

The EQ Climate Action portfolios allow you to align your financial goals with the global effort to reduce climate change risks and reach net zero. In these quarterly updates we showcase examples of *'transition'*, *'low-carbon leader'*, and *'solution'* companies and funds to which investors gain exposure.



Climate transition companies are either those on a credible science-based path to decarbonising their business model or those that need investor engagement to put them on a pathway to net zero. Our transition company showcase this quarter is [ING Group](#).



Whilst the banking sector might not be considered a high-emitting sector when it comes to direct emissions, it has a significant responsibility in funding the transition to a low-carbon economy through lending and financing activities. Emissions that come from banks' commercial lending are known as financed emissions. For banks to successfully transition to the low-carbon economy, they will need to decarbonise their loan book.

ING Group is a Dutch multinational banking and financial services corporation. It provides various services, including retail and commercial banking, investment banking, asset management, and insurance. ING is one of the leading European banks when it comes to climate-related targets on financing activities.

ING's [Terra approach](#) aims to transition the most carbon-intensive parts of the bank's portfolio towards reaching net zero by 2050. The bank has 2030 and 2050 emission reduction targets for nine high-carbon sectors, including power generation, upstream oil and gas, automotive, shipping, aviation, steel, cement, residential mortgages, and commercial real estate. Each year, the bank brings out a [climate progress report](#) detailing the bank's progress in each of the nine sectors and how it plans to evolve the approach to continue raising ambition. For example, the bank's most recent report introduced several more sectors into the Terra approach, such as mid & downstream oil and gas, aluminium, and dairy farming, amongst others.

One key aspect of the bank's climate strategy is engaging with its client base to help them to accelerate their transition to net-zero, seeking opportunities to support them with advice and tailored financing and investment opportunities. The bank also has a commitment to the Science Based Targets initiative and is awaiting approval of its targets.

### FUND IN FOCUS

[Templeton Global Climate Change Fund](#)



ING receives investment from the Templeton Global Climate Change Fund, which invests in emerging climate solutions, transition enablers, and transitional businesses. Other transitional companies the fund invests in include [Billerud](#) and [Compagnie de Saint-Gobain](#).





Companies that fall into the low-carbon leader category are those that are ahead of the curve in carbon efficiency, with at least 33% lower emission intensity than their industry peers. Our low-carbon leader company showcase this quarter is [WH Smith](#).

# WH Smith

WH Smith is a British retail company with a diverse portfolio. It runs high-street stores offering books, stationery, magazines, and convenience products. It also runs stores at airports, train stations, and hospitals, catering to travellers and hospital visitors. Its services range from retail to news distribution and digital operations.

For WH Smith, carbon emissions are generated by energy used for buildings, fuel used for transporting stock and employee travel, as well as emissions in its supply chain.

[WH Smith is now carbon neutral in its UK stores, distribution centres and head office.](#) The company has a centralised building management system that identifies any issues from energy and fuel use to limit emissions through optimisation and reduce them over time.

## Science based targets



WH Smith has worked hard to reduce emissions from transporting its products. The business has optimised its routing and is looking for collaboration with suppliers and other companies to reduce emissions. For example, it might try and share space in its lorries. Since 2007, [WH Smith has reduced emissions per pallet by over 25%.](#)

WH Smith has taken a number of steps to tackle waste in its stores. Over the past 5 years, [the business has managed to reduce its operational waste by over 30%.](#) It has done this by trying to minimise the quantity of packaging that is needed, as most of the company's waste comes from cardboard and plastic packaging. WH Smith also uses its own recycling system, enabling it to recycle most forms of waste from stores, such as paper, cards, plastics, and metals.

To give credibility to WH Smith's road to becoming net zero by 2050, it has an [approved Science Based Target target](#) to reduce scope 1 and 2 emissions by 80% by 2030 when compared to its 2020 emissions.

It has also committed to 75% of its suppliers' emissions having science-based targets in place by 2027.

### FUND IN FOCUS

[M&G Global Sustainable Paris Aligned fund](#)



WH Smith receives investment from the M&G Global Sustainable Paris Aligned fund, which invests in a mixture of transition-oriented and low-carbon companies. Other examples of low-carbon companies the fund invests in are [Ball Corporation](#) and [Nestle](#).







Climate solution companies are those whose products and services provide solutions to decarbonisation. It also includes financing targeted at green projects. Our climate solution company showcase this quarter is [EDP Renewables](#).



Offshore wind development is crucial for the energy transition. It can harness powerful and consistent wind resources, generating substantial clean energy. It is less constrained by land availability and faces fewer objections based on visual impact. Offshore wind helps diversify the energy mix, reduces reliance on fossil fuels and contributes to decarbonisation efforts.

However, offshore wind turbines are typically secured to the seabed, which presents several challenges. [They are constrained by the seabed's depth, limiting deployment to shallow waters. Deeper waters with stronger and more consistent winds remain untapped. Installation in deep waters involves higher costs due to complex foundations and specialised equipment.](#) Suitable locations are also limited by the proximity to the shore, which can lead to visual and environmental concerns.

EDP Renewables (EDPR) is the renewable arm of the Portuguese electric utility company EDP. The company designs, manages and runs power generation, creating electricity exclusively from renewable energy sources. The company has a global reach with over 270 wind farms and 15 solar parks worldwide. [In 2022, EDPR installed 1.1 GW, capacity equivalent to 4% of Portugal's current installed renewable capacity.](#)

One area that EDPR is innovating in is floating renewable wind farms. The company has been working on the [WindFloat Atlantic Project](#), which will be continental Europe's first floating wind farm. There are several advantages of floating wind farms. Firstly, unlike on regular offshore wind farms, a floating wind turbine platform can be towed out to sea entirely constructed. When you embed wind farms in the seabed, you need specialised ships with drilling equipment, of which there is a small supply. However, a floating wind turbine platform can be pulled out to sea by a tugboat. Floating platforms can also be deployed at greater water depths; this means they can be placed further out to shore where the wind is more reliable, and the electricity generation potential is greater.

#### FUND IN FOCUS

[Aviva Climate Transition Global Equity Fund](#)



EDPR receives investment from the Aviva Climate Transition Global Equity Fund, which invests in a mixture of transition-oriented companies and climate solutions. Other examples of climate solutions in the fund are [Hubbell](#) and [Trane Technologies](#).





# SCIENCE BASED TARGETS

## DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature. Science-based targets show companies and financial institutions how much and how quickly they need to reduce their greenhouse gas emissions to prevent the worst effects of climate change.

### The Science Based Targets initiative (SBTi):

- Defines and promotes best practice in emissions reductions and net-zero targets in line with climate science.
- Provides technical assistance and expert resources to companies who set science-based targets in line with the latest climate science.
- Brings together a team of experts to provide companies with independent assessment and validation of targets.
- The SBTi is the lead partner of the Business Ambition for 1.5°C campaign - an urgent call to action from a global coalition of UN agencies and businesses, mobilizing companies to set net-zero science-based targets in line with a 1.5°C future.

The change has already begun and action is gaining pace. Over 2,000 organizations worldwide are leading the transition to a net-zero economy by setting emissions reduction targets grounded in climate science through the SBTi.

Within the EQ Climate Action Portfolios, EQ Investors uses the Science-based targets initiative as the gold standard framework to evaluate companies' climate ambitions.

Find out more: <https://sciencebasedtargets.org/>

#### Risk warning

Past performance is not a guide to future performance. The value of investments and the income derived from them may go down as well as up and investors may get back less than they originally invested. The Climate Action Portfolios are available in seven different risk profiles.

**EQ Investors Limited, Centennium House, 100 Lower Thames Street, London EC3R 6DL**

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