



Climate in the 2021 AGM Season

United States & Europe

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INTRODUCTION

Europe

More than ten companies across Europe have put forward board-sponsored advisory resolutions on their climate disclosures and action plans at their 2021 Annual General Meetings. These unprecedented proposals are commonly referred to as “Say on Climate” votes. Since January, at the meetings that have already been held (10), all the resolutions have passed with an average 96% support from shareholders. So far in Europe, in 2021 all Say on Climate votes have been limited to management proposals only.

On the other hand, there have been five other climate-related proposals submitted by shareholders that obtained more than 5% of support. One resolution proposed by AkademikerPension and LD Fonde at DSV Panalpina AGM passed with 98.75% of the votes, as in this case the board publicly supported the proposal in its notice of meeting¹. The remaining four proposals did not pass. Among them we find three resolutions submitted by the climate activist Follow This (at the Equinor, BP and Royal Dutch Shell meetings²), and one resolution filed at the Barclays AGM by a group of shareholders co-ordinated by Market Forces³.

United States

Within the United States, two companies put forward board-sponsored Say on Climate resolutions so far in 2021. As in Europe, both resolutions – at Moody’s Corp and S&P Global – passed with shareholder support well in excess of 90%. In both cases, respectively 12% and 6% of shareholders chose to abstain, resulting in a lower outcome at Moody’s (where abstentions had the effect of a vote against the proposal) compared to S&P (where abstentions had no effect on the outcome). The remaining five Say on Climate resolutions were shareholder-sponsored by either TCI or As You Sow. Four of those proposals are being voted upon at 2021 AGMs,⁴ and while to date none have passed, the two that have been voted upon both received support in excess of 30%, which is generally considered an important threshold within the US market that warrants a board’s attention.

Beyond Say on Climate, there appear to be at least 41 environmental shareholder proposals that will be voted on this proxy season from a range of proponents including faith-based investors, pension funds and shareholder advocacy groups like Follow This and As You Sow, among others. Of the 33 that were voted upon through May 26th, at least twelve have received majority support.⁵ This level of support is unprecedented, both in terms of the percentage of support individual proposals have received, as well as in terms of the volume of proposals that have passed.

¹ <https://investor.dsv.com/static-files/c860af3a-c9fb-465f-9799-7e221ed47535>

² <https://www.follow-this.org/resolutions-2021/>

³ <https://marketforces.org.uk/news/barclays-faces-renewed-shareholder-challenge-on-fossil-fuels/>

⁴ The proposal at Alphabet, Inc. was withdrawn.

⁵ U.S. securities laws provide that issuers have four business days from the date of an AGM to report preliminary results. Accordingly, not all meeting results are available as of the date of this memorandum.

SAY ON CLIMATE OVERVIEW IN EUROPE⁶

| Company | AGM | Proponent | Proposal | % of support | ISS | Glass Lewis |
|----------------|---------------|------------|--|---------------|-----|-------------|
| Vinci S.A. | 08 April 2021 | Management | 11. Approve Company's Environmental Transition Plan | 98.14% | For | For |
| Ferrovial S.A. | 09 April 2021 | Management | 7.1. Advisory Vote on Company's Greenhouse Gas Emissions Reduction Plan | 96.59% | For | Abstain |
| | | | 7.2. Advisory Vote, as from the 2022 AGM, on the Company's Climate Strategy Report | 96.76% | For | Against |
| Nestlé S.A. | 15 April 2021 | Management | 7. Advisory vote on Nestlé's Climate Roadmap | 96.01% | For | Abstain |
| Aena S.M.E. SA | 27 April 2021 | Management | 10. Advisory Vote on Company's Climate Action Plan | 95.6% | For | Against |
| Glencore plc | 29 April 2021 | Management | 14. Climate Action Transition Plan | 94.4% | For | For |

⁶ National Grid plc, Rio Tinto Group, LafargeHolcim Ltd, Barclays and M&G have committed to proposing a Say on Climate vote in 2022.

| Company | AGM | Proponent | Proposal | % of support | ISS | Glass Lewis |
|-----------------------|-------------|------------|--|--------------|------|-------------|
| Unilever plc | 5 May 2021 | Management | 4. To consider and, if thought fit, approve the Climate Transition Action Plan in the form produced to the Meeting. | 99.6% | For | For |
| Aviva plc | 6 May 2021 | Management | 4. To approve the Company's climate-related financial disclosure for 2020 set out on pages 60 to 63 of the Company's Annual Report and Accounts for the financial year ended 31 December 2020. | 99.95% | For | For |
| Royal Dutch Shell plc | 18 May 2021 | Management | 10. Approve the Shell Energy Transition Strategy | 88.7% | For | For |
| Total SE | 28 May 2021 | Management | 14. Approve the Company's Sustainable Development and Energy Transition | 91.88% | For | For |
| HSBC Holdings plc | 28 May 2021 | Management | 15. Approve Climate Change Resolution | 99.71% | For | For |
| Severn Trent plc | 8 July 2021 | Management | N.A. | N.A. | N.A. | N.A. |

SAY ON CLIMATE OVERVIEW IN THE UNITED STATES⁷

| Company | AGM | Proponent | Proposal | % of support | ISS | Glass Lewis |
|------------------------|---------------|--------------------------|---|----------------|---------|-------------|
| Charter Communications | 27 April 2021 | Shareholder (TCI) | 6. Proposal requesting a report disclosing GHG emissions levels consistent with TCFD recommendations as well as strategies to reduce GHG emissions and YoY progress, and opportunity for shareholders to express an advisory vote approving or disapproving of GHG reduction plan | 39% | For | Against |
| Union Pacific | 13 May 2021 | Shareholder (TCI) | 8. Proposal requesting annual emissions reduction plan and annual advisory vote on emissions reduction plan (Note: As You Sow also submitted a SoP proposal that was omitted) | 31.6% | Against | Against |
| Alphabet | 2 June 2021 | Shareholder (TCI) | Withdrawn; resolution text not available | N/A | N/A | N/A |
| Booking Holdings | 3 June 2021 | Shareholder (As You Sow) | 8. Proposal requesting annual vote on whether shareholders' approval or disapprove of the company's publicly available climate policies and strategies | Pending | For | For |
| Monster Beverage | 15 June 2021 | Shareholder (As You Sow) | 4. Proposal requesting an amendment to the Company's bylaws to provide for an annual advisory vote approving or disapproving the company's climate policies and strategies, in consideration of key climate benchmarks, and | Pending | Against | Against |

⁷ We note that all proxy advisor recommendations in this memorandum refer to the firms' core policies; recommendations under custom policies such as ISS's Climate or Taft-Hartley policies may differ from those noted herein.

| Company | AGM | Proponent | Proposal | % of support | ISS | Glass Lewis |
|-------------|---------------|---|---|--------------|-----|---|
| | | | authorizing annual reporting regarding the scale and pace of the company's responsive measures associated with climate change | | | |
| Moodys Corp | 20 April 2021 | Management (initially Shareholder (TCI); subsequently withdrawn and presented as a management proposal) | 4. Proposal seeking an advisory vote on the company's plan for reducing GHG emissions (the 2020 Decarbonization Plan). The board has also agreed with TCI to hold an advisory vote on the company's decarbonization plan at its 2022 annual meeting. It does not provide for advisory votes beyond 2022 | 93.3% | For | Abstain (concerns re: say on climate mechanism) |
| S&P Global | 5 May 2021 | Management (initially Shareholder (TCI); subsequently withdrawn and presented as a management proposal) | 4. Approve, on an advisory basis, the Company's Greenhouse Gas (GHG) Emissions Reduction Plan, as described in this Proxy Statement. Commits to holding an advisory vote in 2022, but not beyond | 99.5% | For | Abstain (concerns re: say on climate mechanism) |

OTHER CLIMATE-RELATED SHAREHOLDER RESOLUTIONS – EUROPE⁸

| Company | AGM | Proponent | Proposal | % of support | ISS | Glass Lewis |
|-----------------------|---------------|---------------|---|---------------|---------|-------------|
| DSV Panalpina A/S | 15 March 2021 | Shareholder | 8.5 Reporting on Climate-Related Financial Risks and Opportunities | 98.75% | For | For |
| Barclays Plc | 05 May 2021 | Market Forces | 29. Approve Market Forces Requisitioned Resolution | 14% | Against | Against |
| Equinor ASA | 11 May 2021 | Follow This | 8. Instruct Company to Set Short, Medium, and Long-Term Targets for Greenhouse Gas (GHG) Emissions of the Company's Operations and the Use of Energy Products | 5.56% | Against | Against |
| BP Plc | 12 May 2021 | Follow This | 13. Approve Shareholder Resolution on Climate Change Targets | 20.7% | Against | Against |
| Royal Dutch Shell Plc | 18 May 2021 | Follow This | 21. Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions | 30.50% | Against | Against |

⁸ Shareholders resolutions proposed by retail/individual investors or that received less than 5% of support have been excluded.

OTHER PASSING ENVIRONMENTAL SHAREHOLDER RESOLUTIONS – UNITED STATES

| Company | AGM | Proponent | Proposal | % of support | ISS | Glass Lewis |
|------------------------------|-----------------|---|--|--------------|-----|-------------|
| The Procter & Gamble Company | 13 October 2020 | Green Century Equity Fund | Report on efforts to eliminate deforestation | 67.7% | For | Against |
| DuPont Nemours, Inc. | 28 April 2021 | As You Sow | Report on plastic pollution | 81.2% | For | For |
| Bunge Limited | 5 May 2021 | Green Century Capital Management (management supported) | Report on efforts to eliminate deforestation in the supply chain | 98.9% | For | For |
| General Electric Company | 4 May 2021 | Longview Funds/As You Sow (management supported) | Report on meeting the criteria of the Net Zero indicator (GHG emissions) | 98% | For | For |
| Norfolk Southern Corporation | 5 May 2021 | Friends Fiduciary Corporation | Report on climate lobbying aligned with the Paris Agreement | 76.4% | For | For |
| ConocoPhillips | 11 May 2021 | Follow This | Emission reduction targets | 58.6% | For | Against |

| Company | AGM | Proponent | Proposal | % of support | ISS | Glass Lewis |
|--------------------------|-------------|--|---------------------------------------|-------------------------|-----|-------------|
| Phillips 66 | 12 May 2021 | CalSTRS | Report on climate lobbying | 62% | For | For |
| Phillips 66 | 12 May 2021 | Follow This | Adopt GHG emissions reduction targets | 79.4% | For | For |
| Bloomin' Brands, Inc. | 18 May 2021 | Green Century Capital Management | Report on climate change | 76.2% | For | Against |
| Chevron Corporation | 26 May 2021 | Follow This | Adopt GHG emissions reduction targets | 61%⁹ | For | Against |
| Exxon Mobil Corporation | 26 May 2021 | BNP Paribas Asset Management | Report on climate lobbying | +50%⁹ | For | For |
| United Airlines Holdings | 26 May 2021 | The Presbyterian Church/Portico Benefit Services | Report on climate lobbying | 65.4% | For | For |

⁹ Based on media reports; Voting results on Form 8-K have not been filed with the U.S. Securities and Exchange Commission as of the date of this memorandum.

THE PROPOSAL LANDSCAPE

Europe

Say on Climate proposals were first introduced on a global basis at the 2020 Annual Shareholders Meeting of Spanish airport operator Aena. Once the board agreed to the proposal, it became the first time in Europe that a company committed to making its climate strategy a permanent addition to the AGM agenda. This move had been pushed by the Children's Investment Fund (TCI), owning around 4% of the company's share capital. Christopher Hohn's fund had been engaging with the company since 2019 and at the 2020 AGM submitted two shareholders resolutions to request changes to Aena's climate plan as well as the introduction of an annual advisory vote on this subject. Despite the initial opposition of the company, the management put forward at the same meeting a proposal asking for "approval, where appropriate, of the principles for climate change action and environmental governance". The item was supported by TCI and the board gave its support to TCI's proposals shortly before the AGM. Aena's Chairman & CEO Maurici Lucena later welcomed the results of the AGM and thanked Christopher Hohn for the encouragement he gave the company during the months of the pandemic. In 2021, Aena put forward an advisory vote on the company's Climate Action Plan that received 95.6% support.¹⁰

Following the milestone set by Aena, since the beginning of the year we have witnessed the proliferation of Say on Climate proposals in the agendas of European shareholder meetings. In general, it seems that boards are more inclined to submit such a vote to shareholders than to receive an external proposal from them.

The first Say on Climate votes sponsored by management were put forward at the Vinci and Ferrovial annual shareholder meetings. In both

¹⁰ <https://www.irmagazine.com/reporting/aena-adopts-annual-advisory-vote-climate-plan>
<https://www.expansion.com/empresas/2020/10/23/5f91f713e5fdead12e8b461d.html>
<https://www.ft.com/content/07e4aa70-a99e-40ea-9b66-2eac47ade0d6>
<https://portal.aena.es/csee/Satellite/Accionistas/en/Page/1237573069075/1237568522634>
<https://www.sayonclimate.org/case-study/>

cases TCI appears to have been a shareholder of the companies in question and had been engaging with them since 2019¹¹. After the AGM, Ferrovial published a press release stating that: "The Board of Directors believes that shareholders should play a more active role in defining and monitoring the company's climate strategy"¹², while the Vinci Chairman stated at the AGM that: "The consultation of the shareholders' meeting on the Company's environmental policy is an unprecedented initiative in France".¹³

At the Unilever 2021 AGM the board put forward a resolution that obtained 99.6% support from shareholders. When asked why it was necessary to put a Climate Transition Plan before a shareholder vote the CEO Alan Jope stated: "We hope that by setting out our plan, and the assumptions underpinning it, investors will share our confidence – and other businesses will start to follow suit."

Another example of a statement published on this topic following the AGM is the recent HSBC press release entitled: "Shareholders back HSBC's net zero commitments". Noel Quinn, Group Chief Executive of the bank, publicly thanked ShareAction and other shareholders for the "constructive discussions", stressing the importance of the engagement process. Quinn stated: "We can choose simply to divest from clients with higher carbon emissions – but that alone is no guarantee that those emissions won't continue with financial backing from elsewhere, and it will not allow for an orderly and inclusive transition either. Or we can choose to partner with our clients to help them decarbonise by financing their transitions to climate friendly operations and clean technologies. I passionately believe that we have a responsibility, as a leader, to drive comprehensive change if we can."

On the other hand, when it comes to shareholder proposals strictly related to climate issues, boards tend to recommend not to support these

¹¹ <https://www.tcifund.com/files/esg/FERROVIAL.pdf>
[https://www.vinci.com/vinci.nsf/fr/aq2020/\\$file/Lettre-VINCI-TCI-17-Mars-2020-translation.pdf](https://www.vinci.com/vinci.nsf/fr/aq2020/$file/Lettre-VINCI-TCI-17-Mars-2020-translation.pdf)

¹² https://newsroom.ferrovial.com/en/press_releases/ferrovial-agm-2021/

¹³ [https://www.vinci.com/vinci.nsf/en/aq2021/\\$file/pv-aq_du_08_avril_2021_cc.pdf](https://www.vinci.com/vinci.nsf/en/aq2021/$file/pv-aq_du_08_avril_2021_cc.pdf)

resolutions. The case of DSV Panalpina can be considered an exceptional situation. In the notice of meeting they stated: “The Board of Directors supports the proposal. The Company has a strong commitment to environmental stewardship, and with effect from the financial year 2020 the Company has already started to make climate-related financial reporting on its website based on the TCFD. The Company intends to continue with and expand these efforts and reporting in the coming financial years and welcome our shareholders’ support and engagement within this area. This will be further motivated at the Annual General Meeting”.¹⁴

On the contrary, the notice of Barclays AGM states: “The Board does not consider resolution 29 to be in the best interests of the Company and its shareholders as a whole and recommends that you vote against resolution 29, as the Directors intend to do in respect of their own beneficial holdings”.¹⁵ Nevertheless, after the meeting the bank stated that “we plan to come back to shareholders next year with a so-called Say on Climate advisory vote on our approach and progress including additional targets and sectors, and updated policies for important parts of the fossil fuel landscape”.¹⁶

In a similar vein BP, Shell and Equinor recommended their shareholders to vote against the resolutions put forward at their AGMs by Follow This¹⁷. BP gave a detailed response to motivate its opposition and stated: “We firmly believe that such an intervention in the strategy at this stage would set back the delivery of bp’s net zero ambition and investor proposition.” Shell had a similar approach and considered the proposal “redundant” since the company put forward a board proposal to approve its Energy Transition Strategy at the same AGM.

¹⁴ <https://investor.dsv.com/static-files/c860af3a-c9fb-465f-9799-7e221ed47535>

¹⁵ https://home.barclays/content/dam/home-barclays/documents/investor-relations/reports-and-events/AGM2021/Barclays2021_Note_of_Meeting.pdf

¹⁶ <https://home.barclays/content/dam/home-barclays/documents/investor-relations/reports-and-events/AGM2021/AGM-statements-RNS-5-May-2021.pdf>

United States

As in Europe, TCI is one of two primary proponents of Say on Climate resolutions within the US; As You Sow has also been a lead filer of Say on Climate resolutions. Unlike many traditional shareholder proponents, who tend to own small stakes in the companies at which they present resolutions, TCI owns significant stakes in all the companies at which it presented proposals in the 2021 proxy season, likely providing it with increased influence and access to management. At both Moody’s and S&P Global, the companies moved to support TCI’s campaign, in each case presenting management-sponsored resolutions that asked shareholders to approve the company’s climate transition plan. Notably, the proposals at both Moody’s and S&P Global committed to presenting advisory votes at the company’s 2022 AGM, but did not speak to future meetings. That construct was likely positively viewed by investors, given some of the concerns expressed with the shareholder-sponsored proposals discussed below. In the proposals themselves, both Moody’s and S&P Global provided clear disclosure of current science-based targets and strategies to reduce GHG emissions, and summarized climate-related disclosure practices, including the existence of TCFD-aligned disclosure.

Unlike the management-sponsored proposals at Moody’s and S&P Global, which extend only through 2022, Say on Climate shareholder resolutions request ongoing future annual advisory votes on companies’ emission reduction plans. Some of the proposals, such as those at Charter Communications and Union Pacific Corp, request future advisory votes on a climate action plan that explicitly includes an emissions reduction strategy. Others, like those at Monster Beverage and Booking Holdings, request a future advisory vote approving the companies’ climate policies and strategies. While those proposals reference consideration of the

¹⁷ <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/investors/bp-agm-notice-of-meeting-2021.pdf>
https://www.shell.com/investors/annual-general-meeting/icr_content/par/textimage_d70a_copy.stream/1619711756022/3b46f95118374a334947d6ac4c7122684be9d195/notice-of-meeting-2021.pdf
<https://www.equinor.com/en/what-we-do/calendar/annual-general-meeting-2021.html>

company's alignment with climate-related benchmarks, they do not explicitly reference emissions reduction targets.

Across the companies where shareholder-sponsored Say on Climate resolutions have or will be voted upon, the companies highlighted efforts in place to reduce emissions and other environmental impacts, and/or existing or forthcoming ESG reporting and emissions targets. Notably, the proposal at Union Pacific Corp, the only recipient to have already set Science Based Targets Initiative (SBTi) approved scope 1 and 2 emissions reduction targets, received lower support (and against recommendations from both proxy advisory firms) than did the proposal at Charter Communications, where the company has committed to set ESG targets, but has not yet disclosed specific GHG reduction target plans. While shareholder-sponsored Say on Climate proposals have not achieved majority support, both voted upon to date received support in excess of 30%, a level at which responsiveness is generally expected, and which ensures that the proponent can resubmit the proposal at the subsequent annual meeting.

Looking beyond Say on Climate proposals, the volume of environmental proposals receiving majority support this year, and in some cases the percentage of support received, are unprecedented. For example, non-profit sustainability advocate Ceres recently observed that prior to this season, it only recorded three climate-related shareholder proposals ever receiving majority support at U.S. oil majors. Accordingly, that number has almost tripled, with an additional five proposals at oil majors having already received majority support to date.

In terms of proposal support levels, the proposals at Dupont and Bloomin' Brands demonstrate the monumental year-over-year shift we are seeing in investors' support of environmental proposal: A proposal at Dupont regarding plastic pollution recently received over 80% support, the highest level we are aware of for such a proposal. By contrast, a nearly identical proposal at Dupont received only 6% support in 2019. Similarly, a proposal at Bloomin' Brands regarding emissions within the company's supply chain received approximately 26% support in 2020, while a broader proposal this year, which referenced supply chain emissions concerns in the broader context of climate reporting, received over 75%

support. It also merits noting that several companies recommended that shareholders vote in favor of shareholder proposals this season, leading to near unanimous (and record high) support for proposals at General Electric and Bunge Limited. While such practice is not unheard of, it is atypical and we do not recall seeing multiple instances – particularly in the context of environmental proposals – in prior seasons.

PROXY ADVISOR GUIDELINES

Europe

Based on experience so far we have found that, with regard to the resolutions proposed by boards, ISS has always expressed a favourable opinion, while Glass Lewis has not given its support to the Board in at least four cases.

The situation is quite different if we look at the shareholder proposals. Here we find consistency across the recommendations of the two leading proxy advisors. Both ISS and Glass Lewis recommended in favour of the DSV Panalpina proposal (supported by the board) and against the resolutions of Follow This and Market Forces.

ISS highlighted the importance of submitting these items periodically to a vote during the annual shareholder meetings, so that shareholders can effectively monitor the implementation of the climate strategy and express their opinion on future developments.

In contrast, Glass Lewis in some cases criticised the potential disempowerment of the board of directors with regards to energy transition strategies. It has argued that climate transition should remain the prerogative of the board.

In its 2021 voting policy covering EMEA markets, ISS introduced an amendment to the “extraordinary circumstances” in which they could consider recommending a vote against individual directors, by also covering the following situation: “poor risk oversight of environmental and social issues, including climate change”. Additionally, when it comes to environmental and social proposals, ISS tends to evaluate them on a case-by-case basis.¹⁸

With regard to management and shareholder-sponsored Say on Climate resolutions, Glass Lewis recently published a global overview of 2021

¹⁸ <https://www.issgovernance.com/policy-gateway/voting-policies/>

resolutions, stating that while it continues to assess each proposal on a case-by-case basis, it will “codify” its approach ahead of the 2022 proxy season. It also states that it “strongly supports such disclosure, particularly when it is aligned with TCFD recommendations. However, from our perspective, the potential unintended consequences from offering a shareholder vote on a climate plan or strategy are more concerning. We are concerned that it could lead to scenarios where some investors, who may not have the capacity or technical ability to analyse these plans, provide a rubber stamp for climate strategies that are out of alignment with broader climate goals. Further, in certain markets, there could also be potential legal concerns”. It argues that until more standardization is not in place, investors should carefully evaluate their votes and during 2021 it will generally recommend against proposals that will request companies to adopt an annual Say on Climate advisory vote.¹⁹

United States

On April 21, ISS updated its Non-Compensation Policies & Procedures to specifically address its position on Say on Climate proposals, among other topics. Like Glass Lewis’s global guidance, ISS indicates that it will continue to consider investor feedback and will be further developing its approach “over the next few months,” indicating it too will likely formalize an approach in advance of the 2022 proxy season.

As the introductory table illustrates, while both ISS and Glass Lewis were consistent in their recommendations on the two management-sponsored Say on Climate proposals (recommending for and abstain, respectively, in both cases), neither has taken a uniform approach with respect to shareholder-sponsored proposals.

For example, while Glass Lewis recommended that shareholders vote against resolutions at Monster Beverage, Charter Communications and Union Pacific, it recommended a vote in favour of the proposal at Booking

¹⁹ <https://www.glasslewis.com/say-on-climate-votes-glass-lewis-overview/#:~:text=Primary%20among%20the%20benefits%20of,in%20its%20long%20term%20strategy.>

Holdings. In recommending that shareholders vote against the proposal at Monster Beverage (which seeks a bylaw amendment to enable future advisory votes and accordingly is binding), Glass Lewis opined that the Company's climate-related disclosure "leaves significant room for improvement," but that its concerns relating to the legal implications and "the basic premise of corporate governance" raised by the proposal (i.e., that the board is responsible for oversight of climate-strategy, not shareholders) outweigh its assessment of the company's climate disclosure.

In recommending in favour of the proposal at Booking Holdings, Glass Lewis similarly evaluated the company's strategies and disclosure compared to peers, but concluded that the company's disclosure, "particularly as it related to the Company's climate-related risks..." could be improved, and that the proposal "...would allow shareholder insight into how the Company is considering, monitoring and managing climate-related risks."

For its part, ISS recommended a vote against the proposals at Union Pacific Railroad and Monster Beverage, but in favour of the proposals at Charter Communications and Bookings Holdings. At Union Pacific, while ISS indicated that investors would benefit from more information regarding GHG reduction plans, it highlighted the aggressive timeline by which TCI requested publication of the GHG reduction plan as the basis for its against recommendation.

ISS's recommendation against Monster focused on the binding nature of the proposal. It did, however, note that it finds Monster's climate-related disclosure to be lagging most S&P 500 companies. Notably, the level of support for the proposal at Union Pacific was less than eight percentage points lower than that at Charter Communications, suggesting that ISS's influence over investor's decision-making in this area is significantly diminished as compared to its influence over compensation advisory votes, which as a rule of thumb typically influences approximately 20-25% of the vote.

Looking more broadly at environmental shareholder proposals, given the volume and variety of such proposals within the US at this point in the

season we have not yet assessed trends across either advisors' recommendations, or firms' relative influence over the outcome of any particular proposal. At a high level, we note that ISS recommended that shareholders vote in favor of all proposals that have passed to date. Glass Lewis did recommend against several of the proposals, three of which nonetheless received significant support in excess of 60%.

INSTITUTIONAL INVESTOR POSITIONS

Europe

Institutional investors have had different approaches and in most cases have not yet developed a uniform positions on these kinds of proposals. Many investors have been publicly supportive of Say on Climate votes and have published detailed documents. This is the case, for example, of BlackRock which for the Vinci meeting stated: "BIS voted FOR the proposal because it provides a clear roadmap towards the company's stated climate ambitions and targets". In addition, they stated that "BIS agrees with and supports this clear delineation in the roles and responsibilities of shareholders and the board/executive management".²⁰

Looking at shareholder resolutions strictly related to climate issues, BlackRock has been criticized in the past for not voting in favour of them. While at 2020 Barclays AGM it voted against the ShareAction resolution and in favour of the competing management proposal²¹, this year, at the bank's annual meeting, it abstained on the item submitted by Market Forces. Despite recognizing the motivation of the proposal, BlackRock abstained due to "the imprecise and ambiguous wording [...] particularly as the resolution is legally binding." They also specified that "as the company's climate strategy, disclosures and oversight of climate risk and opportunities are currently in line with BIS' expectations, we did not vote against any members of Barclays' Board of Directors, which would be our standard course of action where we have significant concerns about a company's management of material ESG issues."²²

Another investor which stated a clear view about Say on Climate proposals was CalPERS. In April 2021, at the time of Vinci and Ferrovial meetings, the Managing Director for Board Governance & Sustainability, Anne

Simpson, declared: "To us, it [Say on Climate] looks more like a delay on what needs to happen rather than something that will get us there quicker". Out of the ten European votes that have already taken place in 2021, CalPERS abstained in seven cases and voted in favour of three resolutions.

With regard to shareholder resolutions, CalPERS voted in favour of the resolutions submitted at DSV Panalpina, Barclays and Equinor, but has been criticized for not supporting the Follow This proposals at the BP and Shell meetings. Notably the pension fund was serving as rotating Chair of Climate 100+, a leading collective investor led initiative²³.

The most recent AGM which took place on 28 May, Total SE, it should be noted that, despite their plans being endorsed by Climate Action 100+ initiative, the Dutch pension funds PMT and PME voted against the proposal. PMT declared that "Total can and should do more to reduce its CO2 emissions."²⁴

United States

While a broad range of institutional investors have identified climate change as a key priority this proxy season, investor support of Say on Climate proposals has been mixed. Investors have expressed a range of concerns in electing not to support these proposals, including:

- The ability (both in terms of expertise or bandwidth) to assess the appropriateness of multiple companies' climate transition and emissions reduction strategies during the compressed proxy season time period;

²⁰ <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-vinci-apr-2021.pdf>

²¹ <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-barclays-may-2020.pdf>

²² <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-barclays-may-2021.pdf>

²³ <https://www.ft.com/content/69bcffed-38da-4e1e-a5e3-c59559636bf7>

²⁴ <https://www.responsible-investor.com/articles/total-avoids-investor-revolt-on-climate-at-agm>

- The appropriateness and future implications of such shareholder approval, albeit on an advisory basis (for example, board accountability concerns, or the impact of such approval on a shareholder's future ability to hold a company accountable for failures relating to climate-related matters);
- If Say on Climate proposals become routine, investors may become passive and lower their standards for approval of company practices.

For example, Vanguard has indicated that it will evaluate such proposals on a case by case basis, and State Street opined that it does not think companies with strong environmental track records should subject their carbon emission plans to Say on Climate votes.²⁵

US investors are not required to disclose their 2021 proxy season voting decisions until late August. However, a handful have provided either general guidance or feedback regarding specific voting decisions.

In electing to abstain from voting on the shareholder resolution at Charter Communications, for example, Neuberger Berman indicated that, "Given the complexity and dynamic nature of ESG issues, we believe there may be instances where it may be more appropriate to express our views to some companies through direct engagement and collaborative efforts."²⁶

BlackRock, on the other hand, disclosed voting in favour of the Charter Communications proposal, as it believed supporting the proposal would further accelerate the company's progress on climate risk management. Specifically, while acknowledging the company's TCFD disclosure efforts and plans to participate in the CDP questionnaire process, it indicated voting in favour of the proposal because it, "addresses our expectations that companies should have clear policies and action plans to manage climate risk and provide a roadmap towards stated climate ambitions and targets."²⁷

²⁵ U.S. Companies Resist Activist Investor's Climate Campaign, Matt Wirz, The Wall Street Journal, March 30, 2021, available at <https://www.wsj.com/articles/u-s-companies-resist-activist-investors-climate-campaign-11617102014>.

CONCLUSION

Given the increased volume of climate-related proposals in Europe generally, and the unprecedented levels of support for environmental shareholder proposals within the US, it appears we have reached a tipping point with respect to investors' willingness to support climate-focused resolutions. Given the increased importance of a company's climate-related management and disclosure practices to investors' voting decisions, we strongly encourage clients to plan to engage with key investors regarding their ESG expectations generally, and those related to climate change in particular, in the coming off-season (usually September-December).

With respect to Say on Climate, given the breadth of geographies and industries at the focus of this campaign, and the notable success levels achieved to date for a "first-time" proposal, companies would be well-served to understand their investors' expectations and viewpoints, given most investors and proxy advisors now deem climate change to be a material topic across sectors.

Looking ahead to the 2022 proxy season, we are aware that certain clients have already been approached by proponents with respect to climate-related matters, including Say on Climate considerations. Our team has worked with companies across the US and Europe on these resolutions and stands ready to provide advice as needed. Please contact your normal Georgeson representative or any of our team members listed below for further discussion.

²⁶ <https://www.nb.com/en/global/esg/nb-votes>

²⁷ <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-charter-communications-may-2021.pdf>

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