CLIMATE CHANGE

What's Been Said on Climate and the Changing Climate on Investor Behavior

SquareWell Partners

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INTRODUCTION

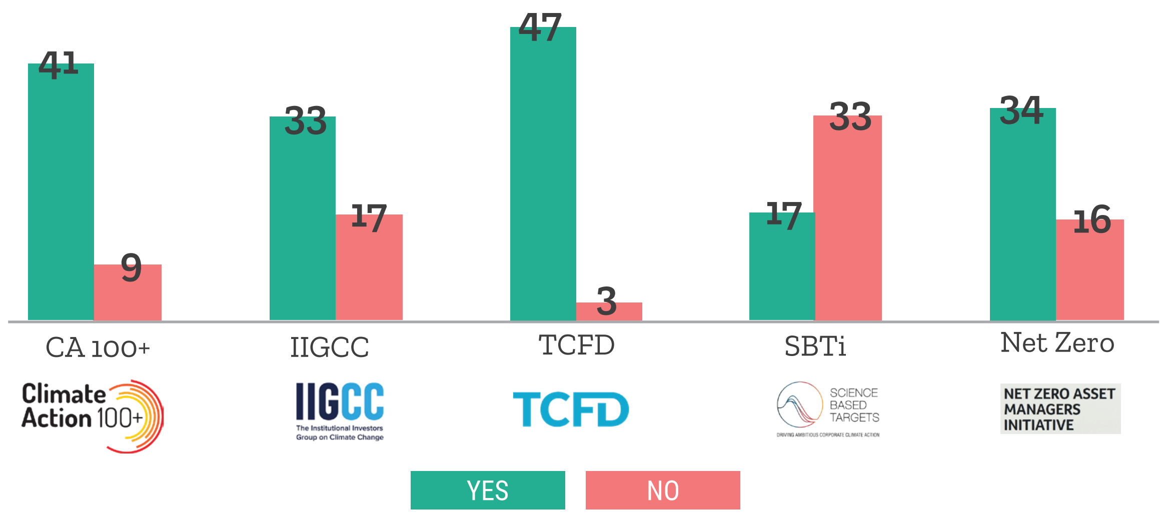
Scientific research highlights that climate change is a time-bound, pressing issue and scientists have set the clock for us all. Figures most familiar to investors and companies are the year "2050" and the "1.5°C" global warming limit. Within the European Union ("EU"), there is also a specific focus on 2030, with a target to reduce greenhouse gas ("GHG") emissions by 55% from 1990 levels. According to the Sixth Assessment Report by the Intergovernmental Panel on Climate Change ("IPCC"), global GHG emissions must peak before 2025 at the latest and be halved by 2030 to limit warming to 1.5°C. As such, if we are to heed to expert views, addressing climate change requires concerted efforts by all stakeholders, including the capital markets.

Despite the politicization of the topic in certain jurisdictions, investors have played a key role in ensuring that portfolio companies focus on tackling challenges presented by climate change. To this end, investors have been using different tools to enact change at portfolio companies, including engaging with investee companies, divesting from certain companies or sectors; submitting climate-related shareholder proposals; and incorporating climate change considerations in voting decisions at shareholder meetings.

There has also been a collaborative push to achieve the goals of the Paris Agreement by investors to encourage companies to utilize reporting frameworks such as the Task Force on Climate-related Financial Disclosures ("TCFD"); reporting to the CDP; adopting GHG reduction targets in line with the Science Based Targets initiative ("SBTi"); and engaging with heavy emitters on net zero transition through the Climate Action 100+ initiative. Looking at the largest 50 asset managers globally, SquareWell found the below adoption rates of key initiatives surrounding climate change as of October 2022.

Figure 1. **Support for Climate Change Initiatives by the Largest 50 Asset Managers**

Source: SquareWell, The Playing Field, October 2022



Investors' focus on climate change has inevitably led to a surge in climate-related proposals in recent years, including the introduction of the Say on Climate ("SoC") concept. To shed light on the various forms of proposals that seek shareholder opinion on a company's approach to climate change, SquareWell Partners ("SquareWell") merged its previously two separate insights published in 2021 – "The Changing Climate on Investor Behavior" and "What's Been Said on Climate" – into a two-part single report for 2022.

In SquareWell's two-part report, climate-related proposals, both management- and shareholder-sponsored, as well as investors' position on evaluating such proposals is presented. More specifically, SquareWell undertook a review of:

- **Part 1 - The Say on Climate ("SoC") Campaign:** This section serves as an update to SquareWell's 2021 Insight "What's Been Said on Climate". More specifically, SquareWell reviewed the management-sponsored proposals that have come to a vote between 1 January 2021 and 30 November 2022 across the globe. Our research gives insight into the evolution of the SoC campaign, including the adoption of the concept by companies and the changing perspectives of proxy advisors and investors on the topic.

- **Part 2 – Climate-Related Shareholder Proposals:** This section serves as an update to SquareWell's 2021 Insight "The Changing Climate on Investor Behavior" where it reviewed a total of 291 climate-related shareholder proposals filed at 153 unique companies between 1 January 2018 and 1 August 2022 across twelve countries. Our analysis covers the trends and developments on shareholder requests, targeted geographies and sectors, and investor reception to such proposals. This section also covers the shareholder proposals requesting companies to adopt a SoC vote.

MAIN FINDINGS

PART 1: THE SAY ON CLIMATE ("SOC") CAMPAIGN

- **The number of management-sponsored SoC proposals have more than doubled in 2022 when compared to 2021**, of which 78% are first-time proposals. **Most of the first-time SoC votes were held by French companies** (predominately in the "Real Estate" sector) and UK companies (predominately in the "Financials" sector). **Repeat proposals were mostly brought to a vote at UK companies** (5 out of the 10 repeat proposals were put to a vote at UK companies). Other repeat proposals were put to a vote in Canada, France, South Africa, and Spain.

- **Essential components are still missing in half of the climate transition action plans that came to a vote in 2022**. Weaknesses of climate action plans tend to be surrounding the **lack of short-term emissions reduction targets, setting science-based targets,** and **communicating a Paris-aligned lobbying policy**.

- **In 2022, SoC proposals were supported, on average, by 86% of participating shareholders (a slight decline from the previous year's average of 93%)**. As of November 2022, companies that received over 20% dissent (including abstentions) on their climate action plans were: Woodside Energy Group Ltd. (Australia); Santos Limited (Australia); AGL Energy Limited (Australia); Glencore Plc (UK); APA Group (Australia) and M&G Plc (UK). The lowest level of support was observed at Woodside Energy Group Ltd. where it barely passed due to opposition reaching 48% by participating shareholders.

- **Companies within the Climate Action 100+'s "Focus List" generally received lower shareholder support on their SoC proposals**.

- **The two largest global proxy advisory firms—Institutional Shareholder Services (ISS) and Glass Lewis— have become more aligned with their recommendations on management-sponsored SoC proposals when compared to 2021**, noting the same recommendation issued for 73% of SoC proposals, as opposed to only 45% in 2021.

- **Investors are becoming more rigorous when evaluating SoC proposals**. According to SquareWell's analysis, the average support of the 25 large asset managers (by size of AUM) has declined by 15 percentage points. **Investors becoming stricter in their evaluation of SoC proposals include: Amundi Asset Management, BNP Paribas Asset Management, Legal & General Investment Management, and Franklin Templeton Investments.**

PART 2: CLIMATE-RELATED SHAREHOLDER PROPOSALS

- During the period under review (i.e. 2018-2022), **153 unique companies across twelve countries received a total of 291 climate-related shareholder proposals.**

- **2022 was the most active year for climate-related shareholder proposals**, with a total of 79 shareholder proposals filed globally, compared to 69 shareholder proposals filed in 2021.

- **The number of approved shareholder proposals dropped from 17 proposals in 2021 to 12 proposals in 2022.**

- **US companies comprised almost 60% of all targeted companies**, followed by companies in Australia, Canada, Japan, and the UK. **2022 marked the first year that a Swiss company received a climate-related shareholder proposal**.

- **Companies within the "Financials" sector were the most targeted with climate-related shareholders in 2022**, representing close to 40% of the companies targeted within the year. This was followed by companies within the "Energy" sector, representing around 20% of companies targeted during 2022.

- **Climate-related shareholder proposals filed in 2022 seeking companies to "Adopt and Disclose GHG Reduction Targets" increased by 2.6x and "Report on Financing Activities in view of Climate Change" increased by 2.1x when compared to 2021**. All other shareholder proposal categories saw a decline in 2022 when compared to the previous year.

- Following the momentous 2021 financial year where a quarter of the shareholder proposals related to climate change were approved by shareholders, **2022 saw only 15% of the shareholder proposals filed related to climate change approved by shareholders**. Despite the year-on-year decline, the adoption rates of the shareholder proposals in 2022 still marked the second highest over the past five years.

PART 1. THE SOC CAMPAIGN

SCOPE OF ANALYSIS

The initial aim of the Say on Climate ("SoC") campaign was for companies to put their climate transition action plans ("climate action plan") to an annual non-binding shareholder vote. As the campaign evolved, so did the definition of what a SoC vote should entail due to the notable variations in the demands of SoC proponents across various jurisdictions and how companies interpreted the SoC concept. For example, some companies requested shareholders to approve their climate ambitions without presenting a climate action plan (such as the proposals put forward by Elis SA*, NatWest Group Plc*, and Francaise Energie SA*) while others (Aviva Plc, Pennon Group Plc, United Utilities Group Plc) requested shareholders to vote on climate-related financial disclosures. While these proposals deviate from the original SoC ask, they were often evaluated as a SoC by investors and proxy advisors**.

As such, deviating from the SoC's strict original definition, **SquareWell broadened the scope to consider any management-sponsored climate-related proposal as a SoC**. Shareholder-sponsored SoC proposals and other climate-related shareholder proposals are covered in the second part of our report titled "Climate-Related Shareholder Proposals".

*Elis SA's proposal sought approval of their "ambition to define, by the end of 2022, an approach to reducing the Company's emissions," whereby new GHG reduction targets will be proposed. Similarly, NatWest Group Plc sought approval for its climate strategy and its intention to publish a climate transition plan only in 2023 while Francaise Energie SA asked shareholders to approve its one-page climate transition strategy as presented in the notice of meeting.

** SquareWell notes that in 2021, Iberdrola SA ("Iberdrola") had made a bylaw amendment to use an existing legally mandated annual shareholder vote on the statement of non-financial information (akin to a Sustainability Report) to have shareholders express their opinion on Iberdrola's climate action plan. Iberdrola's 2021 proposal was treated as a SoC proposal in 2021 by SquareWell; however, given the distinct nature of Iberdrola's approach to adapt the SoC principle to the Spanish legal context, this year's proposal to approve non-financial information statement was excluded from our review.

1.1. SETTING THE CONTEXT

The Say on Climate ("SoC") campaign emerged in 2019, advocated by the Children's Investment Fund Foundation ("CIFF"), the philanthropic arm of The Children's Investment Fund ("TCI"). Spanish airport operator Aena S.M.E SA ("Aena") became the first company, globally, to grant shareholders an annual vote on its climate action plan in 2020 following pressure from TCI, the largest shareholder after the Spanish government at the state-owned company.

The SoC campaign initially sought for companies to present a **climate transition action plan ("climate action plan"**) and putting such climate action plan to an **annual non-binding advisory shareholder vote** (by amending bylaws). The campaigner, TCI, suggested that companies should:

1. Publicly **endorse the concept**
2. Develop a **credible climate action plan** and **publish an annual update**, with reference to the Climate Action 100+'s (CA100+) Net Zero Company Benchmark
3. Propose an **annual advisory resolution** for shareholders to vote on
4. Tie **executive pay** to the delivery of the climate action plan
5. Disclose key climate data annually. This includes disclosing on all elements of the **Task Force on Climate-related Financial Disclosures ("TCFD")** recommendations and annually submitting disclosures to **CDP**.

The SoC campaign was initially promoted by several shareholder advocacy groups and investor coalitions. For example, the Institutional Investors Group on Climate Change ("IIGCC") was understood to be engaging privately with European companies that lead on the 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, had submitted shareholder proposals at companies that were considered as "climate laggards" to formally establish a SoC vote in 2021. As noted in the second part of this report, **in 2022, there were only six shareholder proposals requesting SoC votes.** All six shareholder proposals were filed at Canadian financial institutions by Mouvement d'éducation et de défense ("MÉDAC").

In July 2021, **TCI updated its guidance to clarify the essential components of a climate action plan**, emphasising the need for companies to **set short-term targets** and **halve their emissions by 2030**. TCI also asked companies to **restrict the use of offsetting** and adopt targets that are **science-based and**

aligned with a 1.5°C pathway. More specifically, TCI suggested that climate action plans should include:

- **Short- and Medium-term GHG reduction targets:** 5- and 10-year plan;
- Average absolute **Scope 1-3 emissions reduction of 7-8% per annum to 2030**;
- **Phase out fossil fuel use and production, no financing of new supply;**
- **Executive pay** tied to the climate action plan;
- Paris Agreement-aligned **climate lobbying** position;
- **Capital allocation alignment** with GHG reduction targets;
- Minimal use of high-quality **carbon offsets**;
- **Independent audit** of emissions data; and
- Annual **performance reporting** to shareholders.

1.2. THE PLAYING FIELD

While the number of shareholder proposals remained broadly the same year-on-year (see Part 2 of this report for more information), **the number of management-sponsored SoC proposals more than doubled over the past year**. As of November 2022, 46 companies submitted (or will submit) a management-sponsored SoC proposal in 2022, compared with 22 companies in 2021 (see **Figure 2** and **Table 1**). A majority (78%) of the management-sponsored SoC proposals were presented for the first time.[1] Ten companies[2] submitted a management-sponsored SoC proposal in both 2021 and 2022. Repeat proposals were mostly brought to a vote at UK companies (5/10).

In 2021, most management-sponsored SoC proposals were a result of shareholder intervention, either following private engagement or upon receiving shareholder proposals (some of which were later withdrawn). The trend appears to have reversed in 2022 where SquareWell witnessed a four-fold increase in the number of companies voluntarily adopting the SoC vote without shareholder intervention. Based on publicly available information, **voluntary adoption accounted for 63% (29/46) of the management-sponsored SoC proposals in 2022 compared to only 32% (7/22) the previous year**.

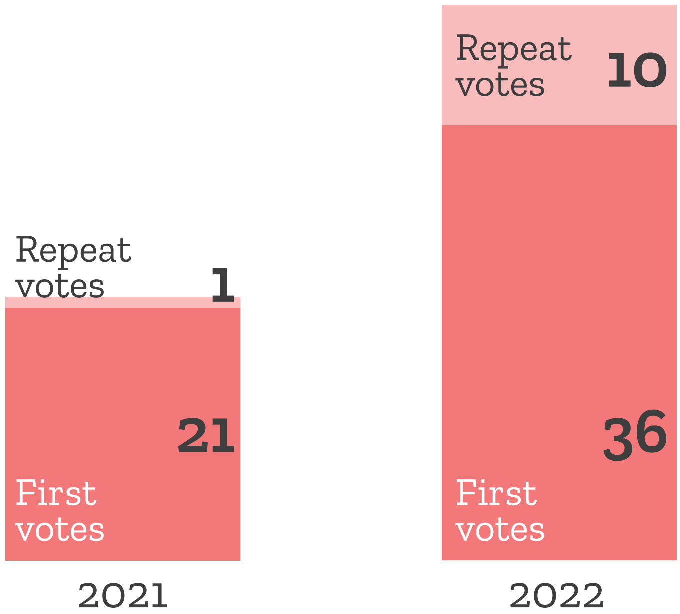
[1] 2022 was the first year Canadian Pacific Railway submitted a management-sponsored SoC proposal. A shareholder SoC proposal was approved at the Company's 2021 AGM, subjecting it to an annual vote hereafter.

[2] Aena S.M.E SA (Spain), Aviva Plc (UK), Canadian National Railway (Canada), Ferrovial SA (Spain), Glencore Plc (UK), National Grid Plc (UK), Ninety One Ltd (South Africa), Shell Plc (UK), SSE (UK), TotalEnergies SE (France)

Figure 2.

Number of Management-Sponsored SoC Proposals

Source: SquareWell



Note: SquareWell included Canadian Pacific Railway in the count of 2022 as a first-time voter despite its management-sponsored SoC proposal being a result of an approved shareholder proposal requesting a SoC at an earlier AGM.

Table 1. Management-Sponsored SoC Proposals – 2022 (in order of AGM date)

Source: SquareWell

● **Pass**

Company	Country	Sector	Meeting Date	Result
Aena S.M.E SA	Spain	Industrials	31-Mar-22	●
Ferrovial SA	Spain	Industrials	06-Apr-22	●
UBS Group AG	Switzerland	Financials	06-Apr-22	●
Anglo American Plc	UK	Materials	19-Apr-22	●
ENGIE SA	France	Utilities	21-Apr-22	●
Icade SA	France	Real Estate	22-Apr-22	●
Canadian Pacific Railway Ltd	Canada	Industrials	27-Apr-22	●
Getlink SE	France	Industrials	27-Apr-22	●
London Stock Exchange Group	UK	Financials	27-Apr-22	●
Glencore Plc	UK	Materials	28-Apr-22	●
Mercialys SA	France	Real Estate	28-Apr-22	●
NatWest Group Plc	UK	Financials	28-Apr-22	●
Atlantia SpA	Italy	Industrials	29-Apr-22	●
Kingspan Group Plc	Ireland	Industrials	29-Apr-22	●
Santos Limited	Australia	Energy	03-May-22	●
Barclays Plc	UK	Financials	04-May-22	●
Holcim Ltd.	Switzerland	Materials	04-May-22	●
Standard Chartered Plc	UK	Financials	04-May-22	●
Repsol SA	Spain	Energy	05-May-22	●
Rio Tinto Limited	UK/**Australia**	Materials	05-May-22	●
Aviva Plc	UK	Financials	09-May-22	●
Equinor ASA	Norway	Energy	11-May-22	●
BP Plc	UK	Energy	12-May-22	●
Carmila SA	France	Real Estate	12-May-22	●
Electricite de France SA	France	Utilities	12-May-22	●
Amundi SA	France	Financials	18-May-22	●
Nexity SA	France	Real Estate	18-May-22	●

Company	Country	Sector	Meeting Date	Result
Elis SA	France	Industrials	19-May-22	●
Woodside Energy Group Ltd	Australia	Energy	19-May-22	●
Canadian National Railway	Canada	Industrials	20-May-22	●
Shell Plc	UK	Energy	24-May-22	●
M&G Plc	UK	Financials	25-May-22	●
TotalEnergies SE	France	Energy	25-May-22	●
Carrefour SA	France	Consumer Staples	03-Jun-22	●
Centrica Plc	UK	Utilities	07-Jun-22	●
National Grid Plc	UK	Utilities	11-Jul-22	●
Pennon Group Plc	UK	Utilities	21-Jul-22	●
SSE Plc	UK	Utilities	21-Jul-22	●
United Utilities Group Plc	UK	Utilities	22-Jul-22	●
Ninety One Ltd.	UK/**S.Africa**	Financials	26-Jul-22	●
APA Group	Australia	Utilities	19-Oct-22	●
Origin Energy Limited	Australia	Utilities	19-Oct-22	●
South32 Ltd.	Australia	Materials	27-Oct-22	●
Sims Limited	Australia	Materials	08-Nov-22	●
AGL Energy Limited	Australia	Utilities	15-Nov-22	●
Francaise Energie SA	France	Energy	30-Nov-22	-

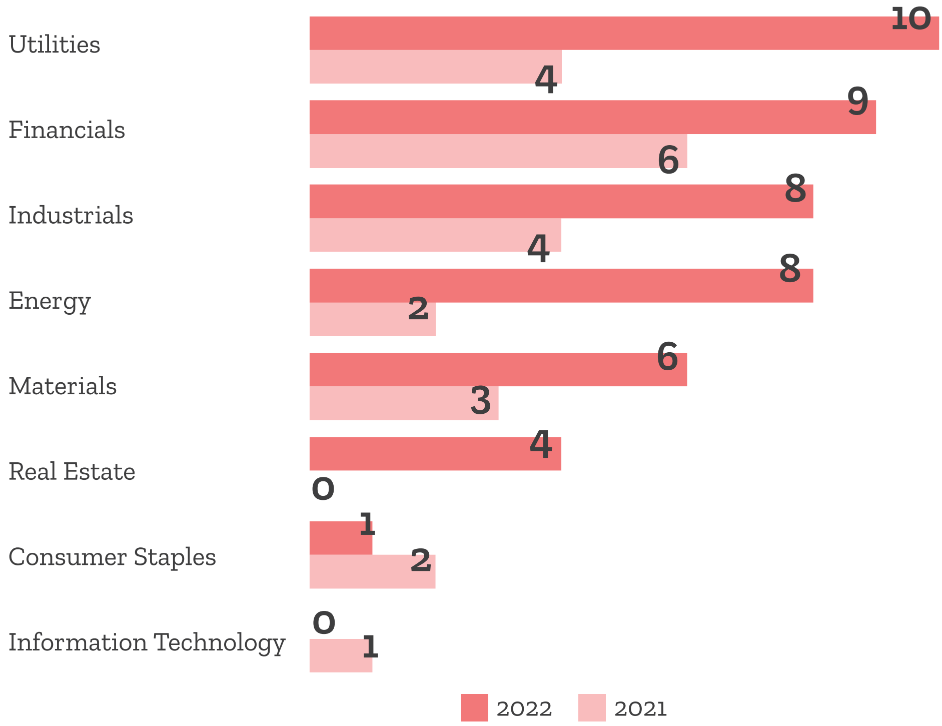
Note on Dual-Listed Companies: SquareWell classified dual-listed companies as follows: Rio Tinto Limited is treated as an Australian company. Ninety One Ltd. is treated as a South African company.

1.3. BREAKDOWN BY SECTOR (GICS)

As of 30 November 2022, companies in the Utilities, Financials, Industrials, and Energy sectors were more likely to adopt a management-sponsored SoC vote, with the Energy sector observing a 3x increase in uptake. Among the companies which are having their first management-sponsored SoC votes in 2022, 22% (8/36) were utilities companies and 19% (7/36) were financial institutions. The 2022 AGM season also saw the first SoC votes in the **Real Estate** sector.

Figure 3. Management-Sponsored SoC Proposals – Sector (GICS)

Source: SquareWell



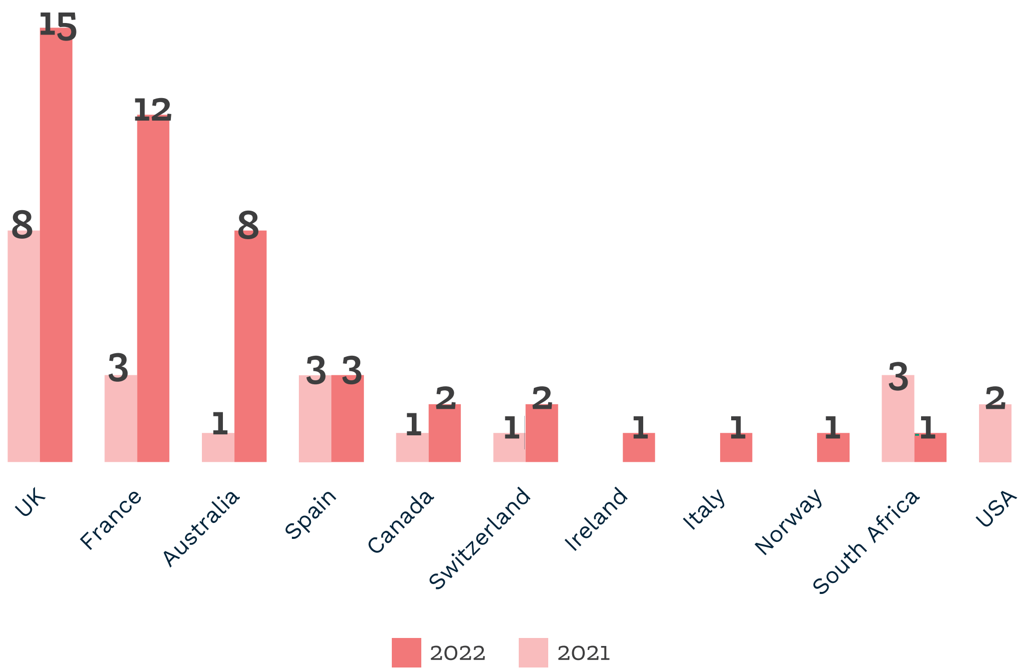
1.4. BREAKDOWN BY COUNTRY OF PRIMARY LISTING

Management-sponsored SoC proposals have been and will be voted on at companies mostly in the UK, France, and Australia. Particularly in France, the number of French companies that are putting their climate action plans to a shareholder vote has increased threefold, of which the majority are mid-cap companies from the Real Estate sector. While a notable increase was also observed in Australia, three quarters (6/8) of the management-sponsored SoC proposals submitted by Australian companies this year resulted from either a negotiated agreement (following shareholder proposals that were later withdrawn) or as a result of a targeted engagement on the topic with shareholder advocacy groups preceding the 2022 AGMs.

Figure 4. Management-Sponsored SoC Proposals - Country of Primary Listing

Source: SquareWell

Note on Dual-Listed Companies: Rio Tinto Limited and BHP Group Limited are treated as Australian companies. Investec Ltd. and Ninety One Ltd are treated as South African companies. Unilever Plc is treated as a UK company.



1.5. CONTENTS OF THE CLIMATE ACTION PLAN

SquareWell reviewed the contents of the 46 climate action plans disclosed by companies that have put management-sponsored SoC proposals to a vote between 1 January 2022 and 30 November 2022, based on the criteria adopted by TCI (see section 1.1 of the Report) and ISS (see section 1.9 of the Report).

SquareWell's review of the 2022 climate action plans find that (see **Figure 5**):

- **TCFD Disclosures:** All companies (except Francaise Energie) provided disclosures aligned with the TCFD framework to report on their climate risks and governance, although the level of alignment varies amongst companies.
    - Many companies (40/46) also submitted a response to the TCFD-aligned CDP climate change questionnaire, where they received a score ranging from A to C.[3]
- **Scope 3 Targets:** 80% of the companies (37/46) have disclosed Scope 3 emissions reduction targets and/or a net zero commitment that covers Scope 3.

[3] Except Ninety One, whose CDP response was not scored.

- **Short-Term Targets:** Only half of the companies (24/46) have set a short-term GHG emissions reduction target (2025 or before). TCI cautions that companies communicating only net zero commitments or long-term goals may face the risk of being considered as “greenwashing”.

- **SBTi Validated Targets:** 37% of the companies (17/46) have SBTi-validated GHG emissions reduction targets, of those only six companies have near-term targets (2030 or before) that are in line with a 1.5°C pathway[4] (see **Figure 5**). SBTi is considered as the gold standard for climate targets which is used by investors and campaigners to understand whether a company’s ambitions are in line with climate science.

- **External Assurance:** 61% of the companies (28/46) have received independent assurance over the reported GHG emissions.

- **Capital Allocation:** 74% of the companies (34/46) have disclosed some detail on their approach to capital allocation towards decarbonisation. For example, Rio Tinto estimate an investment of $7.5 billion in capital until 2030 on decarbonisation projects, a level of transparency praised by investors such as Legal & General Investment Management and Northern Trust Investments.

- **Linking Climate to Pay:** 70% of the companies (32/46) have incorporated climate metrics in their executive pay policies.

- **Paris Agreement-aligned Lobbying:** About half of the companies (24/46) have committed to aligning their lobbying activities with the objective of the Paris Agreement. There, however, appears to be a misalignment between a company’s lobbying stance and its climate strategy at some of the companies. Five of the CA100+ companies, despite having a Paris-aligned lobbying position, received a score of “D” or “D-“ from InfluenceMap[5] on the climate policy engagement assessment (indicating increasingly “obstructive” climate policy engagement).

[4] While Holcim’s near-term target is only aligned with Well-below 2°C, its 2050 target has been validated by SBTi to be in line with 1.5°C.

[5] InfluenceMap is a database of corporate and industry association lobbying of climate policy, which provides data to Climate Action 100+.

Figure 5. **Contents of Climate Action Plans of Management-Sponsored SoC Proposals - 2022**

Source: SquareWell, Corporate Filings

Note: 46 companies submitted a management-sponsored SoC proposal in 2022.

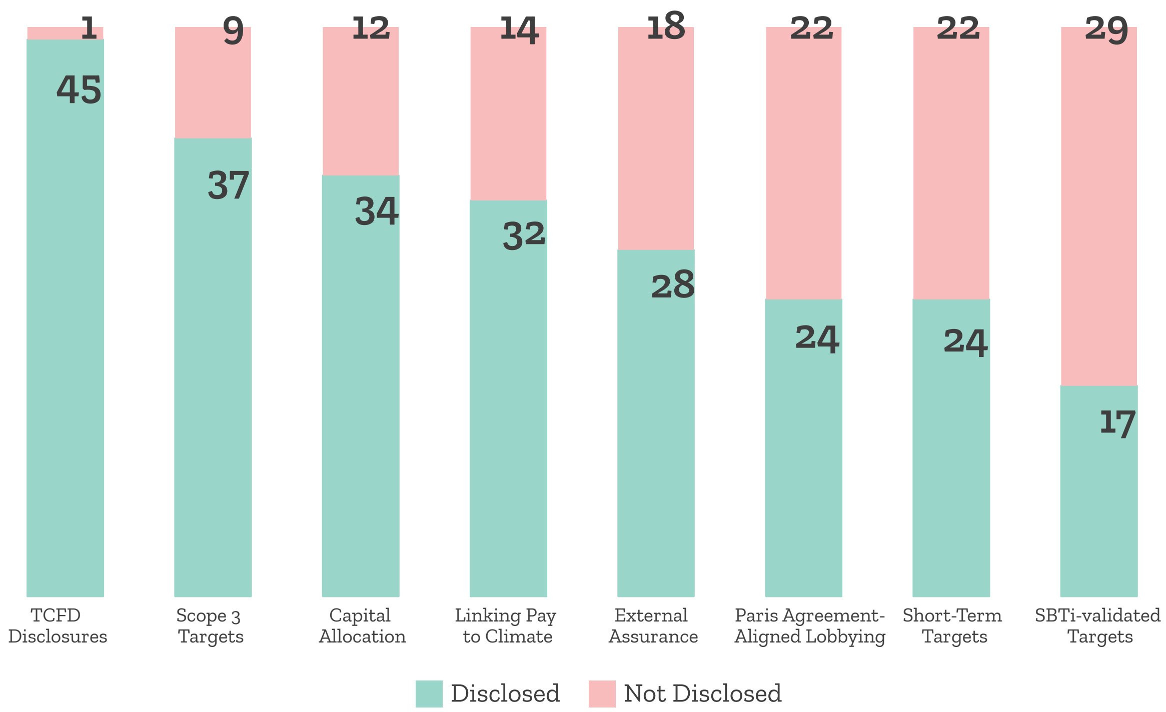
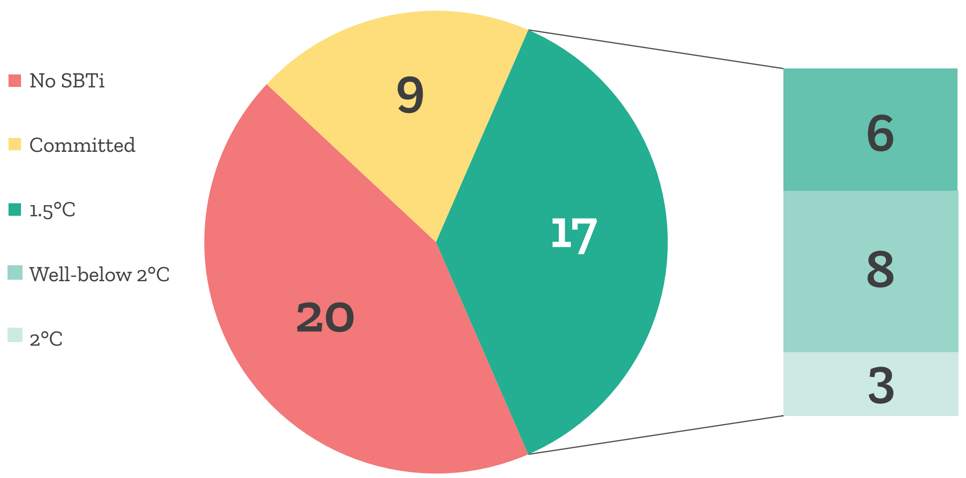


Figure 6. **Near-term (until 2030) Science-Based Targets Communicated within Climate Action Plans**

Source: SquareWell, SBTi (accessed on 30 November 2022)



Note on Committed Companies: Companies whose target status is “Committed” have made a public commitment to set a SBT aligned with the SBTi’s target-setting criteria within 24 months.

Note on Ninety One: Although Ninety One has not officially committed to SBTi, the Company said it “intend[s] to seek” the SBTi validation of Ninety One’s transition plan once SBTi has finalised the amendments to its financial services net-zero methodology.

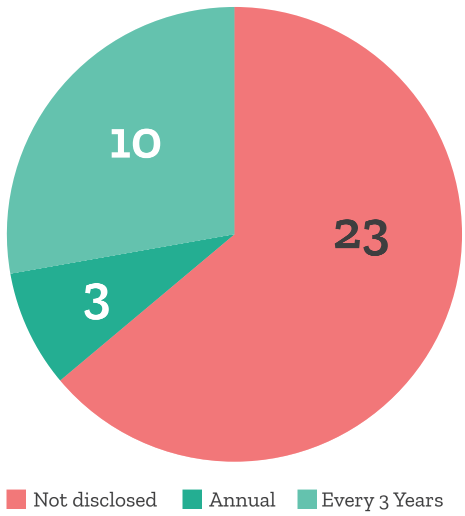
1.6. FREQUENCY COMMITMENT

Among the companies that submitted a management-sponsored SoC proposal for the first time in 2022, over one-third (13/36) have committed to holding a periodic SoC vote (see **Figure 7**), noting a lower commitment (-11.6pp) than the previous year. Only Icade, Amundi and Canadian Pacific Railway[9] have **committed to holding such a vote on an annual basis** (-25pp versus 2021). Ten companies (i.e. Anglo American, Atlantia, Centrica, London Stock Exchange Group, Rio Tinto, Santos, United Utilities, South32, Sims, AGL Energy) have **committed to holding a SoC vote every three years** (+13.5pp versus 2021), suggesting a shift in preference for a triennial SoC vote among companies that have decided to consult shareholders on a recurring basis. The other 23 companies have **not mentioned the recurrence of SoC votes**[10] (although Nexity and Mercialys have both mentioned that they will submit their climate plan or strategy to a vote again in 2025 and 2026 respectively). It was also observed that while Aviva, Ninety One, and TotalEnergies did not commit to a recurring vote, all three companies repeated the SoC vote after their first in 2021.

Although the principle of an annual vote is promoted by most organisations, there appears to be **no unanimous preference on the frequency of such vote among institutional investors and proxy advisors**, as long as companies maintain the dialogue with shareholders on their climate strategy and performance. Anecdotally, SquareWell is aware that ISS expects a periodic component (not necessarily annual) to SoC votes following their disappointment with the lack of commitment on frequency from companies during the 2021 proxy season. Investors are evaluating the frequency on a case-by-case basis, for instance, while Rio Tinto (a provider of critical materials for the energy transition) has committed to a triennial vote, many investors said they prefer a more frequent vote, "considering the urgency of the energy transition and the momentum in which developments are occurring." The same concerns were, however, not raised the London Stock Exchange Group, which also undertook to provide shareholders with a SoC vote every three years.

Figure 7. Frequency Commitment of First-time Management-Sponsored SoC Votes – 2022

Source: SquareWell



Note: 36 companies submitted a management-sponsored SoC proposal for the first time in 2022. This includes Canadian Pacific Railway, which was subjected to an annual SoC vote since the approval of the shareholder-sponsored SoC proposal at its 2021 AGM.

[9] 2022 was the first year Canadian Pacific Railway submitted a management SoC proposal. A shareholder SoC proposal was approved at the Company's 2021 AGM, subjecting it to an annual vote hereafter.

[10] BP, Carmila, Carrefour, Equinor, Getlink and M&G said they might repeat the SoC vote in future AGMs

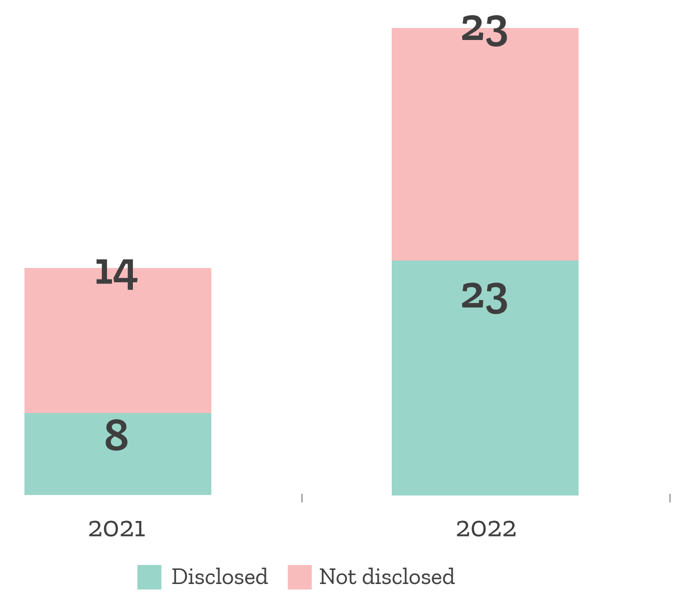
1.7. COMMITMENTS TO RESPONDING TO SOC VOTES

Half of the companies (versus 36% in 2021) that submitted a SoC proposal disclosed how their boards would interpret the vote results and the course of action they would take if there were significant shareholder dissent and/or the climate action plan was not approved by shareholders (See **Figure 8**).

Glass Lewis explicitly states in their voting guidelines that when evaluating management-sponsored SoC proposals, it will consider how the board intends to interpret the vote results. This includes engaging with shareholders to understand the rationale behind their vote and modifying the plan based on shareholder input. Woodside Energy Group Ltd and Glencore Plc, whose climate action plan received 48% and 24% of shareholder dissent at the 2022 AGM, respectively, both disclosed prior to the AGM how the board will interpret the vote. Following the AGMs, Woodside Energy Group Ltd said that although the board stood by Woodside Energy's climate report and overall climate strategy, it will continue to incorporate shareholder feedback as the Company refines its climate approach, while Glencore Plc undertook to engage with shareholders given the opposition to its climate action plan passed the 20% threshold set by the Company to respond.

Figure 8. Companies Disclosing How They Will Interpret SoC Votes

Source: SquareWell



Note for 2021 Data: Glencore Plc and SSE Plc set a threshold of 20% dissent (or significant dissent) for their respective boards to respond; Moody's Corporation, S&P Global Inc, TotalEnergies SE, VINCI SA, and Canadian National Railway Company disclose their course of action only if the proposal receives less than 50% support; BHP Group Ltd said it will consider the vote results when reviewing their approach to climate change without specifying a threshold.

Note for 2022 Data: Included Glencore Plc, SSE Plc, TotalEnergies SE, and Canadian National Railway Company which disclosed a board's response in the previous proxy season and repeated their SoC vote in 2022, as well as first-timers: Anglo American Plc which sets a threshold of 20% dissent; Amundi SA, Carmila SA, EDF SA, Elis SA, ENGIE SA, Icade SA, Mercialys SA, Nexity SA, Standard Chartered Plc, Getlink SE, Rio Tinto Limited which will respond if the proposal received less than 50% support; Canadian Pacific Railway Limited, Centrica Plc, Woodside Energy Group Ltd, AGL Energy Limited, APA Group, Origin Energy Limited, and South32 Ltd which will consider the outcomes of the vote without specifying a threshold.

1.8. VOTE RESULTS OF MANAGEMENT-SPONSORED SOC PROPOSALS

The average shareholder support for management-sponsored SoC proposals saw a 6.6 percentage point decrease, from 93% in 2021 to 86.4%[11] in 2022 (including abstentions). In 2021, all management-sponsored SoC proposals passed with a high level of shareholder support where no companies received more than 20% opposition. The results in 2021 confirmed one of the early criticisms of the SoC campaign, where such votes were likely to pass with a high level of support regardless of the robustness of the climate action plans. There are, however, some signs that investors are becoming increasingly rigorous when evaluating climate action plans, both in terms of the governance of the vote and the ambitions communicated within the plans. Six of the management-sponsored SoC proposals (6/46) voted in 2022 faced significant shareholder dissent.[12] The lowest level of support was observed at **Woodside Energy Group Ltd**'s AGM where half of the shareholders voted AGAINST (48%) the SoC proposal.

[11] The vote result at Francaise Energie SA has not yet been disclosed at the time of writing.

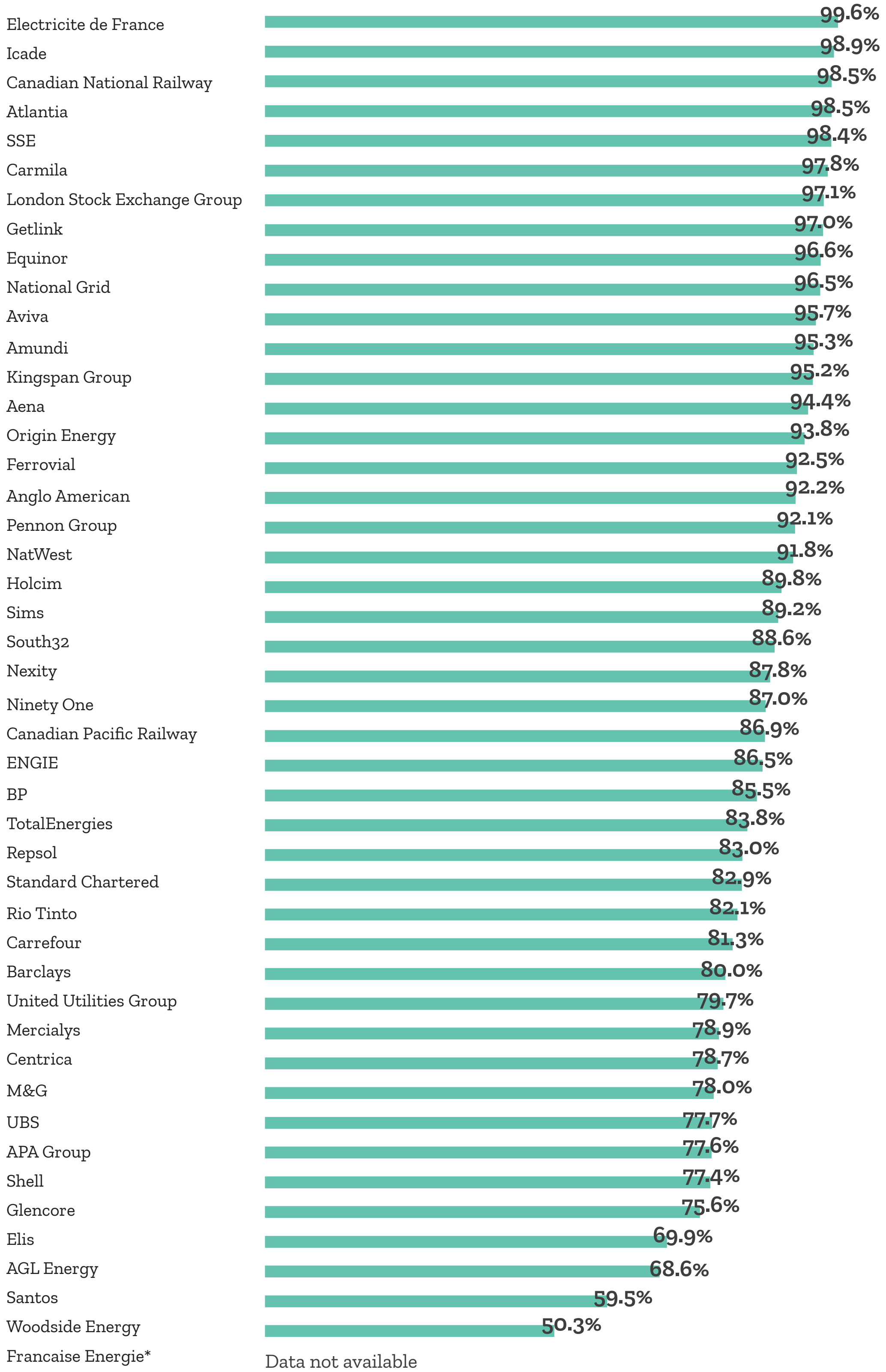
[12] Woodside Energy, Santos, AGL Energy, Glencore, APA Group and M&G are so far the only companies that received a vote against of 20% or more, while Elis received the highest level of abstentions. Vote percentage is calculated using the denominator: F+A+AB.

Figure 9.

Shareholder Support for Management-Sponsored SoC Proposals in 2022 (voted as of 30 November 2022)

Source: SquareWell, Insightia

Note: Shareholder Support calculated as FOR/(F+A+AB votes)%.
*The vote result at Francaise Energie SA has not yet been disclosed at the time of writing.



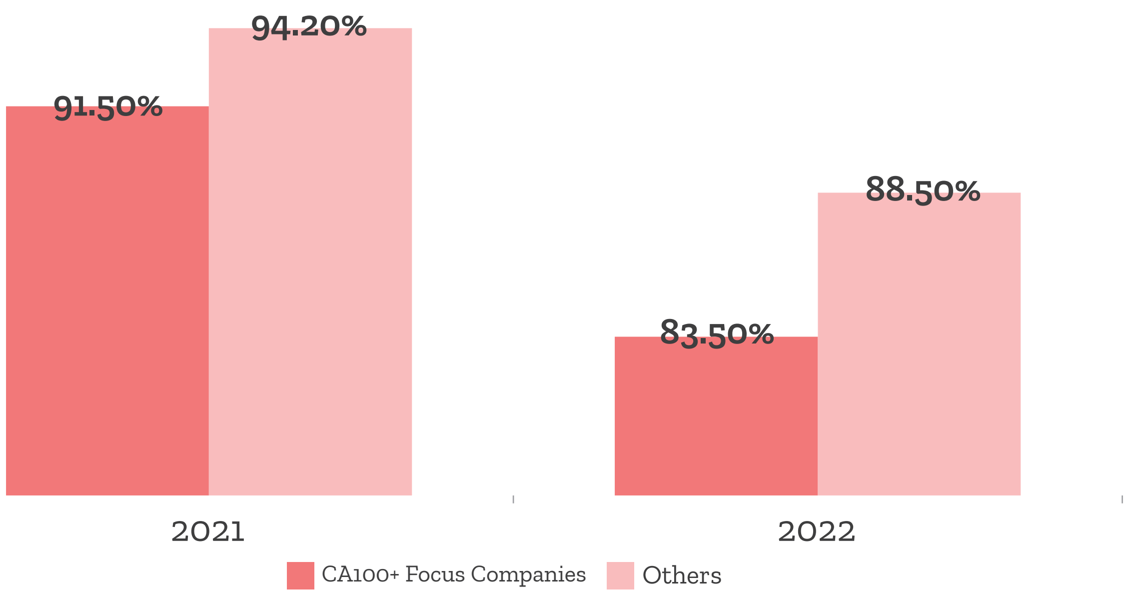
As shown in **Figure 10** below, companies targeted by Climate Action 100+ ("CA100+")[13] received lower shareholder support for SoC proposals, suggesting more demanding assessment criteria when evaluating climate action plans for climate-sensitive industries.

Figure 10.

Shareholder Support for Management-Sponsored SoC Proposals - CA100+ Focus Companies vs Others

Source: SquareWell, Insightia, Climate Action 100+ (accessed on 30 November 2022)

Note: 41% of companies (19/46) that had a management-sponsored SoC vote in 2022 are on the Climate Action 100+ focus list, versus 45% (10/22) in 2021.



[13] Climate Action 100+ is a climate-related investor initiative representing 615 investors with $65 trillion in assets under management. The initiative targets the world's largest emitters. As of November 2022, there are 166 companies on their watch list accounting for 80% of the world's industrial greenhouse gas emissions.

1.9. PROXY ADVISORS' APPROACH TO SOC PROPOSALS

In its initial year, the two global proxy advisory firms—ISS and Glass Lewis—had "half-baked" policies in place to evaluate SoC proposals. **Glass Lewis was observed to be taking a more critical approach than ISS in 2021** due to concerns that SoC votes may lead to "rubber stamping" climate action plans that were not in line with the goals of the Paris Agreement. **ISS, on the other hand, supported all SoC proposals in 2021**.

Entering into 2022, the two proxy advisors clarified their framework, which were broadly aligned with each other. For management-sponsored SoC proposals, **both proxy advisors state that they will evaluate the quality of the climate action plans on a case-by-case basis**. Specifically, ISS communicated that they would use the below criteria, which is broadly aligned with the CA 100+ Net Zero Company Benchmark.

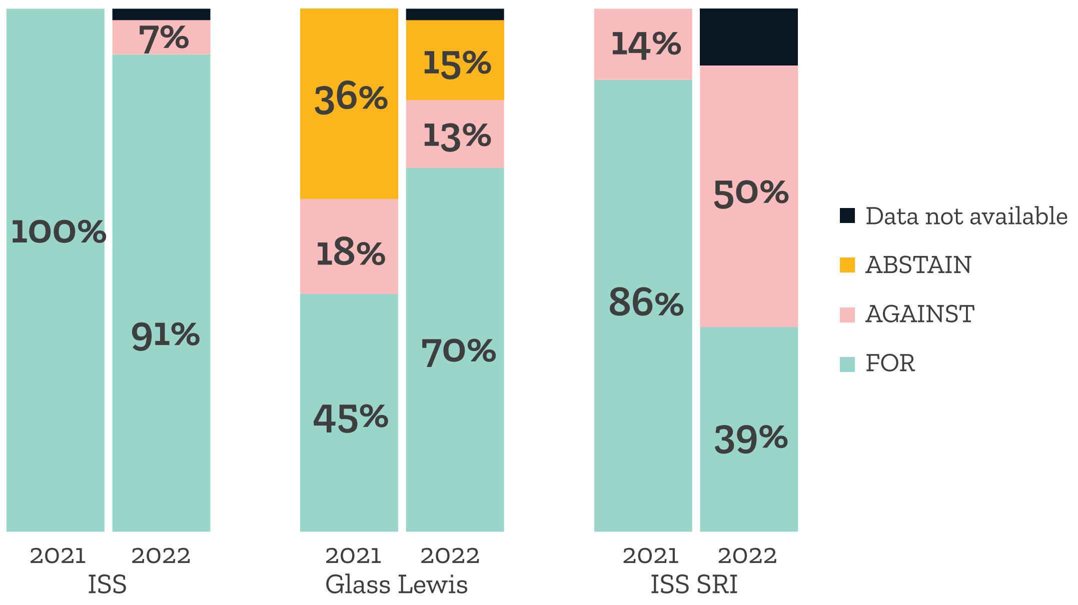
- Climate-related disclosures in line with TCFD recommendations
- Disclosures of Scope 1, 2, and 3 emissions
- Short-, medium-, and long-term GHG emission reduction targets (Scopes 1, 2, and 3)
- Targets validated by the Science-Based Target initiative (SBTi)
- Net zero commitment covering Scope 1, 2, and 3 emissions
- Emissions data receives third-party assurance
- Lobbying activities align with the decarbonisation strategy
- Capital expenditures align with the decarbonisation strategy

The two proxy advisors' recommendations on SoC proposals were more aligned this year when compared to the previous year—having issued the same recommendation for 73% of the management-sponsored proposals (versus 45% in 2021). As shown in **Figure 11**, **ISS no longer supported all management-sponsored SoC proposals that came to a vote in 2022 as it did in 2021**. Despite the increased scrutiny, **ISS remained more supportive of SoC proposals when compared to Glass Lewis**.

SquareWell also observed that some companies received **different vote recommendations from ISS and its Socially Responsible Investment ("SRI") division** ("ISS SRI"), despite the same SoC policies were applied in ISS' standard climate voting guidelines and SRI voting guidelines. The discrepancy between ISS and ISS SRI recommendations widened by 33 percentage points from 13.6% in 2021 to 46.3% in 2022, suggesting an increasingly stringent approach adopted by ISS SRI, which often requires companies to meet the majority of the ISS criteria in their climate action plans in order to receive a positive ISS SRI recommendation.

Figure 11. Proxy Advisors' Vote Recommendations on Management-Sponsored SoC Proposals

Source: SquareWell, ISS, Insightia



Note: Numbers may not add up to 100% due to rounding.

1.10. INVESTORS' APPROACH TO SOC PROPOSALS

As of November 2022, there were 19 asset managers who officially endorsed the SoC campaign, including Legal & General Investment Management and Sarasin & Partners. The Institutional Investors Group on Climate Change ("IIGCC") also issued a statement of support for the SoC campaign in 2021, signed by 56 asset managers and owners.

In early 2022, Principles for Responsible Investment (PRI) warned that the benefits of SoC could be "outweighed by the risks and potential unintended consequences." The "unintended consequences" highlighted by PRI include:

- Companies putting forward **unambitious transition plans**;
- **Investors rubber stamping plans** that are unfit to limit global warming to 1.5°C;
- A **reduction of investors' influence** in company engagement upon approval of a plan; and
- **Investors diverting their focus and resources** from more targeted stewardship actions.

In its "Briefing Note", PRI called on investors to consider other vehicles, such as company engagements and other targeted escalation strategies (for example, by voting against directors) to push the climate agenda. PRI's Head of Climate Stewardship, Ben Pincombe commented that "any plan which is not science-based should be voted against," in principle.

While investors have broadly shown support for the SoC concept, it is not without reservations, with some investors questioning the effectiveness of such a mechanism to reach the goals of the Paris Agreement. As shown in **Table 2**, investors' position on SoC remains mixed. BlackRock, State Street Global Advisors, T. Rowe Price, and Dimensional Fund Advisors share a similar concern that **SoC proposals have the risk of shifting accountability for climate change from boards to investors**. Allianz Global Investors, however, states that it will hold board members accountable if a company consistently fails to adequately respond to shareholder concerns regarding their climate ambitions.

Another criticism raised by the market with regard to the SoC campaign is the **strength of the existing infrastructure to evaluate such a complex issue like climate change**. Investors who support the campaign acknowledge this challenge but have worked to strengthen their voting guidelines where they have established clear parameters as to what would qualify as a credible climate action plan, as well as strengthening internal capabilities to assess climate action plans. For example, **BNP Paribas Asset Management**[14] and **Legal & General Investment Management**[15] have published detailed criteria for evaluating SoC proposals.

Table 2. Investors' View on SoC

Source: SquareWell

Investor	SoC Position	Comments
Allianz Global Investors	●	In its Corporate Governance Guidelines, Allianz Global Investors said it **encourages high-emitting companies to provide a SoC vote** and "may vote against the chairman or director in charge of sustainability matters where concerns remain unaddressed despite significant shareholder dissent or where company responsiveness on implementing Say on Climate has been unsatisfactory."
Amundi AM	●	In Amundi Asset Management's 2022 Voting Policy, the asset manager "considers it **essential that shareholders be able to comment on the company's decarbonisation strategy** (covering all scopes) by clearly understanding the assumptions made, including with regard to recourse to compensation carbon offsetting, on the scenarios retained, the objectives in terms of investment and research." Amundi highlighted that it was more "efficient" to vote in favour of say on climate in the first year (i.e. 2021), even if the plans were deficient, and encourage stronger ambitions with the threat of negative votes if companies remain unresponsive.
AXA IM	●	AXA Investment Managers ("AXA IM") said it **welcomes the SoC movement**, "as a space for shareholder dialogue and increased engagement...[AXA IM] will pay **special attention to proposals from companies with large greenhouse gas footprints**."
HSBC Global AM	●	HSBC Global Asset Management said they "**support the introduction of regular shareholder votes on companies' climate transition plans** and their reports on progress against these, particularly in exposed sectors." Since 2022, HSBC has been applying a SoC watch list for carbon-intensive sectors using data from CA100+ and the Transition Pathway Initiative.
J.P. Morgan AM	●	JP Morgan Asset Management ("JPMAM") is a signatory to the IIGCC's collective statement on SoC. JPMAM said it has generally **voted in support of management proposals to acknowledge the companies' commitment to transparency and accountability on climate issues** but has since been improving internal capabilities to assess the scientific credibility of climate plans.
Legal & General IM	●	Legal & General Investment Management ("LGIM") has been **publicly supportive of efforts to introduce a SoC vote**. In its 2022 position paper, LGIM set out the requirements for credible plans and "strongly discourage" companies from putting inadequate plans to a vote. **LGIM also said it plans to file shareholder proposals at companies that fail to put a credible plan to a vote starting from 2023**.

[14] BNP Paribas Asset Management. (2022). Governance and Voting Principles. https://docfinder.bnpparibas-am.com/api/files/B49ABC53-7F09-4BEB-A9F4-405E0B0D8381#page=9

[15] https://www.lgimblog.com/categories/esg-and-long-term-themes/say-on-climate-empowering-shareholders-to-drive-positive-change/

Investor	SoC Position	Comments
Schroders	●	Schroders supports the inclusion of SoC proposals but may vote against management in instances where they do not believe the emissions reduction targets to be sufficiently stretching. **While some investors believe SoC presents a shift in accountability, Schroders considers SoC as an opportunity to consult shareholders on important elements of corporate strategy.**
UBS AM	●	In its 2022 voting policy, UBS Asset Management said, "**companies should consider putting forward an annual vote for shareholders on the company's climate-related strategy**...[which] should include details of capital expenditures linked to reducing the impact of climate change on the business."
BlackRock	●	BlackRock mentioned that **SoC votes used in isolation has "the potential to weaken board accountability**." In a more recent statement, BlackRock observed that in cases where both a management and shareholder SoC proposals are on the ballot, investors (including BlackRock) have been more inclined to support the management proposal. **BlackRock added it would support fewer climate-related shareholder proposals in 2022 due to these proposals becoming "overly prescriptive or constraining**."
State Street Global Advisors	●	State Street Global Advisors said it is "**generally supportive" of the SoC concept**, although not without reservations about the "potential unintended consequences" which include "insulating directors from accountability, distracting from already existing frameworks (such as TCFD, SASB, and GRI)...and **straining investors' limited proxy voting resources**."
T. Rowe Price	●	T. Rowe Price adopts a **case-by-case approach** on management SoC proposals. T. Rowe Price commented that "say on climate, as a means of structuring the dialogue between companies and their shareholders, must not detract from the responsibility of the members of each company's board to assess, set, and oversee implementation of the company's climate transition plan. **Votes on the election of board members remain the ultimate mechanism for shareholders to express concerns over a company's management of climate risk.**"
Vanguard	●	Vanguard said it "**does not proactively encourage" companies to hold a SoC vote** given the lack of established standards or widely accepted market norms that govern these votes. Vanguard views SoC votes "as a signal on the coherence and comprehensiveness of the reporting and disclosures a company provides to explain its climate plan to the market, rather than an endorsement of, or an expression of lack of confidence in, the plan itself."
Dimensional Fund Advisors	●	Dimensional has a policy to **vote against both management and shareholder SoC proposals**, as it believes it is the board's role to have oversight of strategic climate plans.

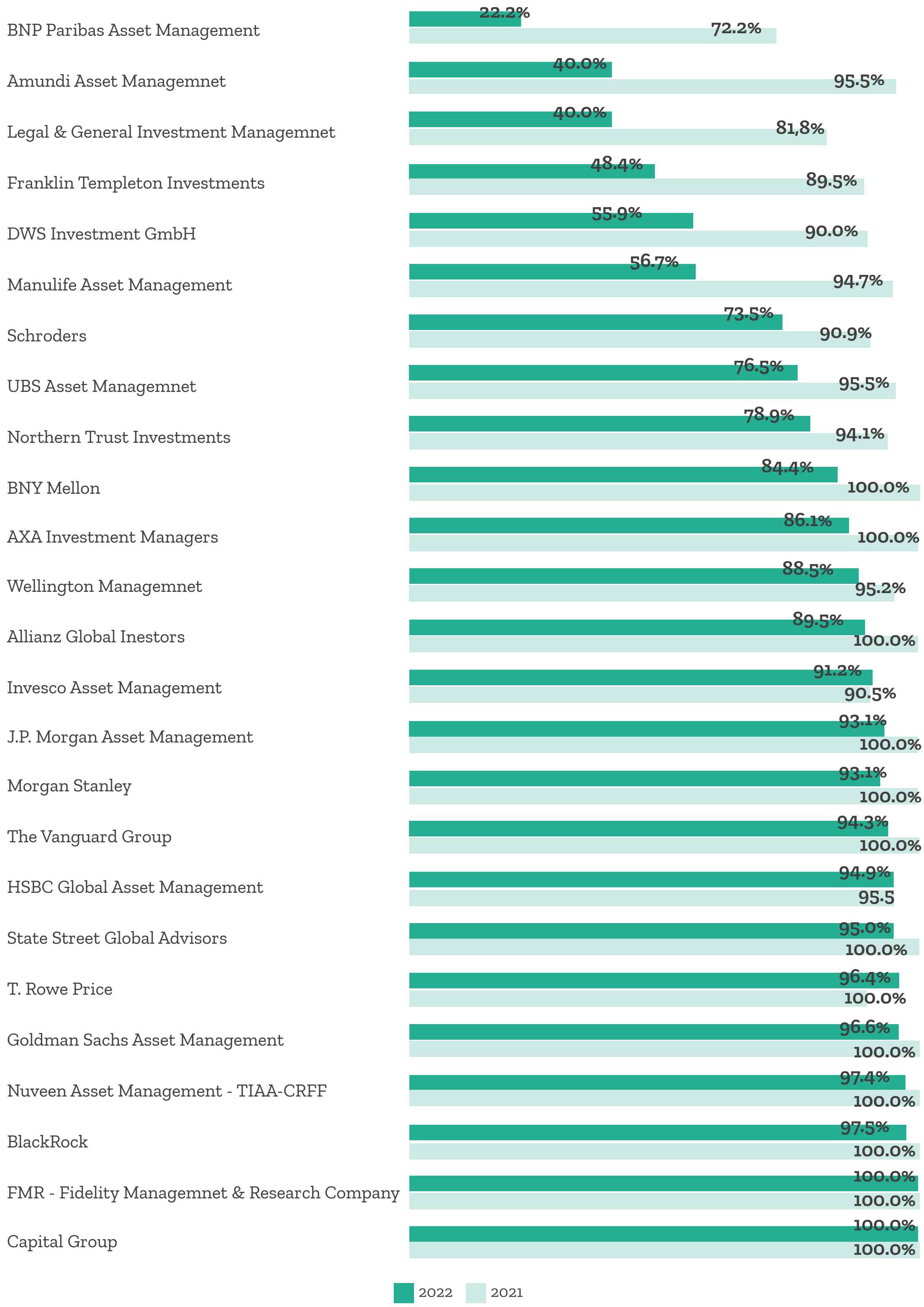
● **Supportive** ● **Critical** ● **Cautiously Supportive**

An analysis of voting behavior of the 25 large asset managers by assets under management ("AUM") in 2021 and 2022 (**Figure 12**) reveals that **21 asset managers have reduced their support for climate action plans presented in 2022**[16]. The average support of the 25 large asset managers has decreased from 95% in 2021 to 80% in 2022. The greatest decline in support for SoC proposals was observed at **Amundi Asset Management** (-56pp), **BNP Paribas Asset Manager** (-50pp), **Legal & General Investment Management** (-42pp), and **Franklin Templeton Investments** (-41pp). This suggests to SquareWell that investors are becoming more rigorous in their evaluation of climate action plans, alleviating some of the concerns raised by shareholder advocacy groups about investors "rubber stamping" climate action plans. ACCR, for instance, had cautioned in 2021 that investors might be rewarding companies for transparency rather than the strength of their climate action plans.

[16] Two investors—Capital Group and Fidelity Management & Research Company—continued to support all SoC items submitted by their investees in 2022. T. Rowe Price and Invesco Asset Manager are the only asset managers that have increased their support from the previous year.

Figure 12. 25 Large Asset Managers' Support (by size of AUM) on Management-Sponsored SoC Proposals (2021 vs 2022*)

Source: SquareWell, Insightia (accessed on 30 November 2022)



* The 2022 data excludes the votes at APA Group, Origin Energy Limited, South32 Ltd, Sims Limited, AGL Energy Limited, and Francaise Energie SA, due to most investors having not yet released their vote records at the time of writing this Report.

Note: Investor Support calculated as FOR/(F+A+AB votes)%. Where no votes were disclosed by asset managers for a specific company, SquareWell assumed that they did not hold a position in that company. Where there were "split" votes, SquareWell treated them as "AGAINST" at BNP Paribas AM, Invesco AM, BNY Mellon, Manulife AM and Franklin Templeton Investments (for BHP, Barclays, BP, M&G, Shell, TotalEnergies), and counted as "ABSTAIN" at T. Rowe Price and Franklin Templeton Investments (for S&P Global).

1.11. SPOTLIGHT ON SELECT 2022 SOC PROPOSALS (FROM LOWEST TO HIGHEST SUPPORTED)

Woodside Energy Group Ltd ('Woodside Energy')

Vote Results			Proxy Advisors' Recommendations		Key Shareholder Concerns
FOR	AGAINST	ABSTAIN	ISS	Glass Lewis	• No Scope 3 targets • Reliance on offsets
50.3%	48.3%	1.4%	FOR	AGAINST	

Australian Oil & Gas company Woodside Energy was the target of the Australasian Centre for Corporate Responsibility ("ACCR"), who had filed a shareholder proposal in 2021 requesting bylaw amendments to include an annual SoC vote, which was later withdrawn after Woodside Energy agreed to put their climate action plan to a non-binding vote at its 2022 AGM.

Woodside Energy's climate action plan ("Climate Report 2021") is the **least supported climate action plan** since the introduction of the SoC. Notable criticisms of Woodside Energy's climate action plan included the lack of clear Scope 3 emissions reduction targets associated with the use of their product and its overreliance on offsets to achieve emissions reduction goals in the short- to medium-term.

Prior to Woodside Energy's May 2022 AGM, ACCR had published an in-depth analysis of Woodside Energy's climate action plan, citing multiple concerns, particularly around the impacts of the proposed merger with BHP Petroleum on the Company's emissions profile (which was later approved by 98% of participating shareholders).

Looking at the votes in detail, SquareWell highlights the below, including the investors' rationale for supporting or opposing Woodside Energy's SoC proposal:

Investor	Vote	Rationale
abrdn	● FOR	"Overall abrdn is supportive of the Company's energy transition strategy and expects the Board and Executive to retain responsibility for strategic oversight and delivery in this area. We **welcome the Company's capital allocation disclosure** but encourage it to provide more detail on the anticipated emissions reduction arising from its investment. We also **encourage the Company to adopt clear Scope 3 targets** aligned with a pathway to net zero by 2050."
T. Rowe Price	● FOR	"Woodside is committed to net-zero Scope 1 and 2 emissions by 2050 or sooner. While **no scope 3 targets have been set**, action is being taken to invest in new technologies to address scope 3."
DWS Investment	● ABSTAIN	"In view of (1) we vote against board members with the rationale that **the Company failed to respond to thematic issue in 2021**. (2) **The merger with BHP. The uncertainty of the future and strategy/target set in 2021**. Vote Abstain."
Legal & General IM	● AGAINST	"The company's transition plan falls short of our expectations due [to] **insufficiently ambitious operational emissions reduction targets by 2030 and the absence of scope 3 targets.**"
Amundi AM	● AGAINST	"While we praise the recent positive development in Woodside Energy's energy transition strategy (Net zero ambition, Scope 3 emissions plan, Climate report) and recognize that LNG development is not inconsistent with well-below 2C scenarios, we encourage the company to **1) include scope 3 emissions in the net zero ambition, 2) limit the recourse to carbon offsets** to achieve reduction goals and prefer operational improvements, and **3) further consider profitable options to develop low-carbon solutions and deep emission abatements aligned with 1.5C scenarios"**

● FOR ● AGAINST ● ABSTAIN

Source: SquareWell, Insightia

Glencore Plc ("Glencore")

Vote Results			Proxy Advisors' Recommendations		Key Shareholder Concerns
FOR	AGAINST	ABSTAIN	ISS	Glass Lewis	• Coal-related activities • Climate lobbying
75.6%	23.5%	0.9%	AGAINST	AGAINST	

Anglo-Swiss mining company Glencore, which committed to an annual SoC vote, submitted its climate action plan ("2021 Climate Report") for shareholder approval for the second year. While Glencore secured a **high level of shareholder support (89.3% in 2021) for its climate action plan**, proxy advisors and investors took a more critical view in 2022 where the proposal saw close to a 14 percentage points decrease in support.

The main concerns raised by investors surrounded Glencore's expanded coal exposure and misaligned lobbying policy vis-à-vis climate change. LGPS, co-lead for Climate Action 100+'s engagement with Glencore, urged the Company to strengthen its interim targets as well as "proactively and transparently lobby[ing] for Paris-aligned climate policies in key markets." The concerns were echoed by the shareholder advocacy group ACCR, who added that Glencore's continued coal-related expansion activities in Australia will set the Company on a trajectory that is likely to exceed 1.5°C. In response to significant shareholder dissent over its climate progress report, Glencore said the Company "will continue to engage with shareholders to ensure their views are fully understood."

Looking at the votes in detail, SquareWell highlights the below, including the investors' rationale for supporting or opposing Glencore's SoC proposal:

Investor	Vote	Rationale
Old Mutual	● (FOR)	We are of the view that the **company has made good progress to addressing its climate transition risks** and has **performed well in terms of transparency and representation on lobbying bodies**. As such, whilst gaps remain we prefer to engage the company to close these gaps and therefore provide a qualified vote in favour of the progress report this year."
Allianz Global Investors	● (AGAINST)	"While we recognise some positive steps, on balance, given the **questionable short/medium term targets** combined with **increasing coal capacity & lack of transparency on expansionary activities** we do not support the resolution at this time."
Schroders	● (AGAINST)	"We are concerned that the company's plans **do not meet the trajectory needed to limit warming to 1.5°C**, including its current targets, its increased exposure to coal and lobbying."
Legal & General IM	● (AGAINST)	"While we note the progress the company has made in strengthening its medium-term emissions reduction targets to 50% by 2035, **we remain concerned over the company's activities around thermal coal and lobbying**, which we deem inconsistent with the required ambition to stay within the 1.5°C trajectory."

● FOR ● AGAINST ● ABSTAIN

Source: SquareWell, Insightia

Barclays Plc ("Barclays")

Vote Results			Proxy Advisors' Recommendations		Key Shareholder Concerns
FOR	AGAINST	ABSTAIN	ISS	Glass Lewis	• No SBTi Targets • Weak Coal/ Oil & Gas Policy • No regular SoC
80.0%	19.0%	1.0%	FOR	FOR	

UK bank Barclays recorded **one of the lowest supported climate action plans among financial institutions**. ShareAction, who has been engaging with Barclays on climate-related issues since 2016, published an analysis of Barclays' climate strategy just a month before the Company's 2022 AGM. The non-profit urged shareholders to vote AGAINST the bank's climate action plan ("Climate Strategy, Targets and Progress 2022") as it failed to align with a net-zero ambition given its continuous financing of fossil fuel companies and questionable 2030 Power, Cement, and Steel targets. In addition to inadequate actions to curb financed emissions, investors also highlighted the lack of commitment from Barclays to provide a regular SoC vote. While having one-off votes falls short of best practice, Schroders and Invesco nonetheless backed Barclays's SoC considering the bank's "track record of responding to shareholders on climate concerns."

Looking at the votes in detail, SquareWell highlights the below, including the investors' rationale for supporting or opposing Barclays's SoC proposal:

Investor	Vote	Rationale
Schroders	● FOR	**"The main reasons for support are: The Company has a track-record of responding to shareholders on climate concerns. The decision to put a Say on Climate vote to shareholders is further proof of this. While ISS typically flags the benefit of an annual vote given the quickly evolving nature of this space, the Company's responsiveness to shareholder concerns helps to mitigate concerns that this will act as a one-off vote on the Company's climate response.** The Company has made clear progress and has set clear targets in the short-to-medium term on its ambition to have net zero operations and reduce supply chain emissions. **Improvements have been made on the Company's approach to financed emissions**, with new IEA NZE 2050-derived targets in four key sectors, and further targets committed to in future years."
Amundi AM	● AGAINST	"We are unable to support the proposal as notably **the fossil fuel policy is not fully in line with the Paris Agreement** (1.5C scenario)"
Pictet AM	● AGAINST	"A vote AGAINST this item is warranted given that the Company **does not provide a detailed plan further after 2035 up to 2050**, **absence of a full net zero by 2050**, and **does not commit to a regular Say on Climate shareholders' vote**. In addition, the company's disclosed **targets are not SBTi approved** at this time."
Robeco	● AGAINST	"Although we recognize the improvements made in Barclays climate strategy, there is still insufficient guarantee that the strategy is aligned with a 1.5 degree decarbonization scenario. **The targets in place have not been externally verified and are not approved by the science-based targets initiative (SBTI). Lastly, there are several uncertainties around the Bank's projected timeline for phasing-out of thermal coal financing in OECD countries**, which deviates from the norm adopted by several peers."

● FOR ● AGAINST ● ABSTAIN

Source: SquareWell, Insightia

Equinor ASA ("Equinor")

Vote Results			Proxy Advisors' Recommendations		Key Shareholder Concerns
FOR	AGAINST	ABSTAIN	ISS	Glass Lewis	• No absolute target for Scope 3 emissions
96.6%	2.5%	1.0%	AGAINST	AGAINST	• Oil & Gas production

The climate action plan submitted by Norwegian energy company Equinor received a **very high level of shareholder support** (the highest among Oil & Gas peers), **despite a negative recommendation from both ISS and Glass Lewis**. It is important to highlight, however, that the Norwegian government is a major shareholder at Equinor—owning approximately 67% of the Company.[6]

In its recommendation, ISS questioned the credibility of Equinor's climate action plan. Wary of Equinor's plan to expand its oil and gas production in the near term,[7] ISS raised concerns with Equinor's use of intensity targets rather than absolute targets for Scope 3 emissions would allow the Company to claim reduction achievement while continuing its oil exploration. Many investors, including Candriam, Pictet Asset Management, and Storebrand Asset Management voted AGAINST Equinor's SoC proposal.

Looking at the votes in detail, SquareWell highlights the below, including the investors' rationale for supporting or opposing Equinor's SoC proposal:

Investor	Vote	Rationale
TIAA-CREF	🟢	"Support for the proposal is warranted on the basis that the company's current **climate disclosure is aligned with best practice** to support integration into the investment process, and the company has demonstrated accountability in addressing climate risk."
CANDRIAM **Pictet AM** **Storebrand AM**	🔴	"Vote AGAINST this item is warranted because:- While the company aims to be a net-zero energy business by 2050, its proposed transition plan is highly dependent on (1) **intensity rather than absolute reduction targets** and (2) policy makers to enable reductions in scope 3 emissions.- The company is planning to continue the **expansion of its Oil & Gas production** between 2021 and 2026, which severely undermines the credibility of the plan as a whole."
BNP Paribas AM	🔴	"It is the company's first Say on Climate proposal. It seems too soon to approve on such climate strategy considering the sector of activity of the company and the fact that it lacks: -Short term (2025) targets on Scopes 1 and 2;-Short term (2025) and long term (after 2030) targets on Scope 3, **considering the company has only set Net Carbon intensity (all scopes) targets by 2030 and 2035 so not in absolute terms** which means there could be expansion of fossil fuels;-Targets in line with a 1.5C Scenario, on all horizons (cf. NZ Benchmark).
Legal & General IM	🔴	"...Whilst we welcome Equinor's progress in setting emission reduction targets covering all scopes of emissions, **we remain concerned over Equinor's future plans in oil and gas production**."

🟢 **FOR** 🔴 **AGAINST** 🟡 **ABSTAIN**

Source: SquareWell, Insightia

[6] https://www.equinor.com/about-us/the-norwegian-state-as-shareholder

[7] As stated in its Sustainability Report 2021, Equinor expects to grow its oil and gas production during 2021-2026, which may result in increased emissions from use of sold products.

Electricite de France SA ("EDF")

Vote Results[8]			Proxy Advisors' Recommendations		Key Shareholder Concerns
FOR	AGAINST	ABSTAIN	ISS	Glass Lewis	• No detailed plan beyond 2030
99.6%	0.1%	0.3%	FOR	FOR	• No regular SoC

French electric utility company EDF, owned 84% by the French State, recorded **the highest shareholder support among all SoC votes** registered in 2022. Investors that voted in favour of EDF's climate action plan credit the Company for its robust near-term targets (validated by SBTi to be in line with a well below 2°C scenario) and a detailed roadmap to decarbonise EDF's operational footprint in the next decade, including a commitment to phase out coal-fired power generation by 2030. EDF is also one of the few companies that is seeking to have its net-zero target validated by the SBTi. Some investors have, however, raised concerns over the lack of long-term climate targets beyond 2030, as well as not providing shareholders with a commitment to hold a regular SoC vote.

Looking at the votes in detail, SquareWell highlights the below, including the investors' rationale for supporting or opposing EDF's SoC proposal:

Investor	Vote	Rationale
BNP Paribas AM	● (FOR)	"EDF's climate strategy commits to a near term trajectory in line with the Paris Agreement, for a Well Below 2 Celsius Degrees, approved by the Science-Based Targets Initiative. The company **presents short and medium-term targets to reach its long-term objective** and **provides a clear roadmap to 2030 on all 3 scopes**, especially regarding the levers it intends to use until 2030. **It does not however detail its plans for the period 2030-2050 excepted the commitment to be Net Zero by 2050**. Despite the absence of decarbonization of capital expenditures, the progress realized so far and the means employed by the company on GHG emissions' reduction appears in line with its ambitions. Overall the company's climate strategy is aligned with our policy and we can recommend to support the proposal."
Storebrand AM	● (FOR)	"A vote FOR this item is warranted although the following concerns are raised: **The company does not provide a detailed plan further than 2030; The company does not commit to a regular shareholders' Say on Climate**; The main reasons for support are: The company's near term targets are aligned with the Paris Climate Agreement, approved by SBTI and it commits to be Net Zero by 2050; A detailed roadmap and levers used by 2030 is disclosed; and The governance structure for addressing and dealing with climate topics seems thorough."
Calvert	● (AGAINST)	"While the company has a net zero by 2050 commitment and has SBTi-approved near-term targets, as well as a detailed plan to 2030, the company does not provide details or long-term commitments for the period 2030-2050 besides the commitment to be net zero by 2050. **The lack of a detail for emissions reduction beyond 2030 is particularly concerning given that the company has not committed to a regular shareholder Say on Climate vote**. In addition, the company does not disclose a capital expenditure plan aligned with net zero."

● FOR ● AGAINST ● ABSTAIN

Source: SquareWell, Insightia

[8] Numbers do not add up to 100% due to rounding

PART 2. CLIMATE-RELATED SHAREHOLDER PROPOSALS

SquareWell reviewed climate-related **shareholder proposals filed from 1 January 2018 to 1 August 2022** across twelve countries—Australia, Canada, Denmark, Finland, France, Japan, Norway, South Africa, Sweden, Switzerland, the UK, and the US.

Whilst all shareholder proposals reviewed sought disclosure improvements and/or more aggressive action on climate change, **one shareholder proposal filed in the US during 2022 was to question whether the targeted company was spending too much money on climate change with no real benefits communicated to shareholders** (which could be perceived as an "anti-ESG" shareholder proposal). This shareholder proposal received less than 2 percent of the votes.

Appendix 1 describes SquareWell's methodology for climate-related shareholder proposal categorization.

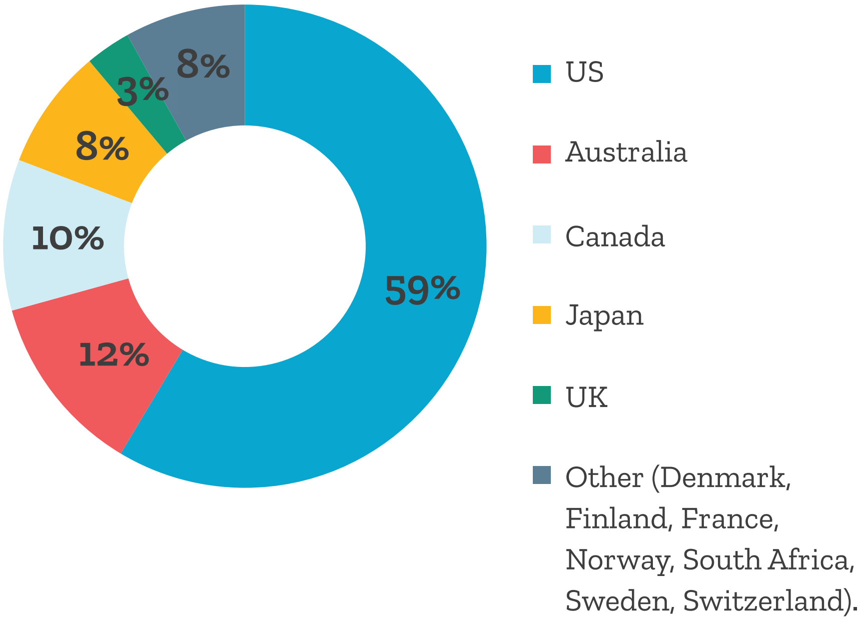
2.01. NUMBER OF PROPOSALS AND COMPANIES TARGETED

During the period under review (i.e., 2018-2022), **153 unique companies across twelve countries received a total of 291 climate-related shareholder proposals**. Of the 291 shareholder proposals filed since 2018, **2022 was the most active year for climate-related shareholder proposals, with a total of 79 shareholder proposals filed**. Such level of shareholder proposals builds upon the 2021 momentum on shareholders' focus on climate change, though **the number of approved shareholder proposals dropped from 17 proposals in 2021 to 12 proposals in 2022**.

US companies comprised almost 60% of all targeted companies, followed by companies in Australia, Canada, Japan, and the UK. Looking at 2022 specifically, US companies comprised 54% of all targeted companies, followed by Canadian and Japanese companies comprising 17% and 15%, respectively, of the targeted companies for climate-related shareholder proposals. Interestingly, **2022 marked the first year where Switzerland saw a shareholder proposal filed**.

Figure 13. **Unique Companies Targeted by Climate-related Shareholder Proposals, by Country (2018 to 2022)**

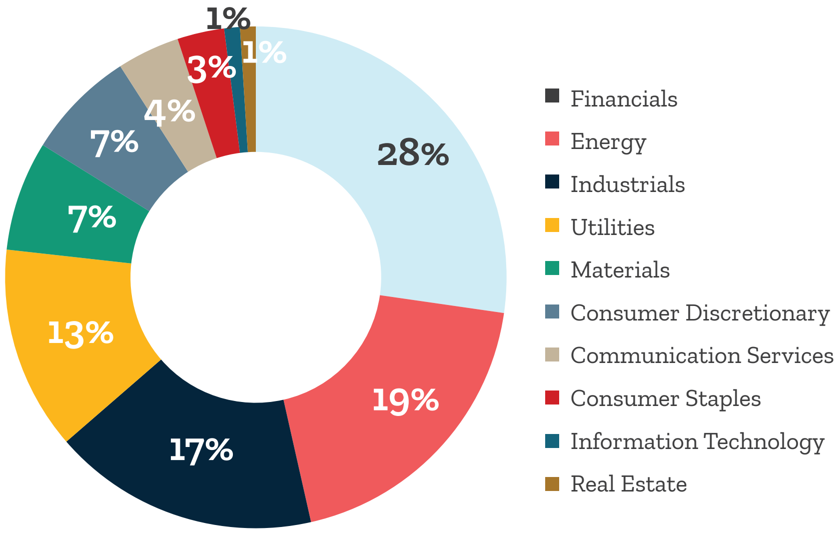
Source: SquareWell, ISS



Companies in the "Financials" and "Energy" sectors were the most targeted by shareholders during 2018 to 2022, making up 28% and 19% of all companies targeted, respectively. The least targeted sectors were "Real Estate" and "Information Technology" during the period from 2018 to 2022. Looking specifically at 2022, we note that companies within the "Financials" sector were the most targeted with climate-related shareholders, representing close to 40% of the companies targeted within the year. This was followed by companies within the "Energy" sector, representing around 20% of companies targeted during 2022.

Figure 14. Sectors Targeted by Climate-related Shareholder Proposals (2018 to 2022)

Source: SquareWell, ISS



2.02. TYPE OF PROPOSALS, OUTCOME, AND VOTE RESULTS

SquareWell reviewed the proposal texts of all 291 shareholder proposals, together with their supporting rationale, filed across twelve countries since 1 January 2018 to 1 August 2022, to classify them into the below broad categories (in order of prevalence):

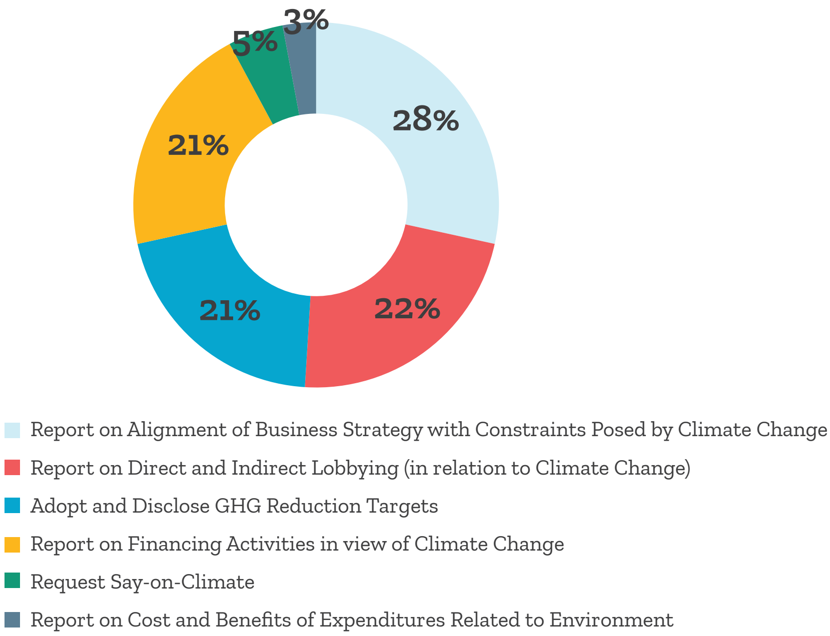
- Report on Alignment of Business Strategy with Constraints Posed by Climate Change.
- Report on Direct and Indirect Lobbying (in relation to Climate Change).
- Adopt and Disclose GHG Reduction Targets.
- Report on Financing Activities in View of Climate Change.
- Request Say on Climate
- Report on Cost and Benefits of Expenditures Related to Environment

Shareholder proposals falling under the category "Report on Alignment of Business Strategy with Constraints Posed by Climate Change" were the most common during 2018 to August 2022, representing 28% of all shareholder proposals filed. The least prevalent shareholder proposal filed during the period from 2018 to August 2022 asked companies to "Report on Cost and Benefits of Expenditures Related to Environment".

Figure 15.

Climate-related Shareholder Proposals, by SquareWell Category (2018 to 2022)

Source: SquareWell, ISS

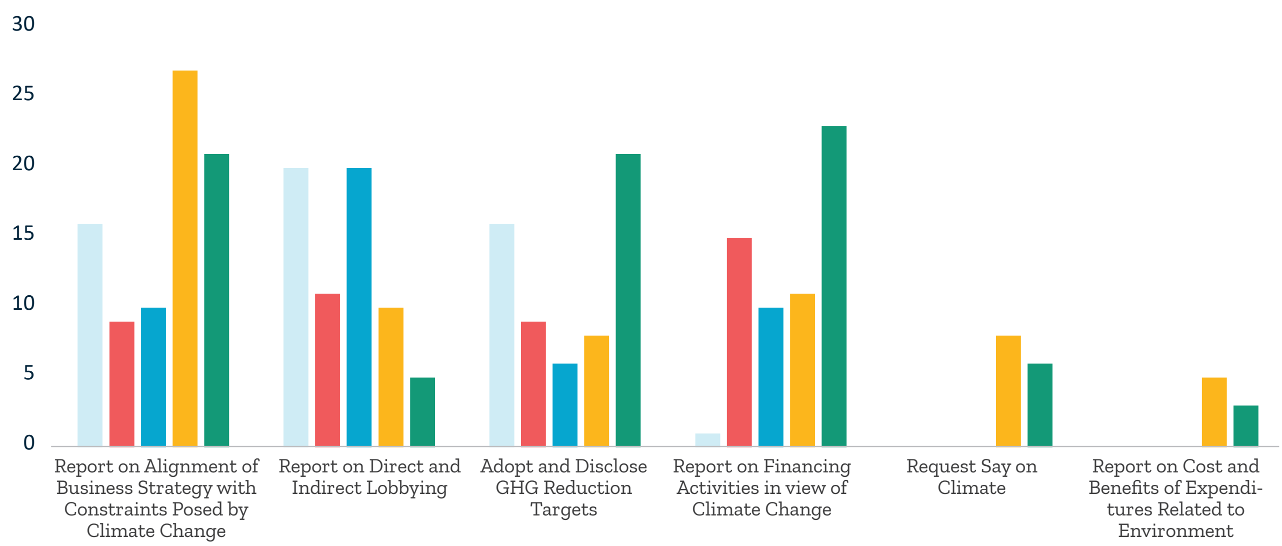


Looking at 2022 specifically, we saw **shareholder proposals seeking companies to "Adopt and Disclose GHG Reduction Targets" increase by 2.6x and "Report on Financing Activities in view of Climate Change" increase by 2.1x**. All other shareholder proposal categories saw a decline in 2022 when compared to the previous year.

Figure 16.

Climate-related Shareholder Proposals, by SquareWell Category (2018 to 2022)

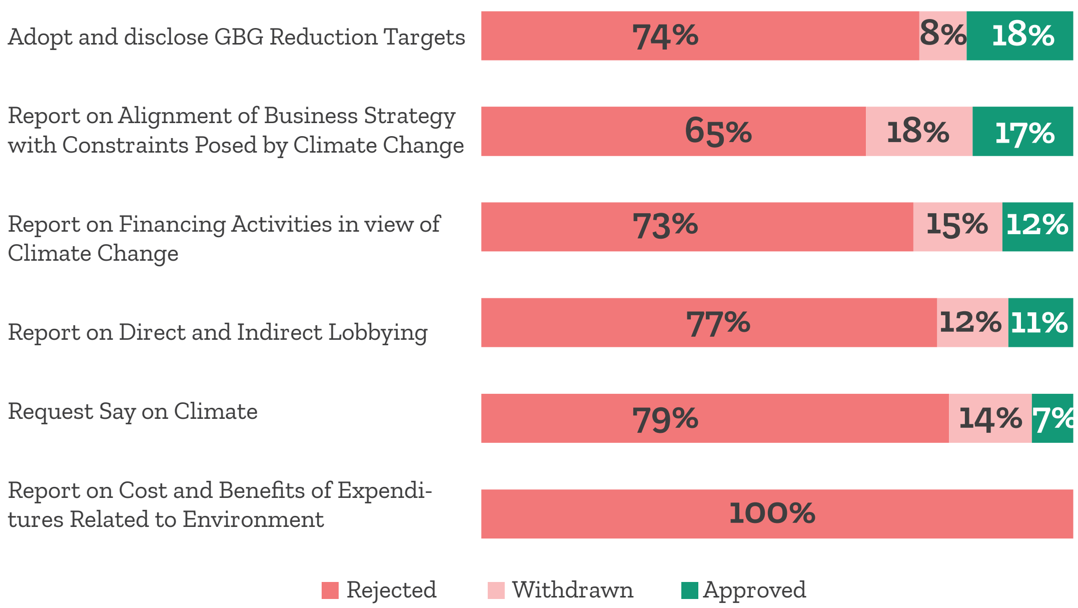
Source: SquareWell, ISS



Only 14% (or 40 proposals) of all climate-related shareholder proposals were approved during 2018 to August 2022; however, for five of the six categories, at least one shareholder proposal was approved. None of the shareholder proposals asking companies to "Report on Cost and Benefits of Expenditures Related to Environment" was adopted during the period under review.

Figure 17. Climate-related Shareholder Proposals Adopted per SquareWell Category (2018 to 2022)

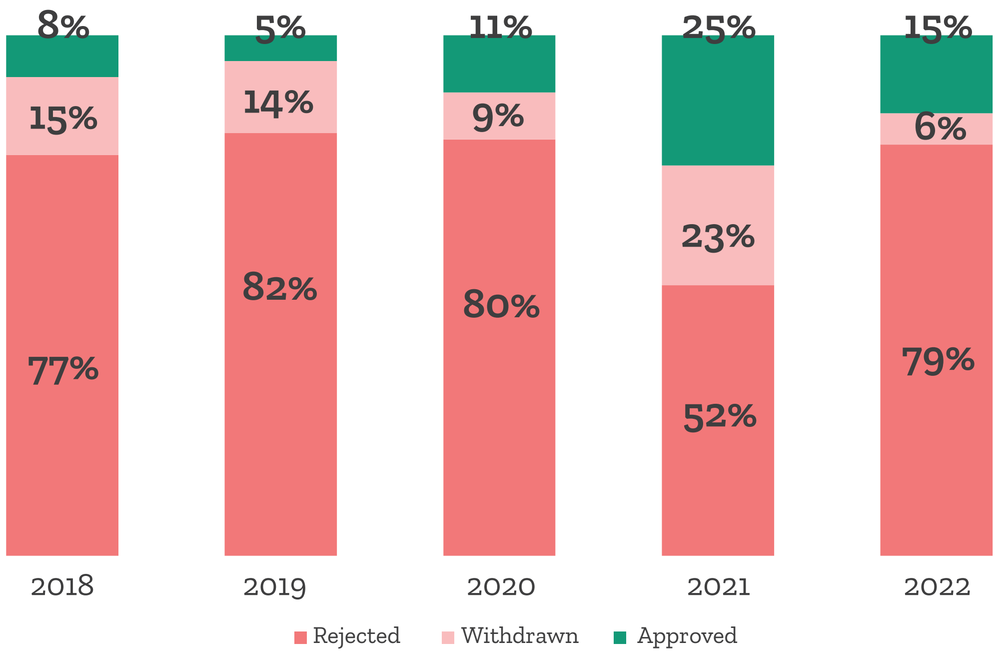
Source: SquareWell, ISS



Following the **momentous 2021 financial year where a quarter of the shareholder proposals related to climate change were approved by shareholders, 2022 saw only 15% of the shareholder proposals filed related to climate change approved by shareholders**. Despite the year-on-year decline, the adoption rates of the shareholder proposals in 2022 still marked the second highest during the period under review. Interestingly, the level of "Withdrawn" shareholder proposals, as a proportion, was the lowest over the past five years.

Figure 18. **Climate-related Shareholder Proposals Adopted per SquareWell Category (2018 to 2022)**

Source: SquareWell, ISS

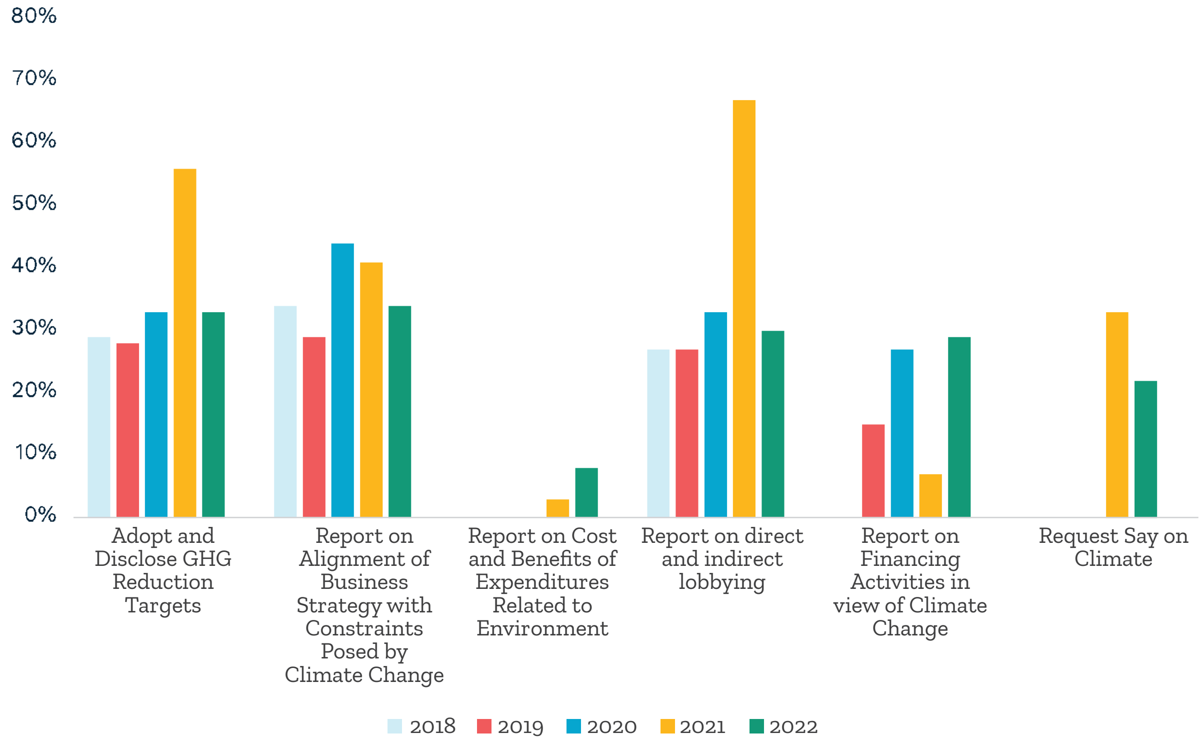


The shareholder proposals receiving the highest level of average support during the period under review (i.e. 2018 to August 2022) **were those asking companies to "Adopt and Disclose GHG Reduction Targets" and "Report on Alignment of Business Strategy with Constraints Posed by Climate Change" supported on average by 37% and 35% of participating shareholders, respectively**. The lowest supported shareholder proposals were those asking companies to "Report on Cost and Benefits of Expenditures Related to Environment," receiving on average 5% support from participating shareholders.

Looking at 2022, there was **a noticeable decline in support for shareholder proposals across most categories when compared to the previous year**. Shareholder proposals targeting the "Financials" sector to "Report on Financing Activities in view of Climate Change" saw an increase to nearly 30% in the level of average shareholder support during the past year compared to 7% the previous year. Excluding three such shareholder proposals filed in 2022 at the South African bank, Standard Bank Group Ltd, which received over 90% shareholder support, the reduced average support of 17% across the "Financials" sector remains higher than the previous year.

Figure 19. Average Support by Shareholder Proposal Type per SquareWell Category (2018 to 2022)

Source: SquareWell, ISS

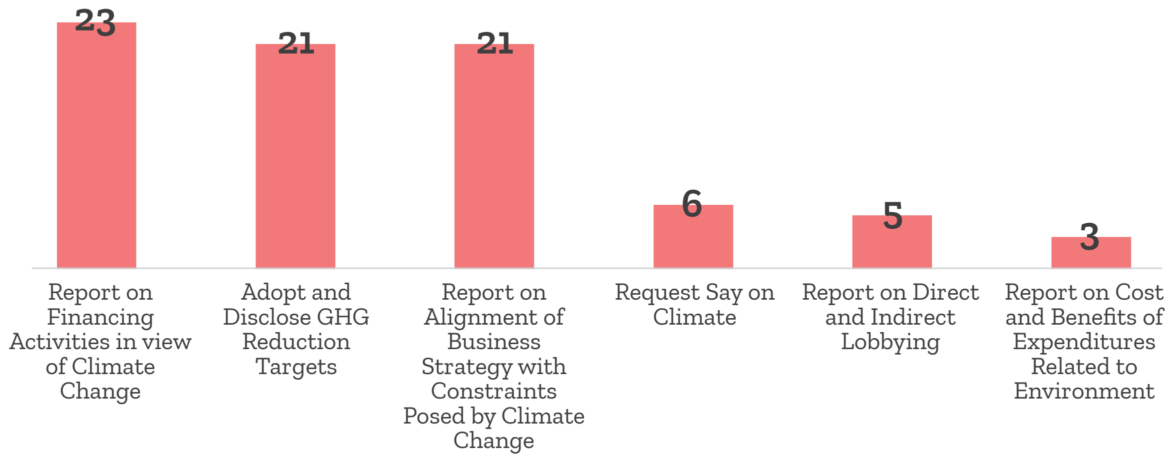


2.03. A REVIEW OF THE CLIMATE-RELATED SHAREHOLDER PROPOSALS

A total of 79 climate-related shareholder proposals were filed in 2022 (up to August 2022), of which 74 shareholder proposals came to a vote. The **most prevalent shareholder proposal in 2022 was asking companies in the "Financials" sector to "Report on Financial Activities in View of Climate Change**", followed by the shareholder proposals asking companies to "Adopt and Disclose GHG Reduction Targets" and "Report on Alignment of Business Strategy with Constraints Posed by Climate Change".

Figure 20. Climate-related Shareholder Proposals Filed in 2022, per SquareWell Category

Source: SquareWell, ISS



2.03.a. REPORT ON FINANCING ACTIVITIES IN VIEW OF CLIMATE CHANGE

During 2022, a total of 23 shareholder proposals asked companies within the “Financials” sector for a “Report on Financing Activities in View of Climate Change”. Most of such shareholder proposals were filed at ‘Banks’ (14), followed by ‘Insurance’ (6) and ‘Diversified Financials’ (3) companies.

The five highest supported shareholder proposals (excluding those filed at South African bank, Standard Bank Group Ltd, which were adopted by shareholders following the favourable recommendations of its Board) seeking companies to “Report on Financing Activities in View of Climate Change” in 2022 were:

Company	Sector	Country	Proponent	Board Rec.	Proxy Advisor Rec.		Vote Result
					ISS	Glass Lewis	
Chubb Limited	Insurance	USA	As You Sow	AGAINST	FOR	FOR	72%
The Travelers Companies, Inc.	Insurance	USA	As You Sow	AGAINST	FOR	FOR	55%
QBE Insurance Group Limited	Insurance	Australia	Market Forces	AGAINST	AGAINST	AGAINST	19%
Credit Suisse Group AG	Diversified Financials	Switzerland	Ethos	AGAINST	AGAINST	AGAINST	19%
JPMorgan Chase & Co.	Banks	USA	Sierra Club Foundation	AGAINST	AGAINST	AGAINST	15%

● **FOR** ● **AGAINST**

Source: SquareWell, ISS

Chubb Limited ("Chubb")

As You Sow ("AYS" or the "Proponent") requested that Chubb issue a report addressing whether and how it intends to measure, disclose, and reduce the GHG emissions associated with its underwriting, insuring, and investment activities in alignment with the Paris Agreement. The Proponent highlighted that Chubb reported pre-tax catastrophe losses of $1.15 billion in Q3 2021, with $806 million of that figure attributable to Hurricane Ida.

Chubb argued that an additional Climate Report would not be necessary though it recognizes the existential threat of global warming. Chubb stated that there is "no magic bullet that will create a carbon free economy in the short term and the use of fossil fuels will unfortunately remain necessary during a transition period." Chubb argued that underwriting limitations must be "balanced against the essential and core purpose of insurance, to provide risk protection for lawful activity."

Looking at the votes in detail, SquareWell highlights the below, including the investors' rationale for supporting or opposing the shareholder proposal:

Investor	Vote	Rationale
Aviva Investors		"Support for this proposal is warranted, because it would help shareholders better evaluate the Company's management of climate risks from its underwriting, investment, and insurance activities."
Neuberger Berman		"We believe the approval of this proposal is in the best interest of shareholders."
Schroders		"The Company has been asked to report on its financed emissions. We are keen to see additional reporting and disclosures on emissions that cover its entire business to better understand their transition to a low carbon economy."
T.Rowe Price		"A vote with management is appropriate as the proposal is overly prescriptive. In addition, the Company provides comprehensive reporting on its climate transition plans and its policies on high-risk industries. Finally, the proposal was not properly targeted; the language in the filing even refers to a different company."

FOR **AGAINST**

Source: SquareWell, Insightia

CREDIT SUISSE

Credit Suisse Group AG ("Credit Suisse")

Ethos Foundation ("Ethos" or the "Proponent") filed the first climate-related shareholder proposal in Switzerland at Credit Suisse. The Proponent asked for an amendment to Credit Suisse's Articles of Association to codify its climate change strategy and disclosures in relation to the oil, gas and coal sector.

While Credit Suisse fully supported the disclosure of the items requested by the shareholders, it disagreed that its Articles of Association needed to be amended for such purpose. Credit Suisse stated that it will improve its disclosures further and submit the 2022 Sustainability Report for a consultative vote to shareholders at the 2023 Annual General Meeting. In addition, Credit Suisse also highlighted that it had introduced new restrictions related to the financing of oil sands, deep-sea mining and Arctic oil and gas.

Looking at the votes in detail, SquareWell highlights the below, including the investors' rationale for supporting or opposing the shareholder proposal:

Investor	Vote	Rationale
Aegon AM	FOR	"A vote FOR this proposal is warranted as additional disclosures and reporting on climate-related risks, such as disclosure of additional information on the strategy set to align the financing activities with the Paris agreement as well as the reduction of exposure to coal, oil, and gas assets would further support the Company's stated ambitions and would benefit shareholders in assessing its management of related risks."
APG AM	FOR	"We believe that the bank should urgently publish a plan to expand the scope of its disclosures and targets to all material financial services."
AllianceBernstein	AGAINST	"The Company discloses in its TCFD report and Sustainability Report its three-pronged approach to addressing climate change, including the short, mid, and long term targets and commitments. The Company is a member of the Net Zero Banking Alliance and SBTi, and has committed to the Paris Agreement. Considering the extent to which the Company has already taken the proponent's concerns into account, support is not warranted at this time."
GAM Investments	AGAINST	"Voting AGAINST given this is highly unusual practice for Articles of Association to incorporate mandatory reporting. Would rather pursue a strategy of engagement with these companies to outline our expectations."

● FOR ● AGAINST

Source: SquareWell, Insight

2.03.b. ADOPT AND DISCLOSE GHG REDUCTION TARGETS

Shareholder proposals asking companies to “Adopt and Disclose GHG Reduction Targets” made up 27% of all climate-related shareholder proposals filed in 2022, with 33% of the proposals filed at ‘Energy’ companies. During 2022, 21 such shareholder proposals were filed at companies across four countries, with only one shareholder proposal being withdrawn. The average support for such shareholder proposal decreased from c.56% in 2021 to c.33% in 2022.

The five highest supported shareholder proposals seeking companies to “Adopt and Disclose GHG Reduction Targets” in 2022 were:

Company	Sector	Country	Proponent	Board Rec.	Proxy Advisor Rec.		Vote Result
					ISS	Glass Lewis	
Builders FirstSource, Inc.	Industrials	USA	Green Century Capital Management	None	🟢	🟢	84%
Costco Wholesale Corporation	Consumer Staples	USA	Green Century Capital Management	🔴	🟢	🟢	70%
US Foods Holding Corp.	Consumer Staples	USA	Green Century Capital Management	🔴	🟢	🟢	68%
Dollar Tree, Inc.	Consumer Discretionary	USA	As You Sow	🔴	🟢	🟢	55%
ConocoPhillips	Energy	USA	Follow This	🔴	🟢	🔴	39%

🟢 **FOR** 🔴 **AGAINST**

Source: SquareWell, ISS

Builders FirstSource, Inc. (“Builders FirstSource”)

Green Century Capital Management (“GCCM” or the “Proponent”) requested that Builders FirstSource adopt short-, medium-, and long-term science-based GHG emissions reduction targets, inclusive of emissions from its full value chain, in order to achieve net zero emissions by 2050 or sooner and to effectuate appropriate emissions reductions prior to 2030.

The Proponent argued that the Company, which provides construction services and forestry products, has neither GHG emissions reduction targets nor time-bound commitments to set targets for reducing its Scope 1, 2, and 3 emissions. Builders FirstSource’s Board did not make any recommendation as to how its shareholders should vote on this shareholder proposal as it already planned to comply with what the Proponent was asking. The Company committed to disclosing its Scope 1 and 2 GHG emissions in 2023 with a goal to disclose Scope 3 GHG emissions in the “near term”.

Builders FirstSource, however, did highlight that the timeline to implement the Proponent’s proposal was overly burdensome in light of a recent merger the Company undertook.

ConocoPhillips

ConocoPhillips

Follow This ("Follow This" or the "Proponent") requested ConocoPhilips to set and publish short-, medium- and long-term targets to reduce emissions from its operations and energy products (Scope 1, 2, and 3) consistent with the Paris Agreement.

ConocoPhillips stated that it received "some feedback" for more disclosure regarding its strategy, but received "very few specific requests for additional targets or changes to our overall strategy" from its shareholder engagement exercise. ConocoPhillips contended that it set reduction targets for Scope 1 and 2 emissions but did not believe that Scope 3 targets are "appropriate for an upstream-only E&P company like ConocoPhillips".

Looking at the votes in detail, SquareWell highlights the below, including the investors' rationale for supporting or opposing the shareholder proposal:

Investor	Vote	Rationale
Candriam	● (FOR)	"A vote FOR this proposal is warranted, as additional information on the Company's efforts to reduce its carbon footprint and align its operations with Paris Agreement goals would allow investors to better understand how the Company is managing its transition to a low carbon economy and climate change related risks. In addition of its decarbonization strategy on Scope 1&2 is not aligned with the Paris goals, the Company does not provide sufficient information on Scope 3 emissions, and how it plans to reduce what accounts for 90% of its overall value chain emissions. ConocoPhillips told media that investors had not asked for scope 3 reporting, which is at odds with coming SEC regulation."
UBS AM	● (FOR)	"We will support proposals that seek to promote greater disclosure and transparency in corporate environmental policies as long as: a) the issues are not already effectively dealt with through legislation or regulation; b) the company has not already responded in a sufficient manner; and c) the proposal is not unduly burdensome or overly prescriptive."
Columbia Threadneedle	● (AGAINST)	"Not in shareholders' best interest."
Invesco AM	● (AGAINST)	"Issue is being adequately addressed by the Company at this time."
Ontario Teachers' Pension Plan (OTPP)	● (AGAINST)	"We note that ConocoPhillips has taken steps to reduce their GHG emissions by setting reduction targets on its Scope 1 & 2 emissions, establishing a net zero ambition, and providing disclosure on the steps it is taking to mitigate its environmental impact. Given the Company is an E&P with no downstream assets, we are not convinced setting Scope 3 reduction targets is an area to focus their GHG reduction efforts. That being said, we note the Company's commitment to climate policy advocacy as a means to positively impact Scope 3 emissions and will continue to monitor their efforts in this area."

● FOR ● AGAINST

Source: SquareWell, Insightia

2.03.c. REPORT ON ALIGNMENT OF BUSINESS STRATEGY WITH CONSTRAINTS POSED BY CLIMATE CHANGE

Shareholder proposals asking companies to publish a report on the "Alignment of their Business Strategy with the Constraints Posed by Climate Change" made up 31% of all climate-related shareholder proposals filed in 2022, with 56% of the proposals filed at 'Energy' and 'Utilities' companies.

During 2022, 25 such shareholder proposals were filed at companies across seven countries compared to 27 such shareholder proposals filed in 2021. Of the 25 shareholder proposals filed, we note that only two were withdrawn, with the remaining 23 shareholder proposals coming to a vote. The average support for such shareholder proposals decreased from c.40% to c.30%, despite the proposals at Caterpillar Inc. and The Boeing Company being endorsed by the boards of the two companies and having received 95.5% and 89.1% support, respectively.

The five highest supported shareholder proposals seeking companies to "Report on Alignment of Business Strategy with Constraints Posed by Climate Change" in 2022 were:

Company	Sector	Country	Proponent	Board Rec.	Proxy Advisor Rec.		Vote Result
					ISS	Glass Lewis	
Caterpillar Inc.	Industrials	USA	As You Sow	FOR	FOR	FOR	96%
The Boeing Company	Industrials	USA	As You Sow	FOR	FOR	FOR	89%
Exxon Mobil Corporation	Energy	USA	Arjuna Capital	AGAINST	FOR	FOR	51%
Valero Energy Corporation	Energy	USA	Mercy Investments	AGAINST	FOR	FOR	42%
Chevron Corporation	Energy	USA	As You Sow	AGAINST	FOR	FOR	39%

FOR **AGAINST**

Source: SquareWell, ISS

CATERPILLAR

Caterpillar Inc. (“Caterpillar”)

As You Sow (“AYS” or the “Proponent”) asked Caterpillar to issue a report within a year, and annually thereafter, disclosing interim and long-term emissions targets aligned with the Paris Agreement, and progress made in achieving them. The Proponent argued that setting net zero targets and developing a climate transition plan was important to ensure that Caterpillar’s management was comprehensively reducing its climate contribution. AYS leveraged the Net Zero Company Benchmark by Climate Action 100+ (CA100+) and argued that Caterpillar’s emission reduction targets only address Scope 1 and 2 emissions whereas 30 of its peers committed to validate their reduction targets through the Science-Based Targets initiative.

In 2022, Caterpillar’s Board decided to endorse the proposal following a similar proposal receiving 48% support in 2021. Caterpillar noted that while it reports progress against Scope 1 and 2 reduction targets, it has not yet publicly reported or set a reduction goal that encompasses Scope 3 emissions. In response to this shareholder proposal, Caterpillar stated that it will report in 2023 whether it intends to set the specific type of goal requested or provide its rationale for not doing so.

Caterpillar highlighted the difficulty in setting Scope 3 emissions reduction targets as its “ability to set specific GHG emissions reduction goals that include activities outside Caterpillar’s operations depends on various factors that are fluid and difficult to predict. These include the range of potential pathways for decarbonization; development, deployment and adoption of new technologies; the speed of research and innovation efforts; the impacts of governmental regulations and policies around the world and other factors that could significantly alter customer adoption of new technologies”.

Chevron Corporation ("Chevron")

As You Sow ("AYS" or the "Company") requested that Chevron provide an audited report addressing how the International Energy Agency's Net Zero by 2050 pathway would affect the assumptions and estimates underlying its financial statements, including its "long-term commodity and carbon prices, remaining asset lives, existing and future asset retirement obligations, capital expenditures, and asset valuations (impairments)". A similar proposal was filed in 2021 which received 48% shareholder support.

AYS cited research from Carbontracker that found more than 70% of publicly-listed carbon-intensive firms were not fully accounting for climate-related risks in their financial statements. The Proponent highlighted that Chevron's audited annual disclosures do not currently provide investors with "sufficient insight into assumptions used to assess productive assets for impairment and stranded asset risk" whilst some of its peers does (examples highlighted include Shell, bp, and TotalEnergies).

Chevron argued that it has already tested its portfolio using IEA's Net Zero 2050 scenario demand and commodity price projections and reported the results in its Climate Change Resilience Report (published in October 2021). Chevron considers the likelihood of the IEA's Net Zero 2050 scenario to be "remote" and does not rely on this scenario for its business planning. Chevron's Board argued that "it would not be a responsible use of Company resources to produce a further report to address a speculative scenario."

Chevron argued that its strategic plans reflect management's best assessment of the longer-term outlook on supply, demand and commodity prices. Whilst Chevron argued that it regularly analyses alternative scenarios to stress-test its portfolio, it considered the results confidential and competitively sensitive. As such, it does not report audited outcomes on these scenarios but reports in accordance with U.S. GAAP.

Looking at the votes in detail, SquareWell highlights the below, including the investors' rationale for supporting or opposing the shareholder proposal:

Investor	Vote	Rationale
abrdn (formerly Aberdeen Standard Investments)	●	"It is of critical importance that the Company's financial statements and underlying assumptions reflect the anticipated impacts of the energy transition. We note that certain long-term capital expenditure projections may not be feasible but believe the requested report would nonetheless improve the Company's disclosures and provide useful information for shareholders."
Pictet AM	●	"A vote FOR this proposal is warranted because shareholders would benefit from greater disclosure about the company's risk of stranded assets, given its planned spending plan and business strategy."
Wellington	●	"Current practice is insufficient."
Invesco AM	●	"Issue is being adequately addressed by the Company at this time."
State Street Global Advisors	●	"SSgA is abstaining on the proposal as the Company's disclosure and/or practices related to GHG emissions are broadly in line with market standard but could be enhanced."
T. Rowe Price	●	"In our assessment, the Company already provides comprehensive disclosure on this matter. Chevron offers reporting on an array of demand scenarios. Therefore, a vote with management is appropriate."

● FOR ● AGAINST ● AGAINST

Source: SquareWell, Insightia

2.03.d. REQUEST SAY ON CLIMATE

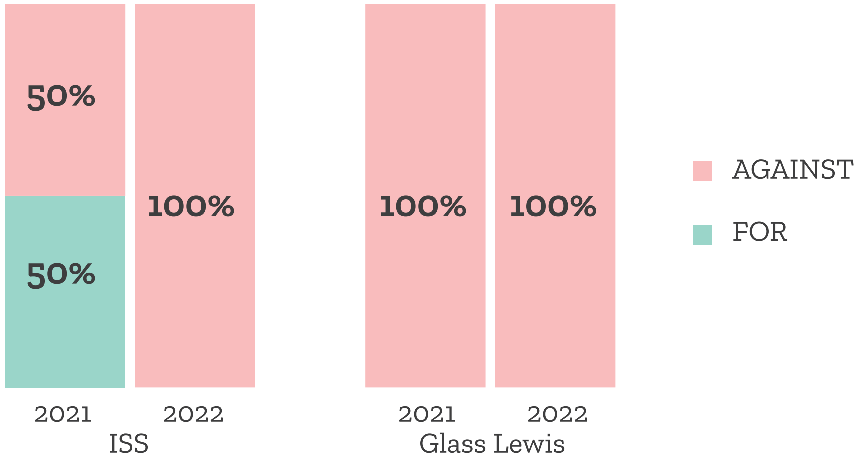
In 2022, six shareholder proposals were filed at Canadian Banks requesting them to put forward Say on Climate ("SoC") proposals, all filed by Mouvement d'éducation et de défense des actionnaires (MÉDAC), a Canada-based shareholder rights group that targets banks. Credit Suisse Group AG agreed to let its shareholders vote on its 2022 sustainability report (which contained its climate strategy and TCFD disclosures) at the 2023 AGM, considering a shareholder proposal filed by Ethos Foundation, ShareAction, and 11 institutional investors at the Company's 2022 AGM.

The previous year, there were eight shareholder proposals filed across four countries where one was adopted by shareholders (at Canadian Pacific Railway Limited) and two were withdrawn (at Santos Limited and Woodside Energy Group Ltd.). Many of the organisations that submitted a shareholder proposal requesting a SoC in 2021 have not continued to do so in 2022. As You Sow, for instance, was reported to have changed tactics, and asked companies for net-zero and interim GHG emissions reductions targets instead.

For shareholder proposals requesting SoC votes, ISS said it will analyse each request on a case-by-case basis while Glass Lewis will generally recommend AGAINST such requests during the 2022 proxy season. All six shareholder-sponsored SoC proposals in 2022 received negative recommendations from both ISS and Glass Lewis, as opposed to 2021 where half of the shareholder proposals requesting a SoC vote received ISS's support (see **Figure 21**).

Figure 21. Proxy Advisors' Vote Recommendations on Shareholder-Sponsored SoC Proposals

Source: SquareWell, ISS, Insightia



The five highest supported shareholder proposals seeking companies to adopt a "Say on Climate" in 2022 were:

Company	Sector	Country	Proponent	Board Rec.	Proxy Advisor Recommendations		Vote Result
					ISS	Glass Lewis	
The Toronto-Dominion Bank	Financials	Canada		●	●	●	27%
Canadian Imperial Bank of Commerce	Financials	Canada		●	●	●	24%
National Bank of Canada	Financials	Canada	Mouvement d'éducation et de défense	●	●	●	24%
Royal Bank of Canada	Financials	Canada		●	●	●	22%
The Bank of Nova Scotia	Financials	Canada		●	●	●	21%

● **FOR** ● **AGAINST**

Source: SquareWell, ISS

The Toronto-Dominion Bank ("TD Bank")

Mouvement d'éducation et de défense ("Médac" or the "Proponent") asked TD Bank to adopt an annual advisory vote on its environmental and climate action plan. The Proponent cited a 2020 report by the Rainforest Action Network, which showed the Company was among the top companies in the world to finance fossil fuels, as a rationale for seeking accountability at the Company.

TD Bank argued that an annual advisory vote on a single element of corporate strategy, such as climate policy, would not serve as a useful guidance for its Board. TD Bank further argued that shareholders who are dissatisfied with the Bank's overall strategy or performance can annually vote on the election of its directors.

Looking at the votes in detail, SquareWell highlights the below, including the investors' rationale for supporting or opposing the shareholder proposal:

Investor	Vote	Rationale
AXA IM	● (FOR)	"Proposal is in the interests of shareholders."
Royal London AM	● (FOR)	"We are supportive of further disclosures and introduction of an advisory vote on the Company's climate transition plan."
UBS AM	● (FOR)	"An annual advisory vote on climate change strategy would strengthen the Board's accountability on implementing an effective strategy for a transition to a low carbon economy."
abrdn (formerly Aberdeen Standard Investments)	● (AGAINST)	"We do not believe that the annual frequency proposed by this resolution is appropriate. We also believe that the Company has the appropriate oversight and disclosure in relation to its climate change approach including a recent commitment to reduce 29% of financed emissions lending intensity from 2019 levels by 2030. We also note the Company has detailed its oversight mechanisms and actions through TCFD climate disclosure and committed to the Net-Zero Banking Alliance."
Neuberger Berman	● (AGAINST)	"Here, we are supportive of the Company providing more disclosure but do not believe the annual vote aspect of this proposal is appropriate. The Company provides disclosure on its emissions and maintains a target to achieve net-zero GHG emissions associated with its operations and financing activities by 2050. The Board has oversight of climate-related risks and opportunities through the Corporate Governance Committee and the Company was the first Canadian insurance provider to establish an advisory board on Climate Change. We will continue to engage with the Company on its climate risk practices and disclosures including those pertaining to financed emissions. While we encourage companies to publish reporting on their management of climate risk, we recognize that an annual vote on the Company's climate strategy report may not be the most effective mechanism to achieve consistent, comparable, and quality reporting
		on climate risk and ESG topics more broadly. Given the complexity and dynamic nature of ESG issues, it may be more appropriate to express our views to some companies through direct engagement or collaborative efforts. We also believe climate action plans are inherently long-term and would not expect these strategic plans to change significantly on an annual basis, therefore making an annual vote potentially administrative in nature. There are also concerns that this type of proposal could have unintended consequences, such as insulating directors for accountability on climate issues. For these reasons, we intend to oppose this proposal."
Wellington	● (AGAINST)	"Current practice is sufficient."

● **FOR** ● **AGAINST**

Source: SquareWell, Insightia

2.03.e. REPORT ON DIRECT AND INDIRECT LOBBYING

Following the success of such shareholder proposal filed by BNP Paribas Asset Management (and supported by Climate Action 100+) at Chevron Corporation in 2020, several similar proposals were filed in 2021 which were successfully adopted by shareholders at Delta Air Lines, Exxon Mobil, United Airlines, etc. However, only five shareholder proposals requesting companies to "Report on Direct and Indirect Lobbying" were filed in the US and Australia in 2022, down from its peak of 20 shareholder proposals filed on such topic in 2020. Two of the five shareholder proposals were withdrawn at the Australian companies – Santos Limited and Woodside Energy Group Ltd.

The three shareholder proposals that came to a vote seeking companies to "Report on Direct and Indirect Lobbying" in 2022 were:

Company	Sector	Country	Proponent	Board Rec.	Proxy Advisor Recommendations		Vote Result
					ISS	Glass Lewis	
Honeywell International Inc.	Industrials	USA	Proxy Impact	🔴	🟢	🔴	39%
United Parcel Service, Inc.	Industrials	USA	Mercy Investment Services	🔴	🟢	🟢	33%
Alphabet Inc.	Communication Services	USA	Zevin Asset Management	🔴	🟢	🟢	19%

Alphabet

Alphabet Inc. ("Alphabet")

Zevin Asset Management ("Zevin AM" or the "Proponent") requested that Alphabet conduct an evaluation and issue a report describing if, and how, its lobbying activities (directly and indirectly) align with Paris Agreement. The Proponent argued that lobbying activities inconsistent with meeting the goals of the Paris Agreement present regulatory, reputational and legal risks.

The Proponent stated that Alphabet does not disclose sufficient information and is particularly concerned with industry and policy groups that represent businesses. The Proponent's review of Alphabet's disclosed memberships is stated to have revealed "concerning inconsistencies with Alphabet's actions on, and commitments to, the Paris Agreement".

In response to the shareholder proposal, Alphabet argued that it has consistently supported "strong climate policies" and that the "ambitious" climate goals it has set for its own operations reflects Alphabet's commitment to mitigating climate impacts. Furthermore, Alphabet highlighted that it already discloses its lobbying-related governance and policies, lobbying expenditures, and a list of trade associations in which it participates.

Looking at the votes in detail, SquareWell highlights the below, including the investors' rationale for supporting or opposing the shareholder proposal:

Investor	Vote	Rationale
Baillie Gifford	● (FOR)	"We supported a shareholder resolution regarding climate lobbying because we encourage the Company to lead by example and align its lobbying practices with the Paris Agreement's goals."
Sarasin & Partners	● (FOR)	"We will vote FOR resolutions calling for greater Company disclosure of their political and lobbying spending, including to third-parties, and its justification."
Storebrand AM	● (FOR)	"The Company and its shareholders are likely to benefit from a review of how the Company's and its trade associations' lobbying positions align with Paris Agreement, in light of risks to the Company caused by climate change and the Company's public position."
T.Rowe Price	● (AGAINST)	"In our assessment, the Company already provides comprehensive disclosure on this matter. Therefore, a vote with management is appropriate."

● FOR ● AGAINST

Source: SquareWell, Insightia

2.03.f. REPORT ON COST AND BENEFITS OF EXPENDITURES RELATED TO ENVIRONMENT

Three shareholder proposals were filed in 2022 asking companies to "Report on Cost and Benefits of Expenditures Related to Environment", down from five shareholder proposals filed on such topic in 2021. The requests of these shareholder proposals are varied, ranging from asking companies to be more aspirational to suggesting targeted companies to regress from their current efforts to tackle climate change.

The three shareholder proposals seeking companies to "Report on Cost and Benefits of Expenditures Related to Environment" in 2022 that came to a vote were:

Company	Sector	Country	Proponent	Board Rec.	Proxy Advisor Recommendations		Vote Result
					ISS	Glass Lewis	
3M Company	Industrials	USA	Shareholder Commons	●	●	●	13%
United Parcel Service, Inc.	Industrials	USA	Shareholder Commons	●	●	●	10%
International Paper Company	Materials	USA	Not Disclosed	●	●	●	1%

● **FOR** ● **AGAINST**

Source: SquareWell, ISS

3M Company ("3M")

Shareholder Commons, a non-profit organization, requested that 3M publish a report on: (1) the link between the environmental costs and political influence activities and 3M's continuing prioritization of enterprise risk, and (2) the manner in which such costs and prioritization may affect the returns available to shareholders.

The Proponent argued that while the Company states it is "committed to being leaders in sustainability," its actions are "contradictory" to such statement. The Proponent highlighted that 3M is active in three trade associations that work against comprehensive US policies to address climate change, has not set science-based targets, failed to receive an "A" grade from CDP, etc. The Proponent suggests that the Company only addresses sustainability issues when that "pursuit optimizes 3M's financial return".

3M argued that the shareholder proposal is based on a premise that is "factually unsupported – that enterprise risk management and societal sustainability risks must necessarily be mutually exclusive". The Company stated that risks that impact 3M and how 3M impacts the environment are both considerations of its enterprise risk management framework. 3M further highlighted its disclosure practices, including its use of frameworks like SASB and TCFD, and its sustainability strategy whereby it focuses on: (1) science for circular; (2) science for climate; and (3) science for community.

Looking at the votes in detail, SquareWell highlights the below, including the investors' rationale for supporting or opposing the shareholder proposal:

Investor	Vote	Rationale
Aviva Investors	● (FOR)	"Support for this proposal is warranted, as additional disclosure on the environmental costs of the company's operations, as well as their effect on the economy and diversified shareholders would enable shareholders to understand and assess how the company."
Robeco	● (FOR)	"Vote FOR when proposal requests sustainability or environmental reports."
UBS AM	● (FOR)	"The proposal would enable shareholders to determine the strength of company policy, strategy and actions in regards to climate change."
AllianceBernstein	● (AGAINST)	"The proposal is overly prescriptive and it is unclear how the company would produce such report. Additionally, the company appears to disclose sufficient information for shareholders to assess how it is managing environmental risks."
NEI Investments	● (AGAINST)	"While the company has been implicated in several environmental controversies, it is unclear how the company would meet the request and how the report would address the shortcomings noted."

● FOR ● AGAINST

Source: SquareWell, Insightia

INTERNATIONAL PAPER

International Paper Company ("IP")

The undisclosed shareholder (the "Proponent") requested that IP publish a report of incurred costs and associated benefits accruing to shareholders and the climate from IP's climate-related activities that "are voluntary and exceed government regulatory requirements". The Proponent argued that its proposal would "help shareholders monitor whether International Paper's voluntary activities and expenditures touted as protecting the climate are actually producing meaningful benefits to shareholders and the global climate".

The Proponent further suggested that "insincere green posturing and associated touting of alleged, but actually imaginary benefits to public health and the environment may harm shareholders by distracting management, wasting corporate assets, ripping off ratepayers and deceiving shareholders and the public".

IP argued that the report requested by the shareholder "would be a significant waste of corporate resources" as it already discloses sufficient information in the public domain. Furthermore, IP argued that a number of the proponent's underlying assumptions regarding the need for such a report were "flawed".

Looking at the votes in detail, SquareWell highlights the below, including the investors' rationale for supporting or opposing the shareholder proposal:

Investor	Vote	Rationale
Royal London AM	● (FOR)	"We are supportive of this proposal for further disclosures in this area, given the significant risks involved and the non-prescriptive nature of this resolution."
BNP Paribas AM	● (AGAINST)	"The intent of the proposal appears to be to question the value of IP's climate strategies."
Candriam	● (AGAINST)	"While we agree on the need for additional disclosure on ESG matters, the proponent of this resolution is of the view that International Paper does too much on sustainability, and should instead focus on generating profit (while only abiding by applicable environmental regulation). We do not support this statement and the motive of this resolution. We will thus vote AGAINST."
T.Rowe Price	● (AGAINST)	"A vote with management is appropriate because we disagree with the proponent's objectives on principle. This is an ANTI-ESG resolution."

● **FOR** ● **AGAINST**

Source: SquareWell, Insightia

APPENDIX:

METHODOLOGY ON SQUAREWELL'S SHAREHOLDER PROPOSAL CATEGORIZATION

SquareWell reviewed all ESG-related shareholder proposals filed from 1 January 2018 to 1 August 2022 at all companies globally. SquareWell analyzed all ESG-related shareholder proposals' text and rationale to determine which ones were related to climate change and should qualify for the purposes of this review.

SquareWell identified a total of 291 shareholder proposals that were broadly relevant to climate change during the period under review and categorized the proposals into the following categories:

- Adopt and Disclose GHG Reduction Targets: These proposals often ask companies to set targets for Scope 3 emissions in addition to Scope 1 and 2, and outline that the targets should be aligned with the goals of the Paris Agreement. These proposals will also often ask companies to report on their progress against the set targets.

- Report on Alignment of Business Strategy with Constraints Posed by Climate Change: These proposals requested that companies outline their plans for aligning their business strategy to the risks posed by climate change. These proposals may also ask companies to report such information in accordance with the TCFD recommendations as well as set GHG reduction targets.

- Report on Direct and Indirect Lobbying: These proposals requested companies to disclose their lobbying activities, including indirect lobbying activity through trade associations, that may take steps to prevent actions to combat against climate change.

- Report on Financing Activities in View of Climate Change: These proposals requested companies in the "Financials" sector to disclose policies on lending to fossil fuel companies and/or targets for reducing exposure to fossil fuel assets.

- Request a Say on Climate Vote: These proposals requested companies to provide shareholders the opportunity to vote on companies' environmental and climate performance.

- Report on Cost and Benefits of Expenditures Related to Environment: These proposals requested companies to publish a report on how their expenditures related to the environment and climate were achieving the stated goals; while most of these proposals were seeking the company to be more accountable and transparent on its initiatives, some of these proposals may be considered as wanting the company to regress its efforts on climate change.

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