

SAY ON CLIMATE BOARD PROPOSALS 2023 UPDATE

23 February 2023

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Georgeson

Introduction

The 2023 AGM season will be the third year that companies will voluntarily propose so called “Say on Climate” resolutions. This memo provides an overview of what investor expectations are (and how they are applying pressure on companies), how proxy advisors approach Say on Climate, what has happened so far and what the implications for companies are. Note that this memo covers the UK and Europe only.

The memo covers the following areas:

- › **Investor expectations and Letters from Investors to Companies** – an overview of the spectrum of opinion towards Say on Climate votes amongst investors, sample investor guidelines and the results of the most recent ISS Policy (Investor) Survey with regards to climate change. Additionally we cover letters from:
 - **Amundi**
 - **LAPFF**
 - **Norges**
 - **Aviva**
 - **Ossiam**
- › **Proxy Advisor Opinions & Guidelines** – An overview of the guidelines ISS and Glass Lewis have published for 2022 on board-sponsored Say on Climate proposals.
- › **Trends from the 2021 and 2022 AGM Season** – an overview of the board-proposed Say on Climate votes which took place in the UK & Europe during the 2021 and 2022 proxy seasons
- › **Summary** – Georgeson insight on what questions companies should consider before putting forward a Say on Climate, how Say on Climate has developed over the past two years and what the implications for companies are going into the 2023 AGM.
- › **Appendix** – ISS and Glass Lewis guidelines for Climate Accountability, Say on Climate Management Proposals, and Say on Climate Shareholder Proposals

Investor expectations and Letters from Investors to Companies



The Spectrum of Investor Expectations for Say on Climate votes



BlackRock



Amundi
ASSET MANAGEMENT



Vanguard remains **cautious about value of Say on Climate** [...] (and) are concerned about the potential implications and **unintended consequences for governance and accountability**



[Source](#)

At this stage, **we view Scope 3 emissions differently from Scopes 1 and 2**, given methodological complexity, regulatory uncertainty, concerns about double-counting, and **lack of direct control by companies**



[Source](#)

Starting in 2023, we also **plan on filing our own shareholder proposals** (where companies are clear **laggards**). Companies should **report on climate matters** and **set net zero targets**.



[Source](#)

Amundi asked companies [who submitted a Say on Climate vote] to present **comprehensive targets**, a **precise agenda** as well as **clear resources** to achieve their climate goals.



[Source](#)

We expect [...] A **public commitment to net-zero by 2050** (covering all material emissions) with **targets across the short-, medium- and long-term**.



[Source](#)

Governance of the Resolution

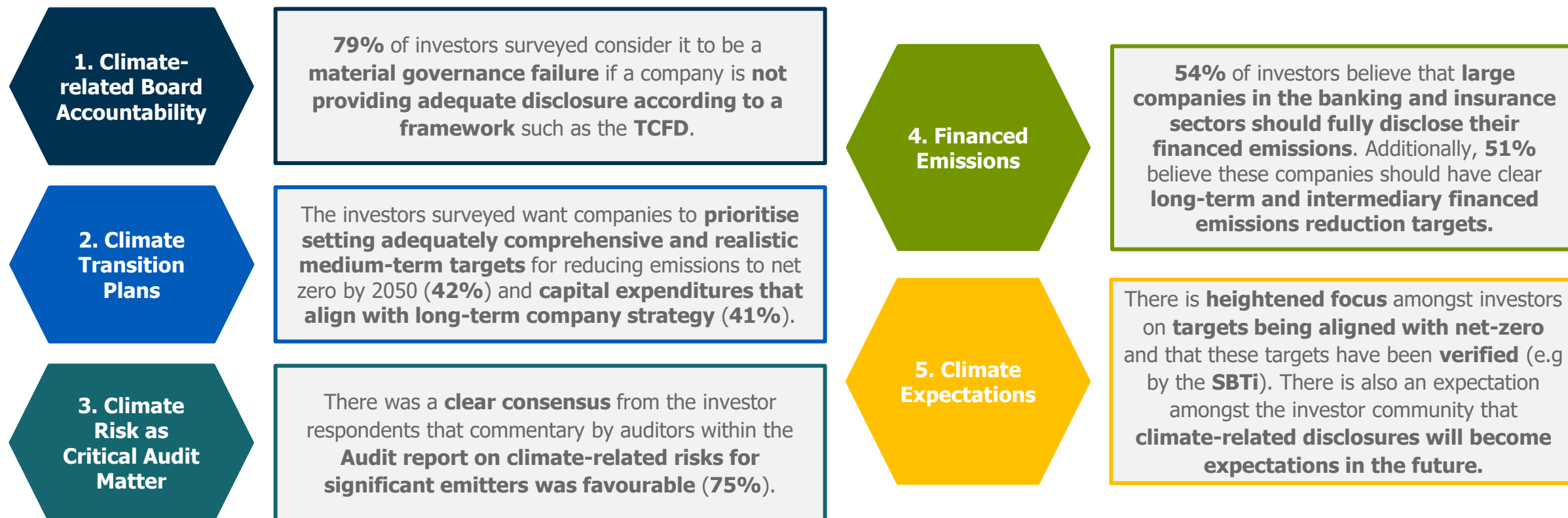
Expectations of a Climate Transition Plan

Since Say on Climate is a relatively new concept, there are a variety of opinions from investors that range from a focus on the governance of the resolution to a focus on the criteria of a climate transition plan itself.

Investor replies to ISS Global Benchmark (Climate) Policy Survey

On October 10, ISS published main findings on its 2022 Global Benchmark Policy Survey: [Annual Global Policy Survey – Summary of Results](#). The Survey received 417 responses: **205 responses from investors** and investor-affiliated organizations, and 212 from non-investor respondents. The Annual Global Policy Survey is a part of ISS' annual global policy development process and, as every year, was open to all interested parties to solicit broad feedback on areas of potential ISS policy change for 2023 and beyond.

The summary of investor sentiment on the five climate issues for Continental Europe:



Amundi's Say on Climate Approach

"As **Europe's largest asset manager**, and a major shareholder in several companies via the funds and mandates it manages on behalf of its clients, Amundi believes that it is its responsibility to encourage and accelerate the transition of companies towards a more sustainable model. With this in mind, **Amundi adopted a demanding approach to the analysis of Say on Climate resolutions in the 2022 season, a practice it had encouraged in 2021 by voting mainly in favour of these resolutions.**

In 2022, Amundi asked the companies that have submitted a climate strategy at their General Meetings **to present comprehensive targets** (in terms of **figures scope and baseline scenarios**), a precise agenda (**short, medium and long term objectives**) as well as clear resources to achieve their climate goals (**including a three- to five-year investment plan**), before analysing each strategy in its entirety in order to assess its soundness and **alignment with the Paris Agreement**. This approach led to a differentiated and **case-by-case exercise** of our vote on the climate strategies submitted to the shareholders. **Out of 36** Say on Climate resolutions tabled by companies in 2022, **Amundi voted for less than 40%.**

In particular, Amundi has a responsibility to encourage the transition of energy companies, in particular oil companies. Unlike coal, for which alternatives exist, oil is an essential energy source. **Amundi is therefore convinced that the collective target of carbon neutrality will require not excluding energy companies, but rather supporting their transformation."**

Norges's Approach to Climate-related proposals

"When it comes to climate, **companies planning for the status quo are failing to address growing risks and opportunities, both physical and regulatory.** Those that make investments now which pay back in a transitioning economy look likely to be net beneficiaries.

We will increasingly hold boards accountable. Our higher expectations were already reflected in our 2022 voting practices. In the future, **we will vote against board members if we see material failures in disclosing, managing or overseeing climate risk.**

Starting in 2023, **we also plan on filing our own shareholder proposals.** Companies should report on climate matters and set net zero targets. **Filing climate-related proposals where companies do not meet our expectations and are clear laggards sends a signal to the board that they need to step up their efforts.**

We are worried that environmental, social and governance considerations are increasingly becoming a hot political topic. But **ESG is not politics. It is common sense.** In an uninhabitable world, the value of our fund is zero. For us, integrating ESG risk is about making good investment decisions. For companies, it is about good risk management and long-term value creation."

Ossiam's Letter to Carbon-intensive Companies

"The key features we are looking for are a climate strategy aligned with the Paris Agreement and a superior Governance profile. As a next step, we are launching an engagement programme whereby we put the following proposals forward to your company:

1. Putting a Say on Climate Resolution to a vote at the next Annual General Meeting

The race is on to limit global warming to 1.5 °C and prevent the worst effects of climate change. Once the carbon reduction targets have been defined, companies should have them certified by science as aligned with the Paris Agreement.

It is important for you company and your board to obtain support and validation of the climate strategy by shareholders at the next general meeting. By putting a Say on Climate resolution to a vote, you will enhance the company's accountability for the execution of its climate strategy.

2. Improvement of Board Skills and competence in climate issues

We would like to understand: Which board members have competence in climate-related issues; Whether an evaluation of the directors' knowledge about climate has been conducted; and, Whether training programmes on climate change are offered to the directors

3. SBTi Commitment

We expect your supervisory board to ensure that the company commits to the SBTi in order to have your carbon reduction targets validated by science as aligned with the Paris Agreement."

Letter from LAPFF, CCLA, Sarasin & Partners and Ethos Foundation

"Climate action transition plan:

In September 2021, LAPFF and Sarasin and Partners, alongside TCI, wrote to all chairs of UK listed companies (excluding investment trusts) asking you to provide shareholders with the opportunity to support your greenhouse gas emission reduction strategy by putting an appropriate resolution on your 2022 AGM agenda. We were encouraged by the substantive responses we received, and that many of you indeed put such a resolution to shareholders.

We have since had HM Treasury launch the UK Transition Plan Taskforce to develop the 'gold standard' for private sector climate transition plans in the UK. This sets out that a transition plan should be integral to the company's overall strategy, setting out how it aims to contribute to and prepare for a rapid global transition towards a low GHG-emissions economy in line with a 1.5-degree Celsius temperature outcome.

With the 2023 AGM season fast approaching, we and additional investor signatories, write again to encourage disclosure of a transition plan and to provide shareholders with the opportunity to support your climate action strategy by means of a specific AGM resolution. In this way shareholders can signal support for your decarbonisation strategy and any associated capital expenditure requirements.

We look forward to hearing from you to know of your intent and how you might progress investor support of your decarbonisation strategy."



CCLA

ETHOS FOUNDATION

SARASIN
& PARTNERS

Who are LAPFF?

The Local Authority Pension Fund Forum (LAPFF) is a voluntary association of public sector pension funds based in the UK. It was formed in 1990 with just 7 members, including West Yorkshire Pension Fund, and now brings over 80 Local Government Pension Schemes together. Today it has combined **assets of around £350 billion**.

How influential are they?

LAPFF funds generally hold very small positions and therefore have a **minimal impact** on voting outcomes.

Letter from Aviva Investors to Chairpersons



"As we develop strategies to counter energy shocks (etc.), it is imperative that tactical responses today do not undermine the delivery of critical longer-term sustainability objectives. It is in this context we want to share the three key priorities that will shape our stewardship activities as shareholders and bondholders in 2023:

1. Tackling the cost-of-living crisis

We encourage boards to **consider the following actions**: Pay a living wage; Offer financial support; Engage with trade unions; Uphold human rights; Show responsibility on executive pay; and, Support vulnerable customers.

2. Transitioning to a low-carbon economy

We are strong **supporters of the UK Transition Plan Taskforce Disclosure Framework** and **expect its recommendations to be integrated into the International Sustainability Standards Board (ISSB) guidance**. We encourage companies to **pay particular attention to the following components of the framework**: Business models; Financial planning; Incentives and remuneration; Engagement with value chain; and, Engagement with governments.

3. Reversing nature loss

In preparation for reporting against the framework, **companies should undertake the TNFD recommended business model assessment process, referred to as LEAP**. The framework has four core components: Locate interfaces with nature; Evaluate dependencies and impacts; Assess risks and opportunities; and, Prepare to respond."

Letter from Aviva Investors to Chairpersons

"We view **Say on Climate as a tool to hold companies, their boards and management accountable for climate ambitions**. The ability to assess progress over time should be clear, **while companies should avoid frequent changes to long-term strategies**, unless there is evidence of misalignment.

Each company's climate transition plan is specific and often involves confidential and competitive information. As such, **we believe the board is best positioned to set policy and oversee its implementation and progress by the management team**. This **responsibility should remain within the board's remit – not shareholders**. We therefore support Say on Climate resolutions being **advisory rather than binding**.

We encourage high-emitting investee companies to put their climate strategy to a shareholder vote. In addition, we seek evidence of progress in the following areas to inform our voting:

- Assessment of the extent to which **companies' climate disclosures and ambitions are comprehensive and consistent**, including accountability of the board and appropriate governance oversight. Boards should commit to annual progress reporting in line with established reporting frameworks – this allows for company and sector-wide peer analysis.
- **Ambitious climate strategies with clear and credible targets and milestones** (across near- and longer-term horizons) – but with evidence of their not compromising a company's medium or long-term operating and financial performance. These should include details on any necessary investment or financial commitments.
- **Where shareholder concerns remain unaddressed**, despite significant shareholder dissent, or we are dissatisfied with a company's responsiveness to implementing Say on Climate, **we generally vote against the chairman, or board member responsible for sustainability and climate matters.**"

Proxy Advisor Opinions & Guidelines on Say on Climate



Proxy Advisor Guidelines on Say on Climate Board Proposals

Summary of Proxy Advisors' views (see next slide for an in-depth commentary from ISS and Glass Lewis):

- **ISS** tends to endorse management-sponsored Say on Climate resolutions. In particular, they believe that it is important to put these issues to the vote regularly at the annual general meetings so that shareholders can effectively monitor the implementation of the climate strategy and express their opinion on future developments.
- In contrast, **Glass Lewis** criticized in some cases the potential disempowerment of the board in relation to energy transition strategies. Glass Lewis believes that the energy transition should remain the prerogative of the board and tends to recommend that shareholders either abstain or vote against these resolutions.



ISS ESG guidelines state that both **company resolutions** and shareholder-sponsored ESG proposals **are assessed on a case-by-case basis**.



Recommends **voting against the board chair** in cases where the company is not taking the minimum steps needed to understand, and mitigate climate-related risks.



For management-sponsored Say on Climate votes, ISS will take into account the '**completeness**' and '**rigour**' of a company's climate transition plan.



ISS will also take into account **the company's** related commitment, disclosure, and **performance compared to its industry peers**.



In instances where Glass Lewis find TCFD disclosures to be absent or significantly lacking, **Glass Lewis may recommend voting against responsible directors**.



When evaluating management-sponsored Say on Climate Glass Lewis looks to the board to **provide information concerning the governance** of the vote



Where disclosure concerning the governance of the Say on Climate vote is not present, **Glass Lewis will recommend that shareholders abstain**



Glass Lewis will recommend that **shareholders vote against the proposal** in instances where the climate transition plan does not meet a certain level of quality.

Please see appendix for additional information about the ISS and Glass Lewis guidelines

Proxy advisor Opinions on Say on Climate Board Proposals



"We believe that there are many positive aspects to a Say on Climate vote; it ensures companies are providing robust climate-related information to shareholders on an annual basis and it places the issue of climate on the agenda for both companies and investors.

However, challenges include:

- A **lack of engagement** from companies with the broader market regarding the concerns that have been expressed by investors about companies' use of Say on Climate;
- An **absence of legal clarity or codified best practice standards** to assuage investors concerns;
- **Questions about the scope and utility** of Say on Climate votes being adopted on a broad, non-targeted basis; and
- A potential **lack of a thorough and highly-technical understanding of climate-related issues** on the part of the investment community, broadly, which may hinder investors from fully understanding or being able to interpret companies' climate transition Plans."

Source: [Glass Lewis Overview of Say on Climate](#)



"Management Say on Climate votes are gaining strong momentum and will likely develop into the key channel through which shareholders can express their views. The lower support levels on Say on Climate proposals in 2022 vs 2021 indicate that **shareholder expectations are continuing to tighten**. Issuers that lack Say on Climate proposals may increasingly struggle to gain satisfactory support on relevant ballot items, including director elections, at their AGMs.

Well-constructed Say on Climate proposals should demonstrate alignment with the Paris Agreement, commitment to annual review of emissions targets, executive compensation linked to climate targets, and TCFD compliant disclosures. However, we also find that a vast **majority of companies are not prepared for increased shareholder scrutiny of their efforts to slow down climate change**. A majority of issuers have not committed to SBTs and have not linked their executive compensation to the attainment of these targets. Also, less than a third of companies' disclosures aligned with the TCFD (out of ISS's database of issuers)."

Source: [ISS - rise of say on climate proposals](#)

Trends from the 2021 and 2022 AGM Season

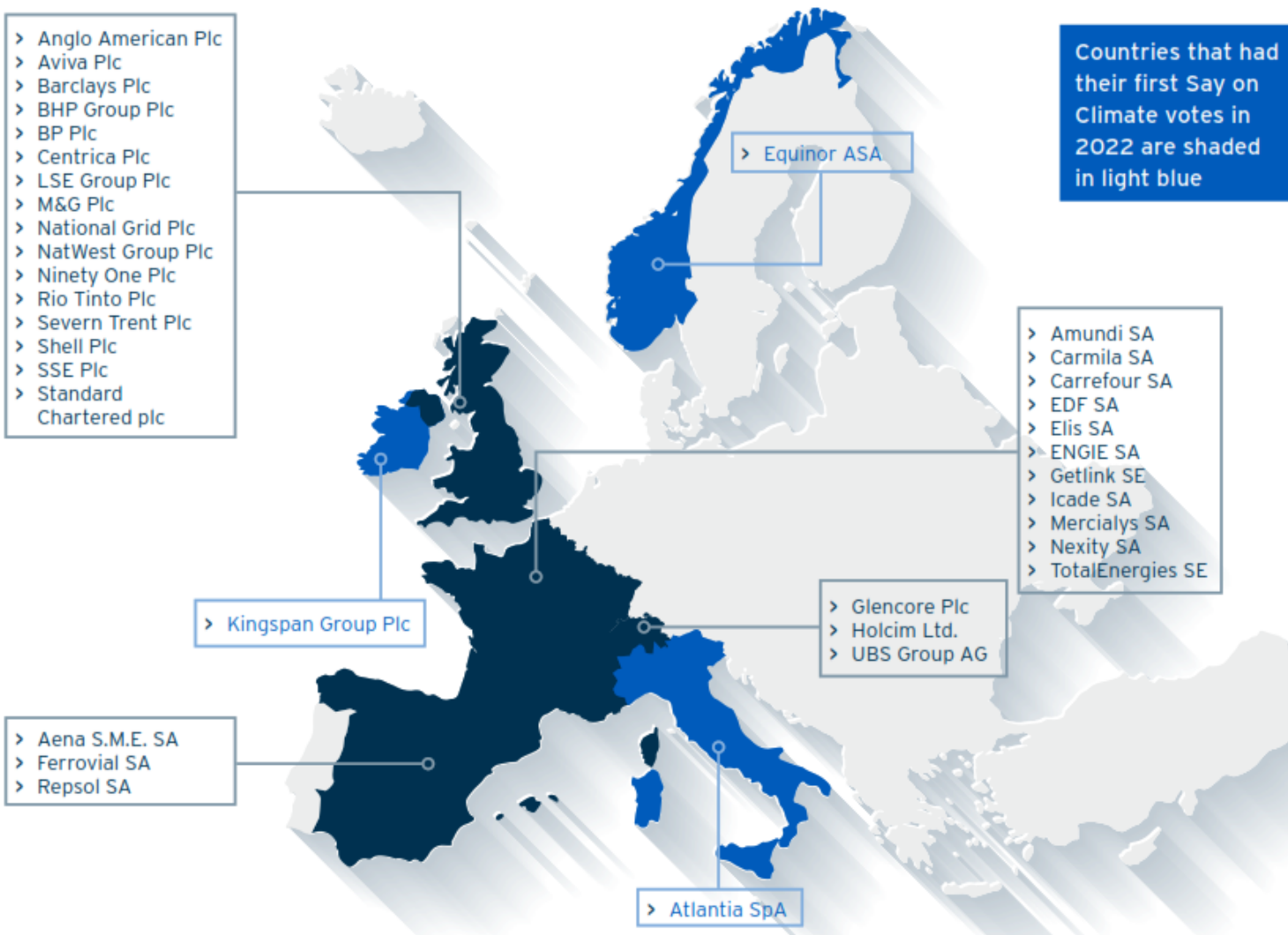


Say on Climate – Board-proposed Climate Resolutions

The **2022 AGM season** was the second year that companies have voluntarily proposed so called “Say on Climate” resolutions. During the year under review (1 July 2021 — 30 June 2022), **36 companies** across Europe have put forward board-sponsored advisory resolutions on their climate disclosures and action plans at their Annual General Meetings.

This is a large increase from the **2021 AGM Season** (1 July 2020 — 30 June 2021) which saw **12 companies** put forward board sponsored say on Climate resolutions.

In the 2022 AGM Season, **Ireland** through Kingspan Group Plc, **Italy** through Atlantia SpA, and **Norway** through Equinor ASA, **hosted their first board-proposed Say on Climate Votes**.

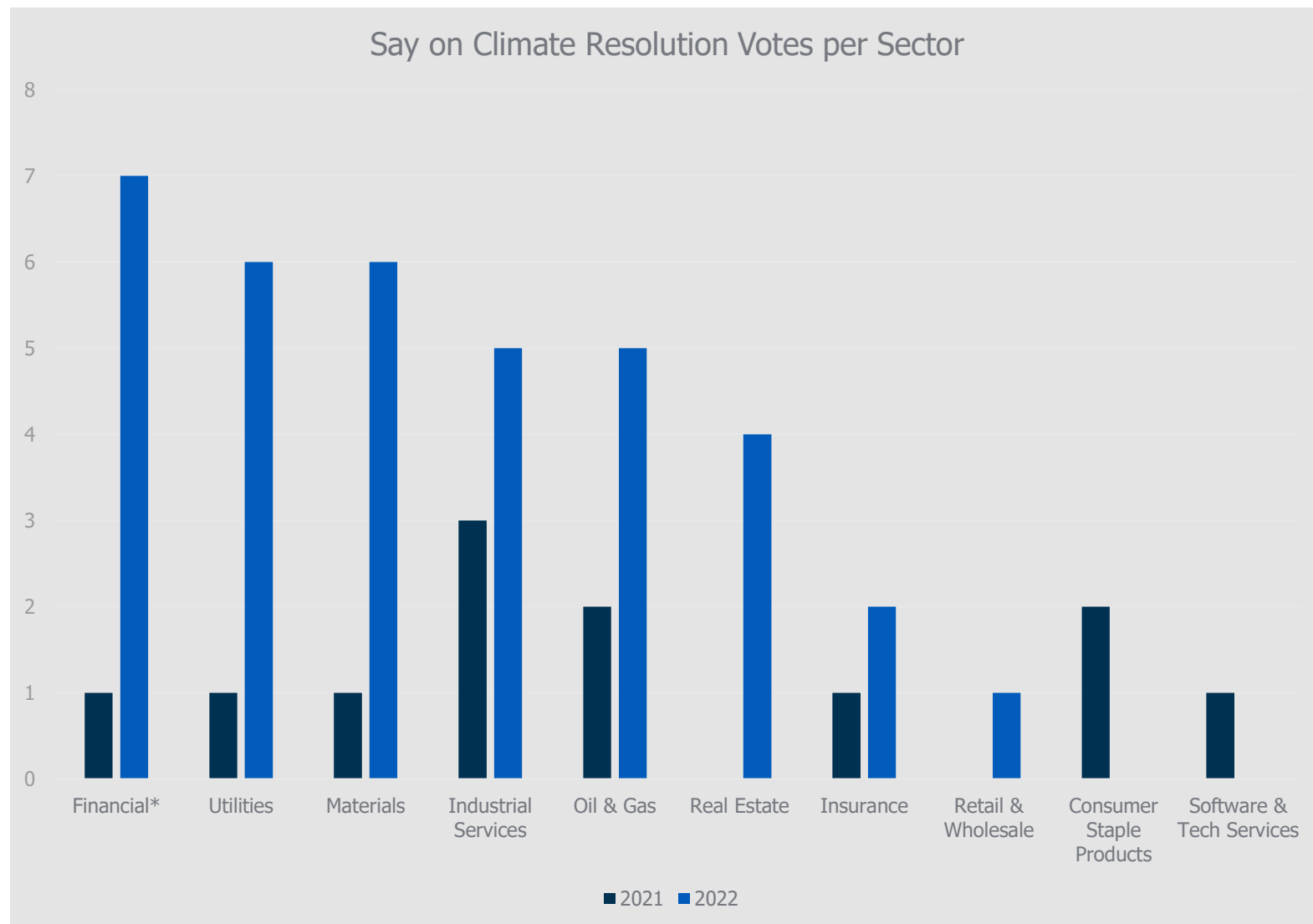


Say on Climate – Sector Distribution

The sectors that have put forward the most Say on Climate resolutions so far is the **Financial*, Utilities and Materials industry group**.

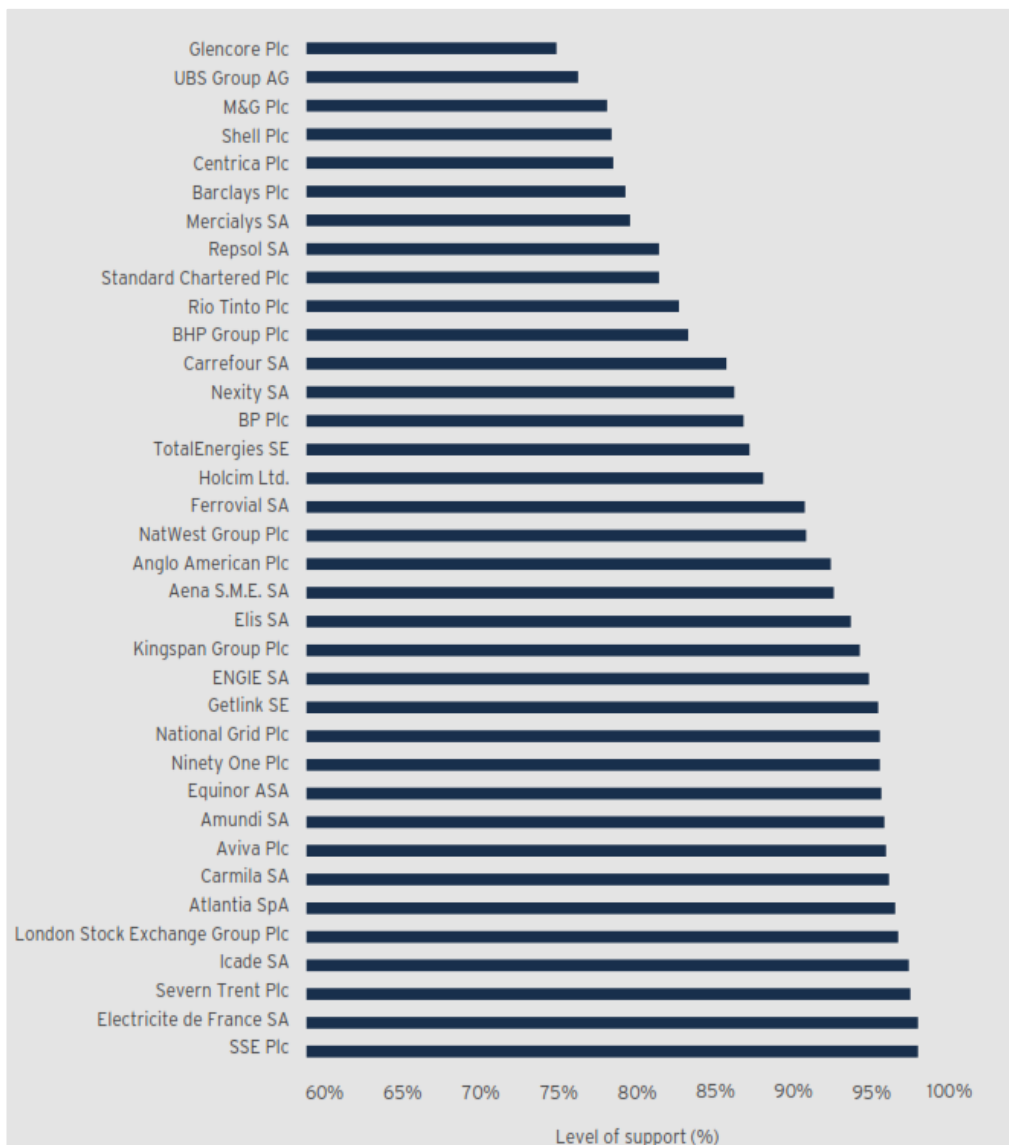
So far, it is mainly companies/organisations from **carbon-intensive sectors** putting forward board-proposed Say on Climate proposals.

For the 2022 Proxy Season, the **Retail and Wholesale sector (87.4%), Oil & Gas Sector (87.5%), and the Materials Sector (87.6%)** generally received the **lowest average support for their proposals**



* The Financial industry group is made up of the Bloomberg Industry categories titled Banking, Financials, and Financial Services. All other sectors are Bloomberg's industry groups.

Say on Climate – Shareholder Support

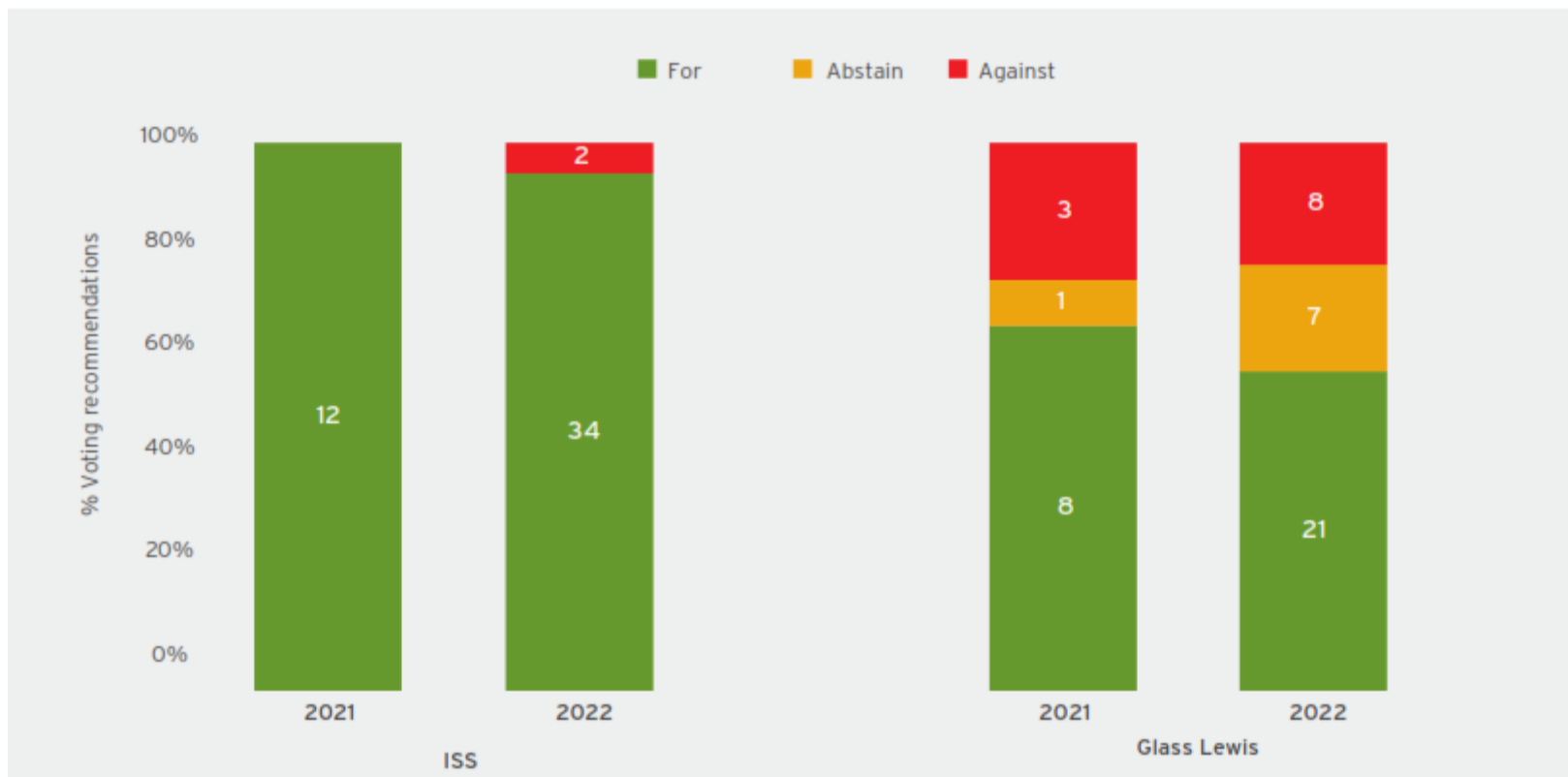


The level of support from shareholders at the **2021 AGM** season for this type of proposal in Europe was on **average 97%** and in **all cases above 88.7%**. However, during the **2022 AGM** season there was increased scrutiny amongst shareholders and proxy advisors which led to the **average level of support falling to 91%**, with the **lowest level of support being 76.3%**.

Interestingly, the **6 companies** that put forward Say on Climate resolutions in both the **2021 and 2022 AGM seasons** (Ferrovial SA, Aena S.M.E. SA, Glencore Plc, Aviva Plc, Shell Plc and TotalEnergies SE) saw their **average level of support drop from 95.1% to 88.3%**.

The graph to the left shows the level of support for all Say on Climate board proposals put forward in the 2022 AGM season across Europe. The **sectors** that feature most frequently **below the average** of 91% are the **Financial, Oil & Gas and Materials sectors**.

Say on Climate – Proxy Advisor Recommendations



The graph above presents the ISS and Glass Lewis Voting recommendations during the 2022 Proxy Voting Season

Summary



Questions companies should consider before putting forward a Say on Climate

What will investors and proxy advisors consider when analyzing the company's climate transition plan?

- > Has the company set an ambition of being net zero by 2050?
- > Does the company have a clear governance structure?
- > Has the company aligned with the TCFD's recommendations?
- > Has the company considered and disclosed what the impacts of climate risk on the company's long-term financial performance, as well as opportunities to consider energy supply, innovation, and diversification of energy sources?
- > Has the company fully measured our material scope 1, 2 and 3 emissions?
- > Has the company set ambitious and credible short-, medium- and long-term targets across all 3 scopes?
- > If possible, has the company, or is the company in the process of having, its targets verified by the SBTi?
- > Is executive compensation linked to the climate-related targets the company has set?
- > Has the company disclosed the CAPEX and OPEX assumptions behind our climate transition plan?

What will we be asking our shareholders to vote on?

There is concern (as outlined in this memo) amongst investors and proxy advisors that a vote on the company's climate strategy has unintended consequences for corporate governance and accountability.

Companies need to be clear that it is a vote on the company's **climate-related reporting** and how the board intends to **use and interpret this vote in its strategy-setting process**. Also, proxy advisors and investors will look for a **commitment to regular Say on Climate votes**.

Georgeson Insight

- **We expect there to be more board-proposed Say on Climate votes in 2023.** This is because many of the **companies** who have put forward Say on Climate votes in the past couple of years **have committed to putting forward the same type of proposal forward annually.**
- Additionally, we have seen **investors putting more pressure on (carbon-intensive) companies** to put forward this type of resolution. For instance, [Legal & General](#) and [Norges](#) have **threatened to file shareholder resolutions** at companies who fail to put forward ambitious and credible climate transition plans to a vote.
- We would comment that so far it is still only a small number of companies putting forward these board-proposed resolutions and **support from investors dropped in the 2022 AGM Season compared to the 2021 AGM Season.**
- The **first mover advantage has certainly passed** as investors and proxy advisors have set their expectations of, and are increasingly scrutinizing, climate transition plans. Additionally, we are seeing **more investors claim that they will vote against directors** who they see as failing to disclose, manage and oversee climate risk in line with their expectations.
- However, at this point **we would not recommend putting forward your first Say on Climate** vote unless you have a climate transition plan that aligns with investor and proxy advisor expectations or if you are at threat of receiving a shareholder proposal.

Say on Climate – Looking ahead to the 2023 AGM Season

The number of Say on Climate resolutions will continue to grow

- Investors such as LAPFF, LGIM, Norges and Amundi already pushing their investee companies to do so
- Some have already committed to presenting a Say on Climate vote to their shareholders on an annual basis
- Activist shareholders (e.g. Follow This) and initiatives (e.g. Climate Action 100+) will put pressure on companies that fail to put forward a Say on Climate resolution by filing shareholder proposals

Expectations of a credible climate action plan will continue to transform

- The evolution of ESG-related reporting requirements and voluntary frameworks, notably the developments of the “big three”: the CSRD, the SEC and the ISSB – may affect what best practice climate-related disclosure looks like.
- The UK Government's Transition Plan Taskforce (TPT) is also attempting to standardize climate transition plans so that the FCA can draw on the outputs to strengthen future disclosure rules for listed companies









Governance – board accountability and responsibility will remain key

- The more successful Say on Climate resolutions will likely focus on an advisory vote for the reporting of a company's climate action plan rather than a vote on the company's climate strategy itself
- As the ISS policy survey results showed – investors consider directors to be responsible for disclosure and target-setting, as many agreed that expectations around climate are growing and will increase

The Russia-Ukraine war and the cost of living crisis may have an impact on investor decision-making

- The effect of the Russia-Ukraine war on the cost of living across Europe over the next year could impact investor sentiment on E&S topics with more of a focus on more traditional Governance topics such as Remuneration as inflationary pressures mount on companies
- However, investors will increasingly expect companies to align their capital expenditure with a less carbon-intensive business model and shift towards strategies that result in absolute GHG reductions by 2030

Georgeson's Full Suite of ESG Advisory Services

	ESG Investor Profiling	<ul style="list-style-type: none"> > Drawing on our proprietary database to inform your ESG profiler, you will know the rating and data providers your investors rely on, and the frameworks they support > Allows you to prioritise your time and resources most effectively
	ESG Gap & Peer Analysis	<ul style="list-style-type: none"> > Uncovers how you are perceived by investors as compared to peers - identifies key ESG risks and opportunities > Analysis provides a foundation to guide the establishment/development of your ESG strategy – e.g. KPIs or target-setting
	ESG Ratings Guidance	<ul style="list-style-type: none"> > Provides insight into how to improve ESG ratings > You will also benefit from Georgeson's expert advice on how to improve current ESG policies and disclosure.
	ESG Strategy	<ul style="list-style-type: none"> > Once ESG matters most important to your investors are identified, we work with you to develop a plan to integrate those topics into the company's overall strategy and objectives > This process un-silos information and allows for organisational alignment and goal-setting - whether to avoid falling behind or to emerge as a market-leader
	ESG Reporting	<ul style="list-style-type: none"> > Developed as efficient or expansive as desired, targeted to your most significant investors > Reporting your ESG performance, and commitments against frameworks that help investors understand your ESG journey
	ESG Roadshows & Engagement	<ul style="list-style-type: none"> > Demonstrate transparency and accountability to your institutional investors and their proxy advisors by actively engaging on ESG topics > We use investor profiles to prepare board and management ahead of the engagement and ensure you are meeting and building credibility with the right people within the investment team
	ESG Resolutions	<ul style="list-style-type: none"> > ESG resolution advisory service leverages our long experience in understanding how proxy advisors and institutional investors think and act in these specific situations – and how to counter negative developments > Useful for Say on Climate, activist resolutions and scheme meetings.
	ESG Education & Training	<ul style="list-style-type: none"> > Regardless of where you are on your ESG journey, we will bring you and your team up to speed on the landscape > ESG education/training provides efficient means of providing background necessary to drive forward ESG decision-making

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Appendix



Proxy Advisor Guidelines on Climate Accountability – ISS

Director Elections – Climate Accountability

For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain generally vote against the board chair in cases where ISS determines that the company is not taking the minimum steps needed to understand, assess, and mitigate risks related to climate change to the company and the larger economy.

Minimum steps to understand and mitigate those risks are considered to be the following. Both minimum criteria will be required to be in alignment with the policy:

- > Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force
- > on Climate-related Financial Disclosures (TCFD), including:
- > Board governance measures;
- > Corporate strategy;
- > Risk management analyses; and
- > Metrics and targets.
- > Appropriate GHG emissions reduction targets.

At this time, “appropriate GHG emissions reductions targets” will be medium-term GHG reduction targets or Net Zero-by-2050 GHG reduction targets for a company's operations (Scope 1) and electricity use (Scope 2). Targets should cover the vast majority of the company's direct emissions.

Proxy Advisor Guidelines Say on Climate – ISS

Say on Climate Management Proposals

Vote case-by-case on management proposals that request shareholders to approve the company's climate transition action plan, taking into account the completeness and rigor of the plan. Information that will be considered where available includes the following:

- › The extent to which the company's climate related disclosures are in line with TCFD recommendations and meet other market standards;
- › Disclosure of its operational and supply chain GHG emissions (Scopes 1, 2, and 3);
- › The completeness and rigor of company's short-, medium-, and long-term targets for reducing operational and supply chain GHG emissions (Scopes 1, 2, and 3 if relevant);
- › Whether the company has sought and approved third-party approval that its targets are science-based;
- › Whether the company has made a commitment to be "net zero" for operational and supply chain emissions (Scopes 1, 2, and 3) by 2050;
- › Whether the company discloses a commitment to report on the implementation of its plan in subsequent years;
- › Whether the company's climate data has received third-party assurance;
- › Disclosure of how the company's lobbying activities and its capital expenditures align with company strategy;
- › Whether there are specific industry decarbonization challenges; and
- › The company's related commitment, disclosure, and performance compared to its industry peers.

Proxy Advisor Guidelines Say on Climate – ISS

Say on Climate Shareholder Proposals

Vote case-by-case on shareholder proposals that request the company to disclose a report providing its GHG emissions levels and reduction targets and/or its upcoming/approved climate transition action plan and provide shareholders the opportunity to express approval or disapproval of its GHG emissions reduction plan, taking into account information such as the following:

- › The completeness and rigor of the company's climate-related disclosure;
- › The company's actual GHG emissions performance;
- › Whether the company has been the subject of recent, significant violations, fines, litigation, or controversy related to its GHG emissions; and
- › Whether the proposal's request is unduly burdensome (scope or timeframe) or overly prescriptive.

Proxy Advisor Guidelines on Climate Accountability – Glass Lewis

Director Elections – Climate Accountability

- › We have included a new discussion on director accountability for climate related issues.
- › In particular, we believe that clear and comprehensive disclosure regarding climate risks, including how they are being mitigated and overseen, should be provided by those companies whose own GHG emissions represent a financially material risk, such as those companies identified by groups including Climate Action 100+.
- › Accordingly, for companies with material exposure to climate risk stemming from their own operations, we believe they should provide thorough climate-related disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”).
- › We also believe the boards of these companies should have explicit and clearly defined oversight responsibilities for climate-related issues.
- › As such, in instances where we find either of these disclosures to be absent or significantly lacking, we may recommend voting against responsible directors.

Proxy Advisor Guidelines Say on Climate – Glass Lewis

Say on Climate Management Proposals

- › When evaluating management-sponsored votes seeking approval of climate transition plans Glass Lewis looks to the board to provide information concerning the governance of the Say on Climate vote.
- › Specifically, Glass Lewis believed that companies should provide information concerning the board's role in setting strategy in light of this vote, and how the board intends to interpret the vote results for the proposal.
- › We also believe that companies should be engaging with investors prior to and after the vote and will favourably view disclosure of information concerning these engagement efforts.
- › In instances where disclosure concerning the governance of the Say on Climate vote is not present, Glass Lewis will either recommend that shareholders abstain, or, depending on the quality of the plan presented, will recommend that shareholders vote against the proposal.
- › Regardless of disclosure concerning the governance of a company's Say on Climate vote, Glass Lewis will evaluate the quality of the climate transition plans presented by companies on a case-by-case basis.
- › Because Say on Climate votes are relatively nascent, best practices or the standardization of the proposals or underlying disclosures have not been developed.
- › Absent such standards, Glass Lewis looks to companies to articulate their climate plans in a distinct and easily understandable document, which they believe should be aligned with the recommendations of the TCFD.
- › In this disclosure, it is important that companies clearly explain their goals, how their greenhouse gas emissions (GHGs) targets support achievement of broader goals (i.e. net zero emissions goals), and any foreseeable obstacles that could hinder their progress on these initiatives.

Proxy Advisor Guidelines Say on Climate – Glass Lewis

Say on Climate Shareholder Proposals

- › Glass Lewis is broadly supportive of companies' providing robust disclosure concerning their climate strategies. However, they have concerns regarding the implications associated with Say on Climate votes.
- › Generally, Glass Lewis believes that the setting of a company's business strategy is a function that is best served by the board, which has a fiduciary duty to shareholders. By allowing shareholders to weigh in on a company's long-term climate strategy (which they believe should be indistinguishable from the company's long-term business strategy), the board may be abdicating some this responsibility.
- › Shareholders are being asked to make voting decisions associated with the setting of companies' business strategy with potentially incomplete information relating to operational changes and related costs.
- › Glass Lewis will generally recommend against shareholder proposals requesting that companies adopt a Say on Climate vote. However, when evaluating these proposals, Glass Lewis will potentially consider:
 - › the request of the resolution;
 - › the company's existing climate governance framework, initiatives, and reporting;
 - › the company's industry and size; and
 - › the company's exposure to climate-related risks.
- › While Glass Lewis generally has concerns regarding companies adopting a Say on Climate vote, they are supportive of companies providing disclosure concerning their climate-related risks and opportunities and will apply the policies enumerated in its guidelines when requests for the production of climate transition plans are disaggregated from proposals requesting that shareholders be afforded a vote on these plans.

