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COP30

1.5°C at risk : Why it remains a valid North Star for climate engagement ?

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#Note3

EXECUTIVE SUMMARY

Ten years after the Paris Agreement, climate change remains a defining challenge for investors. In this third note of our series dedicated to COP30 themes, we discuss the global resolve to pursue efforts to limit global warming to 1.5°C which has been preserved in the final text of the COP and why we believe it remains a valid compass for our climate engagement activities.

Part 1 : Reality Check

Key message #1 : The 1.5°C Target Under Pressure

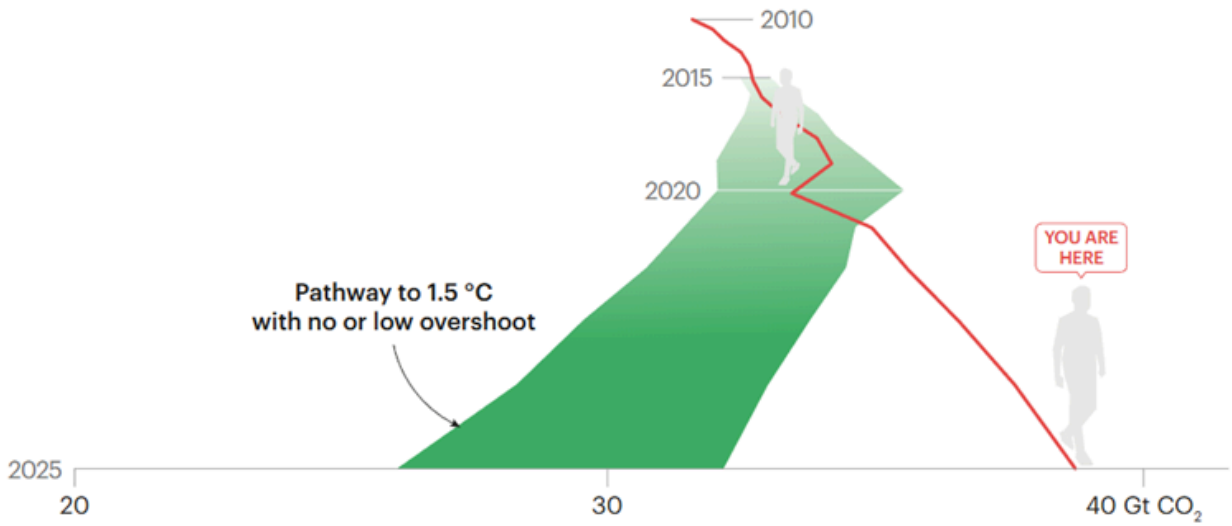
In the final text of COP30, countries "reaffirm the Paris Agreement temperature goal of holding the increase in the global average temperature to well below 2°C" and **"reiterate the resolve to pursue efforts to limit the temperature increase to 1.5°C**."

However, **the 1.5°C objective feels increasingly disconnected from reality**:

- **Global average temperature already reached +1.55°C in 2024**, and the World Meteorological Organisation estimated last year that there is about **one in two chance that the global temperature exceeds the 1.5°C mark** in average over the entire five-year 2024-2028 period.

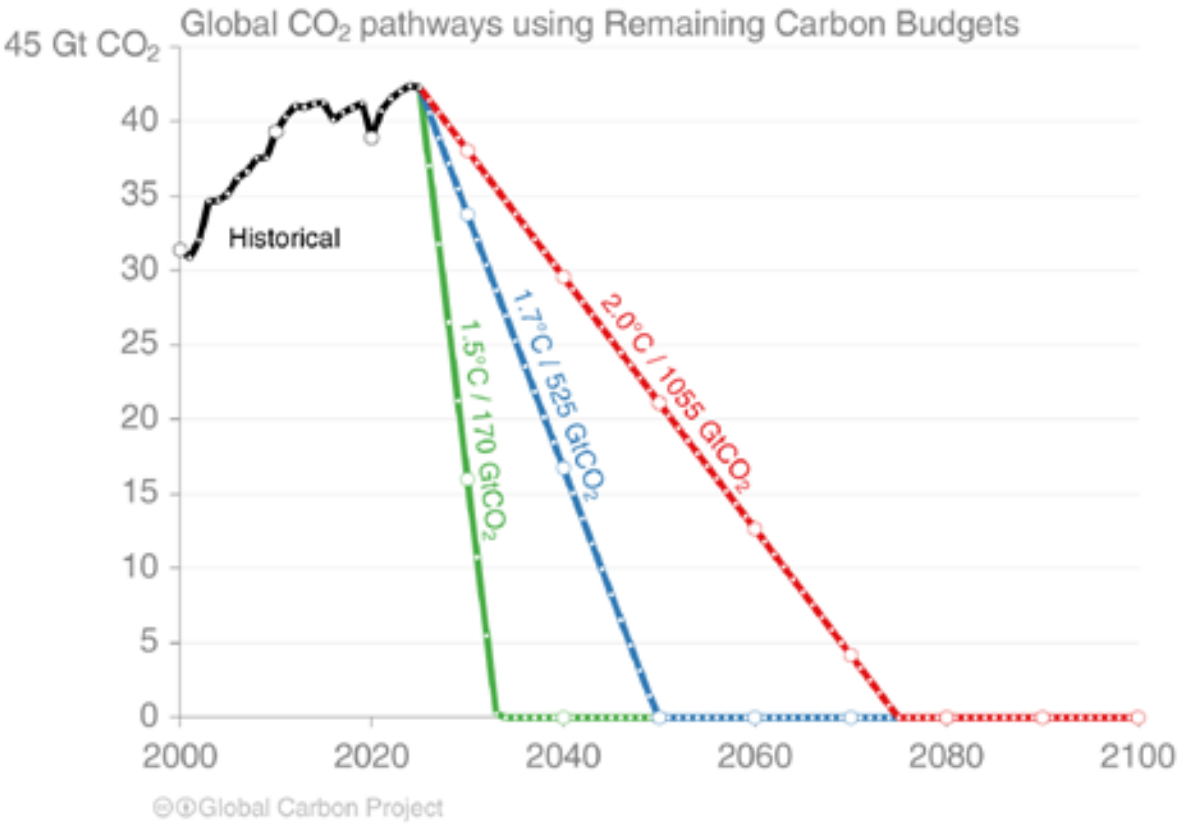
- **Emissions continue to grow**, moving the world away from the IEA's required pathway (see Chart 1).

Trend in global carbon emissions, actual versus 1.5°C pathway



Source : IEA 2025

- Unless global carbon emissions start declining sharply, **the remaining carbon budget for 1.5°C will be exhausted within four years**, making the required emission reduction cliffs even steeper compared to a few years ago (Chart 2).



Source : Friedlingstein et al 2025, Global Carbon Project 2025

In this context, investors may increasingly find themselves questioned over the wisdom of engaging their investees to align themselves with the 1.5°C objective.

Part 2 : Keeping 1.5°C as a compass

As a long-standing asset manager committed to climate engagement and stewardship, both bilaterally and through collective engagement initiatives such as Climate Action 100+ and the Net Zero Engagement Initiative, we explain below why we believe it makes sense to **keep the 1.5°C objective as a North Star for our engagement strategy**.We see several reasons for this.

Key message #2 : Every ton of CO2 avoided counts

The cornerstone of our climate engagement approach is to **limit global warming as much as possible and reduce its associated risks on economies, societies, and long-term investment returns**.

Global warming is **directly correlated to cumulative emissions** pumped into the atmosphere — every ton of CO_2 avoided matters. For example, 180 Gt of cumulative emissions reductions can avoid 0.1°C of warming. In simple terms, **collective results are partly a weighted average of individual efforts**.

As such, even in a world exceeding 1.5°C, we believe it is far from futile to **engage corporations on ambitious decarbonization pathways aligned with 1.5°C mitigation goals**.

Of course, reality is more complex: individual efforts can be hampered by the lack of collective support. A common pushback that investors can face from corporates is that sailing alone on 1.5°C emissions pathways face significant headwinds:

- First, the more the world falls behind in reducing emissions, **the faster the rate of reduction needed to stay near 1.5°C**.

- Second, a **critical mass is essential to cut costs of low-technologies**, create market opportunities for low-carbon solutions, and cut costs of low-carbon technologies.

We discuss these two points below.

Key message #2 : Relevant 1.5°C compasses remain available

The work done by the IEA and other modellers of scenarios consistent with the Paris Agreement goals has been critical in shaping our climate engagement policy.

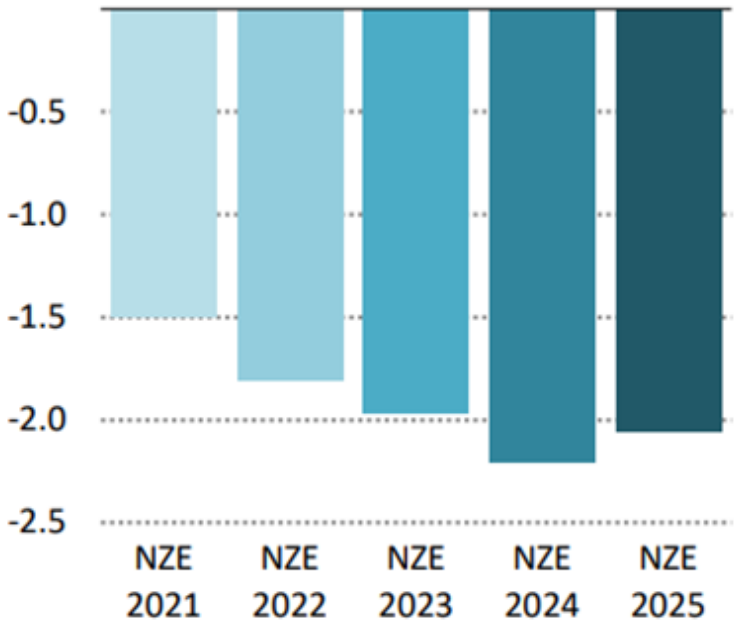
As an investor engaging with companies operating in different contexts, it is **essential to be able to rely on granular scenarios that contextualise decarbonisation potential** across sectors and regions.

We therefore welcome the fact that the IEA has maintained its Net Zero Emissions scenario, which has informed the work of investors and initiatives such as SBTi and the Transition Pathway Initiative.

Since 2021, each update of the original Net Zero roadmap has had to **factor in delayed action and downward revisions of the remaining carbon budget**, pushing for **ever faster decarbonization** (see the next chart).

The **2025 update** is now calibrated on a **global carbon budget allowing a temporary overshoot of the 1.5°C threshold**, and relies more on **carbon removal actions post-2050** to bring temperatures back to **1.5°C by the end of the century**.

Temperature rise in the IEA Net Zero Emissions Scenario, 2000-2100



Source : IEA 2025

In that sense, **recommended actions by 2050 to align with the 1.5°C objective have barely changed**.

We will **continue using this scenario as a compass** because it remains:

- Ambitious,
- Aligned with the 1.5°C goal,
- Grounded in technological realities

Key message #3: 1.5°C engagement goes beyond target setting

Our engagement is not limited to **encouraging companies to set reduction targets consistent with the 1.5°C objective** and we are conscious that **companies evolve in different regulatory and sector contexts that can limit their capacity to transition fast enough**.

Beyond ambition and target setting, for us, engaging toward 1.5°C also means encouraging corporates to:

- **Deploy consistent decarbonization levers**: to this respect, 1.5°C scenarios help us identify which technologies and business practices align with the 1.5°C goal — and which risk locking in emissions beyond the remaining carbon budget.

For example, **fossil gas-based LNG for shipping does not provide deep enough carbon reductions** to keep the marine sector on a 1.5°C pathway. The **IEA Net Zero scenario clearly states there is no room for unabated fossil power generation beyond 2040**.

- **Support policies and regulations aligned with the 1.5°C goal**: corporates often cite lack of public support as a barrier to accelerating decarbonization. We believe it is **critical that they align lobbying and advocacy practices** with efficient regulations consistent with the 1.5°C objective. **Policies supporting the phase out ICE car sales by 2035** is one example.

The work done by InfluenceMap also strengthens our engagement activities in this area.

1.5°C engagement means not only encouraging alignment with the 1.5°C objective, but also discouraging actions that compromise it.

Key message #4: Critical mass drives innovation and market signals

Having a **critical mass of corporates setting decarbonization objectives aligned with 1.5°C pathways provides visibility and confidence for others to scale up or innovate**.

For example:

- **The more companies pledge deep cuts in logistics emissions**, the more **truck manufacturers see a clear opportunity to develop electric trucks** for instance.
- **The more metal-consuming companies commit to reducing emissions from their purchases**, the more **metal producers gain a marketing incentive to lower the carbon intensity of their production processes**.

This dynamic creates a **positive feedback loop** that accelerates the transition.

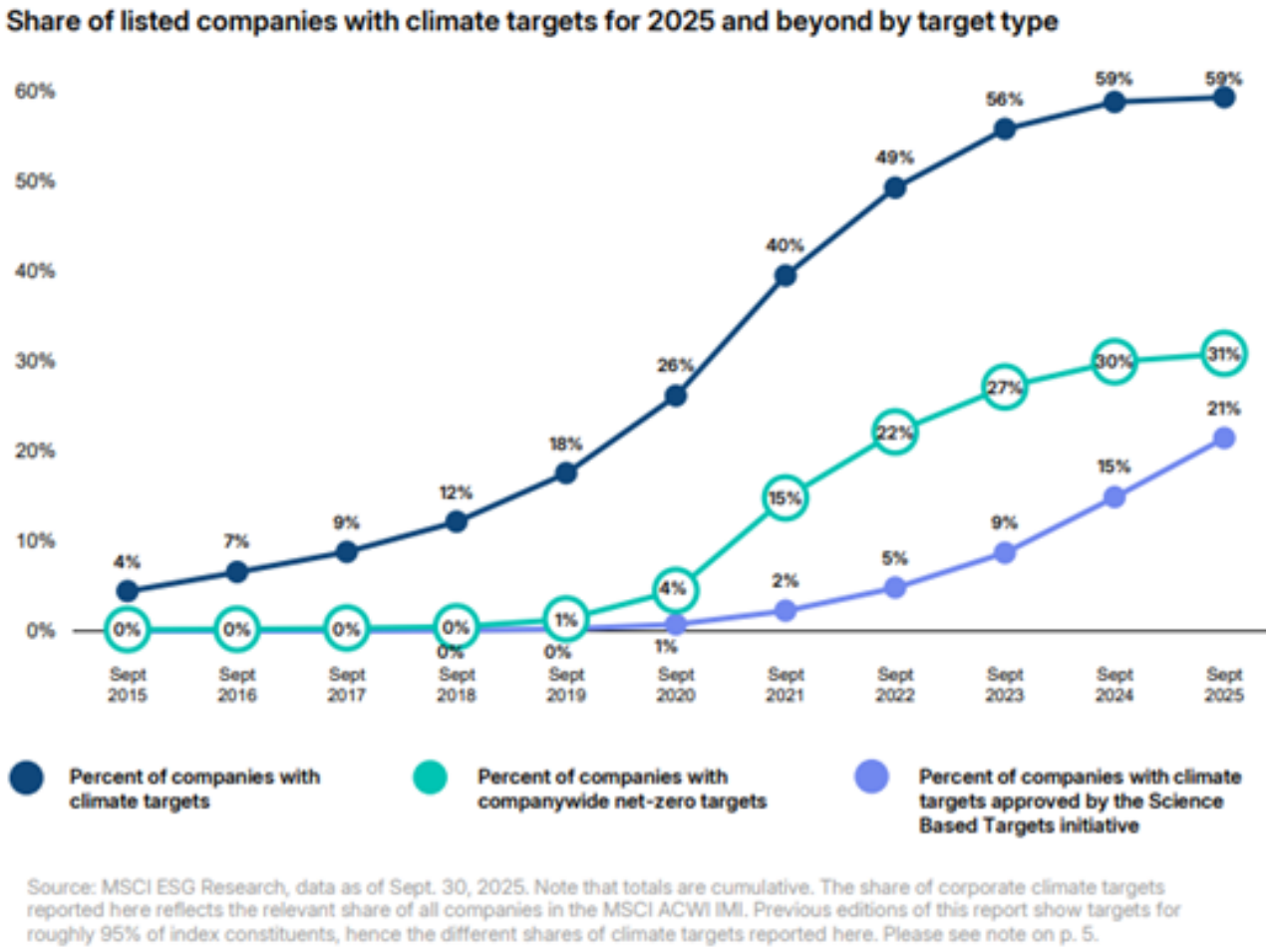
A final parallel: **initiatives like RE100, where corporates commit to sourcing 100% of their electricity from renewables, have been highly beneficial**. They provide visibility to renewable energy developers on the additional capacity needed to meet cumulative demand, helping scale the market.

Key message #5: Investors can contribute to this success

We believe that **investors' engagement has so far contributed to drive a rapid adoption by corporates** of ambitious decarbonization targets over the past 10 years.

According to MSCI Transition Finance Tracker:

- **58% of global index companies now have climate targets**, vs. **4.5% ten years ago**.
- 21% of MSCI ACWI IMI constituents have SBTi-certified targets, and the trend remains exponential.



Source : MSCI

Conclusion

Despite the growing gap between ambition and reality, **the 1.5°C objective remains a strong compass** for our climate stewardship. We aim to continue our constructive dialogue with investee companies, both individually and through collaborate engagement initiatives.