

Vanguard Investment Stewardship Insights

Voting insights: Climate-related proposals, January–June 2021



September 2021

Vanguard publishes Investment Stewardship Insights to promote good governance practices and to provide investors and public companies with our perspectives on important governance topics and issues that come up for shareholder votes.



Climate change represents a profound, material, and fundamental risk to companies and their shareholders' long-term success. Vanguard's Investment Stewardship team, on behalf of the

Vanguard funds, approaches climate and environmental risk from a fiduciary perspective. Risks to shareholder value associated with climate change remained a top priority for us throughout the first half of 2021.

Vanguard expects companies and their boards to exhibit three key elements of sound climate risk governance:

- *A climate-competent board* that demonstrates awareness of climate risks and fosters healthy debate on climate topics, challenges management assumptions, and makes thoughtful and informed decisions regarding these risks.
- *Robust risk oversight and mitigation measures*, including setting targets aligned with the Paris Agreement and integrating climate risk considerations into strategic business planning and capital allocation decisions.
- *Effective and comprehensive disclosures*, both qualitative and quantitative, to show progress over time, preferably written in accordance with the framework of the Task Force on Climate-related Financial Disclosures (TCFD).

The range of shareholder proposal requests related to climate risks in the first six months of 2021 spanned from asking companies to exit fossil fuel and nuclear business operations to asking companies to set emission reduction targets, including financed emissions. Other proposals asked companies to produce climate-related disclosures, including lobbying-related activities. We also saw a larger number of "Say on Climate"

proposals. These proposals—an emerging trend in various markets and sectors—request that companies disclose climate-related risks, targets, and transition plans and give shareholders an advisory vote on those plans.

Vanguard's voting and engagement

During the first six months of 2021, we held constructive engagements with company leaders and board members on climate risks. In these discussions, we sought to clarify our expectations of companies and their boards related to climate risk oversight, as well as to better understand how these companies were mitigating climate change risks by making progress on their stated climate goals or ambitions.

On behalf of the Vanguard funds, we voted on 59 climate-related shareholder proposals (excluding Say on Climate proposals) during the first half of 2021 and supported 16 of them, or 27%. The funds also voted on 23 Say on Climate proposals, supporting all 17 proposals submitted by management and two of six submitted by shareholders. In total, the Vanguard funds supported 35 of 82 climate-related proposals, or 43%.

The table below provides a summary of the 59 climate-related proposals (excluding Say on Climate proposals) discussed in the previous paragraph, along with the Vanguard funds' votes and supporting rationales, for the six months ended June 30, 2021. Each climate-related proposal is analyzed based on its merits and specific wording. In all cases, we evaluate whether the request is in the best long-term interest of the company's shareholders.

A word on Say on Climate proposals: We have previously outlined our perspectives on climate risk governance in our *Vanguard Insights: How we evaluate Say on Climate proposals*. The table below does not provide individual rationales for those votes. The funds' votes in support for all 17 management Say on Climate proposals recognize companies' progress in formalizing

their climate strategies and proactively giving shareholders an additional tool for voicing feedback and ensuring board accountability. The Vanguard funds voted against four Say on Climate shareholder proposals whose terms we considered overly prescriptive.¹

Climate-related shareholder proposals

Vanguard proposal category	Company name/ meeting date	Proposal	Vote	Vote rationale
Business phaseout	Equinor ASA ² 5/11/2021	Instruct company to stop all exploration activity for fossil energy resources	Against	Dictates strategy and operations.
	Oil Search Ltd. 4/30/2021	Develop capital protection plan to phase out oil and gas operations	Against	Dictates strategy and operations.
	Santos Ltd. 4/15/2021	Develop capital protection plan to phase out oil and gas operations	Against	Dictates strategy and operations.
	Woodside Petroleum Ltd. 4/15/2021	Develop capital protection plan to phase out oil and gas operations	Against	Dictates strategy and operations.
Climate change report	Berkshire Hathaway, Inc. 5/1/2021	Report on climate-related risks and opportunities	For	Addresses material risks; report determined to be in the best long-term interest of shareholders.
	Bloomin' Brands, Inc. 5/18/2021	Report on climate change	For	Report determined to be in the best long-term interest of shareholders.
	Booking Holdings, Inc. 6/3/2021	Report on annual climate transition	Against	Sufficient action or change has been implemented.
	Caterpillar, Inc. 6/9/2021	Report on climate policy	Against	Company has taken sufficient action or change and proposal is overly prescriptive.
	DSV Panalpina A/S 3/15/2021	Reporting on climate-related financial risks and opportunities	For	Report determined to be in the best interest of shareholders.
	Toyo Seikan Group Holdings Ltd. 6/25/2021	Amend articles to disclose plan outlining company's business strategy taking into account TCFD	Against	Terms of bylaws amendments determined to be overly prescriptive.
	United Parcel Service, Inc. 5/13/2021	Report on climate change	For	Addresses material risk; report determined to be in the best long-term interest of shareholders.
Climate lobbying	Delta Air Lines, Inc. 6/17/2021	Report on climate lobbying	For	Report determined to be in the best interest of shareholders.
	Exxon Mobil Corp. 5/26/2021	Report on corporate climate lobbying aligned with the Paris Agreement	For	Addresses material risk; report determined to be in the best long-term interest of shareholders.
	Norfolk Southern Corp. 5/13/2021	Report on corporate climate lobbying aligned with the Paris Agreement	For	Addresses material risk; report determined to be in the best long-term interest of shareholders.

¹ The funds supported Say on Climate shareholder proposals at Canadian Pacific Railway Limited and Charter Communications. The funds did not support proposals at Booking Holdings, Inc.; Hennes & Mauritz AB (H&M); Monster Beverage Corporation; and Union Pacific Corporation.

² Includes a total of four proposals with similar and related requests and the same vote instruction and rationale. The proposals are consolidated here.

Vanguard proposal category	Company name/ meeting date	Proposal	Vote	Vote rationale
Climate lobbying <i>(continued)</i>	Phillips 66 5/12/2021	Report on climate lobbying	Against	Proposal determined to be misdirected; company has not voiced a public commitment aligned with the Paris Agreement.
	Rio Tinto Ltd. 5/6/2021	Approve climate-related lobbying	For	Proposal determined to be in the best long-term interest of shareholders.
	Sempra Energy 5/14/2021	Report on corporate climate lobbying aligned with the Paris Agreement	Against	Sufficient action or change has been implemented.
	United Airlines Holdings, Inc. 5/26/2021	Report on global warming-related lobbying activities	For	Report determined to be in the best long-term interest of shareholders.
Emissions reduction	BP Plc 5/12/2021	Approve shareholder resolution on climate change targets	Against	Sufficient action or change has been implemented.
	Chevron Corp. 5/26/2021	Reduce Scope 3 emissions	For	Addresses material risk; proposal determined to be in the best long-term interest of shareholders.
	ConocoPhillips 5/11/2021	Adopt reduction targets for Scope 1, 2, and 3 emissions	For	Addresses material risk; proposal determined to be in the best long-term interest of shareholders.
	Equinor ASA 5/11/2021	Instruct company to set targets for GHG emissions of the operations and use of energy products	Against	Sufficient action or change has been implemented.
	General Electric Co. 5/4/2021	Report on meeting the criteria of the Net Zero Indicator	For	Report determined to be in the best long-term interest of shareholders.
	Imperial Oil Ltd. 5/4/2021	Adopt a corporatewide ambition to achieve net zero carbon emissions	For	Addresses material risk; proposal determined to be in the best long-term interest of shareholders.
	Phillips 66 5/12/2021	Adopt GHG emissions reduction targets for Scope 1, 2, and 3 emissions	For	Addresses material risk; proposal determined to be in the best long-term interest of shareholders.
	Rio Tinto Ltd. 5/6/2021	Approve emissions targets	For	Proposal determined to be in the best long-term interest of shareholders.
	Royal Bank of Canada 4/8/2021	Adopt GHG emissions reduction targets and issue annual report discussing the plans and progress	Against	Sufficient action or change has been implemented.
	Royal Dutch Shell Plc 5/18/2021	Request that Shell set and publish targets for GHG emissions	Against	Sufficient action or change has been implemented.
Financed emissions	Shikoku Electric Power Co., Inc. 6/25/2021	Amend articles to reduce carbon dioxide emissions to half of fiscal 2020 levels by 2030 by leveraging renewable energy	Against	Sufficient action or change has been implemented.
	Bank of Montreal 4/7/2021	Issue a report describing a clear plan to carbon neutral, including lending portfolio	Against	Sufficient action or change has been implemented; company has set net zero goals.
	Barclays Plc 5/5/2021	Set and report on strategy with improved targets to phase out fossil fuel financing consistent with goals of the Paris Agreement	Against	Sufficient action or change has been implemented and proposal determined to be overly prescriptive.

Vanguard proposal category	Company name/ meeting date	Proposal	Vote	Vote rationale
Financed emissions <i>(continued)</i>	Mitsubishi UFJ Financial Group, Inc. 6/29/2021	Amend articles to disclose plan outlining company's business strategy to align investments with goals of the Paris Agreement	Against	Sufficient action or change has been implemented and proposal determined to be overly prescriptive.
	QBE Insurance Group Ltd. 5/5/2021	Approve exposure reduction targets to insurance of oil and gas assets	Against	Sufficient action or change has been implemented.
	Skandinaviska Enskilda Banken AB ³ 3/30/2021	Exclude fossil fuels and finance only companies and projects aligned with what science requires for the world to stay below warming of 1.5 degrees Celsius	Against	Sufficient action or change has been implemented and proposal dictates strategy and operations.
	Sumitomo Corp. 6/18/2021	Amend articles to disclose plan outlining company's business strategy to align investments with goals of the Paris Agreement	Against	Sufficient action or change has been implemented and proposal determined to be overly prescriptive.
	Swedbank AB ⁴ 3/25/2021	Adopts guidelines to immediately decline loans to fossil fuel companies and projects	Against	Sufficient action or change has been implemented and proposal dictates strategy and operations.
	Swedbank AB 3/25/2021	Reports exposure in loans to companies whose main activity is to extract fossil energy	For	Report determined to be in the best long-term interest of shareholders.
Scenario analysis	Chevron Corp. 5/26/2021	Report on impacts of International Energy Agency's Net Zero 2050 Scenario	Against	Sufficient action or change has been implemented and proposal determined to be overly prescriptive.
	Exxon Mobil Corp. 5/26/2021	Issue audited report on financial impacts of IEA's Net Zero 2050 Scenario	Against	Sufficient action or change has been implemented and proposal determined to be overly prescriptive.
Miscellaneous	Equinor ASA ⁵ 5/11/2021	Instruct company to divest from and/or invest in certain assets; transform to sustainable energy production business; improve ESG profile and reduce risk of future lawsuits	Against	Dictates strategy and operations.
	Kyushu Electric Power Co., Inc. 6/25/2021	Amend articles to add provision on promotion of renewable energies	Against	Dictates strategy and operations.
	T. Rowe Price Group, Inc. 5/11/2021	Report on and assess proxy voting policies in relation to climate change position	Against	Sufficient action or change has been implemented.
	The Kansai Electric Power Co., Inc. ⁶ 6/25/2021	Amend articles to withdrawal from coal-fired power, promote nuclear phaseout, decarbonization, and renewable energy	Against	Dictates strategy and operations.
	Tokyo Electric Power Co. Holdings, Inc. 6/29/2021	Amend articles to add provision on promotion of hydroelectric power generation	Against	Dictates strategy and operations.

³ Includes a total of four proposals with similar and related requests and the same vote instruction and rationale. The proposals are consolidated here.

⁴ Includes a total of four proposals with similar and related requests and the same vote instruction and rationale. The proposals are consolidated here.

⁵ Includes a total of five proposals with similar and related requests and the same vote instruction and rationale. The proposals are consolidated here.

⁶ Includes a total of four proposals with similar and related requests and the same vote instruction and rationale. The proposals are consolidated here.

Vanguard proposal category	Company name/ meeting date	Proposal	Vote	Vote rationale
Miscellaneous <i>(continued)</i>	Topdanmark A/S 3/25/2021	Join the International Investor Coalition Net Zero Asset Owner Alliance	Against	Sufficient action or change has been implemented and dictates strategy and operations.
	The Chugoku Electric Power Co., Inc. 6/25/2021	Amend articles to establish special committee on green projects	Against	Sufficient action or change has been implemented.