

SHAREHOLDER ENGAGEMENT CAN LEAD TO REAL PROGRESS ON CLIMATE

46 asset owners, asset managers, stakeholders of the financial industry and the French Sustainable Investment Forum (FIR) are mobilising to call for improving shareholder dialogue and to partner companies in accelerating the energy transition.

Following the positions taken by the FIR since 2021¹, we reiterate in this statement our convictions and our expectations concerning the "Say on Climate" resolutions.

The climate emergency is intensifying, and the financial sector has a major responsibility to mitigate it. As investors, we have a crucial role to play in rapidly shifting the global economy towards a model that is more resource-efficient, socially just and less environmentally devastating.

Our clients or affiliates, whether they are investors, savers, beneficiaries or contributors, are increasingly concerned about the impact and value of their assets in relation to climate issues. We are responding responsibly by adopting ambitious policies for the management of our portfolios through a more demanding stock selection, stronger engagement practices, an end to new financing, or through exclusion criteria for certain high-emitting sectors, particularly fossil fuels.

We are also aware of our role in financing the energy transition. We do not neglect the power of our investments in the development of more resource-efficient models and in the deployment of renewables energies. This is why we allocate resources to dedicated sustainable finance teams and why we are raising the bar for our portfolio companies.

However, the credibility of commitments to carbon neutrality by 2050 that have emerged in economic and financial circles remains insufficient given the objective of limiting global warming to 1.5°C. Only clear actions that have a material impact on the entire value chain, and which begin in the next few years, will be able to guarantee that we meet our own commitments.

In this respect, shareholder dialogue is a key lever for action. It offers us an opportunity to give concrete expression to our decarbonisation and responsible investment commitments by working together with companies to define their own greenhouse gas emission reduction trajectories and to develop virtuous activities.

The development and implementation of comprehensive plans must be the subject of a sustained dialogue and rigorous evaluation, based on reliable information, through regular consultations between management, directors and shareholders. This is why we are calling on companies in the most polluting sectors to systematically put climate change resolutions on the agenda at shareholder meetings. This is a prerequisite for a quality shareholder dialogue, as it provides the tools to objectively judge the credibility of companies' climate strategies, as well as their proper implementation.

¹ See [Say on Climate - Responsible Investment Forum](#) (Terranova note in April 2021, letter to the SBF120 in September 2021, statement in March 2022, assessment of French Say on Climate in June 2022, Say on Climate position paper and filing of resolutions in December 2022)

Several companies have already chosen to submit their climate plan to a shareholder vote via the "Say on Climate" initiative, but sadly, these are often inadequate. Without clear decarbonisation objectives with short timeframes, spaced out along a trajectory in line with the objective of limiting global warming to 1.5°C, the incompleteness of some climate plans may reflect a lack of ambition - or even inaction - which is likely to result in the justifiable rejection of these plans.

Without clear and accurate information, we as investors cannot be held accountable for our own climate risk management obligations. It also makes it more difficult for us to influence and support the necessary business transformation of companies.

In order to guarantee the success of shareholder dialogue, the "Say on Climate" initiative for the 2023 season should therefore include clear and complete information enabling us to judge the credibility of companies' climate commitments, in particular through the publication of absolute emission reduction targets for scopes 1, 2 and 3 in the short, medium and long term, and details of the actions planned to achieve these targets. This includes clarifying the allocation of capital expenditure, for example, to measure the efforts made in the energy sector to support the development of low-carbon solutions and the gradual reduction of fossil fuels in the energy mix.

For all sectors, it is crucial to prioritise the reduction of indirect emissions and to clarify the role of captured or negative emissions in the overall strategy. While captured emissions should be presented separately from indirect emissions in the decarbonisation targets, offsetting measures have no place there and should be considered simply as a contribution to climate change mitigation effort.

We also call on the policy makers to establish a clear legal framework to generalise the "Say on Climate" and, in the name of investors' right to information, to harmonise its content and facilitate shareholder initiatives to seek additional information. We are confident in the capacity of companies to play their full role in the energy transition, and we hope that 2023 will open a new era of shareholder dialogue, and thus allow the entire financial sector to finally rise to the challenge of the climate emergency.

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