FEBRUARY 2023

CANADIAN CA100+ SIGNATORY 2022 VOTING RECORD

INVESTORS *for* PARIS COMPLIANCE

SUMMARY

- Being a Climate Action 100+ signatory is broadcasted by investors as a symbol of their commitment to climate engagement. But a review of Canadian CA100+ signatory proxy voting patterns during the 2022 North American AGM season brings some of these claims into question.

- Of the 19 Canadian CA100+ signatories assessed in this report, only three consistently supported (or abstained from) the 23 selected climate-related shareholder resolutions (i.e. Bâtirente, Genus Capital, and Vancity Investment Management), while many supported fewer than a third of these resolutions (i.e. Ontario Teachers' Pension Plan, Alberta Investment Management Corporation, Manulife Investment Management, Guardian Capital, RBC Global Asset Management, and Beutel Goodman).

- Based on last year's voting performance, it is apparent that clearer engagement guidance and signatory criteria are required from CA100+. For guidance on climate-aligned proxy voting, see our companion document: Guide to investor climate engagement with public companies.

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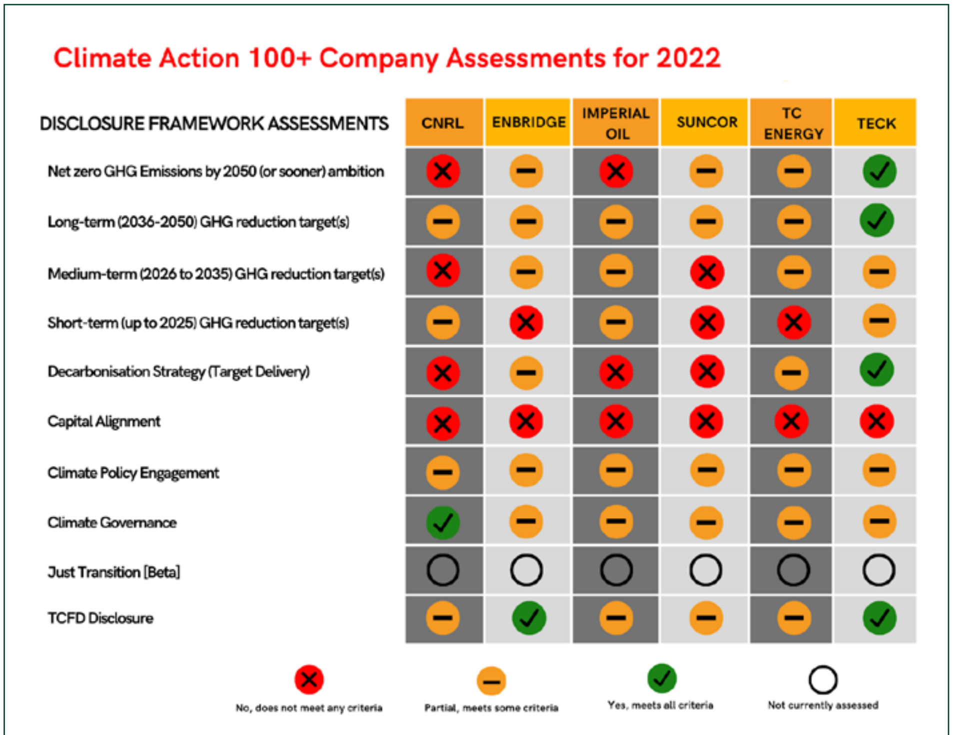
CLIMATE ACTION 100+ AND CANADA

- Climate Action 100+ ('CA100+') is the foremost investor-led climate engagement organization in the world. Nearly half of all global assets under management are committed. Of the 700 investor signatories, 36 are Canadian asset owners or managers.
- CA100+ encourages the world's largest emitters (originally 100, now 167—54 of which are located in North America and six of which are Canadian companies) to decarbonize. It does so by providing public assessments of target companies' net-zero strategies (for example, see **Figure 1**) and then runs investor-led engagement teams to encourage improvements within the target companies via meetings with focus companies as well as encouraging voting against directors where no improvement is shown.
- CA100+ has come under repeated criticism challenging its effectiveness. Several American and European studies show significant inconsistency between CA100+ signatory voting patterns and the CA100+ principles.[1] In addition, there is limited evidence that these engagement efforts have resulted in meaningful improvements in the target companies' climate efforts.
- In 2022 Climate Engagement Canada (CEC) was established to mirror the CA100+ approach with other large Canadian emitters. CEC has not yet had an opportunity to develop a track record of effectiveness.
- As a Canadian-based climate shareholder advocacy organization, we were interested in assessing the proxy voting patterns of Canadian investors committed to best practices in climate engagement. This analysis focuses on the voting patterns of 19 Canadian CA100+ signatories relating to 23 North American climate-related shareholder resolutions in 2022. (For a summary of the methodology used in selecting these investors and resolutions, see Appendix C.)

1 See for example Share Action (UK), Power in Numbers? An assessment of CA100+ engagement on climate change (May 2022); Majority Action (US), Fulfilling the Promise: How Climate Action 100+ Investor-Signatories Can Mitigate Systemic Climate Risk (March 2022).


Climate Action 100+ Company Assessments for 2022

DISCLOSURE FRAMEWORK ASSESSMENTS	CNRL	ENBRIDGE	IMPERIAL OIL	SUNCOR	TC ENERGY	TECK
Net zero GHG Emissions by 2050 (or sooner) ambition	✗	–	✗	–	–	✓
Long-term (2036-2050) GHG reduction target(s)	–	–	–	–	–	✓
Medium-term (2026 to 2035) GHG reduction target(s)	✗	–	–	✗	–	–
Short-term (up to 2025) GHG reduction target(s)	–	✗	–	✗	✗	–
Decarbonisation Strategy (Target Delivery)	✗	–	✗	✗	–	✓
Capital Alignment	✗	✗	✗	✗	✗	✗
Climate Policy Engagement	–	–	–	–	–	–
Climate Governance	✓	–	–	–	–	–
Just Transition [Beta]	○	○	○	○	○	○
TCFD Disclosure	–	✓	–	–	–	✓

✗ No, does not meet any criteria
– Partial, meets some criteria
✓ Yes, meets all criteria
○ Not currently assessed

Figure 1. CA100+ assessments of its six Canadian target companies in 2022.

CLIMATE-RELATED PROXY VOTING

- CA100+ signatories advertise this commitment to climate-aligned engagement on their websites and in their ESG reports and typically feature engagement as a core pillar of their net-zero strategies.

- This commitment to engagement is generally prioritized over divestment in portfolio decarbonization strategies. However, this engagement is rarely clearly defined and is commonly undertaken via behind-closed-door meetings and without explicit escalation policies. This approach is sometimes referred to as "tea and biscuits" engagement for its lack of seriousness.

- Escalation policies are key to effective engagement, and range from submitting or voting in support of climate-related shareholder resolutions, to voting against directors, and eventually to divestment. For best practices on climate-aligned engagement with public companies, including proxy voting, see our Guide.

- CA100+ expects signatories to exercise their voting rights independently, according to their fiduciary duties. But, in committing to CA100+, signatories are explicitly acknowledging the direct link between their fiduciary duties and engaging with companies to encourage their alignment with a 1.5 degrees Celsius future.

- It follows that a CA100+ signatory would exercise their proxy voting rights to file or support reasonable climate-related shareholder resolutions in cases where the company has received a poor assessment from CA100+, or where there is otherwise clear evidence the company is not adequately addressing CA100+'s three climate focus areas:

    1. improved climate governance;
    2. emissions reductions across the value chain, consistent with a 1.5 degree Celsius future; and
    3. enhanced corporate disclosure.

- Indeed, CA100+ flags relevant climate-related proposals at companies that it has assessed in order to facilitate this process for its signatories.[2] Other respected organizations also flag important climate-related resolutions (e.g. UNPRI, CERES, and ICCR).

2 www.climateaction100.org/approach/proxy-season/.

MAJOR TAKEAWAYS

Voting patterns vary substantially among the 19 Canadian CA100+ signatories assessed, with more than half mostly voting against climate resolutions (see Table 1).

- A few investors (3/19) **consistently supported** (or abstained) (i.e. Bâtirente, Genus Capital, Vancity Investment Management).
- A few investors (6/19) **supported more of the resolutions than they voted against** (i.e. Investment Management Corporation of Ontario, University Pension Plan, Addenda, AGF Investments, Canada Post Corporation Pension Plan, British Columbia Investment Management Corporation).
- Most shareholders (10/19) **voted against more of the resolutions than they supported** (i.e. TD Asset Management, NEI Investments, Desjardins, Caisse de Dépôt et placement du Québec, Ontario Teachers' Pension Plan, Alberta Investment Management Corporation, Manulife Investment Management, Guardian Capital, RBC GAM, Beutel Goodman).

Bâtirente and Canada Post Pension Plan were the only investors (of those assessed) involved in filing any of these resolutions (see Appendix B). Bâtirente also filed and withdrew at CIBC and Imperial.

- Filing climate-related shareholder resolutions is an important part of climate engagement. See our associated Guide for other best practices.

Not all resolutions were deemed equally worthy of support (see Table 2).

- Votes were heavily influenced by the advice of the two largest proxy voting services ISS and Glass Lewis.
- Say on Climate votes were unpopular (see Textbox).
- Resolutions at financial institutions received less support than those at energy companies.
- The above trends (i.e. Say on Climate and financial institution votes) were common in the Canadian resolutions examined and were not a feature of the American resolutions reviewed. This difference partly explains why several investors rarely supported Canadian resolutions but generally supported American resolutions (e.g. TD Asset Management, Desjardins, CDPQ, Ontario Teachers' PP, and AIMCO).

TABLE 1. VOTING PATTERNS OF SELECT CANADIAN CA100+ SIGNATORIES ON 23 NORTH AMERICAN CLIMATE-RELATED SHAREHOLDER RESOLUTIONS IN 2022.

Note: For a more detailed table, see Appendix A; for details on shareholder resolutions, see Appendix B; for the methodology, see Appendix C.

	CLIMATE ACTION 100+ SIGNATORY	AGAINST	SUPPORT	ABSTAIN
A few investors (3/19) **consistently supported** (or abstained)	Bâtirente		100%	
	Genus Capital		77%	23%
	VCIM		62%	38%
A few investors (6/19) **supported more of the resolutions than they voted against**	IMCO	23%	73%	5%
	UPP	18%	82%	
	Addenda	23%	77%	
	AGF Investments	25%	80%	
	BCI	22%	52%	26%
	Canada Post PP	22%	48%	30%
A few shareholders (10/19) **voted against more of the resolutions than they supported**	TD Asset Mgmt	57%	45%	
	NEI Investments	58%	42%	25%
	Desjardins GAM	41%	28%	33%
	CDPQ	67%	33%	
	Ontario Teachers' PP	69%	31%	
	AIMCO	70%	30%	
	Manulife Invst. M.	82%	18%	
	Guardian Capital LP	88%	13%	
	RBC GAM	89%	11%	
	Beutel Goodman	91%	9%	
	AVERAGE	43%	47%	10%

THE CHALLENGING CASE OF SAY ON CLIMATE VOTES

Say on Climate votes are resolutions brought by management or shareholders that request management to prepare a climate transition plan and then have shareholders vote on its sufficiency, similar to Say on Pay resolutions.

The United Nations Principles for Responsible Investment (UNPRI) warns that these votes create a risk of insufficient plans being approved by shareholders without the expertise to assess their sufficiency. This risk is exaggerated by the fact that management proposals typically receive majority shareholder support. Because of this risk, UNPRI advises against filing Say on Climate votes and provides guidance on how to avoid risks when faced with one, including abstaining or providing detailed analysis when the plans eventually come to a vote.

An example of best practice on voting on Say on Climate votes is shown by BCI, who abstained on all such votes, with the accompanying rationale:

> *"BCI has a strong commitment to address climate change with portfolio companies. It is our expectation that management have a climate strategy that is approved by the Board and that details are provided to shareholders. However, an advisory vote on climate is not ideal in our view and if a company does not meet our expectations on its approach to climate change, we will vote against the election of directors."*

Another good example of a Say on Climate voting rationale is provided by Vancity Investment Management (VCIM) and Bâtirente, highlighted in the body of this report.

Voting rationales were provided about one-third of the time. The most common rationale provided for voting against a climate-related proposal was that it was "too prescriptive."

- **Rationales, some best practices:**
    - Several investors (9 of 19) provided rationales in all or nearly all instances (i.e., VCIM, UPP, OTPP, NEI Investments, BCI, Bâtirente, AIMCO, Genus Capital, RBC Global Asset Management).
    - VCIM and Bâtirente both enlist the proxy voting services of the Groupe Investissement Responsable, which explains the following consistent and thoughtful rationales:
        - In the case of Say on Climate votes, VCIM's abstention and Bâtirente's vote against were both accompanied by the following justification:

> *"We agree that the company's consideration of climate issues and disclosure could be improved. However, we are concerned that the adoption of a Say on Climate will become a formality, as it can be in some respects for executive compensation. We favor a binding vote, as some companies have already implemented, that would not be on an annual basis. The proposal is not in the shareholders' interest."*

   » The following is an excerpt of both companies' rationales in response to the resolution filed by Investors for Paris compliance at the Royal Bank of Canada:

> *"[...] Yet, while Royal Bank claims to want to meet the Paris Agreement goal of limiting global warming to 1.5°C and achieve carbon neutrality for its lending portfolios by 2050, including through the future adoption of science-based targets, we find that its policies have shortcomings that may undermine its commitments in the fight against climate change. For example,[...] Therefore, we consider that despite some encouraging commitments on the part of the bank and the efforts it has made so far, it is relevant and in the interests of shareholders to support the proposal. Its adoption could encourage the company to better align its actions and policies with its climate ambitions, which would allow it to mitigate financial and reputational risks, in addition to providing investors with additional information that would allow them to better understand how it responds to the climate emergency and manages the significant risks associated with it. [...] ."*

- UPP provided rationales for all its votes and voted in support of most resolutions assessed. In cases where it voted against resolutions, the rationales are useful guides for future investor engagement. For example, regarding the TD "no new oil and gas financing" resolution, UPP justifies its vote (against) as follows:

> *"In general, UPP supports the adoption of Paris aligned climate commitments driven by net zero targets that include scope 1, 2, and 3 GHG emissions. UPP does not support this proposal because we believe that banks are uniquely positioned to support the transition of clients with clear pathways to align with a net zero trajectory."*

   » Assuming the resolution proponent only meant to limit new oil and gas financing that was not aligned with a 1.5 degree Celsius future, then clearer wording in the resolution or supporting statement and /or investor outreach could have avoided this vote.

- BCI had a mixed voting record and provided rationales for all of its votes. Votes against resolutions were typically explained as due to the proposal being over-prescriptive.

   » It is worth noting that since 2021 BCI's proxy-voting policy permits support for more prescriptive climate-related shareholder resolutions.[3]

3 BCI, Proxy Voting Guidelines (2021) at 24.

- **Rationales, some mixed practices:**
    - AIMCO voted against all Canadian proposals assessed, and provided rationales for most of these votes, which were in many cases contradictory. Although AIMCO's rationales claim it supports climate-aligned shareholder resolutions, its voting record proves otherwise.
    - IMCO provided rationales only for the votes it supported, and did not provide rationales when voting against proposals. On the other hand, Addenda only provided rationales for the resolutions it voted against.
    - Several of the investors assessed (7 of 19) did not provide rationales for any of the resolutions assessed (i.e. AGF Investments, CDPQ, CPPP, Desjardins, Guardian Capital, Manulife Investment Management, TD Asset Management).

ENBRIDGE AS A CASE STUDY

- The Enbridge vote in 2022 was a good indicator of misalignment among the voting practices of CA100+ signatories.
- The resolution filed by Investors for Paris Compliance was broadly consistent with how CA100+ assesses companies, asking for improved performance on things like targets, capital expenditure alignment, and decarbonization strategy. Indeed, the specific CA100+ assessment faults Enbridge on these points.
- Yet, when it came to voting on the Enbridge proposal, only 63% of assessed Canadian CA100+ signatories voted in favour (see vote 14 in Table 2).

APPENDIX A: SELECT CANADIAN CA100+ SIGNATORY CLIMATE-RELATED SHAREHOLDER VOTING

Table 2. *Votes of selected CA100+ members on 23 climate-related shareholders resolutions (see Table 3) in 2022.*

Legend
- ● Support
- ■ Against
- ○ Split between funds
- □ Abstain

CLIMATE-RELATED RESOLUTION (*SEE TABLE 3 FOR KEY*)	CANADIAN														AMERICAN											
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	Against	Support	Abstain
Bâtirente	●	●	●	●	●	●	●	●	●		●	●	●	●											100%	
Genus Capital Mngmt	●		□	●	●	□						●	□			●	●		●	●	●	●			77%	23%
VCIM			□	●	●	□	●	●	□	□	●	●	□					●							62%	38%
IMCO	■	○	●	■	■	●	●	■	●	●	●	■	●	□	●	●	●	●	●	●	●	●	●	23%	73%	5%
UPP	●	●	●	●	■	●	●	●	●	●	■	■	●	●		●	●			●				18%	82%	
Addenda		●	●	■	●	●	●	●	●	●	■	■	●	●										23%	77%	
AGF Investments	■	●	●	■	■	●	●	■	●	●	●	■	●	●	●	●	●	●	●		●	●		25%	80%	
BCI	■	●	□	●	■	□	□	■	□	□	■	■	□	●	●	●	●	●	●	●	●	●	●	22%	52%	26%
Canada Post CPP	■	●	□	■	■	□	□	■	□	□	□	■	□	●	●	●	●	●	●	●	●	●	●	22%	48%	30%
TD Asset Mgmt	■	■	■	■	■	■	■	■	■	■	■	□	□	●	●	●	●	●	●	●	●	●	●	57%	45%	
NEI Investments	●	●	■	□	●	■	■	□	■	■	■	□	■	●										58%	42%	25%
Desjardins GAM		■	□	■	■	□	□	■	□	□	■	■	□	●		●	●	●			●			41%	28%	33%
CDPQ		■		■	■	■	■	■	■	■	■			■		●	●	●				●	●	67%	33%	
Ontario Teachers' PP	■			■	■	■			■	■	■	■	■		●	●	●	●	■	■		●		69%	31%	
AIMCO	■	■	■	■	■	■	■	■	■	■	■	■	■	■		●	●	●	●	●	●			70%	30%	
Manulife Invst Mngmt	■	○	○	■	■	○	○	■	○	○	■	■	○	■	○	○	○	●	○	■	○	●	■	82%	18%	
Guardian Capital LP	■	■	■	■	■	■	■	■	■	■	■	■	■	■				●			●			88%	13%	
RBC GAM	■	■	■	■	■	■	■	■	■	■	■	■	■	■	○	■	■	○	○	○	○	●	●	89%	11%	
Beutel Goodman		■		■	■	■	■	■		■	■	■	■	●										91%	9%	
% for	25%	50%	33%	26%	26%	28%	38%	24%	31%	25%	22%	17%	29%	63%	100%	92%	92%	100%	88%	78%	100%	100%	86%	43%	47%	10%

APPENDIX B: DETAILS OF ASSESSED SHAREHOLDER RESOLUTIONS

***Table 3.** Details of 23 major North American climate-related shareholder resolutions filed in 2022.*

*indicates the company has been assessed by CA100+

COMPANY	SHAREHOLDER PROPOSAL	FOR (OVERALL)	SHAREHOLDER PROPONENT
CANADIAN			
Imperial*	1. Align capital expenditure with the IEA Net Zero Scenario	1.5%	Aequo (for Bâtirente)
Brookfield Asset Management	2. Adopt GHG emission reduction targets	19.4%	BCGEU
CIBC	3. Say on climate	24.3%	MÉDAC
RBC	4. Omit fossil fuels and harm to Indigenous Peoples from sustainable finance policy	9%	I4PC
	5. Avoid bank participation in pollution-intensive asset privatizations	6.8%	BCGEU
	6. Say on climate	21.6%	MÉDAC
BMO	7. Say on climate	15.2%	MÉDAC
	8. Adopt a policy to ensure the bank's financing is consistent with IEA's net zero emissions by 2050 scenario	7.6%	Harrington Investments
National Bank	9. Say on climate		MÉDAC
Bank of Nova Scotia	10. Say on climate	20.7%	MÉDAC
	11. Set up a climate change and environment committee	9.2%	MÉDAC
TD	12. Adopt a policy of not financing new fossil fuel supply	6.5%	Sum of Us
	13. Say on climate	27%	MÉDAC
Enbridge*	14. By the end of 2022 strengthen net zero commitment such that it is consistent with a science-based, net zero target	22.7%	I4PC
AMERICAN			
Valero*	15. Adopt GHG Reduction Targets	47.1%	Mercy Investment Services, Inc.
ExxonMobil*	16. Adopt GHG Reduction Targets	27.1%	Follow This
	17. Report on Climate Change Financial Risks	51%	Christian Brothers Investment Services
Costco	18. Adopt GHG reduction targets	70%	Green Century Capital
Conoco Philips*	19. Adopt GHG reduction targets	41.8%	Follow This
Phillips 66*	20. Adopt GHG reduction targets	36.2%	Follow This
Chevron Corp.*	21. Adopt GHG reduction targets	32.6%	Follow This
Caterpillar Inc.*	22. Report on GHG Emissions Targets	96.5%	As You Sow, SHARE, CPPP
Boeing Co.*	23. Report on Alignment with CA100+ Benchmark Net Zero Indicator	91.4%	As You Sow

APPENDIX C: METHODOLOGY

INVESTOR SELECTION

- The CA100+ Canadian signatory selection process which resulted in the 20 investors* reviewed in this report (of the 36 Canadian investors that are signatories to CA100+), was based on data availability by end of Q4 2022.

  **Note: BCI votes on behalf of BC Municipal Pension Plan, which is also a CA100+ signatory.*

- Data research efforts enlisted included the following
  - Searching the proxy voting database Insightia;
  - Where data was not available on Insightia, searching investor websites; and
  - For any remaining investors, emailing them directly to request the data.

- All investors assessed were also given an opportunity to fact-check the proxy voting data.

- A few investors were not included, even where data was available.
  - In the case where investors had a substantial amount of split votes between different funds, their voting records were not included (this was the case with two investors: Fidelity Investments Canada and IG Wealth).
  - In the case where investors did not vote on their own behalf (e.g. University of Toronto Asset Management Corporation) they were not included.
  - In the case where investors did not vote on their own behalf (e.g. University of Toronto Asset Management Corporation) they were not included.

SHAREHOLDER RESOLUTION SELECTION

- Our analysis focused on a selection of Canadian and American climate-related shareholder proposals during the 2022 AGM season.

- They were selected from a combination of the ‘Flagged Votes’ list created by CA100+[4] as well as Ceres’ Climate and Sustainability Shareholder Resolutions Database.[5]

- Overall, fewer Canadian companies are assessed by CA100+ than American companies, due to their relative size and climate impact. As a result, more of the American resolution target companies have associated CA100+ assessments (7 of 8) than Canadian companies (2 of 9).

4 See: www.climateaction100.org/approach/proxy-season/.

5 See: engagements.ceres.org/.

- The proposals were selected to include a mix of target-company types. They include proposals targeting:
    - Canadian financial institutions;
    - Canadian and American oil and gas companies; and
    - other large corporations with significant value chain emissions (i.e. Costco, Caterpillar, and Boeing).
- The proposals were also selected to represent a variety of proposal styles of encouraging improved climate action, namely:
    - Requests to put the company's transition plan to a shareholder vote ("say on climate");
    - Adopt a policy to cease oil and gas exploration and development;
    - Update criteria for sustainable finance to preclude fossil fuel activity and projects opposing indigenous peoples;
    - Avoid bank participation in pollution-intensive asset privatization;
    - Adopt a policy to ensure the bank's financing is consistent with IEA's net zero emissions by 2050 scenario;
    - Set/report on emission reduction targets;
    - Set up a climate change and environment committee;
    - Report on climate change financial risks;
    - Adopt a policy of not financing new fossil fuel supply, including financing of companies exploring or developing undeveloped oil and gas reserves;
    - Align net zero commitment with a science-based, net zero target; and
    - Report on alignment with Climate Action 100+ benchmark net zero indicator.