The asset owner backed Transition Pathway Initiative (TPI) supported by funds with over £5/$6.9 trillion in assets under management today released its assessments of how 20 of the world's largest publicly-listed automobile manufacturers, and 19 of the world's largest publicly-listed paper companies are preparing for the transition to a low carbon economy.

TPI makes two assessments of companies: i) their corporate governance of climate change issues ('management quality'), and ii) a forward-looking assessment of companies' CO_2 emissions and how they align with international targets ('carbon performance'). 138 companies have now been assessed with the latest study by the London School of Economics Grantham Research Institute, with data provided by FTSE Russell.

Key findings from the latest studies include:

TPI Management Assessment:

- Our research shows automobile companies are not being sufficiently transparent about their current impacts on climate change.
- Three businesses, even including the industry leader on climate performance Tesla, do not acknowledge climate change as a current business issue in their company reporting.
- Tesla could show leadership and improve its management quality score of zero if it were to provide disclosures on its governance of climate issues to go along with their top performance score.
- The lowest-scoring paper companies are Lee & Man Paper Manufacturing, and Nine Dragons Paper Industries, with the highest-scoring being International Paper, Sappi and Stora Enso.

TPI Performance Assessment:

- Eight out of the 20 companies with future targets align with the 2 Degrees benchmarks in 2020: Geely; Groupe PSA; Mazda; Nissan; Renault; Suzuki; Tesla; and Toyota. This is one of the most aligned sectors to 2 degrees pathway that TPI has assessed. Tesla is the top performer.
- In contrast, only 3 paper companies are aligned with 2 degrees benchmarks in 2020; these are Domtar, Stora Enso and UPM-Kymmene.
- Fewer than half of the companies studied provide any information on their targets or future business strategies.

Commenting on the findings, Professor Simon Dietz at the London School of Economics who led the analysis said: "Auto makers perform well on average despite some significant gaps in performance while the ratings of the paper sector are fairly average. What is clear is that across cross both sectors, inconsistent and incomplete reporting of emissions and of production volumes remains a key challenge."

Commenting on the results, Adam Matthews – Co-Chair of the Transition Pathway Initiative and Head of Engagement for the Church Commissioners and Church of England Pensions Board said: "Autos are one of the best performing sectors that TPI has assessed but there are still too few companies with targets beyond 2020. If companies are to gain the confidence of investors that they are managing an important strategic risk to their businesses then they must provide longer-term targets. Targets are key to driving performance and enable peer to peer comparison.”

Emma Howard Boyd, Chair of the Environment Agency Pension Fund Investment Committee, said: “The automotive industry has rightly come under a lot of scrutiny in recent years for the impacts of emissions on people’s health. This research shows parts of the industry taking their impact on the climate seriously, and we all know about some potentially world changing examples of innovation in this area. However, corporate disclosures on climate change, carbon management and performance are weak. Investors need robust, comparable data and too many car companies remain opaque.”

Euan Stirling, Global Head of Stewardship and ESG Investing, Aberdeen Standard Investments said: “The TPI toolkit is a really useful, and free, resource for investors. It covers some of the most environmentally-sensitive sectors and the recently-published automotive and paper industry analyses highlight the need for this type of independent and objective research. In order to align with international targets, this research shows how much more will be required from companies in the way that they think, act and report on their activities. We look forward to building the findings into the discussions that we have with the companies in which we invest our Clients’ capital”.
