Media Release

Companies Flagging on Climate Action offer Sustainable Financing Opportunities: Report

Climate Bonds and Asia Infrastructure Investment Bank reveals finance can rescue companies

London: 20/10/2022: 08:00 GMT+1: Report findings on the practical application of the AIIB-Amundi Climate Change Investment Framework (CCIF) was today released revealing that companies in Asia are falling behind on climate action proposals. The CCIF framework measures company performance against three pillars of the Paris Agreement (adaptation, mitigation and resilience) to assess their climate performance. The results suggest there is a huge sustainable financing gap that offers opportunities to investors across the region.

About the Climate Change Investment Framework

Launched in September 2020, the AIIB - Amundi Climate Change Investment Framework (CCIF) equips investors with a benchmark for assessing investments against climate change-related financial risks and opportunities. The CCIF translates the three objectives of the Paris Agreement into fundamental metrics that enable investors to assess an issuer's level of alignment with climate change mitigation, adaptation and resilience, and low-carbon transition objectives. For each objective, the CCIF sets out key metrics to assess financial risks and opportunities. The CCIF was jointly developed by AIIB and Amundi and was endorsed by the Climate Bonds Initiative (Climate Bonds).

Key Findings

<u>By Sector</u>

1. **Using the CCIF shows high variation in sector alignment with the Paris Agreement objectives.**
   Most sectors report on mitigation, but inconsistencies abound. There is limited reporting on the physical risks related to climate change, and there is varying financial contribution across sectors.

2. **The CCIF is a robust benchmarking tool, but financial capability should also be considered in assessing the companies' ability to transition.**
   Reducing carbon emissions, ensuring resilience, and investing in green technologies are all capital-intensive processes thus a company's green transition is partly contingent on its financial health. In acknowledgement of this, financial capability was added to the CCIF.

<u>By Company</u>

1. **Greater Focus on renewable energy and GHG measurement.**
   Most of the companies had adopted climate mitigation strategies by procuring renewable energy and measuring and reporting at least Scope 1 and Scope 2 greenhouse gas (GHG) emissions. Fewer companies had set 1.5-degree science-based targets and/or publicly committed to net zero goals.

3. **More Efforts needed to devise and implement detailed adaptation measures.**
   More efforts needed to devise and implement detailed adaptation measures. Most of the companies had conducted physical climate risk assessments. However, few companies had incorporated financial analyses and implemented measures to respond to these risks. In addition, while many companies disclosed their climate mitigation plans, few companies focused on long-term climate adaptation plans.

2. **Increased investment into green technologies and integration of circular economy in operations.**
   Increased investment into green technologies and integration of circular economy in operations: Most companies focused on optimising energy consumption across their products and services through investments in energy-efficient technologies. Continuous research and development initiatives for exploring green technologies, and life cycle assessments in most of the analysed companies were observed.

<u>By Issuer</u>

1. **No companies performed well across all three CCIF objectives**
   Even among green bond issuers, this analysis did not identify any issuers that did well on all three objectives of the CCIF: mitigation (target-setting and strategies), adaptation (low risk exposure and/or adaptation plans and strategies), and financial contribution (climate-aligned revenues).

2. **Best performers were characterised by significant climate-aligned revenues and being in low-risk areas.**
   Together, these companies had outstanding debt of USD466bn. However, due to the unpredictable nature of climate impacts, these companies may nonetheless be exposed to climate risks if they do not develop credible transition, adaptation and resilience strategies.

3. **Most companies are subject to physical climate risks but are not taking action to manage them.**
   Only 14% of companies researched have an adaptation and resilience plan in place, leaving the rest exposed to potential financial losses. This is particularly relevant for emerging market (EM) companies, as many already suffer disproportionately from the physical impacts of climate change. Further planning and implementation action is strongly recommended to manage climate risks.

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Notes for Journalists:

About the Climate Bonds Initiative: The Climate Bonds Initiative is an investor-focused not-for-profit, promoting large-scale investment in the low-carbon economy. More information on our website here.