

## New report finds epic failure of credible, capital-allocated corporate transition planning

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Unless you've been living under a rock for the past 12 months, you'll know it's no longer enough to have a net zero commitment that isn't backed up by credible actions to reduce emissions.

A new report launched today by a new <u>Climate Integrity</u> group, established to close the gap between emissions reduction pledges and credible action, reveals how comprehensively Australia's top emitting corporates fail this test.

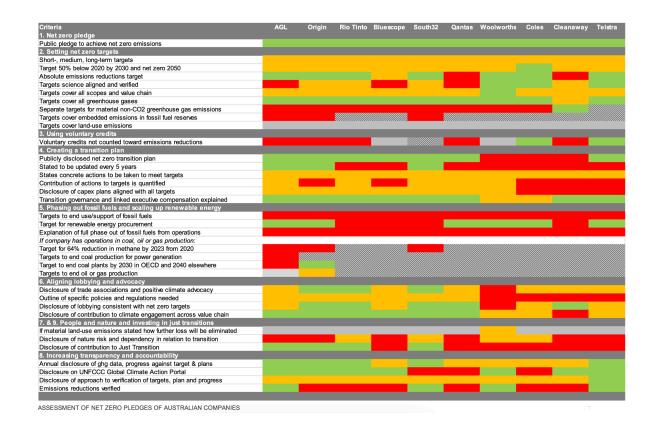
The report analysed 10 companies considered to be the top emitters in their sector: grocery duopolists Coles and Woolworths, telco Telstra, big miners Rio Tinto and South32, airline Qantas, steel producer BlueScope, electricity gentailers Origin and AGL, and waste management company, Cleanaway.

It finds "no company has a fully comprehensive, quantified, capital-allocated and independently verified plan for reducing emissions in line with a scientific pathway" and that "less than half are fully on track to meet their own targets". The assessment concluded that the corporates' net zero pledges "lacked scientific rigour", and that they all "lagged behind global best practice".

The companies' results against the assessment criteria are represented graphically below. Green represents criteria fully met, with red indicating criteria not met and yellow, partially met. Grey is not applicable, or insufficient disclosure to assess.

What stands out is the full green strip at the top (pictured below) indicating all companies have a public net zero pledge, followed by various disjointed strata below highlighting significant variability in the actions companies take to fulfill their pledge.

Notably, not one of the companies listed has met criteria around 'targets to end the use or support of fossil fuels' or given an 'explanation of a full fossil fuel phase out from operations'. All bar two fail the criterion "separate targets for material non-CO2 greenhouse gas emissions". Less than half met the criterion "disclosure of contribution to just transition".



There is another nearly full green strip under point 2 pertaining to whether the corporate has 'targets that cover all greenhouse gas emissions'. Cleanaway alone doesn't include nitrous oxide in its definition. Since this represents just <u>0.6% of its FY23 emissions profile</u>, at least they've got the focus on materiality right.

The report further identifies a fundamental lack of transparency around the basic information that is required to evaluate company pledges, compounded by the absence of the kind of clear and concise presentation of progress made against core elements of a transition plan that would enable comparability and provide clear investment signals.

There is now no shortage of new standards in the global sustainability transition – accounting standards, transition plan expectations, green and transition finance labels, right use of carbon markets, etc. With this proliferation in standards, the principles put forth in <a href="November 2022 by the United Nations High Level Expert Group (UN HLEG)">November 2022 by the United Nations High Level Expert Group (UN HLEG)</a> will helpfully work as a best practice measure in climate integrity.

The HLEG principles cover an array of considerations from announcing a net zero pledge, setting targets, and using voluntary carbon credits, to creating a transition plan, phasing out of fossil fuels, scaling up renewables, aligning lobbying and advocacy and increasing transparency and accountability. It is therefore high-level enough to be, in some sense, a standard of standards driving integrity across all elements of transition.

As part of <u>Treasury's draft sustainable finance strategy</u>, Australia's corporate regulator is poised to inform the market next year of its key expectations and supervisory priorities relating to the disclosure of transition-related targets, plans and claims, following the finalisation of Australian disclosure standards next year. ASIC will be informed by emerging international standards and practice, and CEF advises that the HLEG principles should be within its remit for consideration.

While national standards and guidance are typically designed to cover minimum requirements, internationally-accepted climate integrity principles are a much higher standard and should be the goal.

Improving corporate integrity in the global energy transition is key to weeding out greenwashing and improving the comparability of information across sectors that investors need to make well-informed capital allocation decisions, as CEF wrote last week in <u>our response to Treasury's consultation on climate-related financial disclosures</u>.

This is the foundational assurance that capital needs to shift to climate solutions.