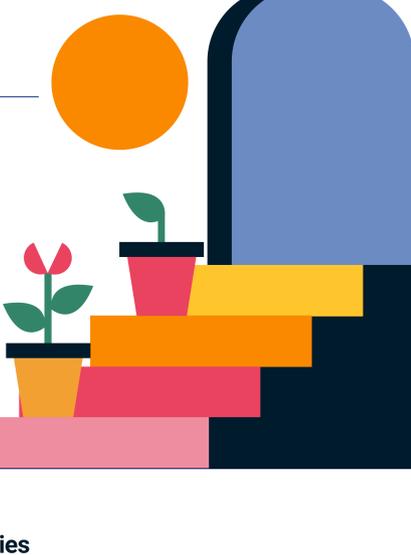


Steps to Net-Zero

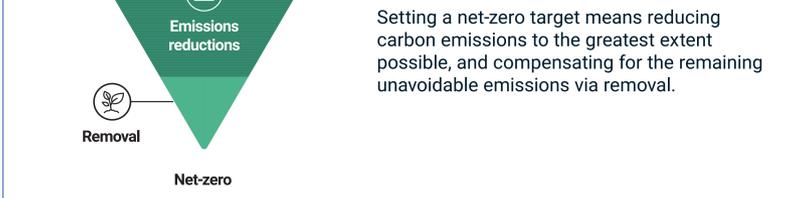
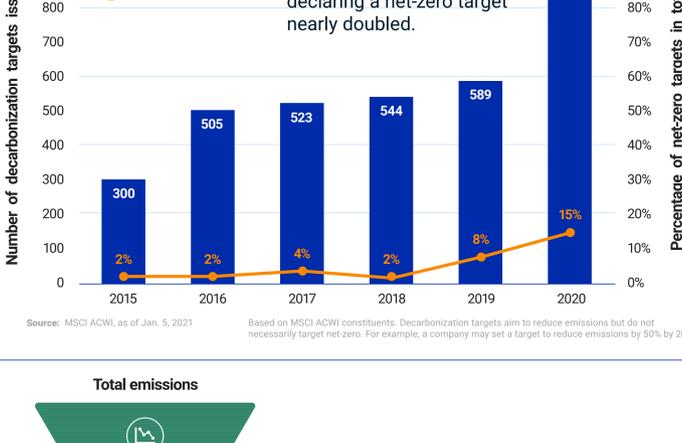
Considerations for companies and investors



To help prevent the worst effects of climate change, a growing number of companies are pledging to achieve net-zero carbon emissions by 2050.



Decarbonization targets set by the world's publicly listed companies



With urgency building, how can companies and investors approach net-zero?

Steps to net-zero

1

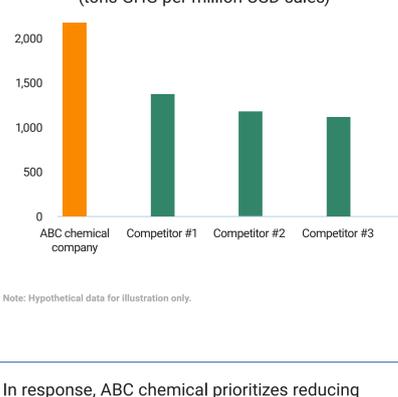
Define strategy

Companies

To begin, companies can:

- Measure current emissions
- Identify priority areas where emissions can be reduced

For example, ABC chemical company determines that its greenhouse gas (GHG) emissions far exceed those of its competitors.



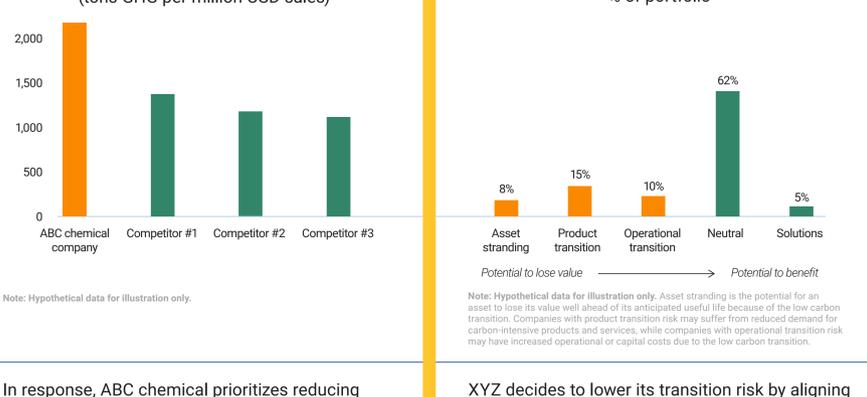
In response, ABC chemical prioritizes reducing GHG emissions during material processing.

Wealth and asset managers

To begin, wealth and asset managers can:

- Assess climate risks
 - Risks of transitioning to a net-zero economy
 - Risks of extreme weather events
- Map out a strategy to curb climate risk

For example, XYZ asset manager determines that 33% of its portfolio may be vulnerable to asset stranding or some level of transition risk.



XYZ decides to lower its transition risk by aligning its portfolio with a 1.5°C warming scenario.

2

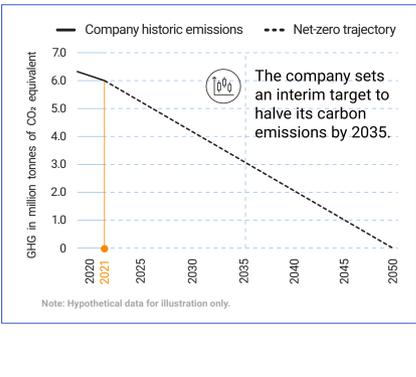
Set target

With a strategy set, companies can:

- Pledge their net-zero commitment
- Set interim goals
- Specify how their pledge will be achieved

For instance, ABC chemical company could set a net-zero target by 2050.

Projected company emissions

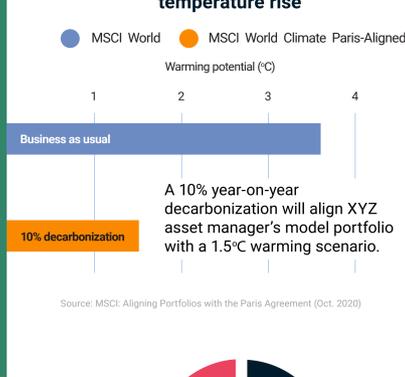


With a strategy set, wealth and asset managers can:

- Establish targets for emissions reductions and net-zero solutions
- Set interim goals

XYZ asset manager could set a goal to decarbonize its portfolio 5% by 2025, and 10% by 2030.

Effect of decarbonization on implied temperature rise



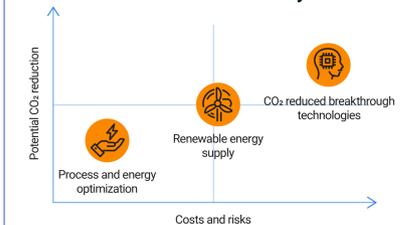
3

Implement

ABC chemical company takes immediate action consistent with its interim targets.

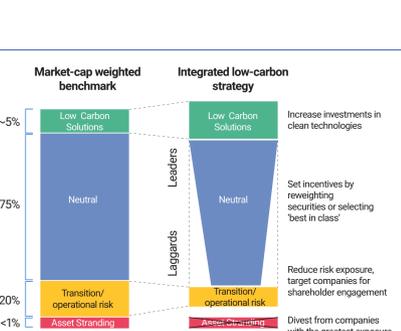
For instance, the company can start by reducing the carbon footprint of its processes. This approach carries the lowest risks and costs.

Addressing GHG emissions in the chemical industry



But to take larger strides toward its goal, ABC could draw on renewable energy together with carbon-removal technologies as they are developed.

To move toward its decarbonization target, XYZ can adopt a benchmark index and reallocate capital based on its investment strategy.



4

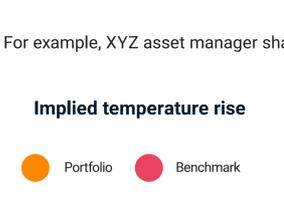
Track and report progress

Here the actions for companies and investors converge:

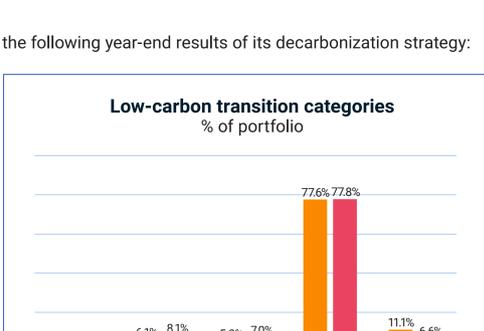
- Measure and monitor progress
- Disclose results
- Adjust actions as necessary

For example, XYZ asset manager shares the following year-end results of its decarbonization strategy:

Implied temperature rise



Low-carbon transition categories (% of portfolio)

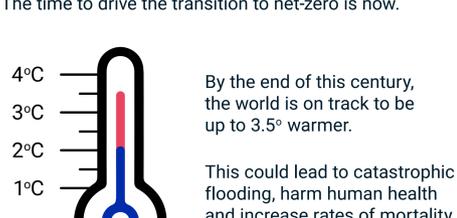


XYZ asset manager has significantly reduced its portfolio's exposure to transition risk, but remains far from meeting its 1.5°C warming goal.

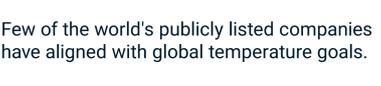
In response, it begins to intensify pressure on portfolio companies to cut their GHG emissions by at least 10% every year.

A net-zero revolution

The time to drive the transition to net-zero is now.



Few of the world's publicly listed companies have aligned with global temperature goals.



Sources: ¹ Linda-Eling Lee, global head of ESG research, MSCI, remarks to the G20 (July 11, 2021). ² MSCI 2021 ESG Trends to Watch (as of Nov. 30, 2020)

Preventing the worst effects of climate change will demand the largest economic transformation since the Industrial Revolution. Companies, investors and other capital-market participants can drive this change.