PRESS RELEASE

World's listed companies must rapidly cut carbon intensity by 8-10% a year until 2050 to align with 1.5°C temperature rise

- *57 months until listed companies deplete the emissions budget to limit warming to 1.5°C*
- *Just 11% of listed companies align with a 1.5°C temperature rise*

LONDON – June 28, 2022 – The latest quarterly Net-Zero Tracker published by MSCI, a leading provider of critical decision support tools and services for the global investment community, reinforces the urgent action required from the world's listed companies to meet the 1.5°C target set by the Paris Agreement. All listed companies must each reduce their total carbon intensity by 8-10% every year until 2050 if the 1.5°C target is to be met. Only 39% of companies reduced emission intensity by that amount between 2019 and 2020.

The findings come as listed companies are on track to put nearly 10.8 billion tons (gigatons) of direct Scope 1 greenhouse gas emissions into the atmosphere this year, up approximately 0.7% from last year but down 5.6% from the pre-pandemic high, according to MSCI.

Majority of listed companies have not set net-zero target

Setting a target is the first step towards emissions reductions. However, the Net-Zero Tracker, which aims to bring new levels of transparency to investors and policymakers regarding listed companies' action on climate, found that despite the rise in companies setting net-zero targets, only 45% of the 2,900 companies in the MSCI ACWI Index have committed to a decarbonization target.

Using MSCI's Implied Temperature Rise, analysis shows that less than half (46%) of listed companies align with a 2°C temperature rise, putting them at the high end of the Paris Agreement goal. Significantly less - 11% - align with a 1.5°C temperature, although this figure is a slight increase from 10% of companies in the October edition of the Net-Zero Tracker.

When analysing Implied Temperature Rise by industry group, the energy sector aligns with the highest temperature rise of 6.8°C. This is followed by automobiles and components (4.4°C), materials (4.1°C), and utilities (3.4°C). Globally, no region yet aligns with the Paris Agreement target, highlighting the vast action required by the world's listed companies, policymakers and investors.

Marginal improvements to keep 1.5°C alive

In October 2021, MSCI calculated that the world's publicly listed companies were on a trajectory to cause global temperatures to rise by 3°C. However, the latest Net-Zero Tracker reveals this has been cut by a tenth of a degree to 2.9°C, based on additional listed companies publishing targets.

In addition, listed companies will burn through their share of the global carbon budget three months later than previously projected based on their current greenhouse gas output. The budget for limiting warming to 1.5°C will be depleted by February 2027, instead of November 2026, as MSCI data had previously indicated.

Sylvain Vanston, Executive Director, Climate Change Investment Research, MSCI, comments: "The latest Net-Zero Tracker reinforces the magnitude of the challenge in preventing the worst effects of a warming planet. While we acknowledge more listed companies are taking climate responsibilities seriously, the amount of action is still insufficient.

"Listed companies are emitting greenhouse gases into the atmosphere at a rate that would make the planet 2.9°C warmer by 2100 and 1.5°C alignment will only be viable if these companies cut their total carbon intensity by 10% each year until 2050. A planet that is 2.9°C warmer by 2100 is not just a more volatile world, it is a dislocated world. 'Disorderly transition' scenarios are a euphemism for chaos. Every step by companies to cut their absolute emissions and every effort by policymakers to drive momentum is critical because every tenth of a degree matters.

"The importance of decarbonization targets should not be underestimated. Setting a net-zero target does not guarantee a company will achieve it, but without one a company is not accountable. While there is a steady rise in companies setting these targets, only 45% of 2,900 companies in the MSCI ACWI Index have done so, and this needs to accelerate urgently if the world is to align with 1.5°C."

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About MSCI Inc.

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data, and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

Notes to Editors

[1] Our calculation of listed companies' carbon budget reflects the removal of Russian securities from all global and regional indexes within the MSCI Global Investable Market Indexes, including, but not limited to, MSCI ACWI Indexes. The removal, which MSCI announced on March 2, 2022, resulted in 44 companies leaving the indexes. See "MSCI to Reclassify the MSCI Russia Indexes from Emerging Markets to Standalone Markets Status," March 2, 2022, available at https://www.msci.com/eqb/pressreleases/archive/PR_Russia_Classification.pdf

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