

LyondellBasell

Following EOS' engagement, LyondellBasell has published a new climate strategy. Additionally, the company has prioritised actions to help eliminate plastic waste from the environment, including waterways and oceans.

Company overview

EOS has engaged with the multinational chemical major, LyondellBasell Industries NV (LyondellBasell), on climate change since 2017. As part of Climate Action (CA) 100+, a collaborative engagement of more than 370 investors and their representatives seeking greenhouse gas emissions reductions from the world's largest emitters, we co-lead the engagement with the company.

In order to accelerate progress, EOS, as the CA 100+ lead for the company, used a legal mechanism to propose a discussion on climate change at the company's 2021 annual meeting.

Our engagement

LyondellBasell first published its sustainability disclosures and CDP reports in 2017. These disclosures were useful but did not set targets. Given the company's reliance on hydrocarbon value chains, the materiality of energy expenses, and its role in scaling solutions to global plastics pollution challenges, we wanted the company to set ambitious climate targets.

In 2019, our feedback on the company's sustainability and CDP reports raised concerns regarding a lack of forward-looking targets for energy efficiency, carbon emissions, effluents, water efficiency and waste, and meaningful solutions for sustainable plastic use. In Q2 2020, in a meeting with senior executives, the company acknowledged our request for forward-looking targets, including science-based targets, and

Engagement objective:



Environmental:

For the company to set and disclose ambitious climate targets.

Sustainable Development Goals:



said it was investing in energy efficiency projects. Together with other CA100+ investors, we met with the CEO and senior management in Q2 2021 to discuss the company's progress in disclosing sustainability targets, including its planned science-based targets and a net-zero ambition.

In order to accelerate progress, EOS, as the CA 100+ lead for the company, used a legal mechanism to propose a discussion on climate change at the company's 2021 annual meeting. EOS led contributions by a group of eight institutional investors who questioned climate progress leading to over 45 minutes of shareholder-board discussion on the company's climate change strategy. During the meeting the company indicated its willingness to make further commitments.

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30% absolute reduction of Scope 1 and 2 emissions by 2030

a goal to source a minimum of

50%

of its electricity from renewable energy by 2030



Changes at the company

In Q3 2021, we welcomed the company's release of its climate strategy, setting a Scopes 1 and 2 net-zero ambition for its global operations by 2050; a 30% absolute reduction of Scope 1 and 2 emissions by 2030; and a goal to source a minimum of 50% of its electricity from renewable energy by 2030. In addition to its climate goals, LyondellBasell has prioritised actions in its 2020 sustainability report to help eliminate plastic waste from the environment including waterways and oceans and to advance a circular economy. While a quantifiable water goal was not set by the company, water management efforts are well covered in the sustainability report.

The company is yet to lay out a detailed strategy by which it intends to transition to net zero, including short and medium-term targets. The company has not yet incorporated Scope 3

emissions into its net-zero commitment, currently challenged by the lack of an acceptable Scope 3 downstream methodology and framework, a matter other chemical companies have raised with us. We have encouraged the company to collaborate with industry peers working on this challenge with the aim of developing a science-based sector wide Scope 3 approach.

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Next steps

We continue to engage with LyondellBasell on its pathway to net zero including Scope 3 emissions and climate lobbying. We note the company's pathway to net zero will require shorter-term adjustments, such as energy/material efficiency improvements or switching to renewable energy as well as longer-term solutions including hydrogen. We expect to see greater clarification and detail from the company in 2022 on how climate transition pathways contribute to its net zero ambitions and align with capital expenditure plans, financial accounting and audit.

We shared a draft of this case study with LyondellBasell and as a result of our dialogue, we have made some changes to this case study.



Joanne Beatty
Engagement
EOS



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Why EOS?

EOS enables institutional shareholders around the world to meet their fiduciary responsibilities and become active owners of public companies. EOS is based on the premise that companies with informed and involved shareholders are more likely to achieve superior long-term performance than those without.

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