticipate, therefore, that this will drive increased transparency from the financial sector and further grow investments in low-carbon sectors.

Offering low carbon products/ services



International industry focus

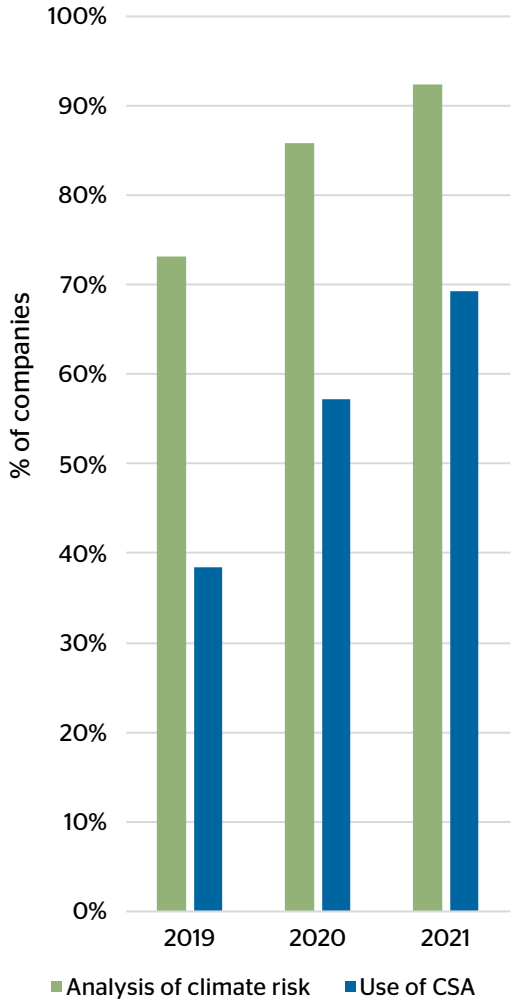
Banks, Financial Services & Investment Services

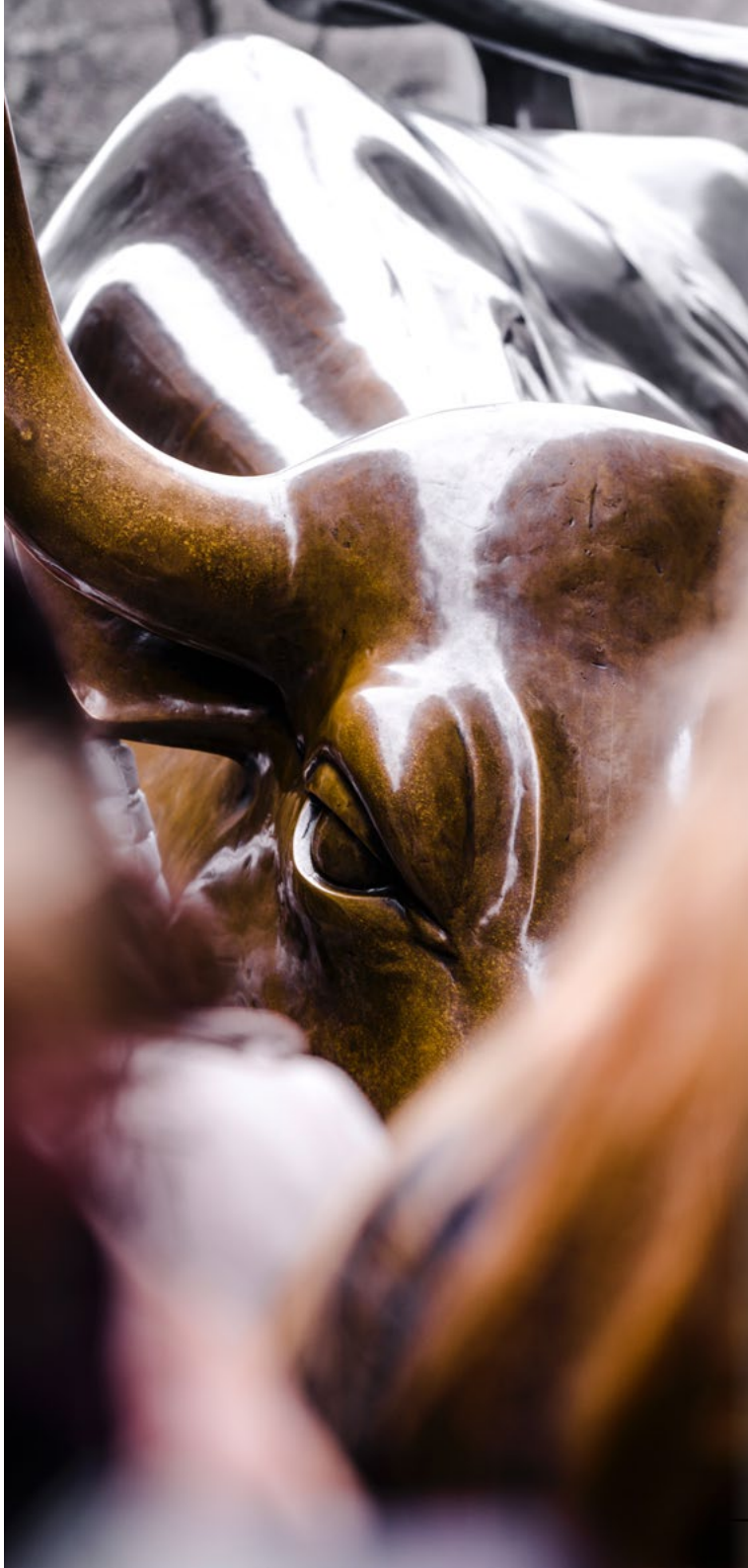
Climate risk

Over the last three years, the finance sector's analysis of climate risk has continued to improve. 92% of companies are now analysing both transitional and physical risk, and 54% of companies have detailed mitigation strategies for those risks. With vast sums of money invested into green and sustainable projects globally and perhaps more pressingly, vast sums of money invested in high polluting activities vulnerable to climate impacts, in addition to policy and market changes, it is key that Banks, Financial Services and Investment Services conduct a robust risk analysis. However, despite the increasing severity of climate impacts, 14% of Investment Services neither analyse nor mitigate climate risks to their business.

In the finance sector, 69% of companies use CSA to inform their business plan. This has increased from 57% in our 2020 research of the CAC 40, DOW 30, FTSE 100 and IBEX 35. Therefore, despite some room for improvement, the finance sector continues to better its performance in terms of climate risk assessment and reporting.

Financial sector assessment of climate risk





4

Mining & Mineral Products

International industry focus
Mining & Mineral Products

Sector Context

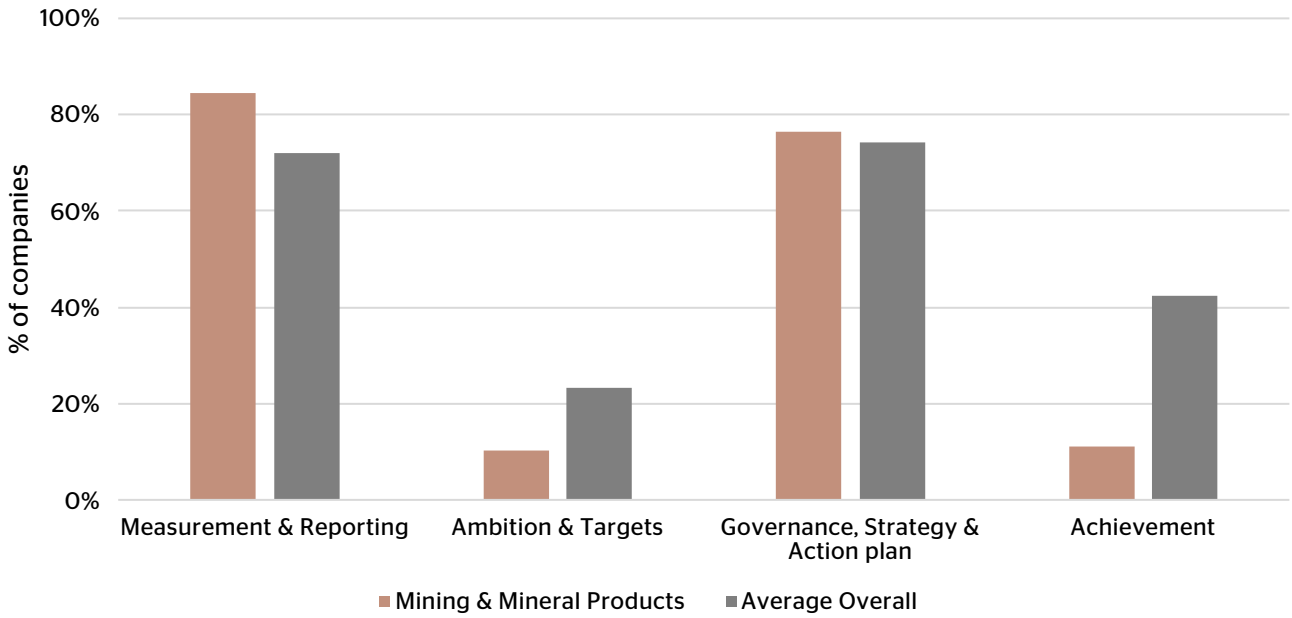
The mining sector is a significant one, both in terms of its current climate impact and its role in the supply chain of key low-carbon technologies. Its heavily polluting operations make up 2-3% of global CO_2 emissions, and it is estimated that 28% of global emissions are a result of the Scope 3 emissions from mining (including the combustion of coal)[43].

Many sustainable technologies require refined metals such as lithium, a key component in the batteries of electric vehicles. Despite the need for a circular economy, current stocks of these refined metals are inadequate to support the green energy revolution, meaning the mining sector will be key to delivering these green solutions[44]. Indeed, refined metals are also crucial to wind, solar, carbon capture, and energy storage and transmission, and the demand is shaping the focus of large companies such as Rio Tinto, a FTSE 100 company, that is currently developing a new lithium mine for $2.4 billion in Serbia[45].

With this in mind, this year we examine the climate reporting and action of this sector, as it is integral to the success of our climate targets and global net-zero transition.

What we find when looking across the separate categories of our research is that mining companies are scoring highly in Emissions measurement & Reporting and Governance, Strategy & Action plan, but falling short on Ambition & Emissions reduction targets and Achievements. This suggests companies are fulfilling the obligations and expectations to report emissions and that they clearly recognise climate change as a key issue for their organisations. However, this is currently failing to translate into meaningful targets or achievement in reducing climate impact.

Category averages for the Mining & Mineral Products companies



Climate risk

Climate-related risks are being considered by all mining companies assessed, and all are putting in place mitigation measures for both physical and transitional risks. In addition to this, 89% identify climate change as a principal risk in their company annual reports; for example, Rio Tinto is mapping out potential carbon pricing landscapes to assess their exposure.

All companies are also using CSA to inform their business plans, with 78% publicly disclosing the

scenarios and the results. The mining sector is performing above average in this regard and is therefore clearly aware of the risks to which they are exposed as a result of climate change, more so than many other sectors in this research, with all companies aligning to the recommendations of the TCFD.

Operational emissions

Operational processes in the mining sector are incredibly energy intensive, in large part because of diesel-fueled heavy machinery. To put this into perspective, replacing the 6.1 billion litres of diesel used in copper mines each year would cut about 25% of the sector's GHG emissions[46]. This could be done through electrification of heavy machinery and haulage vehicles, and a move to renewable electricity. However, currently only two companies are using more than 25% renewable electricity, with only one planning to use 100% renewable electricity in the future. These figures must be improved across the whole sector if it is to decarbonise its direct emissions.

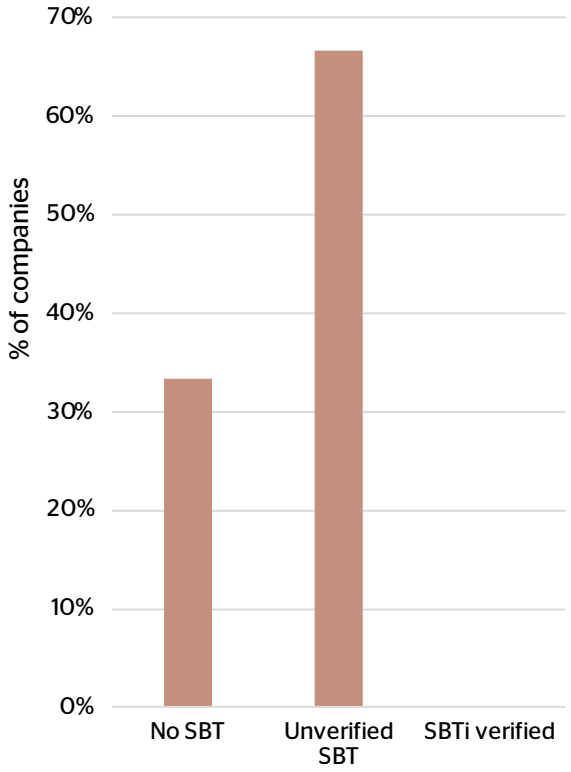
It is vital that these companies set medium-term Scope 1 and 2 SBTs, and that they meet their yearly reduction targets. Although it is promising to see that 67% have set an SBT, none of these targets have been validated by the SBTi and therefore is it difficult to assess the credibility of these commitments. Targets are evenly spread between alignment with 2°C and well below 2°C scenarios, but none are yet committed to reducing emissions in alignment to a 1.5°C scenario.

The best performers here, with targets in line with a well below 2°C trajectory, are BHP Group, Glencore, and Polymetal who are targeting 3%, 2.5% and 2.2% annual reduction in emissions respectively. However, to gain validation from the SBTi, even these targets will need to be revised. It is also essential that such a high-impact sector contributes to limiting global warming to the level advised by science if we are to achieve our global commitments for net zero. In fact, only a third of Mining companies in our research have made a commitment to net zero.

In terms of actual reductions of Scope 1 and 2 emissions, this year presented a broad range of results. Generally, the sector lags behind when we consider that across all sectors, 74% of companies achieved reductions aligned with a 1.5°C scenario, compared to just 22% for mining companies.

Only two mining companies in the study achieved reductions aligned with a 1.5°C scenario, namely Anglo American and Glencore, who reduced emissions by 9% and 17% respectively. This is promising, but we must acknowledge the impact of the COVID-19 pandemic, as Glencore stated in their annual report that this was the key driver in emissions reduction. Both companies are major coal exporters and have been impacted by reduced energy demands. However, Anglo American is developing a 300-metric-tonne electric vehicle haulage truck to reduce its Scope 1 emissions, demonstrating how diesel could be phased out in heavy machinery and that there is clear potential for driving change within the sector.

Mining Scope 1 & 2 SBTs



Scope 3

Accurate Scope 3 emissions reporting is crucial for mining companies especially as transparency on all emissions is now established best practice and a high proportion of their emissions lie in their value chains. Two key categories relevant to this industry are "Processing of Sold Products" and the "Use of Sold Products". The former is most material to metal ore mining companies as metals are refined and smelted, and the latter is most significant for coal and natural gas producers.

We found that 56% of mining companies disclose the emissions in both categories but 44% did not, which given the carbon intensity of the sector, is a result that must rapidly be improved. The only company that provided third party verification for these emissions calculations is Glencore for their Use of Sold Products. This unfortunately means that for the vast majority, disclosed emissions calculations have not been subject to third party assessments. Unsurprisingly then, 89% do not have an SBT covering Scope 3 emissions. As discussed previously, setting verified SBTs is crucial to ensuring achievable, reliable reductions, and in turn contributing to the global goal of net zero.

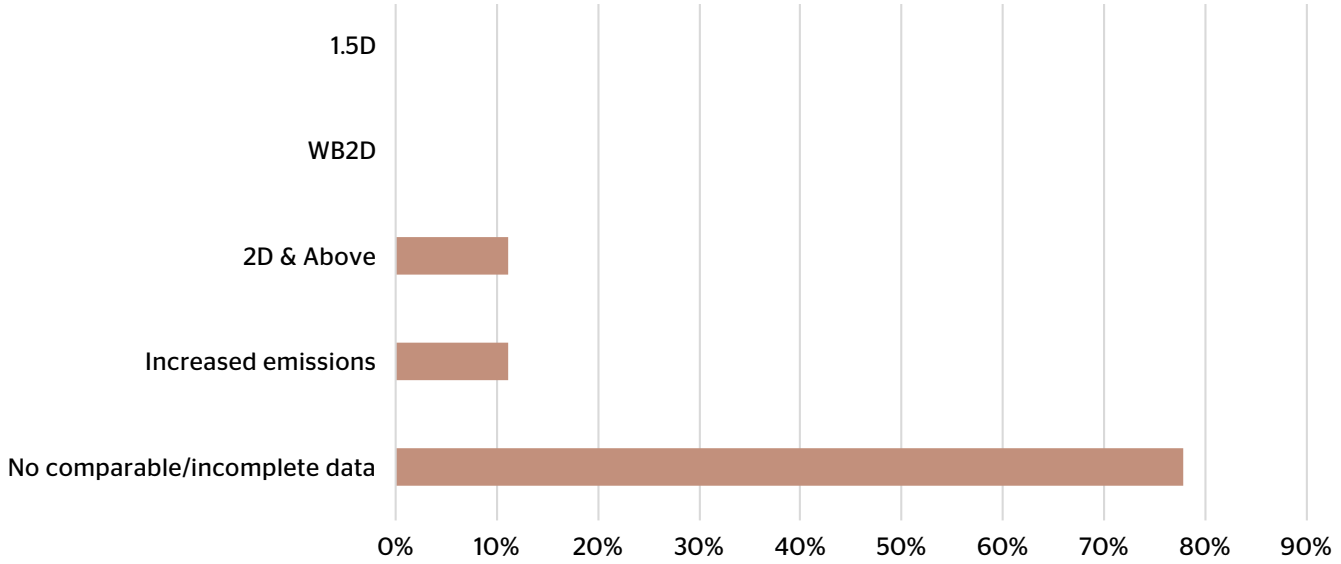
Consequently, the sector faces a major problem – a lack of Scope 3 reporting and the absence of any meaningful emissions reductions across the value chain. 78% of mining companies studied have incomplete Scope 3 reporting or do not even provide comparable Scope 3 emissions data. This demonstrates that reporting performance of the mining sector needs to be improved and that there is still much work to be done before these companies can align themselves to a 1.5°C scenario.

Unfortunately, there are no standout performers in the mining companies researched. Three have committed to reach net zero by 2050 but without clear reduction targets and carbon removal targets it will be difficult to ensure that these commitments are met.

None of the companies have verified carbon offsets, another area of climate strategy assessed in the research. Therefore, there is still a long way to go before the sector can meet the current bar of best practice in climate reporting and action.

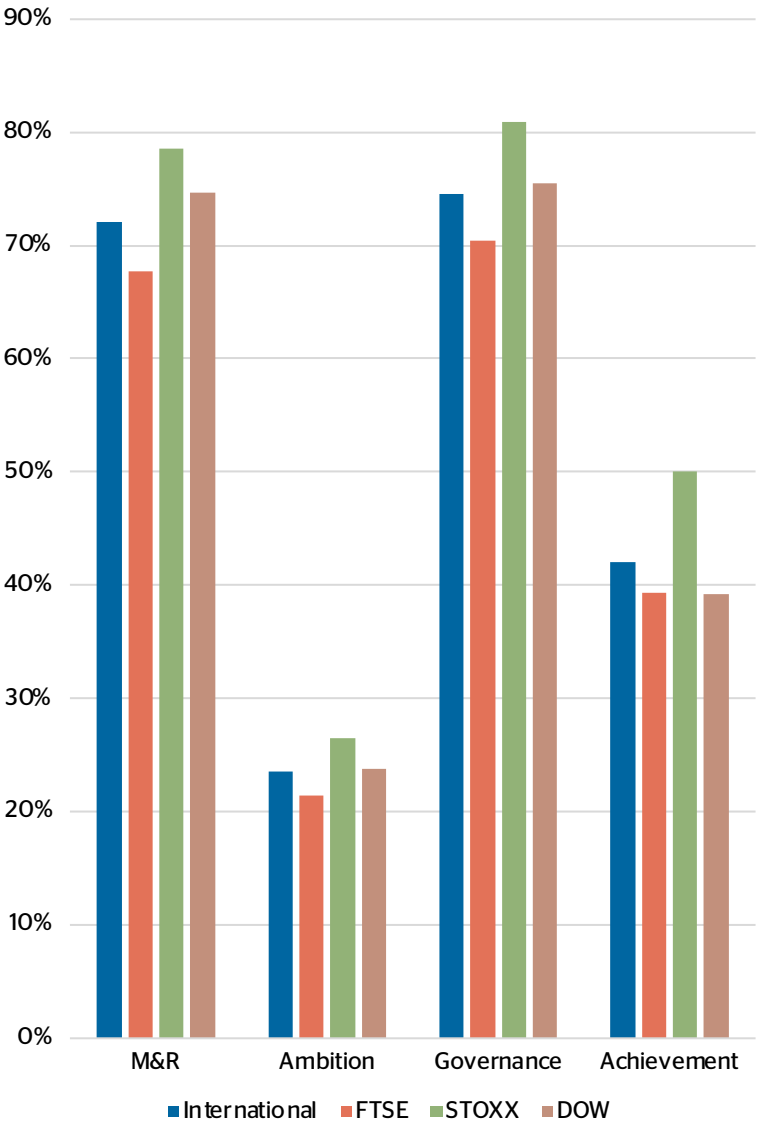
There is a clear opportunity for an ambitious company to put themselves forward as a true net-zero leader in this industry, but ultimately, we urgently need the entire sector to swiftly mobilise to this end.

Scope 3 achieved reductions for Mining companies

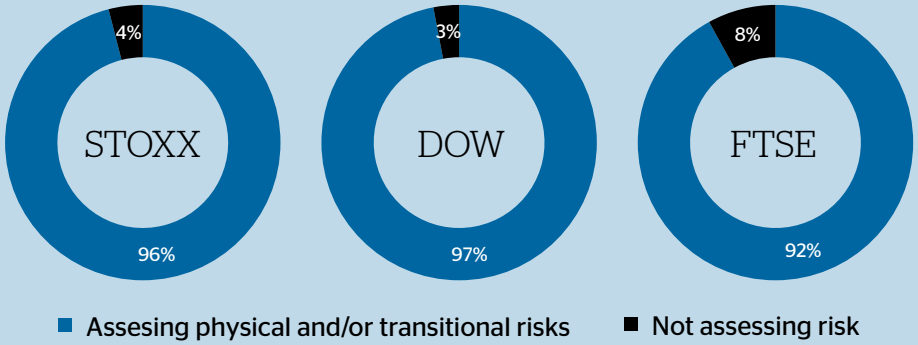


Index analysis

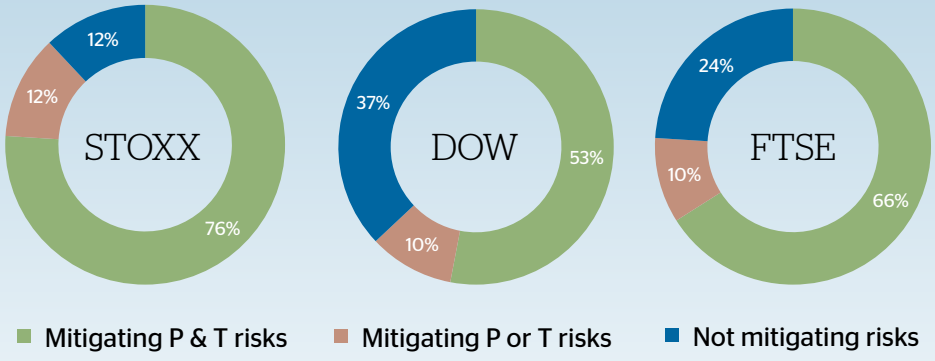
Research category comparison



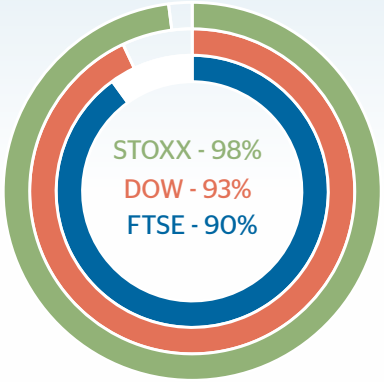
Assessing climate risks



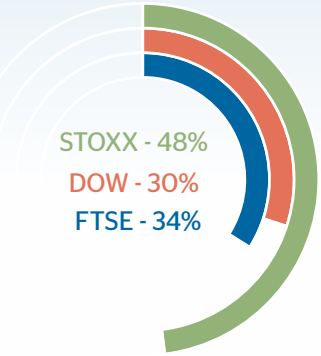
Mitigation plan for risks



% of companies reporting any Scope 3 emissions



% of companies with targets across all three Scopes



FTSE 100
The leaderboard

The average score in the Top 10 performing companies of the FTSE 100 is 76.6% compared to an average score of 83.2% last year. While this may seem to indicate a reduction in action within the FTSE 100, it is important to bear in mind the changes to this year's scoring criteria which put greater weight on robust strategy, Scope 3 reporting and achieved reductions. In other words, the bar for best practice has risen again this year.

RANK (FTSE)	COMPANY	RANK (GLOBAL)	SCORE	MOVE (FTSE)
1	Landsec	3	**83.6 %**	+2
2	Vodafone	4	**81.1 %**	+20
3	BT	7	**78.7 %**	-1
4	GlaxoSmithKline	9	**78.3 %**	+24
5	Informa	10	**77.9 %**	+12
6	AstraZeneca	12	**76.2 %**	+5
7	NatWest Group	18	**73.2 %**	-2
8	Coca Cola Hbc	19	**72.9 %**	-4
	Unilever	20		-8
9=	SSE	20	**72.1 %**	-5
	Barratt Developments	20		+5

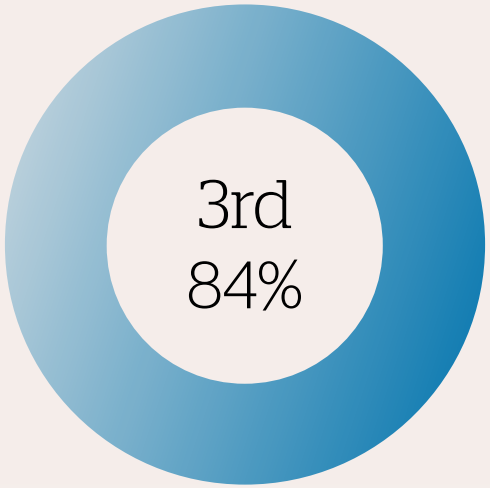
FTSE 100
Climate leadership

In the 2020 Sustainability Reporting performance of the FTSE 100, the Real Estate company Landsec ranked in 3rd place. This year, Landsec has risen to the top of the FTSE 100 climate leaderboard and has placed 3rd across all companies in this research. Landsec reported reductions in emissions in Scopes 1, 2 and 3 over the last year. Although, we must keep in mind the impacts of the pandemic on operations. It has also ambitiously committed to net zero by 2030 and has backed this up with an SBTi-validated SBT. Furthermore, it has consistently achieved best practice emissions reporting as well as alignment with the recommendations of the TCFD, analysing and mitigating both transitional and physical risk, aided by the use of robust climate scenario analysis.

As in previous years, the FTSE 100's most represented sector is that of financial institutions including banks, financial services and investment services. However, with this year's scoring putting greater pressure upon full Scope 3 reporting and achievement they no longer dominate, with an average score across the FTSE 100 of only 46%.

The stand-out sectors within the FSTE 100 this year are Real Estate[47] with an average score of 69.7%, and Utilities, which this year has the greatest number of companies within the FTSE 100 Top 20. Both sectors excelled in emissions reporting, with almost complete Scope 1, 2 and 3 emissions reporting for multiple years across the board; SBT setting and TCFD alignment are also areas of strength for these industries. All companies have an ambitious Scope 1 and 2 SBT, 71% have an SBT covering Scope 3 emissions, and 100% are analysing climate risks with the use of CSA.

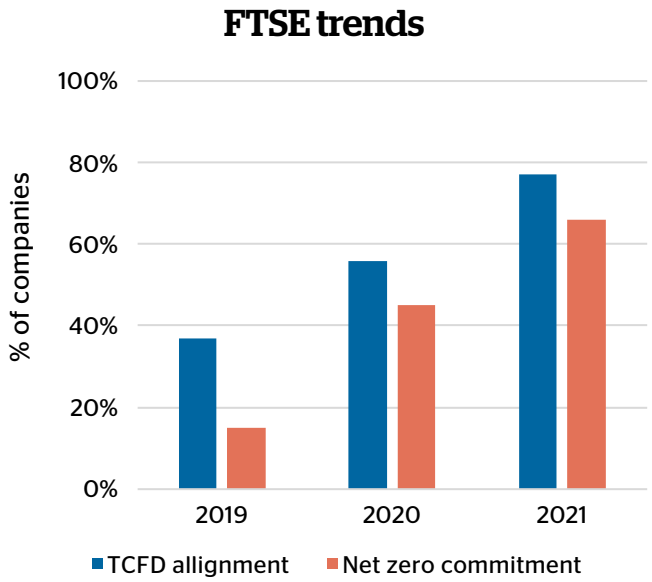
Landsec



FTSE 100
Key trends

The most marked improvement for FTSE 100 companies relates to net-zero commitment and corporate governance of climate-related issues. Net-zero commitments have risen from 45% to 66%, most likely as a result of the aforementioned legal commitment of the UK government to reach net-zero emissions by 2050 as well as a dramatic uplift in public awareness of climate change and the rise in investor-related pressure. It is encouraging to see large UK corporates pledging commitment to this important global target and we hope this rapid upward trend continues.

Furthermore, TCFD alignment and related factors such as management incentives for climate-related issues have considerably increased over the last few years (28% of companies provided incentives to management for sustainability performance in 2019, 44% in 2020 up to 90% in 2021). In addition, 92% of companies in the index are assessing climate risks, demonstrating that this activity is now a requisite part of business reporting for UK corporations; 76% of companies have at least some plan in place to mitigate climate risks (compared with just 56% last year). However, this does raise a concern that almost a quarter of large UK organisations are vulnerable, without a plan to deal with the physical and transitional impacts of a changing climate and what will need to be a rapid low-carbon transformation.



In 2020, 57% of FTSE 100 companies had set or committed to set an SBT. This year, that figure stands at 75%, testament to the galvanising force of the SBTi guidelines for setting emissions reductions in line with science. Uptake over the last few years has been rapid, and over half of these targets cover all three emissions Scopes.

However, only 36% of the whole index has a Scope 3 target. Last year we reported that 33% of FTSE 100 companies has a Scope 3 target, and in 2019 it was 32%, suggesting that progress on value chain emissions is stalling and that this is an area that needs to be urgently addressed by UK corporates.

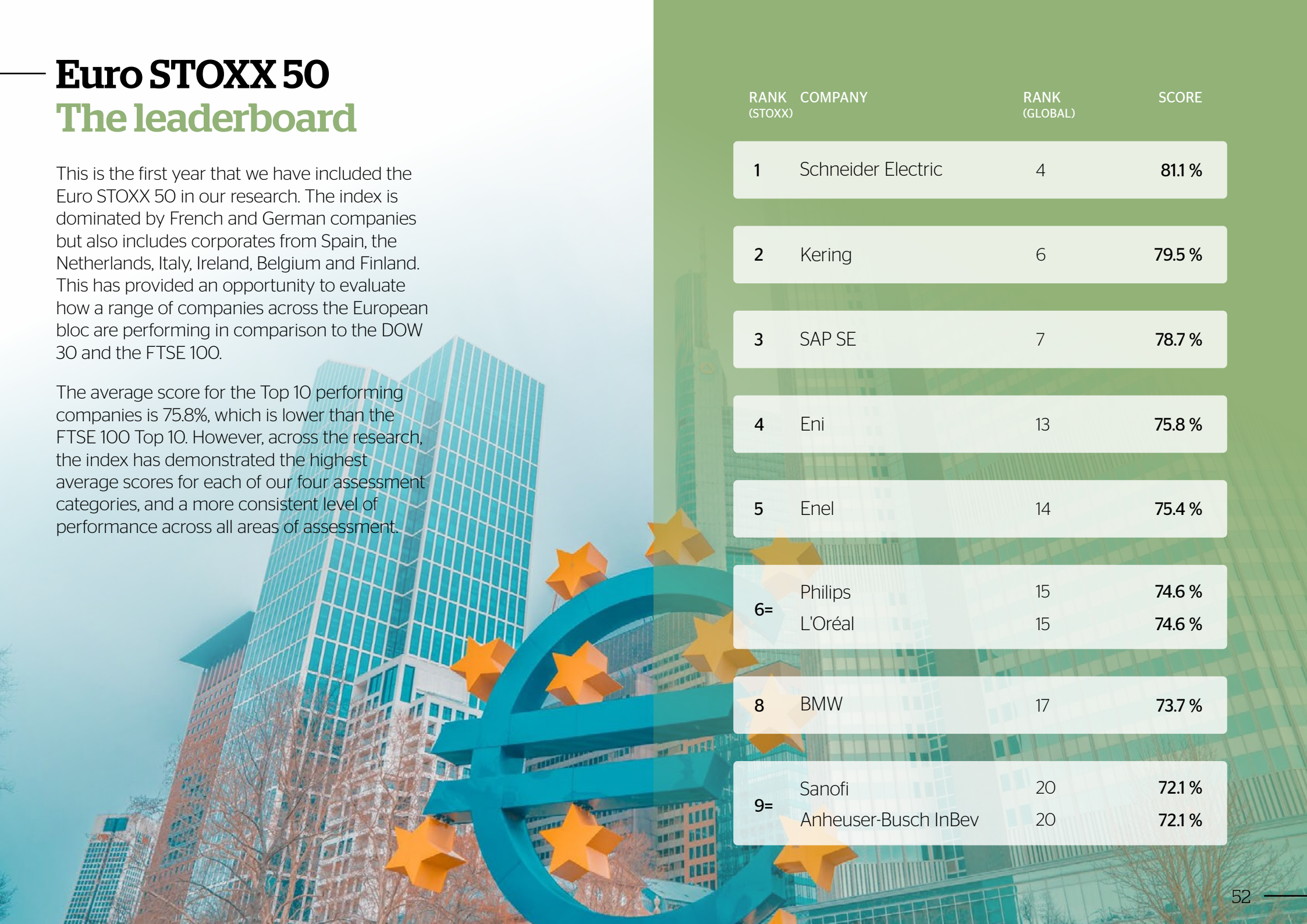
Despite the FTSE 100 demonstrating considerable improvement in certain areas of best practice it is, on average, the poorest performer in each category of this study. This is due to the large disparity between the high and low performers, a trend which has persisted over the years of our research. In fact, while five of the Top 10 companies overall within this study were FTSE 100 companies, 17 out of the 20 bottom companies were also from the FTSE 100, with three companies scoring less than 10% of the available marks.

Although it is encouraging to see climate leadership within this index, meeting climate goals is dependent on the participation of all corporates. This FTSE 100 trend serves as a microcosm of the broader context in the UK. As hosts to this year's COP26, there is a strong will to show ambitious commitment and leadership, but we are yet to see clear plans for how the transformative change required of such an ambition is going to be realised. While it is imperative that governments and very large companies take responsibility for their climate impact, in order to reach net zero by 2050 and avoid the worst impacts of climate change, UK business as a whole must make climate change a central focus.

Euro STOXX 50
The leaderboard

This is the first year that we have included the Euro STOXX 50 in our research. The index is dominated by French and German companies but also includes corporates from Spain, the Netherlands, Italy, Ireland, Belgium and Finland. This has provided an opportunity to evaluate how a range of companies across the European bloc are performing in comparison to the DOW 30 and the FTSE 100.

The average score for the Top 10 performing companies is 75.8%, which is lower than the FTSE 100 Top 10. However, across the research, the index has demonstrated the highest average scores for each of our four assessment categories, and a more consistent level of performance across all areas of assessment.



RANK (STOXX)	COMPANY	RANK (GLOBAL)	SCORE
1	Schneider Electric	4	**81.1 %**
2	Kering	6	**79.5 %**
3	SAP SE	7	**78.7 %**
4	Eni	13	**75.8 %**
5	Enel	14	**75.4 %**
6=	Philips	15	**74.6 %**
	L'Oréal	15	**74.6 %**
8	BMW	17	**73.7 %**
9=	Sanofi	20	**72.1 %**
	Anheuser-Busch InBev	20	**72.1 %**

Euro STOXX 50
Climate leadership

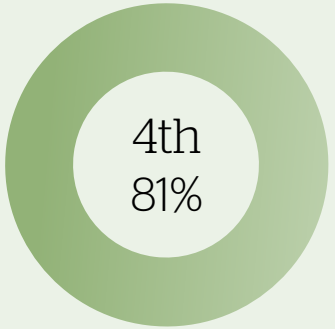
Schneider Electric, a French Technology Consulting Services company, stood out as a sustainability leader amongst not only the Euro STOXX 50 but all the companies evaluated; their overall ranking of 4th is up 15 places from last year's report[48]. The company has achieved 1.5°C aligned emissions reductions across all Scopes. All emissions data, including Scope 3, is verified by a third party, and they have set an ambitious SBTi-validated SBT. In fact, it has set the bold target of reducing Scope 1 and 2 emissions by 100% by 2030 and Scope 3 emissions by 35% in the same timeframe. The company engages with its customers to reduce emissions using its EcoStruxure technology, an IoT-based service which allows a range of clients to increase efficiency and sustainability.

One area of improvement that would really push the company into the upper echelons of sustainability leadership, would be to set clear long-term carbon reduction targets as part of their net-zero target, focusing on Scope 3 emissions reduction post-2030.

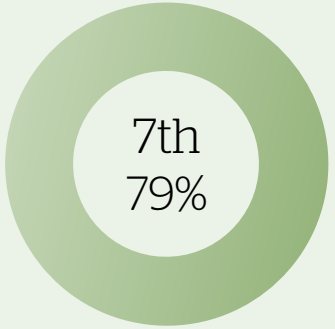
This is where SAP SE, a German Software company, performed exceptionally well; indeed, it was the highest scorer for the Ambition category across all companies scored. SAP SE aims for an 85% reduction of emissions across all Scopes by 2050 alongside their short-term verified SBT, aligned to a 1.5°C scenario.

The Top 10 companies in the index represent a diverse range of sectors demonstrating that climate reporting is becoming material for companies across industries in Europe. Even those from high polluting sectors are demonstrating transparency and proactivity.

For example, Eni, an Italian Oil & Gas company and BMW, a German Consumer vehicles and parts company both report >95% of their Scope 3 emissions, notably including 'Use of Sold Products', which is by far the most significant emissions category for them. BMW has a 1.5°C aligned Scope 1 & 2 SBT validated by the SBTi, and Eni a has a carbon reduction target of 71% across all Scopes by 2050 as part of its net-zero commitment. Both have achieved 1.5°C aligned emissions reductions across all Scopes in the last reporting year. It should also be noted that these two companies are leading their respective sectors with best practice reporting and governance. To retain a leadership ranking in future years, emissions reductions aligned to 1.5°C will need to be maintained across all Scopes of emissions.



Schneider Electric



SAP SE

Euro STOXX 50
Key trends

Although commitments to net zero are closely aligned with the other indices in our report (64%), companies in the Euro STOXX 50 appear to be performing better across a number of best practice categories. Almost three quarters (74%) have set an SBT, with a greater proportion of these targets covering all three Scopes of emissions (48%). Compared to just a third of FTSE 100 companies tackling Scope 3 emissions, almost half of European companies in this research are demonstrating proactivity on their most significant emission souces across their full value chains.

Companies also appear to be more advanced in terms of low-carbon products and services. 92% of Euro STOXX 50 companies are offering them, in comparison to 73% and 69% for the DOW 30 and FTSE 100 respectively. The two other indices are left trailing behind in terms of the use of an internal carbon price, which can be a powerful internal driver for change: 60% of companies disclose the use of this mechanism, which is almost double that of companies in the DOW 30 and FTSE 100. Similarly, far fewer European companies are leaving themselves vulnerable to risk, as only 14% have no mitigation plan for climate risks.

This index has fewer low performers than the other two indices analysed; they make up 28% of all companies studied but constitute only 16% of the bottom 50. Comparatively the DOW 30 makes up 17% of the study and 18% of the bottom 50, and the FTSE 100, 56% of the study and 66% of the bottom 50. This shows that on average, European companies are generally more advanced in terms of climate reporting and best practice.

However, in terms of net-zero ambition and robust and long-term strategies, they match their British and North American peers, and in some cases fall slightly behind. This suggests that European companies, despite being highly engaged and transparent on climate issues, have yet to forge ahead with net-zero action plans.

Compared to other international governing bodies, the European Union has driven a strong agenda on climate change which is clearly influencing corporate responses. However, it may be that in the absence of clear national policy and guidelines, specifically regarding the attainment of net zero, corporates are lacking direction on the next steps. This drives home the importance of the upcoming COP26 and the anticipated release of the SBTi guidelines on net-zero target setting. Clarity on future policy and best practice could really drive progress for companies across all nations.

DOW 30
The leaderboard

The average score for the DOW 30 Top 10 this year is 69.1%, which is the lowest Top 10 average score of the three indices. However, the DOW 30 has outperformed the FTSE 100 in terms of overall average score for the first time in our research.

It is the US tech giants that have dominated not just the DOW 30 ranking, but the overall ranking for this international study. Microsoft firmly holds on to top spot from last year and Apple moves up to second from tenth. Salesforce, as a new entry to the DOW 30 this year, has also debuted as a high scorer– 3rd in its own index and 11th overall.

RANK (DOW)	COMPANY	RANK (GLOBAL)	SCORE	MOVE (DOW)
1	Microsoft	1	**92.6 %**	0
2	Apple	2	**86.9 %**	0
3	Salesforce	11	**77.0 %**	n/a
4	Nike	41	**64.8 %**	+7
5	Procter & Gamble	44	**63.9 %**	0
6	Johnson & Johnson	47	**63.1 %**	+4
7	Walmart	49	**62.8 %**	+17
8	3M	56	**61.2 %**	-1
9	Visa	57	**60.7 %**	+21
10	Verizon	67	**58.2 %**	+4

DOW 30
Climate leadership

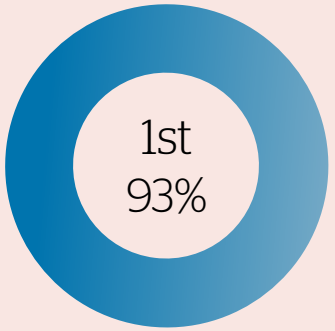
Microsoft is the highest scoring company in this year's research. It has set the benchmark for governance of climate-related issues and climate strategy as well as its net-zero commitments. The company's carbon-negative ambition across all three emissions Scopes for 2030 is an international first, showing that all companies could be more ambitious in their climate commitments.

Apple is the second highest scoring company in this year's research. It has performed consistently highly across all four categories of our scoring: Apple's verified SBTs are aligned with a 1.5°C warming pathway and cover all three Scopes of its emissions. These targets set out the reduction pathway towards the company's ambitious 2030 net-zero target which also includes a 25% carbon removal target. Additionally, Apple is a leader in its use of renewable electricity, with 100% of its electricity coming from renewable sources, of which 90% is self-generated on-site; the company also intends for its entire supply chain to be 100% powered by renewable electricity by 2030.

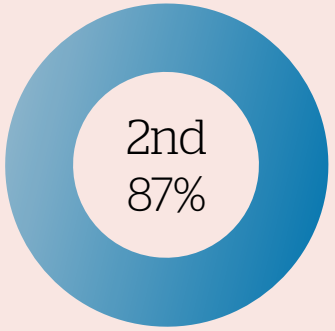
Two companies noted for significant moves up the rankings are Visa, which has moved up 21 places in this year's DOW 30 rankings to 9th, and Walmart, which is up 17 places to 7th. For Visa, this follows a significant improvement in governance and strategy - scoring particularly highly for its mitigation actions across all three Scopes of emissions and its comprehensive CSA. Walmart's new 1.5°C-aligned SBT and commitment to using 100% renewable electricity pushed it significantly higher in our ranking. This is in addition to a variety of carbon mitigation actions including fleet electrification, green fuel switches and supplier engagement programmes.

There has been relatively little change in the DOW 30 overall average scoring. This year the average score for all DOW 30 companies is 53%, down only slightly from last year's 55%. Given the evolution of the scoring methodology this year, this would suggest a fairly positive result for DOW 30 companies, although the presence of a few high scorers has boosted the averages quite significantly.

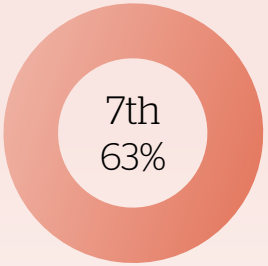
Of the Top 10 DOW 30 companies, four – including each of the top three companies – sit within the Information, Technology and Telecommunications sector, which has emerged as the highest average scoring sector for the DOW 30. The other Top 10 DOW 30 companies all belong to different sectors, indicating that no other sector has performed particularly strongly relative to the others.



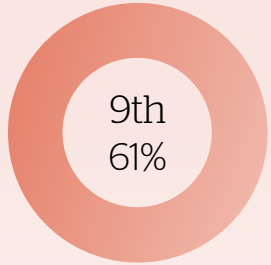
Microsoft



Apple



Walmart



Visa

DOW 30
Key trends

This year, net-zero commitment within the DOW 30 has more than doubled to 63%. It seems highly likely that this is attributable to the change in administration in the United States during the last reporting year. However, these international organisations are similarly impacted by the rising expectations from the investor community, and the visible impacts of climate change being felt across the United States must also be influencing the corporate agenda. It has also been clear from our research in recent years that many in the corporate community have been engaged on the issues of climate change regardless of political policy, with many actively calling for climate commitment at the federal level in recent years.

It would appear then that there is support amongst US corporates to address climate change and a willingness to be transparent on climate-related issues in business reporting. However, as already mentioned and setting aside the climate leaders, the majority of companies in all indices of our research are still missing a robust strategy and long-term targets to support their net-zero ambitions, revealing an absence of clarity internationally on the practicalities of achieving net zero.

Certainly, where clear guidelines do exist, there is a strong trend towards following them, with 73% of DOW 30 companies now setting SBTs, up from 47% last year – an upward trend mirrored by its European counterparts.

In terms of progress on value chain emissions, only 30% of companies have a Scope 3 SBT, although a higher proportion of DOW 30 companies calculate emissions for all 15 Scope 3 categories. This suggests that there is some transparency but much work to be done for US organisations to take adequate action on their full climate impacts.

Although fewer companies are aligned with the TCFD, 97% of DOW 30 companies are assessing physical and/or transitional climate risks – slightly more so than the FTSE 100 (92%) and on par with the Euro STOXX 50 (96%). However, our research suggests that not enough companies have an adequate plan to deal with the impacts of climate change; 37% of DOW 30 companies have not disclosed any mitigation plans for their identified climate risks.

In 2021, we are seeing positive signals from the DOW 30 that large US corporates are making strides in their climate reporting and performance. There continues to be year-on-year improvements to key elements of best practice, as outlined throughout this report, as well as the presence of consistent representation at the top of our international climate rankings.

Having said that, and despite the emissions reductions that we have seen recorded this year, we are still not seeing enough clarity and action from US corporations to back up climate commitments, safeguard against climate risks and meet our urgent climate goals in time.

Conclusion

Conclusion

This year's research into the climate reporting performance of the DOW 30, Euro STOXX 50 and FTSE 100 companies has shown that many international corporates have continued to improve their response to climate change during 2020. It is encouraging to see that a global pandemic with such wide-reaching consequences has not reduced, but has potentially boosted the resolve of many large corporates to tackle the climate crisis.

Continuing the upward trend of the last two years, this year we report another marked uplift in corporate pledges to achieve net zero. More companies are setting emissions reductions targets aligned to a 1.5°C warming scenario as advised by science, and more companies are demonstrating the credibility of these targets with SBTi validation. It is clear that communicating a commitment to climate action is becoming standard practice for large international corporates.

Our new index, the Euro STOXX 50, has joined the rankings and outperformed the other indices across all categories of the study, even though the highest scoring companies come from the DOW 30 and FTSE 100. This tells us that irrespective of geography and sector, ambitious climate action and reporting is certainly possible.

In recent years we have reported on a dramatic improvement to companies measuring and reporting their emissions and displaying good governance over climate-related risks and opportunities, driven by the recommendations of the TCFD and the growing pressure from the investment community. This year is no exception, and we have seen that these drivers continue to have a dramatic impact on the reporting of international companies. It is good to see that the majority of big business now recognises that climate change is a real and present threat, and that they must be transparent not only about their impacts, but also about the risks that they face. Many are also analysing and taking advantage of the opportunities of the low-carbon transition and we continue to see a rise in the number of low-carbon products and services coming to market.

However, by comparison, there is dramatically weaker performance in the categories of Ambition and Achievement. The average scores for all indices were below 50%, almost across the board. This serves as a stark reminder that we are still failing to see clear short and long-term targets across all Scopes of emissions to back up these corporate commitments. Most companies are still overlooking the need for long-term emissions reduction targets and a strategy for sequestration. Public commitments are still yet to translate into clear plans for achieving net zero, which is deeply troubling as we are now faced with such a small window of time to transition to a low-carbon economy and avoid the worst impacts of climate change.

This suggests that the international corporate community is currently lacking clarity and guidance on transitioning to net zero. The significant rise in the number of SBTs over the last three years of our research demonstrates the powerful impact that clear best practice guidelines can have on corporate climate action and transparency. This is why the upcoming COP26 and release of the forthcoming SBTi guidelines on net-zero target setting are potentially crucial for driving forward corporate climate action.

This year, reductions have been artificially buoyed for many due to the impacts of the COVID-19 pandemic. It appears to be an exceptional year for emissions reductions which is good news, but we must be under no illusions that we need to stay at this level, or better, if we are to achieve our climate goals.

Conclusion

We congratulate our top performers this year for their thorough engagement with climate change and for continuing to meet and raise the bar of best practice. They demonstrate the possibility of meeting the climate challenge head on, and the importance of doing so in order to future-proof their organisations.

Unfortunately, if we are to transition to net zero in time, every organisation must be contributing to the low-carbon transition. Year-on-year we report a glaring gap between the high performers and the low performers: scores this year range from 0 – 93%. Although this is a focussed study, the findings represent a microcosm of the broader picture of climate action across our societies. A small minority cannot achieve the net-zero transition alone, we must all engage, collaborate and most importantly act now if we are to deactivate the code red alarm for planet earth and humanity.

We remain hopeful that COP26 this year will be decisive and therefore a galvanising force to drive forward further and rapid improvements to climate reporting and action in the years to come. The future of our planet depends on it.

Methodology

Methodology

Sources of information

Our research is based on publicly available information readily accessible to any interested third party. The companies' scores are established following an evaluation of the information available in the latest annual or sustainability reports, their reference documents, and any additional links from the companies' websites, including microsites and blogs specifically dedicated to climate or energy.

This is because we 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. That is why we reward the transparency of these companies and their performance in terms of climate reporting and actions in our rankings.

The scope of our study

The report focuses on the climate reporting, strategy and performance of the large, publicly listed companies in the following stock indices: , DOW 30, Euro STOXX 50, and FTSE 100. These companies are spread across 32 different sectors (modelled on the Factset RBICS classification), and are scored against various criteria articulated around four broad subjects.

This year, our methodology has been reviewed and updated with the aim of refocusing our evaluation on corporate climate actions that are publicly communicated, and deepening the analysis by integrating new criteria related to the achievement of absolute emission reductions and carbon offsetting.

By climate actions, we mean:

1. **Emissions measurement and Reporting**
2. **Ambition and Emissions reduction targets**
3. **Strategy, Governance and Action plan**
4. **Achievements**

Our study continues to focus on best practice in climate reporting, but this year, given the increasingly urgent need for action on climate change, we have placed greater emphasis on achieved emissions reductions and climate initiatives.

This year, the statements made by companies as part of their 2019 response to the CDP questionnaires have also been considered to fill in any gaps, particularly with regard to the assessment of the carbon footprint and any achieved emissions reduction.

The research criteria cover the following areas:

1. Measurement and Reporting:

This section looks at the rigour and completeness of reporting, focusing on the disclosure of carbon footprint data and calculation methodology.

We rate companies in relation to transparency and consideration of all direct and indirect significant carbon emissions. Scores take into account the exhaustiveness of the reporting parameter, and all Scope 3 emissions categories are screened. We apply a sector-specific weighting to our 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 to ensure fairness in scoring outcomes

To assess progress, the reporting of carbon emissions data over several years wins points, as well as the use of well-established reporting platforms such as the CDP or the GRI.

Within this category, we have also awarded points to companies that have carried out an external audit of their carbon data, reserving the maximum scores for those who include all Scope 3 categories and have gained assurance or been audited repeatedly. This allows us to go beyond the declarative aspect of reporting and put a value on actions validated by independent entities.

2. Ambition and objectives:

The purpose of this category is to analyse whether companies have set GHG emission reduction targets and at what level of ambition; the ambition aligned with the global goal of limiting global warming to 1.5 °C is best practice and carries the most points.

We assess whether companies have set targets for reducing GHG emissions in the short and medium term, as well as in the long term. Scope 3 targets also gain additional points. Indeed, the majority of corporate emissions generally come from Scope 3 and a separate target is now important best practice.

With a view to rewarding a credible ambition aligned with scientific data, we check whether a company appoints an independent third party, whose mission is to ensure and validate, in an impartial manner, conformity with a reference standard, in particular the SBTi.

The research also examines carbon offsetting of residual emissions, including carbon removal, in parallel with reduction targets as part of the pursuit of net-zero emissions. However, we only reward the use of carbon credits that have been verified and certified by recognised international or national standards.

As in previous years, we look at whether companies have committed to net zero. We assess their level of ambition, the time horizon, and the scope, in order to evaluate the robustness of these commitments.

Strategy, governance and action plan:

This category considers the strategy put in place by companies to achieve their climate objectives. It covers 12 indicators relating to the measures implemented and the drivers of change.

Great importance is placed on alignment to the recommendations of the TCFD. This reflects the growing expectation that all companies must provide transparent 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 climate scenario analysis.

The inclusion of climate risk as a priority in the annual reports, the implementation of an internal carbon price, and the shift towards using 100% renewable energy are also considered key best practices in this area and 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, it allows us to evaluate the effectiveness of corporate engagement and innovation strategies. This is a key element when calculating the final score.

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.

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

The Scoring

All companies are scored against 28 questions this year, supplemented by 11 “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 61 points. The scores are expressed in percentages (61 points in total resulting in a score of 100%).

Each of the four main sections is weighted to obtain a total score, 15 %, 28 %, 36 % and 21% respectively. To encourage businesses to take bold action to reduce their emissions, this weighting will progressively evolve to give more weight to reduction achievement, which remains complex to estimate based on current disclosure. With a view to continuous improvement, the 11 unscored additional criteria spread across the four categories were introduced this year to allow a thorough and refined analysis with a view to future developments.

Our research criteria are founded on corporate climate best practice and underpinned by the requirements of a robust net zero strategy which includes emissions reductions in line with science and inclusion of all Scopes

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

Appendix: research group

DOW 30

3M
American Express
Amgen
Apple Inc.
Boeing
Caterpillar Inc.
Chevron Corporation
Cisco Systems
The Coca-Cola Company
Dow Inc.
Goldman Sachs
The Home Depot
Honeywell
IBM
Intel
Johnson & Johnson
JPMorgan Chase
McDonald's
Merck & Co.
Microsoft
Nike, Inc.
Procter & Gamble
Salesforce
The Travelers Companies
UnitedHealth Group
Verizon Communications
Visa Inc.
Walgreens Boots Alliance
Walmart
The Walt Disney Company

EURO STOXX 50

Adidas
Adyen
Ahold Delhaize
Air Liquide
Airbus
Allianz
Amadeus IT Group
Anheuser-Busch InBev
ASML Holding
AXA
BASF
Bayer
Banco Santander
BMW
BNP Paribas
CRH
Daimler AG
Danone
Deutsche Börse
Deutsche Post
Deutsche Telekom
Enel
Engie
Eni
EssilorLuxottica
Flutter Entertainment
Iberdrola
Inditex
Infineon Technologies
ING Group
Intesa Sanpaolo
Kering
Kone
L'Oréal
Linde plc
LVMH Moët Hennessy Louis Vuitton
Munich Re
Pernod Ricard
Philips
Prosus
Safran
Sanofi
SAP SE
Schneider Electric
Siemens
TOTAL SE
Vinci SA
Vivendi
Volkswagen Group
Vonovia

FTSE 100

3i
Admiral Group
Anglo American plc
Antofagasta
Ashtead Group
Associated British Foods
AstraZeneca
Auto Trader Group
Avast
Aveva
Aviva
B&M
BAE Systems
Barclays
Barratt Developments
Berkeley Group Holdings
BHP
BP
British American Tobacco
British Land
BT Group
Bunzl
Burberry
Coca-Cola HBC
Compass Group
CRH plc
Croda International
DCC plc
Diageo
Entain
Evraz
Experian
Ferguson plc
Flutter Entertainment
Fresnillo
GlaxoSmithKline
Glencore
Halma
Hargreaves Lansdown
Hikma Pharmaceuticals
HSBC
IHG Hotels & Resorts
Imperial Brands
Informa
Intermediate Capital Group
International Airlines Group
Intertek
JD Sports
Johnson Matthey
Just Eat Takeaway
Kingfisher
Land Securities
Legal & General
Lloyds Banking Group
London Stock Exchange Group
M&G
Melrose Industries
Mondi
National Grid plc
NatWest Group
Next plc
Ocado Group
Pearson plc
Pershing Square Holdings
Persimmon plc
Phoenix Group
Polymetal International
Prudential plc
Reckitt
RELX
Renishaw
Rentokil Initial
Rightmove
Rio Tinto
Rolls-Royce Holdings
Royal Dutch Shell
Royal Mail
Sage Group
Sainsbury's
Schroders
Scottish Mortgage Investment Trust
Segro
Severn Trent
DS Smith
Smiths Group
Smith & Nephew
Smurfit Kappa
Spirax-Sarco Engineering
SSE plc
Standard Chartered
Standard Life Aberdeen
St. James's Place plc
Taylor Wimpey
Tesco
Unilever
United Utilities
Vodafone Group
Weir Group
Whitbread
WPP plc

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47. Excluding Passenger transportation, only one company scored

48. This is not a direct comparison as last year Schneider Electric were assessed as part of the CAC 40 index.

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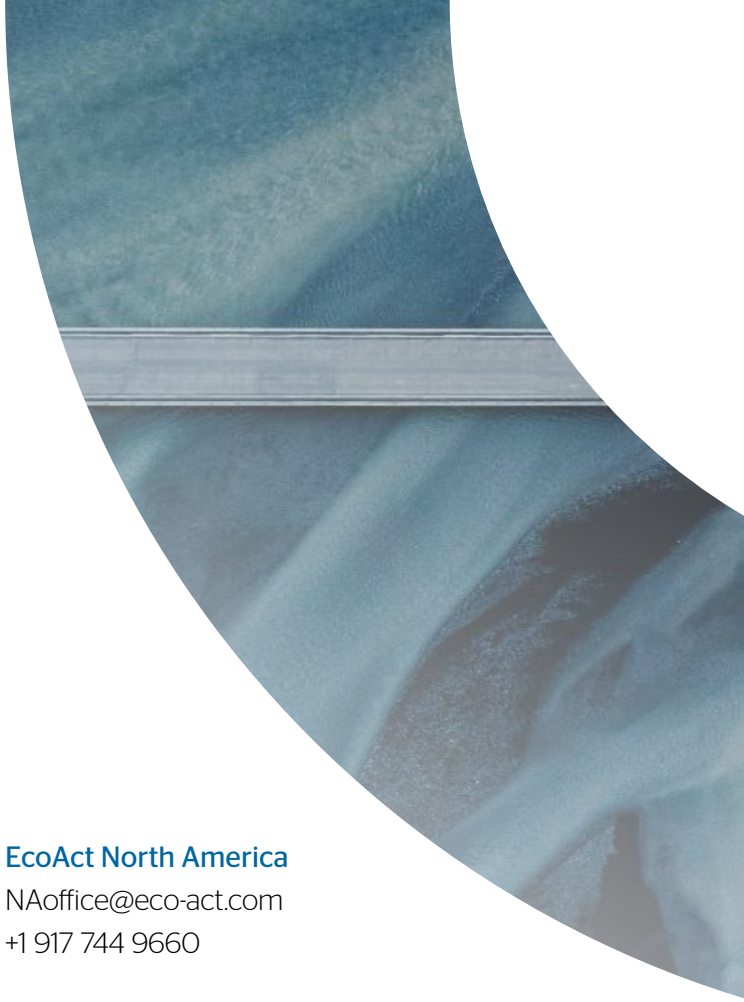
EcoAct, an Atos company, is an international sustainability consultancy and project developer that supports companies and organisations by providing the most efficient and holistic solutions to effectively meet the challenges of climate change. Founded in France in 2006 by Thierry Fornas and Gérald Maradan, EcoAct has offices in 7 countries and 3 continents around the world: Paris, Lyon, Barcelona, London, New York, Montreal, Munich and Embu in Kenya.

With a team of more than 170 experts in decarbonisation strategy, EcoAct enables managers and their teams to transform their business model and reduce their carbon emissions while driving commercial performance. EcoAct's core purpose is to inform and lead sustainable strategies that create value and benefit its clients as well as the climate, and the environment. 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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