

# Net zero carbon policy – Portfolio emissions



## WHEB's commitment to NZC investment portfolios

WHEB Asset Management is fully committed to supporting the global goal of net zero carbon<sup>i</sup> (NZC) emissions by 2050 at the latest, in line with global efforts to limit warming to 1.5°C<sup>ii</sup>. WHEB set out its policy on becoming a NZC business in our own operations in 2019<sup>iii</sup>.

We are also committed to investing in ways that are aligned with the goal of NZC emissions by 2050 at the latest. The core objective of WHEB's investment strategy is to invest in companies that are enabling the transition to a zero carbon and more sustainable world. We do this by investing in companies that supply products and services that help to reduce carbon emissions and support sustainability throughout the economy<sup>iv</sup>. In addition, these companies also need to reduce their own carbon emissions. This document sets out our policy for achieving NZC emissions in our investment portfolios<sup>v</sup>. This commitment applies to 100% of the assets invested in WHEB investment strategies.

Specifically, WHEB commits to:

1. Work in **partnership with asset owner clients** on decarbonisation goals, consistent with an ambition to reach NZC emissions by 2050 at the latest.
2. Implement a **stewardship and engagement strategy** that delivers on our commitment to align WHEB investment strategies with NZC emissions by 2050 at the latest.
3. Set **interim targets** that are consistent with the carbon emission reductions set out in the IPCC's special report on global warming of 1.5°C<sup>vi</sup>.
4. Take account of portfolio **Scope one and two emissions** and, to the extent possible, material portfolio Scope 3 emissions.
5. **Review interim targets** at least every five years considering the latest scientific understanding of climate change and WHEB's progress in reducing portfolio carbon emissions.
6. **Undertake policy advocacy** in support of achieving net zero carbon emissions by 2050 at the latest.
7. **Publish an annual report** on progress towards our interim targets as well as on wider work in managing both climate related risks and policy engagement on climate change.

## Interim targets

### - Investee NZC commitments

In 2019 WHEB launched an engagement strategy aimed at securing commitment from investee companies to achieve NZC emissions by 2050 at the latest. At the end of 2020, approximately 17% of the emissions from portfolio companies had set NZC targets by 2050 at the latest<sup>vii</sup>. Our objective is that by 2030, all investee companies will have committed to achieving NZC emissions by 2050. We have also set an interim target that by 2025, at least 50% of emissions produced by investee companies will be subject to such a commitment.



## - Carbon reductions

In addition to securing specific NZC commitments from investee companies, we have also set an absolute carbon emissions target for 2030. The target is to achieve absolute carbon reductions from portfolio companies that are consistent with the 50% global reduction in carbon emissions that is considered necessary to achieve global NZC emissions by 2050.<sup>viii, ix</sup>

## - Collaborations and partnerships

WHEB has been an active contributor to several collaborative investor initiatives to accelerate action to tackle climate change. This includes work with the Institutional Investors Group on Climate Change (IIGCC), Climate Action 100+, the UN-PRI and others. We plan to continue to work with these groups and others in developing and applying robust methodologies and frameworks to accelerate the transition to a zero carbon global economy.

We recognise also that our commitments are to a significant extent based on the expectation that governments will follow through on their commitment to ensure that the objectives of the Paris Agreement are met, and in the context of legal duties to clients and unless otherwise prohibited by law.

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i The term 'carbon' is used throughout this document to refer to anthropogenic emissions of all greenhouse gases

ii [https://www.ipcc.ch/site/assets/uploads/sites/2/2019/06/SR15\\_Full\\_Report\\_Low\\_Res.pdf](https://www.ipcc.ch/site/assets/uploads/sites/2/2019/06/SR15_Full_Report_Low_Res.pdf)

iii <https://www.whebgroup.com/media/2020/06/202000408-Carbon-Policy.pdf>

iv For the avoidance of doubt, WHEB investment strategies do not, have not and will not invest in companies 1) planning new fossil fuel production or power infrastructure, 2) deriving significant (more than 5%) revenues from fossil fuel or power generation sales or 3) producing fossil fuels or generating more than 5GW of captive power from fossil fuels.

v Investment portfolio carbon emissions are considered as part of WHEB's investment process which is subject to a clearly defined process. WHEB's own operational emissions by contrast are subject to operational decision-making taken by the business and are covered in a separate policy (ibid).

vi The IPCC special report on global warming of 1.5°C confirmed that human-caused emissions of CO<sub>2</sub> need to decline by approximately 45% from 2010 levels by 2030 in order to restrict the global average temperature rise to 1.5°C. Because CO<sub>2</sub> emissions continued to rise from 2010-2019, this implies a 50% reduction in CO<sub>2</sub> emissions from 2019 levels by 2030.

vii Covering just scope 1 and 2 emissions. We will include scope 3 emissions once robust data becomes available.

viii It is important to note that this does not mean that all companies across the portfolio will necessarily have achieved the target reduction in carbon emissions. It is however a commitment that, taking into account sectoral and geographical biases inherent in our investment strategies, emission reductions across the portfolio will be consistent with the global reduction target.

ix We do not consider carbon offsetting to be an appropriate tool for achieving NZC emissions at investment portfolio level. Carbon offsets should, in our view, only ever be used as a last resort to offset residual carbon emissions that can not otherwise be eliminated. We are supportive of carbon offsets being used in this way by investee companies.