

## TOMORROW'S CHEMISTRY

### ANALYSING CLIMATE TRANSITION STRATEGIES OF THE WORLD'S CHEMICAL GIANTS

#### Recommended Questions

Q.1

**Question:** How does your investment in sustainability and decarbonisation directly contribute to achieving your stated climate targets, particularly for Scope 3 emissions?

**Background:** Companies rarely disclose the investment/capex they are putting forward to make their climate mitigation initiatives a reality. When they do, it is mainly regarding Scope 1 and 2 actions, and not linked to an expected range of GHG emissions reduction.

**Target:** This question would encourage companies to clarify the direct impact of their financial commitments on their emissions reduction trajectory, ensuring capital allocation aligns with full value chain climate goals.

Q.2

**Question:** Can you detail how sustainability goals, especially around transition, are integrated into executive compensation and incentive structures?

**Background:** Most companies lag in integrating sustainability goals into management compensation, or these become irrelevant when other financial goals are achieved. Often, sustainability goals can be over-ridden by financial metrics, making them irrelevant.

**Target:** This question aims to enhance the link between corporate leadership incentives and sustainability performance, highlighting the importance of executive accountability in driving climate action.

Q.3

**Question:** What strategies are in place to mitigate the risks associated with reliance on future, unproven technologies for achieving Net Zero ambitions?

**Background:** Some chemical companies have high climate ambitions but often rely on advancements in future technology to deliver on these. Such technologies may be unproven at scale.

**Target:** Investors need to assess the company's backup plans and interim solutions that ensure progress towards climate targets, even as future technologies are being developed.

#### Report Key Takeaways

- Analysis of seven CA100+ chemical companies reveals varied levels of commitment to Net Zero, with Air Liquide leading and BASF lagging, due to challenges like reliance on unproven technologies, low investment in mitigation and a lack of clear sustainability linked remuneration.
- Overall, the chemical sector struggles to align climate pledges with actual investments, and integrating Net Zero targets into executive incentives.
- This study highlights differences in companies' climate strategies, stressing the need for clearer and more credible plans supported by capex to meet the Paris Agreement goals.

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