



For professional investors - September 2023

# THE UNPREDICTABLE FUTURE OF SAY-ON-CLIMATE VOTES

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Last year, we reported a widespread increase in Say-on-Climate management proposals worldwide, with an unprecedented 48 ballots, double that of the previous year. After a slow start in 2020, the practice of proposing votes on companies' climate strategies grew as more companies in various countries and industries submitted their climate strategy to an advisory shareholder vote at annual general meetings.

In the first six months of 2023, 23 management-backed climate resolutions were presented at AGMs worldwide. This is about the same number as in the whole of 2021, but fewer than during the same period in 2022

In Europe, regulatory intervention could have a positive impact. As we near the end of the 2023 AGM voting season, we take a closer look at the reasons for this slowdown and the potential for a rebound.



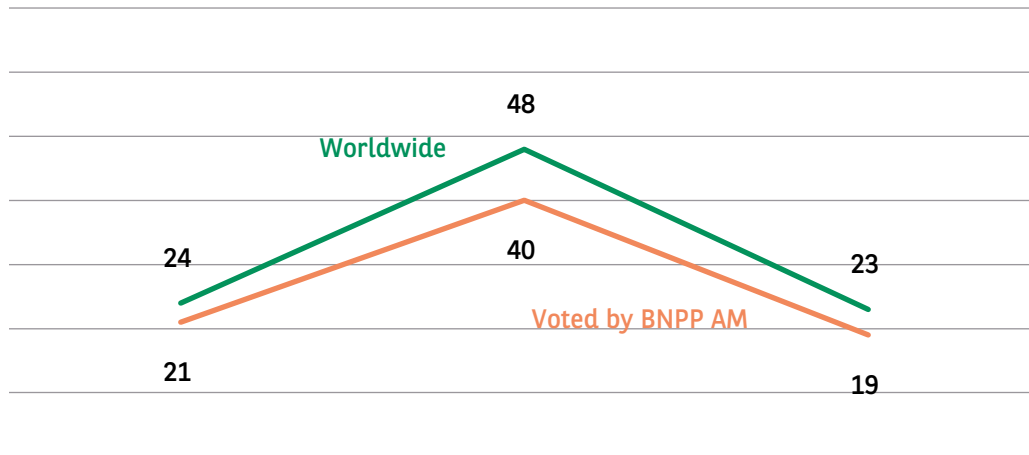
**BNP PARIBAS**  
**ASSET MANAGEMENT**

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## FIRST LESSONS FROM 2023 VOTING SEASON

We inventoried this year's Say-on-Climate votes based on our own voting in the first half of 2023<sup>1</sup> and on worldwide voting. We believe our statistics provide a reasonable sample of global voting activity since 2021 (over 80%<sup>2</sup>) for us to be able to assess the main trends.

### Number of Say-on-Climate proposals voted over 2021-2023

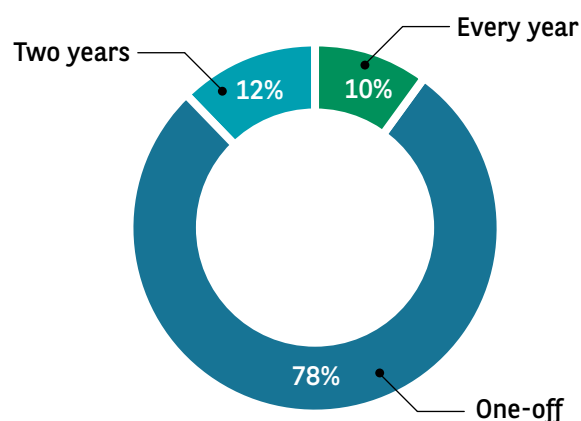


Source: BNP Paribas Asset Management; August 2023

### FEWER VOTES, FOR NOW

The decline in the number of votes compared to the same 2022 period may be due to numerous factors, not least irregular voting frequency. There is no standard dictating the appropriate frequency of Say-on-Climate votes: a minority of companies have offered annual or two-time shareholder votes (22%) over the 2021-2023 period, whereas most companies (78%) have offered one-off votes.

### Distribution of Say-on-Climate votes per frequency over 2021-2023



Source: BNP Paribas Asset Management; August 2023

As several companies have opted for a vote every three or more years and others have yet to adopt an official timeframe, the share of 'frequent' votes could rise over time, but it is difficult to forecast future volumes.

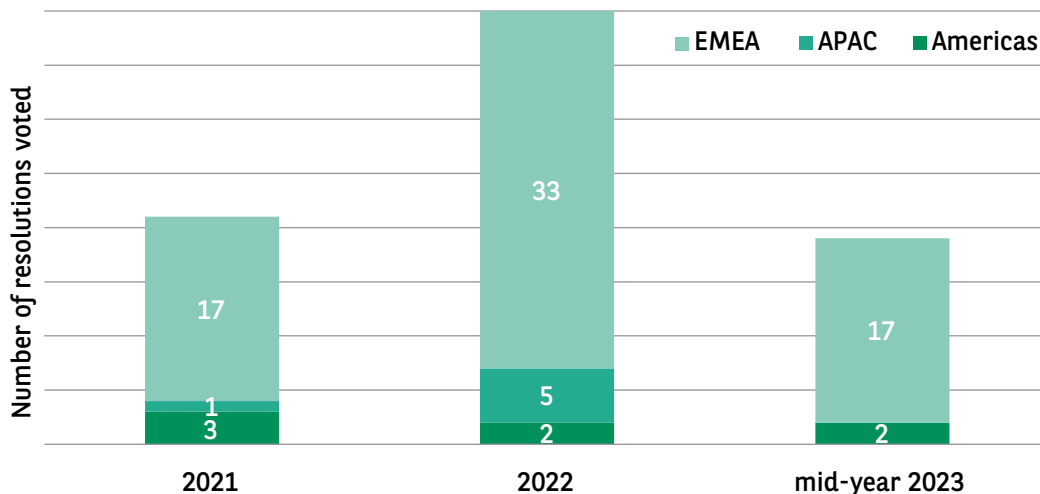
<sup>1</sup> Based on votes from 1 January to 30 June 2023.

<sup>2</sup> Cumulated proportion of management-backed climate proposals voted by BNPP AM from January 2021 to end June 2023.

## GLOBAL VOTING PATTERNS: EUROPE REMAINS WAY AHEAD

- **Europe keeps its first position, with some movement at the country level.** Over the three years reviewed, Europe accounts for 80% of Say-on-Climate votes, with France, the UK and Spain heading the individual country ranking. While the UK has registered the biggest cumulative volume of votes, France increased its share in 2023 (42% of resolutions worldwide). Indeed, the number of votes in the UK appears to be slipping, with only 16% of resolutions so far in 2023 versus 33% in 2022 and 38% in 2021. Meanwhile, Spain and Switzerland have maintained their third and fourth positions with a steady volume year-to-year. Portugal has entered the arena with its first-ever management proposal in 2023 in the utilities sector (**EDP-Energias de Portugal SA**).
- **Whether Australia keeps up is yet to be seen.** For most companies, the voting season runs from April through June, but AGMs<sup>3</sup> in Australia and New Zealand take place in the autumn. In 2022, Australia was one of the top three countries<sup>4</sup> submitting Say-on-Climate votes and the only country in Asia Pacific doing so since the practice emerged. As such, the next few months will determine whether Australian companies are still in the race. Say-on-Climate votes in the country are all the more expected as they have historically been issued by companies from the largest greenhouse gas (GHG) emitting sectors such as metals & mining (**BHP Group, Rio Tinto, South32**), oil & gas (**Santos, Woodside Petroleum**) and utilities (**APA Group**).
- **Canada is an exception in the Americas.** There has still been no Say-on-Climate voting in the US since **Moody's** and **S&P Global** got the ball rolling in 2021. Although these two rating agencies produce an annual climate report, neither has firmly committed to putting forward another consultative vote. In Canada, the only voting activity has come via the voluntary initiatives of railroad companies **Canadian National Railway Company (CN)** and **Canadian Pacific Kansas City Ltd. (CPKC<sup>5</sup>)**<sup>6</sup>. Both have submitted climate action plans to an annual vote since their first iteration in 2021 and 2022, respectively, suggesting that sectoral behaviour may encourage peers to rally.

### BNPP AM votes on Say-on-Climate proposals per region in 2021-2023



Source: BNP Paribas Asset Management; August 2023

<sup>3</sup> Annual General Meetings.

<sup>4</sup> With 13% of climate-backed management proposals worldwide, Australia was third, after the UK (33%) and France (28%) based on BNPP AM voting perimeter in 2022.

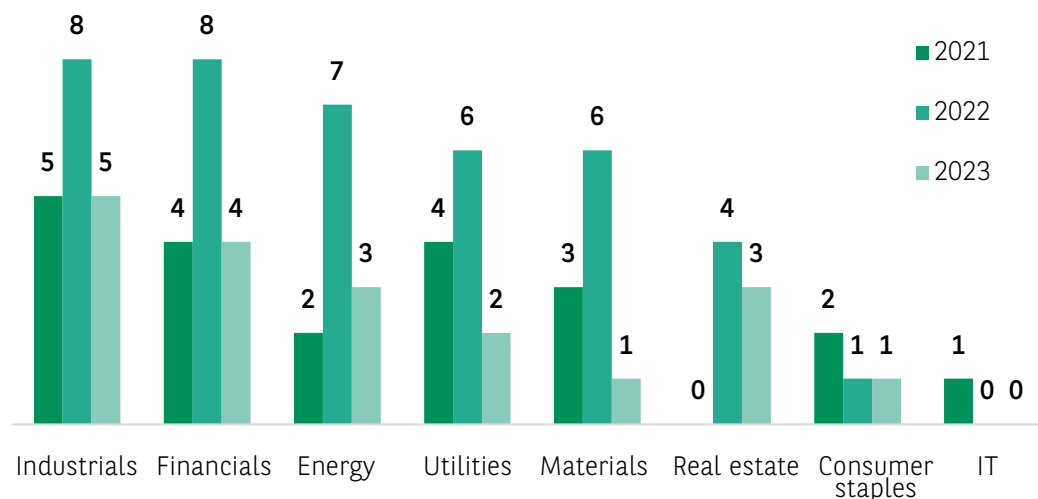
<sup>5</sup> Previously Canadian Pacific Railway Ltd.

<sup>6</sup> The above-mentioned companies are for illustrative purpose only, are not intended as solicitation of the purchase of such securities, and does not constitute any investment advice or recommendation

## ENERGY-INTENSIVE SECTORS MORE ACTIVE

- **Say-on-Climate voting is more prevalent in the highest GHG-emitting sectors.** The energy sector represented 74% of global emissions as of 2019<sup>7</sup>. It should be no surprise that consultative votes are mainly run by companies in the energy and utilities sectors (30% of proposals over 2021-2023), as well as energy-intensive industries such as industrials (23%), materials (13%), and real estate (9%). These are the focus of investors<sup>8</sup>, public policymakers and civil society in the context of their impact on the climate. As a logical corollary, external scrutiny may have raised awareness of the potentially meaningful financial impact on businesses of climate change and encouraged a greater allocation of resources to climate accounting and action planning. One exception is the financials sector, which ranks highly despite not being among largest sectors in terms of direct GHG emissions<sup>9</sup>. Financial companies' preparedness linked to fast-paced sustainability regulations and mobilisation toward net zero<sup>10</sup> in recent years is likely driving their voluntary initiatives.
- **Eight companies submitted their first Say-on-Climate proposal this year, all in Europe.** Four are French companies in the energy (**Vallourec SA**), industrials (**Schneider Electric**) and real estate sectors (**Covivio**, **Klépierre**). The other four are from the UK, Switzerland, Spain and Portugal in the utilities (**Acciona**, **EDP-Energias de Portugal**) and financials sectors (**Credit Suisse**, **Legal & General Group**)<sup>11</sup>.

### BNPP AM votes on Say-on-Climate proposals per sector in 2021-2023



Source: BNP Paribas Asset Management; August 2023

## SHAREHOLDER SUPPORT REMAINS STABLE AT A HIGH LEVEL

<sup>7</sup> Climate Watch, World Greenhouse Gas Emissions in 2019 by Sector, End Use and Gases (static), based on raw data from IEA (2021), GHG emissions from fuel combustion, modified by WRI. [Key Visualizations | Climate Watch \(climatchdata.org\)](#)

<sup>8</sup> As an example, Climate Action 100+ is a coalition of 700+ investors engaging with world's largest corporate greenhouse gas emitters to ensure that they take necessary action on climate change. Available at: [The Business Case | Climate Action 100+](#)

<sup>9</sup> With 16 ballot measures filed since 2021.

<sup>10</sup> As an illustration, the Glasgow Financial Alliance for Net Zero (GFANZ) has been joined by 550 financial institutions from 50 countries since its launch in 2021. The coalition is composed of eight independent net-zero financial alliances including banks, insurers, asset owners, asset managers, financial service providers, and investment consultants. [Glasgow Financial Alliance for Net Zero \(gfanzero.com\)](#)

<sup>11</sup> The above-mentioned companies are for illustrative purpose only, are not intended as solicitation of the purchase of such securities, and does not constitute any investment advice or recommendation

Although there have been fewer votes so far in 2023, they have continued to receive substantial shareholder support. The average level of support<sup>12</sup> rose to 89% between 1 January and 30 June of this year after 87% in 2022<sup>13</sup> and 91% in 2021. At the company level, support ranged from 53% at Credit Suisse, which had the lowest support rate, to 80% at **Shell Plc** and 99% at **EDP-Energias de Portugal SA**<sup>14</sup>.

The reasons for the sustained support could include more active shareholder engagement from companies before their AGMs, better alignment with investor expectations and/or progress against recognised standards<sup>15</sup>, a higher tolerance of climate action plans submitted for the first time<sup>16</sup> and a shift in the voting approach. In the case of repeated votes, for instance, seven proposals no longer focused on the terms of the climate strategy in 2023, but rather on an ex-post assessment of climate achievements through 'progress reports'<sup>17</sup>. Whether many shareholders still considered the ambition level of climate strategies while voting on those ex-post focused votes is unclear.

Climate campaign groups have maintained their efforts this year, calling at times on shareholders to dissent when voting on corporate climate plans<sup>18</sup> and, in some cases, filing shareholder proposals that seek to move the company's strategy forward. This led the filing of proposals seeking 'meaningful targets for scope 3 emissions for 2030' at five oil & gas companies<sup>19</sup>. Two (**Shell** and **TotalEnergies**)<sup>20</sup> had parallel Say-on-Climate votes. Their Say-on-Climate proposals were largely approved. At 20% and 30% of approval votes, support for the climate proposals was above the average backing for environmental and social proposals at European companies in the first half of 2023<sup>21</sup>.

Similar cases of competing management and shareholder climate proposals illustrate the tensions around Say-on-Climate voting. The capacity of these votes to advance climate action and corporate accountability, especially in the absence of other escalation measures, is often questioned.

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12 Votes for.

13 Full year 2022, worldwide data. French Sustainable Investment Forum (June 2023), Overview of 2023 Say-on-Climate, based on ISS, Morningstar, and French SIF data. [Say on Climate 2023 - Découvrez le bilan complet \(frenchsif.org\)](#)

14 The above-mentioned companies are for illustrative purpose only, are not intended as solicitation of the purchase of such securities, and does not constitute any investment advice or recommendation

15 Among those standards, the Science Based Targets initiative (SBTi) stands as a reference. It defines best practices in emissions reductions and net-zero targets in line with climate science. SBTi launched its Net-Zero Standard in October 2021, providing companies with the guidance and tools needed to set science-based net-zero targets. As of March 2023, over 170 companies have validated net-zero targets under this standard. [Science Based Targets initiative \(SBTi\) | World Resources Institute \(wri.org\)](#)

16 Eight in 2023.

17 As an illustration, such proposals were labelled as 'Approve Climate Strategy Report', 'Approve Energy Transition Progress' or 'Approve Climate-Related Financial Disclosure.'

18 See for example ShareAction's call to investors to vote against Credit Suisse's proposal. [ShareAction | Credit Suisse announces 'Say on Climate' plan -...](#)

19 Follow This website. [Resolutions 2023 | Follow This \(follow-this.org\)](#)

20 The above-mentioned companies are for illustrative purpose only, are not intended as solicitation of the purchase of such securities, and does not constitute any investment advice or recommendation

21 "Average support for environmental and social proposals at European companies inched up to 11.6% in 2023 from 10.6% cent last year and 5.5% in 2021, according to data provider Diligent. Fewer shareholder proposals are filed in Europe — only eight environmental or social proposals went to a vote through May 31." [Investors pull back support for green and social measures amid US political pressure | Financial Times \(ft.com\)](#)

## FURTHER (REGULATORY) ACTION UNDER DEBATE

When launched by The Children's Investment Fund Foundation, the Say-on-Climate campaign aimed to accelerate the adoption of net zero transition plans through annual consultative votes, and it received significant non-governmental organisation (NGO) and investor support.

However, as consultative climate voting is voluntary rather than mandatory, there have been concerns that management-sponsored resolutions would simply be a 'rubber-stamping' exercise and could actually delay climate action<sup>22</sup>. Debate intensified in the first half of 2023 on the need to standardise or even regulate this practice.

### LACK OF FRAMEWORK, MIXED RESULTS

While investors may have individual expectations on Say-on-Climate, there is no common framework that clearly defines what credible 'climate action plans' should comprise. There remains a lack of guidance on the ex-ante or ex-post nature of consultative votes, on the conditions that fall within the scope of the assessment, and on the usefulness of offering only one-off votes, especially in heavy GHG-emitting sectors. As a result, the climate action plans that are proposed are generally difficult for investors to assess and rarely equal to addressing the key interest at stake: tackling the climate crisis.

BNP Paribas Asset Management's opposition rate, which was high at 58% in the first half of 2023, reflects our current appraisal of such proposals. Only a few proposals have warranted our support based on our [voting policy](#) as we still see many incomplete climate plans that lack full GHG emissions disclosure, net-zero ambitions covering the entire business or intermediary reduction targets across all horizons aligned with the science and/or covering scope 3 emissions categories.

One positive observation is that Say-on-Climate votes have placed climate change higher than ever on board agendas, reinforcing oversight on the matter and shareholder engagement throughout the year.

This is welcome, especially at companies operating in the highest GHG-emitting sectors, whose need to refocus their priorities will be decisive in the achievement of global climate goals.

### RAPID ADVANCES IN FRANCE

Building on France's unique position – most votes have occurred there since 2021 – French investors and regulators have started to consider the benefits of standardisation. Rapid advances have been made in 2023, from Say-on-Climate's legal validity being confirmed in January to the first legal ruling in July (see below).

Since 2021, French investors have generally welcomed the Say-on-Climate initiative<sup>23</sup> and some have stepped up their voting policies<sup>24</sup> to build a consistent approach to Say-on-Climate votes. However, the legal status of such votes remained unclear until January 2023, when the Haut Comité Juridique de la Place financière de Paris (HCJP) concluded that shareholders may be consulted on climate strategy at an ordinary general meeting without any legislative or regulatory amendments.

22 Robert G. Eccles (January 2021), Here Is My Say on "Say on Climate", Forbes. [Here Is My Say On "Say On Climate" \(forbes.com\)](#)

23 French SIF website [Say On Climate > Forum pour l'Investissement Responsable - FIR \(frenchsif.org\)](#)

24 Laurence Boisseau (Janvier 2023), Les investisseurs s'opposent davantage aux résolutions climatiques des sociétés, Les Echos. [Les investisseurs s'opposent davantage aux résolutions climatiques des sociétés | Les Echos](#)

In its report, the HCJP said it favoured less strenuous 'soft law'<sup>25</sup> in a general framework. The response from the Autorité des Marchés Financiers (AMF) focused on enhancing climate shareholder dialogue through the addition of 'an agenda item for debate' at each annual general meeting – in preparation for further requirements under the EU Corporate Sustainability Reporting Directive (CSRD).

The Climate and Sustainable Finance Commission (CCFD) said its position<sup>26</sup> relied upon the EU CSRD to suggest the introduction of mandatory votes for in-scope companies every three years starting in 2025. The AMF later left the door open to a 'timely' legal intervention<sup>27</sup>.

That intervention materialised at the end of June 2023 when 27 members of parliament tabled Amendment no. 483 to the Green Industry Bill<sup>28</sup> under development in France, asking for a mandatory submission of climate strategies to a shareholder consultative vote every three years and climate progress reports every year. This went beyond the CCFD's recommendations.

Despite strong resistance, the amendment was adopted on 21 July<sup>29</sup>. The possibility of a French law is now on the horizon, but its entry into force and its precise terms still depend upon the Joint Committee's validation, with initial discussions to start this October. Meanwhile, developments in other markets have been slow and, in our view, this calls for a global approach to the future of Say-on-Climate.

## CHALLENGES ON A GLOBAL SCALE

Within the EU, the upcoming CSRD could prove supportive to further regulations. From 2025, companies listed on a regulated market will have to communicate their climate action plans to ensure the compatibility of their business models and strategies with the transition to a sustainable economy. For now, there is only a requirement to report at stake, but in our view, standardised climate disclosures should be a prerequisite to more systematic votes. Such considerations could extend beyond Europe if there were to be regulatory interventions, in keeping with emerging climate disclosure standards across countries and efforts towards international consolidation<sup>30</sup>.

Say-on-Climate votes are important because they can strengthen climate commitments, board accountability and shareholder engagement. BNPP AM supports their adoption in most GHG-emitting sectors, focusing on the ambition of climate strategies through periodic votes<sup>31</sup>. However, there is no miracle cure and systematising Say-on-Climate votes might not produce the expected effects without certain safeguards. The main drawback would be that such votes become routine, as in Spain where the introduction of a compulsory vote on non-financial-statements in 2018<sup>32</sup> has not, or only minimally, shifted shareholders' focus from climate disclosure to climate strategy and impacts.

25 Co-operation based on instruments that are not legally binding, or whose binding force is somewhat "weaker" than that of traditional law, such as codes of conduct, guidelines, roadmaps, peer reviews (source: OECD).

26 CCFD (March 2023), Public Position: Climate resolutions. [Publication de la Commission Climat et Finance Durable : résolutions climatiques - Mars 2023 \(amf-france.org\)](#)

27 AMF (March 2023), Communiqué: Shareholder dialogue on environmental and climate issues. [Dialogue actionnarial sur les questions environnementales et climatiques | AMF \(amf-france.org\)](#)

28 Elsa Conesa and Audrey Tonnelier (January 2023), French finance minister mulls 'green industry' law, [Le Monde. French finance minister mulls 'green industry' law \(lemonde.fr\)](#)

29 Fiona McNally (July 2023), France adopts mandatory Say on Climate law, Responsible Investor. [France adopts mandatory Say on Climate law \(responsible-investor.com\)](#)

30 David A. Cifrino, McDermott Will & Emery LLP (June 2023), The Rise of International ESG Disclosure Standards, Harvard Law School Forum on Corporate Governance. [The Rise of International ESG Disclosure Standards \(harvard.edu\)](#)

31 Every three years or more often in case of structural changes.

32 Under the national transposition of EU Directive 2014/95.

As such, it will be key for policymakers to rely on established climate disclosure frameworks such as the EU CSRD, science-based standards and resources<sup>33</sup> to reduce the greenwashing risk linked to systematic votes, and to keep in mind the practical aspects of voting. Effective consultation depends on the clarity of the subject under discussion but also its timing (ex-ante, ex-post). As far as possible, convergence should be encouraged beyond the local jurisdictions to address what is not a country-level but a global challenge. We believe in the potential of soft law to convey good practice guidelines and avoid any loopholes.

Furthermore, we have seen the uneven development of Say-on-Climate voting across regions. At this stage, such voting is unlikely to develop in markets such as the US. While the practice of shareholder proposals is well established in the US, environmental and social shareholder proposals have increasingly been criticised as 'overly prescriptive' and 'overreaching'<sup>34</sup>. This is why, as suggested by the CCFD in France<sup>35</sup> in parallel with management proposals, the regulatory focus should also be on securing and advancing the practice of filing shareholder proposals as an effective form of 'counter-influence'.

### THE IMPORTANCE OF INVESTORS' CRITICAL APPROACH

Meanwhile, investors should not delay their adoption of a rigorous approach. As individuals, they have a critical role to play in challenging the effectiveness of investee companies' climate governance and net zero plans. In 2022, noting the growth of Say-on-Climate voting, the Principles for Responsible Investment (PRI) urged investors "to critically assess the content of climate transition plans", emphasising that "voting for a transition plan does not preclude investors from taking further actions"<sup>36</sup>.

Indeed, investors have other tactics available to hold boards accountable, from active corporate engagement to the filing of shareholder proposals and opposing board elections. Some investors prefer these channels<sup>37</sup>, and they remain valid escalation tools in the context of Say-on-Climate voting should companies fail to align their strategies over time. What is more, using escalation tools does not preclude investors from adopting a more rigorous approach to assessing Say-on-Climate resolutions, as shown by our climate voting strategy.

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33 UN High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities (November 2022), Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions. [high-level-expert-group-update7.pdf \(un.org\)](#). For instance: the Science-Based Targets Initiative (SBTi), Partnership for Carbon Accounting Financials (PCAF), the Paris Agreement Capital Transition Assessment (PACTA), the Transition Pathway Initiative (TPI), the International Organization for Standardization (ISO).

34 Madison Darbyshire and Brooke Masters (August 2023), Vanguard's backing for green and social proposals falls to 2%, Financial Times. [Vanguard's backing for green and social proposals falls to 2% | Financial Times \(ft.com\)](#)

35 Refer to footnote 22.

36 PRI (February 2022), Climate transition plan votes: investor briefing, PRI website. Available at: [Climate transition plan votes: investor briefing | Engagement guide | PRI \(unpri.org\)](#) - Update December 2022 [Climate transition plan votes: Investor update | Engagement guide | PRI \(unpri.org\)](#)

37 See the example of US pension fund CalPERS. Jacey Bingler & Minyoung Shin (March 2022), CalPERS and Allianz strengthen their proxy voting policies on climate as we approach 2022 AGM season, Climate Votes. [Climate Votes | CalPERS and Allianz strengthen their proxy voting policies on climate as we approach 2022 AGM season \(climate-votes.org\)](#)



### ZOOMING IN ON BNP PARIBAS ASSET MANAGEMENT'S APPROACH TO CLIMATE VOTING

Since 2022, we have implemented voting guidelines specific to Say-on-Climate management proposals in our [Governance and Voting policy](#). We assess each proposal qualitatively to determine its level of ambition, the climate strategy's alignment with the objective to achieve net-zero GHG emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degree Celsius, the current climate trajectory of the company, and its performance against comparable peers.

As of mid-2023, this led us to oppose 58% of management-backed climate proposals<sup>38</sup>.

At the same time, we continued to use escalation measures, where relevant, to advance climate goals.

We supported 88% of shareholder-backed climate proposals and filed shareholders' proposals when necessary.

In total, we opposed 1 079 management proposals (board re-elections, discharge of board and management, financial statements) linked to biodiversity and climate considerations. Among these, we sanctioned the lack of net zero ambitions by 2050 at companies identified to be among the world's largest GHG emitters.

A levelling-up of investor expectations will only be possible through a holistic approach linking climate risk management at the portfolio level with active corporate engagement in voting activities. To us, this means combining a firm-wide [net zero strategy](#) with an ambitious [Stewardship policy](#), and using our voting practice to advance global climate goals through both critical Say-on-Climate assessments and parallel escalation measures.

As for the near future, whether companies will keep offering Say-on-Climate votes worldwide might depend on how much value we, collectively as investors and stakeholders, attribute to it. In this regard, BNP Paribas Asset Management will continue to apply and refine its rigorous voting approach while actively participating in the public debate, including through public policy engagement, and intensifying its corporate engagement on net zero transition plans.

**Paula Meissirel**  
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<sup>38</sup> Votes against and abstentions.

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Environmental, social and governance (ESG) investment risk: The lack of common or harmonised definitions and labels integrating ESG and sustainability criteria at EU level may result in different approaches by managers when setting ESG objectives. This also means that it may be difficult to compare strategies integrating ESG and sustainability criteria to the extent that the selection and weightings applied to select investments may be based on metrics that may share the same name but have different underlying meanings. In evaluating a security based on the ESG and sustainability criteria, the Investment Manager may also use data sources provided by external ESG research providers. Given the evolving nature of ESG, these data sources may for the time being be incomplete, inaccurate or unavailable. Applying responsible business conduct standards in the investment process may lead to the exclusion of securities of certain issuers. Consequently, (the Sub-Fund's) performance may at times be better or worse than the performance of comparable funds that do not apply such standards.

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## VIEWPOINT



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