

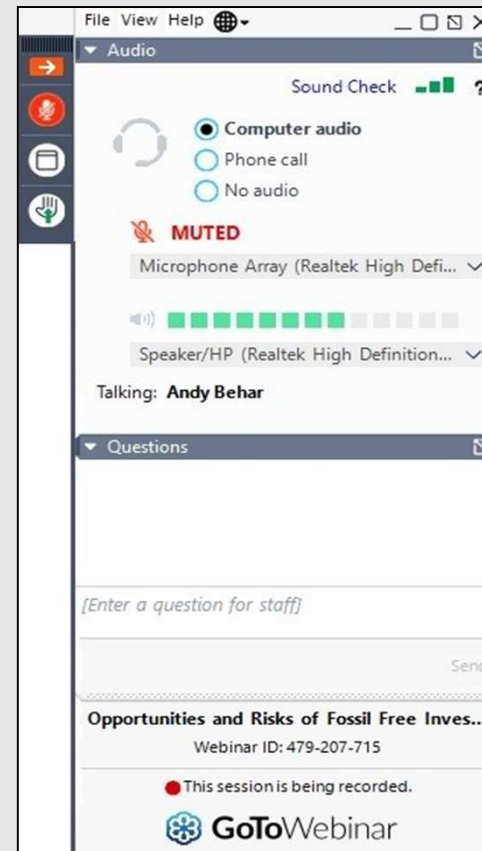
# Welcome to the Net Zero Webinar

# About As You Sow

**Mission:** *to promote environmental and social corporate responsibility through shareholder advocacy, coalition building, and innovative legal strategies*

- **Founded in 1992** on the belief that corporations *must* be an active part of the solutions to society's environmental and human rights issues;
- **30-year track record** of promoting values-aligned investing and securing positive, lasting corporation change;
- We communicate directly with corporate executives to collaboratively develop and implement business models that reduce risk, benefit brand reputation, and **protect long-term shareholder value** while simultaneously bringing about **positive change for the environment and human rights.**

Use the Q&A window to send your questions



# Panelists



Moderator  
**Danielle Fugere**  
President & Chief Counsel  
*As You Sow*



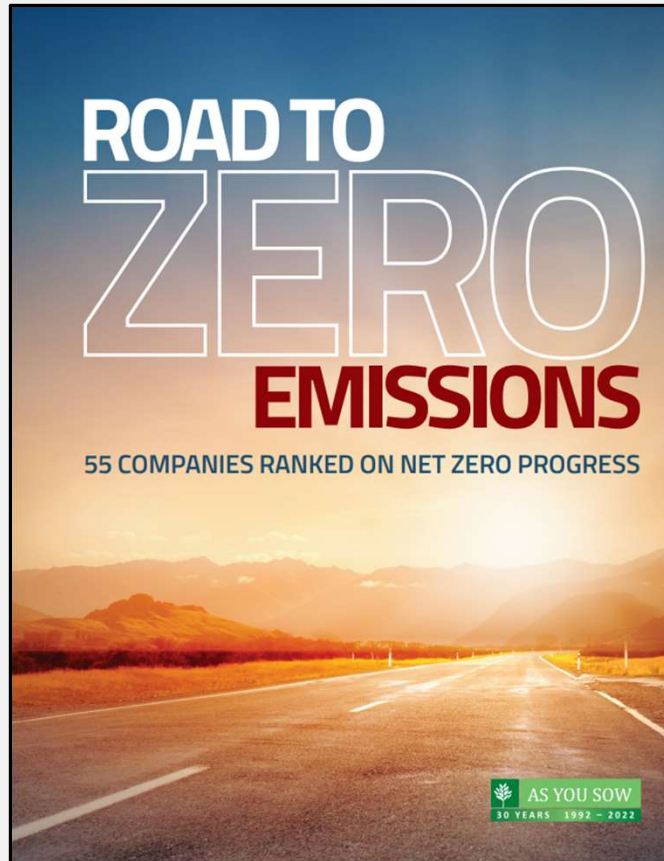
Panelist  
**David Shugar**  
Say on Climate Initiative Manager  
ESG and Climate Data Analyst  
*As You Sow*



Panelist  
**Cynthia Cummis**  
Co-Founder and Technical  
Director  
*Science Based Targets  
initiative*



Panelist  
**John Hoepfner**  
Head of US Stewardship and  
Sustainable Investments  
*Legal & General Investment  
Management*

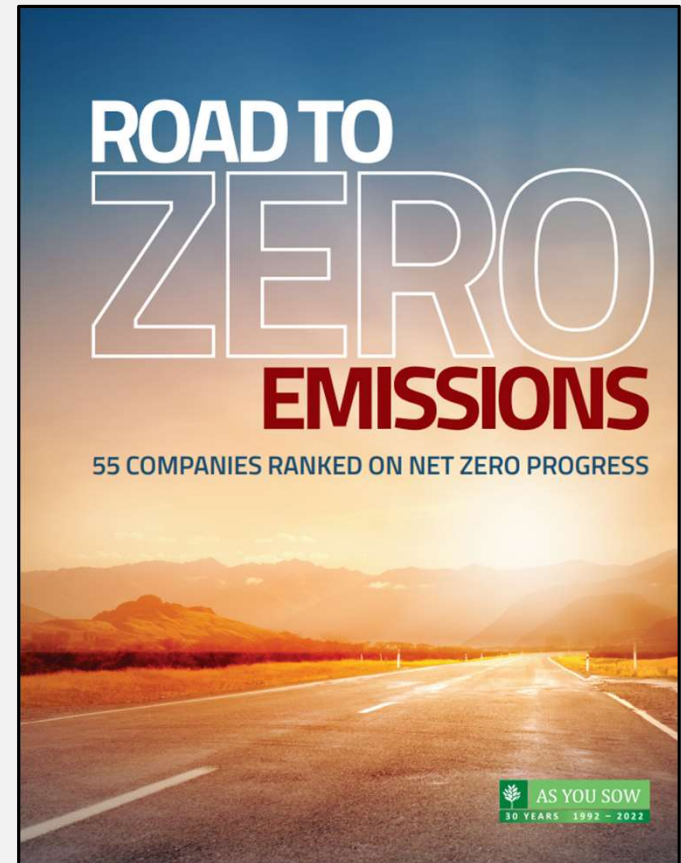


# Introductory Remarks

# David Shugar



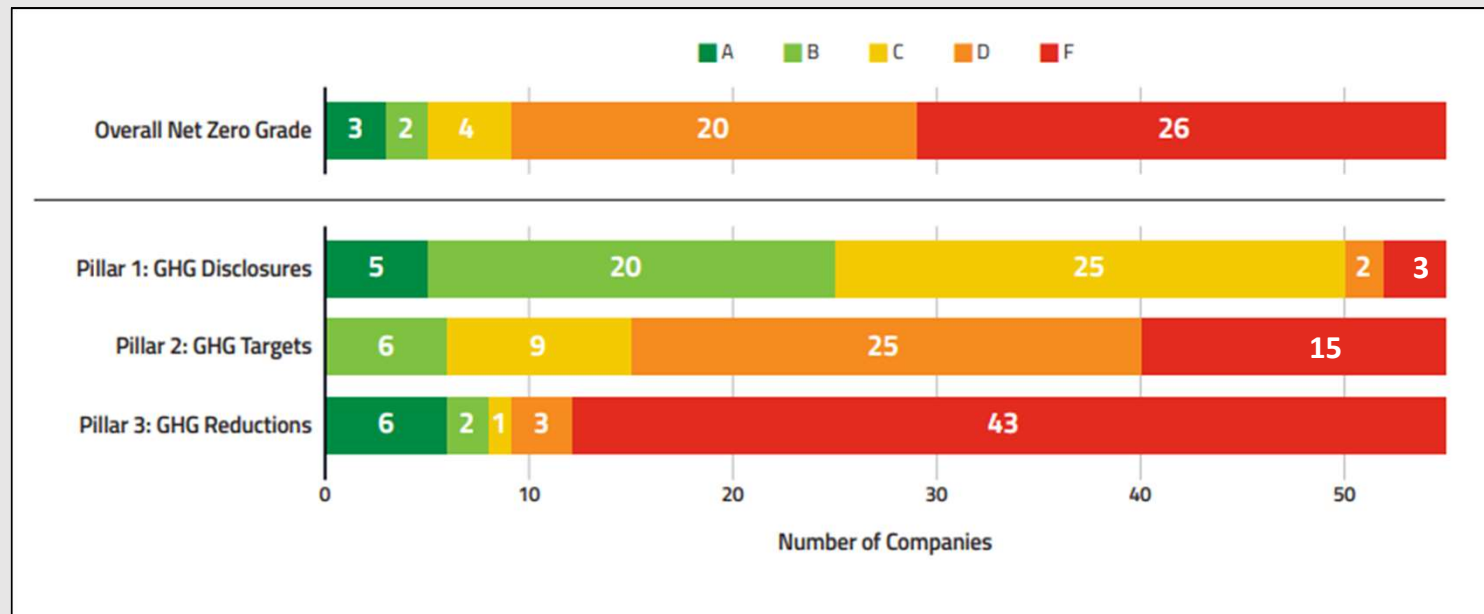
Panelist  
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# Three Pillars of Net Zero Progress



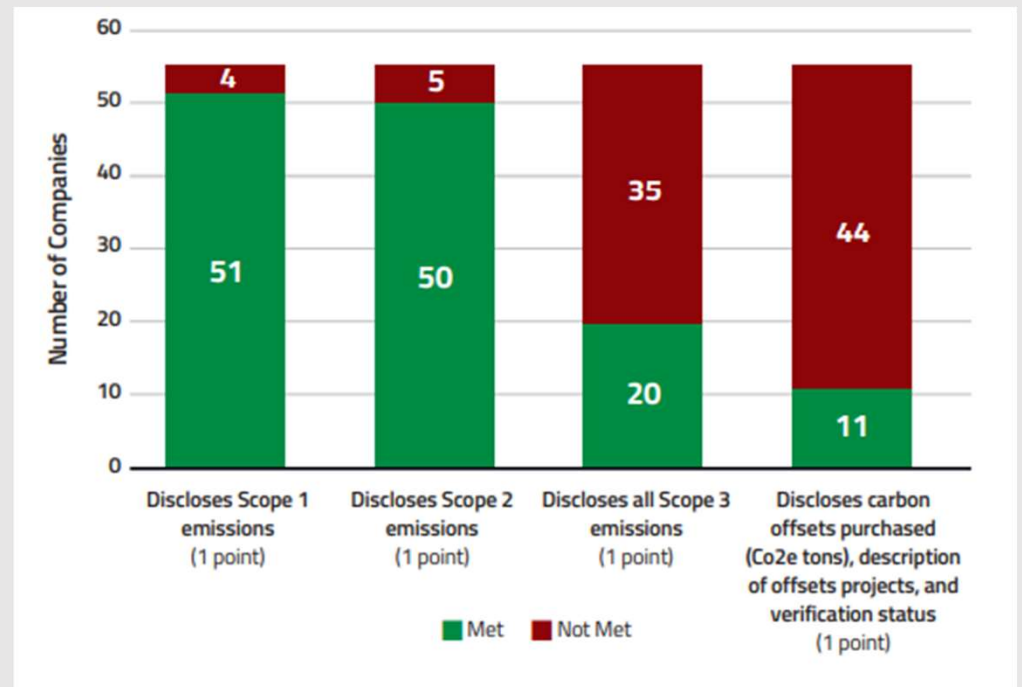
# Overall Grades





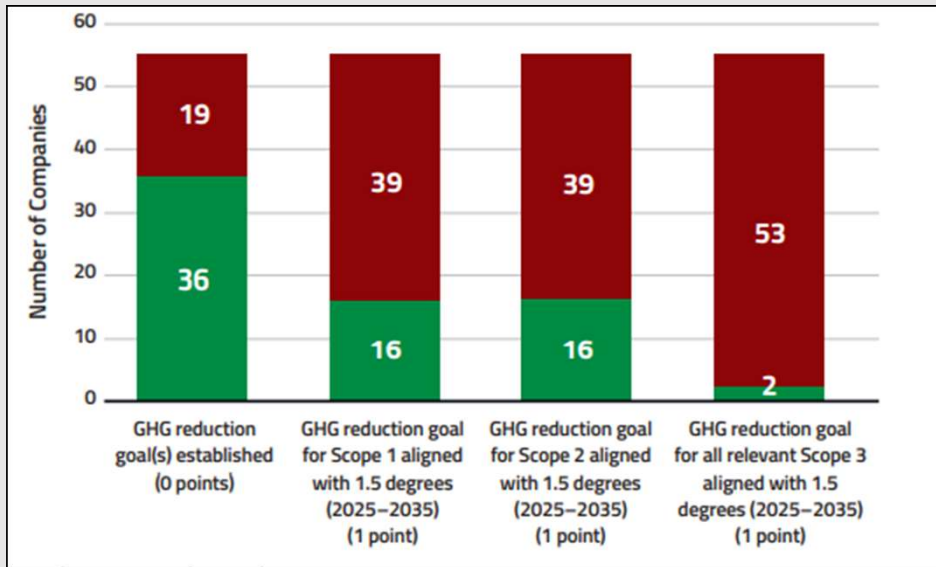
# Pillar 1: Disclosures

- **91%** of companies received a “C” grade or better
- Nearly 2/3 of companies don’t fully disclose Scope 3 emissions
- **Takeaway:** Investor pressure has made climate disclosures mainstream but there are still some gaps to fill

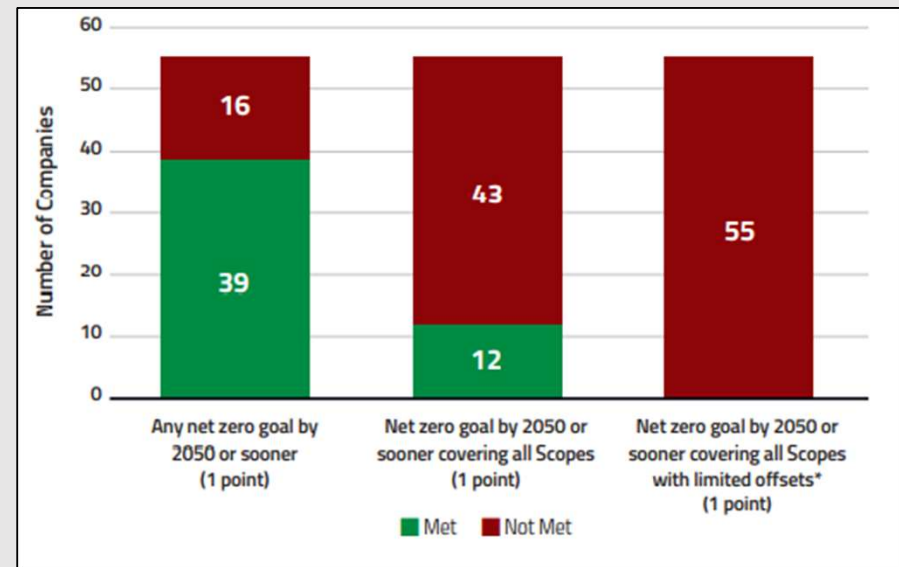


# Pillar 2: Targets

Short & Medium Term 1.5°C Goals



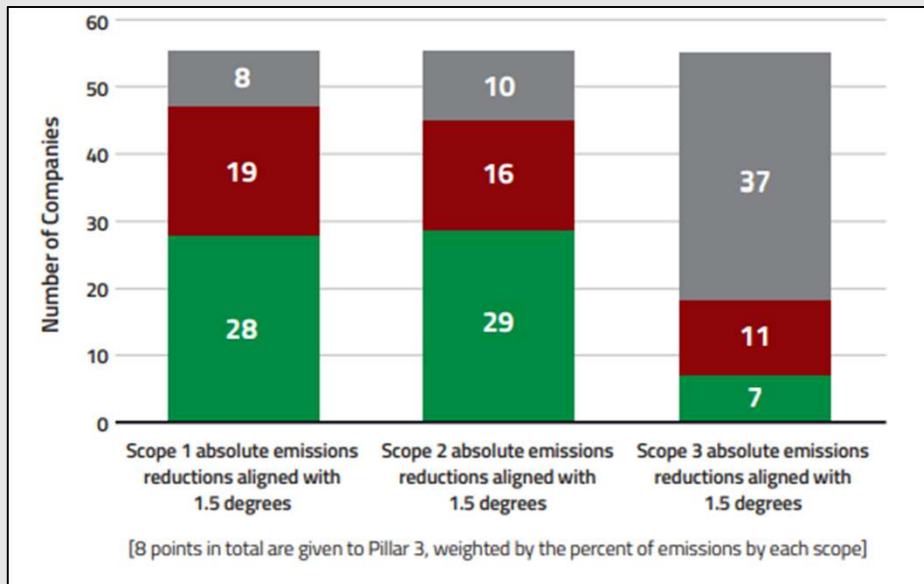
Net Zero Goals by 2050 or Sooner



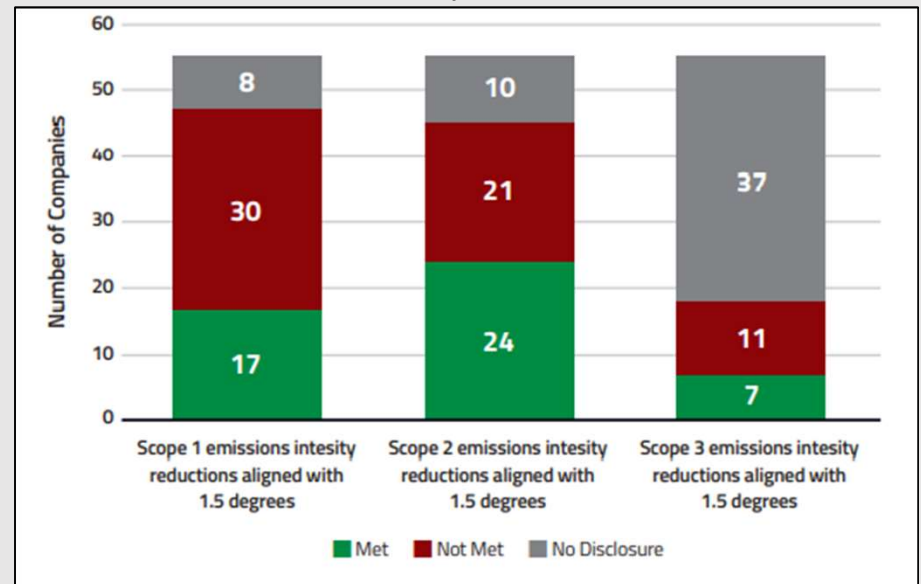
- 65% of companies have established GHG reduction goals, **but only 29% are 1.5°C aligned for Scopes 1 and 2**
- 71% of companies have net zero ambitions, but **none cover all scopes with limited offsets, thus no “A”s awarded**
- **Takeaway:** Not all net zero goal are created equal; goals must be carefully assessed.

# Pillar 3: Reductions

## Absolute Reductions

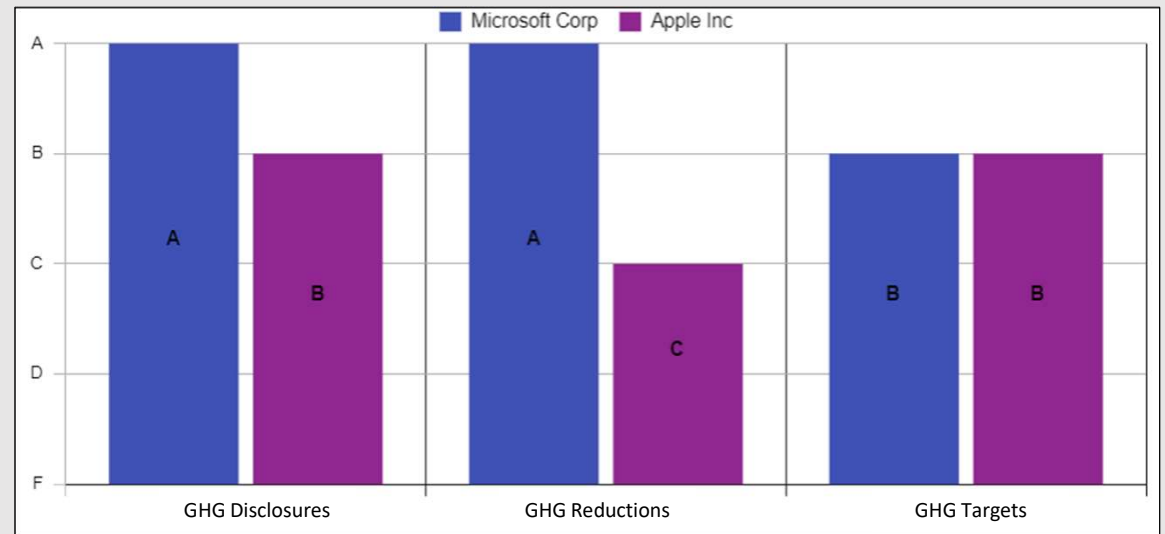
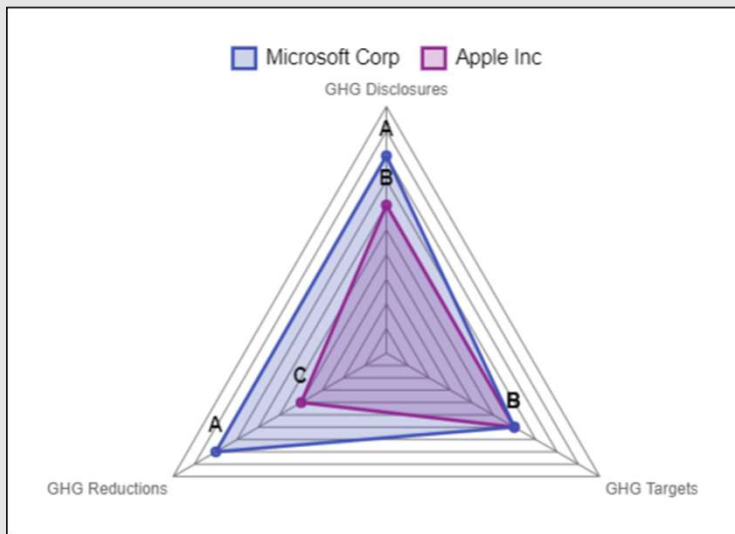


## Intensity Reductions



- Overall, we are seeing successful reductions in Scopes 1 and 2, but **Scope 3 reductions are lagging**
- Disclosures are necessary to measure reduction progress.
- **Takeaway:** Investors beware, Scope 1 & 2 emissions are rarely the full emissions reduction story.

# Data Visualization



# Conclusion

- Almost **90% disclosed Scope 1 & 2**, but **only 1/3 disclosed Scope 3 emissions**
- 36 companies had GHG reduction goals, but **only 16 had goals aligned to 1.5°C**
- **Only 2/55 had 1.5°C goals for Scope 3**
- **None** of the companies assessed committed to limit use of carbon offsets
- Just **6/55 companies reduced full range of emissions** in alignment with 1.5°C

# Cynthia Cummis



Panelist  
**Cynthia Cummis**  
Co-Founder and Technical  
Director  
*Science Based Targets  
initiative*



# SBTi Finance: Net-Zero Standards

Partner organizations



United Nations  
Global Compact



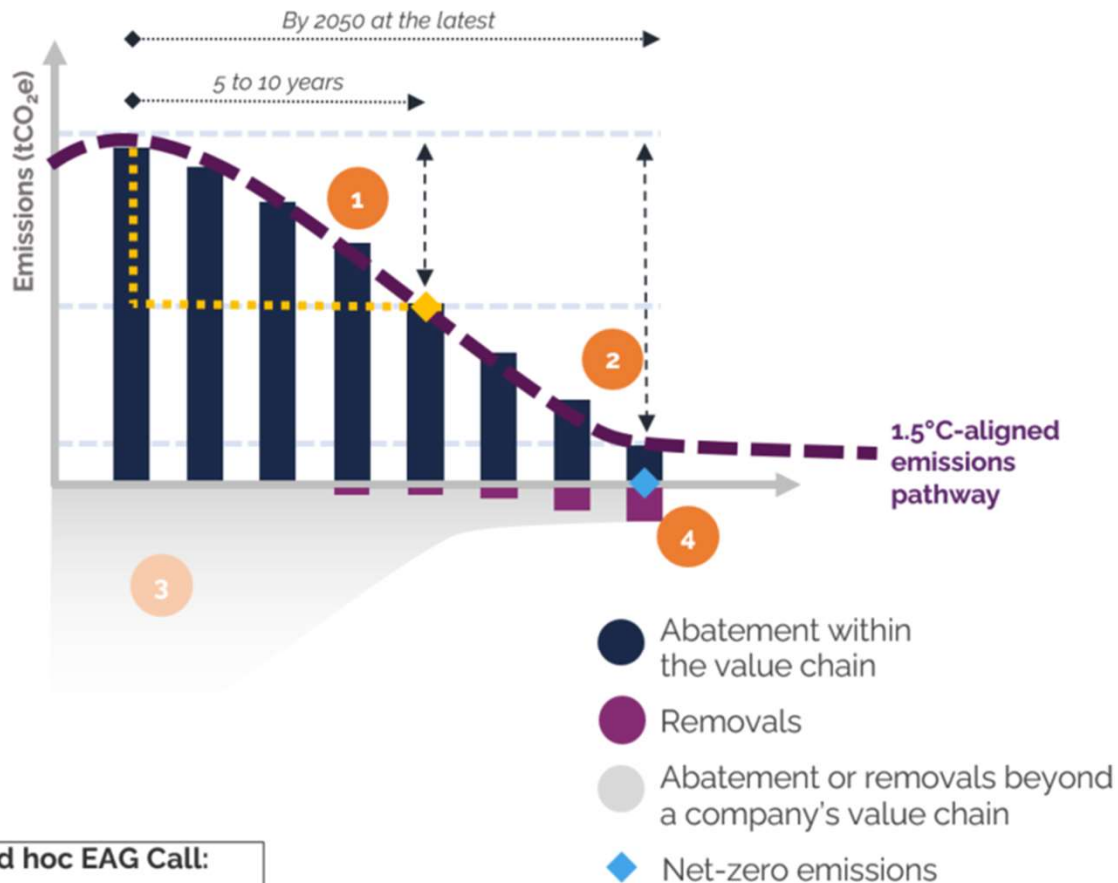
WORLD  
RESOURCES  
INSTITUTE





# SBTi Corporate Net-Zero Standard

## Overview









Ad hoc EAG Call:  
discussion slides

- To set near-term science-based targets:**  
5-10 year emission reduction targets in line with 1.5°C pathways
  - To set long-term science-based targets:**  
Target to reduce emissions to a residual level in line with 1.5°C scenarios by no later than 2050
  - Beyond value chain mitigation:**  
In the transition to net-zero, companies should take action to mitigate emissions beyond their value chains. For example, purchasing high-quality, jurisdictional REDD+ credits or investing in direct air capture (DAC) and geologic storage
  - Neutralization of residual emissions:**  
GHGs released into the atmosphere when the company has achieved their long-term SBT must be counterbalanced through the permanent removal and storage of carbon from the atmosphere
- Required    Recommended



# SBTi Corporate Net-Zero Standard

## Near-term and long-term SBTs

	 <b>Boundary</b> <i>How much coverage or your emissions inventory is required?</i>	 <b>Ambition</b> <i>What is the ambition level in terms of limiting temperature rise?</i>	 <b>Timeframe</b> <i>What is the maximum timeframe to meet your targets?</i>	 <b>Methods</b> <i>What are the eligible methods to set your targets?</i>
 Near-term science-based target	Scope 1+2: <b>95%</b> Scope 3: If >40% of total emissions, <b>67% coverage</b>	Scope 1+2: <b>1.5°C</b> Scope 3: <b>Well-below 2°C</b>	<b>5-10 years from date of submission</b>	<ol style="list-style-type: none"> <li>1. Absolute contraction</li> <li>2. Physical intensity convergence</li> <li>3. Renewable electricity</li> <li>4. Supplier or customer engagement*</li> <li>5. Economic intensity*</li> <li>6. Physical intensity contraction*</li> </ol>
 Long-term science-based target	Scope 1+2: <b>95%</b> Scope 3: <b>90%</b>	Scope 1+2+3: <b>1.5°C</b>	<b>2050 latest</b>	<ol style="list-style-type: none"> <li>1. Absolute contraction</li> <li>2. Physical intensity convergence</li> <li>3. Renewable electricity</li> <li>4. Economic intensity*</li> <li>5. Physical intensity contraction*</li> </ol>

\* Scope 3 only 3

# Financial-Sector Equivalent to Corporate Net-Zero Standard

*FINZ Foundations is a first step*



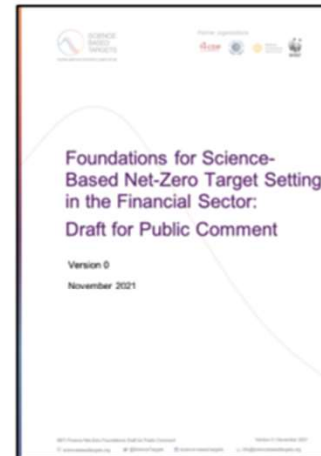
## SBTi Corporate Net-Zero Standard

Defined criteria and guidance for credible science-based net-zero target setting in the corporate sector.



## SBTi Finance Net-Zero Standard

Will leverage and build on the learnings, credibility, and success of the Corporate Net-Zero Standard to establish an equivalent resource for the financial sector.



**Goal:** define target-setting principles that enable FIs to best use their influence to achieve economy-wide net-zero emissions by 2050.

Provide clarity on key concepts, such as what it means to reach net-zero for a financial institution, transition metrics, and the components of credible science-based net-zero targets.

# John Hoeppepner



Panelist  
**John Hoeppepner**  
Head of US Stewardship and  
Sustainable Investments  
*Legal & General Investment  
Management*



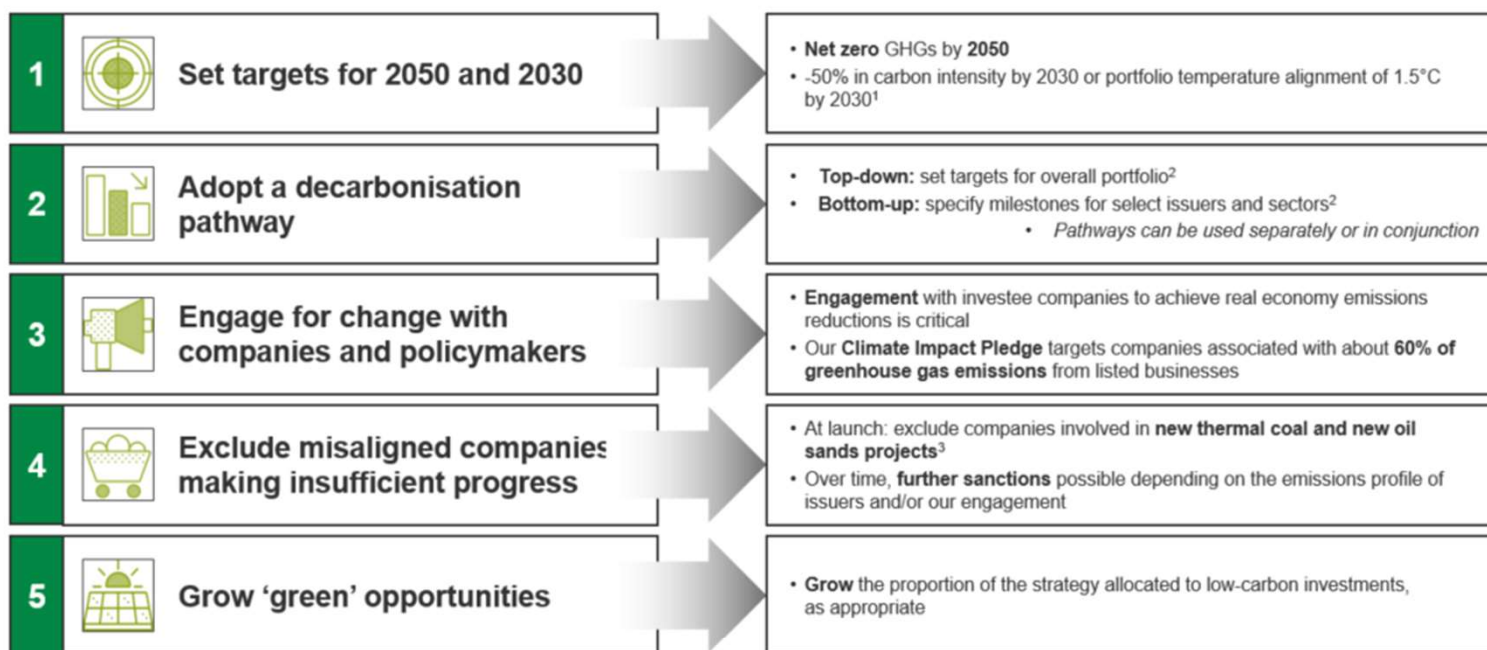
Presentation to  
**As You Sow**

March 3, 2022





## Reaching Net Zero – LGIM’s approach



There is no guarantee that these goals or targets will be achieved. Subject to change at any time and should not be relied upon.

<sup>1</sup> In certain portfolios (for example, actively managed portfolios) it is possible that changes of asset allocation (for example, switching from financials to utilities) may result in an increase in carbon footprint, even if the chosen securities represent the best in class from a climate performance. That is why we are proposing the use of 1.5°C temperature alignment (which means that the average expected rate of decarbonization of the portfolios in 2030 is on track for a net zero trajectory by 2050).

<sup>2</sup> For an illustration of such an approach, “Assuming a reference index that is aligned to a three-degree climate outcome, [we would] seek to decarbonize the portfolio by 30% in the first year, by screening out a portion of the highest emitters. The portfolio would also reduce its alignment from three to 2.5 degrees. [...] For the next decade, the portfolio manager would need both to reduce the temperature alignment of the portfolio by 0.1 degrees [each year], while simultaneously decarbonizing at a portfolio level. By 2025 the portfolio would be on track for an 80% reduction in emissions [...] By 2030, the portfolio would be in full alignment with net zero, and on track for net zero by 2050, assuming the investee companies continue to deliver on their forward commitments.”

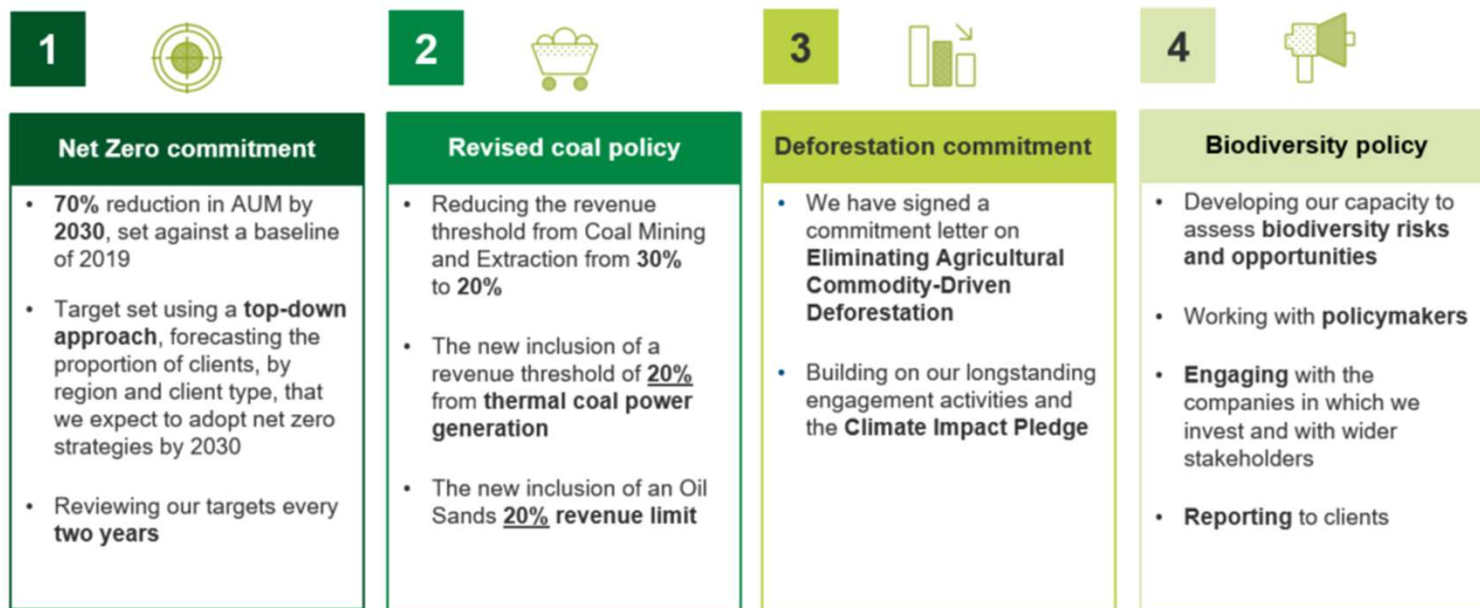
<sup>3</sup> This is in addition to applying within these strategies our LGIM-wide coal exclusion policy.

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# COP26 and beyond – LGIM’s commitments

Translating commitments into practical action in portfolios.



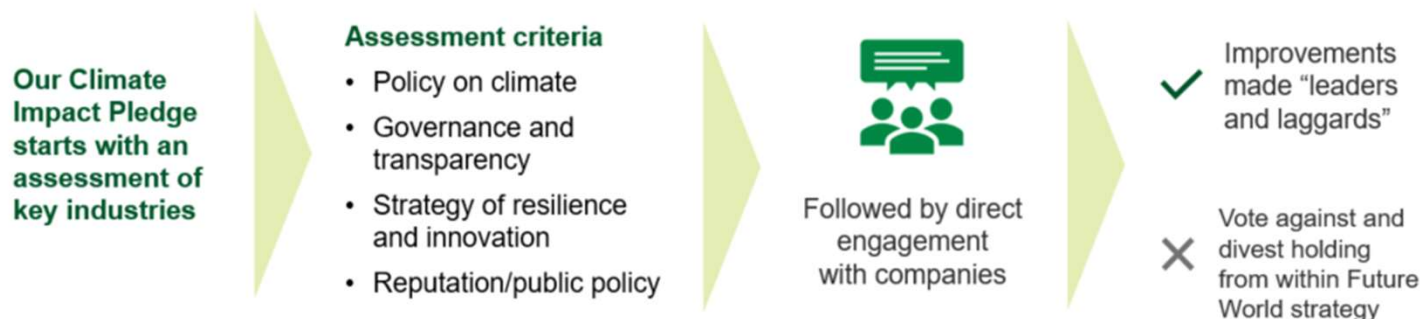
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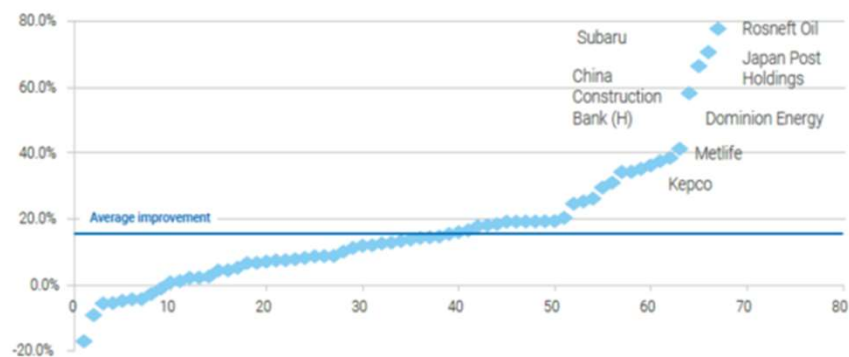
# Climate Impact Pledge – Assessment process

2016–2020 original model of engagement with consequences

## Climate Pledge Assessment Process



## Company score improvements (%)<sup>1</sup>



**7 / 10**

Largest year-over-year improvements from companies on our sanction list

**3**

Companies reinstated

- Subaru<sup>1</sup> (2020)
- Dominion Energy<sup>1</sup> (2019)
- Occidental Petroleum<sup>1</sup> (2019)

1. Chart shows Climate Impact Pledge company score improvements as at September 2020.

Source: LGIM [2020 Climate Impact Pledge](#). Reference to a particular security is for illustrative purposes only, is on a historic basis, and does not mean that the security is currently held or will be held within an LGIM portfolio. The above information does not constitute a recommendation to buy or sell any security.

# Climate Impact Pledge – Summary of our commitment

Version 2.0

## Net zero commitment



LGIM commits to help spur net zero transition globally

## Widened sectors



All companies in key sectors targeted based for maximum impact

## Deepened impact



Influence strategy of companies critical to meeting net zero target

## Clear redlines



Widespread climate voting sanctions powered with engagement leading to divestments and public announcement

## Collaboration leveraged Public policy targeted



Leveraging investor networks  
Consistent public policy advocacy to support companies

## Radical transparency



Public “traffic-lights” for all companies and each sector guidance disclosed



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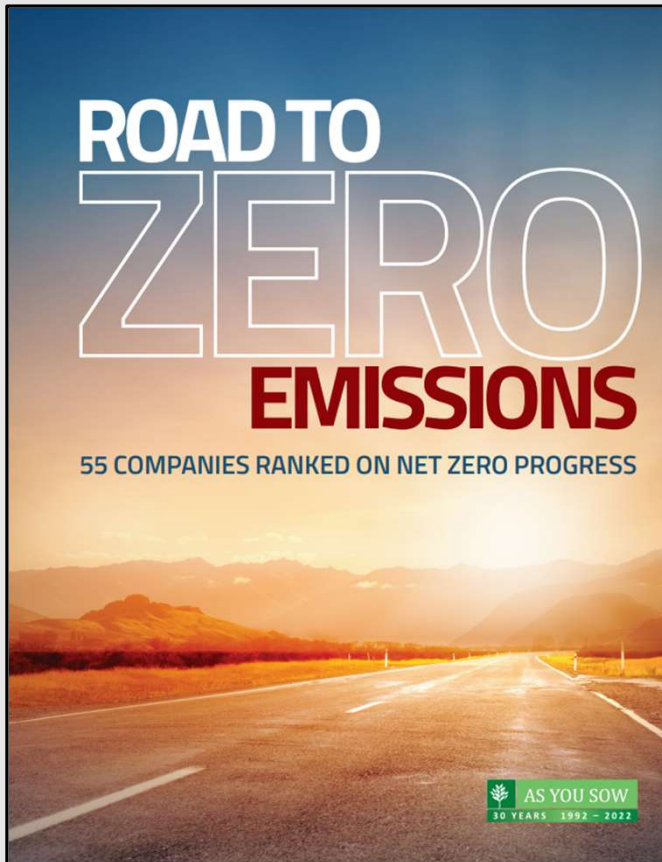
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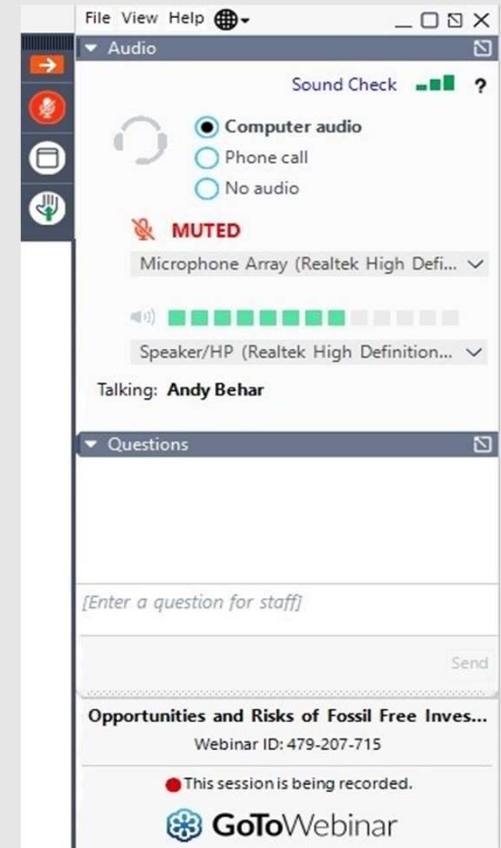
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# Q&A

- Please use the Q&A window to send your questions



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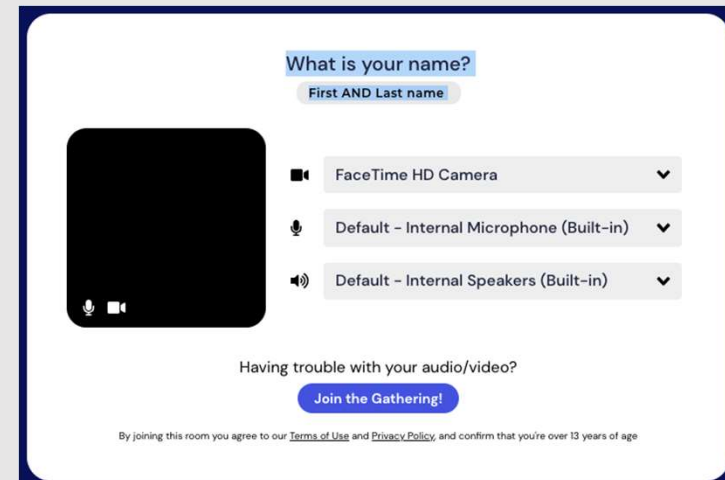
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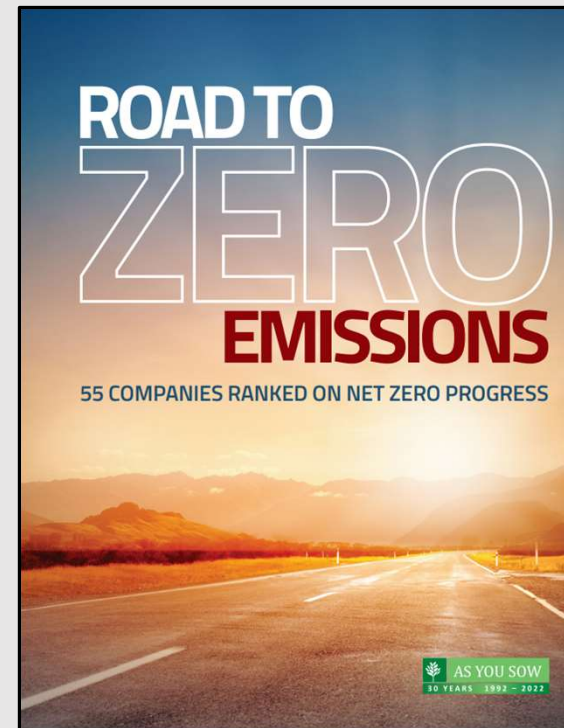
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