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CLIMATE & VOTING: 2021 REVIEW AND GLOBAL TRENDS

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Key Takeaways

- In 2021 as in 2020, the majority of environmental and social-related shareholder proposals around the world were related to climate change and/or climate lobbying. More than half of the climate-related proposals were seen in the financial sector, the oil & gas sector, and the mining sector.

- Climate related shareholder proposals were seen in 14 markets in 2021 – Australia, Canada, Denmark, Finland, France, Japan, New Zealand, Norway, South Africa, Spain, Sweden, Switzerland, the United Kingdom, and the United States – compared to twelve markets in 2020. There were 88 climate-related shareholder proposals that were voted on in 2021 compared to 65 in 2020.

- Shareholder proposals requesting disclosure of emissions reductions goals remained one of the most prolific type of climate-related proposal in 2021. Globally, the average level of support received by these proposals was 42.1 percent in 2021, up from 29.2 percent in 2020. Shareholder proposals requesting "Say on Climate" votes received average 32.7 percent support in 2021.

- 2021 was the first year in which management-presented "Say on Climate" proposals were seen, with 26 worldwide. 19 were at European companies, 3 in North America, 3 in South Africa and 1 in Australia. On average, the proposals received approximately 93 percent support in 2021. So far in 2022, the majority of similar proposals have also been at European companies.s

- The number of management-presented "Say on Climate" votes in 2022 to date is already higher than in full year 2021 (36 votes to date in 2022 compared to 26 for the full year in 2021). But the extent to which this will result in a sustained rise in Say on Climate votes beyond 2022 is difficult to forecast.

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INTRODUCTION

This report follows the 2020 ISS Climate & Voting report that came out last year and first documented and explained the trends of climate-related issues as seen through the lens of shareholder voting at company general meetings.

Report description

This year's study looks globally and covers shareholder meetings with climate-related shareholder proposals on the ballot over a period of the past six years (2016-2021) and climate-related management proposals on the ballot in 2021.

For the purpose of this report a nomenclature listing a total of ten main categories of climate-related proposals has been established and is set out below. We have split the category of Say on Climate, covering shareholder proposals and management proposals, to allow for clearer distinction between the two different types of proposal and added another category, "Vote No" campaign:

- **Goals** – shareholder proposals that ask for companies to report on climate goals or to adopt climate goals;
- **Risk Analysis** – shareholder proposals that ask for companies to undertake and disclose an analysis of the risks related to their activities, especially assessments on their business portfolios of low-carbon scenarios;
- **Transition Plan** – shareholder proposals that ask for companies to adopt or report on their plans to transition to a low carbon economy (note some overlap with "goals," but goes further and asks for strategic plans that harmonize company strategy with low or net-zero carbon scenarios);
- **Compensation** – shareholder proposals asking companies to adopt or to assess feasibility of adopting GHG reduction targets or other climate-related targets in executive or other compensation plans;
- **Political Spending** – shareholder proposals requesting greater disclosure of company funding of climate change-related lobbying, including requests for comparisons between corporate lobbying positions and those of third-party affiliated organizations (includes political spending disclosure requests that explicitly mention climate or carbon in title);
- **Board** – shareholder proposals for board changes such as an environmental committee and/or an independent chair where climate is clearly a driver of the proposal, especially for the oil and gas sector;
- **"Vote No" campaign** – director election proposals targeted by "Vote No" campaigns against directors considered to be taking inadequate steps to mitigate climate risk;
- **Say on Climate (shareholder)** – shareholder proposals that ask for companies to present a climate plan and report on progress to shareholders for annual approval (usually requesting a non-binding advisory Say on Climate (management) vote);
- **Say on Climate (management)** – new in 2021, proposals provided by management for shareholders to approve the company's climate transition plan and/or climate strategy and/or climate progress report. In 2021 and to date in 2022 these have been non-binding advisory votes; and,

- **Other** - other shareholder proposals related to climate change seen at a limited number of companies, such as proposals asking large institutional investors to assess how climate risks are taken into account in proxy voting, or requests to stop specific activities;

Over the past six years, the rise of coordinated, often global, campaigns on climate-related topics have been a strong trend in shareholder activism. The majority of shareholder proposals on climate-related topics are still in the U.S. where shareholder proposals are more of a common feature, but many other markets – Australia, Canada, Denmark, Finland, France, Japan, New Zealand, Norway, South Africa, Spain, Sweden, Switzerland, the United Kingdom – saw climate-related proposals in 2021.

New in 2021 were management-proposed climate-related agenda items giving votes on the company's climate transition plan, strategies and/or progress. This usually came as a response to a shareholder initiative requesting something similar, whether an earlier shareholder proposal, or through investor engagement.

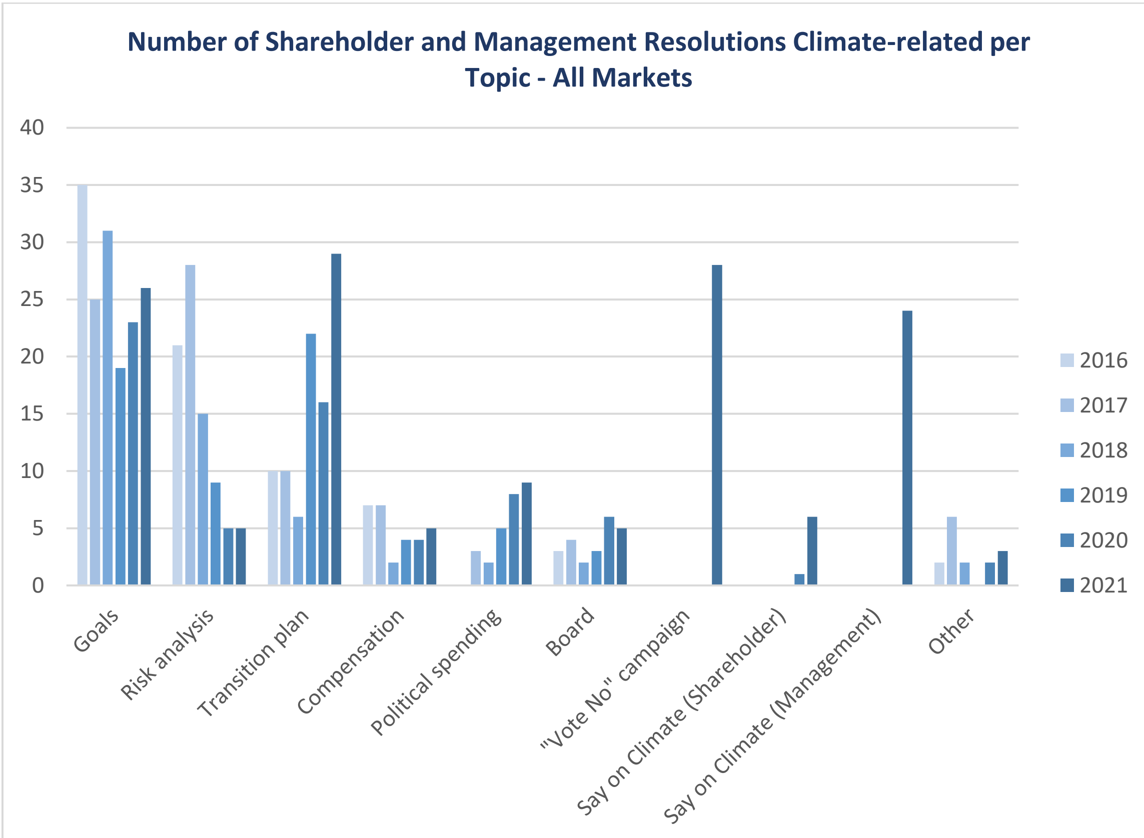
The non-profit group Majority Action coordinated a "Vote No" campaign in the U.S., mainly against CEO/Chairs and lead directors at companies in the banking, oil and gas, and electricity generation industries for "failing to implement plans consistent with limiting global warming to 1.5 C." All the targeted directors received majority support for their re-elections at the companies targeted by Majority Action in 2021. Within 18 companies targeted by this campaign, the 28 director election items received on average 90.5 percent of votes FOR (the lowest support being 76 percent and the highest 97.8 percent. Eighty percent of targeted directors received support of at least 90%, the vast majority of which were between 90 percent and 95 percent).

A number of Net Zero climate-related investor initiatives came together in 2021 to provide greater structure and detailed guidance to both investors and companies around Net Zero emission ambitions and to provide tools to set their objectives towards the "less than 1.5 Degrees C" trajectory as agreed on at COP26. Hence, the Climate Action 100+ Net Zero Company Benchmark launched in March 2021 assesses "the performance of focus companies against the initiative’s three high-level goals: emissions reduction, governance, and disclosure. The Benchmark draws on analytical methodologies and datasets to provide investors and other stakeholders with a robust tool to facilitate focus company engagement and action"[1]. In September 2021, the Institutional Investors Group on Climate Change (IIGCC), an investor coalition made up of investors representing at that time over $10 trillion of assets under management, published a report detailing its expectations for oil and gas companies to align with net zero expectations. Also, it is worthwhile noting that in October 2021, the TCFD published a report providing guidance " to support preparers in disclosing decision-useful metrics, targets, and transition plan information and linking those disclosures with estimates of financial impacts. Such information will enable users to appropriately assess their investment and lending risks."[2]

Other major trends seen in 2021 and that are expected to grow in 2022 and the years beyond are the push for disclosures of relevant scope 3 GHG emissions at financial institutions, climate risks in financial accounts and for third-party assurance of climate-related targets and plans.

It is also worthwhile noting that expectations towards the alignment between companies' commitment to a 1.5C trajectory and the rigor and completeness of their climate transition plans are increasing considering the challenges related to the 2025 short term and 2030 medium-term deadlines agreed at COP26, and are likely to trigger greater pressure from many investors over the next few years.

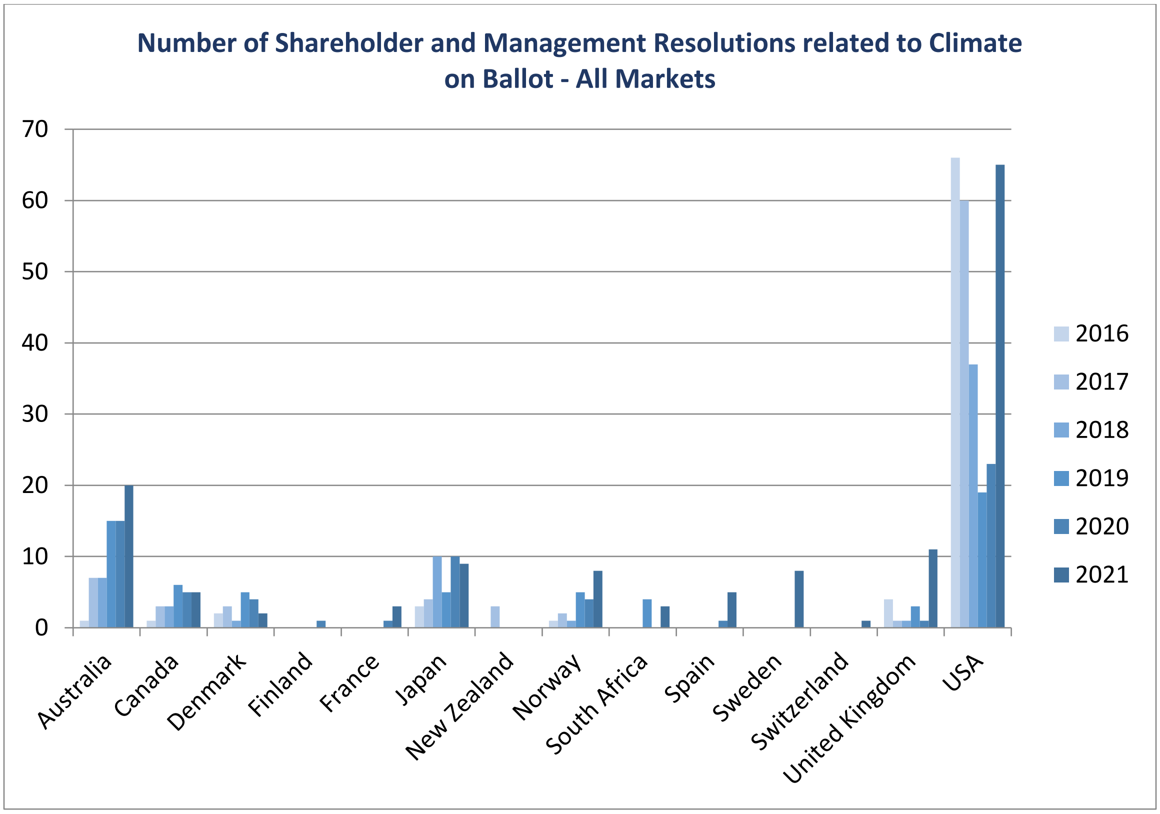
[1] https://www.climateaction100.org/net-zero-company-benchmark/
[2] https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf



Source: ISS Research - 14 markets have seen such Climate-Related proposals over the past six years.

SECTION I. 2016-2021 Data by Market, Sector and Topic

Markets



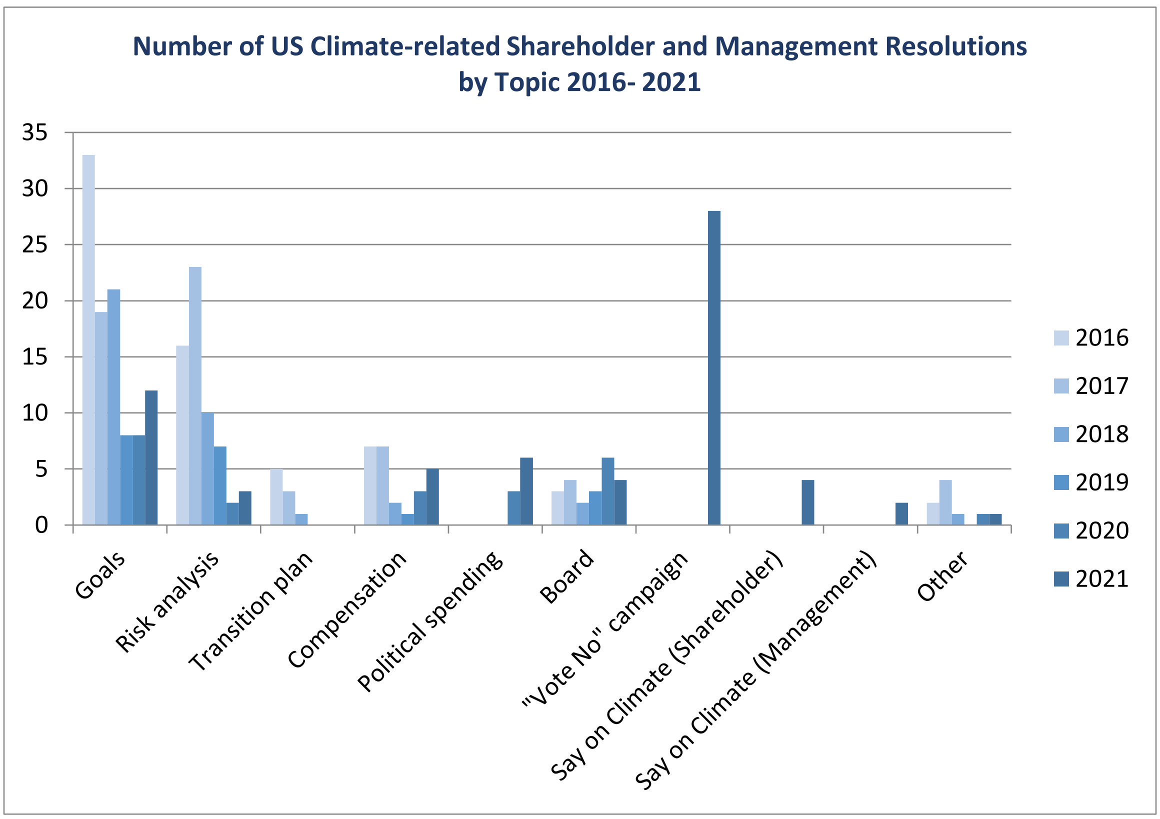
Source: *ISS Research*

In Australia, a number of larger companies by market capitalization had shareholder-proposed environmental and social resolutions at their 2021 AGMs. Many of these proposals received relatively strong levels of support from shareholders, as scrutiny on environmental policies, strategies and targets to reduce greenhouse gas emissions continues to rise in focus. Also, a precedent was established earlier in the year through the acceptance by the boards of **Rio Tinto, Santos, Woodside,** and **Oil Search** to permit a non-binding "Say on Climate" resolution to be voted on by shareholders in 2022. The trend was subsequently supported by other large companies including **Origin Energy** and **AGL**. Going even further, **BHP Group** presented its climate transition action resolution at the 2021 AGM. It received the support of 84.9 percent of votes cast.

Canada saw its first management Say on Climate resolution on the ballot at Canadian National Railway in 2021. It had board support and received 92 percent of the votes cast. The Canadian Pacific Railway board also recommended voting for TCI's proposal, and it received 85 percent support from votes cast. Furthermore, the market continued to see shareholder proposals targeted at the banks regarding their carbon-rich assets. Of these, the proposal filed by SumofUs at **Royal Bank of Canada (RBC)** saw the highest support at over 30 percent of votes cast. The proposal requested RBC adopt company-wide, quantitative, and time-bound targets and annual reporting on the progress. One shareholder, the Mouvement d'Education et de Défense des Actionnaires (MÉDAC), submitted the same proposal at five banks, requesting a report on the loans in support of a circular economy. The resulting support percentage ranged from 8 percent to 22 percent of votes cast. Imperial Oil, controlled by **Exxon Mobil**, was the only energy company to receive a climate-related proposal, submitted by a Canadian joint union pension fund calling the company to adopt a net zero emission ambition.

Europe saw the highest number of management Say on Climate votes in 2021. UK, France, Spain, and Switzerland are the markets where those items were concentrated**.** Most European shareholder proposals in 2021 were targeted at banks or oil and gas companies and were related either to GHG reduction goals or transition plans.

The **U.S.** saw a high number of climate-related shareholder proposals in 2021 with 87 proposals filed, up from 58 the prior year. It is worth noting that after the change in the U.S. administration in January 2021, the SEC allowed for significantly fewer climate resolutions to be omitted in 2021. After negotiations between companies and proponents, a majority of the climate-related resolutions filed were withdrawn, and several were omitted. Still, a record number of 11 climate-related proposals received majority support in 2021. Two say-on-climate management proposals[3] with board support received 99.2 percent median support in 2021.

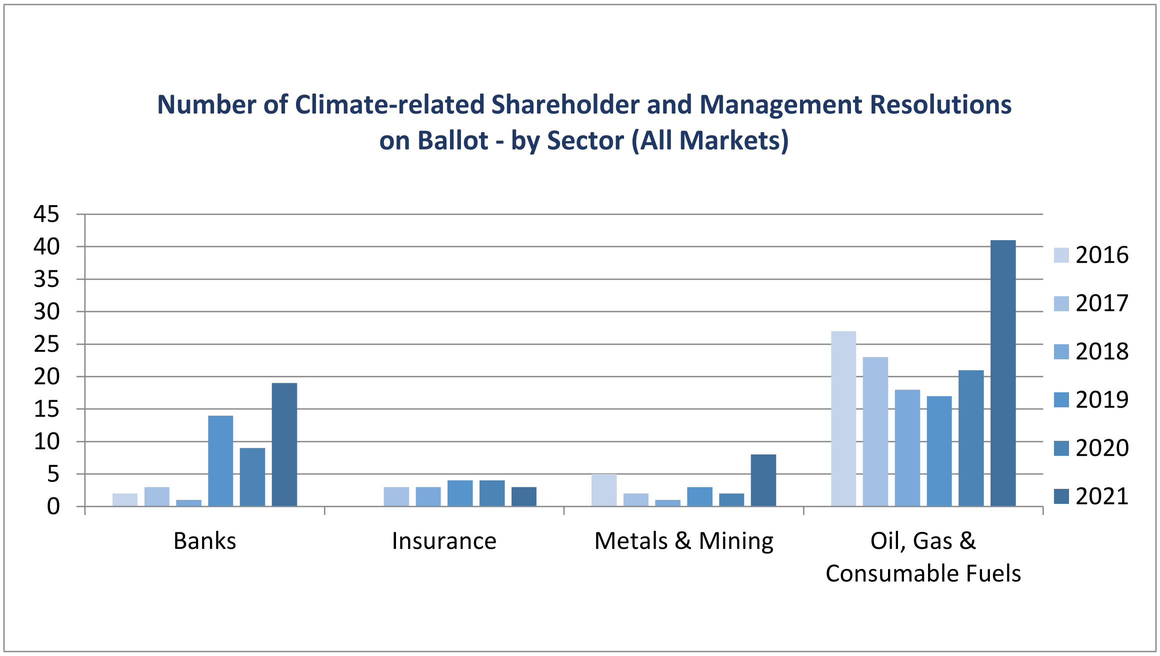


Source: ISS Research

[3] Moodys Corporation and S&P Global, Inc.

Sectors

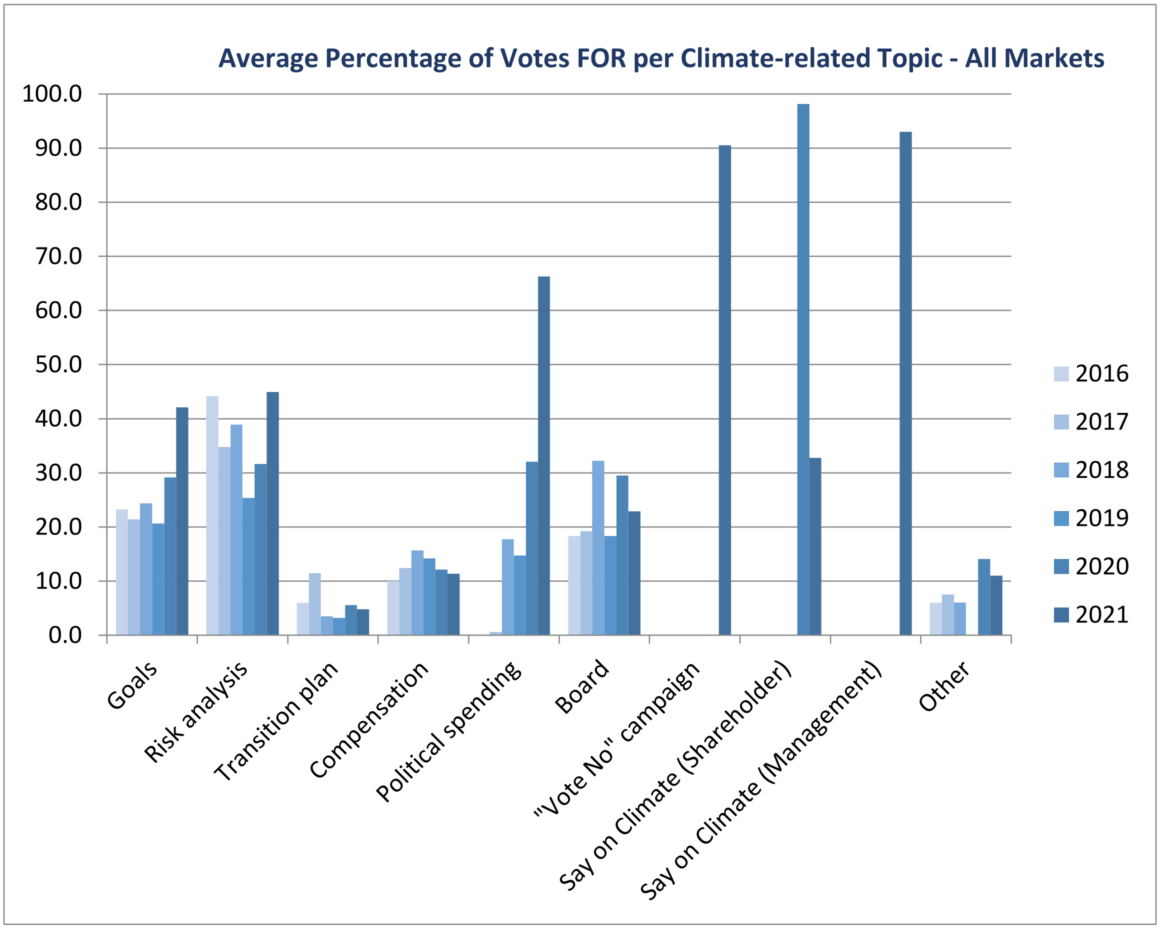
While companies in the oil and gas sector have received the most climate-related shareholder proposals over time, the number of proposals (including management proposals) in these sectors still soared in 2021. Several companies received a high number of shareholder proposals linked to climate issues, and the Majority Action Vote No campaign especially targeted this sector by requesting the dismissal of a number of CEOs and lead directors. Banks and Metals & Mining also saw a growing number of proposals in 2021. The majority of shareholder proposals at banks were related to transition plans, and a few other climate-related items also were linked to the Majority Action "Vote No" Campaigns. It is apparent that banks are going to draw increasingly greater attention. So far in 2022, several US and Canadian banks plus a few in Europe have received shareholder proposals asking for the adoption of policies to reduce or stop financing new fossil fuel projects.



Source: ISS Research –These four sectors (S&P's GICS-6) cover almost half of the climate-related shareholder resolutions in 2021.

Topics

Requests for climate risk analysis continued to garner a relatively high level of shareholder support in 2021 compared to past years, and requests for GHG reduction goals and political spending both received greater support in 2021. On the other hand, when comparing levels of support on management Say on Climate proposals and levels of support on directors' board elections that were targeted by Vote No campaigns[4], it is worthwhile noting that they both received similar high levels of support.



Source: ISS Research

[4] In 2021, Majority Action conducted a large campaign targeting directors at several companies in the banking, oil and gas, and electricity generation industries for "failing to implement plans consistent with limiting global warming to 1.5 C."

SECTION II. 2021 Key Features

New in 2021: Management Say on Climate proposals

Say On Climate Development

In late 2020, the Children's Investment Fund Foundation (CIFF) and TCI Fund Management (TCI), headed by hedge fund investor Sir Chris Hohn, launched the first Say on Climate campaign. In the wake of the Paris Agreement, and the multitude of net zero commitments by countries and corporates, the campaign called on companies to establish their climate transition plans including annual reporting on progress and an annual advisory shareholder vote (Say on Climate). The first shareholder proposal to bring in such provisions was voted on at Spanish airport operator Aena in October 2020 and received majority support of 98%.

Say on Climate has generated significant interest and extensive debate. It has received support from, among others, the Institutional Investors Group on Climate Change (IIGCC), the Forum Pour L'Investissement Responsable, the Australian Council of Superannuation Investors (ACSI), and the UK Investor Forum, as well as from Mark Carney, former Governor of the Bank of England, in his capacity as UN climate envoy.

While the number of shareholder proposals requesting Say on Climate votes was expected to grow in 2021, only a few Say on Climate shareholder proposals globally reached a vote in 2021 – a grand total of six around the world, four of which were in the US. However, there have been a larger number of companies that have provided Say on Climate votes, particularly in Europe. This was the result of some successful shareholder campaigns, effective engagement, and some responsive company managements. In Europe and Australia in particular, shareholder requests for Say on Climate were often met with an offer from the company to put its climate strategy forward as a management initiative, resulting in the withdrawal of a number of Say on Climate shareholder proposals. In late 2020 and early 2021, a number of companies including four large ASX100 companies in Australia announced their support for their shareholders to be given a non-binding vote on the company's climate report, with other companies subsequently following the trend. **BHP Group** was the first company in the Australian market to present a Climate Transition Action Plan for a shareholder vote at the 2021 AGM. In total, 25 companies globally, including 18 UK and European companies, (3 in France, 4 in Spain, 1 in Switzerland and 10 in the UK), put forward Say on Climate resolutions in 2021.

Across those Say on Climate management resolutions, the approaches varied significantly however, with not all retaining the features initially envisioned by the original CIFF/TCI campaign.

Global View of Management Say on Climate Proposals in 2021

The table below provides a global list of management Say on Climate by region with vote result and support levels. There were twenty-six management Say on Climate proposals in 2021.

	Country	Company Name	Vote Result	Support (%)
Europe	France	ATOS SE	Pass	84.22
	France	TotalEnergies SE	Pass	82.78

	France	VINCI SA	Pass	96.57
	Spain	Aena S.M.E. SA	Pass	95.66
	Spain	Ferrovial SA (GHG Emissions Reduction Plan)	Pass	96.59
	Spain	Ferrovial SA (Climate Strategy Report)	Pass	96.76
	Spain	Gestamp Automocion SA	Pass	99.54
	Spain	Iberdrola SA	Pass	97.33
	Switzerland	Nestle SA	Pass	95.02
	United Kingdom	Aviva Plc	Pass	99.57
	United Kingdom	BHP Group Plc	Pass	84.90
	United Kingdom	Glencore Plc	Pass	89.27
	United Kingdom	HSBC Holdings Plc	Pass	99.27
	United Kingdom	Investec Plc	Pass	99.97
	United Kingdom	National Grid Plcs	Pass	93.92
	United Kingdom	Severn Trent Plc	Pass	95.09
	United Kingdom	Shell Plc	Pass	83.15
	United Kingdom	SSE Plc	Pass	98.62
	United Kingdom	Unilever Plc	Pass	97.42
Americas	Canada	Canadian National Railway Company	Pass	92.09
	USA	Moodys Corporation	Pass	93.30
	USA	S&P Global, Inc.	Pass	87.78
Africa	South Africa	Investec Ltd.	Pass	99.83
	South Africa	Ninety One Ltd.	Pass	90.50
	South Africa	Sasol Ltd.	Pass	96.63
Australia	Australia	BHP Group Limited	Pass	81.82

European Proposals

This section provides an overview of 2021 management Say on Climate proposals in Europe including the UK, and explores how European management Say on Climate resolutions evolved in 2021, the first full year since in October 2020 the Spanish company Aena became the first at which a shareholder proposal requesting Say on Climate was voted on. It explores what has emerged as good practices and draws out similarities between proposals. It also identifies areas for improvement based on discrepancies between many investor expectations (largely as defined by the IIGCC, the Climate Action 100+ and CIFF) and the management Say on Climate proposals seen during the year.

Background

Say on Climate is headlined by the call for a vote on company climate transition plans, a similar concept to "Say on Pay" resolutions that feature as a regular voting item on executive remuneration in many markets. The original CIFF/TCI campaign outlined three steps that companies should take to manage the transition to net zero:

1. Annual disclosure of emissions
2. A plan to manage those emissions
3. An annual advisory shareholder vote on the company's transition plan.

Step one is a well-established expectation with some regulatory backing across Europe, and elsewhere. For instance, all UK quoted companies must report on their greenhouse gas emissions as part of their annual Directors' Report. And the 2014 EU directive 2014/97/EU requires that large companies and groups employing at least 500 people shall provide non-financial information, within the management report, regarding their business model, policies, outcomes, principal risks, and key performance indicators, including environmental matters. In addition, the 2020 EU Taxonomy regulation requires these large companies and groups to include, as of 2022, information in the non-financial disclosure part of their financial statements about how their activities align with the Taxonomy. In the US more recently, on March 21, 2022 the US Securities and Exchange Commission (SEC) released for public comment a proposed rule that would require public companies to disclose their climate-related risks and explain how those risks could affect their business, and generally would place climate risk reporting more on a par with financial reporting. Under the proposed rule, all companies would be required to disclose their operational emissions (known as Scope 1 & 2 emissions). Larger companies would be required to have their disclosures verified by an independent auditing firm. It also proposes that companies disclose emissions produced by their suppliers, customers, and uses of sold goods (Scope 3 emissions) if they are deemed to be material or are included in the company's targets. Other countries have already made disclosures of emissions and climate risks mandatory. The UK and Japan are now requiring large businesses to disclose emissions as of April 2022. The European Union plans to increase the number of companies that must publish environmental (and social) data, including their carbon emissions, over the coming years. Brazil, Hong Kong, New Zealand, Singapore, and Switzerland are also in the process of making climate emissions and risk disclosures mandatory.

Step two, a plan to manage emissions, is emerging as best practice, especially for large companies with significant climate risks or emissions. Further progress is expected as stakeholders coalesce around definitions of a 'quality' transition plan. TCFD published guidance on transition plans in late 2021, representing a significant contribution to the work published by the CDP, Climate Action 100+, Transition Pathways Initiative, Science-Based Targets Initiative, the and the IIGCC, among others. Regulation is expected to follow suite: Spain's Climate Change and Energy Transition Law will require companies to disclose a five-yearly emissions reduction target and a plan to achieve it, with similar requirements for the rest of Europe from 2023 as part of the EU's CSRD, while the UK's upcoming Sustainability Disclosure Requirements are expected to make transition plans the norm in the coming years.

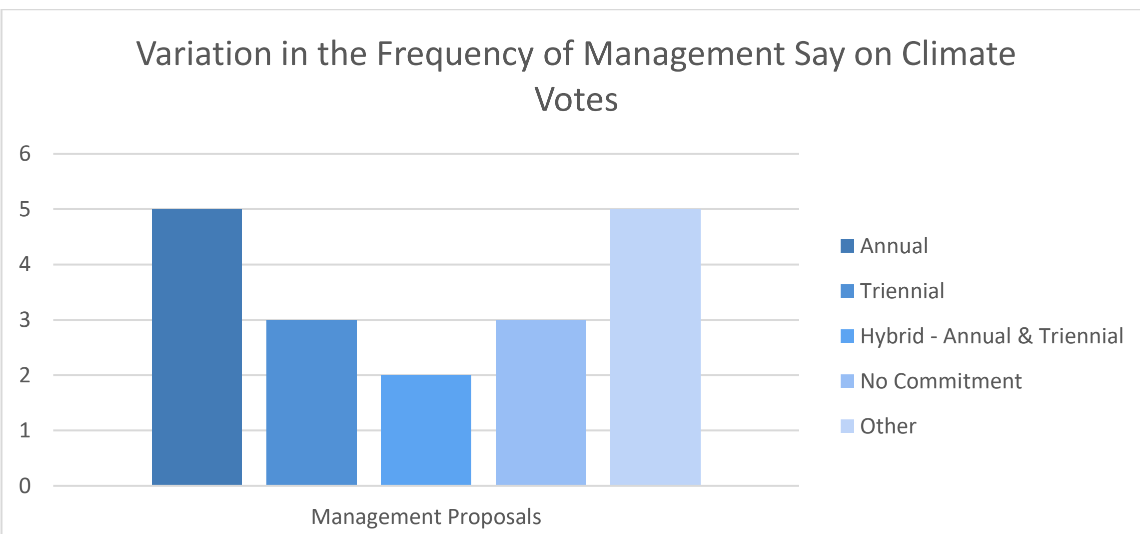
In Switzerland, new legislation will require that a report on non-financial matters be put to a shareholder vote as of 2024. The reports on non-financial matters must contain information to understand the company's business development and the impact of its activities on environmental, social, employee, human rights, and anti-corruption matters. This requirement will apply to larger companies only, defined as those that are public interest entities having on average at least 500 employees and total assets exceeding USD 21.8 million, or revenues exceeding USD 43.6 million for two consecutive years. Additionally, a binding implementation by Swiss issuers of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations is expected to take place from 2024 by means of a separate executive order.

Step three is the shareholder vote on transition plans, the "Say on Climate" vote itself. It is currently unclear whether such a requirement will gain sufficient traction to receive regulatory backing in many jurisdictions. There are some local initiatives such as the initiative "Encouraging effective investor stewardship of Net Zero" in UK, led by a Stewardship Regulators Group that "has an ongoing workstream on stewardship of climate and sustainability matters. One area of focus has been how shareholder voting can help drive positive change. In Summer 2021, the Group gathered views from a cross-section of stakeholders on the policy case for, and possible design of, "Say on Climate" resolutions at UK company annual general meetings. Some have suggested this as a potential vehicle for systematic shareholder scrutiny of companies' net zero transition plans. The Group has said it will consider next steps in light of the feedback received from stakeholders"[5]. Also, in France, the High-Level Legal Committee of Paris financial center has recently created a working group dedicated to the new "Say on Climate" practices.

Resolution Characteristics

Not all European management Say on Climate resolutions during 2021 were aligned with the original 3 steps outlined above. One difference was the regularity of the shareholder vote. The Say on Climate campaign called for annual votes, reflecting the fast-moving nature of meeting the climate challenge: as technologies, data and policies evolve, what was acceptable today may no longer be acceptable in a year's time.

In line with the Say on Climate campaign, five European companies in 2021 committed to providing shareholders an annual Say on Climate vote on their transition plan. Other companies, however, took a different approach. **BHP, Severn Trent** and **Unilever** committed their transition plans to a triennial shareholder vote, while **Shell** and **Glencore** committed to a triennial vote on their transition plan plus an annual shareholder vote on their climate reporting against the plan. **Gestamp Automocion, SSE, HSBC** and **Investec** set the table for a Say on Climate vote at their 2022 AGMs, asking shareholders to approve the commitment to disclose and vote on a transition plan the following year (and annually thereafter). **Aviva**, meanwhile, did not propose a transition plan but instead sought shareholder approval of its climate disclosures. In France, none of the three companies offering their climate ambitions for shareholder approval committed to a recurring vote. However, after holding a vote on its climate ambition in 2021, **TotalEnergies** will be proposing a vote on a report of its climate transition implementation in 2022. And in Spain, **Iberdrola**, identified its 2021 shareholder vote as a one-off, barring any major changes to its policy.



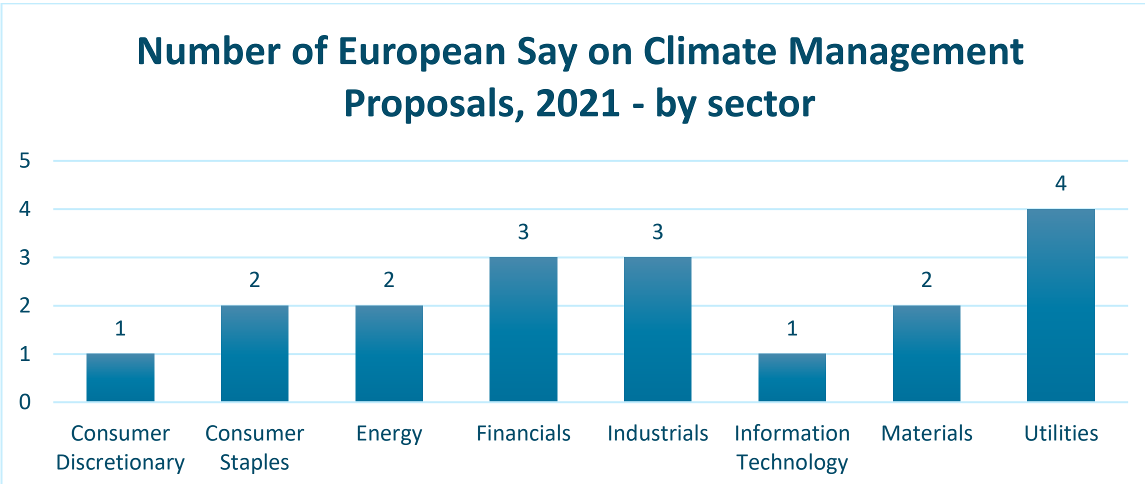
Source: ISS Research

[5] https://www.fca.org.uk/publication/corporate/fca-climate-change-adaptation-report.pdf

All 2021 management Say on Climate proposals in Europe were approved by shareholders. Only three received shareholders' dissent of 10% or more. These high levels of support came despite a significant number of proposals still not being fully aligned with best practices in terms of content and quality of the plans and differing substantially between companies, as explored in more detail below.

Sector Proposal Characteristics

As illustrated in the graph below, companies with a management Say on Climate proposal in 2021 came from a relatively wide range of sectors, where 8 out of 11 GICS-defined sectors are represented.



Source: ISS Research

While a broad number of sectors are represented, 55% of the proposals were in the Financials, Industrials and Utilities sectors. The following briefly summarizes some of the sector-specific trends observed in these three key sectors.

Financials

The three European financial companies represented above comprised two banking groups (HSBC, Investec) and one insurance company (Aviva). HSBC and Investec submitted resolutions addressing scope 3 (i.e., financed emissions), whereas Aviva addressed its climate related disclosures, placing a greater emphasis on the definition of KPI's in its efforts to tackle climate change. For the two banks, their resolutions entailed the commitment to strategy and policy initiatives seeking to address their impact through engagement with clients and portfolio companies. HSBC put forth a *"clear, science-based strategy, which would see HSBC work with customers in all sectors to support their transition"*[6]. Investec incorporated a commitment to disclose both a baseline for the group's financed scope 3 emissions, as well as a strategy to reduce them. Since then, a number of major global initiatives driving financial institutions towards the building of more complete disclosure/climate transition plans have got underway:

[6] (HSBC resolution on climate change, 2021).

- Net-Zero Banking Alliance, also founder of the Glasgow Financial Alliance for Net Zero, which requires signatories to set science-based, interim, and long-term goals to reach net-zero no later than 2050 in line with Race to Zero's criteria; or
- Partnership for Carbon Accounting Financials (PCAF) a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess and disclose greenhouse gas (GHG) emissions associated with their loans and investments; and,
- The Science Based Targets initiative (SBTi), which "has developed a foundational framework representing the first step in defining net-zero for financial institutions. A public consultation on the draft began on 10 November 2021. Stakeholder feedback informed the final publication of the net-zero for financial institutions foundations paper in April 2022"[7]. "The foundations paper will be followed by an open stakeholder process to develop actionable criteria, detailed guidance, and technical resources to support financial institutions in the formulation and implementation of their science-based net-zero targets."

Industrials

All three companies in the industrial sector provided a 5-10 year plan on reducing emissions and both **Vinci** and **Ferrovial** provided some breakdowns on their scope 3 emission and what actions to take in order to work with their disclosures. Noteworthy, all three companies have the following actions outlined in their plans: (1) powering business activities with 100 percent renewable energy (2) improving efficiency in industrial manufacturing e.g., asphalt plants and (3) engaging with suppliers to reduce scope 3 emissions.

Utilities

Four utility companies provided Say on Climate proposals, the highest of any sector. Three of these put forth detailed transition plans, while one (**National Grid**) put forth a commitment and target approval. These companies, while being responsible for significant emissions, are also perceived as vital entities in the transition towards a cleaner, more energy-efficient net zero scenario. Consequently, the proposals put forth here revolved around the solutions and the importance of certain energy sources in the transition. **Scottish and Southern Energy** (SSE) provided a detailed pathway for gas to a low carbon economy, while National Grid, the largest electric grid operator in England and Wales emphasized more efficient grids and energy transmitting systems. Severn Trent and Iberdrola likewise highlighted their favorable position in driving climate change adaption projects through business models revolving around renewable energy deployment.

[7] https://sciencebasedtargets.org/resources/files/SBTi-Finance-Net-Zero-Foundations-paper.pdf

Common Features

Net-zero commitment and target reduction of GHG emissions

The table below provides an analysis of the 2021 European Say on Climate management proposals in relation to their net-zero commitments and target reduction of GHG emissions.

Country	Company Name	Climate 100+ focus group	Net Zero Commitment – Scopes 1 & 2	Net Zero Commitment - Scope 3[8]	Short Term/Medium Term targets Scopes 1-2	Short Term/Medium Term targets - Scope 3[9]	TCFD reporting disclosure
France	TotalEnergies SE	x	Yes	Partial, only for a specific geographic area	Yes	Yes	Yes
France	VINCI SA		Yes	No	Yes	No	Yes
France	ATOS SE		Yes	Yes	Yes	Yes	Yes
Spain	Ferrovial SA		Yes	Yes	Yes	Yes	Yes
Spain	Aena S.M.E. SA		Yes	No	Yes	No	Yes
Spain	Gestamp Automocion SA		No	No	Yes	Yes	Yes
Spain	Iberdrola SA	x	Yes	Yes	Yes	Yes	Yes
Switzerland	Nestle SA	x	Yes	Yes	Yes	Yes	Yes
United Kingdom	Shell Plc	x	Yes	Yes	Yes	Yes	Yes
United Kingdom	Glencore Plc	x	Yes	Yes	Yes	Yes	Yes
United Kingdom	BHP Group Plc	x	Yes	Yes	Yes	Yes	Yes
United Kingdom	Unilever Plc	x	Yes	Yes	Yes	Yes	Yes
United Kingdom	HSBC Holdings Plc		Yes	No, only operational Scope 3	Committed	Committed	Yes

[8] As defined by the company
[9] As defined by the company

United Kingdom	Investec Plc		Yes	No, only operational Scope 3	Committed	Committed	Yes
United Kingdom	Aviva Plc		Yes	Yes	Yes	Yes	Yes
United Kingdom	SSE Plc	x	Yes	Yes	Yes	Yes	Yes
United Kingdom	National Grid Plc	x	Yes	No	Yes	Yes	Yes
United Kingdom	Severn Trent Plc		Yes	No	Yes	Yes	Yes

Almost all the European companies that gave a Say on Climate vote in 2021 committed to a net-zero emission policy for Scope 1 & 2 (respectively, direct emissions from owned or controlled sources, and indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company). Not all provided Scope 3 emissions commitments.

Scope 3 emissions include all other indirect emissions that occur in a company's value chain, where the company does not have operational control. For the purpose of this table, the scope 3 data are those defined by the companies themselves which does not systematically imply they are the relevant ones for their respective sectors.

The Science-Based Target initiative (SBTi), which is a global partnership between experts and scientists from leading climate organizations, including the CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF), suggested that companies may address relevant upstream categories by setting supplier engagement targets[10]. These supplier engagement targets commit the company's suppliers to setting science-based emission reduction targets. As such, several companies that did not commit to a net-zero policy for Scope 3 emissions, have started a dialogue with their clients or suppliers instead, to implement a swift shift in their energy mix or low carbon activities.

Task Force on Climate-related Financial Disclosures (TCFD) reporting

The Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information. All the European companies that gave shareholders a Say on Climate vote complied with and disclosed their TCFD reporting.

In the UK, the Financial Control Authority (FCA), UK's financial regulatory body, has indeed required listed companies to comply or explain with TCFD reporting in their annual financial report for periods beginning on or after Jan. 1, 2021. As such, by the time of the submission of their Say on Climate vote, all UK companies had already committed to report according to the TCFD reporting framework. Besides, from April 6, 2022,

[10] https://sciencebasedtargets.org/blog/how-can-companies-address-their-scope-3-greenhouse-gas-emissions

the largest UK-registered companies and financial institutions will have to disclose climate-related financial information on a mandatory basis, in line with the TCFD framework.

Executive remuneration linked to climate progress

Over 75% of the companies that submitted a Say on Climate vote during the 2021 proxy season linked elements of their executive remuneration to climate progress. Either short-term variable remuneration or long-term variable remuneration or both were linked to climate-related criteria. The nature of these criteria is diverse: reduction of GHG emissions (Scopes 1-2), reduction of carbon intensity, achievement of the UN sustainable development goals, climate-related index ranking.

Many investors now expect to find ESG criteria attached to elements of executive remuneration and more and more investors in Continental Europe and the UK have introduced requirements in this area in their voting policies.

Areas for Development

Science-Based Targets

Of the 18 European companies providing Say on Climate votes in 2021, nine promoted their emission targets as having been approved by the SBTi. An additional four companies included in their action plan that they have committed to get their targets approved by the SBTi, meaning they will submit targets for approval within a 24-month period from the day of commitment. The remaining five companies (two Oil & Gas companies, two Metals & Mining companies and one Bank) have not had their targets approved by SBTi. SBT recently announced that they were no longer granting any validation of emission targets for the oil and gas sector as they are currently developing a new methodology for the sector [11]. A common feature among the companies without SBTi approval nor commitment is the reliance on carbon offsets in their transition plans, a method which is not approved by SBTi criteria[12].

While the nine companies which emphasized their SBTi-approved targets deserve credit for their important first steps, it should be highlighted that these companies have their short-term goals approved and not their long-term nor their net zero targets. A total of seven companies have committed to have their net zero targets approved by SBTi.

Climate Accounting

The IIGCC has warned that companies that do not provide Paris-aligned accounts (accounts that are consistent with getting to net zero carbon emissions by 2050) are at risk of misdirecting capital, jeopardizing their alignment with the Paris Agreement goals. Similarly, TCFD's most recent guidance on transition plans calls for plans that are "consistent with those used by the organization in its financial accounts, capital expenditures and investment decisions". Meanwhile the ICAEW suggests that preparers consider the impact of net zero transition plans on accounting assumptions and significant judgements.

[11] https://sciencebasedtargets.org/sectors/oil-and-gas#what-is-the-sb-tis-policy-on-fossil-fuel-companies
[12] https://sciencebasedtargets.org/resources/legacy/2019/03/SBTi-criteria.pdf (p. 7)

Concern around climate not being reflected in the accounts mirrors the Climate Action 100+ call for future investments to be more clearly aligned with the net zero transition. Of the 156 companies assessed under the Climate Action 100+ net zero benchmark, 147 did not meet the assessment criteria for capital allocation alignment; the remaining nine only partially met the assessment criteria.

US Vote No Campaigns and Exxon Mobil proxy fight

Majority Action, a non-profit shareholder advocacy group, launched a campaign to hold directors accountable through vote no campaigns, which were conducted primarily in the electricity generation, oil and gas, and banking sectors that the organization considers critical in terms of GHG emissions levels. The organization urged investors to vote against certain directors – usually the board chairman or the lead independent director, which it considered were not properly overseeing climate-related risks and failing to implement plans consistent with limiting global warming to 1.5 degrees Celsius. No director received less than majority support at the companies targeted by Majority Action.

Another method shareholders can use to take action on concerns is through proxy contests. A high-profile proxy contest occurred in 2021 at Exxon Mobil, initiated by Engine No.1, a newly formed hedge fund which, at the time their intent to nominate directors was announced in December 2020, held less than half a percent of Exxon shares. Engine No.1 raised concerns about both the oil company's performance and its ability to successfully navigate the approaching energy transition away from fossil fuels, questioning the backgrounds and skillsets of the incumbent directors, in particular the shortage of energy industry experience and capital allocation expertise on the board. Proxy contests are a highly-charged and relatively rare occurrence in the U.S., and the Exxon contest was the first to focus primarily on environmental and climate risk oversight concerns, and linking those to concerns about company underperformance. Engine No. 1 nominated four directors to the board at the May annual meeting, and garnered the public support of a number of major shareholders. In the end, three of the four Engine No.1 nominees were elected to the board, showing the wide acceptance and appeal of the arguments to many shareholders.

Climate-Related Shareholder Proposals

Global View of Climate-Related Shareholder Proposals in 2021

The table below provides a global count of all shareholder climate-related proposals on ballot by market and proposal type with average vote support levels. There were 88 shareholder climate related proposals voted on in 2021.

Country	Proposal Type	Proposal (#)	Support (%)	Targeted Companies
Denmark	Risk analysis	1	98.75	DSV A/S, Topdanmark A/S
	Other	1	1.50	
	Total:	**2**	**50.12**	
Norway	Goals	1	5.55	Equinor ASA
	Transition plan	6	0.57	
	Risk analysis	1	2.50	
	Total:	**8**	**1.44**	

Sweden	Transition plan	7	4.82	Hennes & Mauritz AB, Skandinaviska Enskilda Banken AB, Swedbank AB
	Say on Climate (Shareholder)	1	2.63	
	Total:	**8**	**4.55**	
United Kingdom	Goals	3	20.57	Barclays Plc, BP Plc, Shell Plc
	Total:	**3**	**20.57**	
USA	Goals	12	58.52	Alphabet, AutoZone, Berkshire Hathaway, Bloomin' Brands, Booking Holdings, Caterpillar, Charter Communications, Chevron, ConocoPhillips, Delta Air Lines, Duke Energy, Exxon Mobil, General Electric, General Motors, HCA Healthcare, Monster Beverage, Norfolk Southern, Phillips 66, Pilgrims Pride, Republic Services, Sempra Energy, Sysco, T. Rowe Price Group, Union Pacific, United Airlines, United Parcel Service, Walmart, Worthington Industries
	Say on Climate (Shareholder)ss	4	27.10	
	Risk analysis	3	41.12	
	Board (Shareholder)	3	28.90	
	Compensation	5	11.39	
	Political spending	6	60.92	
	Other	1	16.57	
	Total:	**34**	**42.46**	
Canada	Goals	3	21.12	Bank of Montreal, Canadian Pacific Railway, Imperial Oil, Royal Bank of Canada
	Say on Climate (Shareholder)	1	85.36	
	Total:	**4**	**37.18**	
Japan	Goals	3	15.45	Mitsubishi UFJ Financial Group, Shikoku Electric Power, Sumitomo Corp, The Chugoku Electric Power, The Kansai Electric Power, Tokyo Electric Power, Toyo Seikan Group
	Transition plan	4	9.83	
	Board (Shareholder)	1	5.19	
	Other	1	14.99	
	Total:	**9**	**11.76**	
Australia	Goals	4	54.11	AGL Energy, Australia and New Zealand Banking Group, BHP Group, Commonwealth Bank of Australia, Incitec Pivot, National Australia Bank, New Hope Corp, Oil Search, Origin Energy, QBE Insurance Group, Rio Tinto, Santos Limited, South32, Westpac Banking Corp, Whitehaven Coal, Woodside Petroleum
	Transition plan	12	18.73	
	Political spending	3	98.57	
	Total:	**19**	**38.81**	

Previous shareholder pressure in Europe

Over 30% of the companies that submitted a Say on Climate proposal to a vote in 2021 have faced shareholder proposals on climate concerns in the last three years. A breakdown of the companies that have had shareholder proposals submitted is provided below, along with the type of proposal.

Type of proposal[13]	Year	Companies
Goals Proposals that ask for reports on climate goals or to adopt climate goals	2020	Total Energies SE
	2020	Shell Plc
	2021	HSBC Holdings Plc (withdrawn)
Transition Plan Proposals that ask for companies to adopt or report on their plans to transition to a low carbon economy (note some overlap with "goals," but goes farther and asks for strategic plans that harmonize company strategy with low or net-zero carbon scenarios);	2020	Vinci S.A. (not on ballot)
	2020	Aena S.M.E
	2021	Investec Plc
Political Spending proposals requesting greater disclosure of company funding of climate change lobbying, including requests for comparisons between corporate lobbying positions and those of third-party affiliated organizations (includes political spending disclosure requests that explicitly mention climate or carbon in title).	2021 (latest)	BHP Group Plc

In some cases, previous shareholder proposals were addressed in the management proposal put forth in 2021. Notably, Industrials Vinci and Aena prepared specific transition plans as outlined the shareholder proposal table above, which, in both cases was in line with the proposals submitted by shareholders in previous years. With regards to the major energy companies, TotalEnergies and Shell, both had previously been under pressure to disclose and commit to emission reduction targets. Both companies had a transition plan up for vote in 2021, which included targets to be met in this regard.

At HSBC, a shareholder proposal asking the company to define and disclose proper climate commitments was announced in advance of the general meeting in 2021. However, HSBC accommodated the request by putting forth their own resolution, pledging to align its lending with the goals of the Paris agreement. It is worthwhile noting that ShareAction, alongside 11 institutional investors and retail shareholders, filed a second resolution in February 2022 calling on the bank to close its fossil fuel policy loopholes. This was

[13] Similar to this report, the ISS *"Climate Voting 2020 Review and Global Trends"*-report established a nomenclature of 8 main categories (10 main categories in this report) used to categorize shareholder proposals. The 2020 list of categories can be found in the report here: https://insights.issgovernance.com/posts/iss-releases-annual-outlook-report-on-climate-voting-2020-review-and-global-trends/

preceded by some investors' disappointment in the coal phase out policy published in December 2021, which failed to meet the red lines previously set out by those investors. However, this resolution was subsequently withdrawn, following some new pledges by HSBC. But the shareholder coalition has indicated it will take further action in 2023 if unsatisfied with the bank's implementation of its commitments[14]". Finally, BHP had, during its AGMs in 2019, 2020 and in 2021, faced shareholder resolutions related to review and suspend industry memberships which may lobby against relevant climate action. The 2021 Climate Transition Action Plan presented by the company addressed such concern and outlined a *"range of measures to strengthen governance of member associations and their climate change advocacy"*[15]. The 2022 BHP AGM may show if such measures have been sufficient to accommodate shareholder concerns, or if the company will be subject to additional shareholder proposals.

US Proposals

In terms of numbers, climate-related shareholder proposals were the second most numerous shareholder proposal type in 2021 with 87 proposals filed, up from 58 the prior year. After negotiations a majority of the climate change resolutions were withdrawn, and several were also omitted, leaving just 26 proposals on ballots (not including executive pay or board-related proposals), compared to 10 in 2020. Still, a record number of 11 climate change related proposals received majority support in 2021. It is also worth noting that after the change in administration in January 2021, the SEC allowed for significantly fewer climate resolutions to be omitted during the year. Median support for climate change-related shareholder proposals went up from 36.6 percent in 2020 to 48.5 percent in 2021. Two say-on-climate management proposals received strong support, averaging 99.2 percent.

A substantial number of resolutions submitted in 2021 focused on carbon asset risk. Primarily, proponents made the case that investors need to better understand and measure the material long-term business risks associated with the low-carbon energy transition. The proposals generally asked for more disclosure on greenhouse gas (GHG) reduction plans, including for Scope 3 emissions, aligned with the Paris Agreement goal of limiting global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels. **Caterpillar, Exxon Mobil,** and **Chevron** received proposals that came close to receiving majority support. The proposal at Caterpillar requested that the company report on its progress towards achieving net zero emissions, which received 48.0 percent support, while Exxon and Chevron were asked to provide audited reports on the financial impacts of the International Energy Agency (IEA)'s Net Zero by 2050 scenario. At Chevron, the resolution received 47.8 percent support, and at Exxon it received 48.9 percent support. Overall, companies in the consumer discretionary and energy sectors received the

[14] "HSBC has today made several new commitments on climate change following engagement with a coalition of investors co-ordinated by ShareAction. The bank has agreed to phase down financing of fossil fuels in line with limiting global temperature rise to 1.5C, as well as to update the scope of its oil, gas, and thermal coal policies by the end of 2022. Importantly, HSBC has pledged to update the scope of its fossil fuel targets to cover capital markets activities by Q4 2022. The omission of capital markets activities was a key point of contention in HSBC's recently published climate targets."

[15] BHP Climate Transition Action Plan, 2021. (Measures outlined are: (1) *Establishing a transparent process to review the alignment between BHP's climate policy positions and those held by our member associations, and to act where 'material differences' have been identified, (2) Publishing our Global Climate Policy Standards, which set our expectations for how member associations should advocate on climate policy, (3) Committing to disclose in 'real time' if we determine that one of our member associations has substantially departed from our Global Climate Policy Standards (4) Working with key member associations in Australia to clarify advocacy roles and responsibilities and improve the transparency of their advocacy activities (5)Disclosing key information about BHP's material member associations, including membership fees and our rationale for membership").*

most climate change-related proposals. In a win for the proponent Follow This, a climate-focused shareholder advocacy group, three proposals asking for GHG reductions targets, including for Scope 3 emissions, received majority support at oil and gas companies **Chevron**, **ConocoPhillips**, and **Phillips 66**, garnering approximately 61 percent, 59 percent, and 80 percent of votes cast respectively. In addition, two other proposals – one at **General Electric** asking for a report on the progress the company is making to achieving net zero emissions – and the other at **Booking Holdings**, asking for the company to disclose a climate transition plan, received majority support.

Say on Climate shareholder proposals were filed at seven companies in the U.S. in 2021 -- four of them made it onto the ballot after two were withdrawn and one was omitted after no action relief. There were also two management proposals that were put forward, asking shareholders to vote on their climate transition plans. A shareholder proposal requesting a regular advisory vote filed at **Moody's Corporation** was withdrawn after the company stated it would place its own management proposal for approval of its climate transition plan on ballot. In addition to this 2021 advisory vote, which received 98.8 percent support, Moody's agreed to present its decarbonization plan to one other advisory vote at the 2022 annual meeting. The other management proposal seeking shareholder approval of its GHG emissions reduction plan was on the ballot at **S&P Global**. It also passed, with 99.5 percent shareholder support.

Shareholder proposals asking for a regular shareholder vote on the company's climate transition plan were filed at **Booking Holdings, Charter Communications, Union Pacific Corporation** and **Monster Beverage Company**. These proposals were sometimes bundled with a request for disclosure of a transition plan and sometimes were presented as two separate proposals. Most fared well for first-time proposals, receiving support in the 31 to 39 percent range, although the proposal at Monster received only 7.0 percent support.

In 2021, a record number of climate lobbying-related proposals passed. For the second consecutive year proponents filed proposals at energy companies, oil and gas companies, and airlines asking for a report describing if, and how, the company’s lobbying activities, direct and through trade associations, align with the goals of the Paris Agreement. Of the thirteen climate lobbying-related proposals that were filed, six made it on ballot, and five received majority support. Climate lobbying proposals received majority support at **Delta Airlines, United Airlines, Norfolk Southern Corporation, Exxon Mobil,** and **Phillips 66**.

SECTION III. Future Trends

Investors' expectations

High-impact investor campaigns

2021 brought some ground-breaking shareholder campaigns directed at companies deemed to be lacking on important climate initiatives, most notably perhaps, the Engine No.1. campaign discussed in the previous section which won three seats at the board of US Oil-Major *Exxon*.

Whether 2022 will bring any similar board overhauls is still to be seen.

Initiatives

Climate campaigns have been facilitated by the growth of a number of global climate-related initiatives, which have gained increased investor attention. Follow This, for instance, filed shareholder resolutions at Shell, BP, Equinor, Chevron and Phillips 66 to compel each company to set emissions reductions targets compliant with goals of the 2015 Paris climate agreement. Australian-based Market Forces has been targeting financial institutions for vague climate ambitions and has this year announced a number of shareholder resolutions in Australia, also recently in Japan, while in the UK, the organization has collaborated with the Friends Provident Foundation in orchestrating shareholder engagements with key prominent financial institutions including **Barclays, HSBC** and **Standard Chartered**.

Climate Action 100+ stated that it is "tracking 39 proposals for the 2022 proxy season at North American Climate Action 100+ focus companies alone. As of 15 April, 22 of those have already been withdrawn after investors reached agreements with companies ahead of a vote, demonstrating how seriously companies are taking such shareholder proposals. Investors have also submitted four resolutions at European focus companies for review and adoption. Companies have the choice of agreeing to resolution requests, resulting in a withdrawal, or adding the resolution to their AGM agenda for further discussion. As of 8 April, one company has negotiated a resolution withdrawal, with one more pending. 16 resolutions relating to net zero transition plans (nine) or transition progress reports (seven) have been filed at Climate Action 100+ focus companies.

On March 14, 2022, Leading international investor groups unveiled new Global Standard on Responsible Climate Lobbying which "provides a framework to ensure companies' lobbying and political engagement activities are in line with the goal of restricting global temperature rise to 1.5ºC above pre-industrial levels.[16]" As a reminder, "The Global Standard on Corporate Climate Lobbying was by investors to drive a step-change in the commitment of investors and companies to responsible climate lobbying. The Global Standard's 14 indicators are intended to be applied consistently across all regions and sectors, with companies taking responsibility for the impact of their advocacy. Where there is misalignment the goals of the Paris Agreement on Climate Change, corrective action should be taken."

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[16] https://climate-lobbying.com/launch-press-release/

In April 2022, SBT published a paper which provides a conceptual foundation for setting and assessing Financial Institutions net-zero targets. SBT stated that the intention of the paper is to provide clarity on key concepts, rather than a definitive set of criteria or detailed guidance[17].

Looking ahead

The number of companies proposing management Say on Climate votes is already higher in 2022 than in full year 2021 (36 votes in 2022 at the time of writing, compared to 26 for the full year in 2021). But the extent to which these and shareholder proposals/initiatives will result in a sustained rise in Say on Climate votes beyond 2022 is difficult to forecast.

At the time of writing, it is more likely that the number of Say on Climate votes plateaus in the coming years as some investor concerns with this voting mechanism remain. In February 2022, the PRI published an investor briefing on Say on Climate which warned that "the benefits of transition plan votes as a mechanism to drive comprehensive climate action seem to be outweighed by the risks and potential unintended consequences". The PRI called on investors to "consider more effective vehicles" such as engagements to encourage companies to disclose their strategy/actions for transitioning to net-zero GHG emissions by 2050 or sooner. Meanwhile, Responsible Investor has reported that As You Sow, a shareholder advocacy group that has been a leading supporter of Say on Climate, has also moved away from requesting advisory votes in its resolutions this year. ISS will be closely monitoring this trend, especially looking at vote results as a relevant indicator of investor sentiment.

As mentioned earlier, one trend seen in the U.S. and internationally is an increase in climate-related shareholder proposals at large financial institutions, including requests for banks to adopt policies to phase out fossil fuel lending. Proposals relating to this topic have been filed at several US and Canadian banks which have been identified as top financers of fossil fuel projects. Companies in the insurance industry have also received a number of proposals this year that are asking for greater disclosure of how the company measures and plans to reduce the emissions associated with its underwriting and insurance activities.

The bulk of climate change-related proposals seen so far in 2022 are requests for companies in high-emitting industries to disclose more information about how they assess risk through, for example, scenario analysis, and requests for companies to establish greenhouse gas emission reduction targets. Most of these proposals are at companies in the industrial, energy, or utility sectors, plus the financial industry. One proposal at **Costco Wholesale** asking for the company to report on its GHG emissions reductions targets has already received majority support.

Proponents are also increasingly asking for independent assurance of climate-related disclosures. Several more proposals were filed this year at energy companies asking for an audited report on the expected financial impacts of the International Energy Agency’s Net Zero 2050 Scenario. In addition, there are approximately twenty proposals asking for disclosure, specifically about climate lobbying, both direct and through trade associations. Some of those have already been withdrawn, presumably because of successful negotiations between the companies and the proponents.

Several banks in Canada have received shareholder Say on Climate proposals this year, also requesting the bank to disclose its climate transition plan and to adopt a policy to seek shareholder approval for it. There are no proposals in the US at this time that request a shareholder advisory vote on climate transition plans.

[17] SBTi-Finance-Net-Zero-Foundations-paper.pdf

In the US, investor and proponent focus is more around director accountability votes via vote no campaigns than on climate transition plan votes. However, as raised above, Continental Europe and the UK have different regulatory frameworks and cultures. In those markets, a "Say on Climate" climate transition plan vote is seen by many investors as a way to encourage better transparency and progress. In the US some companies may voluntarily put forward their climate transition plans for shareholder approval as we saw last year.

Appendix A: Shareholder Proposals Legal Requirements Overview

Country	Shareholding to file an item	Advisory/Binding
Australia	100 valid shareholder signatures supporting the proposal or shareholders owning at least 5% of the company's equity to request an amendment to the company's constitution to permit a non-binding shareholder proposal to be included on the AGM agenda	Advisory[18]
Canada	At least 1% of the total number of outstanding voting shares of the corporation or hold shares with a fair market value of at least $2,000 up to and including the day of the relevant shareholders' meeting[19]	Advisory
Denmark	All shareholders have the right to have a specific item added to the agenda for an annual general meeting if the shareholder has made a request thereof in writing at the latest six weeks before the general meeting. If the proposal is received by the company after the six weeks limit, the board will decide whether it is still possible to include the issue on the agenda.	Binding, unless positioned as a recommendation by proponent
Finland	A shareholder holding a single share may submit proposals for the general meeting to decide. The shareholder must ask in writing that the matter be dealt with at the meeting, and this request must be presented to the board. In a publicly-traded company the request must, in practice, be submitted four weeks before the publication of the meeting notice.	Binding, unless positioned as a recommendation by proponent

[18] The High Court of Australia has ruled in two landmark cases, namely NRMA and Commonwealth Bank, that directors are appointed by shareholders with duties act in shareholder interests and shareholders do not have the ability to usurp directors' powers by expressing an opinion on a matter and require directors to act on it. Accordingly, High Court precedent prevents non-binding ESG proposals appearing on an AGM agenda.
The Corporations Act details the items which shareholders are entitled to vote on as a binding proposal, and shareholder proposals (regarding ESG matters) are not provided for in the Corporations Act. Accordingly, an environmental and social proposal could only be advisory and non-binding in nature.
Given the High Court precedent, shareholders request the company's constitution to be amended as the first leg which includes provisions to allow shareholders to request a non-binding shareholder proposal to be considered and voted on at the AGM. Then the second leg is to propose their ESG resolution.

[19] Rules applicable under the *Canada Business Corporations Act governing companies under the federal jurisdiction -* A shareholder must have held the shares for at least six months at the time he, she or it submits a proposal. Shareholders may aggregate their holdings to meet the threshold so long as each shareholder meets the length of ownership requirements. Rules differ if the company is registered in provinces (Ontario, British Columbia, Alberta).

France	From 0.5% to 5% depending on market capitalization (maximum 20 days after the release of the meeting notice or 25 days prior to the meeting, depending on whether the meeting notice was released before or after 45 days prior to the meeting itself)	Binding
Japan	Either 300 trading units of shares or 1 percent of shares outstanding, whichever is smaller[20]	Binding
New-Zealand	Under section 121 of the Companies Act 1993, shareholders holding not less than 5 per cent of the voting rights of a company can require directors to call a special meeting to discuss predetermined issues or propose a resolution. Shareholder resolutions can have the effect of appointing and removing directors or changing the constitution. Section 109(2) of the Companies Act provides that notwithstanding anything in the Act or constitution, a meeting of shareholders may pass a resolution relating to the management of a company. However, section 109(3) goes on to provide that unless the constitution provides that the resolution is binding, it is not binding on the board.	Advisory
Norway	One share	Binding[21]
South Africa	Any two shareholders can propose a resolution to be considered at the next AGM or by written consents.	Binding[22]
Spain	3% (5 days within the publication of the meeting notice.	Binding
United Kingdom	5% or 100 shareholders	Binding
United States	Under historical rules, a shareholder was to have owned $2,000 or 1% of company shares to file a non-binding shareholder proposal. Resubmission thresholds were 3% for a proposal that has been on the ballot one year before, 6% for a proposal that has been on for over 2 years, and 10% for a proposal that has been on for three years. The SEC has recently adopted an amendment to increase the	Nearly Always Advisory

[20] They need to hold shares for more than six months and proposals must be submitted until eight weeks before shareholder meetings.

[21] In Norway, shareholder proposals are typically classified as binding resolutions, unless explicitly phrased as recommendations to the board.

[22] Although shareholder proposals in South Africa can be binding, this remains untested in respect of climate change proposals which could be challenged in courts.

	submission and resubmission thresholds. New thresholds are $2000 if shares have been held at least 3 years, $15,000 if shares held at least 2 years, and $25,000 if shares have been held at least 1 year. Resubmission thresholds have increased to 5, 15 and 25 percent.	
Switzerland	A shareholder or group of shareholders who control 10% of the share capital (or shares with a nominal value of at least CHF 1 million (approximately $1.1 million)) may file proposals to be included on the meeting agenda. Shareholder proposals must typically be submitted 40-60 days in advance of the meeting as determined in the company's articles.	Binding
Sweden	All shareholders have the right to have a specific item added to the agenda for a general meeting, regardless of the number of shares held, provided that a request was submitted to the board of directors in due time for the item to be included in the meeting notice. Due time refers to at least one week before the earliest deadlines for publishing the meeting notice, or if the request is received after such a date but it is feasible to include such a proposal in the company's meeting notice.	Binding, unless positioned as a recommendation by proponent

Note: The foregoing regulatory information is provided for informational purposes, is not intended as legal advice, and should not be construed as such.

Appendix B: 2022 Global Climate-Related Shareholder/ Management Proposals identified as of April 2022

country	companies	Year (general meeting date)	management proposal	Shareholder proposal	nomenclature
Canada	7 largest banks: Royal Bank, Toronto-Dominion Bank, Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, National Bank of Canada, Desjardins	2022		yes	Board
Canada	Bank of Montreal	2022		yes	Other
Canada	Royal Bank	2022		yes	Other
Canada	Royal Bank, Toronto-Dominion Bank	2022		yes	Other
Canada	Toronto-Dominion Bank	2022		yes	Other
Spain	EDP	2022	yes		Other
Canada	Bank of Nova Scotia	2022		yes	Political Spending
Australia	Rio LTD	2022	yes		Say on climate (management)
Australia	Woodside	2022	yes		Say on climate (management)
Australia	Santos	2022	yes		Say on climate (management)
Canada	Canadian National Rail of Canada	2022	yes		Say on climate (management)
Canada	Canadian Pacific Rail of Canada	2022	yes		Say on climate (management)
France	Engie	2022	yes		Say on climate (management)
France	Amundi	2022	yes		Say on climate (management)
France	Carmila	2022	yes		Say on climate (management)
France	Carrefour	2022	yes		Say on climate (management)
France	EDF	2022	yes		Say on climate (management)
France	Elis	2023	yes		Say on climate (management)
France	Getlink	2022	yes		Say on climate (management)
France	Icade	2022	yes		Say on climate (management)
France	Mercialys	2022	yes		Say on climate (management)

France	Nexity	2022	yes		Say on climate (management)
France	TotalEnergies	2022	yes		Say on climate (management)
Ireland	Kingspan Group	2022	yes		Say on climate (management)
Italy	Atlantia Spa	2022	yes		Say on climate (management)
Norway	Equinor	2022	yes		Say on climate (management)
Spain	Aena S.M.E. SA	2022	yes		Say on climate (management)
Spain	Ferrovial SA	2022	yes		Say on climate (management)
Spain	Repsol SA	2022	yes		Say on climate (management)
Switzerland	UBS	2022	yes		Say on climate (management)
Switzerland	Holcim	2022	yes		Say on climate (management)
UK	Centrica	2022	yes		Say on climate (management)
UK	London Stock Exchange Group	2022	yes		Say on climate (management)
UK	Natwest Group	2022	yes		Say on climate (management)
UK	Standard Chartered	2022	yes		Say on climate (management)
UK	Shell	2022	yes		Say on climate (management)
UK	BP	2022	yes		Say on climate (management)
UK	Glencore	2022	yes		Say on climate (management)
UK	M&G plc	2022	yes		Say on climate (management)
UK	Barclays	2022	Yes		Say on climate (management)
UK	Rio Tinto	2022	Yes		Say on climate (management)
UK	Anglo American	2022	Yes		Say on climate (management)
Germany	RWE	2022		yes	Transition plan
Switzerland	Credit Suisse	2022		yes	Transition plan
Canada	7 largest banks: Royal Bank, Toronto-Dominion Bank, Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, National Bank of Canada, Desjardins	2022		yes	Transition plan

Canada	7 largest banks: Royal Bank, Toronto-Dominion Bank, Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, National Bank of Canada, Desjardins	2022		yes	Transition plan
Canada	Enbridge	2022		yes	Transition plan
Canada	Imperial Oil Limited	2022		yes	Transition plan
Denmark	Danske Bank A/S	2022		yes	Transition plan
UK	Standard Chartered	2022		yes	Transition plan
US	6 largest banks: Bank of America, Citigroup, Wells Fargo, Goldman Sachs, JPMorganChase, Morgan Stanley and 5 large insurance companies: Hartford, Chubb, Travelers, AIG, and Berkshire Hathaway	2022		yes	Transition plan
US*	Over 60 shareholder proposals (including above) filed or on ballot after withdrawals at a variety of companies in the energy, utility, financial services, industrials, and retail sectors.	2022		yes	
US	Vote No Filings at over 25 companies	2022			Vote No

*More than upcoming 60 climate related proposals have been already identified for 2022

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