majorityaction

Fulfilling the Promise

How Climate Action 100+ Investor-Signatories Can Mitigate Systemic Climate Risk

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This study uses data obtained under license from Insightia (formerly Proxy Insight) between September 1 and December 16, 2021.

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Executive Summary

In a world

facing escalating physical, social, and transition risks from climate change, the failure of high emitting companies to eliminate greenhouse gas emissions with the scale and urgency required to limit warming to 1.5°C is exacerbating systemic financial risks to long-term investors worldwide. To mitigate these risks, institutional investors that manage diversified portfolios on behalf of clients or beneficiaries have a responsibility to set and enforce clear expectations on target setting, capital expenditures, policy influence, and emissions and financial disclosures by high emitting companies, consistent with their fiduciary duty. **Through their proxy voting power, shareholders can communicate a clear choice to corporate boards: directors can either demonstrate the leadership necessary to limit warming to 1.5°C and mitigate systemic climate risks for investors, or lose shareholder support.**

The world's largest investor initiative, Climate Action 100+, has united an unprecedented $60 trillion in assets under management (AUM) under the banner of ensuring that the world's largest emitters take the "necessary action" on climate change. **As Climate Action 100+'s own 2021 Net-Zero Company Benchmark analysis demonstrated, none of the coalition's 45 focus companies in the United States were fully on track to net-zero emissions and governance ahead of the 2021 U.S. proxy season.** Just ten of the 45 companies had set a net-zero by 2050 (or sooner) ambition, and no company had fully met the benchmark indicators for capital allocation or climate policy engagement. Climate Action 100+ had only awarded full compliance for Task Force on Climate-Related Financial Disclosures (TCFD) to one of these 45 companies, a dismal performance for what represents the most baseline of investor standards around disclosure and does not measure climate performance.

Unfortunately, the efforts and effectiveness of this initiative and its leading investors to hold the boards of high emitting companies accountable are being systematically undermined by the proxy voting behavior of many of its largest investor-signatories. This report analyzes the proxy voting behavior and reporting of the 75 largest members of the Climate Action 100+ coalition, which collectively represent between 80-90% of the coalition's total assets under management. It examines these investors' voting performance on both director elections and shareholder proposals for the 45 United States-based Climate Action 100+ focus companies in 2021.

Key findings include:

23 of the 45 U.S. companies failed to achieve full compliance with any of the nine Net-Zero Company Benchmark indicators. Despite this failure, **a majority of large Climate Action 100+ investor-signatories voted for every single incumbent director at over half of these 23 companies.** This group included (but was not limited to) **BlackRock, JPMorgan, Fidelity International, Wells Fargo, Wellington, BNY Mellon, Invesco, Northern Trust,** and **Nuveen.**

7 US companies failed to achieve even partial compliance with two of arguably the most basic indicators of competent climate governance: setting a "net-zero ambition" and issuing TCFD-aligned emissions disclosures. Again, **a majority of large Climate Action 100+ investors voted in favor of every single director at more than half of these laggard companies.** Despite these companies' clear failures on baseline Climate Action 100+ expectations, four Climate Action 100+ investors voted for every single director at every one of these companies at which they voted: **Fidelity International, HSBC Asset Management, Janus Henderson Investors,** and **Lord Abbett & Co.**

4 of Climate Action 100+'s "flagged" shareholder resolutions would have received majority support if some of the largest Climate Action 100+ investors had not voted against them. These votes undermined necessary scenario planning, independent governance, and disclosure efforts at **Chevron, Dominion Energy, Duke Energy,** and **Caterpillar,** all companies with demonstrated track records of underperformance against the Climate Action 100+ benchmarks. **BlackRock** voted against all four of these flagged resolutions, and **State Street** voted against three of the four.

21 of the 75 largest Climate Action 100+ investors **failed to even disclose their firm-level proxy voting performance** in a way that would allow their performance to be analyzed and evaluated.

This report **urges** Climate Action 100+ **investors to**:

1. Adopt and implement proxy voting policies that enable voting against directors at companies that fail to align their targets, capital expenditures, and policy influence to 1.5°C pathways;
2. Leverage resources like the vote flagging process and the Climate Action 100+ Net-Zero Company Benchmark to drive proxy voting to hold directors accountable;
3. Announce their intention to vote in advance of annual meetings, and disclose all votes at Climate Action 100+ companies within six months of the AGM date; and
4. Ensure that any asset managers or service providers for which an investor-signatory is a client are also voting for climate-critical shareholder proposals and against directors at misaligned companies. Include a review of managers' proxy voting track record on climate change in the due diligence process for all asset manager mandate renewals and RFPs.

The report further **urges** Climate Action 100+ as an **initiative to**:

1. Flag key votes on directors at companies that demonstrably fail to achieve the Climate Action 100+ Net-Zero Benchmark, and ensure that all key climate resolutions at Climate Action 100+ companies are flagged for Climate Action 100+ members;
2. Establish proxy voting performance expectations for investor members, and uplift best standards for proxy voting policies and practices; and
3. Require prompt and comprehensive public disclosure of proxy voting from all Climate Action 100+ signatories.

Introduction:

Eliminating Corporate Emissions **is Essential** for Mitigating Systemic Climate Risk

Climate change

poses material, systemic, and escalating risks to global financial stability and long-term investors worldwide. As the IPCC demonstrated in 2021, human-induced climate change is already affecting weather and climate extremes around the world, with every incremental amount of warming increasing the probability that outsized and systemic risks materialize.[1] These risks include extreme weather events, rising pollution-related risks to human health, heat-induced labor productivity losses, and biodiversity collapse, as well as increased death rates, severe political instability, famine, disease, and mass migration.

For long-term and institutional investors with broad market exposure, these risks are unhedgeable and undiversifiable, impacting all sectors and all asset classes, including equities, fixed income, real estate, private equity and commodities.[2] As the U.S. Commodity Futures Trading Commission stated in 2020, "[a] world racked by frequent and devastating shocks from climate change cannot sustain the fundamental conditions supporting our financial system."[3]

> As the U.S. Commodity Futures Trading Commission stated in 2020, "[a] world racked by **frequent and devastating shocks** from climate change **cannot sustain** the fundamental conditions supporting our financial system."

Mitigating these risks requires limiting warming to 1.5 °C; as the IPCC has made clear, meeting this goal requires achieving net-zero carbon emissions economy-wide by 2050 at the latest.[4] In turn, this requires addressing corporate-driven emissions at the source in key industries within the energy and land-use systems. In 2017, CDP (formerly Carbon Disclosure Project), a leading global provider of corporate environmental disclosures, estimated that just 100 companies were responsible for 71% of the world's industrial greenhouse gas (GHG) emissions.[5] It is

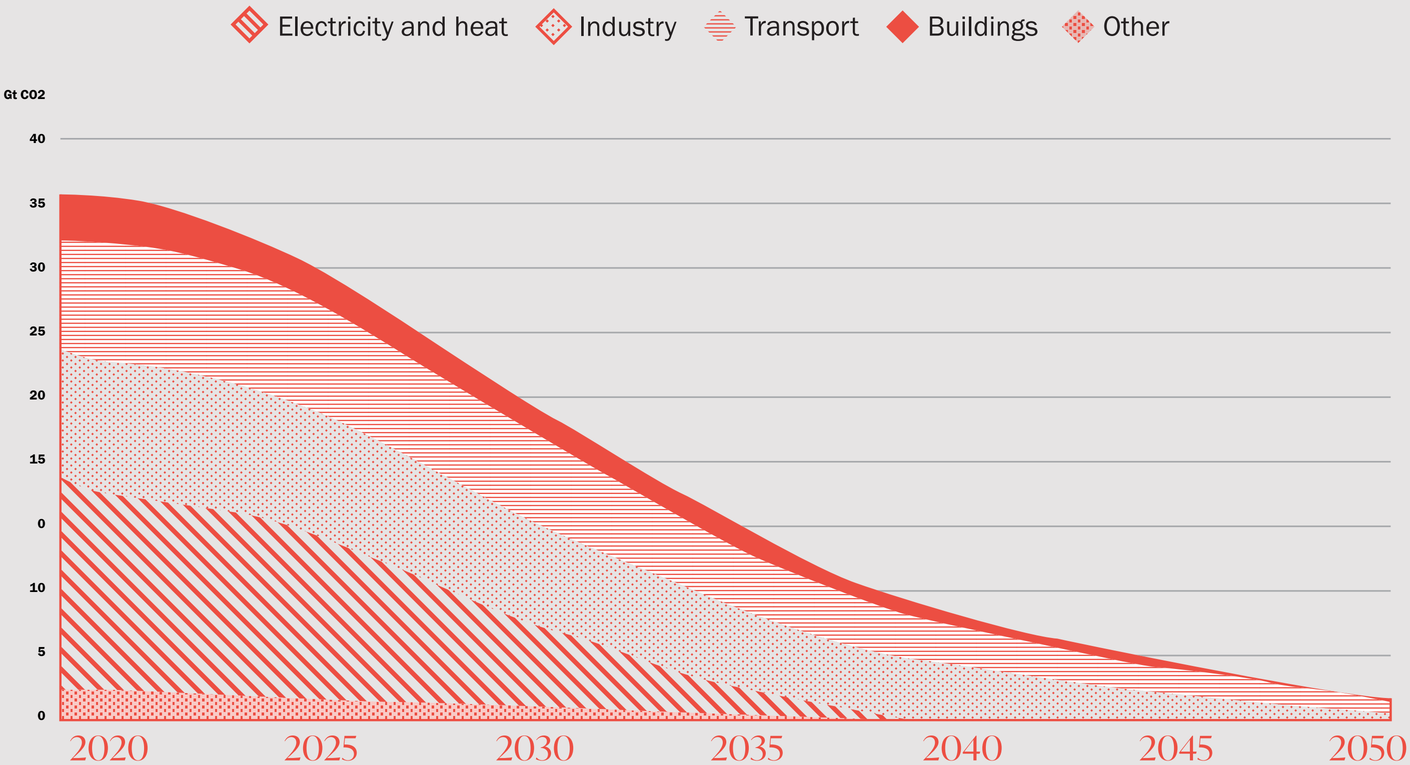
estimated that the oil and gas industry, and the fossil fuels it produces and sells, is responsible for approximately 53 percent of global emissions when scope 3 emissions are included.[6]

Corporate pursuit of maximizing short-term results continues to exacerbate the climate crisis through ongoing investments in the expanded production and use of fossil fuels, as well as corporate contributions to deforestation and other land-based greenhouse gas drivers. The outsized contributions to climate change from high emitting companies and sectors both exacerbate these material systemic risks and pose significant physical and social risks to corporations and investors themselves.

In 2021, the International Energy Agency (IEA) published its "Net Zero by 2050" report.[7] After decades of promoting energy supply through increased investments in fossil fuels,[8] the IEA laid out a cost-effective and economically productive pathway for the energy sector to achieve net-zero carbon dioxide emissions by 2050 (see Figure 1), "resulting in a clean, dynamic and resilient energy economy dominated by renewables like solar and wind instead of fossil fuels."[9] It is important to note that this net-zero pathway is achievable with no carbon offsets from outside the energy sector, and with low reliance on negative emissions technologies,[10] strategies often promoted by corporations to achieve their 'net-zero' ambition instead of rapidly reducing their GHG emissions.[11]

To protect long-term shareholder value and the stability of the global financial system, companies need to set ambitious decarbonization targets in line with 1.5°C pathways, and align their operations and influence to achieve those targets. As the IPCC and IEA demonstrate, achieving this target necessitates decisive, near-term action to achieve net-zero emissions and reduce the warming effect.[12] Unfortunately, corporations in high emissions sectors have largely failed to adequately transition their business models to eliminate greenhouse gas emissions across the value chain and move towards net-zero emissions by 2050 or sooner. As the World Resources Institute notes, waiting until 2040 to begin winding emissions down, or relying on future promises of technological advance, risks maintaining our current runaway pathway to 3 or even 4 degrees of warming. Rapid, transformational change is needed now.[13]

International Energy Agency (IEA) Sets Out Industry-Specific Pathways to Decarbonize the Global Energy Sector by 2050



2021

- No new oil and gas fields approved for development; no new coal mines or mine extensions
- No new unabated coal plants approved for development

2025

- No new sales of fossil fuel boilers

2030

- 150 Mt low-carbon hydrogen 850 GW electrolysers
- Universal energy access
- All new buildings are zero-carbon ready
- 60% of global car sales are electric
- Most new clean technologies are heavy industry demonstrated at scale
- 1,020 GW annual solar and wind additions
- Phase-out of unabated coal in advanced economies

2035

- 4 Gt CO2 captured
- Most appliances and cooling systems sold are best in class
- 50% of heavy truck sales are electric
- No new ICE car sales
- All industrial electric motor sales are best in class
- Overall net-zero emissions electricity in advanced economies

2040

- 50% of existing buildings retrofitted to zero-carbon-ready levels
- 50% of fuels used in aviation are low-emissions
- Around 90% of existing capacity in heavy industries reach end of investment cycle
- Net-zero emissions electricity globally
- Phase-out of all unabated coal and oil power plants

2045

- 435 Mt low-carbon hydrogen 3 000 GW electrolysers
- 50% of heating demand met by heat pumps

2050

- 7.6 Gt CO2 captured
- More than 85% of buildings are zero-carbon-ready
- More than 90% of heavy industrial production is low-emissions
- Almost 70% of electricity generation globally from solar PV and wind

Figure 1: *IEA Net-Zero Energy Milestones.* ***Source:*** *IEA, 2021.*

The Promise of Collective Shareholder Action:

Overview of **Climate Action 100+**

Shareholders in public companies

play an essential role in setting standards for corporate governance and behavior through their engagement and proxy voting. Through their voting on director elections, executive compensation packages, auditor selection, and shareholder proposals, shareholders across the corporate governance ecosystem collectively establish and enforce bottom-line expectations for what constitutes acceptable management and governance of systemic and company-specific risks.

Climate Action 100+ represents the largest global shareholder effort for coordinated collective action on climate change. The initiative was launched in December 2017; at the time of writing in January 2022, the coalition includes 617 investors globally, with over $60 trillion assets under management[14]–representing nearly 50% of all global assets as of 2020.[15] The coalition is anchored by five regional investor networks–the Asia Investor Group on Climate Change (AIGCC), Ceres, Institutional Investors Group on Climate Change (IIGCC), Investor Group on Climate Change (IGCC), and Principles for Responsible Investment (PRI).[16]

In its own words, Climate Action 100+ investor-signatories believe that "engaging and working with the companies in which they invest, to secure greater disclosure of climate change risks and robust company emissions reduction strategies, is consistent with their fiduciary duty and essential to achieve the goals of the Paris Agreement."[17] The initiative initially identified 100 "focus companies," based on heaviest emitters; the initial 100 were identified as being responsible for two-thirds of the world's annual industrial CO_2 emissions.[18] Subsequently, investors were invited to nominate additional companies that have the opportunity to drive the clean energy transition or may be exposed to climate-related financial risk.[19] The current list of focus companies stands at 167.[20]

The Climate Action 100+ initiative focuses on **three key asks** of its focus companies:

- "Implement a **strong governance framework** which clearly articulates the board's accountability and oversight of climate change risk;
- Take action to **reduce greenhouse gas emissions** across the value chain, consistent with the Paris Agreement's goal of limiting global average temperature increase to well below two degrees Celsius over pre-industrial levels, aiming for 1.5 degrees;
- Provide **enhanced corporate disclosure** in line with the final recommendations of the [TCFD] and sector-specific Global Investor Coalition on Climate Change (GIC) Investor Expectations on Climate Change guidelines..." [21]

Through its Net-Zero Company Benchmark, Climate Action 100+ has explicitly tied these goals to the target of achieving net-zero emissions by 2050 or sooner, [22] with expectations that pivotal sectors such as electric power in OECD countries do so by 2035. [23]

In practice, Climate Action 100+ serves **two core functions** across the corporate governance ecosystem:

- **Standard setting:** Articulating high-level principles that unite investors, setting clear expectations about what constitutes adequate company performance towards the objective of comprehensive decarbonization and responsible climate governance, and publishing comprehensive and rigorous benchmark of company performance. [24]

- **Coordination among investors:** Investor-signatories agree to engage companies and seek commitments from boards and senior management, with participating investors determining their specific focus companies as well as the engagement strategy they intend to pursue with each company.[25] "Engagement" is broadly defined; these activities can range from meetings with companies and/or coalitions, asking questions during shareholder meetings, and sending joint letters outlining concern, to filing and voting for shareholder resolutions and voting against directors.[26]

Climate Action 100+ Net-Zero Company Benchmark Illustrates Stark Gap Between Investor Ambitions and Corporate Performance

In 2020, Climate Action 100+ finalized its Net-Zero Benchmark, an annual assessment of individual company business alignment with a net-zero emissions future and the goal of the Paris Agreement to limit global temperature rise to 1.5 °C. Assessed with support from research and analysis partner organizations,[27] these benchmarks measure and score company performance across ten indicators in several key areas:[28]

10 Key Indicators for Climate Action 100+ Net-Zero Company Benchmark

1. Setting an ambition of net-zero GHG emissions by 2050 (or sooner)
2-4. Establishing long-, medium-, and short-term emissions targets
5. Decarbonization strategy to meet these targets
6. Alignment of capital allocation with the company's own GHG reduction targets as well as the Paris Agreement goals of limiting warming to 1.5C
7. Alignment of climate policy engagement (lobbying directly and through trade associations) with Paris Agreement goals
8. Climate governance
9. Ensuring climate change policies and decarbonization strategies are in line with 'Just Transition' principles (not assessed for 2021)
10. Alignment with the recommendations of the TCFD.

Benchmark assessments of 159 focus companies were published in March 2021.[29] The results were sobering, and should have served as clear alarm bells to investors ahead of the 2021 proxy season. In Climate Action 100+'s own words: **"[w]hile there is growing global momentum around companies making ambitious climate commitments, the Benchmark assessments show that companies still have a long way to go in delivering on these promises....Globally, no Climate Action 100+ focus company performed at a high level across all of the nine key indicators and metrics that were used to evaluate each company."**[30]

Specifically, while 52 percent (83) of the 159 focus companies had announced an ambition to achieve net-zero by 2050 or sooner, just over half of these commitments (44) **did not cover the full scope of the companies' most material emissions,** specifically not covering emissions from the supply chain or use of sold products (scope 3). Only six companies explicitly had committed to aligning their future capital expenditures with their long-term emissions reduction target(s), and **none** of these companies fully met the criteria for aligning future capital expenditure with the goal of limiting temperature rise to 1.5°C.[31] Climate Action 100+ research partner InfluenceMap notes that a staggering **91%** of Climate Action 100+ companies have at least one membership in “an industry association with climate lobbying practices misaligned with the Paris Agreement.”[32]

U.S. Climate Action 100+ Companies Failed to Achieve Urgent and Necessary Milestones of the Net-Zero Company Benchmark

Ahead of the 2021 proxy season, all of the 45 U.S.-based companies on the Climate Action 100+ focus list failed to meet the essential standards of the Net-Zero Company Benchmark indicators:[33]

- Twenty-three had not achieved full compliance across any of the nine benchmarks.
- No U.S. company had achieved full compliance on more than four of the nine benchmarks.
- Just ten had achieved full compliance for setting a net-zero by 2050 (or sooner) ambition across all of their material emissions (scopes 1, 2 and 3), a baseline expectation for climate-critical companies. Twenty-two had not achieved this indicator at all.
- No U.S. company had achieved full compliance for capital allocation alignment or climate policy engagement indicators.
- Only one company had achieved the full indicator for TCFD disclosure, and ten companies had not met this indicator at all, which should be a baseline expectation for all companies.

U.S.-based Climate Action 100+ Focus Companies Are Not On Track To Net-Zero Emissions

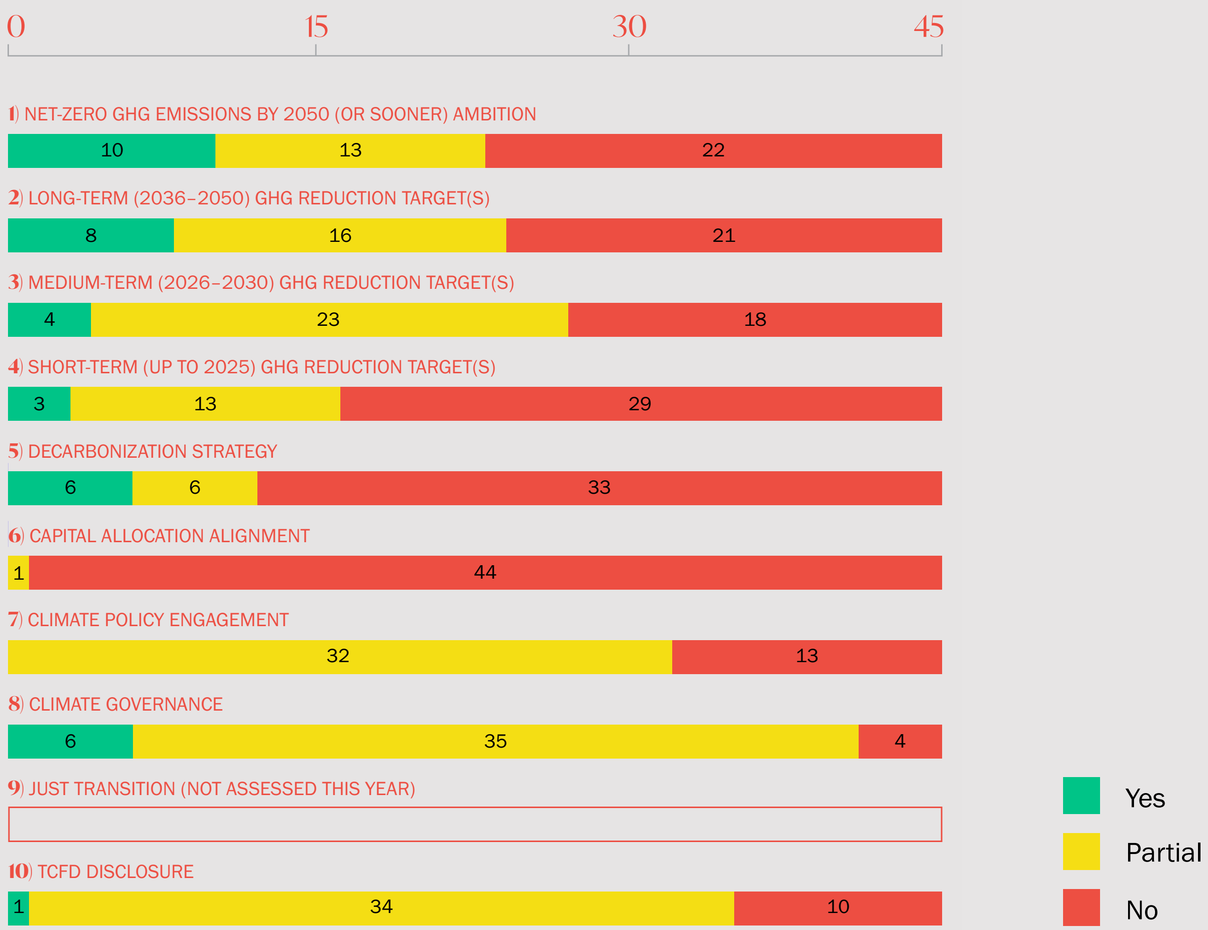


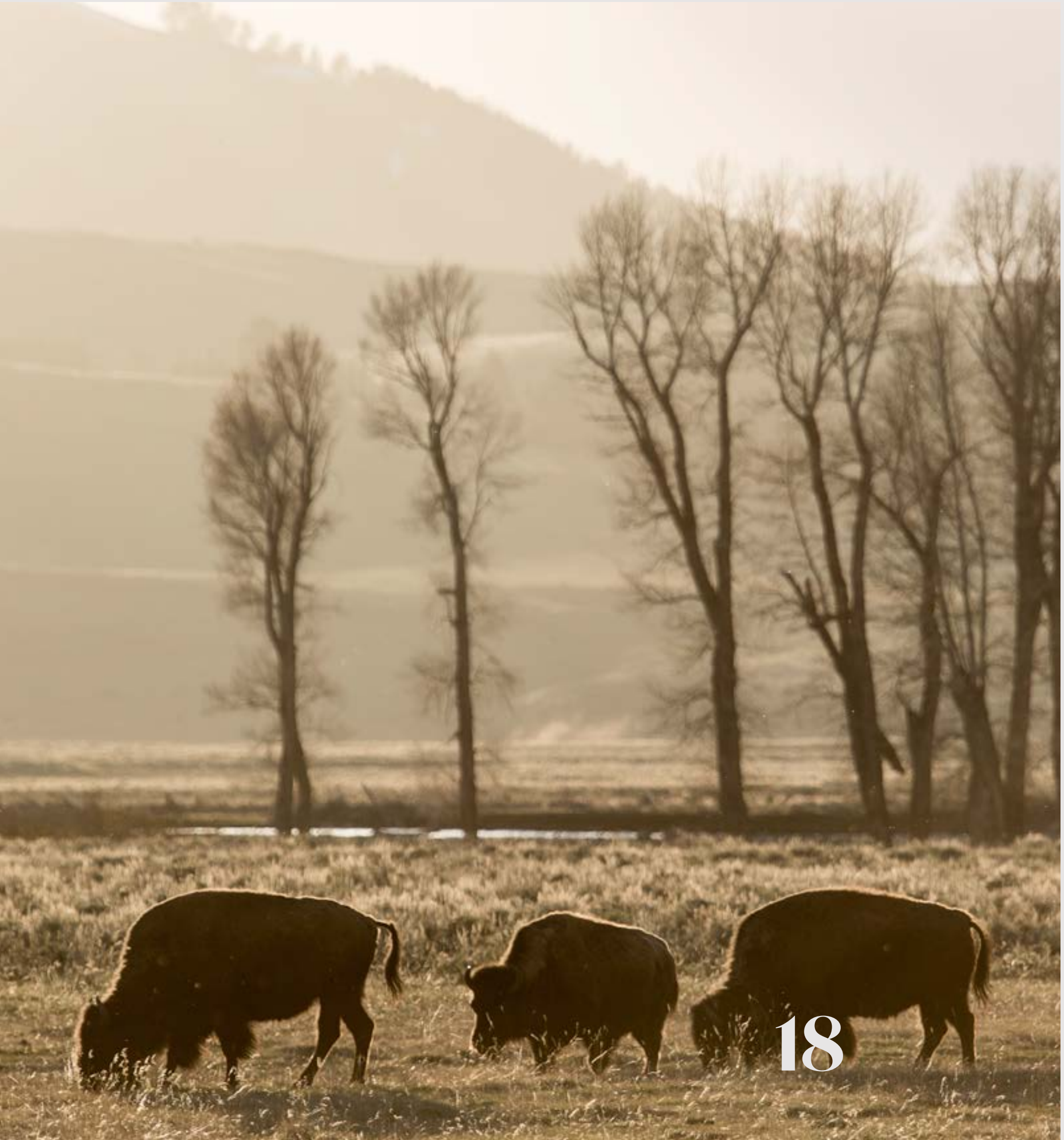
Figure 2: *Climate Action 100+ Net-Zero Company Benchmark Assessments, U.S.-Based Companies.* ***Source:*** *Climate Action 100+, 2021.*

Thus, accelerated engagement at every one of these companies is critical. While filing climate-related resolutions is important, as is flagging those resolutions and voting on them, time is quickly running out for companies to urgently act. Shareholders have engaged with these companies extensively, within the context of Climate Action 100+ for the last five years as well as independently before that, including voting for shareholder resolutions seeking target setting, scenario planning, greater disclosures, and independent oversight. Despite *some* of these large GHG emitters meeting some of the benchmark critia, votes against directors could be warranted at any of these companies on the basis of failing to make adequate progress to the entire Benchmark, especially at companies failing to meet certain basic criteria, such as net-zero ambition and climate disclosure.

Investor Escalation, Consistent with Fiduciary Duties, is Required to Close the Gap

In the United States, precatory shareholder proposals have been an essential tool for ensuring that boards and management understand shareholder concerns and perspectives; they have been used extensively with Climate Action 100+ focus companies to address disclosure, target setting, scenario planning, policy influence, and governance gaps. It is important that companies respond fully and comprehensively to the substance of shareholder proposals. However, given the non-binding nature of shareholder proposals in the United States, ultimately these resolutions are only as strong as shareholder willingness to enforce them by voting against directors.

Directors at most large publicly traded US companies are elected annually, and most large company boards require directors to resign if they fail to receive support from holders of a majority of shares voted.[34] Through the exercise of this power, asset owners and asset managers effectively define what constitutes acceptable corporate governance and behavior with respect to climate change. Their voting decisions either draw bright lines for boards to align to 1.5 °C pathways, or give approval to the business-as-usual corporate behavior that is exacerbating systemic and company-specific risks to their clients and/or beneficiaries. Leading Climate Action 100+ investor-signatories have adopted proxy voting policies that empower them to vote to hold directors accountable on the basis of corporate failure to adequately address climate risks and eliminate emissions across operations and supply chains. (See following page.)



Leading Climate Action 100+ Investors Adopt Proxy Voting Policies to Hold Laggard Boards Accountable

A **growing number** of Climate Action 100+ Investors are adopting and implementing proxy voting policies that empower them to **vote against directors** at companies failing to meet clear standards for climate risk. Such proxy voting policies give investors a tool with which to fulfill their fiduciary duties and **advance their net-zero portfolio and stewardship commitments** by establishing expectations regarding acceptable company climate performance and implementing a voting policy accordingly.

Key examples include:

- New York State Common Retirement Fund: “The Fund may withhold support from directors responsible for climate risk oversight or the entire board in the event that a company: supports public policies that adversely affect the low carbon transition and enhanced corporate climate disclosure;...fails to demonstrate transition strategies.”[35]
- State Treasurer of Illinois: “We may vote against directors at companies that have failed to set science-based emissions targets aligned to the goal of limiting warming to 1.5°C or failed to disclose material climate risk exposures and how the company governs, manages, and mitigates those risks.”[36]
- Amundi: “[O]n a selection of companies with poor climate strategy while they operate in sectors for which transition is paramount for the alignment with the Paris agreement, our policy will consist in voting against the discharge of the board or management, or the reelection of the Chairman and of some Directors.”[37]
- Legal & General Investment Management: “Where we deem insufficient action is being taken, we have already publicly committed to vote against the chair of the board on the issue of climate change on a global basis.”[38]
- Engine No. 1: “A core goal of these voting guidelines is to accelerate the economy’stransition towards the recommendations of the Intergovernmental Panel on Climate Change (IPCC) to meet a 1.5° Celsius scenario. Generally we vote against or withhold votes from directors individually, or relevant responsible committee members, due to a failure to adequately address climate-related risks, or capitalize on climate-related opportunities.[39]

How Well are Large Climate Action 100+ Investors **Fulfilling their Duties** to Hold Failing Boards in the United States Accountable?

It is imperative that Climate Action 100+

focus companies undertake rapid and robust progress towards meeting the Net-Zero Company Benchmark and thus meeting the goals of the Paris Agreement. Climate Action 100+ as an initiative relies on its investor-signatories to take action commensurate with the scale of the crisis and in line with the objectives of the project. While the initiative itself notes that escalation pathways can include "voting for the removal of directors who have failed in their accountability of climate change risk,"[40] to date, no comprehensive analysis has ever been published on how Climate Action 100+ investors are using their proxy voting power to advance–or undermine–the objectives of Climate Action 100+.

This report analyzes three dimensions of voting behavior of the largest Climate Action 100+ investor-signatories during the 2021 proxy season at U.S.-based Climate Action 100+ focus companies:

- Voting in management-sponsored director elections;
- Voting on key climate shareholder resolutions, primarily those flagged by Climate Action 100+ as well as additional climate-critical resolutions; and
- Transparency of voting data for Climate Action 100+ investor-signatories.

For this analysis, we reviewed the 567 Climate Action 100+ investor- signatories as of July 2021, identified AUM (where data was available), and selected the 75 largest. This investor universe has an estimated $53 trillion in AUM, representing between 80-90% of Climate Action 100+ total global AUM (See Figure 3).[41] Of these top investors, 47 had 2021 voting data available and analyzable at U.S.-based Climate Action 100+ focus companies, yielding an 'investor class' analyzed in this report of 47 investor-signatories (See Appendix A: Methodology for additional detail, and Appendix B for the full table of investors analyzed).[42]

The mix of asset owners and asset managers in

of the overall Climate Action 100+ initiative membership, and the regional mix of investor headquarters roughly mirrors the broader initiative as well, with the exception of investors from South America or Africa which are marginally represented in the regional mix of investor-signatories.[43] However, the 47 investors with analyzable voting data largely represents European and United States investor-signatories; while four investor-signatories in the investor universe are headquartered in Asia and have publicly available voting information, the data does not show them to have held or voted shares at U.S. companies, making their voting behavior unavailable for this analysis.

It should be underscored that the total assets under management represented in the Climate Action 100+ coalition is highly concentrated among its largest members: just 11 Climate Action 100+ investor-signatories–each with over $1 trillion in AUM–accounted for $28 trillion of the coalition's "over $60 trillion" in AUM in 2021, nearly 50% of the total (see Appendix A: Methodology for additional detail).

75 Largest Climate Action 100+ Investors Represent **at least 80-90%** of The Initiative's Assets Under Management

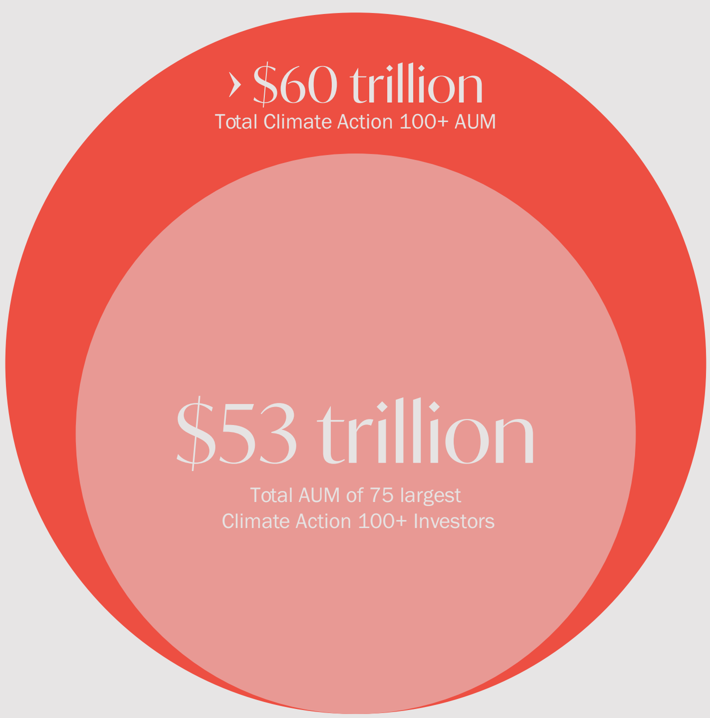


Figure 3: *AUM of the 75 largest Climate Action 100+ investors compared to the AUM of the overall coalition, at the time of analysis.*
Source: *Insightia and web research (See Appendix A: Methodology).*

Transparency Failures Plague Many Large Climate Action 100+ Members

It is essential for Climate Action 100+ members to disclose how their shares were voted on both management and shareholder proposals of Climate Action 100+ focus companies. Whether asset managers and owners vote their shares themselves or rely on other parties to vote on their behalf, disclosure of how shares were voted is critical to communicating views to corporate boards and enabling clients, peers, beneficiaries, and other stakeholders to evaluate voting policies and performance.

Overall, only 36% of the 567 Climate Action 100+ investor-signatories reviewed had voting data available in a manner that allows for uniform analysis in the Insightia platform.[44] Of the largest Climate Action 100+ signatories analyzed in this report, 21 did not have voting data in Insightia, and none of those appear to disclose their firm-level proxy voting records on their websites.

Voting Data Availability of the Top 75 Climate Action 100+ Investors

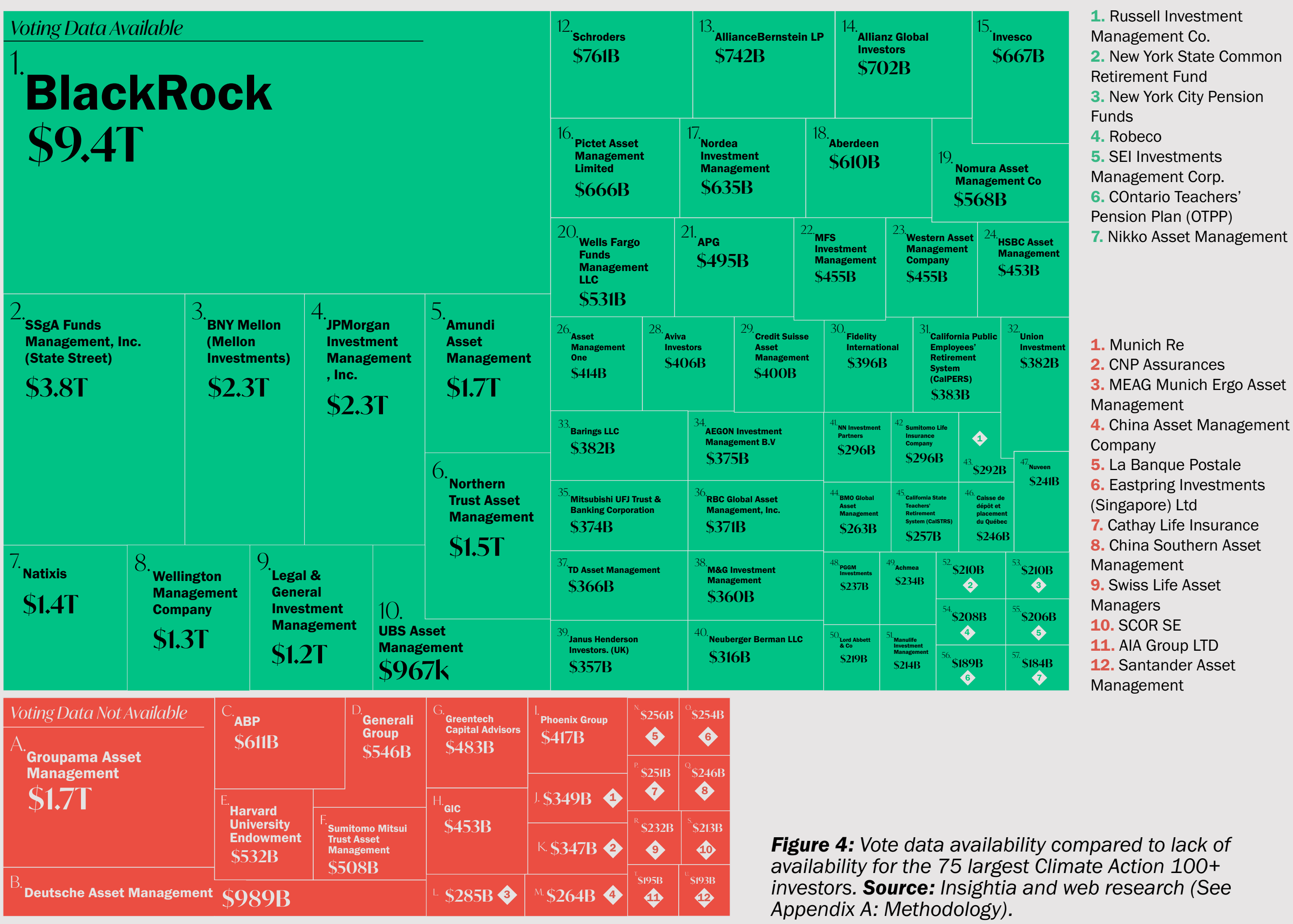


Figure 4: *Vote data availability compared to lack of availability for the 75 largest Climate Action 100+ investors.* ***Source:*** *Insightia and web research (See Appendix A: Methodology).*

Vote Support For Directors At U.S. Climate Action 100+ Companies

The Net-Zero Company Benchmark, as well as other climate-related research and information, provides critical inputs for investors to inform voting on corporate director elections. When the Benchmark results were released, Anne Simpson, then Managing Investment Director, Board Governance & Sustainability, California Public Employees' Retirement System and Climate Action 100+ Steering Committee member, said: "The Climate Action 100+ Net-Zero Company Benchmark moves us from 'why' to 'how' companies make the net zero transition. It sets out the indicators that matter to investors, including CapEx, board governance and climate reporting. We cannot manage what we cannot measure. **The Benchmark gives us the tool needed for engagement and to inform our proxy voting [emphasis added].**"[45]

Following from this, it would be a reasonable assumption that companies failing to make adequate progress towards the Net-Zero Company Benchmark indicators should see lower voting support from these investors. However, this analysis reveals that many of the largest Climate Action 100+ investors are significant laggards when it comes to actually voting to hold boards accountable for climate performance. Over half (29 of the 47) of the investor class voted for more than 90% of directors at US-based Climate Action 100+ focus companies, and just over half voted for every single director at a majority of the companies at which they voted.

Key Finding: A majority of large Climate Action 100+ investors demonstrate overwhelming support for directors at US Climate Action 100+ focus companies overall.

Largest Climate Action 100+ Investors: Director Support at all U.S.-based Climate Action 100+ Focus Companies

Investor	Percentage of directors at U.S.-based focus companies this investor voted for	Percentage of companies at which the investor voted for the entire board, of the total number of companies at which the investor voted (0% – 100%)
Aberdeen	91.35	15 out of 39
Achmea	77.57	2 out of 9
Achmea Investment Management	82.87	6 out of 27
AEGON Asset Management	92.94	14 out of 22
AllianceBernstein	97.54	34 out of 43
Allianz Global Investors	72.69	8 out of 43
Amundi	66.08	4 out of 35
APG	81.06	8 out of 37
Aviva Investors	57.14	1 out of 42
Barings LLC	100.00	1 out of 1
BlackRock	94.87	31 out of 43
BMO Global Asset Management	84.06	14 out of 42
BNY Mellon (Mellon Investments)	98.77	37 out of 43
Caisse de depot et placement du Quebec	98.53	5 out of 6
California Public Employees' Retirement System (CalPERS)	85.51	21 out of 42
California State Teachers' Retirement System (CalSTRS)	77.41	16 out of 43
Credit Suisse Asset Management LLC	77.49	4 out of 23
Fidelity International	100.00	36 out of 36
HSBC Global Asset Management	100.00	40 out of 40
Invesco Advisors	96.71	29 out of 43
J.P. Morgan Asset Management	96.71	34 out of 43
Janus Henderson Investors	99.79	42 out of 43
Legal & General Investment Management	80.25	3 out of 42
Lord Abbett	99.35	12 out of 13
M&G Investments	96.67	27 out of 37
Manulife Investment Management	96.71	32 out of 43
MFS Investment Management, Inc.	97.94	25 out of 33
Neuberger Berman	98.24	28 out of 30
New York City Pension Funds	72.06	15 out of 39
NN Investment Partners	89.66	2 out of 5
Nordea Asset Management	92.44	14 out of 39
Northern Trust Asset Management	97.13	33 out of 43
Nuveen	98.81	34 out of 36
Ontario Teachers' Pension Plan (OTPP)	96.94	13 out of 20
PGGM	84.45	4 out of 25
Pictet	94.53	27 out of 42
RBC Global Asset Management	82.99	15 out of 39
Robeco	94.82	22 out of 37
Russell Investment Management Co.	90.75	12 out of 40
Schroders	94.46	28 out of 42
SEI	98.97	39 out of 43
State Street Global Advisors	92.20	25 out of 43
TD Asset Management	72.10	10 out of 40
UBS Asset Management	81.31	15 out of 43
Union Investment	69.21	3 out of 27
Wellington Management	98.77	32 out of 37
Wells Fargo Asset Management	95.28	36 out of 42

Figure 5: *Percentage of all directors supported by each investor at the U.S.-based Climate Action 100+ focus companies at which they voted, and the percentage of companies at which each investor voted for the entire board (of the total number of companies at which they voted).*
Source: *Insightia.*

Average **Vote Support** by Largest Climate Action 100+ investors for Each Company Board

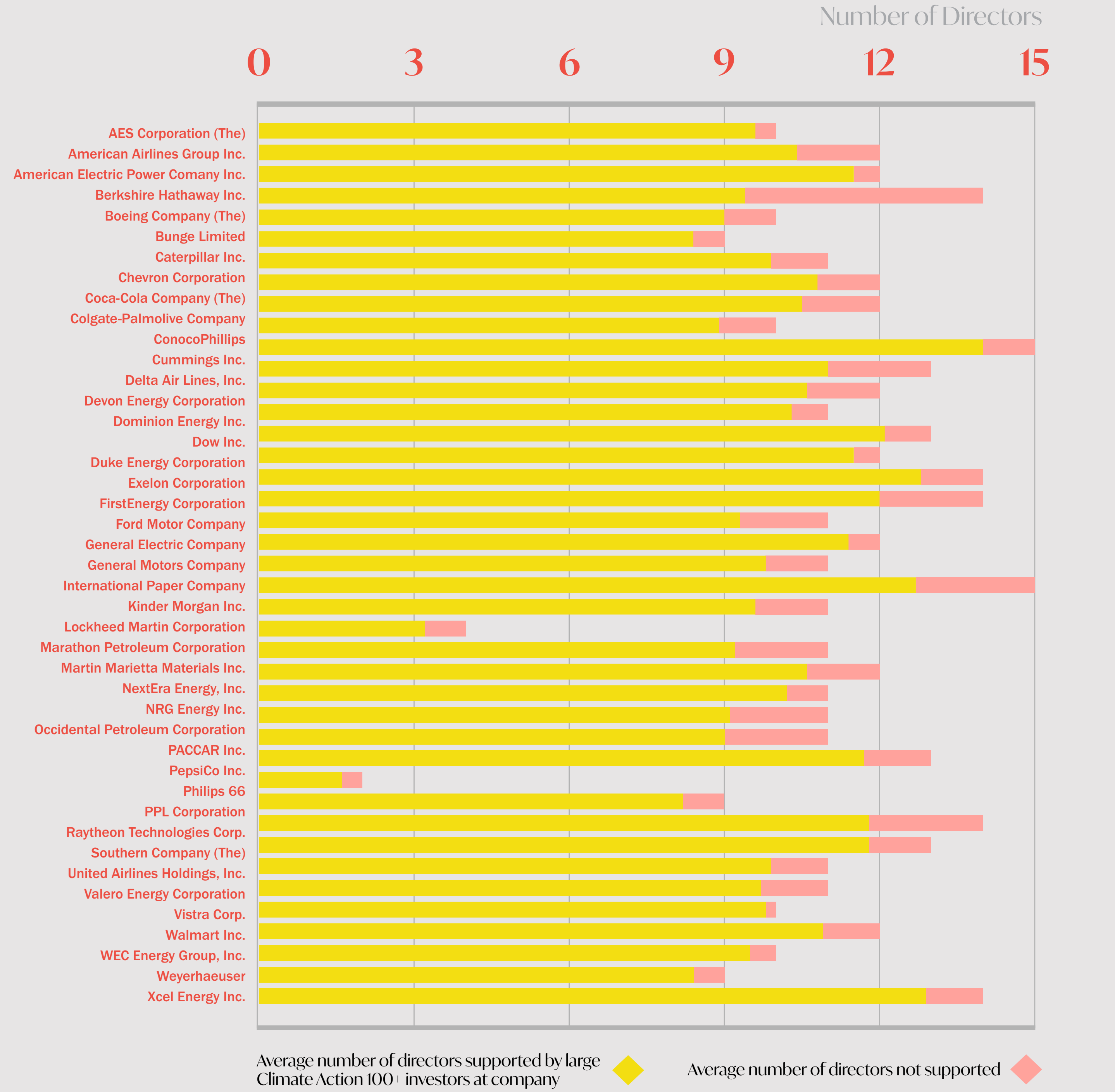


Figure 6: *Average vote support by large Climate Action 100+ investor-Signatories at U.S.-based Climate Action 100+ focus companies.*
Source: *Insightia.*

Key Finding: A majority of large Climate Action 100+ investor-signatories voted for every single management-sponsored director at over 50% of U.S. focus companies that failed to fully achieve any Benchmark standard.

Ahead of the 2021 proxy season, 23 of the 45 US-based focus companies had failed to achieve full compliance with any of the nine Net-Zero Company Benchmark indicators. Just over half (25 investors) voted for over 90% of the directors at these 23 companies.[46] Two investor-signatories voted for every single director at every one of these companies, and a majority (24 investors) voted for every single director at a majority of these companies. Fourteen voted for the entire board at 75% or more of these companies: **Fidelity International, HSBC Asset Management, Janus Henderson, Neuberger Berman, Nuveen, MFS Investment Mangement, Wellington, AllianceBernstein, BNY Mellon, SEI, Wells Fargo Asset Management, Caisse de dépôt et placement du Québec, Northern Trust and Lord Abbett.**

Percentage of **Companies Failing to Achieve** Any of the Net-Zero Company Benchmark Indicators at which Investors Voted for the Entire Board

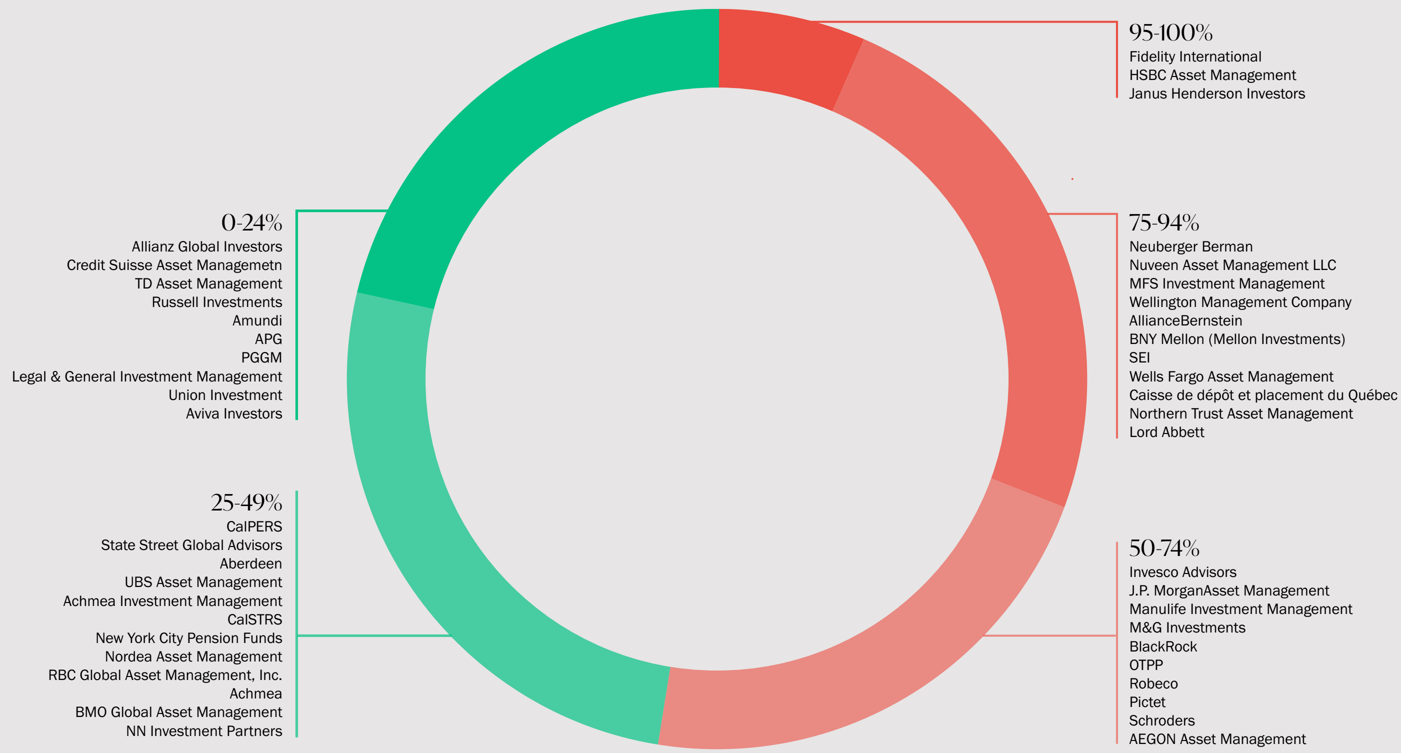


Figure 7: *Percentage of elections where large Climate Action 100+ investor-signatories voted unanimously for the board, at companies that achieved none of the Net-Zero Company Benchmark indicators.* ***Source:*** *Insightia.*

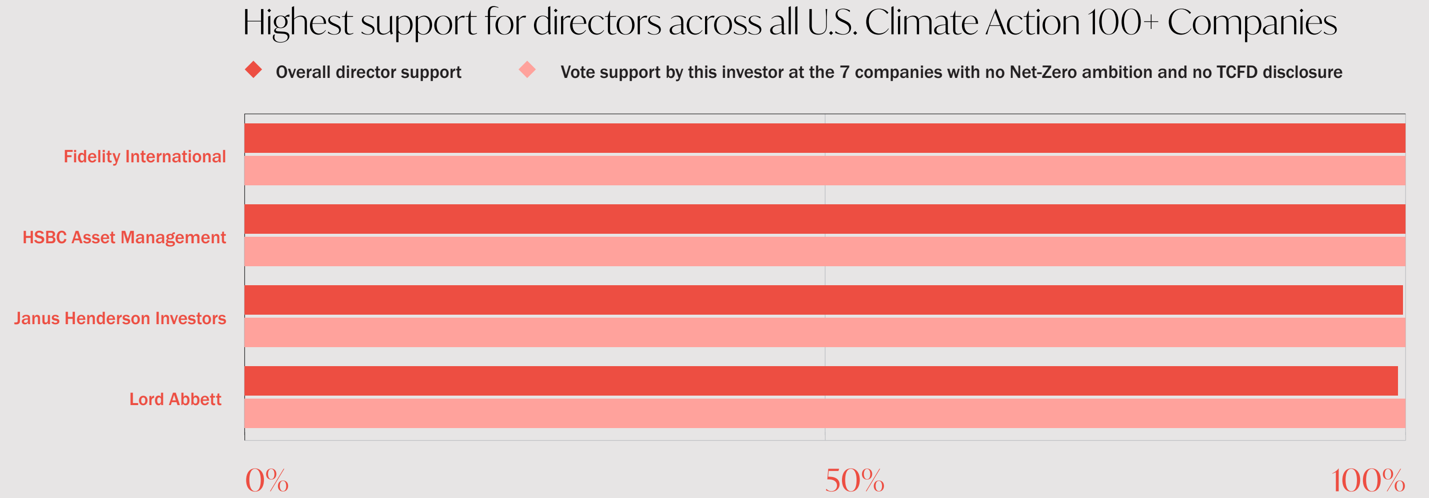
Key Finding: Seven US companies failed to achieve even partial compliance for "Net-Zero Ambition" and issuing TCFD-aligned emissions disclosures – yet even at these companies, 20 of the large Climate Action 100+ investor-signatories voted in favor of every single director more than 50% of the time.

While it is essential that companies embrace all of the Net Zero Company benchmark to align business plans, capital allocation and policy influence with net-zero targets, two indicators – Net-Zero Ambition by 2050 or sooner (Indicator 1) and TCFD-aligned disclosure (Indicator 10) – are essential preconditions for alignment between boards and long-term investors. After four years of engagement under the Climate Action 100+ coalition's auspices, any company failing to achieve even partial compliance on these metrics was demonstrably out of step with the expectations of the global corporate governance community. Ahead of the 2021 proxy season, seven companies–**Berkshire Hathaway, Bunge, Caterpillar, International Paper, Martin Marietta, NextEra Energy** and **PACCAR Inc.**–had failed to meet both of these baseline standards.

Despite failing these indicators, many investor-signatories supported the majority of the directors at these seven companies: Twenty of the 46 investor-signatories supported the entire board of directors at half the companies or more. Four large Climate Action 100+ investors voted for every single director at each of these companies at which they voted: **Fidelity International, HSBC Asset Management, Janus Henderson,** and **Lord & Abbett**.

By contrast, four investor-signatories analyzed in this report supported fewer than 60% of these directors across these seven companies, expressing substantial discontent with current management and governance: **Allianz Global Investors, Amundi Asset Management, Aviva Investors,** and **California State Teachers' Retirement System (CalSTRS).** While the rationales of these investors are unknown, these investors could be said to be showing a high propensity for opposing directors at companies failing to make progress towards achieving the Net-Zero Company Benchmark indicators.

Support Overall Compared to Support at Companies Without Net-Zero Ambition and TCFD Disclosure



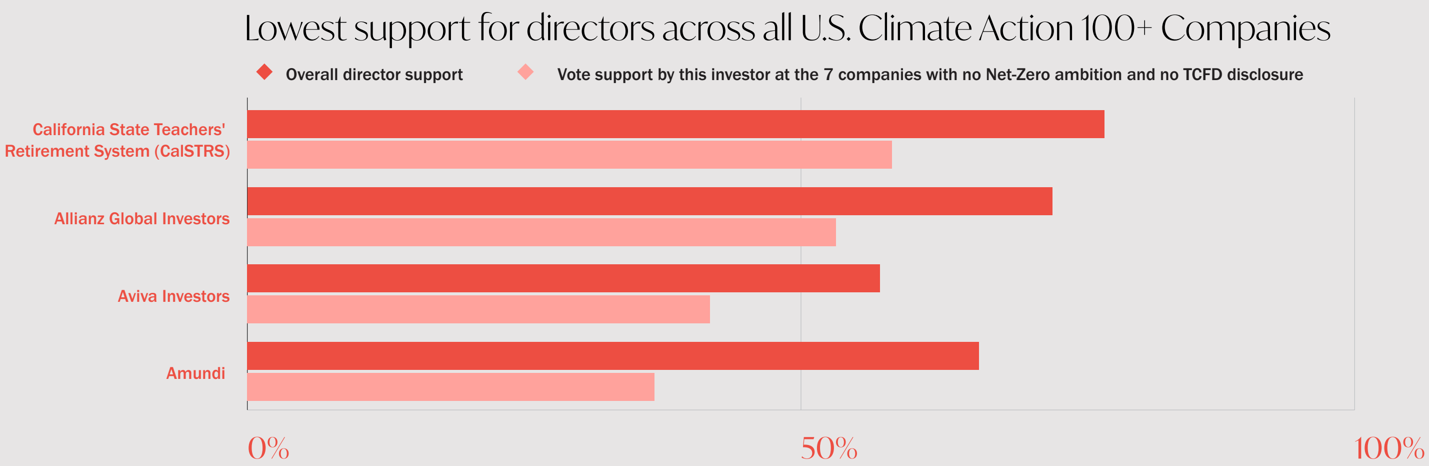
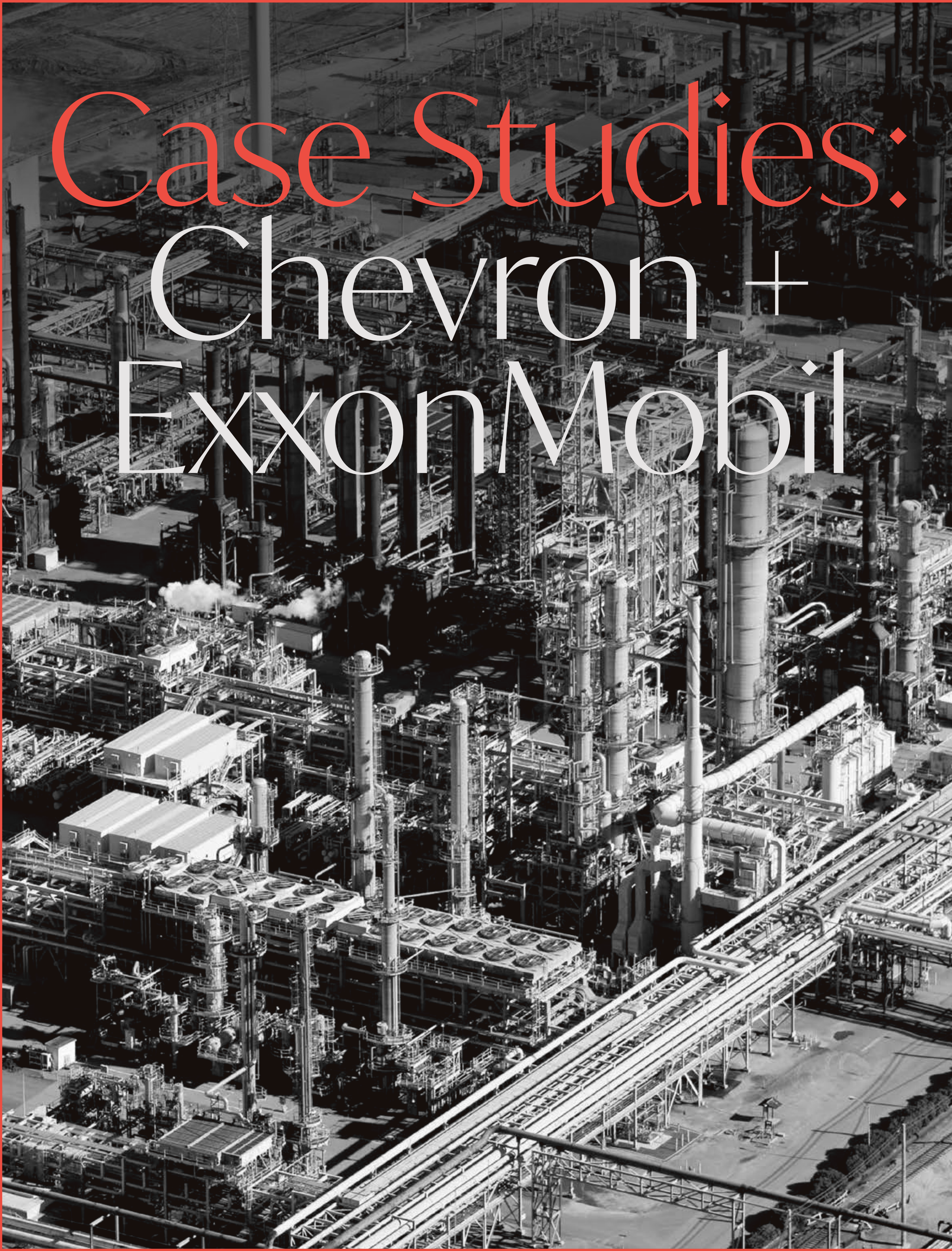


Figure 8: *Voting behavior by large Climate Action 100+ investor-signatories at companies overall compared to companies failing to meet two baseline Net-Zero Company Benchmark indicators -- net-zero ambition by 2050 or sooner and TCFD disclosure. This chart compares the four investor-signatories that supported the greatest percentage of directors overall across the US focus companies with the four investor-signatories that supported the lowest percentage of directors. Those that backed the fewest directors overall demonstrated further lowered vote support at failing companies; however, voting behavior of those that backed the most directors remained unchanged.* ***Source:*** *Insightia.*

Case Studies: Chevron + ExxonMobil



At **Chevron**, a majority of large Climate Action 100+ investors vote to re-elect the lead independent director despite the company's **clear failures** to meet Climate Action 100+ benchmark indicators

Petroleum and fossil gas products, including those used in transportation, buildings, industrial processes, and electricity production, account for nearly 79% of carbon emissions from the United States energy system.[47] In recent years, the United States has overtaken Saudi Arabia and Russia to become the largest petroleum and fossil gas producer in the world.[48] Failure to set ambitious decarbonization targets in line with 1.5°C pathways and to align companies' business plans and policy influence to those targets is a failure of strategy and corporate governance, for which long-term investors should hold directors accountable.

Chevron is the second largest integrated energy company headquartered in the United States.[49] As of January 2021, Chevron had not fully met any of the Climate Action 100+ Net-Zero Company Benchmark criteria, including net-zero and greenhouse gas reduction target setting (Indicators 1 through 4),[50] and had only partially met the indicator for TCFD disclosure. In 2020, the majority of Chevron shareholders approved a resolution requesting the company report on how its lobbying—direct and through trade associations—aligns with the Paris Agreement's goal of limiting global warming to well below 2°C. The company's report, released in February 2021, was widely criticized as greenwashing,[51] and the InfluenceMap assessment available ahead of the 2021 proxy season showed the company as continuing to engage in highly climate-obstructionist lobbying.[52]

Climate Action 100+ had not, in advance of the proxy season, been able to assess the most recent disclosures made by Chevron in its Climate Resilience Report, including its emissions intensity reduction targets, as the data cut off for assessment was in January 2021, prior to the report's release.[53] However, a close reading of the report, released in March 2021, suggests that while the company deployed language about supporting the global net-zero goals of the Paris Agreement,[54] its stated actions fell far short, specifically reducing emissions intensity rather than absolute emissions, increasing production of biofuels, and investments into technologies such as carbon capture, utilization and storage.[55]

Majority Action made this information available in an exempt solicitation and recommended investors vote against Chair/CEO Michael Wirth and lead independent director Ronald Sugar, due to the company's failure to set credible net-zero targets, align capital allocation plans with 1.5°C pathways, and align its policy influence activities with limiting warming to 1.5°C. The exempt solicitation also noted that several investors that voted against Mr. Sugar in 2020 cited inadequate management of climate risks.[56] For example, in 2020, DWS Investment referenced "severe" ESG controversies in which Chevron is involved, including failure to mitigate climate change or prevent pollution and poor labor practices, in explaining its vote against Mr Sugar.[57]

Investors were also asked to vote on three climate-critical shareholder resolutions at Chevron in 2021, including proposals seeking a report assessing "whether and how a significant reduction in fossil fuel demand, envisioned in the IEA Net Zero 2050 scenario, would affect its financial position and underlying assumptions"; asking the company to substantially reduce Scope 3 GHG emissions; and requesting that Chevron disclose lobbying payments and policies, which referred to investor concerns about Chevron's lobbying to undermine the Paris climate agreement.[58]

Voting Results

Chair and CEO Michael Wirth received support from 69% of the Climate Action 100+ investor-signatories in this investor class. Seventeen of the 42 large Climate Action 100+ investors that voted at Chevron in 2021 voted against Ronald Sugar; however, 25 still voted for him despite substantial concerns about Chevron's climate performance and other governance concerns such as overboarding. Amidst these failings, slightly fewer than half (20) of the 42 investors who voted in this election chose to rubber-stamp the entire board.

Full list of investor-signatories who voted to re-elect Ronald Sugar: **AllianceBernstein, APG, BlackRock, BNY Mellon, CalPERS, CalSTRS, Fidelity International, HSBC Asset Management, Invesco Advisors, Janus Henderson, J.P. Morgan Asset Management, Lord Abbett, M&G Investments, Manulife, MFS Investments, Neuberger Berman, Nordea Asset Management, Nuveen, PGGM, RBC Global Asset Management, Robeco, Schroders, SEI, Wellington, Wells Fargo Asset Management.**

Full list of investor-signatories who voted for entire board at Chevron, despite company failings: **AllianceBernstein, BlackRock, BNY Mellon, CalPERS, CalSTRS, Fidelity International, HSBC Asset Management, Invesco Advisors, J.P. Morgan Asset Management, Janus Henderson, Lord Abbett, M&G Investments, Manulife, MFS, Neuberger Berman, Nuveen, RBC Global Asset Management, SEI, Wellington, Wells Fargo Asset Management.**

ExxonMobil director contest as a flagged vote

This proxy season saw a dramatic board refreshment proxy contest at ExxonMobil, where investment firm Engine No. 1 nominated four dissident directors, citing concerns regarding ExxonMobil's financial performance and debt-burdened capital structure, as well as its failure to prepare the company to transition away from fossil fuels.[60] As of January 2021, ExxonMobil had not fully met any of the Climate Action 100+ Net Zero Benchmark criteria,and had not even partially met any of the criteria for a net-zero ambition or targets.[61]

This effort was publicly supported prior to the vote by Climate Action 100+ investors CalPERS and CalSTRS, as well as EOS at Federated Hermes, New York City Comptroller's Office, New York State Common Retirement Fund, LGIM, and Aviva Investors. A lead investor flagged this proxy contest for Climate Action 100+ investors.[62] Three of Engine No.1's nominees to the board were elected.[63]

Of the 36 investor-signatories analyzed for which vote data was available, only one–**Northern Trust**–did not vote for any of the dissident director candidates. Fourteen investor-signatories voted for all four dissident nominees, and an additional 15 voted for three of the four. But nineteen large Climate Action 100+ investors voted against Anders Runevad, the only dissident candidate who would have brought much-needed renewable energy experience to the board.[64]

Full of list of investors-signatories in the investor class who did not support Runevad: **Achmea Investment Management, AEGON Asset Management, AllianceBernstein, Allianz, APG, BlackRock, Credit Suisse Asset Management, HSBC Asset Management, Janus Henderson, JPMorgan Asset Management, Neuberger Berman, Pictet, RBC Global Asset Management, Russell Investments, SEI, State Street, TD Asset Management, UBS Asset Management,** and **Wells Fargo Asset Management.**

Nine investor-signatories in the investor class voted to hold the incumbent board accountable for ExxonMobil's failures by voting to withhold votes from Lead Independent Director Kenneth Frazier: **APG, Credit Suisse Asset Management, Legal & General Investment Management, M&G Investments, Northern Trust, RBC Global Asset Management, Robeco, Schroders,** and **UBS Asset Management. Aviva Investors** was the only investor-signatory to vote against, rather than withhold, Kenneth Frazier.

Vote Support For Climate-Critical Shareholder Proposals At U.S. Climate Action 100+ Companies

A widely-publicized feature of Climate Action 100+ work during the proxy season is the “flagging” process by the initiative, which circulates relevant shareholder votes and information relevant to climate-related votes for investors “to take into consideration.”[65] For the 45 U.S.-based Climate Action 100+ focus companies, 13 shareholder resolutions were flagged through the Climate Action 100+ flagging process in the 2021 proxy season,[66] and six additional proposals were not flagged by the initiative but also dealt directly with these companies’ climate performance and governance. These additional proposals were identified through the Ceres Engagement Tracker database.[67] These non-flagged resolutions included majority-supported resolutions at Chevron, ConocoPhillips and Phillips 66 to adopt greenhouse gas emissions reduction targets. **Just 15 of the 47 largest Climate Action 100+ investors voted for all 19 climate critical resolutions available to them at US-based Climate Action 100+ focus companies.**

Flagged Resolutions	Results*
Bunge, *Report on Eliminating Deforestation in Soy Supply Chain*	98.99%
General Electric, *Climate Action 100+ Net Zero Commitment*	98.00%
United Airlines, *Paris-Aligned Lobbying*	65.40%
ExxonMobil, *Paris-Aligned Lobbying*	63.80%
Delta Air Lines, *Paris-Aligned Lobbying*	62.90%
Phillips 66, *Paris-Aligned Lobbying*	62.49%
ExxonMobil, *Report on Climate Change Financial Risks*	48.90%
Caterpillar, *Report on Alignment with Climate Action 100+ Net Zero Company Benchmark Indicators*	48.00%
Chevron, *Report on Climate Change Financial Risks*	47.80%
Dominion, *Independent Chair*	42.40%
Duke Energy, *Independent Chair*	35.10%
Berkshire Hathaway, *TCFD Reporting*	28.30%**
General Motors, *Climate Action 100+ Executive Renumeration*	16.30%

*From Climate Action 100% website
**60% of non-insiders voted for

Other Climate-Critical Resolutions	Results***
Phillips 66, *Adopting GHG reduction targets*	80.28%
Chevron, *Adopting GHG Reduction Targets*	60.70%
ConocoPhillips, *Adopting GHG Reduction Targets*	59.32%
Chevron, *Lobbying Disclosure*	47.90%
Boeing, *Lobbying Disclosure*	37.09%
Dominion, *Lobbying Disclosure*	15.60%

*** From Insightia

Figure 9: *All Climate-Critical Resolutions at U.S.-based Climate Action 100+ Focus Companies in 2021.* ***Source:*** *Climate Action 100+ website for flagged resolutions and results, Ceres for non-flagged resolutions, and Insightia for non-flagged resolution results.*

Support for Climate Action 100+ Flagged Resolutions

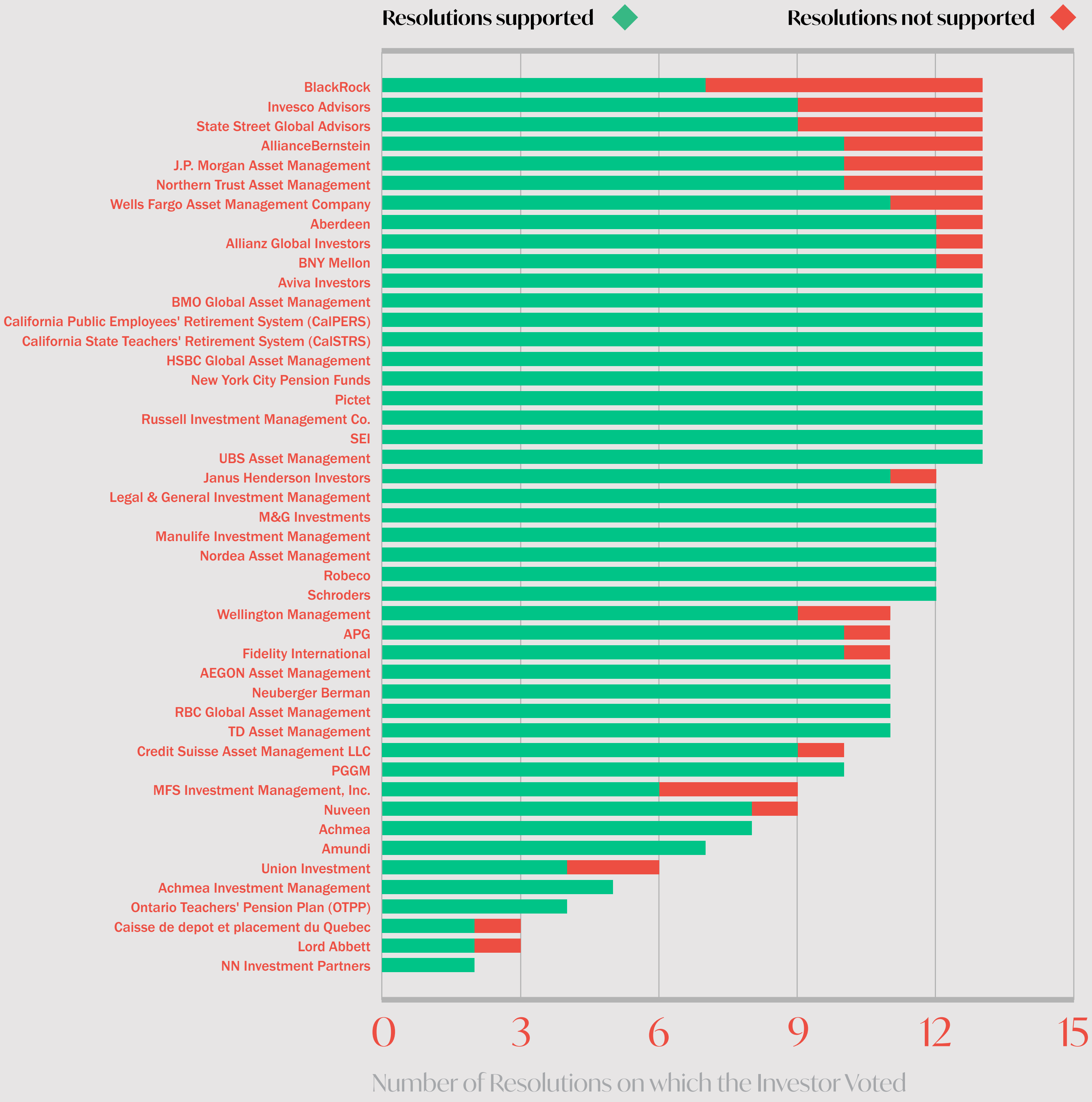


Figure 10: *Vote support for Climate Action 100+ flagged resolutions, by investor.* ***Source:*** *Insightia.*

Key Finding: Four shareholder proposals flagged by Climate Action 100+ would have received majority support of voting shareholders, but for opposition by Climate Action 100+ investors.

While Climate Action 100+ notes that investors are not required to vote any particular way,[68] support for flagged resolutions represents a bare minimum expression of preference on issues directly related to the initiative's goals and support for the engagement efforts of fellow Climate Action 100+ investor-signatories. Just over half (25 of the 47) of this investor class voted for all (100%) of the flagged resolutions; however, seven investors failed to support even 70% of them.

On average, this investor class supported more than three-quarters of the 19 climate-critical resolutions reviewed. However, just 15 of the 47 largest Climate Action 100+ investors voted for all 19 climate-critical resolutions available to them at U.S.-based Climate Action 100+ focus companies, while two-thirds–32 of 47 investors–failed to support one of the climate-critical resolutions.

Of the 13 shareholder proposals flagged by Climate Action 100+ in 2021 at U.S.-based focus companies, two were ultimately endorsed by company management, receiving near universal support; five received majority support from non-insider shareholders[69] without endorsement from management; and six failed to reach majority support.[70] Of the latter six, four would likely have received majority support, but for the failures of the largest Climate Action 100+ investor-signatories to support them.

These include resolutions at:

- **Caterpillar**, where 48% of shares supported a proposal asking the company to issue a report on its climate policies and alignment to the Climate Action 100+ Net-Zero Company Benchmark. **BlackRock** controlled 6.6% of common shares outstanding (CSO) and voted against the proposal.[71] Ironically, BlackRock's statements are referenced in the text of the shareholder proposal in justifying the need for the proposal: "BlackRock notes that investment flows into 'sustainable,' climate aligned assets will drive long term outperformance relative to companies perceived as having weaker sustainability characteristics."[72]
- **Chevron**, where 47.8% of shares supported a proposal for a report on the financial risks of climate change to the company. Both **BlackRock** and **State Street** voted against the proposal, and were the only large Climate Action 100+ investors to do so. These two asset managers held 6.60% and 6.65% of CSO, respectively, and the support of either one could have delivered majority support.[73]

- **Dominion Energy**, where **BlackRock** and **State Street** (two of the three largest investors in the company) held 6.8% and 5.1% of CSO respectively[74] and both voted against the proposal for an independent board chair, which received support from 42.2% of shares voted. Eight of the largest Climate Action 100+ investors voted against this proposal, including **MFS Investment Management** (2.3%), **Wellington** (2.0%), and **Northern Trust** (1.1%).[75] Support for this proposal from these Climate Action 100+investor-signatories could have led this proposal to majority support.

- **Duke Energy**, where **BlackRock** and **State Street** held 7.0% and 5.07% of common shares outstanding;[76] both investors voted against the proposal for an independent board chair which received support from 35.1% of shares voted. Nine of the largest Climate Action 100+ investors voted against this proposal, including **Wellington** (3.9%), **MFS Investment Management** (3.4%) and **Northern Trust** (1.2%).[77] Majority support could have been achieved had these Climate Action 100+ investor-signatories voted in favor of this proposal.

Key Flagged Resolutions **Would Have Achieved Majority Support** If Not For Some Large Climate Action 100+ Investors Voting Against

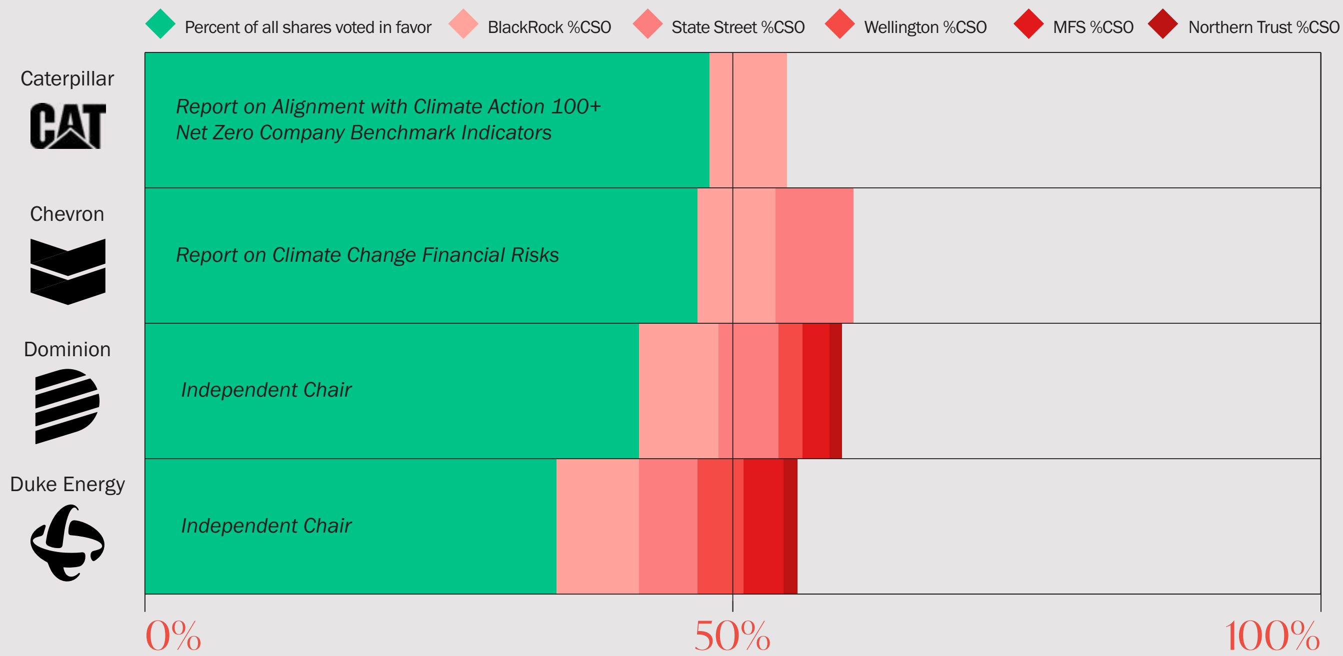
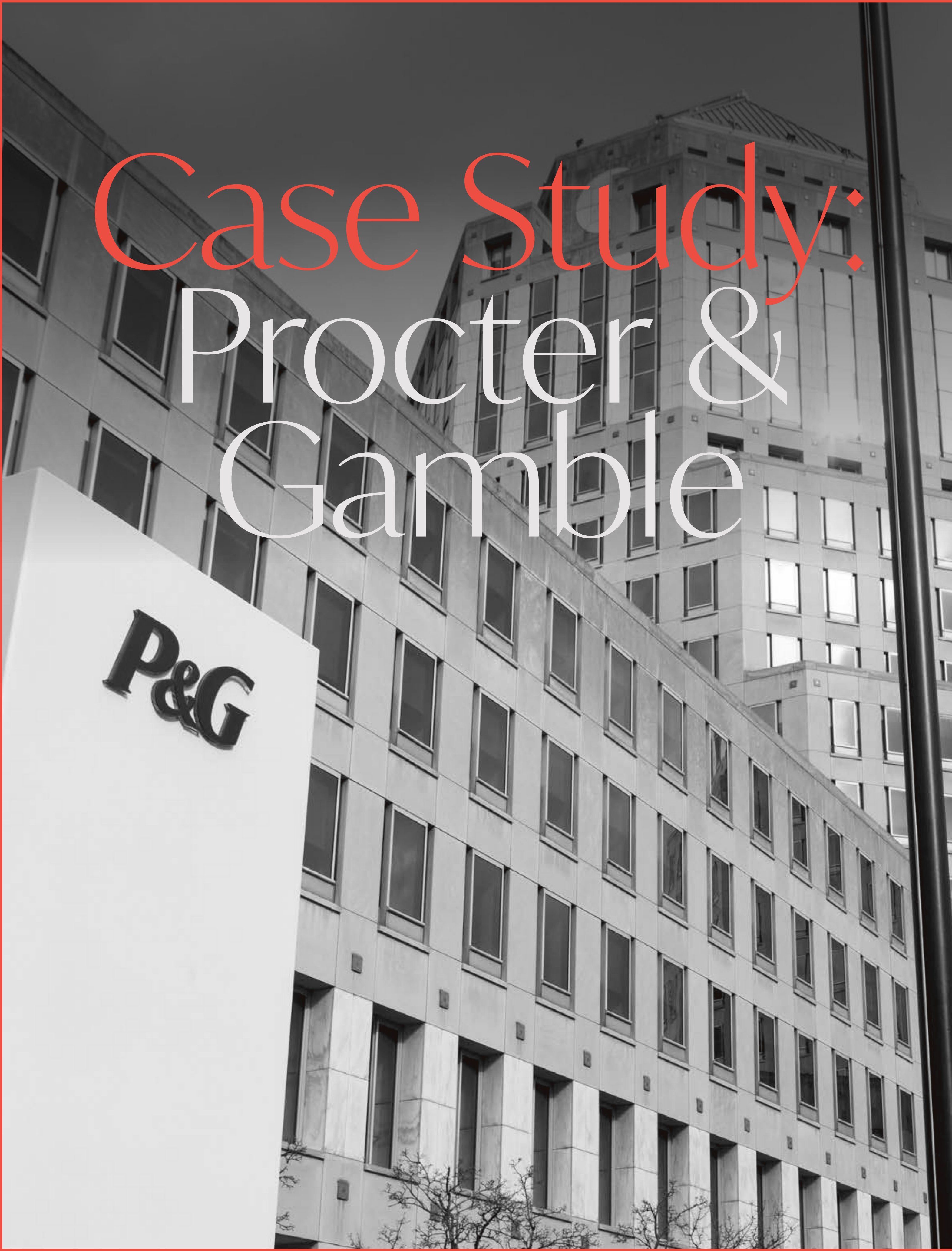


Figure 11: *Resolutions flagged by Climate Action 100+ at four companies would have received majority votes with the support of several Climate Action 100+ investors. The percentage of support is the total number of investors that voted for the resolution (not just Climate Action 100+); investors whose support could have swung this vote are shown by the percentage of CSO in each company (see Appendix A: Methodology).* ***Source:*** *Insightia (voting data, %CSO), company proxy statements (%CSO).*

Case Study: Procter & Gamble



Despite Procter & Gamble's failure to adequately respond to a 2020 shareholder proposal receiving majority support, many large Climate Action 100+ investors voted to re-elect the entire board in 2021

While Procter & Gamble has adopted net-zero targets[82] as well as deforestation commitments,[83] the company has failed to fully implement these commitments. The company's sourcing practices continue to expose the company to material and reputational risk, with pulp from threatened caribou habitat in the Canadian boreal forest[84] and palm oil from suppliers linked to both deforestation and human rights abuses, including land conflicts relating to land conversion and forced labor on plantations.[85] Inbound shipments from Procter & Gamble's 50/50 joint venture partner and major palm oil supplier, Felda Global Ventures (FGV),[86] continue to be blocked from importation by the US government due to FGV's long-standing association with forced labor.[87]

Procter & Gamble uses palm oil and pulp in its products; these commodities are among the leading drivers of deforestation and forest degradation, which are in turn responsible for approximately 12.5% of global greenhouse gas emissions.[78] Deforestation drives climate change through the release of large amounts of GHG emissions into the atmosphere, and the resulting inability of forests to act as a carbon sink.[79]

For consumer goods companies using deforestation-linked commodities such as pulp and palm oil, the majority of emissions are scope 3 emissions related to deforestation and land use.[80] Companies with high deforestation-driven climate risk should adopt and implement both a GHG reduction target inclusive of scope 3 emissions and a commodity-specific policy to end deforestation in their supply chains to align their business models with limiting warming to 1.5 °C.[81]

In 2020, Green Century Capital Management filed a shareholder resolution ahead of Procter & Gamble's shareholder meeting held in October of that year, urging the company to issue a report "assessing if and how it could increase the scale, pace, and rigor of its efforts to eliminate deforestation and the degradation of intact forests in its supply chains."[88] This resolution was approved by holders of 67.7% of shares voted[89] including Climate Action 100+ investors **BlackRock, State Street, Amundi, CalPERS, CalSTRS,** and **Legal & General Investment Mangement,** among others.

In March 2021,

Procter & Gamble responded with an investor 'portal' on its website describing its approach to forest risk,[90] without actually assessing if and how it could increase the scale, pace, and rigor of its efforts. The Natural Resources Defense Council (NRDC) characterized the approach as insufficient to respond to the risks of Procter & Gamble's ongoing exposure to deforestation.[91] That the company disclosed risk but still does not implement policies to eliminate deforestation and its associated risks from its pulp and palm oil supply chains demonstrates insufficient response to the animating concerns of the shareholder resolution.

According to the Climate Action 100+ Net-Zero Company Benchmark, Procter & Gamble had only achieved two of the nine assessed indicators ahead of the 2021 proxy season.[92] In September 2021, Procter & Gamble announced a new commitment to net zero by 2040 across operations and supply chains,[93] but its scope 3 emissions reduction targets apply formally to "priority categories"[94] and do not clearly include or account for deforestation-driven emissions.[95] Procter & Gamble also received a failing "F" grade from Rainforest Action Network in September 2021 for failing to fully implement the company's No Deforestation policy.[96]

To address continuing failure by Procter & Gamble to substantively respond to shareholder concerns of deforestation-driven climate risk, Friends of the Earth (FOE) filed an exempt solicitation ahead of the

October 2021 annual meeting, encouraging investors to vote against Angela Braly's re-election as director given her role as Chair of P&G's Governance and Public Responsibility Committee. FOE also noted that Braly's track record, especially as a director at ExxonMobil, "shows a lack of professional skills to guide the company on sensitive environmental, social and governance issues, and a conflict of interest in mitigating climate-related risk."[97]

Voting Results in 2021

At the October 2021 annual shareholder meeting, each Procter & Gamble director received more than 95% voting support except Angela Braly, who was supported by holders of only 92% of shares voted.

As the most recent shareholder meeting happened in October 2021, investor-level voting data is not fully available; accordingly, this analysis only provides an impression of Climate Action 100+ investor-signatories voting behavior. Of this investor class, only 20 of the 47 investors' voting data was available in Insightia at the time of analysis..

Of those 20, despite Procter & Gamble's failure to adequately respond to a majority-supported shareholder proposal, over half voted to support the entire board, including: **Aberdeen, Amundi, BMO Global Asset Management, CalPERS, CalSTRS, HSBC Asset Management, Janus Henderson, Legal & General Investment Management, Nordea Asset Management, Ontario Teachers' Pension Plan, Schroders** and **State Street.** All 20 investors voted for at least ten of the 12 board members, with only five voting against Angela Braly. All of the investor-signatories who voted for the entire Procter & Gamble board in 2021 had supported the 2020 shareholder proposal, essentially signaling satisfaction with the company's meager efforts to respond to shareholder concerns the prior year.

Pictet Group is the only investor in this investor class for which a rationale for its vote against Ms. Braly was available. Pictet noted "A vote AGAINST Governance and Public Responsibility Committee Chair Angela Braly is warranted due to insufficient responsiveness to a majority-supported shareholder proposal and failure to take sufficient actions to mitigate risks related to deforestation."[98] None of the Climate Action 100+ investor-signatories analyzed offered rationales for their support of Braly.

Recommendations

The climate crisis is urgent and happening now.

The largest corporate emitters most responsible for the climate crisis are failing to meaningfully and expeditiously transition their business models to a decarbonized future, posing material risks to companies, investors and a planet rapidly facing escalating climate chaos.

Collective shareholder action through efforts like Climate Action 100+ can serve as an important coordinating and signaling function, but our analysis demonstrates that its promise will remain unfulfilled if laggard investor members continue to support entire boards and key directors at companies failing to take necessary climate action, and fail to vote for climate-critical shareholder resolutions.

While leading investor-signatories are escalating toward boardroom accountability, ultimately these efforts will be slowed by laggard investors unless the floor of expectations for investor-signatories is raised.

Recommendations for Climate Action 100+ **investor-signatories:**

- Adopt and implement proxy voting policies that enable voting against directors at companies that fail to align their targets, capital expenditures, and policy influence to 1.5°C pathways;
- Leverage resources like the vote flagging process and the Climate Action 100+ Net-Zero Company Benchmark to drive proxy voting to hold directors accountable;
- Announce their intention to vote in advance of annual meetings, and disclose all votes at Climate Action 100+ companies within six months of the AGM date; and
- Ensure that any asset managers or service providers for which an investor-signatory is a client are also voting for climate-critical shareholder proposals and against directors at misaligned companies. Include a review of managers' proxy voting track record on climate change in the due diligence process for all asset manager mandate renewals and RFPs.

Recommendations for the Climate Action 100+ **initiative:**

- Flag key votes on directors at companies that demonstrably fail to achieve the Climate Action 100+ Net-Zero Company Benchmark, and ensure that all key climate resolutions at Climate Action 100+ companies are flagged for Climate Action 100+ members;
- Establish proxy voting performance expectations for investor members, and uplift best standards for proxy voting policies and practices; and
- Require prompt and comprehensive public disclosure of proxy voting from all Climate Action 100+ signatories.

Appendix A

Methodology

Establishing the Investor Universe and Investor Class

We aimed to identify the investors that make up a majority of assets under management of Climate Action 100+.[99]

We researched AUM for 567 investor-signatories available on the Climate Action 100+ website as of July 21;[100] web research was performed between July 1 and September 30, 2021. Our data hierarchy prioritized AUM provided by Insightia (formerly ProxyInsight), and for investors whose AUM was not available in Insightia, we conducted web research to find the most recent AUM. AUM data of our investor universe may be inconsistent between Insightia and investor websites, as a result of the shifting assets under management over varying timescales. At the time of the analysis, Climate Action 100+ had cited its total AUM as "more than $60 trillion;"[101] of the 567 investor-signatories, we were able to identify AUM for 433 investor-signatories, which totaled approximately $64 trillion. The top 75 investor-signatories of this group together total approximately $53 trillion, and using $60 to $64 trillion as a range, we estimate that these 75 represent between 83% and 88% of the total AUM of Climate Action 100+. Due to the uncertainties in the data, these figures were rounded to 80 and 90% respectively.

From this universe of top 75 investor-signatories, we determined whether voting data was available in Insightia. Of the 55 investor-signatories whose data is displayed in Insightia, five did not have voting data available for any of the 45 US Climate Action 100+ companies: Asset Management One, Mitsubishi UFJ Trust, Nikko Asset Management, Nomura, Sumitomo Life Insurance, and Western Asset Management. One investor, New York State Common Retirement Fund, did not disclose its 2021 proxy voting record until January 2022, and thus was not included in this analysis. Voting data of one investor, Natixis Asset Management, was available in ProxyInsight but was found to be inconsistently reported; the data is available on Natixis' website but each fund's voting data is presented separately, so this investor was excluded from the analysis. Achmea and Achmea Investment Management are considered separate entities in this analysis as they are listed separately on the Climate Action 100+ website[102] and exhibited different voting behavior.

Thus, of our investor universe, we established an investor class of 47 investor-signatories.

Company performance

The Climate Action 100+ Net Zero Company Benchmark is a comprehensive analysis of company progress towards ten key indicators. The March 2020 progress report and data score each company on whether they have achieved, partially achieved or not achieved each indicator (with several sub-indicators), with the exception of one indicator that was not assessed in 2020. Each company could thus achieve a maximum of

nine indicators. Except where otherwise noted, this analysis did not incorporate additional research or analysis on companies' climate-related performance to assess whether director against or withhold votes were warranted.

Vote analysis

We calculated each investor's voting behavior at US-based Climate Action 100+ focus companies based on what elections were available in Insightia; investors may have held shares and voted at additional companies for which voting data for the proxy season was unavailable in Insightia.

In analyzing voting data for climate-critical shareholder resolutions, we tabulated whether each investor-signatory voted for the proposal and arrived at a percentage score for each investor-signatory based on how many proposals it supported of the proposals it had the opportunity to vote on.

To analyze voting behavior in director elections, we reviewed all vote data for the 47 investors in the investor class at the 45 U.S.-based companies on the Climate Action 100+ focus list. Due to the nature of the proxy contest at ExxonMobil, we did not include those director votes in the overall director voting results, but included voting on the contest as a case study. We also excluded Procter & Gamble from the director votes analysis, as its October 2021 annual meeting vote results were not yet available for the full investor class, and we presented available results as a case study.

For both shareholder resolutions and director votes, we only counted votes in favor; we did not differentiate between against, abstentions, withhold or did not vote (DNV) votes. In the case of split votes, we counted a 'for' vote if 75% or more of the funds voted for the resolution. We tabulated investor scores as voting for total directors that each investor could have voted for, as well as the percentage of companies at which each investor voted to elect all management-supported director nominees.

In some cases, we calculated whether the outcome would have changed had certain investors voted differently, taking into account common stock ownership as disclosed in the company's proxy statement available before the vote for the beneficial owners above 5%, and using data obtained from Insightia for other beneficial owners. Insightia obtains ownership data through 13-F filings based on most recent data available, as of March 31, 2021.To determine whether the resolutions might have obtained majority support with support from one or more of the largest asset managers, the percent of common stock outstanding (%CSO) held by the asset manager was added to the percent support obtained by the resolution. This approach does not precisely match the voting impact an asset manager may have had, as asset managers do not disclose precisely how many shares were voted on any given resolution. In addition, an asset manager may have beneficial ownership over shares for which it does not have voting rights. Conversely, large asset managers tend to vote their shares at a higher rate than other shareholders, which amplifies their voting power beyond what is represented by %CSO. That amplification is greatest at companies with lower shareholder turnout, where the number of shares voted at the meeting can be significantly lower than the number of shares outstanding. Therefore, the %CSO method represents a conservative approach, often significantly underestimating the potential of top managers to swing close votes. More detailed discussion of this methodology can be found in Majority Action's 2019 report, *Climate in the Boardroom.*[103]

Appendix B

Climate Action 100+ **75 Largest Investors** by AUM

Investor	Investor Type[1]	Investor HQ[2]	Assets under management[3] (USD millions)	Vote data available in Insightia?
BlackRock	Asset Manager	United States	$9,495,993	Yes
State Street Global Advisors	Asset Manager	United States	$3,897,000	Yes
BNY Mellon (Mellon Investments)	Asset Manager	United States	$2,320,000	Yes
J.P. Morgan Asset Management	Asset Manager	United States	$2,300,000	Yes
Amundi	Asset Manager	France	$1,794,000	Yes
Groupama Asset Management	Asset Manager	France	$1,737,334	No
Northern Trust Asset Management	Asset Manager	United Kingdom	$1,539,400	Yes
Natixis Asset Management	Asset Manager	France	$1,400,000	Inconsistently reported
Wellington Management Company, LLP	Asset Manager	United States	$1,372,497	Yes
Legal & General Investment Management	Asset Manager	United Kingdom	$1,326,800	Yes
UBS Asset Management	Asset Manager	Switzerland	$1,200,000	Yes
Schroders	Asset Manager	United Kingdom	$967,500	Yes
Deutsche Asset Management	Asset Manager	Germany	$949,473	No
AllianceBernstein	Asset Manager	United States	$761,000	Yes
Allianz Global Investors	Asset Owner	Germany	$742,630	Yes
Invesco Advisors	Asset Manager	United Kingdom	$702,598	Yes
Pictet Group	Asset Manager	United Kingdom	$667,361	Yes
Nordea Asset Management	Asset Owner	Sweden	$666,841	Yes
Aberdeen Standard	Asset Manager	United Kingdom	$635,200	Yes
ABP	Asset Owner	Netherlands	$611,503	No
Nomura Asset Management Co	Asset Manager	Japan	$610,700	Yes
Wells Fargo Asset Management	Asset Manager	United States	$568,759	Yes
Generali Group	Asset Owner	France	$546,600	No
Harvard University Endowment	Asset Owner	United States	$532,000	No
APG	Asset Manager	Netherlands	$531,000	Yes
Sumitomo Mitsui Trust Asset Management	Asset Manager	Japan	$508,750	No
MFS Investment Management	Asset Manager	United States	$495,512	Yes
Greentech Capital Advisors	Asset Manager	United States	$483,000	No
Western Asset Management Company	Asset Manager	United States	$455,826	Yes
HSBC Global Asset Management	Asset Manager	United Kingdom	$455,200	Yes
GIC	Asset Owner	Singapore	$453,200	No
Asset Management One, Ltd	Asset Manager	Japan	$453,000	Yes
Phoenix Group	Asset Owner	United Kingdom	$417,488	No
Aviva Investors	Asset Manager	United Kingdom	$414,000	Yes
Credit Suisse Asset Management	Asset Manager	Switzerland	$406,000	Yes
Fidelity International	Asset Manager	United Kingdom	$400,941	Yes
California Public Employees' Retirement System (CalPERS)	Asset Owner	United States	$396,460	Yes
Union Investment	Asset Manager	Germany	$383,969	Yes

[1] as reported on Climate Action 100+ website
[2] as reported on Climate Action 100+ website
[3] AUM data primarily from Insightia; please see Appendix A: Methodology

Investor	Investor Type[1]	Investor HQ[2]	Assets under management[3] (USD millions)	Vote data available in Insightia?
Barings LLC	Asset Manager	United States	$382,000	Yes
AEGON Asset Management	Asset Manager	Netherlands	$375,779	Yes
Mitsubishi UFJ Trust & Banking Corporation	Asset Manager	Japan	$374,000	Yes
RBC Global Asset Management	Asset Manager	Canada	$371,500	Yes
TD Asset Management	Asset Manager	Canada	$366,900	Yes
M&G Investments	Asset Manager	United Kingdom	$360,304	Yes
Janus Henderson Investors	Asset Manager	United Kingdom	$357,300	Yes
Munich Re	Asset Owner	Germany	$349,216	No
cnp assurances	Asset Owner	France	$347,800	No
Neuberger Berman	Asset Manager	United States	$316,913	Yes
NN Investment Partners	Asset Manager	Netherlands	$296,906	Yes
Sumitomo Life Insurance company	Asset Owner	Japan	$296,800	Yes
Russell Investments	Asset Manager	United Kingdom	$292,700	Yes
MEAG Munich Ergo Asset Management	Asset Manager	Germany	$285,900	No
China Asset Management Co., Ltd	Asset Manager	China	$264,700	No
BMO Global Asset Management	Asset Manager	United Kingdom	$263,000	Yes
California State Teachers' Retirement System (CalSTRS)	Asset Owner	United States	$257,900	Yes
La Banque Postale Asset Management	Asset Owner	France	$256,100	No
Eastpring Investments (Singapore) Ltd	Asset Manager	Singapore	$254,000	No
Cathay Life Insurance Co., Ltd	Asset Owner	Taiwan	$251,183	No
China Southern Asset Management	Asset Manager	China	$246,200	No
Caisse de dépôt et placement du Québec	Asset Owner	Canada	$246,018	Yes
Nuveen	Asset Manager	United States	$241,534	Yes
PGGM	Asset Manager	Netherlands	$237,947	Yes
Achmea	Asset Owner	Netherlands	$234,602	Yes
Swiss Life Asset Managers	Asset Manager	Switzerland	$232,000	No
Lord Abbett	Asset Manager	United States	$219,106	Yes
New York State Common Retirement Fund	Asset Owner	United States	$215,500	Yes but not until 2022
Manulife Investment Management	Asset Manager	Canada	$214,188	Yes
SCOR SE	Asset Owner	France	$213,000	No
New York City Pension Funds	Asset Owner	United States	$210,500	Yes
Robeco	Asset Manager	Netherlands	$208,035	Yes
SEI	Asset Manager	United States	$206,970	Yes
AIA Group Limited	Asset Owner	Hong Kong	$195,000	No
Santander Asset Management	Asset Manager	Spain	$193,933	No
Ontario Teachers' Pension Plan (OTPP)	Asset Owner	Canada	$189,500	Yes
Nikko Asset Management	Asset Manager	Japan	$184,700	Yes
Achmea Investment Management	Asset Manager	Netherlands	included in parent	Yes

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