Say On Climate

Shareholder voting on climate transition action plans

www.sayonclimate.org

November 2020
Children’s Investment Fund Foundation (CIFF)

• UK foundation with $6bn of assets
• One of the world’s leading funders of climate change action
• $150mn of expected 2020 climate change grants
• www.ciff.org
Companies are a major source of emissions

- Over 35% of total emissions are due to companies
- Most companies are failing to take sufficient action on climate change
- Only 3% of listed companies have science-based emissions targets
- The biggest asset managers have appalling voting records on the few climate resolutions that are filed
Why should companies act on climate change?

Greenhouse gas emissions will:
1. Be taxed and regulated by governments in the future
2. Increase their cost of capital
3. Damage their competitive position
4. Harm customer relationships
5. Undermine employee recruitment and morale
Managing the Transition to Net Zero

Companies need:

1. Annual disclosure of emissions
2. A plan to manage those emissions
3. An AGM vote on this plan
Companies must have a climate action plan

- Emissions disclosure alone is not enough
- Setting goals without a plan is just a dream
- Specific requirements for the plan do not need to be established – individual shareholders and advisors will advocate for them
- An AGM shareholder vote creates the accountability mechanism for the execution of the plan
- The vote legally needs to be a non-binding request for information
- Shareholders will not be taking the position of the board
- This does not substitute for voting against directors
U.N. climate envoy Mark Carney backed a push by investors to force companies to submit their climate change strategies to annual shareholder votes, saying such a mechanism could improve oversight of pledges to slash greenhouse gas emissions.

“Rather than have authorities be overly prescriptive on plans, it may be desirable to have investors have a say on transition”.

“This would establish a critical link between responsibility, accountability and sustainability”
“RESOLVED, that shareholders of [Name of Company] ("[Name]" or the “Company”) request that the Board of Directors of the Company disclose at each annual meeting of shareholders, as soon as reasonably practicable but no later than 60 days after this Meeting, and thereafter no later than the date the Company disseminates its proxy statement in connection with each subsequent annual meeting, a report disclosing the Company’s greenhouse gas emission levels (the “Emissions”) in a manner consistent with the Task Force on Climate-related Financial Disclosure recommendations as well as any strategy that the Company may have adopted or will adopt to reduce the Emissions in the future, including any Emissions’ progress made year over year (the “Reduction Plan”), and provide shareholders with the opportunity, at each such annual meeting (starting at the next annual meeting), to express non-binding advisory approval or disapproval of the Reduction Plan.”
First ever Say on Climate AGM resolution succeeded

Billionaire Chris Hohn forces first annual investor vote on climate policy

Spanish airport group Aena agrees to put its efforts to tackle global warming to annual meeting

Billionaire UK hedge fund manager Chris Hohn has been at loggerheads with Aena for a year over its response to global warming © Getty Images

Attracta Mooney OCTOBER 22 2020
First ever Say on Climate AGM resolution succeeded

Spanish Airport Group Aena set a precedent in October 2020:

1. Shareholder pressure forced management to improve climate action plan – major cost savings
2. Shareholder pressure forced management to back annual vote embedded into by-laws
3. 98% of shareholders backed the annual vote, including Blackrock
4. ISS and Glass Lewis supported the resolutions against initial management opposition
Aena AGM resolution received widespread support

ISS

ISS’ proxy advice noted that the resolutions would “improve Aena's transparency on its environmental actions” and that it was “not overly burdensome for the company”.

GLASS LEWIS

“We believe that shareholders would benefit from the regular presentation of the Company’s climate action plan as well as having the ability to voice support of or concern for the Company’s plan through their advisory vote on the matter at the Company’s AGMs. We believe that this could create a positive channel for engagement and dialogue between the Company and its investors on this important matter. Further, we believe enshrining the company's commitment to climate-related reporting in its governing document would represent a best practice that clearly communicates the importance of this issue to shareholders.”

BlackRock

“Blackrock Investor Services determined to support the request for an annual report on progress towards the climate action plan goals because this is inherently consistent with our expectations that companies have a plan to transition their business models and to explain and justify progress against the plan in their annual reporting. We believe such a report would be beneficial at Aena given the material risk to its business model and its need to accelerate its efforts. An annual advisory shareholder vote on the company’s plans and progress would give management and the board a clear sense of the level of shareholder support for the steps necessary in the transition.”
Companies with pending 2021 AGM resolutions

- Moody’s Corp
- S&P Global
- Union Pacific Railroad
- Charter Communications
- Alphabet Inc.
- Canadian Pacific
- Canadian National
Please state on your website “We support the Say On Climate initiative” and provide a link to www.sayonclimate.org
Actions

1. Encourage companies to voluntarily propose AGM resolutions
2. Shareholders and NGOs must file AGM resolutions
3. Shareholders should engage and vote for these AGM resolutions
4. Asset owners should incorporate Say on Climate into investment policies, and demand their asset managers file and vote for AGM resolutions
5. Not all companies will support Say on Climate. Fights will be necessary but we can win the votes.
6. Advocate for mandatory Say on Climate
## Make a public statement of support

<table>
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<tr>
<th>Asset Owners</th>
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<th>Companies</th>
<th>Proxy Advisers</th>
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<td>“We [Asset Owner] encourage all listed companies to submit a Climate Transition Action Plan at their AGM for a shareholder vote. Where companies won’t do so voluntarily we expect our Asset Managers to file AGM resolutions (whenever they have sufficient votes) requiring such votes.”</td>
<td>“We [Asset Manager] encourage all listed companies to submit a Climate Transition Action Plan at their AGM for a shareholder vote. Where companies won’t do so voluntarily we will vote for and file AGM resolutions (whenever we have sufficient votes) requiring such votes.”</td>
<td>“We [Company] commit to submit a Climate Transition Action Plan at our AGM for an annual shareholder vote. We welcome the accountability this brings and encourage other companies and investors to adopt this practice.”</td>
<td>“We [Proxy Adviser] believe resolutions calling for a shareholder vote on companies’ Climate Transition Action Plan are reasonable and in the interest of shareholders. We will generally recommend support for such proposals.”</td>
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Contact us

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