

The Road to Net Zero

Assessing the alignment of emission reduction targets of WSE-listed companies with the Paris Agreement



Key findings and figures

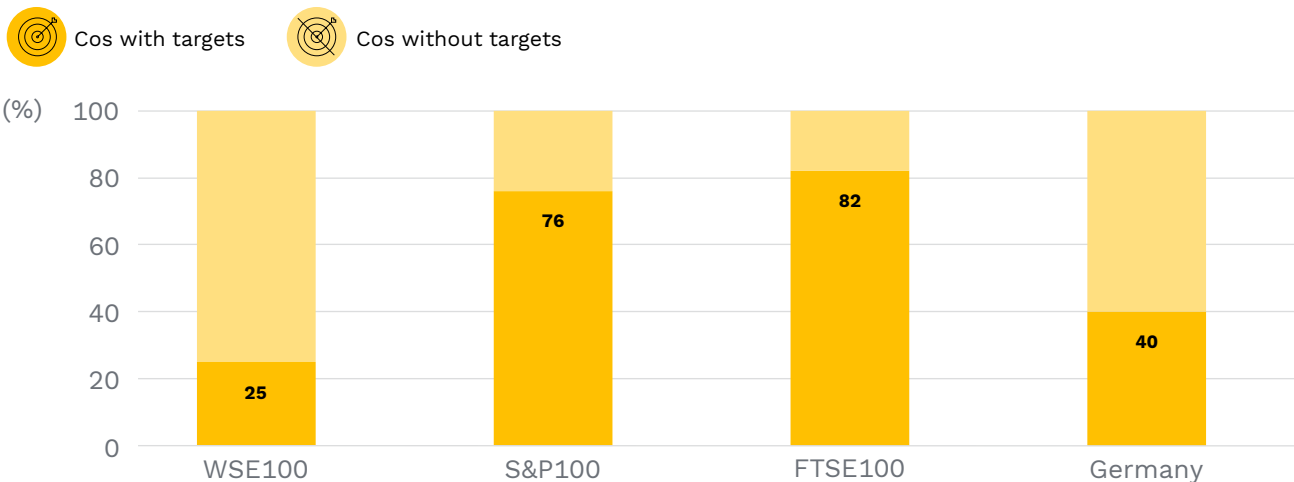
Reliable plans to reduce greenhouse gas (GHG) emissions, consistent with global climate goals, are becoming an increasingly important aspect of assessing corporate climate actions. Of particular importance is the alignment of emission reduction targets with the requirements of science and the goals of the Paris Agreement. Equally crucial is that companies count and report their greenhouse gas emissions in all three scopes. This is a necessary precondition for the adoption of reliable emission reduction plans.



Emission reduction targets of companies listed on the Warsaw Stock Exchange

- So far, emission reduction targets have been set by 26 issuers from the largest WSE indices (WIG20, mWIG40 and sWIG80), including 25 of the 100 largest companies (WIG100). Since the publication of the previous Instrat report analysing the emission reduction commitments of listed companies, in November 2021 and the launch of the [esg.instrat.pl](https://www.instrat.pl) database aggregating these commitments shortly after, this number has increased by 100%.
- Despite this increase, the fact that only 25% of WIG100 companies have set climate goals is disappointing, compared to the largest Western indices - climate goals were set by 76 companies from the American S&P100 index, in the British FTSE100 as many as 82 companies, and among the largest German public companies - 40 issuers.
- Assuming a further linear increase in the number of companies with emission reduction targets, Polish companies from the WIG100 will catch up with the British index in 2027, i.e. three years before 2030, which marks the milestone of EU climate policy. By that time, the emission reduction targets will ought to be implemented, and not just adopted.

CHART 1. Share of companies with disclosed emission reduction targets in main indices



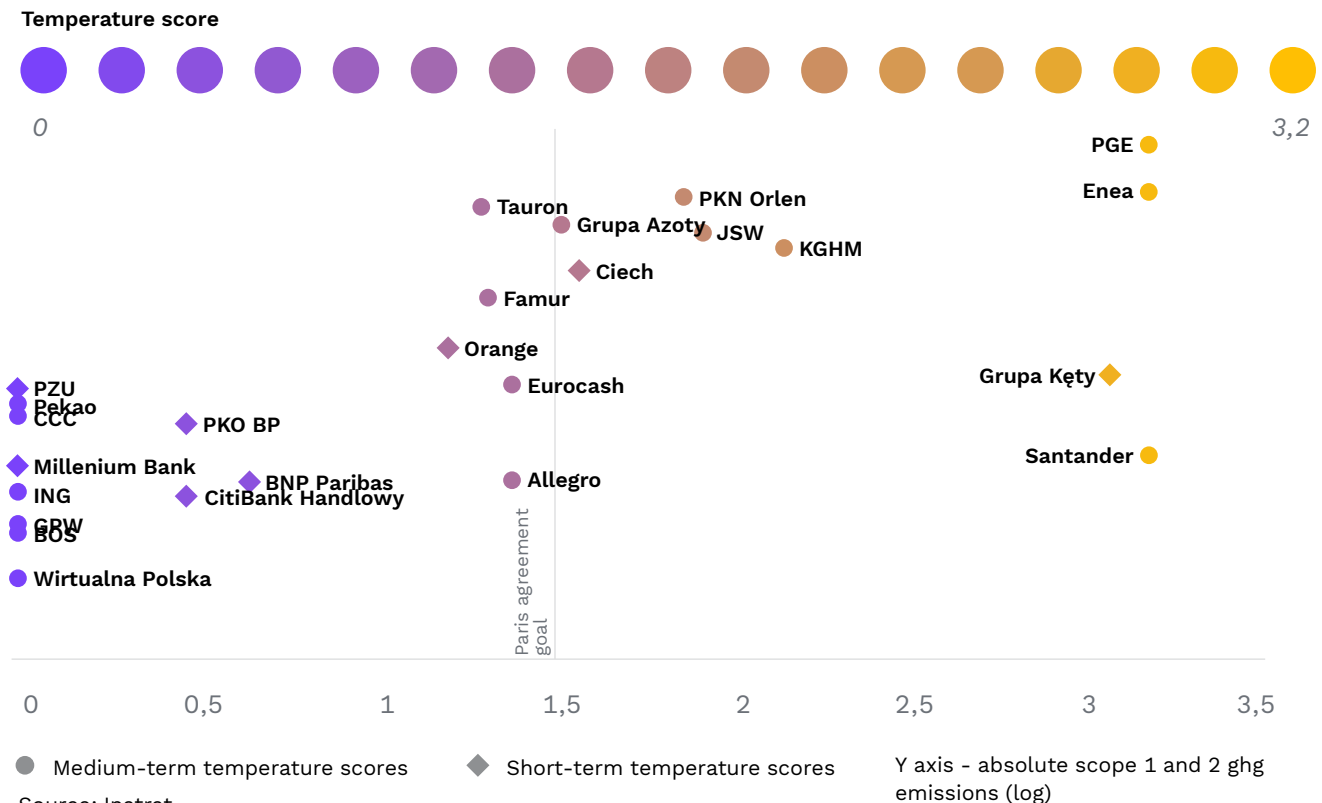
Source: Instrat, based on WSE data and WWF 2021; BoodleHatfield 2022; Net Zero Tracker 2022.



Compliance of emission reduction targets of companies listed on the Warsaw Stock Exchange with the Paris Agreement

- Using the internationally recognized Temperature Rating methodology, we analysed the alignment of the greenhouse gas emission reduction targets adopted by companies listed on the Warsaw Stock Exchange with the requirements of the Paris Agreement. This methodology translates the adopted reduction targets into an implied global increase in average temperatures at the end of the century (temperature score). According to the Paris Agreement, this increase should not exceed 1.5°C and stay well below 2°C.
- The cumulative temperature increase implied by WSE-listed companies' emissions reduction targets is 2.64°C, well above the level permissible by the Paris Agreement.
- At the individual level, 17 out of 26 companies have emissions reduction targets in line with the requirements of the Paris Agreement. However, for 6 of them, this assessment is based on short-term goals, which should be complemented by medium and long-term actions.
- Temperature Rating, in addition to assessing the goals of individual companies, is also used as a tool to assess alignment with the Paris Agreement of the entire investment portfolio. We simulate such an assessment by constructing a representative index comprising exposures to 26 companies with emission reduction targets (WIG-Net Zero). The temperature increase implied by this index is 2.2°C.

CHART 2. Temperature scores



Greenhouse gas emissions reporting by companies listed on the Warsaw Stock Exchange

- 63 WIG100 companies report Scope 1 and 2 emissions. The prevalence of reporting is lower among companies with smaller capitalization, however, even in the top WIG20 index there are issuers who do not disclose information about their GHG emissions.
- Only half of the companies reporting Scope 1 and Scope 2 emissions also report Scope 3 information required to fully assess their carbon footprint. However, 83% of companies reporting Scope 3 emissions disclose only partial and non-material data on Scope 3 emissions. Only 7 WIG100 companies report Scope 3 emissions in all categories material to their operations.
- Based on the sectoral averages of the size of scope 3 emissions for companies reporting to CDP, we estimated the volume of Scope 3 emissions for those WSE-listed companies that report Scope 1 and Scope 2 emissions. Reported Scope 3 emissions account for only about 15% of the estimated total Scope 3 emissions for these companies, and in some sectors this percentage is close to zero.



Full publication in Polish can be found [under this link](#).
