PRESS RELEASE

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Investors update guidance to strengthen engagement on climate risk with oil and gas companies

In a move designed to ensure oil and gas majors do far more to address the climate change challenge, global investors from Europe, North America, Asia and Australasia have today published an updated second edition of their guide setting out the challenges facing the sector and investor expectations for how oil and gas companies must act to adapt their business strategies to a 2°C climate change pathway.

Launching Investor Expectations for Oil and Gas Companies: Transition to a Lower Carbon Future

Stephanie Pfeifer, CEO of the Institutional Investors Group on Climate Change (Europe) said, “Today the global investor community is setting out as clearly as possible their expectations for oil and gas companies on actions required to address climate change risks. Our decision to update this guide directly reflects the requirements of the Paris Agreement. Going forward, asset owners and fund managers will need to know how oil and gas companies - and particularly the boards accountable for overseeing them - see the future impact of climate change on their activities and how they plan to align their business model with the greenhouse gas reductions required to deliver binding international agreements.”

Stephanie Maier, lead author of the revised guide and Head of Responsible Investment Strategy & Research for Aviva Investors added, “The oil and gas sector represents trillions of dollars in market capitalisation. Long-term investors therefore want to ensure that oil and gas companies have appropriate governance and capital discipline to respond to the changing market dynamics that are arising from the policies and actions put in place to limit global warming. Given the transition and physical risks these companies face from climate change, we believe that they have a duty to disclose how they are responding to these changes. We have seen some strategic announcements from oil and gas companies for more resilient low carbon business strategies. However, it is vital for everyone’s long term prosperity that they do more in this respect and do not undermine robust policy action that drives a well-managed transition to a low carbon economy.”

Andrew Logan, Director of the Oil & Gas Program at Ceres and the Investor Network on Climate Risk (North America) said, “No matter the outcome of the US election, global policy momentum and rapid
technological change are combining to create significant risks for the oil and gas sector. Investors are increasingly concerned that the current business strategies of many companies may not be financially sustainable given these ongoing trends. During the current proxy season investors are showing unequivocally through shareholder resolutions to companies including Exxon and Chevron that they expect the oil and gas sector to address carbon asset risk by assessing the impact of a 2°C scenario on their future resilience.”

Emma Herd, CEO of the Investor Group on Climate Change (Australia and New Zealand) and speaking also for the Asia Investor Group on Climate Change, said: “Some of the largest oil and gas companies by revenue are based in Asia, in the fastest growing economies in the world. These companies are highly exposed to carbon constraints and will face mounting pressure as investors seek to determine whether they are doing enough to change their capital allocations to curb emissions and align their business strategies to a 2°C global warming scenario. The Marrakech Communiqué adopted at COP22 also explicitly recognised the oil and gas sector as the largest source of methane globally – a potent greenhouse gas – so if we are to stand a chance of meeting the Paris goals these companies will also be expected to demonstrate they are taking steps to curb these emissions from oil and gas extraction, transportation and processing activities”.

About the guide

Investor Expectations for Oil and Gas Companies: Transition to a Lower Carbon Future updates a previous guide (Investor Expectations – Oil and Gas Company Strategy) that was first published in December 2014 and has formed the basis of effective investor engagement over the past two years with the boards and management of oil and gas companies. The revised guide is intended to support further constructive engagement with the sector following the Paris Climate Agreement. It is focused in particular on how companies in this sector are governing and managing the transition risks and opportunities associated with a climate trajectory of no more than 2°C of global warming and are developing the business strategy required to adapt through the transition to a sustainable low carbon energy system. The guide groups investor expectations in five areas of concern:

- **Governance** – are board and management processes well enough defined to ensure adequate oversight of climate-related risk and effective planning for a transition consistent with 2°C and efforts to pursue 1.5°C?
- **Strategy** - is the management of climate-related risks and opportunities integrated into business strategy well enough to ensure business models will be robust, responsive and resilient in the face of a range of energy transition scenarios.
- **Implementation** – is scenario analysis and ‘stress testing’ well enough embedded into key business planning processes and investment decisions?
- **Transparency & disclosure** – does the company disclose its operational emissions in the annual report and/or on the corporate website. How good is the company’s view of, and response to, the material climate related risks and opportunities outlined in the guide?
- **Public policy** – does the company engage with public policy makers and other stakeholders to support development of cost-effective policy measures to mitigate climate-related risks and low carbon investments? Is there broad oversight and transparency regards the company’s public position, lobbying activity and political spending on climate-related regulatory issues (including carbon/methane emissions, energy and transport)?

*Investors expectation – Oil & Gas Company Strategy* was developed by the Institutional Investors Group on Climate Change with support from other investor networks in North America (Ceres’ INCR), Asia (AIGCC) and Australia and New Zealand (IGCC) in the Global Investor Coalition (http://globalinvestorcoalition.org/), an umbrella for more than 250 institutional investors representing assets worth over USD24 tn. It is one of several produced to support investor engagement with key
sectors to curb carbon asset and climate risk including mining, utilities and automotive companies. It is intended to be used in tandem with Institutional Investors’ Expectations of Corporate Climate Risk Management (http://www.iigcc.org/publications/publication/institutional-investors-expectations-of-corporate-climate-risk-management)

Investors groups in the GIC also collaborate to drive climate action in key policy forums, including the G7 & the G20. In August this year investors wrote to the G20 heads of state calling on G20 nations to double global investment in clean energy by 2020, tighten climate disclosure mandates, develop carbon pricing and phase out fossil fuel subsidies. Shortly before COP22 in Marrakech, the GIC published a fact sheet highlighting examples of actions institutional investors around the world have taken during 2016 and since the Paris Agreement was finalised. The Marrakech Communique was adopted at COP 22 in Morocco on November 14, 2016

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Networks

The Institutional Investors Group on Climate Change is a forum for collaboration on climate change for investors. IIGCC has 130 members, including some of the largest pension funds and asset managers in Europe, who represent over €14 trillion in assets. IIGCC’s mission is to provide investors a common voice to encourage public policies, investment practices and corporate behaviour which address long-term risks and opportunities associated with climate change. See www.iigcc.org and @iigccnews

The Investor Network on Climate Risk, a group of over 120 institutional investors managing over $14 trillion assets focused on the business risks and opportunities of climate change. INCR is a project of Ceres, a non-profit organisation mobilising many of the world’s largest investors and companies to take stronger action on climate change, water scarcity and other global sustainability challenges. Ceres also engages with 100-plus companies, many of them fortune 500 firms, committed to sustainable business practices and the urgency for strong climate and clean energy policies. For more information, visit @incrnews and www.ceres.org

The Investor Group on Climate Change is a collaboration of Australian and New Zealand institutional investors and advisors, managing over $1 trillion in assets under management and focusing on the impact that climate change has on the financial value of investments. IGCC aims to encourage government policies and investment practices that address the risks and opportunities of climate change. For further information, visit www.igcc.org.au and @igcc_update

The Asia Investor Group on Climate Change is an initiative to create awareness among Asia’s asset owners and financial institutions about the risks and opportunities associated with climate change and low carbon investing. AIGCC provides capacity for investors to share best practice and to collaborate on investment activity, credit analysis, risk management, engagement and policy. AIGCC represents the Asian perspective in the evolving global discussions on climate change and the transition to a greener economy. See www.aigcc.net and @aigcc_update