

Investor Engagement on Corporate Decarbonisation and Science-Based Targets

The Investor Decarbonisation Initiative brings together institutional investors to encourage companies to set bold and credible climate targets. This briefing outlines the benefits of joining the initiative.

Introduction

With the ratification of the Paris Agreement, the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD) and increasing scrutiny from institutional investors, companies are facing mounting pressure to address climate-related risks. Changes in technology and regulation are also providing new climate-related business opportunities.

Most companies now have targets in place to reduce their greenhouse gas emissions. However current business plans often fall short of what is necessary to adequately address climate-related risks and deliver on internationally-agreed climate ambitions. We need faster and smarter corporate action on climate change. The Investor Decarbonisation Initiative is an effective mechanism to deliver on some of these objectives.

The Investor Decarbonisation Initiative aims to secure commitments from companies to:

- Set science-based targets in line with the goals of the Paris Agreement
- Set complementary energy targets in support of the development and delivery of science-based targets

Key benefits for investors

ShareAction's Investor Decarbonisation Initiative provides:

- A comprehensive and collaborative way for institutional investors to engage with companies in some of the highest greenhouse gas emitting sectors.

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- A clear and unified engagement agenda to drive meaningful corporate commitments to decarbonisation.
- A mechanism for investors to contribute to Sustainable Development Goals 7 (Affordable and Clean Energy) and 13 (Climate Action).
- A platform to deliver coordinated corporate engagement which builds on ShareAction's proven record of organising successful investor collaborations. This initiative is a continuation of the work ShareAction has undertaken with institutional investors promoting RE100 and EP100.

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Key objectives

The objectives of this initiative are based on the principle that setting bold and credible climate targets is a smart business decision, helping companies build business resilience, drive innovation, increase competitiveness and prepare for shifts in public policy. Over 320 companies have recognised the power and utility of moving beyond incremental targets to science-based targets.

The trio of corporate campaigns led by The Climate Group - RE100, EP100 and EV100 - presents a toolkit for companies looking to demonstrate climate leadership on renewable electricity, energy productivity and electric mobility. In doing so, these campaigns can support in the development of science-based targets and the delivery of existing science-based commitments.

Science-based targets

Through collaborative engagement, we will ask companies to set science-based targets in line with the goals of the Paris Agreement.

Science-based targets set the corporate standard for alignment with the 2°C limit and are fast becoming the go to approach for meaningful climate target setting.

Greenhouse gas emissions reduction targets are considered 'science-based' if they are aligned with the level of decarbonisation required to limit global temperature increase to below 2°C compared to pre-industrial levels.

The Science Based Targets initiative (SBTi) was set up in response to the disparity between the current emissions trajectory and the internationally agreed targets of the Paris Agreement. It aims to champion science-based target setting as a powerful way to boost competitive advantage in the transition to a low-carbon economy. The SBTi defines and promotes best practice, offers resources and guidance and independently assesses and approves companies' targets.

The Science Based Targets initiative is a collaboration between CDP, World Resources Institute (WRI), World Wide Fund for Nature (WWF) and the United Nations Global Compact. For more information, read ShareAction's Q&A on science-based targets or visit sciencebasedtargets.org.

Complementary energy targets

As a toolkit to support the development and delivery of science-based targets, we will encourage companies to consider the following climate leadership commitments:

100% renewable electricity with RE100

RE100 is a global initiative of businesses committed to sourcing 100% renewable electricity. It aims to stimulate and showcase corporate demand for renewable power by asking companies to set a public goal to source 100% of their electricity from renewable sources.

Double energy productivity with EP100

EP100 is a global initiative of companies committed to doubling their energy productivity. Companies that join EP100 must set a baseline year, as early as 2005, and pledge to double energy productivity within 25 years of this date.

Promote uptake of electric vehicles with EV100

EV100 provides a global platform for companies to publicly commit to electric vehicle uptake and/or roll-out of charging infrastructure. EV100 seeks to leverage corporate leadership to build market demand for electro-mobility, reduce investment cost through best practice sharing and collaboratively address the remaining barriers. Companies joining EV100 are invited to make a public commitment to transition vehicle use to electric vehicles and install charging facilities on their premises by 2030.

RE100, EP100 and EV100 are initiatives led by The Climate Group, as part of the We Mean Business coalition's Take Action campaign. RE100 is delivered in partnership with CDP and EP100 is delivered in partnership with the Alliance to Save Energy. For more information, visit theclimategroup.org/project/business-actions.

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Partners

ShareAction is working in partnership with the We Mean Business coalition and its members CDP and The Climate Group. Technical expertise from these organisations will be available to companies considering how to address their carbon footprint.

The role of investors

Joining the Investor Decarbonisation Initiative is a positive and progressive step that investors can take to help accelerate corporate climate action. ShareAction believes that engagement by a diverse group of institutional investors is an essential and effective step in shifting the behavior of the most carbon-intensive sectors. The elements of this program consolidate pre-existing investor initiatives coordinated by ShareAction, building on our successful engagement on RE100 and EP100.

Investors simply need to agree to be publicly recognized as member of the Investor Decarbonisation Initiative. As coordinator, ShareAction will then:

- Work with investor members and project partners to identify priority sectors for corporate engagement. Current priority sectors for 2018 include power generation, cement, automotive, food and beverage, retail, building and construction and IT.
- Incorporate input of investors on suggestions for target sectors or individual companies for engagement.
- Co-ordinate a series of letters and programs of engagement to promote the objectives of the initiative. Investors will be able to select which letters to endorse.
- Aim to conduct engagement with 60 target companies in 2018.
- Regularly report back to signatories on progress and important developments.
- Assist investors in presenting a unified voice to investee companies on the importance of credible climate targets.

Disclaimer

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About ShareAction

ShareAction (Fairshare Educational Foundation) is a registered charity that promotes responsible investment practices by pension providers and fund managers. ShareAction believes that responsible investment helps to safeguard investments as well as securing environmental and social benefits.

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About We Mean Business

We Mean Business is a global nonprofit coalition working with the world's most influential businesses to take action on climate change. The coalition brings together seven international nonprofit organisations to catalyse business leadership to drive policy ambition and accelerate the transition to a low-carbon economy.

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