



Voting recommendations for climate-conscious investors

Annual General Meetings 2023

April 2023

Preamble



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Preamble

A context of climate crisis and continuing support to fossil fuels



Persistent **increase in GHG emissions**



Multiplication of the **impacts of climate change**



Record profits in 2022 in the energy and finance sectors



Continuing financial support to fossil fuels, including expansion



2023 AGM season is a crucial moment for investors to take action and scale up engagement with the most carbon emitting companies.

Speakers



Agathe Masson
Stewardship Campaigner



Antoine Laurent
Advocacy Officer France





— Agenda

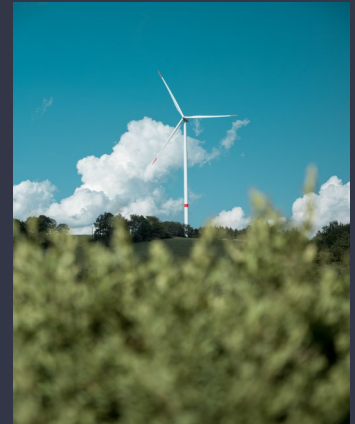
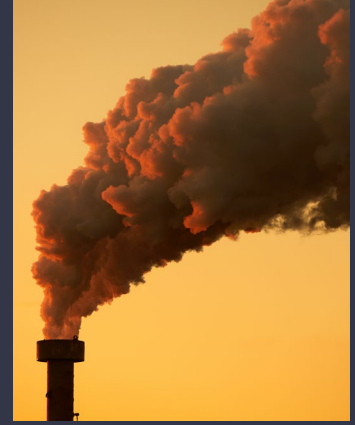
Introduction

01. Say on Climate
02. Climate-related shareholder resolutions
03. Routine resolutions
04. Case study: TotalEnergies

Conclusion



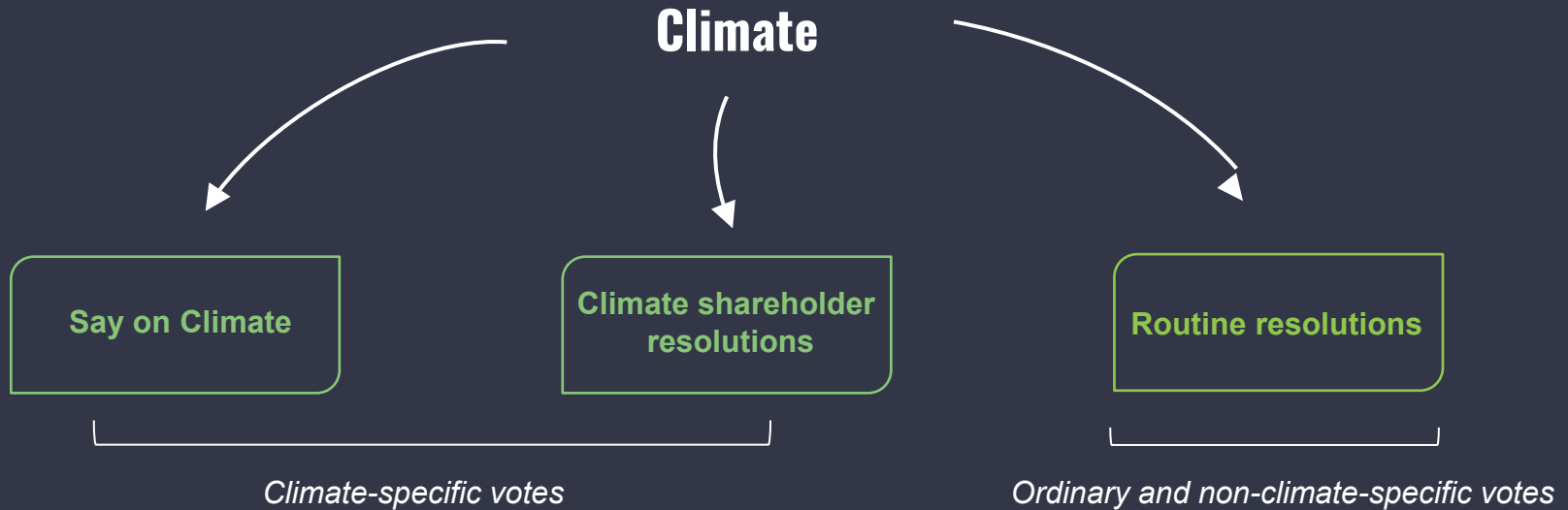
Introduction



Introduction

How to integrate climate into voting?

- Voting is a key opportunity to **ensure that climate change is a top priority** of investee companies.



01. Say on Climate



Say on Climate



A **Say on Climate** is a resolution to seek shareholder opinion on the company's climate plan or its implementation.

Advantages

- ▶ Good practice of transparency
- ▶ Good practice of accountability to shareholders

Limitations

- ▶ Lack of standard
- ▶ Observed global incompleteness
- ▶ Risk of greenwashing

Voting recommendation:

Vote **AGAINST** climate strategies that :

- **Do not disclose key information** that enable investors to assess their alignment with a 1.5°C scenario with low or no overshoot, and a limited contribution of negative emissions.
- **Are not aligned with a 1.5°C scenario**, especially in the case of fossil fuel expansion.

Say on Climate

What information should be included in a comprehensive climate strategy to enable investors to assess it against a 1.5°C trajectory?

All sectors (but financial)

- ✓ Short- and medium-term **GHG emission reduction targets** on Scopes 1, 2, 3, expressed in both absolute- and intensity-terms
- ✓ Contribution of **captured GHG emissions** to targets
- ✓ **Carbon offsetting** approaches
- ✓ Short- and medium-term **capital expenditure (CAPEX) plans** disaggregated by activity and by orientation
- ✓ **Baseline scenario** used to set the targets

Financial sector

- ✓ Short- and medium- term **GHG emission reduction targets** on Scopes 1, 2, 3, expressed in both absolute- and intensity-terms
- ✓ **Financing volumes** (or underwritten amounts), and **financed emissions** (or insured emissions) **targets** at short-, medium-and long-term for high-emitting sectors
- ✓ Robust **fossil fuel sector policies**
- ✓ A robust **sustainable power sector policy**
- ✓ **Baseline scenario** used to define targets



Say on Climate

What are the key 2023 Say on Climate resolutions?

	 TotalEnergies	 REPSOL
GHG emission reduction target in the short term	✓	✓
GHG emission reduction target in the medium term	✓	✓
Contribution of carbon capture	✓	✗
Contribution of carbon offsets	✓	✗
Targeted energy mix evolution at short- and medium-term	✓	≈
CAPEX in the short and medium term	≈	✗
Baseline scenario used	≈	✗
Other relevant information	Pursuing development of new oil and gas projects	Pursuing development of new oil and gas projects
Voting recommendation	AGAINST	AGAINST



Say on Climate

What climate analysis can be used? Focus on the CA100+ Benchmark

Methodology based on 10 **disclosure criteria** and 3 **alignment criteria**

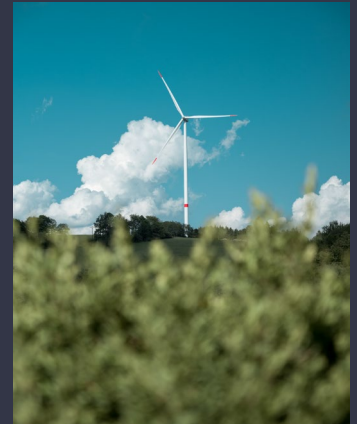
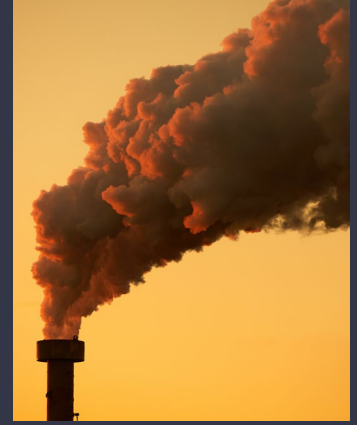


Existence of **limitations** to the methodology

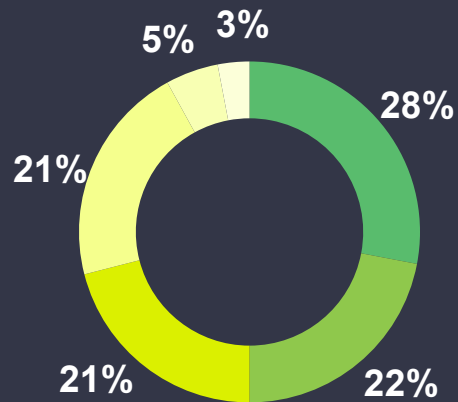
Last **update of the methodology** in April 2023



02. Climate-related shareholder resolutions



Shareholder resolutions



Source: SquareWell Partners

- Report on Alignment
- Report on Direct and Indirect Lobbying
- Adopt and Disclose GHG Reduction Targets
- Report on Climate-Related Financing Activities
- Request a Say on Climate
- Report on Cost and Benefits of Expenditures Related to Environment

Voting recommendation:

- **Vote FOR all shareholder resolutions that contribute to increase companies' climate transparency and alignment with reference scientific scenarios.**

Shareholder resolutions

What are the 2023 climate-related shareholder resolutions to support? (1/2)



Energy, utility, and mining sectors



► Goal:

Align 2030 emissions reduction target including Scope 3 with the goal of the Paris Agreement

► Lead and main filers:

Follow This, MN, PGGM, Edmond de Rothschild AM, Achmea Investment Management, La Banque Postale AM, Ofi Invest AM



► Goal:

Align 2030 emissions reduction target including Scope 3 with the goal of the Paris Agreement

► Lead and main filers:

Follow This, MN, PGGM, Edmond de Rothschild AM, Achmea Investment Management



► Goal:

Explain how the thermal coal production plans align with limiting global temperatures rises to 1.5C

► Lead and main filers:

ACCR, ShareAction, LGIM, Ethos Foundation, Vision Super, HSBC Asset Management



Shareholder resolutions

What are the 2023 climate-related shareholder resolutions to support? (2/2)




Financial sector




► **Goal:**
Adopt policies to phase out financing of new fossil fuel exploration and development

► **Lead and main filers**
Sierra Club Foundation, Trillium Asset Management, and Harrington Investments




► **Goal:**
Set 2030 absolute emissions reduction targets for energy sector financing

► **Lead and main filers**
New York City Comptroller




► **Goal:**
Adopt a policy to phase out funding of new fossil fuel exploration and development

► **Lead and main filers**
Stand.earth



► **Goal:**
Phase out underwriting of new fossil fuel projects

► **Lead and main filers**
Green Century Funds



► **Goal:**
Report on measurement, disclosure, and reduction of insured emissions

► **Lead and main filers**
As You Sow



Shareholder resolutions

Focus on the Engie climate-related shareholder resolution



▶ Goal:

Amend the company's articles of association to give the board of directors the possibility to organize a regular Say on Climate

▶ Lead and main filers:

16 French and European investors

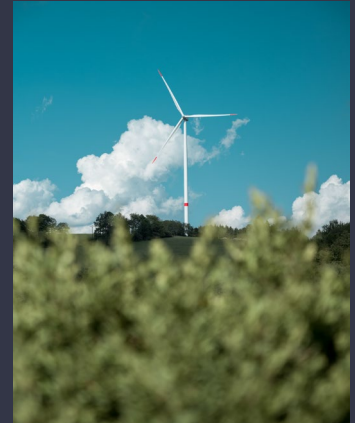
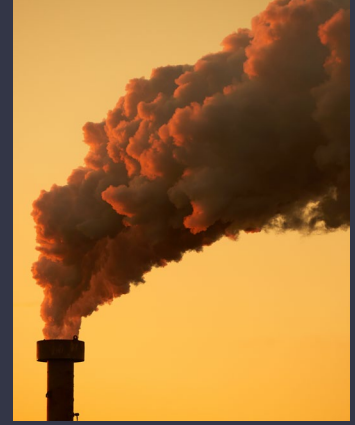
▶ Key issues:

- Strong signal sent to Engie about the lack of disclosure on key information in Engie's climate strategy
- Cautiousness due to the French legal context

Voting recommendation:

- Vote **FOR** the Engie climate-related shareholder resolution

03. Routine resolutions



Routine resolutions

How to vote for reappointment of directors? (1/2)

Shareholders'
AGM



Elects Directors

Board of
directors



Define & propose the
strategy , including the
climate strategy

Company
executives



Validates & oversees the
implementation of the
strategy , including the
climate strategy

Standard mechanism of shareholders' indirect
control over the company's (climate) strategy



Routine resolutions

How to vote for reappointment of directors? (2/2)

Voting recommendation:

Vote **AGAINST** re-election of all directors if:

- Absence of a **CSR or Sustainability committee** within the board of directors;
- No disclosure of a **comprehensive climate strategy** that enables assessment of its alignment with a 1.5°C scenario;
- No alignment on **key transition milestones**, such as the end of fossil fuel expansion activities.

Routine resolutions

How to vote for reappointment of directors? – Case study on BNP Paribas



BNP PARIBAS

- ✓ Dedicated committee to governance, ethics, CSR and appointments within its board;
- ✓ Adoption of a climate strategy;
- ✗ Two directors, Jean Lemierre and Jacques Aschenbroich, also sit on the Total Energies' board of directors;
- ✗ 7,096 million dollars of financing to the top fossil fuel developers between April 2021 and September 2022;
- ✗ Insufficient restriction on development of new oil and gas projects.

Voting recommendation:

Vote **AGAINST** the proposed re-election of four directors, including the chairman Jean Lemierre



Routine resolutions

How to vote for approval of remuneration? (1/2)



Board of directors' remuneration



Company executives' remuneration

Composed of both an annual part and a long-term part, that are defined on the basis of performance-based criteria



Routine resolutions

How to vote for approval of remuneration? (2/2)

Voting recommendation:

Vote AGAINST approval of remuneration of **board of directors and executives** if:

- No disclosure of a comprehensive climate strategy that enables assessment of its alignment with a 1.5°C scenario;
- No alignment on key transition milestones, such as the end of fossil fuel expansion activities.

Vote AGAINST approval of remuneration of **executives** if:

- Climate-related criteria do not represent the main part of variable remuneration;
- These criteria are not clearly defined, measurable quantitatively, and linked to key targets of the climate-strategy.

Routine resolutions

How to vote for approval of remuneration? – Case study on BP



Top executives:

- X** Annual variable remuneration: Climate-related criterion represents only 15%, and doesn't include scope 3;
- X** The criterion is based on GHG emission reduction targets, which were lowered in 2023, moving further away from a 1.5°C trajectory;
- X** Changes in 2023 remuneration policy are largely insufficient.

Voting recommendation:

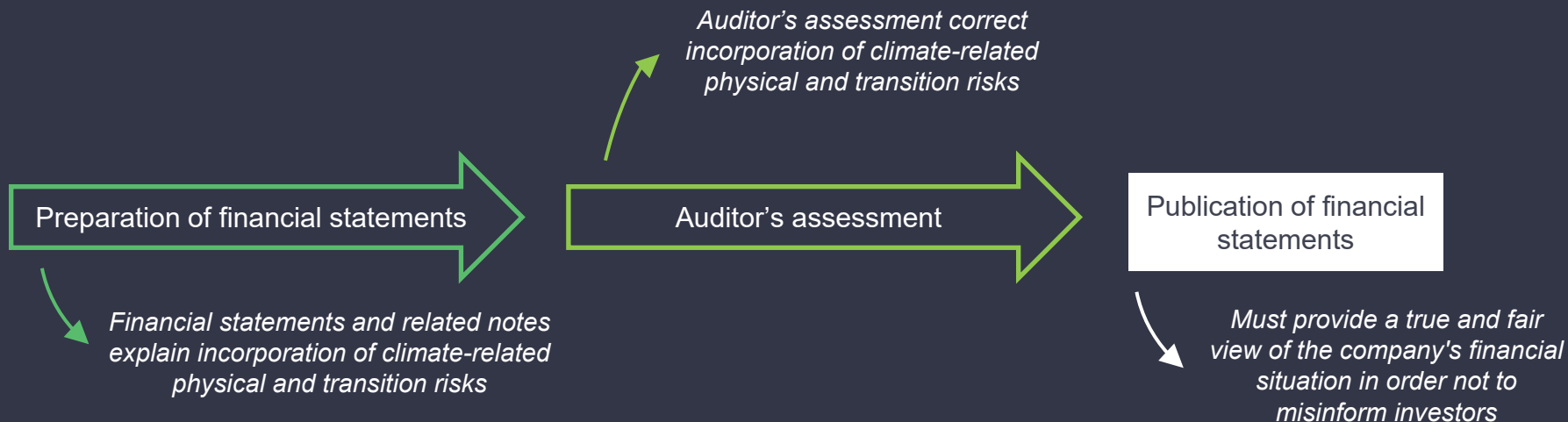
Vote **AGAINST** the two resolutions:

- One relating to the 2022 remuneration of directors and top executives
- One relating to the 2023 remuneration policy of directors and top executives



Routine resolutions

How to vote for approval of financial statements and re-appointment of auditors? (1/2)



Routine resolutions

How to vote for approval of financial statements and re-appointment of auditors? (2/2)

Voting recommendation:

Vote **AGAINST** approval of financial statements if:

- The audited financial statements do not incorporate climate-related physical and transition risks;

Vote **AGAINST** re-appointment of auditors if:

- The audit report does not demonstrate that the auditor considered climate-related physical and transition risks in its assessment.

Routine resolutions

How to vote for items related to financial statements? - Case study on ArcelorMittal



- ✗ CA 100+'s assessment of ArcelorMittal's financial statements as of 31 December 2021 show that:
 - There is no disclosure on incorporation of climate-related risks;
 - Auditors did not demonstrate how they factored climate in their assessment.
- ✗ No significant improvement in 2022 financial statements.
- ➔ Financial statements **do not provide a true and fair view of the company's financial situation** with regard to climate-related risks.

Voting recommendation:

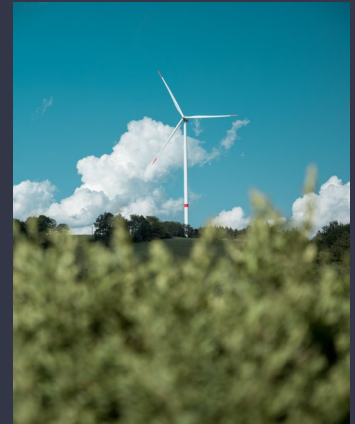
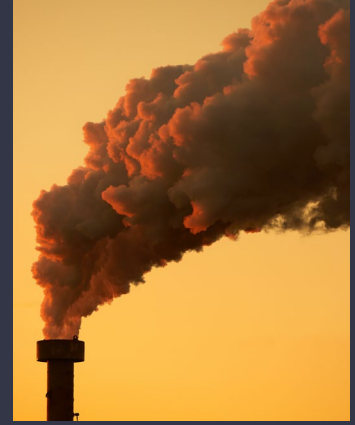
Vote **AGAINST**:

- The approval of financial statements;
- The re-appointment of auditors.



04.

Case study: TotalEnergies



Case study: TotalEnergies

How should climate-conscious investors vote at TotalEnergies' AGM?

▶ Say on Climate

▶ Climate-related shareholder resolution

▶ Re-appointment of directors and approval of remuneration

▶ Approve allocation of profits and setting of dividends



Case study: TotalEnergies

How to vote at 2023 TotalEnergies' AGM? – Say on Climate resolution

► Say on Climate

- ✗ Insufficient disclosure, especially on CAPEX plan
- ✗ No commitment to stop expansion
- ✗ Production level in 2030 will be 22% higher than what is required to align with the IEA's NZE

Voting recommendation : Vote **AGAINST**

► Climate-related shareholder resolution

► Re-appointment of directors and approval of remuneration

► Approve allocation of profits and setting of dividends



Case study: TotalEnergies

How to vote at 2023 TotalEnergies' AGM? – Shareholder resolution

► Say on Climate

Voting recommendation:
Vote **AGAINST**

► Climate-related shareholder resolution

- ✓ Support to align its 2030 reduction targets with the goal of Paris Agreement
- ✓ Strong signal to improve the ambition of its climate strategy

Voting recommendation : Vote **FOR**

► Re-appointment of directors and approval of remuneration

► Approve allocation of profits and setting of dividends



Case study: TotalEnergies

How to vote at 2023 TotalEnergies' AGM? – Directors and remuneration

► Say on Climate

Voting recommendation:
Vote **AGAINST**

► Climate-related shareholder resolution

Voting recommendation:
Vote **FOR**

► Directors and remuneration

- X** Expansion plans
- X** Annual variable remuneration: climate-related criteria representing only 6%, and do not include scope 3
- X** Other ESG criteria are qualitative criteria

Voting recommendation : Vote **AGAINST**

► Approve allocation of profits and setting of dividends



Case study: TotalEnergies

How to vote at 2023 TotalEnergies' AGM? – Allocation of dividends

► Say on Climate

Voting recommendation:
Vote **AGAINST**

► Climate-related shareholder resolution

Voting recommendation:
Vote **FOR**

► Re-appointment of directors and approval of remuneration

Voting recommendation:
Vote **AGAINST**

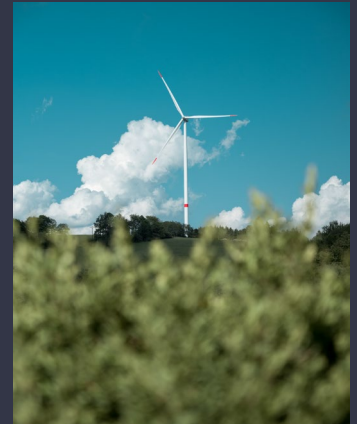
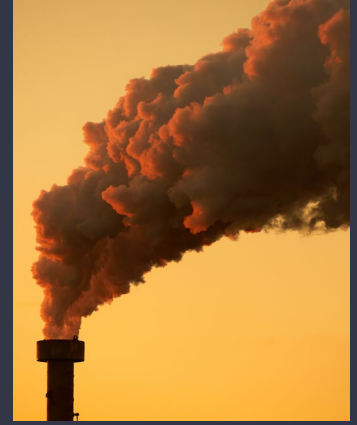
► Allocation of profits and setting of dividends

X Profits are not used as a priority to finance the energy transition: In 2022, TotalEnergies invested less than 33 cents in renewable energies for every dollar invested in fossil fuels.

Voting recommendation : Vote **AGAINST**



Conclusion



Conclusion



A context of **climate emergency**, **record profits** and continuing fossil fuel **expansion**.



It is essential that investors **take responsibility and action** at 2023 AGMs.



Our full *Voting recommendations for climate-conscious investors: Annual General Meetings 2023* will be published on Wednesday, 19th April.



Any questions?



A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are set against a dark, overcast sky. A semi-transparent dark blue horizontal band is overlaid across the middle of the image, serving as a background for the text.

Thank you!

