Voting recommendations for climate-conscious investors

Annual General Meetings 2023
Preamble

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Campaigns Manager
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
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?

<table>
<thead>
<tr>
<th>All sectors (but financial)</th>
<th>Financial sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Short- and medium-term GHG emission reduction targets on Scopes 1, 2, 3, expressed in both absolute- and intensity-terms</td>
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<tr>
<td>✓ Contribution of captured GHG emissions to targets</td>
<td>✓ Financing volumes (or underwritten amounts), and financed emissions (or insured emissions) targets at short-, medium- and long-term for high-emitting sectors</td>
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<tr>
<td>✓ Carbon offsetting approaches</td>
<td>✓ Robust fossil fuel sector policies</td>
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<tr>
<td>✓ Short- and medium-term capital expenditure (CAPEX) plans disaggregated by activity and by orientation</td>
<td>✓ A robust sustainable power sector policy</td>
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<tr>
<td>✓ Baseline scenario used to set the targets</td>
<td>✓ Baseline scenario used to define targets</td>
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### Say on Climate

#### What are the key 2023 Say on Climate resolutions?

<table>
<thead>
<tr>
<th>GHG emission reduction target in the short term</th>
<th>Total/Energies</th>
<th>REPSOL</th>
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<tbody>
<tr>
<td>☑</td>
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<tr>
<td>GHG emission reduction target in the medium term</td>
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<td>☑</td>
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<tr>
<td>Contribution of carbon capture</td>
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<tr>
<td>Contribution of carbon offsets</td>
<td>☑</td>
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<tr>
<td>Targeted energy mix evolution at short- and medium-term</td>
<td>☑</td>
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<tr>
<td>CAPEX in the short and medium term</td>
<td>≈</td>
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</tr>
<tr>
<td>Baseline scenario used</td>
<td>≈</td>
<td>☒</td>
</tr>
<tr>
<td>Other relevant information</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Voting recommendation</strong></td>
<td><strong>AGAINST</strong></td>
<td><strong>AGAINST</strong></td>
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</table>
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

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

Voting recommendation:

- 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

Source: SquareWell Partners
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 1.5°C

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)

<table>
<thead>
<tr>
<th>Financial sector</th>
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</thead>
<tbody>
<tr>
<td><strong>Goal:</strong> Adopt policies to phase out financing of new fossil fuel exploration and development</td>
</tr>
<tr>
<td><strong>Lead and main filers</strong></td>
</tr>
<tr>
<td>Sierra Club Foundation, Trillium Asset Management, and Harrington Investments</td>
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</table>

| 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

Board of directors

Company executives

Elects Directors

Define & propose the strategy, including the climate strategy

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

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

- 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
- Fixed part
- Variable part
- Main part of a director’s remuneration
- Only depends on attendance at board meetings

Company executives’ remuneration
- Fixed part
- Variable part
- 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:
× Annual variable remuneration: Climate-related criterion represents only 15%, and doesn’t include scope 3;
× The criterion is based on GHG emission reduction targets, which were lowered in 2023, moving further away from a 1.5°C trajectory;
× 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)

Preparation of financial statements

Financial statements and related notes explain incorporation of climate-related physical and transition risks

Auditor’s assessment

Auditor’s assessment correct incorporation of climate-related physical and transition risks

Publication of financial statements

Must provide a true and fair view of the company’s financial situation in order not to misinform investors
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.
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
- Re-appointment of directors and approval of remuneration
- Climate-related shareholder resolution
- 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
  X Insufficient disclosure, especially on CAPEX plan
  X No commitment to stop expansion
  X Production level in 2030 will be 22% higher than what is required to align with the IEA’s NZE

Voting recommendation: Vote AGAINST

► Re-appointment of directors and approval of remuneration

► Climate-related shareholder resolution

► 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

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

  **Voting recommendation:** Vote **AGAINST**

- **Climate-related shareholder resolution**

  **Voting recommendation:** Vote **FOR**

- **Say on Climate**

  **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?
Thank you!