

50/50  
Climate Project

# Key Climate Vote Survey 2017

Executive Summary Follows Overleaf

# Executive Summary

The Key Climate Vote Survey (KCVS) is a resource for institutional investors seeking to better manage climate risk in their investment portfolios and ascertain how their investment managers are addressing this risk and promoting boardroom climate competence in their firm-wide proxy voting activities. The KCVS seeks to identify the most consequential 2017 votes on climate business risk shareholder resolutions and management proposals to elect directors and approve executive compensation. The KCVS then analyzes the publicly disclosed voting records of the largest global investment managers on these key proposals. The following report provides an indication of how effectively the largest financial management firms, through proxy voting, are overseeing investments, on behalf of long term asset owners, in the oil and gas and utility sector portfolio companies with the largest carbon footprints and greatest vulnerability to climate risks.

Shareholder support for climate risk initiatives surged in 2017. The number of precatory proposals reviewed calling for climate risk disclosure doubled from 2016 with 15 proposals receiving at least 40% support and 3 proposals passing in 2017 – the first year in which investors approved resolutions on climate risk. Support for these resolutions this year was boosted by mainstream mutual funds such as State Street and J.P. Morgan, as well as BlackRock and Vanguard which both voted in favor of climate risk proposals for the first time.

Several major investment managers, such as Blackrock, State Street, Vanguard and BNY Mellon have publicized standards and policies for climate competence on boards. In some instances, these managers have joined asset owners in direct engagements with portfolio companies on redirecting carbon centric business strategies.

**Huge Voting Shifts at Exxon:** The 2017 spring proxy season had a strong finish with ExxonMobil shareholders delivering an unprecedented 62% vote in support of climate risk action over the opposition of the company's board. The same proposal received 38% support in 2016. BlackRock, Vanguard and State Street, the 3 largest investment managers, voted in favor of the climate risk resolution at ExxonMobil. The 3 managers also opposed the reelection of a director that the 50/50 Climate Project had raised climate risk governance concerns with – almost 30% of votes were cast against the director, Kenneth Frazier. While almost one-third of shares were voted against ExxonMobil's executive compensation program, of the 3 largest asset managers, only State Street voted against the flawed pay program.

While the first-time approval of climate risk proposals by investors in 2017 marks a watershed moment, large fund managers are generally still voting against climate risk proposals that receive significant support from a cross-section of major investors. The 2017 KCVS identifies mutual fund leaders actively addressing portfolio-wide climate risk in a systemic fashion through robust proxy voting programs. On the other hand, the KCVS highlights fund managers that trail their peers by generally voting in favor of management on proposals seeking to promote competent and comprehensive oversight and management of climate risks. Asset managers that lag their peers also vote in line with company recommendations even in the face of major board-level governance and performance failures, including on flawed executive compensation programs.

Table 1: The following table summarizes the 2017 climate risk/governance proposals and accompanying vote results at oil & gas and utility companies that form the basis of the KCVS.

Sector	Company	2016 Revenues (Billions)	Key Vote (Vote Outcome)
<b>Oil &amp; Gas</b>	Exxon Mobil Corporation	\$218.6	AGAINST: Director Kenneth Frazier (28%) AGAINST: Advisory vote to approve executive compensation (32%) FOR: Report on portfolio impact of scenarios consistent with limiting global warming to 2°C (62%)
	Chevron Corporation	\$110.5	FOR: Report on political lobbying (29%)
	Marathon Petroleum Corporation	\$63.3	FOR: Report on strategy to align business plan with 2°C scenario (41%)
	ConocoPhillips	\$24.2	AGAINST: Advisory vote to approve executive compensation (68%) FOR: Report on political lobbying (24%)
	Kinder Morgan, Inc.	\$13.1	FOR: Adopt proxy access bylaw (59%) FOR: Report on methane emissions (41%) FOR: Report on portfolio impact of scenarios consistent with limiting global warming to 2°C (38%)
	Devon Energy Corporation	\$12.2	FOR: Report on public policy advocacy related to energy policy and climate change (27%) FOR: Report on portfolio impact of scenarios consistent with limiting global warming to 2°C (41%) FOR: Report on political lobbying (36%)
	Occidental Petroleum Corporation	\$10.1	FOR: Report on portfolio impact of scenarios consistent with limiting global warming to 2°C (67%)
	Nabors Industries Ltd.	\$2.2	AGAINST: James Crane and Michael Linn (63%, 62%) AGAINST: Advisory vote to approve executive compensation (56%)
	Cloud Peak Energy Inc	\$0.8	AGAINST: Advisory vote to approve executive compensation (45%)
<b>Utilities</b>	Duke Energy Corporation	\$22.7	FOR: Report on portfolio impact of scenarios consistent with limiting global warming to 2°C (46%) FOR: Report on political lobbying (33%)
	Southern Company (The)	\$19.9	AGAINST: Directors Steven Specker and Dale Klein (5%, 4%) AGAINST: Advisory vote to approve executive compensation (39%) FOR: Report on strategy to align business plan with 2°C scenario (46%)
	FirstEnergy Corporation	\$14.6	FOR: Report on strategy to align business plan with 2°C scenario (43%) FOR: Report on political lobbying (42%)
	The AES Corporation	\$13.6	FOR: Report on portfolio impact of scenarios consistent with limiting global warming to 2°C (40%)
	NRG Energy, Inc.	\$12.4	AGAINST: Director Barry Smitherman (8%) FOR: Report on political expenditures (31%)
	Dominion Energy, Inc.	\$11.7	FOR: Report on portfolio impact of scenarios consistent with limiting global warming to 2°C (48%)
	DTE Energy Company	\$10.6	FOR: Report on portfolio impact of scenarios consistent with limiting global warming to 2°C (45%)
	PPL Corporation	\$7.5	FOR: Report on portfolio impact of scenarios consistent with limiting global warming to 2°C (57%)
	Ameren Corporation	\$6.1	FOR: Report on portfolio impact of scenarios consistent with limiting global warming to 2°C (48%)
PNM Resources, Inc. (Holding Co.)	\$1.4	FOR: Report on portfolio impact of scenarios consistent with limiting global warming to 2°C (49.9%) FOR: Report on risks of stranded assets (40%)	

Vote percentages are calculated by dividing the number of votes cast as recommended, by the sum of the votes cast FOR and AGAINST.

# Key Climate Vote Survey 2017

## Top 30 Asset Managers by AUM

Table 2: The following table highlights the voting behavior of the top 30 asset managers by assets under management. The survey results denote, in percentage terms, the alignment of manager votes with KCVS vote recommendations.

Asset Manager	Survey Score
BlackRock	9%
Vanguard Asset Management	15%
State Street Global Advisors	61%
Fidelity Investments	30%
BNY Mellon Investment Management	19%
J.P. Morgan Asset Management	22%
PIMCO	35%
Capital Group	29%
Prudential Financial (PGIM)	38%
Goldman Sachs Asset Management Int.	58%
Northern Trust Asset Management	61%
Nuveen	88%
Invesco	28%
T. Rowe Price	24%
Deutsche Asset Management	90%
Affiliated Managers Group	71%
Legg Mason	85%
Franklin Templeton Investments	39%
UBS Asset Management	78%
Wells Fargo Asset Management	85%
AllianceBernstein	81%
Dimensional Fund Advisors	15%
MFS Investment Management	91%
Morgan Stanley Investment Mngt.	79%
Principal Global Investors	88%
Federated Investors	56%
Eaton Vance Management Int.	60%
Charles Schwab Investment Mngt.	62%
SEI	76%
Neuberger Berman	78%