MORNINGSTAR | SUSTAINALYTICS

WEBINAR

Net-zero: più impegno e meno promesse

Camilla Bossi
Associate Director, Client Relations

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Transition Risks Drivers

Policy and Legal

- Increased pricing of greenhouse-gas emissions
- Enhanced emissions-reporting obligations
- Mandates on and regulation of existing products and services
- Exposure to litigation

Reputation

- Shift in consumer preferences
- Stigmatization of sector
- Increased stakeholder concern or negative stakeholder feedback

Technology

- Substitution of existing products and services with lower-emission options
- Upfront costs to transition to lower-emission technology

Markets

- Changing customer behaviour
- Increased cost of raw materials
- Shift in asset values

Are we Set for 1.5° Temperature Rise? Not Really…

- April 2023: on 4,000 companies the average implied temperature rise was tracking towards 2.9°
- April 2024: on over 8,000 companies the average temperatures rise is tracking towards 3.1°
- Only 11% of companies in the LCTR research universe have verified targets approved by the Science Based Targets initiative (SBTi)
- But just having targets is not enough… Companies, if they want to demonstrate real, credible commitments to managing climate risk, need to have also:
  - governance structures,
  - product/service and operational strategies,
  - data and progress tracking mechanisms in place

Looking beyond stated net-zero targets/commitments

It is no longer enough for investors to know that a company has set net-zero targets.

"Only 7% of companies are on track to achieve their net-zero targets for Scope 1 and 2 emissions at the observed rates of change. Moving targets to 2050 increases that share just slightly to a mere 8%" – Accenture, November 2022

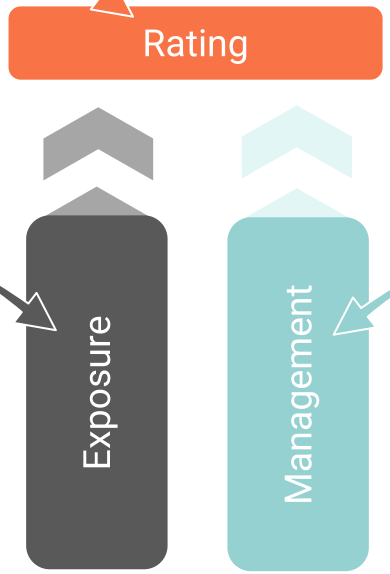
"From a sample of large U.S. corporations between 2010 and 2020, 72% of firms have not reduced emissions at a sufficient pace to meet their committed targets." Lazard Climate Center, July 2023

"GHG emissions have climbed steadily over the past decade, reaching 59 gigatonnes of carbon dioxide equivalent (GtCO2e) in 2019 — approximately 12% higher than in 2010 and 54% greater than in 1990." IPCC AR6 Synthesis Report, March 2023

Low Carbon Transition Ratings

Providing investors with a science-based forward-looking assessment of public issuers' alignment to a net zero pathway by 2050

Rating – Evaluates the Implied Temperature Rise and Value at Risk based on expected overall under/overshoot of emissions after combining both Exposure and Management.



Exposure – Estimates the alignment before taking mitigation & management into consideration

How? By projecting under/overshoot of the issuers' emissions based on the historical emissions trend of the issuer

Management – Assesses how much of the company's Exposure will be managed

How? Through its current investment plans, and our assessment of the company's transition preparedness.

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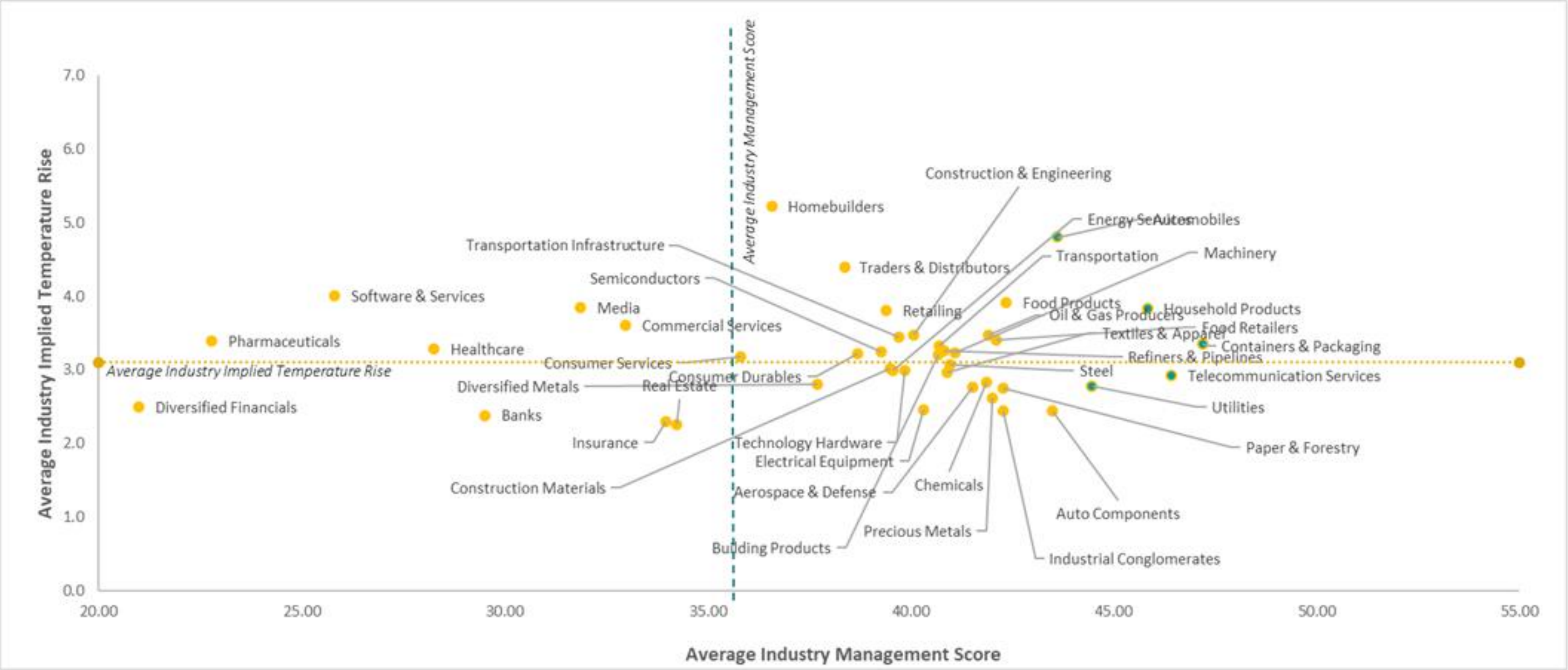
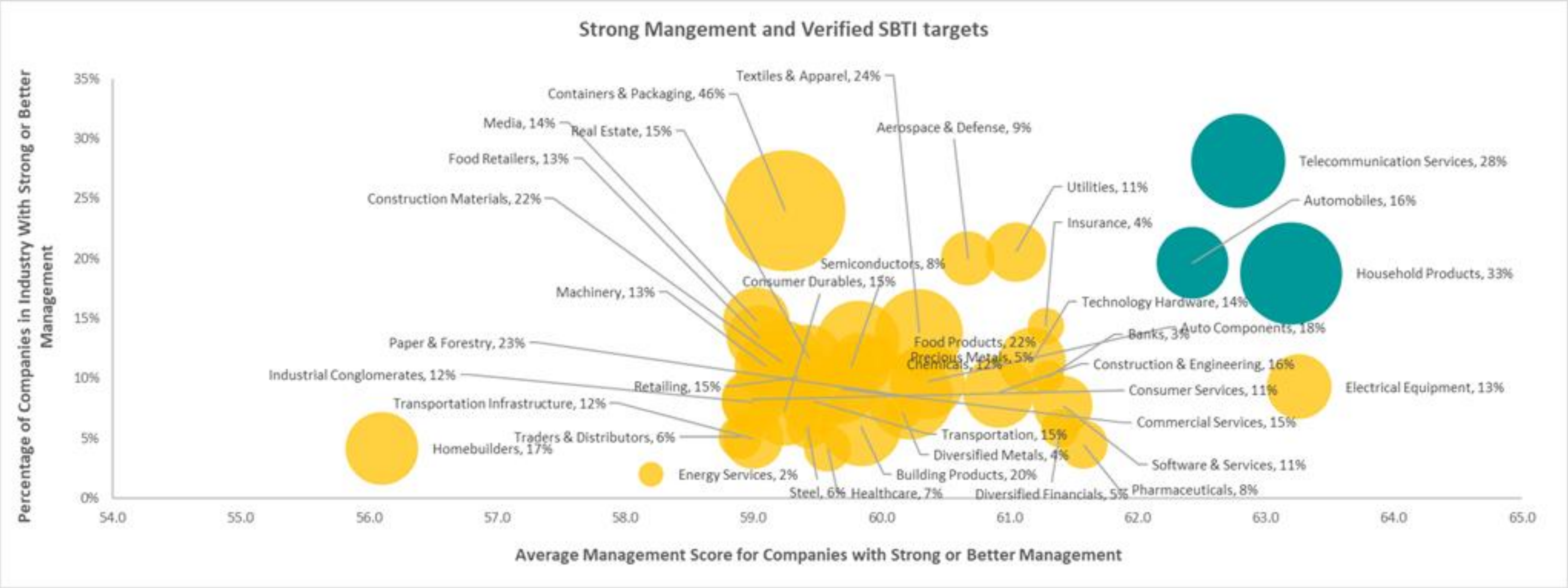
Companies Are Not Managing Their Climate Risk Well Enough

- Mean management score is 35.5
- Most companies still have a high exposure to high carbon emitting products, processes and activities.
- The best performing industries have a mean management score of around 45, with only three industries belonging to our category of average management.



An Overview of the Better Performing Industries on Climate



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Thank you

Get in touch at info@sustainalytics.com

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