PRESS RELEASE

More Public Companies Are Making Climate Commitments But Deadline To Limit Warming To 1.5°C Shrinks Again

- *Nearly half of global public companies have now set a decarbonization target, but only 17% of those targets would align with the 1.5°C temperature rise goal*
- *Listed companies' global emissions budget for limiting temperature rise to 1.5°C will expire by October 2026*
- *Analysis of global private companies shows they have lower carbon intensity than their public counterparts*

NEW YORK – May 11, 2023 – The number of global public companies making climate commitments has steadily grown this year, but these targets vary significantly in their comprehensiveness and ambition, according to the latest MSCI Net-Zero Tracker, a gauge of climate change progress of the public companies within the MSCI All Country World Investable Market Index (ACWI IMI)[1]. The Net-Zero Tracker reveals a clear trend among listed companies: more climate commitments, improved disclosures, but ever-growing carbon emissions.

Nearly half (44%) of listed companies have now set decarbonization targets, – which is 8 percentage points more than was reported in the October 2022 MSCI Net-Zero Tracker, – but this does not necessarily mean that they are all adequately addressing their carbon intensity. Only 17% of companies' climate targets would align carbon emissions across their total value chain with the ambitious 1.5°C goal of the Paris Agreement.

Further showing the range of commitments being made, fewer than a third (30%) of all published targets are aiming to reach net-zero emissions, despite the likelihood of voluntary and mandatory corporate climate disclosure standards coming into effect in the near future.

The Net-Zero Tracker, released today by MSCI, a leading provider of critical decision support tools and services for the global investment community, shows that public companies are projected to deplete their share of the global emissions budget for limiting temperature rise to 1.5°C by October 2026, two months sooner than MSCI previously estimated in October 2022.

Public companies are on track to emit 11.2 gigatons of direct Scope 1 greenhouse gas emissions into the atmosphere this year, unchanged from 2022, despite making more carbon reduction commitments[2]. This puts them on a path to warm the planet by 2.7°C this century, according to MSCI's "Implied Temperature Rise" metric, based upon an analysis of their future emissions pathways and current climate commitments.

For investors trying to assess these companies to make climate-conscious portfolio decisions, there has been an upturn in the level of disclosures, as over a third (35%) of public companies now report Scope 3 emissions that arise from their suppliers or use of their products by customers, up five percentage points from October last year.

Private assets exhibit lower carbon intensity

Though it is often considered that carbon intensities may be higher in private markets than in their public counterparts, MSCI's estimates suggest otherwise. Private companies in four of the five most emissions-intensive industry groups are estimated to produce less carbon than their publicly listed equivalents, according to data from MSCI ESG Research and Burgiss[3].

Within the top five industry groups (utilities, materials, energy, transportation, and food, beverage & tobacco), the average estimated carbon intensity for listed companies is 76% higher that of unlisted companies.

This contributes to institutional investors financing almost 150 million tons of CO2 emissions from the private companies in their private equity, debt and real asset portfolios[4].

Emissions attributes of private investments are driven by sectoral trends - with privately held companies being more likely to be in sub-industries that are less emissions intensive. For example, the information technology and health care sectors together account for 47% of the aggregate market value of institutional private holdings, but constitute just 6% of emissions. In contrast, the energy, materials, and utilities sectors represent only 6% of the total private market value and produce nearly half of estimated financed emissions.

Sylvain Vanston, Executive Director, Climate Change Investment Research, MSCI, comments: "The recent IPCC AR6 Synthesis report is clear. Climate change is here, measurably, as predicted, and the risk of complete ruin is now very real. We are seeing greater progress from public companies towards achieving essential climate goals, but the MSCI Net-Zero Tracker reveals that a significant gap remains between their climate commitments and their carbon emissions.

"The equation for investors is that they must address transition risks today or face severe and irreversible physical risks tomorrow, and that they have a role to play in driving the existential change required. Investors can use their strategic levers, including asset allocation, green investments, and engagement with boards and policymakers, to help not just put companies on a net-zero path, but also encourage the regulatory changes needed to level the business playing field between.

"Public and private companies and investors must act urgently, as this report clearly shows that time is running out and we are not on track to limit global warming to 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.

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Notes to Editors

[1] As of March 31, 2023.

[2] Gigaton is equal to a billion tons.

[3] Based on an analysis of data from MSCI ESG Research and Burgiss, as of Sept. 30, 2022. Burgiss is a global provider of data and research for alternative investments.

[4] This estimate of private-asset emissions does not include the complete carbon footprint of all unlisted assets, whose ownership extends beyond institutional investors to other public and private companies as well as to governments. The world's listed companies are on track to emit 11.2 billion tons of direct (Scope 1) carbon emissions this year.

Methodology

MSCI's Implied Temperature Rise model is a forward-looking measure of climate impact that shows the estimated warming potential of a company or portfolio in degrees Celsius based on its current greenhouse gas emissions and projected emissions trajectory.

The model indicates the change in average global temperatures this century if the whole economy had the same carbon budget overshoot or undershoot as the company or portfolio in question.

Though it relies on different data, the projection of listed companies' aggregate Implied Temperature Rise in this report is similar to projections of global warming based on countries' national climate commitments if the policies and actions to achieve them are fully implemented. Both estimates reflect climate ambition.

The MSCI Implied Temperature Rise model is recalculated biweekly to reflect companies' latest decarbonization targets and emissions data, and quarterly to reflect updates in financial data. It also evolves over time.

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