

# Undertaking Stewardship with a focus on climate change & climate-related risks

Insights from investors on stewardship and engagement tactics in Asia

17 July 2023

# About AIGCC

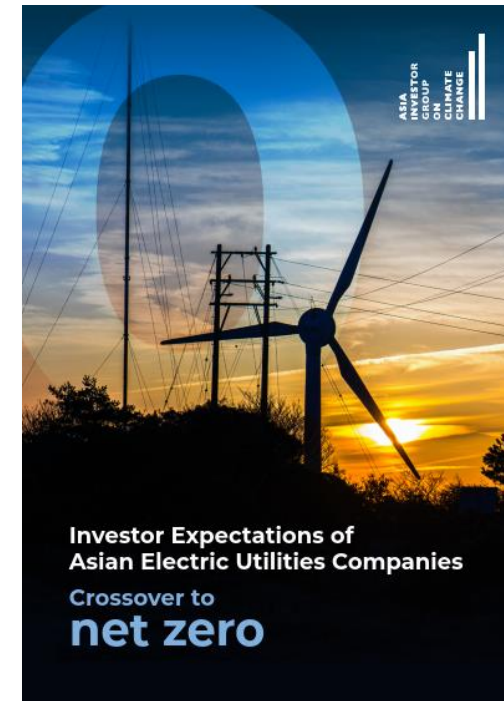
The Asia Investor Group on Climate Change (AIGCC) is an initiative to create awareness and encourage action among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and low carbon investing.

## AIGCC Membership

- 73+ Asset owners and managers from 11 markets
- > USD 32 trillion in AUM (as of May 2023)

## Building investor capacity on climate change

- C-Suite roundtable discussions with asset owners
- Research and resources for investors
- Topic specific working groups for investors in Asia
- Key projects: climate change training, net zero investment survey





# Vision & Mission

## **Vision:**

A climate resilient economy that is on track by 2030 for a net zero emissions global economy by 2050.

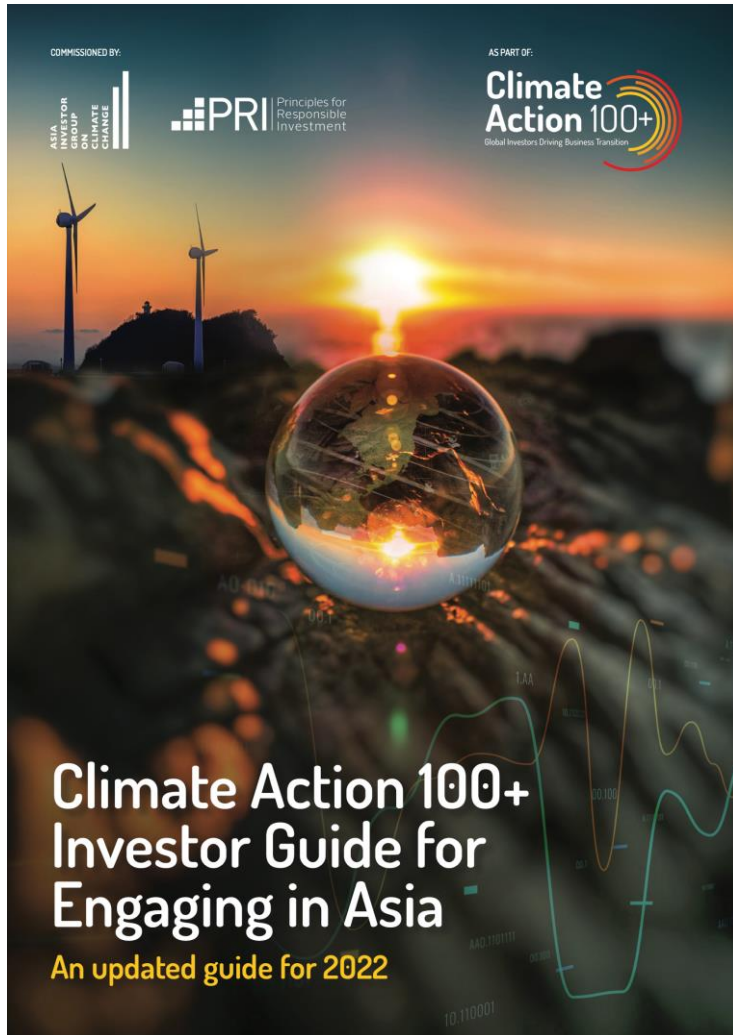
## **Mission:**

To connect, collaborate and advocate for and on behalf of our member investors to accelerate progress and action on climate change, responsibly manage long term risks and opportunities, drive sustainable returns for investors and the beneficiaries they represent across the diverse markets in Asia.

# Effective, robust and impactful engagement on climate in Asia

- **Investors in Asia face unique challenges and opportunities** in corporate engagement on climate
- **Diverse Asian market and regulatory landscapes** - careful consideration of market specificities and nuanced approaches for different engagements
- **Numerous engagement options and reference points for investors**, supported by wide range of tools, benchmark assessments and research to support investors' planning of broader engagement strategies:
  1. Climate Action 100+ Net Zero Company Benchmark
  2. Transition Pathway Initiative - Management Quality and Carbon Performance tool
  3. Shareholder proposals on climate, investors' voting guidelines on climate
  4. Regional decarbonisation pathways / regional energy sector roadmaps
  5. Identifying engagement entry points and leveraging on local investors
  6. National commitments and priorities

# Refresher: setting the scene for corporate engagement in Asia



## Climate Action 100+ Investor Guide for Engaging in Asia – updated guide for 2022

1. Recognises companies in different stages of transition (from beginning to advanced)
2. Guidance for engaging with companies at different stages of transition
3. Bridges expectations from the Net Zero Company Benchmark, translating into engagement asks for emerging markets

- Translation available in:
  - [Simplified Chinese](#)
  - [Traditional Chinese](#)
  - [Japanese](#)

# Corporate engagement in practice: investor feedback and quotes

## Ensuring effectiveness: maintain an open dialogue

- Engagements can be more fruitful when a long-term, trust-based relationship is built between investor and investee, particularly when the conversation escalates to a high level (e.g. C Suite executives).
- State-owned enterprises (SOEs) may need a different set of engagement priorities and approaches to engagement than publicly traded companies due to their ties to the state. This is because SOEs tend to take their points of reference from the goals and policies adopted by their home government.

## Robustness in engagement asks: applying Benchmark expectation

- The Benchmark is a useful engagement tool as it allows investors to rapidly identify areas where companies are lagging with respect to climate disclosure and action.
- Investors can incorporate the Benchmark assessment in their **voting considerations**.

## Impactful engagement: through collaborative engagement

- Collaborations between local and international investors can serve as an impetus for corporate climate action as this demonstrates a convergence of messages and priorities.

# Complementarity of various engagement options and approaches

## Key considerations going forward:

- Understand company's influence along the value chain and its commitment to a credible decarbonization pathway
- Different regulatory landscapes, stewardship practices
- Corporate structure, decision making process, influence of investors and other stakeholders
- Understanding if and when tabling of various engagement approaches are helpful to engagement – this include supporting shareholder proposals on climate change and investors to have clear climate voting guidelines

# A guide to shareholder climate resolutions



- ClientEarth and AIGCC collaboration.
- Showcases views of local experts across 11 Asian jurisdictions.
- Local framework and latest developments.
- Complementary to range of stewardship options.
- Case-appropriate and nuanced in Asian context.
- For high-level reference; not legal advice.

ClientEarth<sup>⊕</sup>

ASIA  
INVESTOR  
GROUP  
ON  
CLIMATE  
CHANGE



# Shareholder climate resolutions

- Non-exhaustive examples:
  - increased transparency and disclosure;
  - commitment to become a net-zero business in their scope 1-3 greenhouse gas emissions by 2050;
  - Paris-aligned business strategy with short, medium and long-term goals;
  - Shareholder approval required for company's Paris-aligned business strategy; or
  - Disclosure of climate and energy policy lobbying.

## Common questions addressed by experts

- Basic right to file?
- Amendment to charter documents required or recommended?
- Types of shareholder resolutions available and voting thresholds?
- Thresholds for filing a resolution / calling a meeting?
- Process and formal requirements for filing resolutions / proposing a meeting?
- How must the company respond? Who bears the costs?
- Can a resolution be withdrawn?

# Climate-related resolutions

2020	2021	2022
Mizuho Financial Group (Paris-aligned strategy including metrics and targets): <u>34% shareholder support</u>	<p>Mitsubishi UFJ Financial Group (Paris-aligned strategy including metrics and targets): <u>23% shareholder support</u></p> <p>Sumitomo Corporation (Paris-aligned strategy including metrics and targets): <u>20% shareholder support</u></p>	<p>J-Power:</p> <ul style="list-style-type: none"><li>• Set and disclose a business plan with science-based short- and medium-term emissions reduction targets aligned with the goals of the Paris Agreement; report annually on progress of such plan: <u>26% shareholder support</u></li><li>• Disclose, in annual reporting, how J-Power assesses the alignment of capital expenditure plans with its emissions reduction targets: <u>18% shareholder support</u></li><li>• Disclose, in annual reporting, how J-Power's remuneration policies will incentivise progress against J-Power's emissions reduction targets: <u>19% shareholder support</u></li></ul>

# CA100+ corporate engagement activities and the role of voting

## 2023 FLAGGED VOTES

LAST UPDATED 30 JUNE

COMPANY	FLAGGED VOTE	FLAG TYPE	SUPPORTING MATERIALS	RESULT
<b>AGM Date – 14 June</b>				
<b>Toyota Motor Corp.</b>	<a href="#">Resolution 4: Partial Amendments to the Articles of Incorporation (Annual review and report on impact on TMC caused by climate related lobbying activities and the alignment with the goals of the Paris Agreement.</a> Filed by AkademikerPension, Storebrand Asset Management, and APG Asset Management.	Shareholder Proposal	Investor <a href="#">statement</a> , InfluenceMap <a href="#">assessment</a> , and relevant <a href="#">pre-declarations</a>	15.06% FOR

**First flagged resolution for Toyota (2023) –**  
<https://www.climateaction100.org/approach/proxy-season/>

## CASE STUDY KEPCO

### KEPCO case study in 2020 Annual Report and further updated outcomes in 2022 –

<https://www.climateaction100.org/news/kepcocommits-to-carbon-neutrality-and-coal-phase-out-by-2050/>

**Korea Electric Power Corporation (KEPCO) is an electric utility company, headquartered in South Korea and listed on the Korea Composite Stock Price Index and New York Stock Exchange. The Climate Action 100+ engagement has been led by APG Asset Management and Sumitomo Mitsui Trust Asset Management and is supported by a group of collaborating investors from Europe.**

Over the past 12 months, investors have had three formal group meetings, several letter exchanges with the company, and delivered a public statement to its largest shareholder, the Ministry of Economy and Finance.

Engagement priorities with the company this year have focused on engaging KEPCO on its plans to limit and exit overseas coal and fossil fuel exposure, in particular, investors have expressed their concerns about KEPCO's coal

power projects in Indonesia (Jawa 9 and 10) and in Vietnam (Vung Ang 2).

Wider investor pressure in parallel to engagements has also captured attention from international and local media and has added weight to ongoing conversations with KEPCO. APG Asset Management, Church Commissioners for England, Legal and General Investment Management, Sumitomo Mitsui Trust Asset Management and UBS Asset Management have been public in their concerns, quoted in FT articles in [February](#), [August](#) and [October](#) this year and in local Korean media in [the Korean Herald](#) and [Chosun Biz](#).

Other recurring themes in group engagement meetings with KEPCO have included:

- Request for a disclosure of emissions reduction targets with a detailed breakdown of emissions at parent level and from independent power producers.
- Working towards alignment of corporate disclosure with TCFD recommendations.

- Raising emissions reduction targets beyond South Korea's NDC.

Concerted international pressure led to delay of key decisions for overseas coal fired power plants in Indonesia and Vietnam, however these were ultimately approved by KEPCO. Soon afterwards, KEPCO confirmed that it will not pursue the remaining two coal power pipeline projects in the Philippines and South Africa.

This has been a significant year of progress in discussions on coal phase-out within Korea. Investors were referenced repeatedly in the National Assembly during ministerial questioning on KEPCO's overseas coal projects. In a significant regional announcement, in October 2020, the South Korean government committed to achieve net-zero emissions by 2050, pledging to spend US\$7 billion on green-focused growth. This continued the momentum of earlier national plans to close 30 coal-fired power plants by 2034 and 10 of those by 2022, phase out nuclear power and triple the number of solar and wind power installations

by 2025. As KEPCO owns the majority of coal-fired power plants in South Korea, this plan is likely to have a significant impact on accelerating the reduction of its GHG emissions. South Korea's parliament is also debating new legislation to ban participation in the construction, operation and maintenance of foreign coal power projects, following Japan's recent tightening of financing criteria for overseas coal-fired power plants.

Engagement in 2021 will focus on obtaining further clarity on coal plant closures as per the government's directive, phase-out timeline of overseas coal plants and commitment to the full alignment of corporate disclosure with TCFD recommendations.

# Examples of CA100+ corporate engagement activities

## INVESTORS WELCOME NET ZERO EMISSIONS COMMITMENT FROM HON HAI PRECISION INDUSTRY

17th November 2020

New commitment to achieve net zero emissions by 2050 from global electronics manufacturer welcomed by institutional investors

A new commitment to achieve net zero emissions by 2050 from global electronics manufacturer Hon Hai Precision Industry Co. (Foxconn) has been welcomed by institutional investors and stewardship providers engaging with the company through the Climate Action 100+ initiative.

The company [has issued a press statement](#) in response to investor engagement through Climate Action 100+, stating that it aims to achieve the goal of net zero greenhouse gas emissions by 2050 across its value chain.

In the announcement, Hon Hai specially committed to:

- Comply with the carbon emission policies of local governments where its factories are located.
- Ensure its greenhouse gas emissions policies across the value chain are consistent with the goals of the Paris Agreement and aim to achieve the goal of net zero greenhouse gas emissions by 2050.
- Aim to take actions to fulfill the three headline goals of Climate Action 100+:
  - Strengthen climate change governance
  - Take action towards reducing greenhouse gas emissions across the value chain
  - Provide disclosures in accordance with the Task Force on Climate-related Financial Disclosure recommendations (TCFD)

Commitments to net zero emissions were identified as a key area for engagement between investors and companies [through the Climate Action 100+ Net Zero Company Benchmark](#), which was communicated with companies in September.

Hon Hai case study as a news update (2020)

# Examples of CA100+ corporate engagement activities

## ENGAGEMENT CASE STUDY— OIL AND GAS SECTOR:

PTT

**PTT Public Company Limited (PTT)** is a Thai, state-owned oil and gas company listed on the Stock Exchange of Thailand.

Lead investors have been engaging with PTT for a number of years. Since the launch of Climate Action 100+ the lead investors have had a number of face to face meetings with the company to introduce the initiative, its goals,

and investor expectations. Given the company's ownership by the state, investors were also keen to understand the extent of the government's ambition and motivation for a low-carbon transition, and how this might influence PTT's agenda.

PTT has released a TCFD aligned report, outlining the company's awareness and focus on the issue of climate change.

Investors plan to continue to focus on enhancing the ambition of PTT's emission reduction targets and the potential to further bolster senior management and board level engagement with key issues. Engagements will also focus on the company's climate scenario planning and efforts to align its business and operations with the Paris Agreement.

PTT case study in Inaugural Annual Report (2019)

# AIGCC helps develop tools by investors, for investors



January | 2023

English



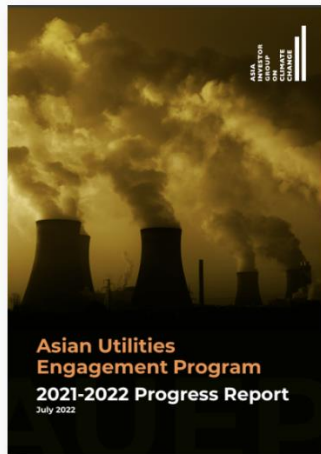
December | 2022

English



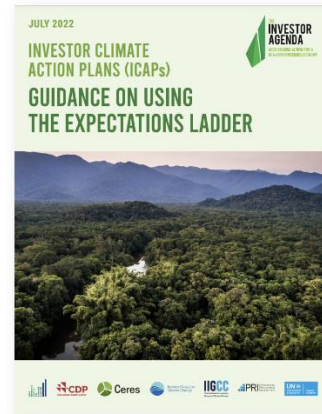
November | 2022

English



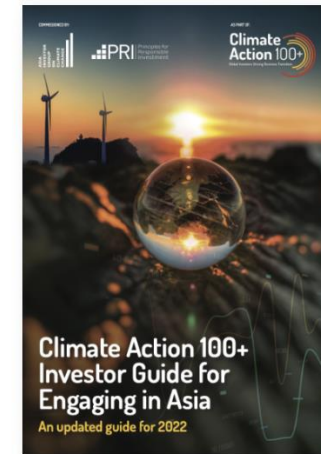
July | 2022

English



July | 2022

English



June | 2022

English  
简体中文  
繁體中文  
日本語

# Reach out for more details.

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