

WHAT'S BEEN SAID ON CLIMATE

Global Review of Say on
Climate (SoC) Proposals



SquareWell
Partners

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1. Introduction

COVID-19 did not relegate climate change to a distant issue. On the contrary, the pandemic provided evidence of the disruption caused by systemic and unmanaged events. As highlighted in SquareWell Partners' ("SquareWell") [Insight](#) "Changing Climate on Investor Behavior", investors have been using different tools to achieve Paris-aligned portfolios, including engaging with investee companies; divesting from certain companies or sectors; submitting climate-related shareholder proposals; and actively voting at shareholder meetings whilst being more vocal about the impacts of climate change. SquareWell's analysis also showed that efforts to combat climate change by investors are no longer as fragmented, with clear expectations for companies to contribute to a transition to a net zero economy by 2050. SquareWell believes that there is no other topic where investors are as coordinated and consistent in their demands to companies.

It is against this backdrop that the Say on Climate (SoC) [campaign](#) emerged in 2019 by the Children's Investment Fund Foundation (CIFF)¹, the philanthropic arm of The Children's Investment Fund (TCI). The SoC [campaign](#) seeks for companies in various sectors to take urgent action over climate change by presenting a **climate action transition plan** (hereinafter referred to as "climate action plan") and putting such action plan to an **annual non-binding advisory shareholder vote** (by amending bylaws). In response to criticism, TCI recently [suggested](#) an alternative filing strategy for the US market, through which a proposal only requests annual disclosure of emissions and disclosure of a plan to manage those emissions

referencing the [Climate Action 100+ Net Zero Benchmark](#), **without asking for an advisory vote** on such plans. This type of proposal, however, is outside the scope of SquareWell's analysis.

TCI and CIFF's campaign (hereafter referred to as only TCI's campaign), which also aims to get companies to commit to a 1.5°C [Science Based Target](#)², net zero emissions by 2050 or earlier, and to develop interim greenhouse gases (GHG) emission reduction targets, has been supported by Former Governor of the Bank of England, Mark Carney (currently the UN Special Envoy on Climate Action and Finance). Mark Carney [suggested](#) that giving investors a SoC vote would "establish a critical link between responsibility, accountability and sustainability." Furthermore, [Climate Action 100+](#) (CA100+) and various other shareholder advocacy groups and NGOs (see list [here](#))³ have backed the SoC campaign.

SquareWell analyzed the different approaches taken by companies that have voluntarily adopted a SoC vote or have received a shareholder proposal demanding that a SoC process be instituted. It is important to highlight that this report only covers 'Say on Climate' proposals (both management- and shareholder-sponsored) and excludes other climate-related shareholder proposals such as those without an annual advisory vote in the US, 'Say on Sustainability/ESG' proposals (such as that put forward by Gestamp Automocion SA), and ones requesting disclosure of GHG emissions reduction targets and climate-related lobbying activities, etc.

¹ CIFF has reported that the funds taking part in the campaign represented more than US\$3 trillion in assets.

² The Science Based Targets initiative (SBTi) "defines and promotes best practice in emissions reductions and net zero targets in line with climate science."

³ CDP, ShareAction, FILE, As You Sow and ACCR are official partners to the campaign.

SquareWell's main findings on the SoC campaign are:

- Though the SoC campaign is well-intended and simple in principle, the application has not been as straightforward. The SoC concept is being pushed by different organizations across the globe without a unified approach to their demands. Adding to the confusion are companies proactively adopting a SoC vote who have each adapted the concept to fit their own unique agenda.
- The campaign is gaining momentum in the UK, USA and Australia, followed by continental European countries such as France, Spain, and Switzerland.
- As of June 2021, SquareWell is aware of 32 companies that have submitted (or will submit) a SoC proposal, either management- or shareholder-sponsored.
- 23 companies have adopted, either voluntarily or following shareholder pressure, the principle of a SoC vote and are subjecting their climate action plans to shareholder scrutiny.
- The approaches taken by companies that have adopted SoC vary to a great extent, with some companies putting their climate action plans as a one-off shareholder vote. The content of climate action plans are also heterogeneous – some more in line with the objectives of the Paris Agreement than others. Unilever's climate action plan was the most robust in terms of disclosure.
- Management-sponsored SoC proposals have been supported, on average, by more than 90% of shareholders. Only Glencore (UK), Atos (France), S&P (US), Total (France), and Royal Dutch Shell (US) have received over 10% dissent (including abstentions) on their climate action plans as of June 2021.
- Shareholder-sponsored SoC proposals have been less successful, except at Aena and Canadian Pacific Railway. TCI was the proponent in both cases.
- Between the two largest global proxy advisory firms, Institutional Shareholder Services (ISS) has been more supportive of both management- and shareholder-sponsored SoC votes than Glass Lewis.
- Some investors, such as CalPERS, have expressed concerns over the campaign's impact on board accountability and the effectiveness of such a mechanism. European asset managers, like Legal & General Investment Management and BNP Paribas Asset Management, on the other hand, have publicly expressed support for the SoC vote.

2. The SoC Campaign

The SoC campaign is asking companies to: (1) **publish a climate action plan**; and (2) put such plan and its updates up for **an annual shareholder vote**. The campaigner, TCI, [suggests](#) that companies should:

1. Publicly endorse the concept.
2. Develop a credible climate action plan and publish an annual update. With a reference to the Climate Action [100+ Net Zero Company Benchmark](#), the specific action plan should [include](#):
 - Long-term (2036-2050) GHG reduction targets;
 - Medium-term (2026 to 2035) GHG reduction targets;
 - Short-term (2020 to 2025) GHG reduction targets;
 - Capital allocation alignment with GHG reduction targets;
 - Paris Agreement-aligned climate lobbying position; and
 - Disclosure on all elements of the TCFD (Task Force on Climate-related Financial Disclosures) recommendations.
3. Propose an annual advisory resolution for shareholders to vote on.
4. Tie executive pay to the delivery of the plan.
5. Continue to disclose key climate data annually. This includes disclosing on all elements of the TCFD recommendations and making full annual public disclosure to CDP.

There are several organisations (see Appendix II) across the globe promoting the SoC concept. As shown in Table 1, each organization's expectations for a SoC vote are slightly different, potentially leading to confusion in the market. Furthermore, the tactics used by these organizations differ. For example, the [Institutional Investors Group on Climate Change](#) (IIGCC) is understood to be engaging privately with European companies that lead on climate transition to adopt a SoC vote, while others, including the [Australasian Centre for Corporate Responsibility](#) (ACCR) in Australia and [As You Sow](#) in the US, have submitted shareholder proposals at companies that are considered laggards to formally establish a SoC vote.

Table 1 – SoC Campaigners and Their Demands

Proponent	Annual Vote	Climate Action Plan*	Use of TCFD	Reference to CA 100+ Net Zero Benchmark	Science-based targets	Bylaw amendment
TCI						
ACCR						
Market Forces						
Fondazione Finanza Etica						
As You Sow						
IIGCC as part of CA100+						
Ethos Foundation						

 = Yes,  = Case by Case,  = No explicit mention,  = Not Disclosed

*including annual disclosure of GHG emissions.

Source: SquareWell

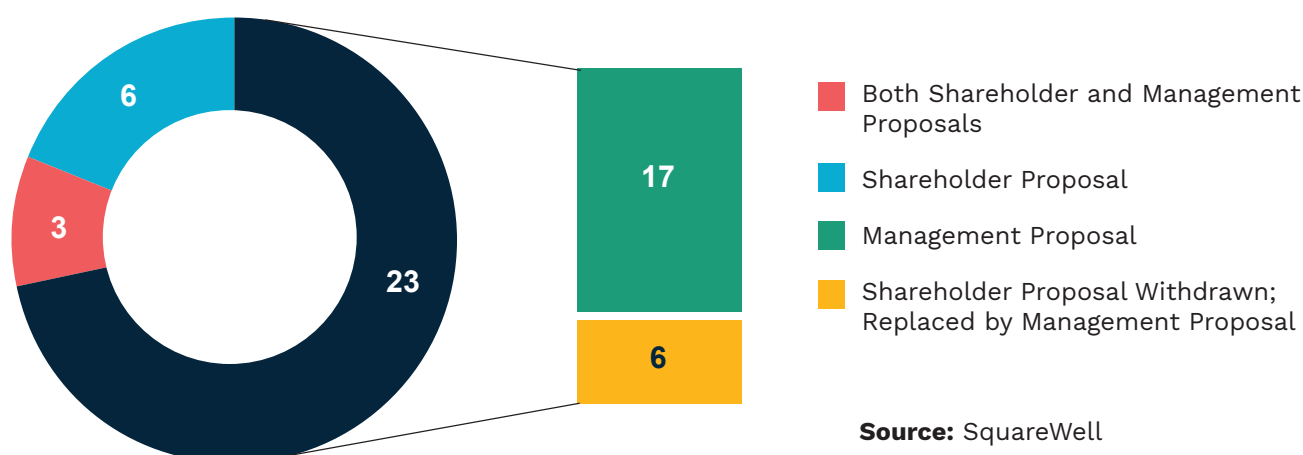
3. Companies Taking the Plunge versus Resisting

Spanish airport operator **Aena S.M.E SA** (“Aena”) became the first company, globally, to grant shareholders an annual vote on its climate change policy in 2020 following pressure from **TCI**. It is important to highlight, however, that TCI is a major shareholder of the Spanish government-controlled Aena, owning approximately 4% of the Company, and TCI’s Chris Hohn sits on the Board.

As of June 2021, SquareWell is aware of 32 companies that have submitted (or will submit) a SoC proposal, either management- or shareholder-sponsored (see Graph 1 and Table 2 below). Twenty-three companies adopted, either voluntarily or following shareholder pressure, the principle of a SoC vote and are subjecting their climate action plans to shareholder scrutiny. Six companies have resisted to put their own SoC proposal on the agenda but will let shareholders vote on shareholder proposals (with the boards recommending against the adoption of the shareholder proposals, except at **Canadian Pacific Railway**). Finally, three companies had their shareholders voting on both a management- and shareholder-sponsored SoC vote. More specifically, **Aena**, **Santos**, and **Woodside Petroleum** agreed to adopt a management-sponsored SoC vote upon receiving shareholder proposals (some of which were later withdrawn) but without amending their bylaws to have a SoC vote on a recurring basis. At these three companies, shareholders are asked to opine on both management-sponsored SoC votes and shareholder proposals to amend their bylaws to hold SoC votes on a recurring basis.

- **Aena**: The management-sponsored SoC proposal and TCI’s shareholder proposals to amend Aena’s bylaws to establish an annual advisory vote passed at its AGM in October 2020.
- **Santos** and **Woodside Petroleum**: The two Australian companies announced that they will be providing shareholders with a non-binding SoC vote at their 2022 AGMs. The shareholder proposals by Market Forces, an Australian activist environmental group, requested bylaw amendments at both companies in 2021 to formalize the process, but failed to pass with the opposition from the companies’ boards.

Graph 1 – SoC Votes by Proponent



Source: SquareWell

Table 2.1 – SoC Votes - Management-Sponsored Proposals

Company	Country	Sector	Meeting Date
Vinci	France	Industrials	08-Apr-21
Ferrovial	Spain	Industrials	09-Apr-21
Nestlé	Switzerland	Consumer Staples	15-Apr-21
Moody's Corporation	USA	Financials	20-Apr-21
Canadian National Railway (CN)	Canada	Industrials	27-Apr-21
Aena	Spain	Industrials	28-Apr-21
Glencore plc	UK/Switzerland	Materials	29-Apr-21
S&P Global	USA	Financials	05-May-21
Unilever	UK/Netherlands	Consumer Staples	05-May-21
Aviva	UK	Financials	06-May-21
Atos	France	Information Technology	12-May-21
Royal Dutch Shell	UK/Netherlands	Energy	18-May-21
HSBC Holdings	UK	Financials	28-May-21
TotalEnergies	France	Energy	28-May-21
Iberdrola	Spain	Utilities	17-Jun-21
Severn Trent	UK	Utilities	08-Jul-21
National Grid	UK	Utilities	26-Jul-21
Sasol	South Africa	Materials	Nov-21
LafargeHolcim	Switzerland	Materials	2022
M&G plc	UK	Financials	2022
Barclays	UK	Financials	2022
Anglo American	UK	Materials	2022
Rio Tinto	Australia	Materials	2022
Oil Search	Australia	Energy	2022
Santos	Australia	Energy	2022
Woodside Petroleum	Australia	Energy	2022

Table 2.2 – SoC Votes - Shareholder-Sponsored Proposals*

Company	Country	Sector	Meeting Date
Aena	Spain	Industrials	29-Oct-20
Santos	Australia	Energy	15-Apr-21
Woodside Petroleum	Australia	Energy	15-Apr-21
Canadian Pacific Railway	Canada	Industrials	21-Apr-21
Charter Communications Inc	USA	Communication Services	27-Apr-21
H&M	Sweden	Consumer Discretionary	06-May-21
Union Pacific Corporation	USA	Industrials	13-May-21
Booking Holdings	USA	Consumer Discretionary	03-Jun-21
Monster Beverage Corporation	USA	Consumer Staples	15-Jun-21

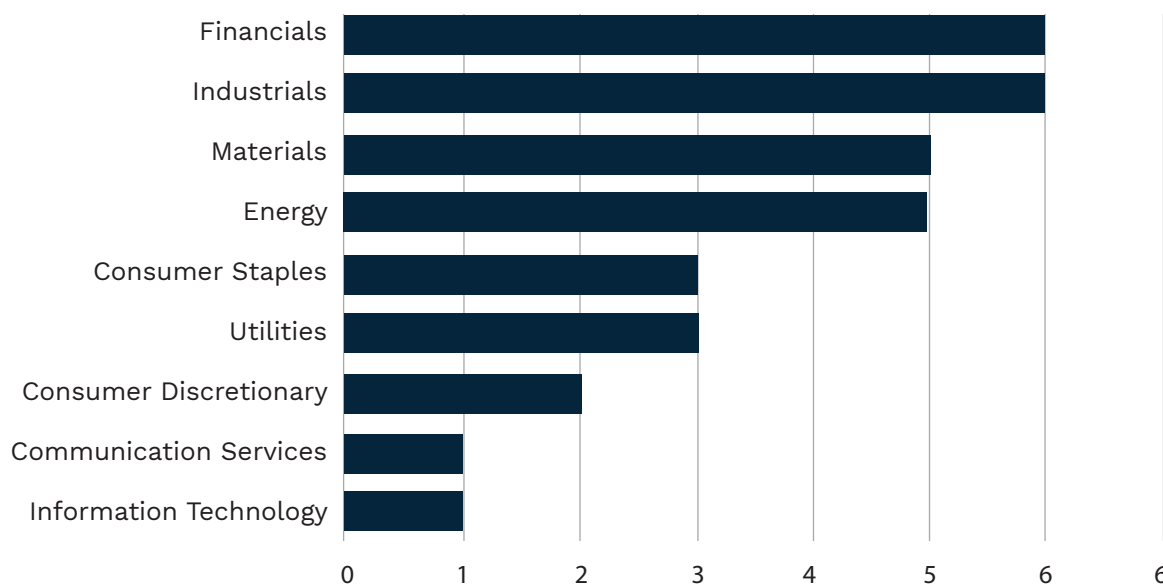
* Excludes proposals that have been rejected by authorities or withdrawn

Source: SquareWell

Breakdown by Sector (GICS)

The SoC campaign has targeted a wide range of sectors, not only those companies in sectors that are key to driving the global net-zero emissions transition. As of June 2021, companies in the Industrials, Financials ([Banks](#) are one of the main targets), Materials and Energy sectors were more likely to either voluntarily adopt a SoC vote or be pressured by shareholders to adopt a SoC vote. These sectors were closely followed by the Consumer Staples and Utilities sectors.

Graph 2 – SoC Management and Shareholder Proposals – Sector (GICS)

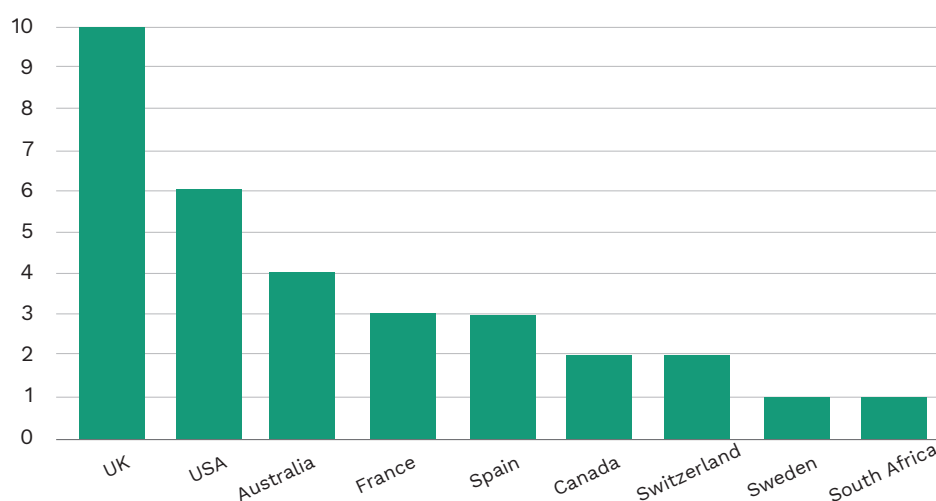


Source: SquareWell

Breakdown by Country of Primary Listing

SoC proposals have been and will be voted on at companies mostly in the UK⁴ and the US, closely followed by Australia and France. TCI, in collaboration with a group of NGOs, asset owners and asset managers, has publicly [stated](#) its intention to file more shareholder proposals in 2022 at companies in the US, the UK, Canada, Australia, Japan and continental Europe.

Graph 3 – SoC Votes (Both Management- and Shareholder-Sponsored) – Country of Primary Listing



Source: SquareWell

⁴ Glencore, listed in the UK and Switzerland, Royal Dutch Shell and Unilever, listed in the UK and Netherlands, are counted as UK companies.

4. Different Interpretations of a SoC Vote

As highlighted in Section 2, the SoC concept is being pushed by different organizations across the globe without a unified approach to their demands. Adding to the confusion are companies proactively adopting a SoC vote who have each adapted the concept to fit their own unique agenda.

Broadly, the SoC concept seeks to: (A) establish a policy that would create the framework for an annual vote on climate disclosure/strategy with or without a bylaw amendment (hereinafter “**Type A proposal**”); and (B) request shareholder approval of a company’s climate action plan (hereinafter “**Type B proposal**”). Under Type A proposal, the legitimacy and necessity of such mechanism is evaluated while the quality and robustness of the climate action plan is evaluated under the Type B proposal.

4.a Analysis of Management-Sponsored SoC Proposals

Based on SquareWell’s analysis, the most variety between what has actually been put to a shareholder vote was found amongst management-sponsored SoC proposals where companies have not necessarily aligned their SoC proposals with the demands of the SoC campaigners. Out of 14 companies that have put management-sponsored SoC proposals to a vote as of June 15th 2021, there has been no management-sponsored proposal to amend bylaws to establish an annual shareholder vote on a climate action plan at future general meetings, despite it being one of the key initial demands of SoC campaigners.⁵ A Spanish utility company, **Iberdrola** (AGM date: 17th June), has taken a slightly different approach as the Company clarifies, through bylaw amendments, the Board’s responsibility to prepare its climate action plan and to supervise its implementation ([item 9](#)), and advises shareholders to use an existing legally-mandated annual shareholder vote on the statement of non-financial information (Sustainability Report) to express opinions on Iberdrola’s climate action plan ([item 11](#)).⁶ This approach reassures that board accountability stays in place while also adapting the SoC principle to the Spanish legal context. Due to the distinct nature of Iberdrola’s approach, it is excluded from the analysis below.

Management-Sponsored Proposal Type

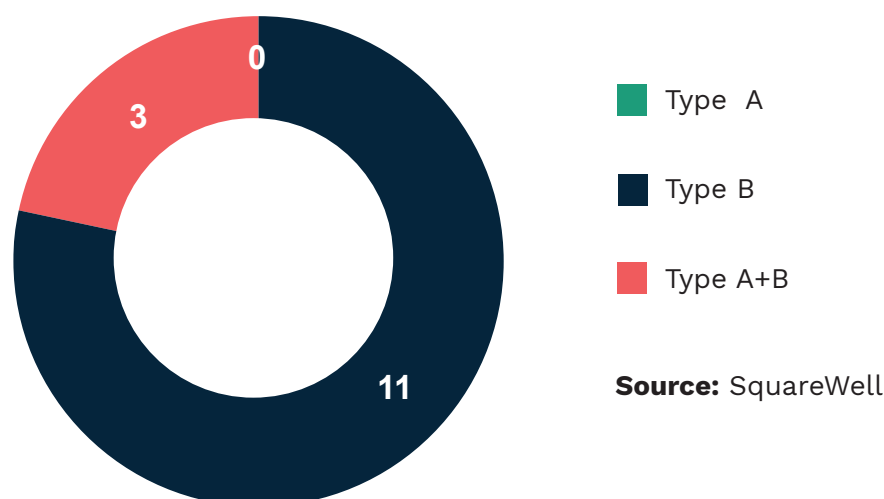
Out of 14 companies that have put forward their SoC proposals to a shareholder vote before mid-June 2021⁷, as listed in Table 3, SquareWell notes that **a large majority (11/14) of the management-sponsored proposals are Type B**, in which a company submits its climate action plan to a non-binding advisory vote, either for 2021 only or committing to a periodic shareholder vote (see Graph 4). Our review suggests that **Canadian National Railway** and **Glencore** have merged these two proposal types (Type A and B).

⁵ Ferrovial submitted a type A proposal at its AGM in 2021, however, without amending its bylaws.

⁶ Iberdrola has also submitted its revised Climate Action Policy for a consultative vote ([item 27](#)). As it is a policy rather than a plan, it is excluded from the analysis.

⁷ Excluding Iberdrola and Sasol whose AGM will be held in November 2021, and information is insufficient as of May 2021 to conduct an analysis.

Graph 4 – Management-Sponsored SoC Proposal Type



Contents of the Climate Action Plan

SquareWell reviewed the contents of the climate action plans disclosed by companies that put forward management-sponsored SoC proposals. **Unilever's Climate Action Plan** includes short, medium, and long-term targets for scope 1 and 2 emissions, and long-term targets for scope 3 emissions⁸, with a plan to reach net zero GHG emissions by 2039. Its reduction targets have also been formally approved by the [Science Based Targets initiative](#) (SBTi). Despite the fact that some companies such as **Royal Dutch Shell** and **Total** have met a majority of investor expectations on what should be included in a climate action plan, the rigor of emission reduction targets, strategy and the overall climate action plan should be evaluated based on climate science and its alignment with the objective of the Paris Agreement.

⁸ According to Greenhouse Gas Protocol, Scope 1 emissions cover all direct GHG emissions by a company; Scope 2 emissions cover indirect GHG emissions from consumption of purchased electricity, heat or steam; and Scope 3 emissions (also known as value chain emissions) cover other indirect GHG emissions such as those from transport-related activities, outsourced activities and use of sold products and services.

Table 3 – Contents of Climate Action Plans of Management-Sponsored Proposals as of June 2021

Company	Net-Zero Pledge	GHG Emissions Reduction Targets					Capital Allocation
		Short-term (2021-2025)	Medium-term (2026-2035)	Long-term (2036-2050)	Scope 3	SBTi	
Aena	2040	●	●	●	●	●	●
Atos	2028	●	●	●	●	●	●
Aviva	2040	●	●	●	●	●	●
CN	-	●	●	●	●	●	●
Ferrovial	2050	●	●	●	●	●	●
Glencore	2050	●	●	●	●	●	●
HSBC	2050	●	●	●	●	●	●
Moody's	2050	●	●	●	●	●	●
Nestlé	2050	●	●	●	●	●	●
Shell	2050	●	●	●	●	●	●
S&P Global	2040	●	●	●	●	●	●
Total	2050	●	●	●	●	●	●
Unilever	2039	●	●	●	●	●	●
Vinci	-	●	●	●	●	●	●

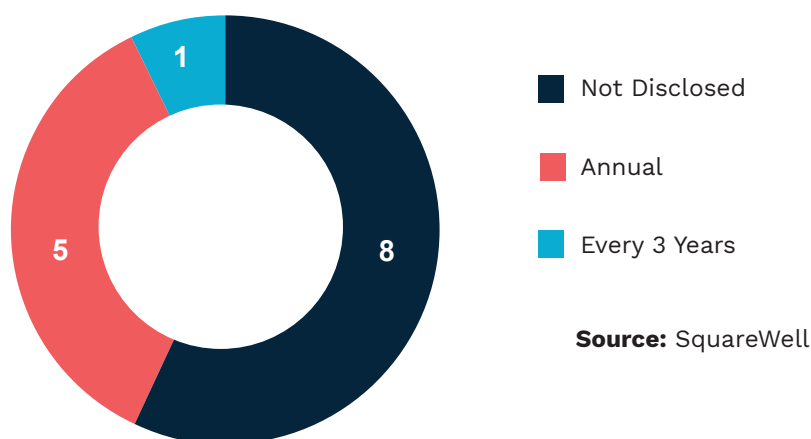
Source: SquareWell Partners, Corporate Filings

● = Included; ● = Not included

Frequency Commitment

Only six companies (6/14) have committed to hold a periodic SoC vote, of which five companies committed to holding such vote on an annual basis (see Graph 5): **Aena**, **Ferrovial**, **Canadian National Railway**, **Glencore** and **Royal Dutch Shell**⁹. Unilever, on the other hand, committed to hold a SoC vote every three years. The other eight companies have not mentioned the recurrence of SoC votes (although **Moody's** and **S&P Global** have both mentioned that they will submit their decarbonization plan to a vote again in 2022).

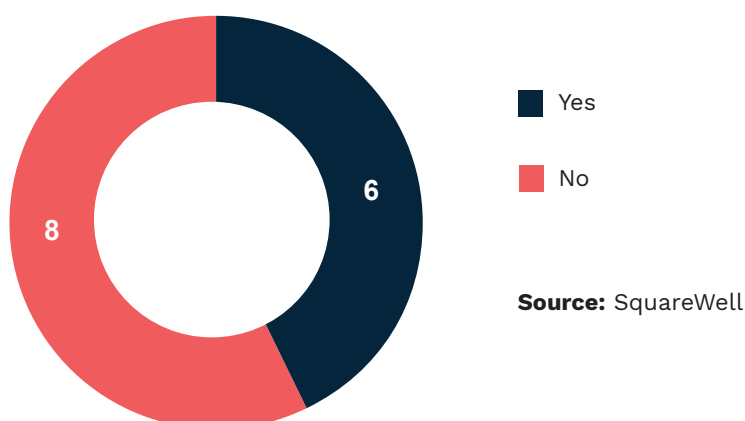
Graph 5 – Frequency Commitment of SoC Votes



Companies' Responses to SoC Votes

Six companies (6/14) disclose how the Board will interpret the SoC votes and the course of action they will take in case there is significant shareholder dissent (See Graph 6). These companies are **Vinci, Moody's, S&P Global, Canadian National Railway, Glencore** and **Total**. With the exception of Glencore that sets the threshold of 20% dissent for the Board to respond, the remaining five companies disclose their course of action only if the proposal receives less than 50% support, where the Board and/or a Board-level committee responsible for the oversight of their climate action plan will modify the plan based on shareholder input.

Graph 6 – Boards' Responses to SoC Votes

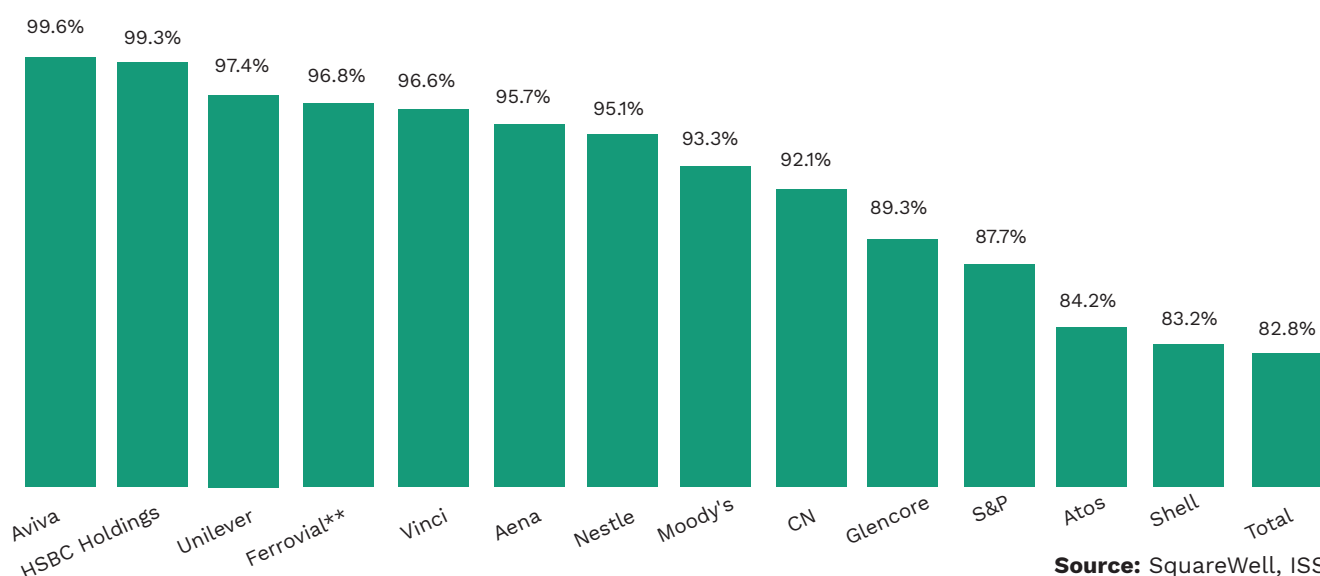


⁹ Glencore and Shell have committed to submit their climate action plan every three years and progress report every year to a shareholder vote.

Vote Results of SoC Management-Sponsored Proposals

As shown in Graph 7, all management-sponsored SoC proposals, as of June 2021, have passed with a high level of shareholder support, averaging 92% of votes in support of their resolutions (including abstentions). The results confirm one of the criticisms of the SoC campaign, where such votes are likely to pass with a high level of support regardless of the robustness of the climate action plans and their ambitions. The lowest level of support was observed at **Royal Dutch Shell's and Total's AGMs** where the share of against votes exceeded 10%.¹⁰

Graph 7 – Shareholder Support* for Management-Sponsored SoC Proposals (as of June 2021)



*Shareholder Support calculated as $\text{FOR}/(\text{F}+\text{A}+\text{AB votes})\%$

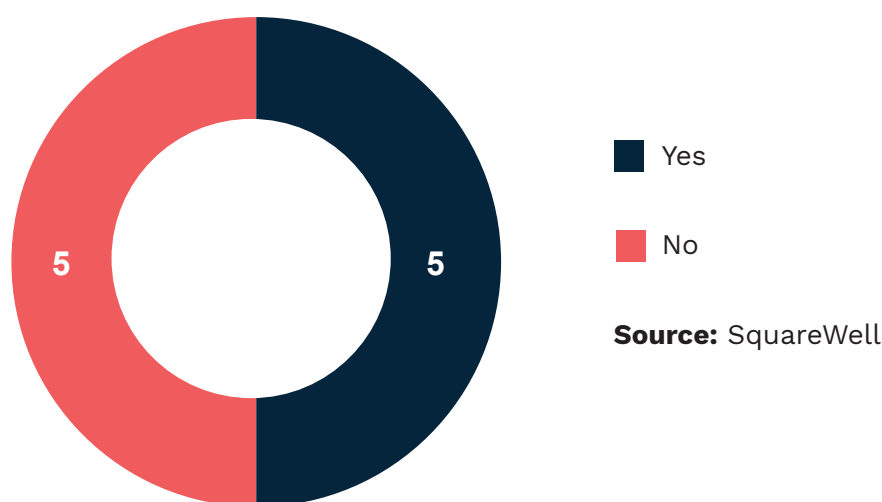
**Ferrovial submitted two proposals related to Say on Climate: type B resolution (item 7.1) received 96.6% support while type A resolution (item 7.2) received 96.8% support

¹⁰ Royal Dutch Shell and Glencore are so far the only companies that received over 10% of votes against their climate action plans. Total, S&P Global and Atos received higher levels of abstentions.

4.b Analysis of Shareholder-Sponsored SoC Proposals

Out of 10 shareholder-sponsored SoC proposals that have or will be put to a vote in 2020 (two proposals at Aena) and 2021¹¹, as listed in Table 2, all proposals have requested companies to adopt an annual shareholder vote on climate action plans from the next year's AGM. In addition, half of these shareholder-sponsored SoC proposals asked the companies to amend their bylaws to formalize the SoC vote (see Graph 8), including: **Aena, Santos, Woodside Petroleum, H&M** and **Monster Beverage Corporation**.

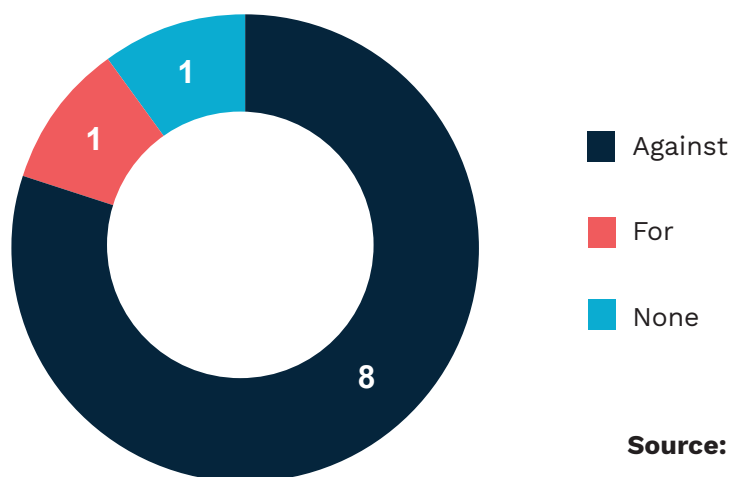
Graph 8 – Shareholder-Sponsored SoC Proposals Seeking Bylaws Amendments



Only one company, **Canadian Pacific Railway (CPR)** recommended its shareholders support the shareholder-sponsored SoC proposal. Others, including **Santos** and **Woodside Petroleum** that had already committed to include a management-sponsored SoC proposal at their 2022 AGMs, recommended their shareholders vote against the shareholder-sponsored proposals in 2021. H&M's board did not provide any recommendation as to how its shareholders should vote on the shareholder-sponsored SoC proposal it received from Fondazione Finanza Etica in 2021 (see Graph 9).

¹¹ Excludes shareholder proposals that have been rejected or withdrawn

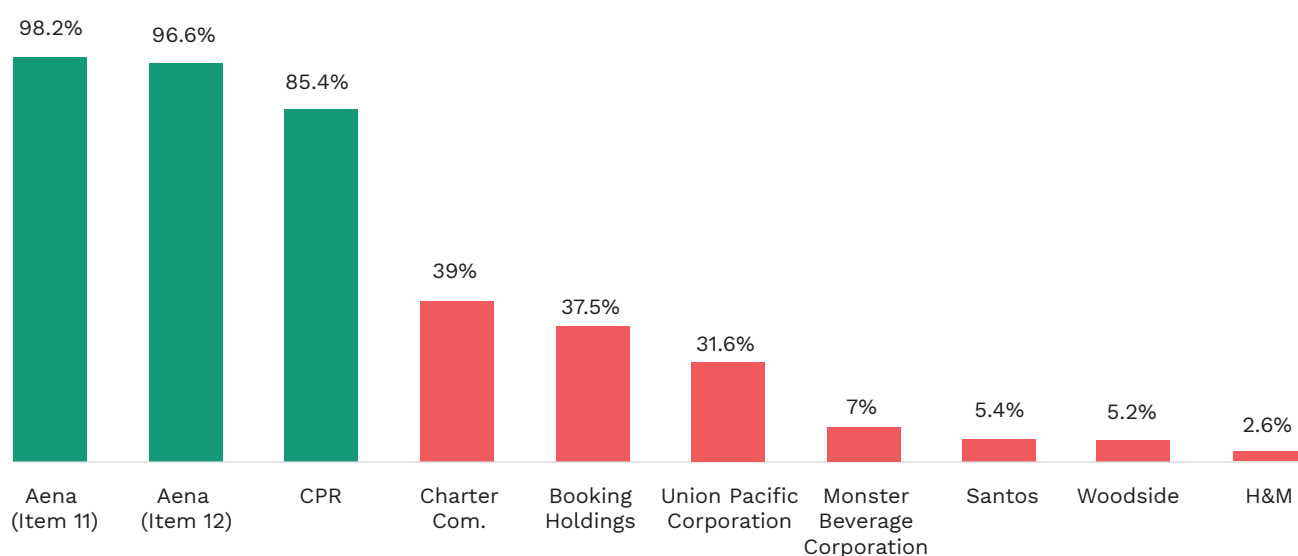
Graph 9 – Board Recommendation on Shareholder-Sponsored SoC Proposal



Vote Results of Shareholder-Sponsored SoC Proposals

As shown in Graph 10, as of June 2021, three out of ten (3/10) shareholder-sponsored SoC proposals that have come to a vote have passed, and shareholder resolutions submitted by TCI have had a higher success rate than other proponents, such as Market Forces and Fondazione Finanza Etica.

Graph 10 – Shareholder Support for Shareholder-Sponsored SoC Proposals (2020 - June 2021)



5. Proxy Advisors' Approach to SoC Proposals

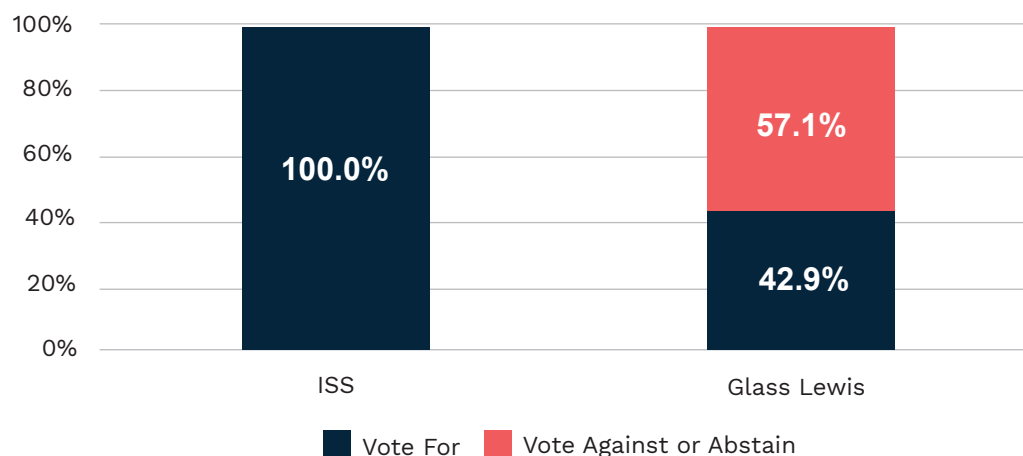
Two global proxy advisory firms, ISS and Glass Lewis, have yet to establish a formal policy for evaluating SoC proposals; however, when evaluating type B proposals (the content of climate action plans), the proxy advisors have been using the below criteria, which is broadly aligned with the CA 100+ [Net Zero Company Benchmark](#).

- Board-level oversight of climate change
- Climate-related disclosures in line with TCFD recommendations
- Executive remuneration linked with the below targets
- Net zero commitment covering scope 1, 2, and 3 emissions
- Long-, medium- and short-term GHG emission reduction targets (Scope 1 and 2)
- Scope 3 emission targets and disclosure, if relevant
- Targets validated by the Science-Based Target initiative (SBTi)
- Emissions data receives third-party assurance
- Decarbonization strategy consistent with the Paris Agreement (scenario analysis)
- GHG emissions are considered material according to SASB (only Glass Lewis)

Glass Lewis has [stated](#) that it will generally recommend AGAINST management- and shareholder-sponsored SoC proposals requesting that companies adopt a policy that provides shareholders with an annual SoC vote on a plan or strategy (Type A proposal) during the 2021 proxy season. When companies are only submitting their climate action plans for an advisory vote (Type B proposal), without formalizing such a process, Glass Lewis will evaluate these climate action plans on a case-by-case basis, evaluating the rigor of the climate action plans. For example, Glass Lewis recommended shareholders vote AGAINST Aena's revised climate action plan in 2021, partially due to its lack of Scope 3 GHG emission reduction targets (as this emission type represents a large majority of Aena's direct and indirect emissions).

While ISS has been supportive of all management-sponsored SoC proposals that have come to a vote in 2021 (as of June), Glass Lewis has so far supported only 42.9% of management-sponsored SoC proposals, as shown in Graph 11. One of the few proposals Glass Lewis supported includes Royal Dutch Shell's Energy Transition Strategy.

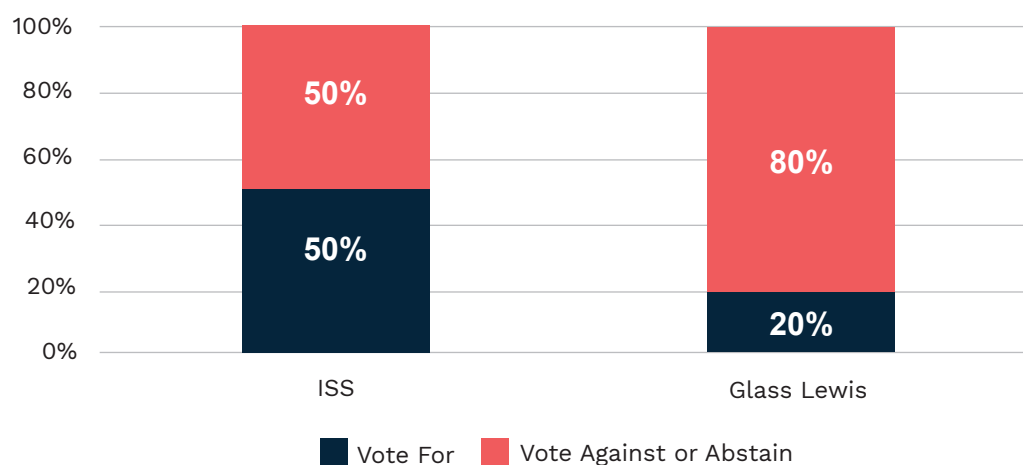
Graph 11 – Proxy Advisors’ Vote Recommendations on Management-Sponsored SoC Proposals (as of June 2021)



Source: SquareWell, ISS, Insightia

Similarly to management-sponsored SoC proposals, ISS has been more supportive of shareholder-sponsored SoC proposals when compared to Glass Lewis. Nonetheless, ISS has recommended AGAINST shareholder-sponsored SoC proposals at **Woodside Petroleum, H&M, and Monster Beverage Corporation**, all of which requested the companies to amend bylaws to establish an annual advisory SoC vote (see Graph 12).

Graph 12 – Proxy Advisors’ Vote Recommendations on Shareholder-Sponsored SoC Proposals (2020-2021)



Source: SquareWell, ISS, Insightia

6. Investors' Approach to SoC Proposals

As of June 2021, there are 16 asset managers who have officially [endorsed](#) the SoC campaign, including Legal & General Investment Management (LGIM) and Sarasin & Partners. It should be noted that aside from a guide for companies to follow, TCI has also developed guides for [asset managers](#), [asset owners](#) and [proxy advisors](#) alike, to encourage companies to include a shareholder vote on their climate action plans in their AGMs.

Though the vote results for both management- and shareholder-sponsored SoC proposals suggests that shareholders are broadly supportive of the SoC concept, several asset managers and asset owners have voiced their concerns with the campaign.

Table 4 – Investors' View on Say on Climate

Investor	Comment
BlackRock	BlackRock mentioned that SoC votes used in isolation “has the potential to weaken board accountability.” Nonetheless, BlackRock supported the initiative at Aena , Moody's Corporation , Vinci , Charter Communications , Canadian Pacific Railway Limited , and Canadian National Railway Company . BlackRock voted against Market Forces proposal to amend Woodside Petroleum's constitution.
State Street Global Advisors (SSgA)	SSgA has said that companies with strong environmental track records should not have their carbon emissions plans put to a shareholder vote. SSgA also expressed concerns that, if these plans become routine, investors may become passive and approve practices of substandard companies. However, SSgA's global co-head of asset stewardship, Robert Walker stated that the investor supports the campaign's “primary aim of requiring companies to disclose their emissions and to be accountable.”
CalPERS	CalPERS publicly shared concerns with SoC by drawing a parallel with the ‘Say on Pay’ votes. CalPERS highlighted that ‘Say on Pay’ votes have not been very effective in limiting executive pay and believes that holding board members accountable is a more effective way to have an impact.
The Vanguard Group	Although Vanguard has warned that SoC advisory votes “should not be used to delegate strategic oversight responsibilities to shareholders”, it is likely to support management SoC proposals if climate-related risks are considered material to the business.

Investor	Comment
Legal & General Investment Management	LGIM has officially endorsed the concept of Say on Climate and noted that the initial target list would cover carbon-intensive sectors including aviation, cement, shipping and steel.
Calvert Research and Management	Calvert Research and Management voted AGAINST Canadian National Railway's climate action plan, citing that: "the disclosure framework being requested in the (SoC) proposal is somewhat ambiguous and untested. Calvert believes shareholders require a high degree of knowledge of the impact of climate on the company's unique business strategy and operations in order to effectively evaluate its climate transition plan and we are concerned that a vote supporting the company's climate action plan would have an unintended effect of hindering shareholder influence over the company's climate change policies in the future. In addition, we do not believe that holding an annual advisory vote is necessarily the most effective mechanism for providing feedback on a company's strategy and targets to address climate change."
Norges Bank Investment Management	Norges Bank noted that it will not support Say on Climate shareholder proposals in principle unless supported by management. Nonetheless, the investor has been supportive of SoC management proposals, including at Nestlé and Royal Dutch Shell .
NYC Comptroller's Office	NYC Comptroller's Office has shared concerns that the lack of structure and expertise could result in uninformed voting decisions leading to a high level of support for climate action plans that are not ambitious enough. For those reasons, NYC Comptroller's Office is likely to vote AGAINST resolutions that formalize the SoC mechanism. Michael Garland of the New York City Comptroller has pointed out that there are also legal concerns in certain markets since shareholder approval of climate action plans could "jeopardize our right to take legal action in the future, if those disclosures were ever revealed to be fraudulent in some way."
NY State Common Retirement Fund	The NY State Common Retirement Fund will reportedly ABSTAIN on SoC proposals in 2021 as their voting guidelines have not codified how to evaluate such proposals.

Source: SquareWell

7. Future Considerations for SoC Proposals

SquareWell has been following the rollout of the Say on Climate campaign, and despite its well-intentioned cause, the campaign is not without its limitations as highlighted below:

Unclear Scope: There is a lack of global consistency on what a SoC vote entails, especially where these proposals are being voluntarily put forward by companies. The lack of consistency could prove counterproductive in the future as companies use their discretion to include or exclude certain aspects of a decarbonization strategy, in effect watering down climate proposals.

Rubber-Stamping Inadequate Climate Action Plans: This very issue came to prominence at [Shell](#), where TCI's Chris Hohn alongside other organizations and investors criticized Shell's [energy transition strategy](#) as being insufficient, and have urged shareholders to vote AGAINST Shell's climate action plan. The ACCR published an [in-depth analysis](#) into Shell's climate action plan and has concluded that Shell is not aligned with the Paris Agreement. In light of the International Energy Agency's [latest net zero conclusions](#), a similar campaign against Total's SoC proposal has been launched by [Reclaim Finance](#), a NGO and think tank, and by [Meeschaert](#), CA100+ lead investor for Total.

Lack of Robust Voting Guidelines and Qualifications to Evaluate Climate Action Plans:

Some investors, including Calvert Research and Management, consider it premature to put a decarbonization strategy to a vote in 2021 as investors and proxy advisors currently do not have robust policies or qualifications to evaluate or vote on climate action plans. Establishing clear guidelines by both proxy advisors and investors could prevent rubber stamping on weak climate action plans (ACCR in Australia has [disclosed](#) how it will judge the credibility of proposed climate action plans). In a [webinar](#) hosted by Follow This, TCI's Chris Hohn also suggested it was important to call out the greenwashing of investors that support plans that do not lead to emission reductions.

Board Accountability: SoC proposals could [shift accountability](#) from boards to investors. In response to this criticism, TCI [stressed](#) that the SoC vote does not “substitute for voting against directors” and [stated](#) that a company receiving significant dissent for its climate action plan could trigger an automatic vote against a director in charge of climate change (or sustainability) or the lead independent director. Investors may also consider nominating directors with greater climate expertise. A second year where a company receives significant opposition on its climate action plan could trigger a vote against the chairman.

The Effectiveness of Non-Binding Advisory Vote: As votes are meant to be non-binding/advisory, companies could ignore the result of the vote. Such action, however, could lead to shareholders holding board members accountable at the following general meeting if a company fails to adequately respond to shareholder concerns.

Burden on Management and Investors: There are also concerns that the campaign could lead to other “say on” sustainability topics (e.g., biodiversity, workforce diversity, etc.), which may become too burdensome for both companies and investors. The cost of the Say on Climate votes (such as preparation) may outweigh the benefit of adopting such a practice, especially for companies that already lead on net zero transition and actively engage with shareholders on their climate transition efforts.

8. SquareWell's Say on Climate

The seemingly simple concept of Say on Climate has turned out to be more complex than first anticipated since the effectiveness and impacts of the SoC vote have been questioned and the campaign has become one of the most contentious topics of this year's general meeting season. It is fair to suggest that some of the SoC adopters in carbon-intensive sectors have used the SoC campaign as a defense mechanism against other climate-related shareholder proposals and to appear progressive compared to peers. In spite of the high level of shareholder support for management-sponsored SoC proposals so far, companies should be wary not only of vocal investors but also of other stakeholders who may quickly call out hollow net zero pledges or climate action plans that are not in line with climate science.

In order to prevent rubber-stamping inadequate climate action plans, investors should have members of stewardship teams or portfolio managers equipped and able to thoroughly evaluate the rigor of climate action plans, with the help of third-parties, if necessary. With more SoC votes on the way, investors should send a clear signal to companies by utilizing both their approval/disapproval vote on companies' climate action plans and on director elections. Investors' voting actions are being put under a microscope, especially at carbon-intensive companies where the stake is high. Investors' voting decisions will impact the credibility of their stewardship activities and their own climate narrative, with the potential of being criticized for greenwashing if their actions do not align with their said commitments.

APPENDIX 1 – Management-Sponsored SoC Proposals (2021)

Company	Meeting Date	Initiator	Proposal Type*	Recurring vote	Frequency (years)
Aena	28-04-21	Shareholder	B		1
Atos	12-05-21	Management	B		-
Aviva	06-05-21	Management	B		-
Canadian Ntl Railway	27-04-21	Shareholder	(A+B)		1
Ferrovial	09-04-21	Management	A+B		1
Glencore plc	29-04-21	Management	(A+B)		1
HSBC Holdings	28-05-21	Shareholder	B		-
Iberdrola	17-06-21	Management	A+B**		1
Moody's Corporation	20-04-21	Shareholder	B		-
National Grid	26-07-21	Management	A		1
Nestlé	15-04-21	Shareholder	B		-
Royal Dutch Shell	18-05-21	Management	B		1
S&P Global	05-05-21	Shareholder	B		-
Severn Trent	08-07-21	Management	B		3
Total	28-05-21	Management	B		-
Unilever	05-05-21	Management	B		3
Vinci	08-04-21	Management	B		-
Sasol	Nov 2021	Management	-		-

 = Yes,  = 2021 and 2022 only,  = No explicit mention,  = Not Disclosed

* **Type A proposals** establish a policy that would create the framework for an annual vote on climate disclosure/ strategy with or without a bylaw amendment; and **Type B proposals** request shareholder approval of a company's climate action plan.

** Iberdrola does not establish a separate advisory shareholder vote on its climate action plan.

Source: SquareWell

APPENDIX 2 – SoC Supporters

Organization	Geography	Description
As You Sow (AYS)	US	As You Sow , a US non-profit leader in shareholder advocacy, has written to 75 companies and submitted shareholder proposals at some of those companies in 2020, which will be voted on in 2021. The non-profit intends to send letters to hundreds of companies demanding that they put to a vote their net zero transition plans to fulfil the Paris Agreement.
Ethos Foundation	Europe	Ethos Foundation , a foundation for sustainable development composed of Swiss pension funds and institutions, targeted Nestlé and LafargeHolcim as they are large emitters of CO2 in Switzerland. At Nestlé, Ethos submitted a shareholder resolution, alongside seven Swiss pension funds, which it later withdrew as the company decided to submit its climate transition plan to a shareholder advisory vote in 2021. LafargeHolcim, the biggest CO2 emitter of all Swiss listed companies, has agreed to prepare a climate transition report for a shareholder vote in 2022.
Fondazione Finanza Etica	Europe	Fondazione Finanza Etica , an Italian foundation that works within Europe to push the improvement of business ethics, engaged with Eni and H&M on the adoption of SoC. With clothing giant H&M, the foundation put forward two shareholder proposals, which the Company included on the agenda at their 2021 AGM .
The Investor Forum	UK	The Investor Forum – which collectively manages over £20 trillion, and whose members include BlackRock, Schroders and UBS – has supported the idea of a yearly vote on companies' plans to tackle climate change. In its 2020 Annual Review it explained how an annual vote would provide investors with the opportunity to show their confidence in companies with effective climate strategies, bringing recognition to companies undertaking extensive work for their climate ambitions. It would also shine a light on companies that are lagging. The Investor Forum has called on the UK government to consider making SoC votes mandatory.

Organization	Geography	Description
The Australasian Centre for Corporate Responsibility (ACCR)	Australia	The Australasian Centre for Corporate Responsibility (ACCR), a research and shareholder advocacy group which focuses on ESG issues in corporate Australia, joined the SoC initiative to promote better transparency on climate reporting. ACCR filed SoC proposals at Santos, Woodside Petroleum and Oil Search. All three proposals have since been withdrawn as the companies have committed to put their climate action plans to a vote at their AGM in 2022.
Market Forces (MF)	Australia	Market Forces , an activist shareholder group which works to influence financial institutions and governments to use capital to protect rather than damage the environment, submitted resolutions at Santos Limited and Woodside Petroleum Ltd requesting bylaw amendments to include an annual SoC vote.
The Australian Council of Superannuation Investors (ACSI)	Australia	The Australian Council of Superannuation Investors (ACSI), composed of superannuation and institutional investors, will start by focusing on companies within the ASX 200 Index in climate exposed sectors such as Materials, Energy, Utilities and Transport for their SoC campaign. ACSI also put pressure on Woodside, Santos, Rio Tinto, and Oil Search, leading these companies to include SoC votes in their 2022 AGMs.

Source: SquareWell

APPENDIX 3 – SoC Proposals Timeline

Management-Sponsored SoC Proposals

October 28th

Aena



2021

April 08th

Vinci



April 09th

Ferrovial



April 15th

Nestlé



April 20th

Moody's Corporation



April 27th

Canadian National Railway



April 28th

Aena



April 29th

Glencore



May 05th

**Unilever
S&P Global**



May 06th

Aviva



May 12th

Atos



May 18th

Royal Dutch Shell



May 28th

HSBC

Total



June 17th

Iberdrola

Pending

July 8th

Severn Trent

Pending

July 26th

National Grid

Pending

November

Sasol

Pending

Rio Tinto

Santos

Woodside Petroleum

Oil Search

LafargeHolcim

Anglo American

M&G plc

Barclays

Shareholder-Sponsored SoC Proposals

2020

TCI

Aena



MF

Santos

Woodside Petroleum



TCI

April 21st

Canadian Pacific Railway



TCI

Charter Communications



F. Etica

Hennes & Mauritz AB (H&M)



TCI

May 13th

Union Pacific Corporation



AYS

June 3rd

Booking Holdings



AYS

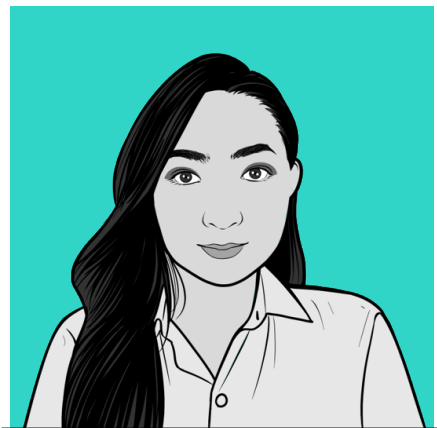
June 15th

Monster Beverage Corporatio

2022

Source: SquareWell

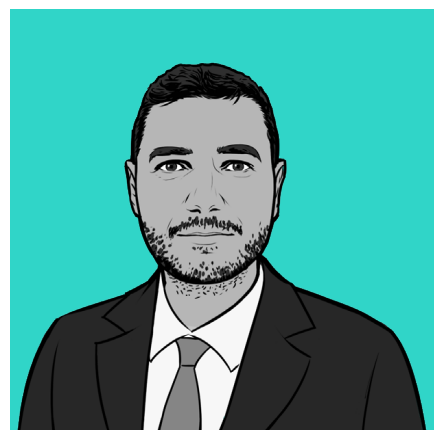
WHAT'S BEEN SAID ON CLIMATE



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