



NET ZERO ASSET MANAGERS: DISCUSSION ON BEST PRACTICES

July 7th, 2022



Introduction: combining exclusion and engagement strategies

Influences the economic model of companies and sector pathways

Drives emitting and hard to abate sectors towards change



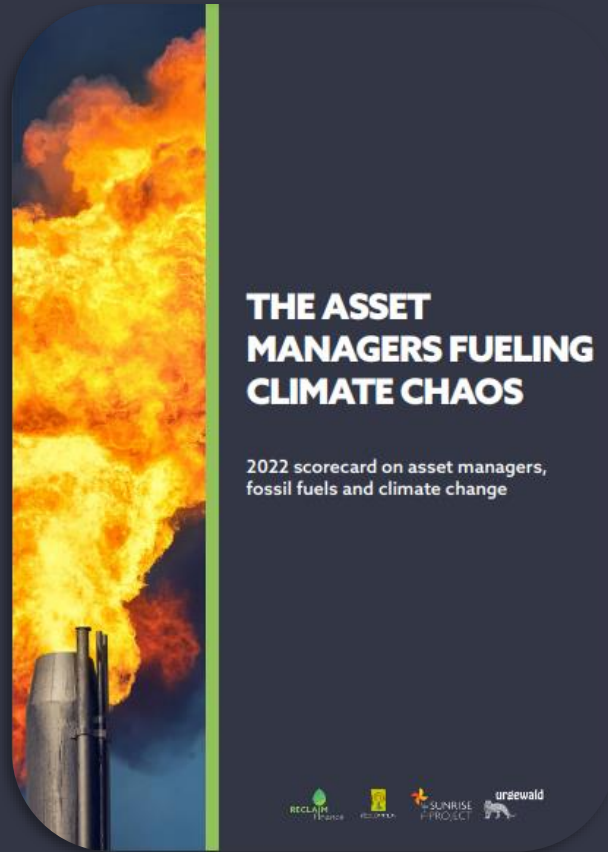
Increases the cost of capital of companies

Reduces the market value (and attractiveness) of the fossil fuel sector

Removes the "social license" of the fossil fuel sector

Frees up capital for truly green investments

Topic and scope of our scorecard



- **30 asset managers** (top 25 in Europe and 5 in the US)
- **Scoring and analysis** based on public documents and dialogue with participants
- **€42.5 trillion** in AUM covered (>40% passively managed)

Analysis framework



Engagement policies towards the fossil fuel sector



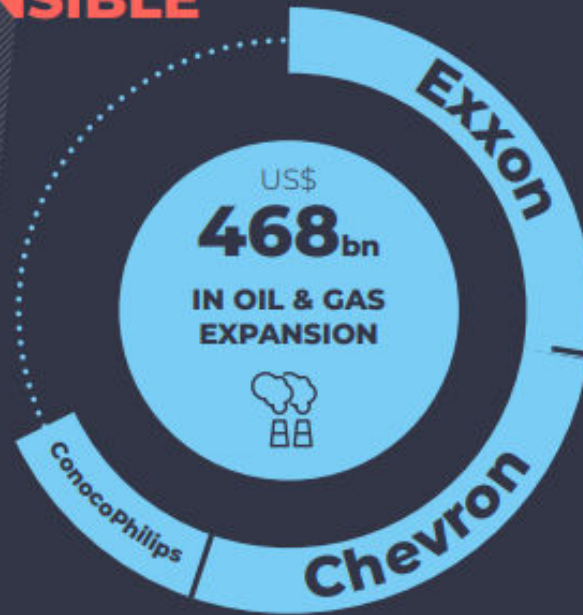
Investment restrictions on coal



Investment restrictions on oil and gas

A high exposure to fossil fuel expansion

**30 BIG ASSETS
MANAGERS ARE
RESPONSIBLE
FOR:**



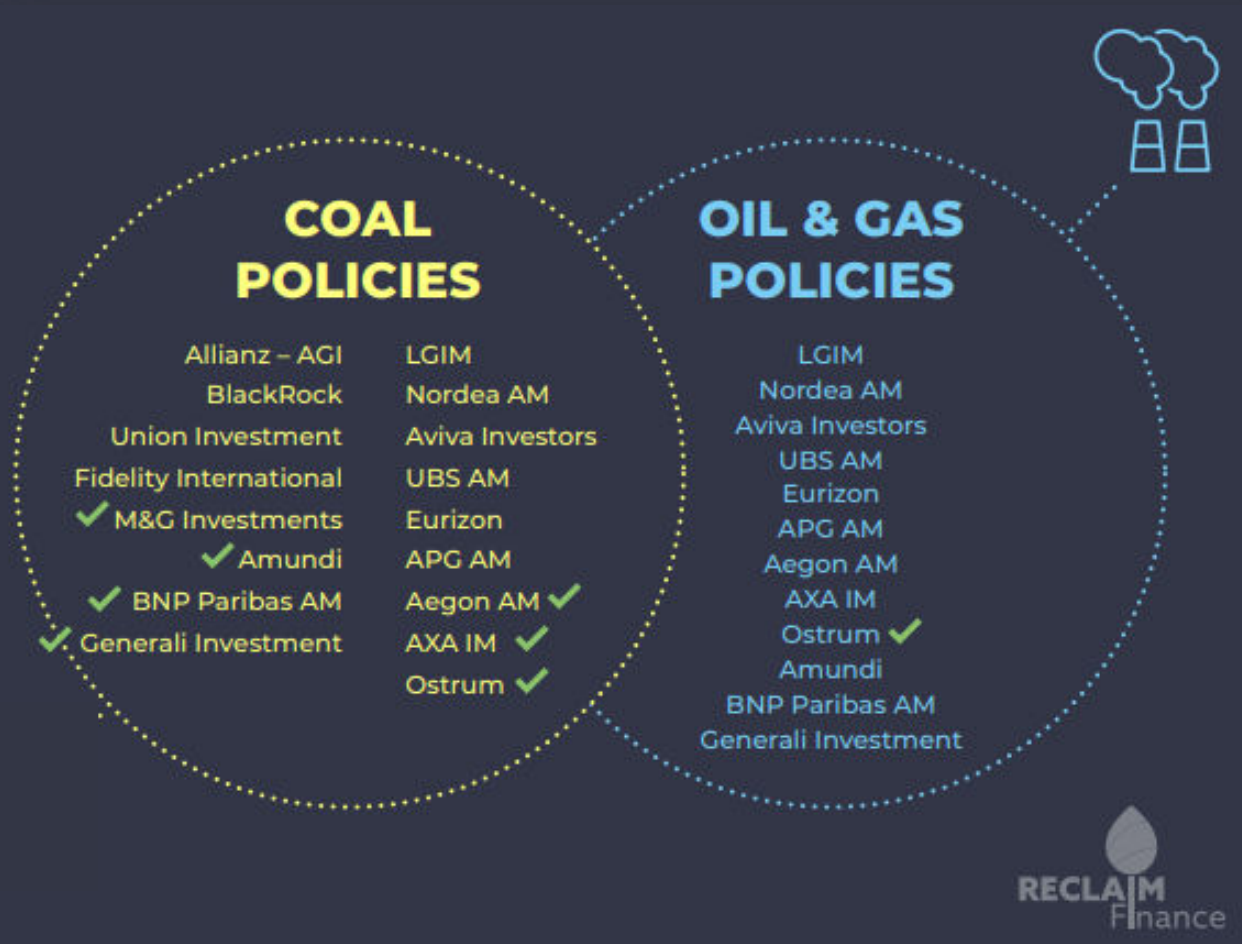
Including to coal expansion

- Half the global coal industry is still developing new coal plants, mines or infrastructure
- The 30 asset managers hold \$10bn in Glencore

The Glencore example:

Company Name	Sector	Robust and credible phase-out plan	Not developing new coal	Timely coal exit	Shutting down, not passing on
Glencore	Mining	⊗	⊗	⊗	N/A

Policies fail to exclude fossil fuel expansionists



- **7/30** asset managers have investment restrictions for companies developing new coal projects
- **0/30** asset managers have investment restrictions for companies developing new oil and gas supply projects

And 'passive' managers have a big fossil fuel problem

Asset manager	Approx. passive' AUM (€bn)	Coal exclusion policy	Coal exclusion policy for 'passive' assets
Amundi	310	Yes	Yes but for less than 50%
BlackRock	5534	Yes, but weak	No
Credit Suisse AM	173	No	No
DWS	241	No	No
Invesco	480	No	No
LGIM	1236	Yes, but weak	No, only ESG passive funds apply the coal policy
State Street Global Advisors	3470	No	No
UBS AM	495	Yes, but weak	No
Vanguard	5169	No	No

Are engagement policies an easy way out for investors?





Asset managers' requests to fossil fuel companies

- **25** asset managers claim that they are pushing companies to improve on climate-related issues
- **0** of the asset managers have clear, comprehensive demands for fossil fuel companies.
- **8** publicly ask companies to adopt short-term (2025) emission reduction targets
- **1** requires absolute emission reductions that include scope 3 emissions (but with a huge loophole)
- **0** call for an immediate decrease of companies' overall fossil fuel production or for the stop of all new fossil fuel supply projects.

Transparency on the companies that are being engaged






- **2** asset managers published the full list of companies they are engaging and disclosed that they specifically focus on the fossil fuel sector

Shareholder resolutions: going backwards?

	CA100+ NZ Benchmark	OCI Big Oil Reality Check	Reclaim Finance Major Failure	Shareholder resolutions
	<ul style="list-style-type: none"> • 2/9 criteria met • 0/4 among the most material* • Unaligned CAPEX 	<ul style="list-style-type: none"> • 11/11 insufficient criteria • 0/11 partially aligned 	<ul style="list-style-type: none"> • n/a 	<p>2021 : N/A 2022 : 33%</p>
	<ul style="list-style-type: none"> • 2/9 criteria met • 0/4 among the most material* • Unaligned CAPEX 	<ul style="list-style-type: none"> • 10/11 insufficient criteria • 1/11 partially aligned 	<ul style="list-style-type: none"> • Carbon overshoot in 2037 	<p>2021 : 39% 2022 : 26% →</p>
	<ul style="list-style-type: none"> • 0/9 criteria met • 0/4 among the most material* • Unaligned CAPEX 	<ul style="list-style-type: none"> • 9/11 insufficient criteria • 2/11 partially aligned 	<ul style="list-style-type: none"> • Carbon overshoot in 2033 	<p>2021 : 21% 2022 : 15% →</p>
	<ul style="list-style-type: none"> • 0/9 criteria met • 0/4 among the most material* • Unaligned CAPEX 	<ul style="list-style-type: none"> • 9/11 insufficient criteria • 2/11 partially aligned 	<ul style="list-style-type: none"> • Carbon overshoot in 2034 	<p>2021 : 30% 2022 : 20% →</p>

* Long/medium/short term decarbonization targets and CAPEX alignment

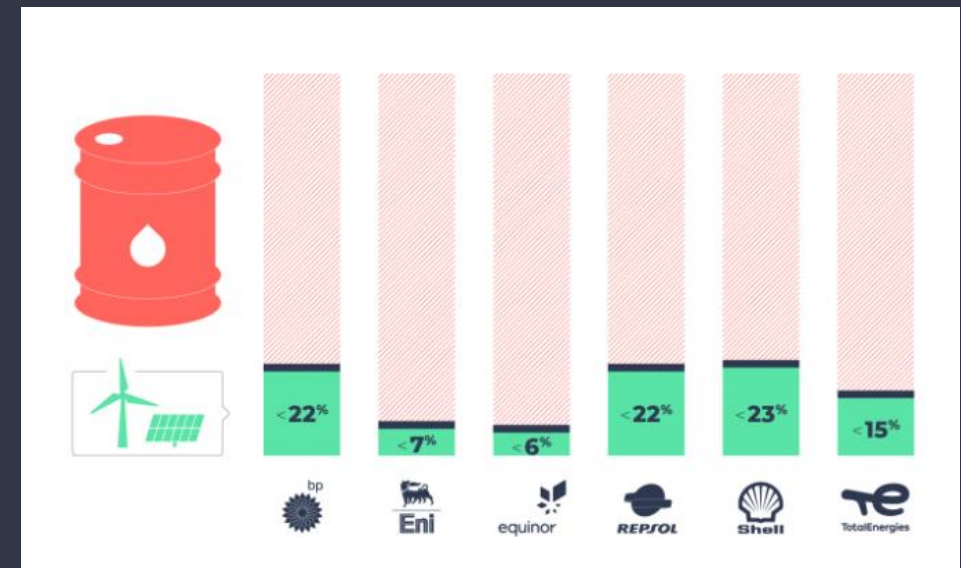
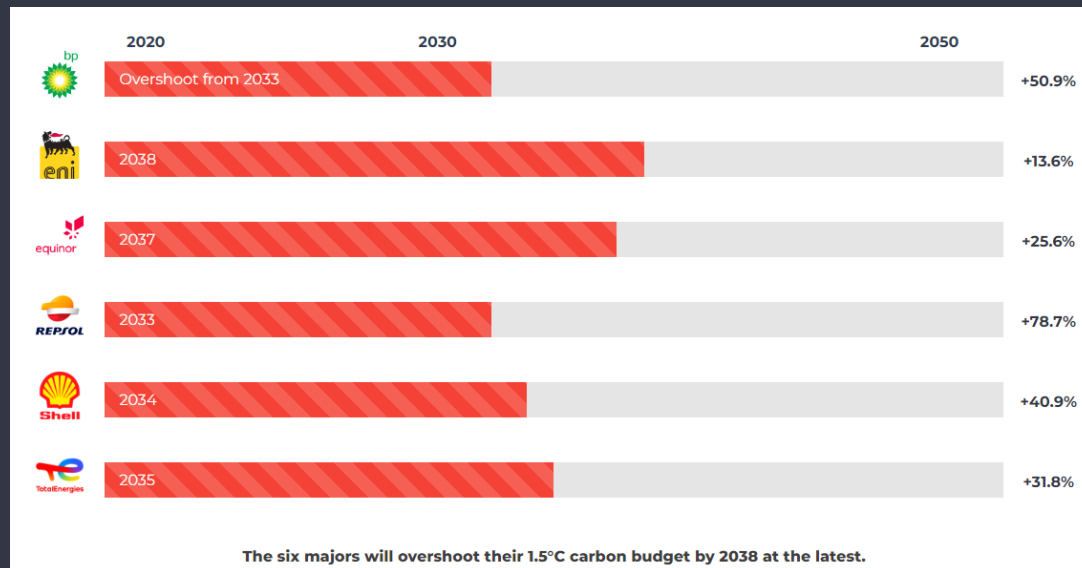
'Say On Climate' votes: a marketing tool?

	CA100+ NZ Benchmark	OCI Big Oil Reality Check	Reclaim Finance Major Failure	Say On Climate results
 <p>REPSOL</p>	<ul style="list-style-type: none"> • 4/9 criteria met • 0/4 among the most material* • Unaligned CAPEX 	<ul style="list-style-type: none"> • 10/11 insufficient criteria • 1/11 partially aligned 	<ul style="list-style-type: none"> • Carbon overshoot en 2033 	<ul style="list-style-type: none"> • 14,5% against • 2,5% abstain <p>17%</p>
 <p>equinor</p>	<ul style="list-style-type: none"> • 2/9 criteria met • 0/4 among the most material* • Unaligned CAPEX 	<ul style="list-style-type: none"> • 10/11 insufficient criteria • 1/11 partially aligned 	<ul style="list-style-type: none"> • Carbon overshoot in 2037 	<ul style="list-style-type: none"> • 17,6% against • 6,8% abstain <p>24,4%</p>
 <p>bp</p>	<ul style="list-style-type: none"> • 0/9 criteria met • 0/4 among the most material* • Unaligned CAPEX 	<ul style="list-style-type: none"> • 9/11 insufficient criteria • 2/11 partially aligned 	<ul style="list-style-type: none"> • Carbon overshoot in 2033 	<ul style="list-style-type: none"> • 11% against • 3,5% abstain <p>14,5%</p>
 <p>Shell</p>	<ul style="list-style-type: none"> • 0/9 criteria met • 0/4 among the most material* • Unaligned CAPEX 	<ul style="list-style-type: none"> • 9/11 insufficient criteria • 2/11 partially aligned 	<ul style="list-style-type: none"> • Carbon overshoot in 2034 	<ul style="list-style-type: none"> • 19,5% against • 3,2% abstain <p>22,7% ↑</p>
 <p>TotalEnergies</p>	<ul style="list-style-type: none"> • 3/9 criteria met • 1/4 among the most material* • Unaligned CAPEX 	<ul style="list-style-type: none"> • 10/11 insufficient criteria • 1/11 partially aligned 	<ul style="list-style-type: none"> • Carbon overshoot in 2032 	<ul style="list-style-type: none"> • 10,5% against • 5,7% abstain <p>16,2% →</p>

* Long/medium/short term decarbonization targets and CAPEX alignment

Case study: a major European asset manager

- 3 votes « for » Say On Climate resolutions: BP, TotalEnergies, Repsol
 - 4 votes « against » Say On Climate resolutions, including Shell and Equinor.
- => What is the reason?



The need to make “Say On Climate” votes meaningful

- Require complete Say on Climate : March 2022 oped co-signed by 30 investors.
- Vote against incomplete Say on Climate.
- Vote against unaligned climate plans: decision needs to be taken i) against short-term material indicators and ii) credible 1.5°C scenario.

1	Net zero GHG Emissions by 2050 (or sooner) ambition ?	✓	⌵
2	Long-term (2036-2050) GHG reduction target(s) ?	✓	⌵
3	Medium-term (2026 to 2035) GHG reduction target(s) ?	—	⌵
4	Short-term (up to 2025) GHG reduction target(s) ?	—	⌵
5	Decarbonisation Strategy (Target Delivery) ?	—	⌵
6	Capital Alignment ?	✗	⌵

An effective escalation strategy

Vote against the renewal of board members of all companies that have not committed to stop oil and gas expansion).

Vote against all the resolutions sponsored by management of companies that still developing new oil and gas.

2022-23

2024

2025

AGM 2023

AGM 2024

End of new investments in companies that are still developing new oil and gas fields

Private dialogue with companies to obtain a commitment not to open any new oil and gas project by 2024.

Private dialogue and public statements on the need to stop opening new oil and gas projects.

Divestment of companies continuing to develop new oil and gas projects.

