

CGI Global Summit 2022: Ambition to Action **OCT 12 - 13, 2022**

12 October

5.00-6.00pm CEST webinar

Title: Should your board consider a say-on-climate vote at the next AGM?



Should your board consider a say-on-climate vote at next AGM?

12 October, 5.00-6.00pm CEST webinar

Investors are looking for an increased engagement on climate strategies and are becoming more active in analyzing the transition to net zero. While disclosure of climate strategies is increasing for most companies, only a limited number of companies in Europe have so far submitted their climate strategy to the vote of the 2022 Annual General Meeting.

We will review the key dynamics around say-on-climate vote in Europe in 2022 based on a Georgeson's research: results, proxy advisors policies and positions, emerging trends.

We will then discuss with management, board members and investors their motivations and key lessons learned.

Introduction

Silvia Stefani, Chair Chapter Zero Italy The Nedcommunity Climate Forum

Overview of 2022 AGMs season

Alberto D'Aroma, Francesco Surace - Georgeson

Roundtable with companies

Andreas Bork Senior Investor Relations Officer **Royal Dutch Shell**

Valentín Alfaya Sustainability Director **Ferrovial**

Katia Riva Chief Sustainability Officer **Atlantia**

Investors and board's perspective

Andrew Gebelin - Investment Stewardship Director, EMEA and APAC, **Vanguard**

Sabrina Bruno – Independent director - Full Professor of Private Comparative Law, Nedcommunity Member

Register to the Summit here

<https://bit.ly/3AoM5Ld>

and select the sessions you want to attend



SAY ON CLIMATE BOARD PROPOSALS IN 2022 UK & EUROPE

12 October 2022

CERTAINTY

INGENUITY

ADVANTAGE

Georgeson

Introduction

The 2022 AGM season will be the second year that companies have voluntarily proposed so called “Say on Climate” resolutions. The present memo provides an overview of what has happened so far, in terms of board-sponsored Say on Climate proposals, in the UK and Europe and what proxy advisors and investors are doing.

The memo covers the following areas:

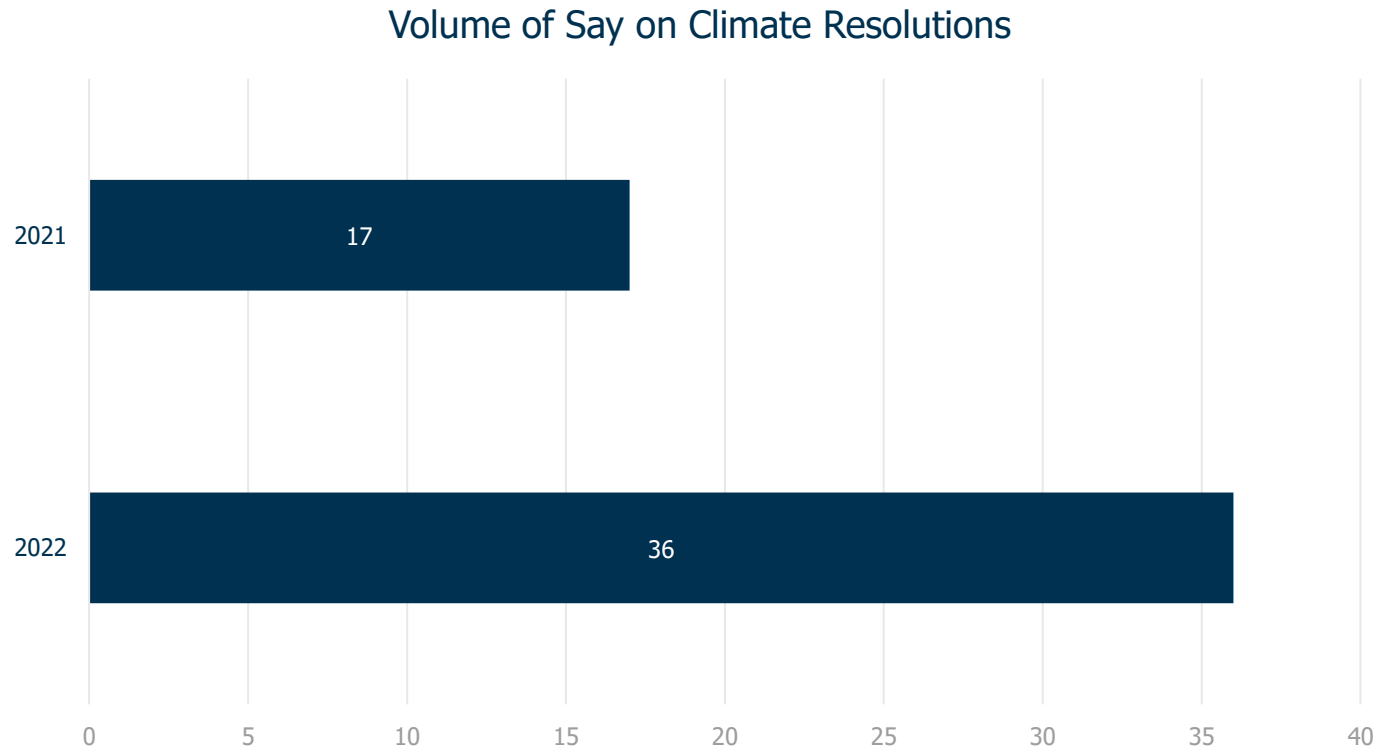
- › **Comparative Trends** – as more companies put forward Say on Climate resolutions, we look at the trends seen across Europe in this space.
- › **Focus Areas for Companies** – some of the issues companies should consider when deciding if and when to propose a Say on Climate vote.
- › **Proxy Advisor Guidelines** – the guidelines ISS and GL have published for 2022 on both management and shareholder Say on Climate proposals.
- › **Investor Guidelines** – sample investor guidelines or expectations on Say on Climate votes for 2022



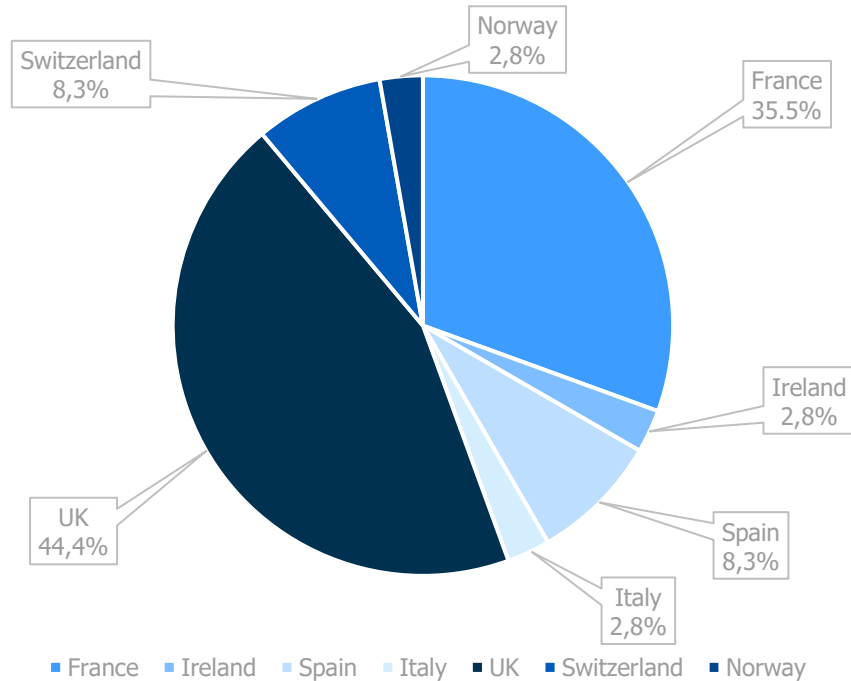
COMPARATIVE TRENDS

Volume of proposals

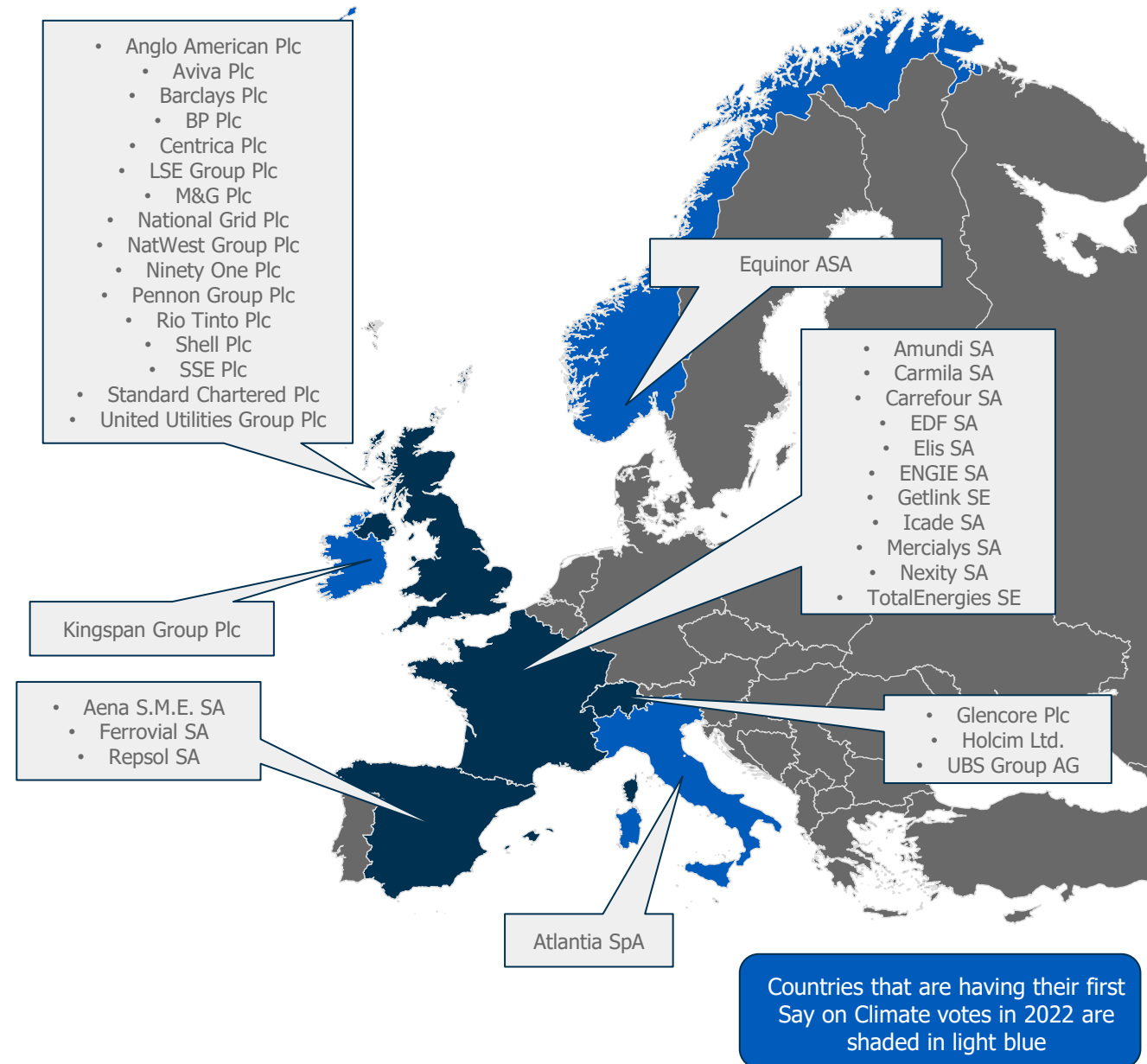
- > In 2021 the first voluntary Say on Climate resolutions were brought forward by companies in Europe. In total, 17 companies proposed Say on Climate resolutions throughout the year.
- > In 2022, the number of board-proposed Say on Climate resolutions increased significantly. At the time of writing, there are 36 companies which held or announced votes on Climate-related proposals in 2022. This is an 112% point increase (so far) compared to 2021.



Geographic distribution



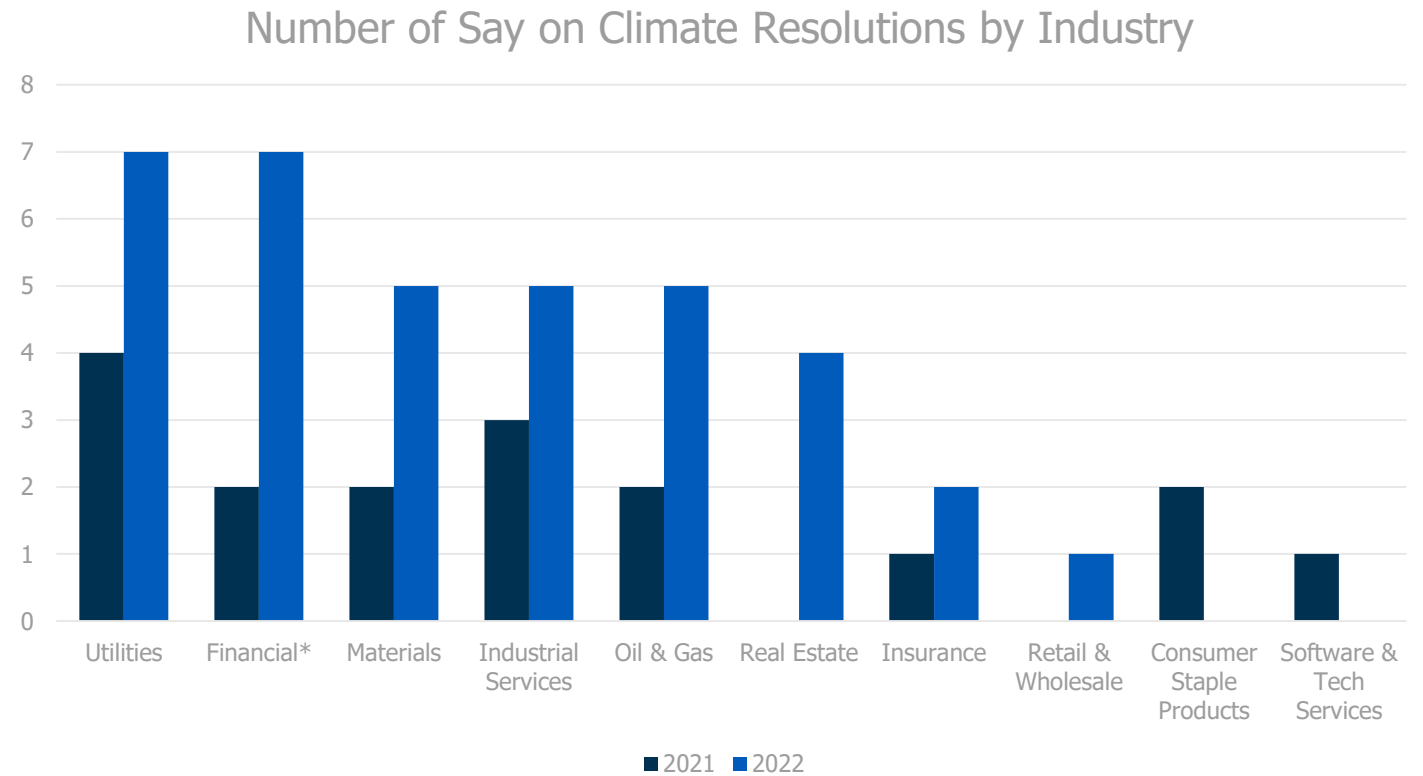
- > Around 80% of Say on Climate votes were proposed in the UK or France in 2022;
- > The number of Say on Climate votes in France increased from 3 to 11 in 2022, a 267% point increase;
- > Ireland, Italy, and Norway saw their first board-proposed Say on Climate votes in 2022



Countries that are having their first Say on Climate votes in 2022 are shaded in light blue

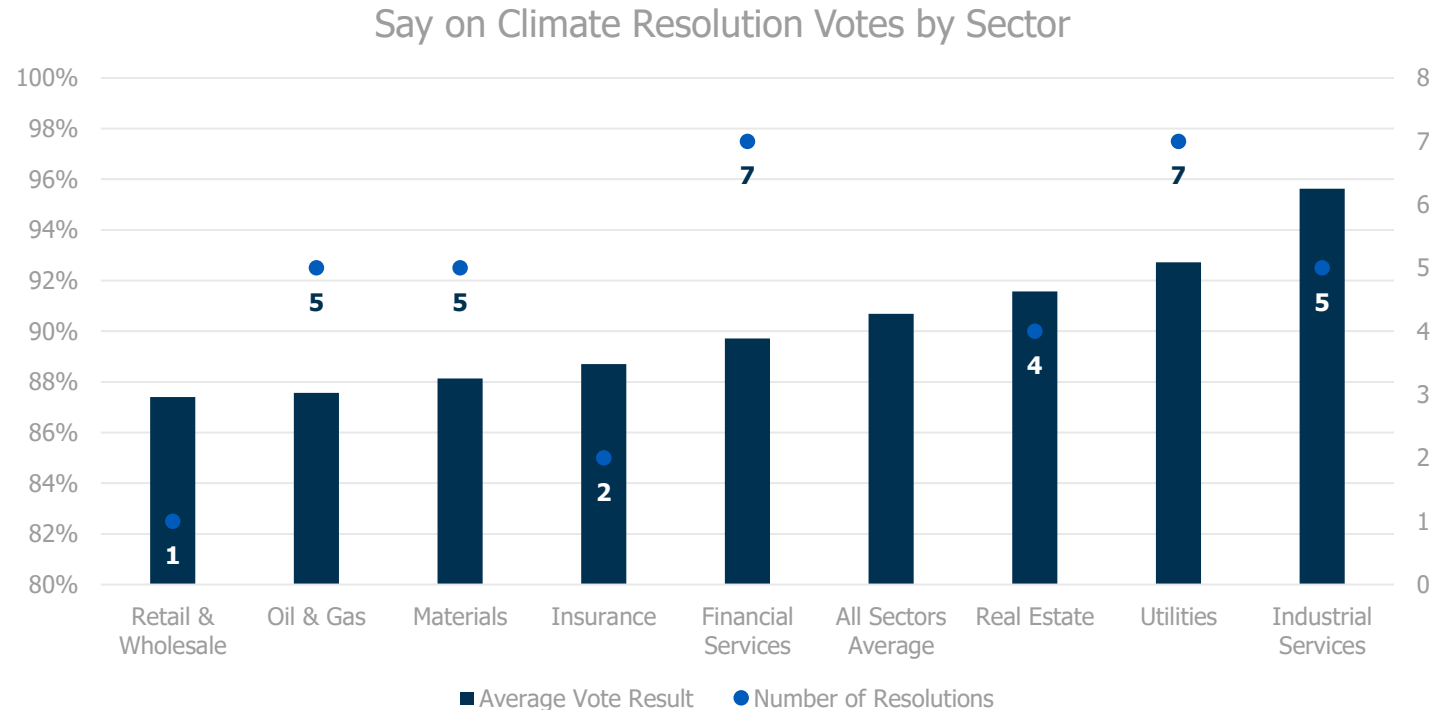
Sector distribution

- > The sectors that put forward the most Say on Climate resolutions was the Financial* and Utilities industry group.
- > Other than Financial, the sector that saw the greatest increase to the number of Say on Climate votes relative to 2021 is the Real Estate industry. 2022 was the first year that a company within the Real Estate sector proposed a Say on Climate Resolution
- > Consumer Staple Products and Software & Tech Services are the two sectors that saw fewer Say on Climate proposals in 2022 compared to 2021



Levels of support

- > On average, companies received 90.7% support on the Say on Climate resolutions brought forward in 2022.
- > Industrial Services, Utilities, and Real Estate sectors received the highest average support for their resolutions. These three sectors received 95.6%, 92.7% and 91.5%, respectively.
- > Meanwhile, the Retail & Wholesale, Oil & Gas, and Materials sectors received the lowest average support for their proposals. Say on Climate resolutions for those sectors received only 87.4%, 87.6% and 88.1%, respectively.

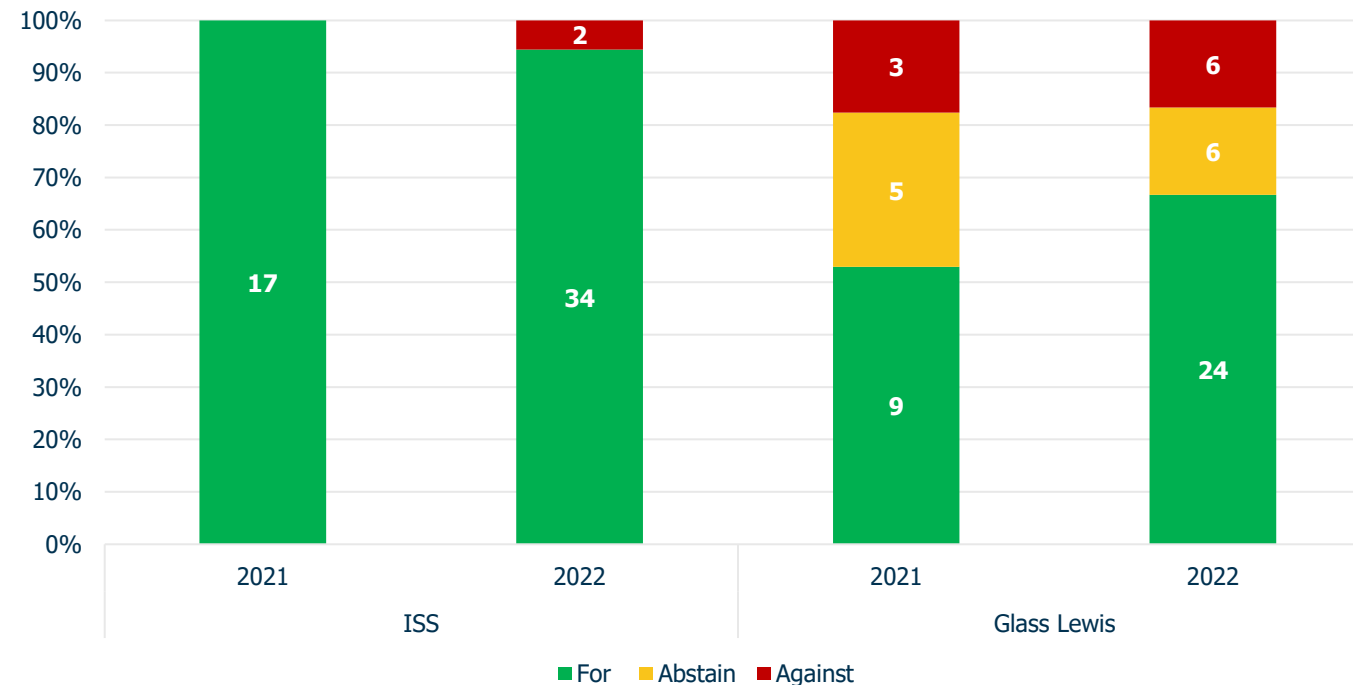


Proxy Advisor Recommendations

In 2021, ISS supported the board-proposed Say on Climate resolutions in every instance. Glass Lewis, on the other hand, only provided their support for 9 of the 17 resolutions.

In 2022, ISS ceased to be unanimous in its support for Say on Climate proposals, as it issued its first against recommendations. Interestingly, the share of Glass Lewis recommendations for Say on Climate proposals increased this year, and the share of abstain recommendations fell from 29% to 17%.

Say on Climate Vote Recommendations



02

FOCUS AREAS FOR COMPANIES

Focus Areas for Companies

Say on Climate proposals generally involve three core components:

1. Annual disclosure of greenhouse gas (GHG) emissions
2. Disclosure of the company's strategic plan to mitigate those emissions and manage climate-related risks (otherwise known as a "climate action plan" or "climate transition plan")
3. Submitting the plan to shareholders for advisory approval at the AGM

Investors evaluating Say on Climate proposals will consider:

- › Is the content of a company's climate transition plan credible and consistent with transitioning to a net-zero emissions business model?
- › Is the climate transition plan aligned with the Paris Agreement goal to keep global warming to 1.5°C?
- › Which climate frameworks (e.g. TCFD) and climate investor initiatives (e.g. ClimateAction100+, Transition Pathways Initiative, Science Based Targets [SBTi]) is the company reporting against and are these public, independent and scientifically robust?
- › What is the current assessment of the company when evaluating their activities against climate initiatives (e.g. ClimateAction100+, Transition Pathways Initiative, Science Based Targets [SBTi]) and how does this tie-in with their own current climate assessments and future climate ambitions?

03

PROXY ADVISOR GUIDELINES

Proxy Advisor Guidelines Say on Climate – ISS

Say on Climate Management Proposals

Vote case-by-case on management proposals that request shareholders to approve the company's climate transition action plan, taking into account the completeness and rigor of the plan. Information that will be considered where available includes the following:

- › The extent to which the company's climate related disclosures are in line with TCFD recommendations and meet other market standards;
- › Disclosure of its operational and supply chain GHG emissions (Scopes 1, 2, and 3);
- › The completeness and rigor of company's short-, medium-, and long-term targets for reducing operational and supply chain GHG emissions (Scopes 1, 2, and 3 if relevant);
- › Whether the company has sought and approved third-party approval that its targets are science-based;
- › Whether the company has made a commitment to be "net zero" for operational and supply chain emissions (Scopes 1, 2, and 3) by 2050;
- › Whether the company discloses a commitment to report on the implementation of its plan in subsequent years;
- › Whether the company's climate data has received third-party assurance;
- › Disclosure of how the company's lobbying activities and its capital expenditures align with company strategy;
- › Whether there are specific industry decarbonization challenges; and
- › The company's related commitment, disclosure, and performance compared to its industry peers.

Proxy Advisor Guidelines Say on Climate – ISS

Say on Climate Shareholder Proposals

Vote case-by-case on shareholder proposals that request the company to disclose a report providing its GHG emissions levels and reduction targets and/or its upcoming/approved climate transition action plan and provide shareholders the opportunity to express approval or disapproval of its GHG emissions reduction plan, taking into account information such as the following:

- › The completeness and rigor of the company's climate-related disclosure;
- › The company's actual GHG emissions performance;
- › Whether the company has been the subject of recent, significant violations, fines, litigation, or controversy related to its GHG emissions; and
- › Whether the proposal's request is unduly burdensome (scope or timeframe) or overly prescriptive.

Proxy Advisor Guidelines Say on Climate – Glass Lewis

Say on Climate Management Proposals

- › When evaluating management-sponsored votes seeking approval of climate transition plans Glass Lewis looks to the board to provide information concerning the governance of the Say on Climate vote.
- › Specifically, Glass Lewis believed that companies should provide information concerning the board’s role in setting strategy in light of this vote, and how the board intends to interpret the vote results for the proposal.
- › We also believe that companies should be engaging with investors prior to and after the vote and will favourably view disclosure of information concerning these engagement efforts.
- › In instances where disclosure concerning the governance of the Say on Climate vote is not present, Glass Lewis will either recommend that shareholders abstain, or, depending on the quality of the plan presented, will recommend that shareholders vote against the proposal.
- › Regardless of disclosure concerning the governance of a company’s Say on Climate vote, Glass Lewis will evaluate the quality of the climate transition plans presented by companies on a case-by-case basis.
- › Because Say on Climate votes are relatively nascent, best practices or the standardization of the proposals or underlying disclosures have not been developed.
- › Absent such standards, Glass Lewis looks to companies to articulate their climate plans in a distinct and easily understandable document, which they believe should be aligned with the recommendations of the TCFD.
- › In this disclosure, it is important that companies clearly explain their goals, how their greenhouse gas emissions (GHGs) targets support achievement of broader goals (i.e. net zero emissions goals), and any foreseeable obstacles that could hinder their progress on these initiatives.

Proxy Advisor Guidelines Say on Climate – Glass Lewis

Say on Climate Shareholder Proposals

- › Glass Lewis is broadly supportive of companies' providing robust disclosure concerning their climate strategies. However, they have concerns regarding the implications associated with Say on Climate votes.
- › Generally, Glass Lewis believes that the setting of a company's business strategy is a function that is best served by the board, which has a fiduciary duty to shareholders. By allowing shareholders to weigh in on a company's long-term climate strategy (which they believe should be indistinguishable from the company's long-term business strategy), the board may be abdicating some of this responsibility.
- › Shareholders are being asked to make voting decisions associated with the setting of companies' business strategy with potentially incomplete information relating to operational changes and related costs.
- › Glass Lewis will generally recommend against shareholder proposals requesting that companies adopt a Say on Climate vote. However, when evaluating these proposals, Glass Lewis will potentially consider:
 - › the request of the resolution;
 - › the company's existing climate governance framework, initiatives, and reporting;
 - › the company's industry and size; and
 - › the company's exposure to climate-related risks.
- › While Glass Lewis generally has concerns regarding companies adopting a Say on Climate vote, they are supportive of companies providing disclosure concerning their climate-related risks and opportunities and will apply the policies enumerated in its guidelines when requests for the production of climate transition plans are disaggregated from proposals requesting that shareholders be afforded a vote on these plans.

04

**INVESTOR
GUIDELINES**

Expectations on 2022 Climate Action Plans



LGIM expect a climate transition plan to include the following:

- › A public commitment to net zero by 2050
- › Disclosure of short-term (up to 2050), medium-term (2026-2035) and long-term (2036-2050) targets covering scope 1, 2 emissions and material scope 3 emissions
- › Disclosure of current scope 1, 2 emissions and material scope 3 emissions
- › Credible targets that are aligned to a 1.5°C trajectory – gaining approval and verification by SBTi (or other external independent parties as they develop) can help demonstrate the credibility and accountability of plans.

BlackRock

BlackRock details that:

- › When disclosures do not sufficiently enable investors to assess risk through TCFD, BlackRock is unlikely to support directors they consider responsible for climate risk oversight.
- › For companies operating in sectors where scope 3 emissions are a material portion of the footprint, BlackRock may also consider scope 3 disclosures, commitments, and reduction goals in their assessment of the transition preparedness and efforts to decarbonize.
- › BlackRock encourages disclosure of scope 3 emissions and targets where material to the business model, but they do not consider such disclosures and commitments essential to their support for directors.



This year, Amundi asked the companies that have submitted a climate strategy at their General Meetings:

- **to present comprehensive targets** (in terms of figures scope and baseline scenarios), a precise agenda (short, medium and long term objectives) as well as clear resources to achieve their climate goals (including a three- to five-year investment plan), before analysing each strategy in its entirety in order to assess its soundness and alignment with the Paris Agreement. This approach led to a differentiated and case-by-case exercise of our vote on the climate strategies submitted to the shareholders.
- **Out of 36 Say on Climate resolutions tabled by companies this year, Amundi voted for less than 40%.**