

September 2024

Updated statement from investor participants in the Asian Utilities Engagement Program

As members of the Asia Investor Group on Climate Change (AIGCC), we seek to engage with some of Asia's systemically important utility companies on climate change. We are long-term asset managers and own equity and debt in listed Asian electric utilities.

Climate change is now widely recognised as a systemic financial risk that significantly affects all long-term investor's portfolios. To support the full implementation of the Paris Agreement, it is vital that major companies move swiftly to address the risks and pursue the opportunities presented by climate change and the transition to net zero emissions.

Following the launch of [the Asian Utilities Engagement Program](#) (AUEP) in June 2021 and two public statements in 2021 and 2022, this public statement has been refined to clarify five [Investor Expectations of Asian Electric Utilities Companies](#), reflect the latest participating investors and AUM represented, as well as update the figures in relation to the Asia's electric utilities sector.

The program is an investor-led initiative to engage with Asia's systemically important utility companies and help them curb emissions across the value chain, strengthen climate-related financial disclosures and improve governance of climate-related risks that may affect companies. Today, a total of 20 investors responsible for \$11 trillion in assets under management or advice, all AIGCC members, are involved in this initiative.¹

Investor engagement with Asian electric utilities will play a key role in addressing climate risk. The sector contributes to approximately 25 per cent of global greenhouse gas emissions in 2022.² The Asian utilities sector has a young asset age profile, with some markets that have coal plants with less than 15 years on average³ (compared to the 40-50 years⁴ technical lifetime of a coal plant) and represents more than \$US200 billions of market capitalisation in Asian stock markets.⁵ This sector will also play a critical role in enabling the transition and decarbonisation of other sectors which are dependent on utilities.

We have agreed on five investor expectations for discussion with seven focus companies* based on AIGCC's [Investor Expectations of Asian Electric Utilities Companies](#) and will be engaging with their board and senior management to commit to the following measures:

- **Implement a strong governance framework** that clearly articulates the board's accountability and oversight of climate change risks and opportunities.
- **Take action to reduce greenhouse gas emissions in a way that is aligned with the Paris Agreement.** Companies should have clear decarbonisation strategies with short-, medium-, and long-term action plans including a timetable to phase out coal-based emissions in line with 1.5°C temperature scenarios, such as the International Energy Agency (IEA) NZE2050 scenario. The IEA NZE2050 scenario specifies that unabated coal power is phased out in advanced economies by 2030 and at the latest by 2040 in all other regions. Generation using

¹ Asian Utilities Engagement Program includes participation by some investors that are acting on behalf of their clients that have chosen to have their assets managed with the goal of achieving net-zero alignment.

² [IEA World Energy Outlook 2023](#). This percentage is calculated based on electricity and heat sector emission, Page 280, Page 294.

³ MAS and McKinsey, 2023. [Accelerating the early retirement of coal-fired power plants through carbon credits](#).

⁴ IEA, 2022 (p.75). [Coal in Net Zero Transitions: Strategies for rapid, secure, and people-centered change](#).

⁵ [MSCI AC Asia Pacific Utilities Index](#) (July 2024)

natural gas without carbon capture starts falling by 2030 and is 90 per cent lower by 2040 compared with 2020.

- **Provide enhanced corporate disclosure** moving towards International Sustainability Standards Board (ISSB).
- **Outline physical risks to each focus company** and relevant adaptation strategies to mitigate these risks.
- **Engage with public policy makers** and other stakeholders in support of cost-effective policy measures to mitigate climate-related risks and facilitate low carbon investments in line with achieving net zero emissions by 2050 or sooner.

Supporting this high-level agenda, we are identifying and communicating with companies on more detailed company-specific expectations as well.

*The seven focus companies are: China Resources Power Holdings, CLP Holdings, Chubu Electric Power Co., Electric Power Development Co. (J-POWER), Huaneng Power International, PT Perusahaan Listrik Negara (Persero) (PLN) and Tenaga Nasional Berhad.

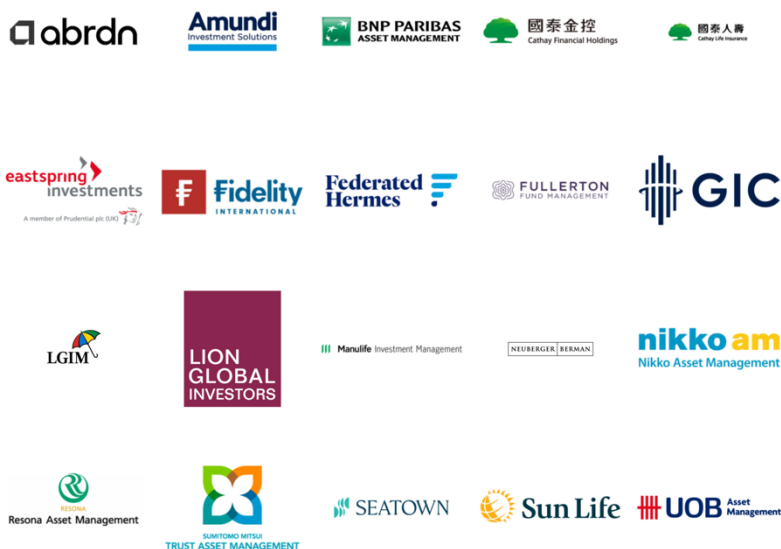
The Asian Utilities Engagement Program complements and runs in parallel with the global [Climate Action 100+ initiative](#).

We look forward to discussions with these focus companies, with the support of AIGCC, and to reporting on progress in due course.

Disclaimer:

The Asian Utilities Engagement Program does not facilitate or require collective decision-making regarding an investment decision. The initiative will not provide recommendations to investors to divest, vote in a particular way or make any other investment decision – investors continue to make their own independent investment and strategic decisions. The purpose of the Asian Utilities Engagement Program is to engage Asian utilities on financially material climate-related issues and not to exercise any control over these entities.

20 Investor participants as of September 2024:



[2021 Launch Statement from Investors](#)

[2022 Add-on Statement](#)