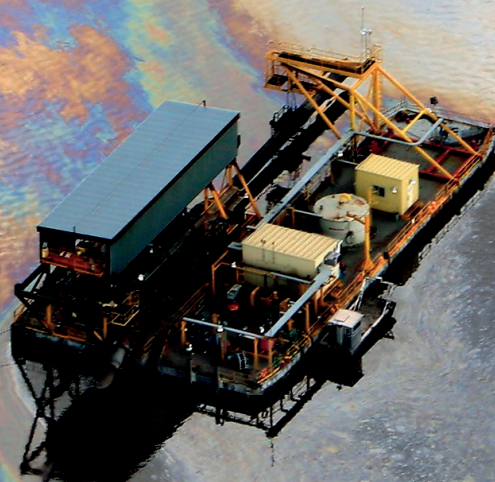


VOTED AGAINST CLIMATE AND NATURE



**(In-)Active Ownership: Asset Managers
fall short of using their influence to combat
climate change and biodiversity loss**

GREENPEACE

OWNERSHIP COMES WITH RESPONSIBILITY

Asset managers are supporting environmentally destructive business activities with severe consequences for people and the planet. This is the conclusion reached by Greenpeace Switzerland following a sample analysis of the voting behavior of ten of the largest asset managers operating in Switzerland. These asset managers collectively manage assets worth several hundred billion Swiss Francs. Greenpeace's analysis examined votes on specific resolutions at companies whose business activities exacerbate climate change and/or contribute significantly to biodiversity loss.

The results are sobering: Despite the increasing urgency of the climate and biodiversity crises, asset managers are failing to (fully) assume their responsibility for the companies they invest in. Voting rights exercised by asset managers are not being used effectively to limit global warming to 1.5 °C nor to ensure the necessary conservation, restoration and sustainable use of biodiversity. Instead, asset managers are actively supporting environmentally harmful business practices of investee companies.

A further analysis conducted by Greenpeace Switzerland also revealed that the majority of the ten analyzed asset managers fail to transparently disclose their voting behavior and the objectives pursued with it. As a result, investors are unable to determine whether and how these asset managers are exercising their voting rights with respect to climate and other environmental issues.

Wherein lies the responsibility of asset managers?

Ownership generates responsibility: By purchasing stocks of a company, investors become shareholders and thus co-owners of the company. Such ownership also entails a shared responsibility for the company's business activities. This makes it crucial to exercise shareholder rights that can influence the company's strategy and activities, such as shareholders' right to participate in general meetings and to vote on important corporate matters. In the case of mutual funds, shareholder rights are typically exercised by the asset managers who manage the fund's portfolio. Asset managers thus hold a position of responsibility: Their voting behavior directly impacts the leadership and strategies of companies in their fund portfolios.



What is an asset manager?

Asset managers are firms that manage assets of institutional and private investors. For example of pension funds, insurance companies and philanthropic foundations, but also of pillar 3a-investors and other individuals who want to invest in the financial market. Asset managers carry out decisions regarding the purchase, sale, and management of assets.

Exercising voting rights: a crucial aspect of “active ownership”

Influencing business structures and strategies by way of shareholder rights is a crucial component of an investment strategy known as “active ownership” or “investment stewardship”. Active ownership embraces the ownership responsibilities that arise from financial investments. The aim is to influence company behavior and decision-making, seizing the opportunity to effect change. By exercising voting rights, engaging in dialogue with companies and advocating for necessary political and regulatory frameworks, the objectives pursued by a company can be influenced, including any measures to reduce its environmental and climate impacts.



THE VOTING SAMPLE – ASSET MANAGERS' APPROVAL OF ENVIRONMENTAL DESTRUCTION

Greenpeace Switzerland sought to discover whether asset managers operating in Switzerland are using their voting rights to make the companies they invest in more sustainable. The overarching goal must be to limit global warming to 1.5°C, and to protect and restore biodiversity. For this purpose, the environmental NGO sampled the voting results of asset managers from UBS, Credit Suisse, Pictet, Vontobel, Swiss Life, Swisscanto, Lombard Odier, BlackRock, AXA and GAM.

The sample-analysis focussed on ten resolutions at companies whose business operations contribute significantly to the climate and biodiversity crises. The resolutions were selected based on their informative value with respect to voting-efficacy of asset managers. The resolutions examined comprised: three shareholder proposals calling for climate- and environmentally-friendly business practices (Equinor, Royal Bank of Canada, Amazon); one advisory resolution on a management proposal to confirm a (inadequate) climate strategy (Say on Climate by TotalEnergies); and six resolutions confirming appointments of chairs to the board of directors at companies that, despite long-standing engagement efforts, have not aligned their environmental and climate strategies with international standards (ExxonMobil, American Electric Power Company, Toyota Motor Corporation, Glencore, EMS-Chemie, JBS).

Results of the sample-analysis: In the previous proxy-season (2023), the ten asset managers approved and sanctioned various business practices contributing to climate change and biodiversity-loss.

UBS and BlackRock evidenced the worst performance in the sample. Both asset managers only exercised their voting rights to the benefit of climate and nature in one of ten of the resolutions assessed (UBS in a shareholder proposal at Amazon; BlackRock in the JBS board election). UBS and BlackRock are thus clearly sending the wrong signal to investee companies.

Vontobel and Lombard Odier similarly stand out as poor examples. Despite the fact that the corporate AGMs all date back six to nine months, Vontobel's voting results still remained unpublished by the end of January 2024 (despite direct enquiries). Investors are thus unable to review and assess Vontobel's voting behavior. Similarly, albeit in a different manner, Lombard Odier also appears not to be taking its responsibility seriously. Although Lombard Odier likes to consider itself a pioneer in terms of sustainability, by employing split voting¹ its asset management is failing to adopt a clear and unified position. The impact of Lombard Odier's votes is thus diluted.

The sample-analysis further demonstrates that asset managers rarely make use of their ability to penalize inadequate or even nonexistent climate and sustainability strategies of investee companies by voting against the (re)election of board members. This remains the case despite research showing that shareholder votes against board members can lead to behavioral changes at the company level². Regarding the (re)election of chairpersons of companies with acute deficiencies in their climate strategies and environmental measures, none of the examined asset managers consistently voted for the chairperson's removal. Only Pictet, with one exception, consistently voted against the incumbent chairpersons, specifically citing climate and environmental considerations for doing so.

¹ Split voting refers to a practice where an asset manager representing multiple funds or clients votes differently on the same resolution. For instance, the asset manager might vote for the resolution with the voting rights held by one fund (i.e. accepting the proposal) but against the resolution with the votes held by another fund (i.e. rejecting the proposal).

² See e.g. Quigley E. (2023) [Evidence-based climate impact: A financial product framework](#) Energy Research & Social Science, Volume 105. 103252; Quigley E. (2020), [Universal Ownership and the Polycrisis: Social Norms, Feedback Loops, and the Double Hermeneutic](#).

Table 1 – Analysis of asset managers' voting behavior

The table below indicates whether asset managers voted for the benefit of protecting the earth's planetary boundaries in ten corporate resolutions in 2023³. The resolutions were selected as a sample of resolutions of particular significance for addressing climate change and biodiversity loss.⁴

Resolution	Asset Manager	AXA	BlackRock	CREDIT SUISSE	GAM	LOMBARD ODIER	PICTET	Swisscanto	SwissLife	UBS	Vontobel
Amazon* Approval of shareholder proposal requesting a report on efforts to reduce plastic consumption											
American Electric Power Company Rejection of the BoD-Chair due to climate-damaging business strategy (coal-fired power generation)											
EMS-Chemie Rejection of the BoD-Chair due to inadequate climate strategy on up-stream emissions											
Equinor** Approval of a shareholder proposal for a climate-friendly business strategy											
ExxonMobil Rejection of the BoD-Chair due to climate-damaging business strategy											
Glencore Rejection of the BoD-Chair due to inadequate measures to protect climate & environment											
JBS Rejection of the BoD-Chair due to inadequate measures against deforestation of the Amazon, among others											
Royal Bank of Canada*** Approval of a shareholder proposal to phase out financing for fossil-fuel-expansion											
TotalEnergies**** Rejection of the insufficient plan for sustainable development and energy-transition (Say on Climate)											
Toyota Motor Corporation Rejection of the BoD-Chair due to climate-damaging production plans and anti-climate lobbying											

- supported a climate/environmentally harmful strategy or Chair of the Board
- Voting rights not used despite ownership of shares
- Voted against Chair of the Board but not for climate/environmental reasons
- Voted against Chair of the Board but without specifying voting-rationale
- Split Vote: Voted differently depending on fund or client
- Voting results not disclosed
- Voted against environmentally-harmful strategy or for environmentally-friendly strategy or explicitly against the Chair of the Board for climate/environmental reasons
- Held no (known) shares of the company

* Amazon (Shareholder Proposal): "Item 22: Report on Efforts to Reduce Plastic Use".

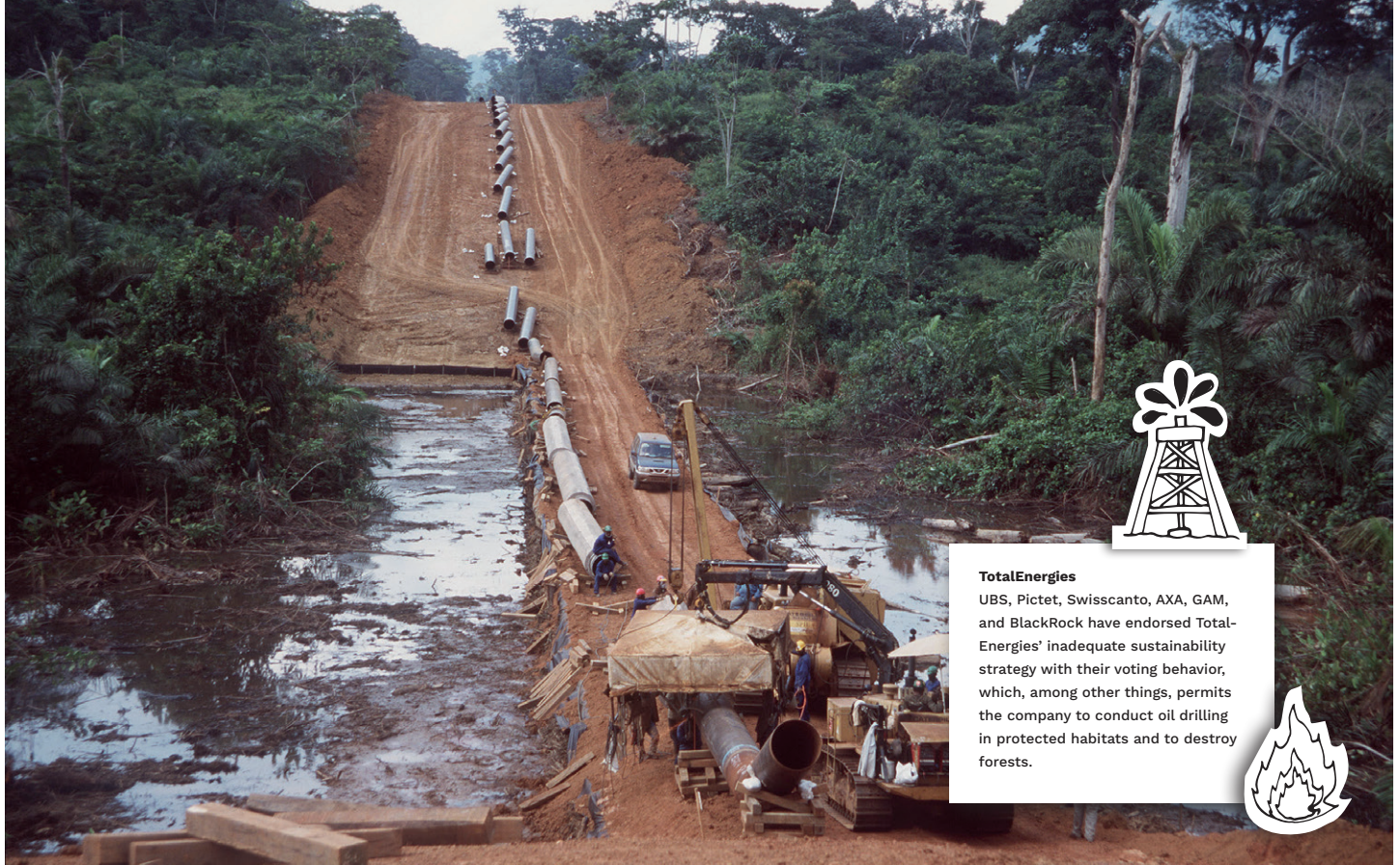
** Equinor (Shareholder Proposal): "Proposal 14: Let the results of global warming characterise Equinor's further strategy, stop all exploration for more oil and gas, phase out all production and sale of oil and gas, multiply investment in renewable energy and CCS and become a climate-friendly company".

*** RBoC (Shareholder Proposal): "Proposal no. 5: Adopt a Policy for a Time-Bound Phaseout of the Bank's Lending and Underwriting for Projects and Companies Engaging in Fossil Fuel Exploration, Development and Transportation".

**** TotalEnergies (Mgmt. Say on Climate): "Resolution no. 14: Opinion on the Sustainability & Climate – Progress Report 2023".

³ The voting data was retrieved in January 2024 from the "Vote Disclosure Service" of ISS, and for Pictet from their website. Despite inquiries made by Greenpeace Switzerland, Vontobel failed to share or publish its voting results by the editorial deadline of this report. At the end of December 2023, an enquiry was made through the data provider "LSEG" (formerly Refinitiv) to confirm whether the asset managers held shares of the companies whose resolutions are represented in the sample.

⁴ To determine the ecological impact of voting positions, Greenpeace relied on the most effective position or recommendation (in terms of climate and environmental protection) identified among activist shareholders and asset managers, including Ethos, Majority Action, ShareAction, Climate Votes, Robeco, and Pictet.



TotalEnergies

UBS, Pictet, Swisscanto, AXA, GAM, and BlackRock have endorsed TotalEnergies' inadequate sustainability strategy with their voting behavior, which, among other things, permits the company to conduct oil drilling in protected habitats and to destroy forests.



VAGUE GUIDELINES, LIMITED TRANSPARENCY

The effective use of an asset manager's influence for the benefit of climate and nature is determined not only by the asset manager's voting behaviour, but also by the robustness of its voting policies and the setting of clear expectations for companies invested in. This is important because clearly formulated voting policies send a signal to investee companies. It is also crucial for an asset manager to transparently disclose its voting policies as well as the rationale behind votes cast during the proxy season. Greenpeace Switzerland thus conducted a further analysis into the publicly available voting rationales, policies, and guidelines of the ten asset managers selected for the voting sample-analysis⁵.

At Swiss Life, Swisscanto, GAM, and Lombard Odier, no rationales were found for the voting results of the previous proxy season. These asset managers thus do not enable a determination of whether climate and other environmental considerations actually influence their voting behavior.

Most of the asset managers have voting policies with very unclear guidelines and vague wording concerning their expectations on companies' climate target setting and impact mitigation efforts, and how this affects the asset manager's voting decisions. The published expectations also hardly align with the goals of the Paris Climate Agreement. Furthermore, none of the ten asset managers commit to specific voting behavior in the case of inadequate corporate strategies regarding other environmental impacts (such as deforestation or water pollution)⁶.

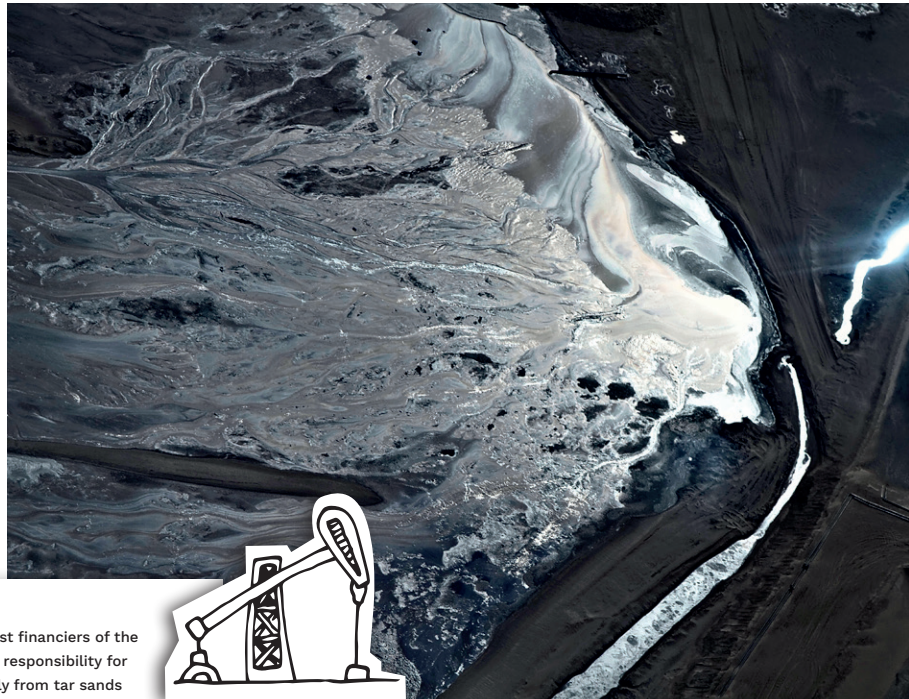
⁵ References provided on page 9.

⁶ Only Lombard Odier, AXA, and Swisscanto allude to expectations in their guidelines (to varying degrees) regarding the mitigation of environmentally harmful business activities by investee companies. However, even these asset managers refrain from establishing a binding voting behavior in favor of those expectations.

There is further an absence of effective rules to ensure that asset managers vote against responsible board members in cases of inadequate sustainability strategies. Although a majority (exceptions: Vontobel, Swiss Life, and Credit Suisse) mention a (vague) possibility of voting against board members, only AXA references a binding intention. However, even a seemingly definite intention does not appear to ensure that action is taken accordingly, as indicated by the above sample of voting results. Not even when an investor initiative, of which AXA itself is a member, assesses the corporate strategies of investee companies as clearly inadequate in terms of the Paris Agreement's climate goals⁸.

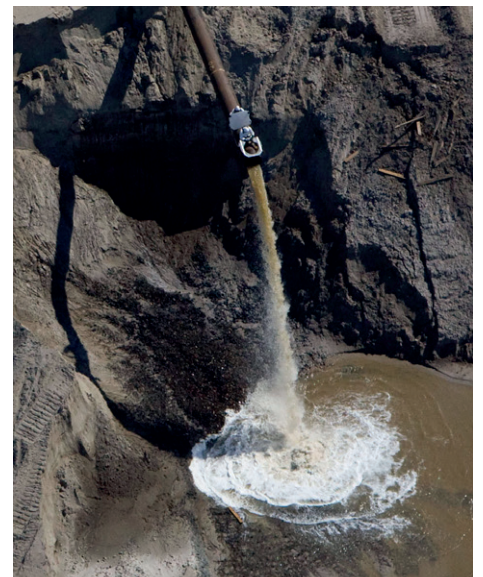
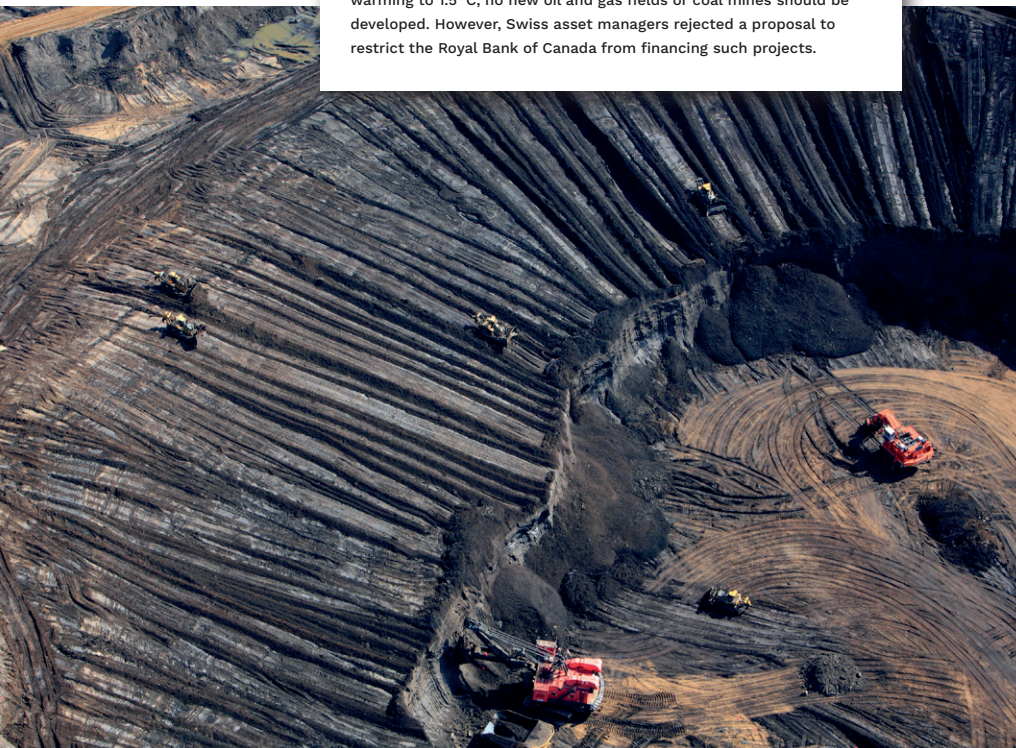
⁷ "The Board being the ultimate representative of shareholders' interests, we **will** hold relevant directors responsible in case of poor management of environmental, social or governance issues [...]" (emphasis added), [AXA Investment Managers – Corporate Governance & Voting Policy](#) (February 2023), p. 8, last accessed 01.01.2024.

⁸ According to Climate Action 100+ [Company Assessment](#). Significant deficiencies in climate strategies are identified at ExxonMobil Corp., American Electric Power Company Inc., and Toyota Motor Corp. With the exception of Vontobel, all asset managers reviewed for this sample-assessment are members of Climate Action 100+. Webpage last accessed on 01.01.2024.



Royal Bank of Canada

The Royal Bank of Canada is one of the largest financiers of the fossil fuel industry and thus bears particular responsibility for significant environmental damages, especially from tar sands mining. There is international scientific consensus that to limit warming to 1.5°C, no new oil and gas fields or coal mines should be developed. However, Swiss asset managers rejected a proposal to restrict the Royal Bank of Canada from financing such projects.





ExxonMobil

As CEO and Chairman of the Board, Darren Woods bears the primary responsibility for the strategy of ExxonMobil. The US-based company is one of the largest and most environmentally damaging oil and gas producers in the world. The company plans to continue the extraction of large amounts of fossil fuels in the coming years. This undermines the goals of the Paris Climate Agreement. Nevertheless, Swiss asset managers supported Darren Woods' re-election in 2023.



IN BRIEF

UBS asset management's trail of accountability for the climate and environmental destruction caused by companies it invests in:



1. UBS asset management manages several billion Swiss francs' worth of ExxonMobil stocks for its investment funds. Pension funds, foundations, and individual investors (e.g. for pillar 3a) are among those investing in UBS's funds.



2. ExxonMobil continues to heavily exploit fossil fuels despite numerous shareholders' expectations to the contrary. The oil giant's strategy contradicts the goals of the Paris Climate Agreement and harms people, animals, and plants.



3. Despite this, UBS's asset management confirmed the re-election of ExxonMobil's Chairman, Darren Woods, who is primarily responsible for the company's business strategy.



4. By doing so, UBS is approving ExxonMobil's strategy and is complicit in the damage caused to the climate and the environment by the oil giant's activities.

ExxonMobil

HOW ASSET MANAGERS CAN SEIZE RESPONSIBILITY

As part of responsible active ownership, investors and asset managers must consistently use their voting rights to support the internationally agreed goals for the protection of climate and biodiversity. This is particularly the case when an investee company's strategy or business practices have not significantly improved despite several years of engagement dialogue.

Requirements to ensure the effective exercise of voting rights

To fulfill their environmental stewardship responsibilities, asset managers must commit to voting at ALL AGMs in favor of resolutions that commit investee companies to, at a minimum:

- Introduce and pursue scientifically based climate transition plans aligned with the goals of the Paris Climate Agreement, including Scope 3 emissions, interim targets, and measures to achieve them.
- Undertake efforts to bring all economic activities throughout the company's supply and value chains into alignment with the international Convention on Biological Diversity (minimum requirement: No-Deforestation strategy, and reporting on the identification and mitigation of environmental impacts).

Proposals from management or shareholders that restrict or impede upon these requirements must be consistently rejected.

Those responsible in management or on the board of directors who obstruct these commitments over the years must be held accountable by rejecting their re-election, discharge and/or the remuneration report.

Asset managers must publish their expectations for investee companies as well as the corresponding voting intentions in binding and clearly worded voting policies. In addition, asset managers must disclose their voting intentions prior to the relevant AGMs, if and when this may have an impact on a company's behavior.

Asset managers must publish their voting results and rationale no later than one month after a vote, in an easily accessible format and providing clear justifications in any ambiguous cases.



EMS-Chemie

The net-zero goals of EMS-Chemie cover only 1% of the group's emissions, and these emissions are expected to increase rather than decrease in the coming years. Despite the company's years-long refusal to engage in dialogue about this issue, all Swiss asset managers confirmed the re-election of its Chairman, Bernhard Merki.



Footnote 5: List of voting policies and guidelines reviewed (as of 31 January 2024):

- Vontobel Asset Management [Voting Policy Statement](#) (March 2022)
- GAM Investments [Corporate Governance and Voting Principles](#) (January 2024)
- Swisscanto Fund Management Company [Voting policy at Annual General Meetings](#) (March 2022); [Swisscanto Sustainability Proxy Voting Guidelines](#) (March 2023)
- BlackRock [BlackRock Investment Stewardship: Global Principles](#) (January 2024)
- Swiss Life Asset Management [Swiss Life Asset Management AG Voting Policy](#) (May 2019)
- Credit Suisse [Proxy Voting Guidelines](#) (May 2023)
- AXA Investment Managers [Corporate Governance & Voting Policy](#) (February 2023)
- Lombard Odier Funds (Europe) S.A., Lombard Odier Asset Management (Switzerland) SA, Lombard Odier Asset Management (Europe Ltd) [Proxy Voting Policy; Corporate Governance Principles and Proxy Voting Guidelines](#) (2024)
- UBS Asset Management [Proxy Voting: Summary Policy & Procedures](#) (2023)
- Pictet Asset Management [Responsible Investment Policy](#) (January 2023)



GREENPEACE

Voting for life or for profit

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