



Climate voting by large Canadian investors 2016-2017

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by
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ABOUT SHARE

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ABOUT THE COMMONWEALTH CLIMATE LAW INITIATIVE

The Commonwealth Climate and Law Initiative (CCLI) is a research, education, and outreach project focused on four Commonwealth countries: Australia, Canada, South Africa, and the United Kingdom. CCLI is examining the legal basis for directors and trustees to take account of physical climate change risk and societal responses to climate change under prevailing statutory and common laws. In addition to the legal theory, it also aims to undertake a practical assessment of the materiality of these considerations, in terms of liability, and the scale, timing, probability of this and the potential implications for company and investor decision-making.

The Canadian partner in the Commonwealth Climate and Law Initiative (CCLI) is a joint collaboration of the Peter A. Allard School of Law, University of British Columbia and Osgoode Hall Law School, York University, focused on fiduciary obligation and climate-related financial risk, best disclosure and investment practices, and the role of financial markets in the transition to a low-carbon economy. CCLI acknowledges the generous financial support of the Ivey Foundation.

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I. INTRODUCTION

Climate change is a significant investment issue globally and in Canada. Among the investor responses to climate change has been an increased attention to opportunities to cast ballots in favour of measures to improve corporate disclosures and practices related to greenhouse gas emissions and the transition to a low carbon economy. This study was commissioned by the Commonwealth Climate Law Initiative to catalog and describe climate-related shareholder proposals, climate voting records of major Canadian institutional investors, and climate change engagement activity.

All climate resolutions filed by shareholders and appearing on corporate ballots for meetings held during the 2017 proxy season were included in the survey of climate-related shareholder resolutions. These include resolutions that addressed climate change directly in the 'resolved clause', as well as resolutions that referenced climate change in the supporting section of the resolution. In total, 86 such resolutions were identified as having been placed for vote on the ballots of companies with meetings taking place between 1 July 2016 and 30 June 2017. Of these, three were subsequently withdrawn by the shareholder proponents, but are reflected in the voting records of institutions nevertheless and are therefore included in this survey.

To profile Canadian institutions' voting records, we examined their votes on a subset of 21 resolutions that we identified as 'key votes'. These resolutions were selected in order to represent the range of resolution asks and the range of industry sectors of companies targeted with shareholder resolutions. While they were not necessarily the most strongly supported resolutions, some consideration was given to the level of support they received from shareholders and to the size of the company targeted, with larger companies being more widely held and therefore affording a more complete record of key votes across the surveyed institutions.

The voting records of 18 Canadian institutions – eight public pension funds and ten large asset managers – were found on the institutions' websites and examined to see how they voted on the 21 'key votes' identified.

The proxy voting guidelines of surveyed institutions were examined for language that would guide voting on climate change shareholder resolutions. The guidelines of all eight of the pension funds and five of the ten asset managers were found on their respective websites.

II. CLIMATE RESOLUTIONS 2017

Eighty-six shareholder resolutions were filed for voting on between July 1, 2016 and June 30, 2017 related to climate change. Of these resolutions, 95% were filed with US-domiciled companies. Although in recent years shareholder proposals also have been filed at Canadian, British, Australian, and Danish companies, filing in the US dominates the record. For the purpose of this report, climate-related shareholder proposals are divided into 18 categories. The most common shareholder proposal (26%) asks for a climate strategy or risk report related to the impact of meeting the 2° climate target. The second most common shareholder proposal (21%) requests improved disclosure of lobbying policies, procedures and payments.

TABLE 1: Number of proposals filed by type

Number filed	Topic
20	Climate strategy/risk report - impact of 2-degree policies
18	Lobbying disclosure: policies, procedures and direct and indirect payments
9	Renewable energy/energy efficient technology
7	GHG emissions reduction efforts/goals - adopt quantitative reduction goals
5	GHG emissions disclosure - methane emissions
4	GHG emissions reduction efforts/goals - net zero emissions
4	Pay for social/environmental performance - sustainability metrics
3	Climate policy and proxy voting
3	Disclose political contributions
3	Director environmental expertise
2	Sustainability report - GHG emissions
1	Climate strategy/risk report – 2-degree business plan
1	Climate strategy/risk report – insurance risk
1	Fossil fuel divestment
1	Increase dividend
1	Lobbying disclosure: lobbying and trade association membership
1	Pay for social/environmental performance - link executive compensation to low-carbon scenarios
1	Sustainable agriculture - food waste
86	TOTAL

Of the 86 shareholder proposals identified in this report, three received majority support and fourteen more received the support of more than 40% of shareholders. Nineteen of the 20 most strongly supported shareholder proposals focused on improved disclosure of strategy, risk assessment or emissions. Proposals calling for disclosure of political lobbying were also strongly supported (see Table 2.)

For this study, a resolution was identified as a climate change resolution if it directly addressed climate change, GHG emissions or renewable energy in the resolved clause or referenced climate change in the supporting statement of the resolution.

TABLE 2. All climate-related shareholder proposals by percentage support

ISSUER	MARKET CAP (billions)	SECTOR	FILER	TOPIC	RESULT
Occidental Petroleum	56	Oil & Gas	Wespath Investment Management et al	Climate strategy/Risk report - impact of 2-degree policies	67.30%
Exxon Mobil	356	Oil & Gas	New York State Common Retirement Fund	Climate strategy/Risk report - impact of 2-degree policies	62.12%
PPL CORP	21	Electric Power & Gas Utilities	New York State Common Retirement Fund	Climate strategy/Risk report - impact of 2-degree policies	56.80%
PNM Resources	3	Electric Power & Gas Utilities	Max and Anna Levinson Foundation	Climate strategy/Risk report - impact of 2-degree policies	49.95%
Dominion Resources	52	Electric Power & Gas Utilities	New York State Common Retirement Fund	Climate strategy/Risk report - impact of 2-degree policies	47.84%
AMEREN CORP	14	Electric Power & Gas Utilities	Mercy Investment Services, Inc. et al	Climate strategy/Risk report - impact of 2-degree policies	47.53%
Duke Energy	59	Electric Power & Gas Utilities	New York State Common Retirement Fund et al	Climate strategy/Risk report - impact of 2-degree policies	46.43%
Occidental Petroleum	56	Oil & Gas	Arjuna Capital	GHG emissions disclosure - methane emissions	45.77%
Southern Co.	48	Electric Power & Gas Utilities	Sisters of St. Dominic of Caldwell, NJ	Climate strategy/Risk report - impact of 2-degree policies	45.71%
DTE Energy	19	Electric Power & Gas Utilities	New York State Common Retirement Fund et al	Climate strategy/Risk report - impact of 2-degree policies	44.97%
Middleby Corp	7	Manufacturing & Industrial Materials	Trillium Asset Management et al	Sustainability report - GHG emissions	44.61%

(table continued)

ISSUER	MARKET CAP (billions)	SECTOR	FILER	TOPIC	RESULT
FirstEnergy	13	Electric Power & Gas Utilities	As You Sow	Climate strategy/Risk report - impact of 2-degree policies	43.40%
Devon Energy	22	Oil & Gas	Gund Foundation	Climate strategy/Risk report - impact of 2-degree policies	41.36%
Marathon Petroleum	33	Oil & Gas	Mercy Investment Services, Inc.	Climate strategy/Risk report - 2 degree business plan	40.89%
Kinder Morgan	40	Electric Power & Gas Utilities	Lowell Miller	GHG emissions disclosure - methane emissions	40.59%
AES Corp	7	Electric Power & Gas Utilities	Mercy Investment Services, Inc. et al	Climate strategy/Risk report - impact of 2-degree policies	40.14%
Emerson Electric	44	Electronics	Sustainability Group	Lobbying disclosure: policies, procedures and direct and indirect payments	40.05%
PNM Resources	3	Electric Power & Gas Utilities	Sam and Wendy Hitt Family Trust	Climate strategy/Risk report - stranded assets	39.88%
Exxon Mobil	356	Oil & Gas	As You Sow on behalf of Park Foundation	GHG emissions disclosure - methane emissions	38.69%
Kinder Morgan	40	Electric Power & Gas Utilities	First Affirmative Financial Network, LLC	Climate strategy/Risk report - impact of 2-degree policies	38.23%
Nucor	21	Manufacturing & Industrial Materials	Domini Social Equity Fund	Lobbying disclosure: policies, procedures and direct and indirect payments	37.82%
Travelers Companies	37	Insurance Services	First Affirmative Financial Network, LLC	Lobbying disclosure: policies, procedures and direct and indirect payments	37.36%
Walt Disney	163	Media	Zevin Asset Management, LLC et al	Lobbying disclosure: policies, procedures and direct and indirect payments	36.84%
Fluor Corp	7	Real Estate Finance/Property Development/ Construction	New York State Common Retirement Fund	GHG emissions reduction efforts/goals - adopt quantitative reduction goals	36.67%
AT&T	240	Tele-communications	Walden Asset Management	Lobbying disclosure: policies, procedures and direct and indirect payments	35.47%
Entergy	14	Electric Power & Gas Utilities	As You Sow	Renewable energy/energy efficient technology	34.95%
Cisco Systems	190	Information Technology	Unitarian Universalist Association	Lobbying disclosure: policies, procedures and direct and indirect payments	34.88%

(table continued)

ISSUER	MARKET CAP (billions)	SECTOR	FILER	TOPIC	RESULT
Emerson Electric	44	Electronics	Walden Asset Management	GHG emissions reduction efforts/goals - adopt quantitative reduction goals	33.98%
Nucor	21	Manufacturing & Industrial Materials	Calvert Investment Management, Inc.	GHG emissions reduction efforts/goals - adopt quantitative reduction goals	33.86%
Motorola Solutions	15	Electronics	Mercy Investment Services, Inc.	Lobbying disclosure: policies, procedures and direct and indirect payments	33.30%
Citigroup	198	Banks & Financial Services	CtW Investment Group	Lobbying disclosure: policies, procedures and direct and indirect payments	30.93%
Whole Foods	0	Food & Beverages	Trillium Asset Management	Sustainable agriculture - food waste	30.39%
Hess	15	Oil & Gas	As You Sow	Climate strategy/risk report - impact of 2-degree policies	30.07%
Danaher	65	Manufacturing & Industrial Materials	Calvert Investments	GHG emissions reduction efforts/goals - adopt quantitative reduction goals	30.06%
Chevron	239	Oil & Gas	Philadelphia Public Employees Retirement System	Lobbying disclosure: policies, procedures and direct and indirect payments	29.13%
General Electric	151	Electronics	Philadelphia Public Employees Retirement System	Lobbying disclosure: policies, procedures and direct and indirect payments	28.57%
J M Smucker	14	Food & Beverages	Trillium Asset Management Corporation	Renewable energy/energy efficient technology	28.46%
Exxon Mobil	356	Oil & Gas	United Steelworkers	Lobbying disclosure: policies, procedures and direct and indirect payments	27.55%
XPO Logistics	11	Transportation	International Brotherhood of Teamsters General Fund	Sustainability report - GHG emissions	27.21%
Devon Energy	22	Oil & Gas	Needmor Fund	Lobbying disclosure: policies, procedures and direct and indirect payments	26.60%
International Business Machines	141	Information Technology	Walden Asset Management	Lobbying disclosure: policies, procedures and direct and indirect payments	26.54%
Chevron	239	Oil & Gas	As You Sow et al	Renewable energy/energy efficient technology	25.99%
Kroger	25	Food & Beverages	As You Sow	Renewable energy/energy efficient technology	24.83%

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