

## COP26 declaration: asset owner climate expectations of asset management

We, the undersigned asset owners, support the objective of the Paris Agreement to keep global warming well below 2°C and preferably 1.5°C - the level considered 'safe' by the Intergovernmental Panel on Climate Change (IPCC), and call on the asset management industry to adopt minimum standards in support of that objective.

Increasingly asset managers are claiming to support the Paris Agreement and its objective but there is a huge variance in policy and practice. As asset owners we wish to send a strong market signal that below are the minimum standards we expect from asset managers on climate change. We hope other asset owners, journalists, civil society, and politicians will use these standards to help them judge what is good practice and what is greenwash as we welcome ever more asset manager climate change commitments during COP26. We would welcome the standards below becoming market norms and will integrate these standards as considerations into our asset manager selection, monitoring and reviews.

### Our minimum expectations of asset managers:

#### Strategy

1. **An investment strategy covering all assets under management to achieve net zero emissions by at least 2050**, with at least 45% emissions reductions by 2030 at the latest, as recommended by the IPCC. The scenario used should be aligned to the 1.5°C ambition in the Paris Agreement and not overly reliant on negative emissions technologies. Responsibility for the climate investment strategy should be at board level, and remuneration policies should be linked to achieving climate objectives.
2. **Operational alignment with achieving net zero by 2050** and 45% emissions reductions by 2030, covering property, travel, and corporate lobbying (including the funding of indirect lobbying via trade association memberships and advertising procurement).

#### Asset allocation

3. **Exclusion of coal and tar sands**, which are incompatible with a 1.5°C pathway, from active strategies. Coal exclusion thresholds should align with the Global Coal Exit List (GCEL). Other sectors should also be considered for exclusion, for example unsustainable timber and intensive agriculture causing deforestation. A list of excluded companies should be made publicly available.
4. **An active commitment to invest in solutions to climate change**, where Environment Social Governance (ESG) impact is measured and reported on alongside financial reporting. These investments should be focused on driving solutions forward to achieve a just transition to a decarbonised economy.

## Active ownership

5. **A presumption to vote in favour of shareholder resolutions on climate change, taking a ‘comply or explain’ approach** with public disclosure of rationale. Asset managers who support the objectives of the Paris Agreement should implement this by voting in favour of resolutions aligned with those objectives. Asset managers should also consider voting against management-proposed resolutions, such as director re-elections, where the company’s strategy is not aligned with the goals of the Paris Agreement. As clients we expect our asset managers to oppose management when necessary.
6. **Active shareholder engagement on 1.5°C aligned transition plans** across sectors and asset classes. Investee companies should be engaged with to set short and medium term science based targets (e.g. 45% emissions reductions by 2030, IPCC), and a net zero target for no later than 2050 that is not overly reliant on negative emissions technologies. Transition plans should include corporate lobbying, capital expenditure, and remuneration strategies. Transition plans should also incorporate social risks and opportunities to ensure a just transition. Engagement for distant targets and improved disclosure alone is insufficient, as is membership of third party collaborative initiatives without evidenced proactive engagement.
7. **Engagement escalation policies** should be developed and disclosed, which include details on how and when engagements will be escalated. This should include escalation to public statements, voting against management-proposed resolutions such as director re-elections, co-filing shareholder resolutions, and ultimately divestment or refusal to purchase new bonds in active strategies. Sector-specific expectations on climate change, including timebound milestones and clear targets, should also be developed and disclosed. The credibility of engagement depends upon such policies and a willingness to publicly oppose management when necessary.

## Transparency

8. **Regular disclosure of holdings, voting record and engagement activity.** Voting records should be published as soon as possible after the AGM and include rationales on votes against management as well as votes on shareholder resolutions. Disclosure on engagement activity should outline engagement objectives, methods of engagement and escalation, as well as assessments of progress and outcomes against defined objectives. Relevant elements of disclosure can be shared through existing statutory and voluntary mechanisms such as the UK Stewardship Code.

---- For more information, or become a signatory, please contact [melanie.kee@sos-uk.org](mailto:melanie.kee@sos-uk.org) ----