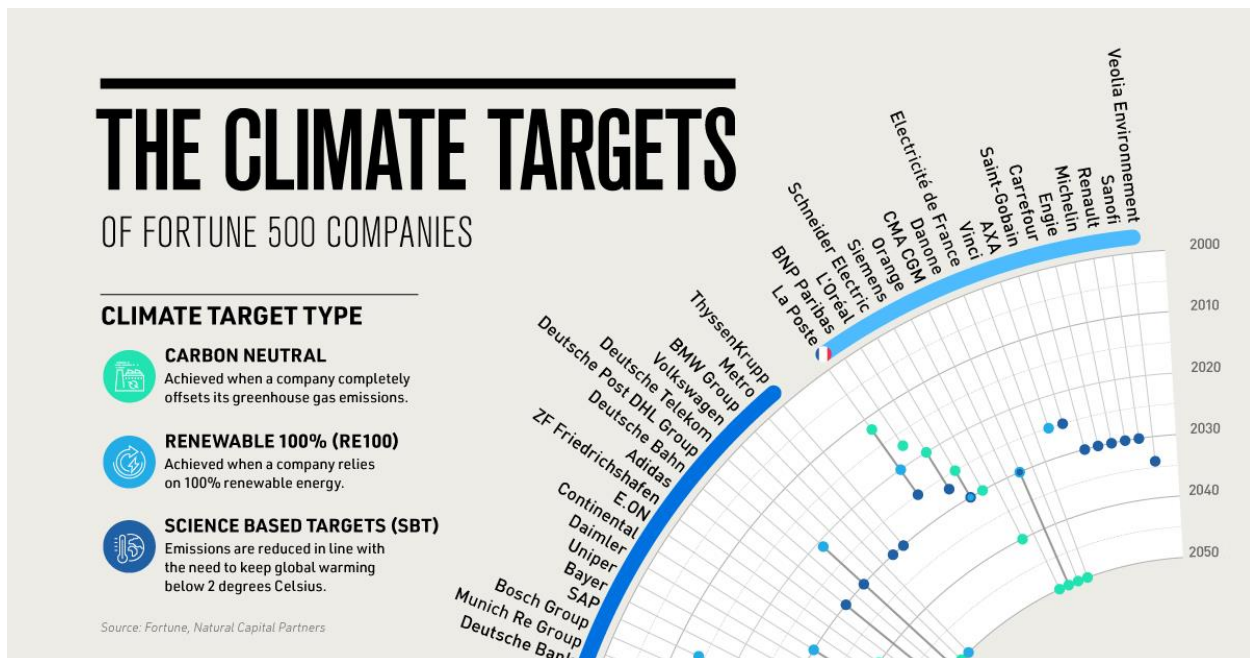


Reputational Risk for Companies with Poor Quality Net-Zero Pledges

Ahead of COP26 in 2021, net-zero commitments were a hot topic. Entire regions and countries pledged to reach a balance between their greenhouse gas (GHG) emission production and their reduction. While certain nations announced ambitious plans to reach their target by the end of the decade, [larger developing economies](#) like India and China looked at the second half of the century. This in itself was the cause of much debate and scepticism in terms of timeline and action. However, this was partially eclipsed by the scrutiny of companies making their own net-zero claims.



Source: [Visual Capitalist](#)

Of the [largest 2000](#) publicly traded companies, 695 have a plan to reach net-zero. They have faced greenwashing claims, and the legitimacy of their plans was put under scrutiny. In an analysis of Fortune 500 companies that had announced net-zero plans, the World Wildlife Foundation (WWF) found that in 2021 only [13% had science-based plans](#). “A lot of businesses and investors are setting these kinds of targets, and they’re doing it, arguably, for PR reasons,” [explains](#) Oxford University professor Thomas Hale. The public has become more aware of greenwashing and is keenly aware of businesses with poor or unrealistic net-zero plans.

Tracking Business Pledges

In some cases, major companies like [Saudi Aramco](#) have ignored Scope 3 emissions or emissions caused by their supply chains. In many cases, these emissions account for the lion's share of their total GHG emissions, a move that Time Magazine's Eloise Barry [called](#) "essentially useless".

Other businesses like [Amazon](#) have pledged strong action across their supply chains and direct emissions. Implementation across its global subsidiaries remains an issue, and the company's broader portfolio has been criticized. Amazon CEO Jeff Bezos also owns [Blue Origin](#), a space exploration company that recently unveiled plans to build a commercial space station.

Fossil fuel companies have also come under fire for announcing net-zero plans that do not include phasing out their exploration and extraction operations. However, certain industry leaders have been caught in the act of greenwashing. Starting in 2008, Volkswagen was embroiled in a scandal after being found guilty of [faking emissions](#) tests on their line of diesel vehicles. This had severe impacts on the company's reputation and has highlighted the need for businesses to stop greenwashing and begin taking serious action.



Source: [The Japan Times](#)

Benefits of Net-Zero

While consumers express a healthy dose of scepticism on private businesses' plans to improve their environmental impact, there are several major companies who have benefitted from science-based net-zero goals. A success story within the investment sector, [AIA became](#) the first major Asian insurer to end coal exposure seven years ahead of schedule. The company divested from coal and indicated that it will not carry out new investments directly involved in coal mining or generating electricity from coal.



Source: [Reclaim Finance](#)

In addition to this, AIA will follow the United Nations-backed [Science Based Targets](#) initiative (SBTi) and implement it across its \$286 billion investment portfolio. A spokesperson for the company indicated that the AIA intends to invest more in “green, social, and sustainability bonds and renewable power.” This led to AIA’s [green bond investments](#) jumping to \$1.1 billion at the end of 2020 from \$575 million at the end of 2018.

Building a Better Future

Climate change is a significant issue that needs global cooperation across different sectors. While countries and regions seek to rapidly decarbonize their economies, companies also have a major role in reducing emissions.

However, companies who do not take the climate crisis seriously and seek only to follow a trend without any real solutions are quickly found out by consumers and competitors alike. This puts them at a stark disadvantage and can tarnish their reputation. The public is seeking real change, and companies who can lead their industries in sustainable development - like AIA - are helping build a better future that will see them benefit communities and their own portfolios.