# 2021 Global Policy Survey - Climate

## Summary of Results

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Compiled by Kathy Belyeu, Colleen Lloyd, Audrey Ramming, & Sarah Riggs

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## Overview of Process and Response

This document summarizes the findings of the ISS 2021 Global Policy Survey on Climate, which opened on July 28, 2021, and closed on Aug. 27, 2021.

The survey is a part of ISS' annual global policy development process, and was, as is the case every year, open to all interested parties to solicit broad feedback on areas of potential ISS policy change for 2022 and beyond.

This year, we conducted two surveys as part of this process: one related to climate change and the other related to all other topics. The summary of the results for non-climate-related topics will be released separately. On the climate survey, we sought feedback relevant to both ISS' benchmark and specialty climate policies. Questions were about views on minimum criteria for boards in overseeing climate-related risks, shareholders having the right to regularly vote on a company's climate transition plan, criteria for good management-presented climate transition plans, and on the importance of Net Zero goals and other climate risk management criteria.

We received 329 responses to the survey: 164 responses from investors and investor-affiliated organizations, 152 responses from companies and corporate-affiliated organizations, and 13 from academic and non-profit responders. In a few cases, multiple people responded from the same organization. Responses that lacked a name were not accepted. Multiple responses from the same person were also not accepted and were only counted once.

### Number and category of respondents to online climate survey

| Category of Respondent | Number of Respondents | |
|---|---|---|
| **Investor Total** | **164** | |
| Asset Manager | | 116 |
| Asset Owner | | 38 |
| Advisor to Institutional Investors | | 6 |
| Other Investor | | 4 |
| **Non-Investor Total** | **152** | |
| Public Corporation | | 139 |
| Board Member of a Public Corporation | | 2 |
| Advisor to Public Corporation | | 6 |
| Other Non-Investor | | 5 |
| **Non-Profit/Academic Total** | **13** | |
| | | |
| **Total Respondents** | **329** | |

Of the 164 institutional investor respondents, 71 percent represented asset managers and 23 percent represented asset owners.

Responses were also received from 152 non-investors to the online survey and 13 representatives from non-profit or academic organizations. Responses from representatives of public corporations were by far the most prevalent among the non-investor respondents.

Several institutional investors provided feedback to ISS through avenues other than the online survey. These responses were not aggregated in the survey results but will be considered qualitatively during the policy development process.

Nearly one-half of the investor respondents to the online survey – 141 in all – represented organizations that covered global markets.

| Primary Market of Focus | Investor | Non-Investor | Non-Profit/ Academic |
|---|---|---|---|
| Global (most or all of the regions listed below) | 58% | 28% | 23% |
| U.S. | 18% | 41% | 38% |
| Continental Europe | 7% | 9% | - |
| Canada | 5% | 5% | 8% |
| Asia-Pacific | 4% | 8% | - |
| Developing/Emerging Markets | 3% | 5% | 8% |
| UK or Ireland | 2% | 2% | 8% |
| Latin America | 1% | 1% | - |
| Africa | 1% | - | - |
| Other (includes combinations of two or more markets) | 1% | 2% | 15% |

The breakdown of investors by the size of assets owned or assets under management is as follows:

| Asset Size (as declared by respondent) | % of Investor Respondents to Online Survey |
|---|---|
| Under $100 million | 3% |
| $100 million - $500 million | 4% |
| $500 million - $1 billion | 4% |
| $1 billion - $10 billion | 18% |
| $10 billion - $100 billion | 32% |
| Over $100 billion | 33% |

Some respondents answered every survey question; others skipped one or more questions. Throughout this report, response rates are calculated as a percentage of the valid responses received on each question from respondents by category, excluding blank responses. Survey participants who filled out the "Respondent Information" but did not answer any of the policy questions or who did not provide identifying information have been excluded from the analysis and are not part of the count or the demographic breakout of respondents above.

For questions that allowed multiple answers, rankings are based on the percentage of responses for each answer choice (percentages indicate what percentage of that category of respondent selected that answer – they will not total 100 percent). Percentages for other questions may not equal 100 percent due to rounding.

## Key findings

***Relating to ISS Benchmark Voting Policies***

*Climate-Related Board Accountability:*

A significant majority of all categories of respondents expect a company that is considered to be a strong contributor to climate change to be providing clear and detailed disclosure, such as according to the Task Force on Climate-related Financial Disclosures. A smaller majority of investor respondents support all of the criteria listed except "medium-term Scope 1 & 2 targets" and "starting to show a declining trend in absolute GHG emissions." Other than detailed disclosure, the other criteria that were popular among investors were demonstrating improvement in disclosure and performance, declaring a long-term ambition to be in line with Paris Agreement goals, disclosing a strategy and capital expenditure program in line with Paris goals, and showing that its corporate and trade association lobbying activities are in line with Paris goals. The comments by investors were strongly supportive of companies' setting goals in line with the more stringent 1.5 degrees of warming limit than the "well below 2 degrees" target that was in the Paris Agreement as it was adopted in 2016.

Corporate responders also were strongly supportive of disclosure and demonstrating improvement, although support drops precipitously for ambition and targets in line with Paris goals.

*Market Scope of Expectations*: Regarding the question about whether companies not deemed to be strongly contributing to climate change should be held to similar standards as those that do, one-third of investor respondents and a majority of non-profit respondents preferred to see minimum expectations the same regardless of company contribution to climate change, but the most common response by investors and corporate responders was that there should be some level of expectations but that they should be lower.

*Say on Climate - Voting on Climate Transition Plans*: As ISS looks to further develop its framework for analyzing climate transition plans presented by companies, the dealbreakers indicated by investor respondents were similar to the responses about board climate accountability. The top five dealbreakers for investor respondents were a lack of the following: detailed disclosures (such as according to the TCFD framework), a long-term ambition to be aligned with Paris-type goals, a strategy and capital expenditure program, reporting on lobbying aligned with Paris goals, and a trend of improvement on climate-related disclosures and performance.

*Climate Transition Plans - Vote Targeting*: The highest numbers of both investors and non-investors who responded answered that, when a climate transition plan is on the ballot, they considered that the plan is the primary place to vote to express sentiment about the adequacy of climate risk mitigation but that escalation to votes against directors may be warranted in future years if there is multi-year dissatisfaction.

*Say on Climate Shareholder Proposal Requests*: Responses to the question about when Say-on-Climate shareholder proposals requesting a regular advisory vote on a company's climate transition plan would warrant shareholder support, the answers reflected a split in sentiment. The answer with the highest support from investors was “Always: even if the board is managing climate risk effectively, a shareholder vote tests the efficacy of the company's approach and promotes positive dialogue between the company and its shareholders.” However, just a little below that for investors but the most frequent response from corporate respondents was that it should be case-specific and would be warranted only when the company's climate transition plan or reporting fell short. Fourteen percent of investor respondents answered such a proposal never warranted support and preferred voting directly against directors if the company was not adequately managing climate risk. Just over thirty percent of corporate respondents answered that a shareholder Say on Climate was never warranted because it was a matter for the company to decide.

***Relating to ISS Specialty Climate Voting Policy – Questions Posed Primarily for Current and Interested Investor Subscribers:***

*High Impact Companies*: When asked whether companies that are disproportionately responsible for GHG emissions (such as those identified by Climate Action 100+) should be subject to a more stringent evaluation of additional indicators than companies that make a less substantial contribution to climate change, investor respondents overwhelmingly agreed that they should. Fifty-nine percent of corporate responders also agreed that they should. Non-profit responders were split between that response and "other."

*Net Zero Initiatives*: Investor respondents were also strongly in favor (86 percent) of the ISS Specialty Climate Policy assessing a company's alignment with net zero goals. Fifty-two percent of the corporate responses were also in favor. Some commented that the policy should have some flexibility to address each company's circumstances appropriately.

*Criteria for Assessing Net Zero Goals*: Because climate analysis involves many potentially relevant elements and metrics, this question asked about the importance of several criteria when assessing net zero goals. Criteria listed included net zero ambitions, GHG emissions reductions targets, capital expenditure plans in line with GHG reduction targets, board oversight, disclosure regarding the impact of transitioning to workers and communities, and lobbying disclosure. In general, investor respondents found the majority of the criteria listed to be extremely important in assessing net zero goals. In contrast, corporate responders tended to rate most criteria as less important than investors did.

## Detailed survey questions and summary of responses

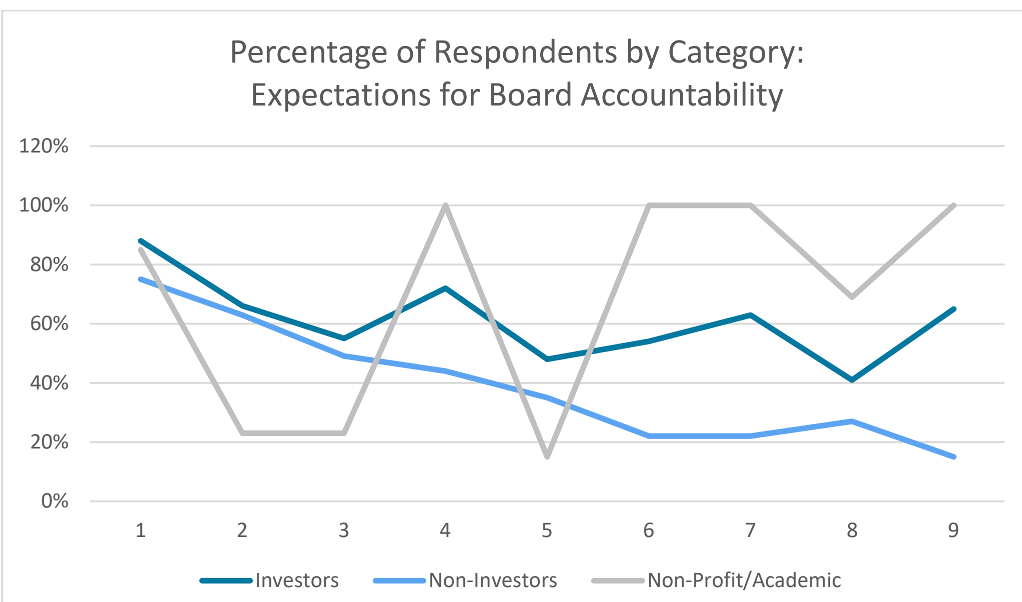
## ***Relating to ISS Benchmark Voting Policies***

### 1. Climate Board Accountability

For companies whose operations, products, or services are considered to strongly contribute to climate change, what actions do you consider to be the minimum that should be expected of those companies? Please indicate which factors you would consider to be a significant indicator that the relevant board is failing in its management of climate change risk? (Please choose all that you consider should be a minimum expectation for such companies.)

| | **Investors** | **Non-Investors** | **Non-Profits/ Academics** |
|---|---|---|---|
| 1. Provides clear and appropriately detailed disclosure of its climate change emissions governance, strategy, risk mitigation efforts, and metrics and targets, for example such as according to the Task Force on Climate-Related Financial Disclosures (TCFD) framework | 88% | 75% | 85% |
| 2. Has demonstrated it is improving its disclosure and performance (even if it is not yet in line with peers or with Paris Agreement goals) | 66% | 63% | 23% |
| 3. Has targets and emissions reductions at least in line with industry peers | 55% | 49% | 23% |
| 4. Has declared a long-term ambition to be in line with Paris Agreement goals for its operations and supply chain emissions (Scopes 1, 2 & 3 targets) that could reasonably be seen to be in line with limiting global warming to "well below 2 degrees C" (Paris Agreement goals) | 72% | 44% | 100% |

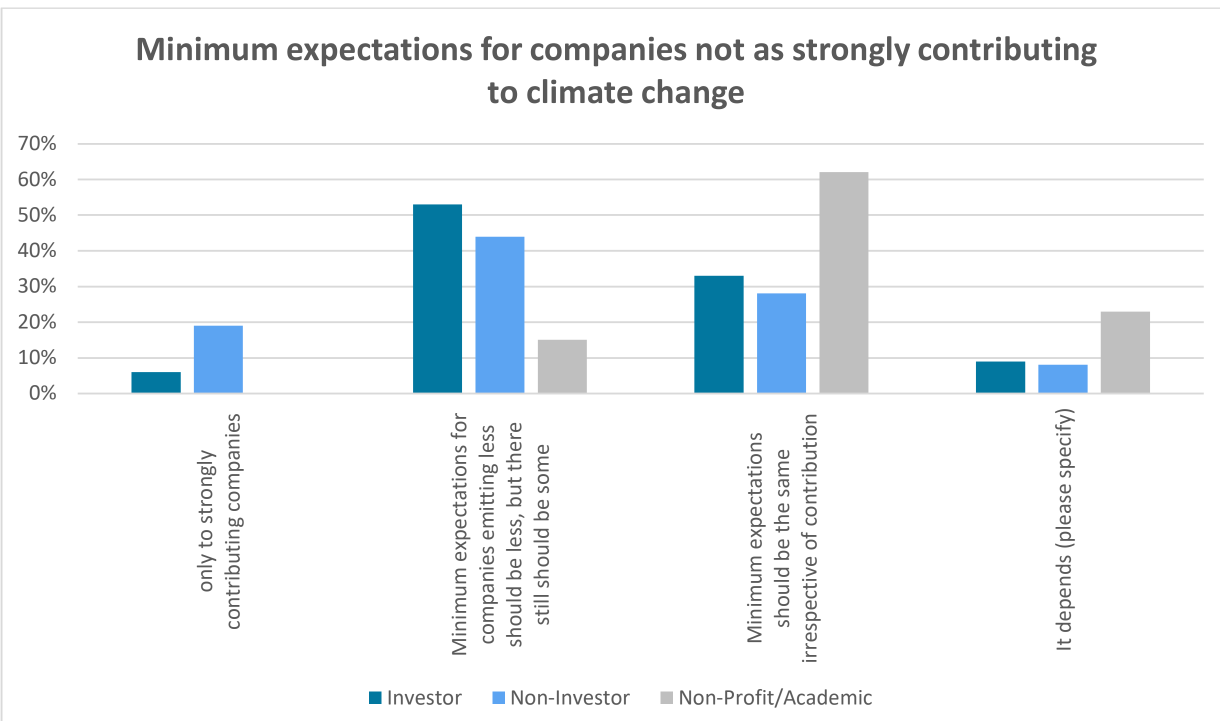
| | | | |
|---|---|---|---|
| 5. Sets and discloses absolute medium-term (through 2035) GHG emissions reductions targets for its operations (Scope 1 & 2 emissions) that could reasonably be seen to be in line with limiting global warming to "well below 2 degrees C" (Paris Agreement goals) | 48% | 35% | 15% |
| 6. Sets and discloses absolute medium-term (through 2035) GHG emissions reductions targets for its operations and supply chain emissions (Scopes 1, 2 & 3 targets) that could reasonably be seen to be in line with limiting global warming to "well below 2 degrees C" (Paris Agreement goals) | 54% | 22% | 100% |
| 7. Has disclosed a strategy and capital expenditure program in line with GHG reductions targets that could reasonably be seen to be in line with limiting global warming to "well below 2 degrees C" (Paris Agreement goals) | 63% | 22% | 100% |
| 8. Is starting to show a declining trend in terms of absolute GHG emissions in operations and supply chain | 41% | 27% | 69% |
| 9. Has reported to show that its corporate and trade association lobbying activities are in alignment (or are not in contradiction) with limiting global warming in line with Paris Agreement goals | 65% | 15% | 100% |
| Other (please specify) | 27% | 11% | 62% |
| **Total number of respondents who answered at least once** | **164** | **142** | **13** |



## 2. Market Scope

To what extent do you consider similar minimum expectations to those in the previous question are reasonable for companies that are not as strongly contributing to climate change, such as companies in service industries that do not finance, develop, or operate products or facilities that have high GHG emissions? Please select the options that most closely reflect your view.

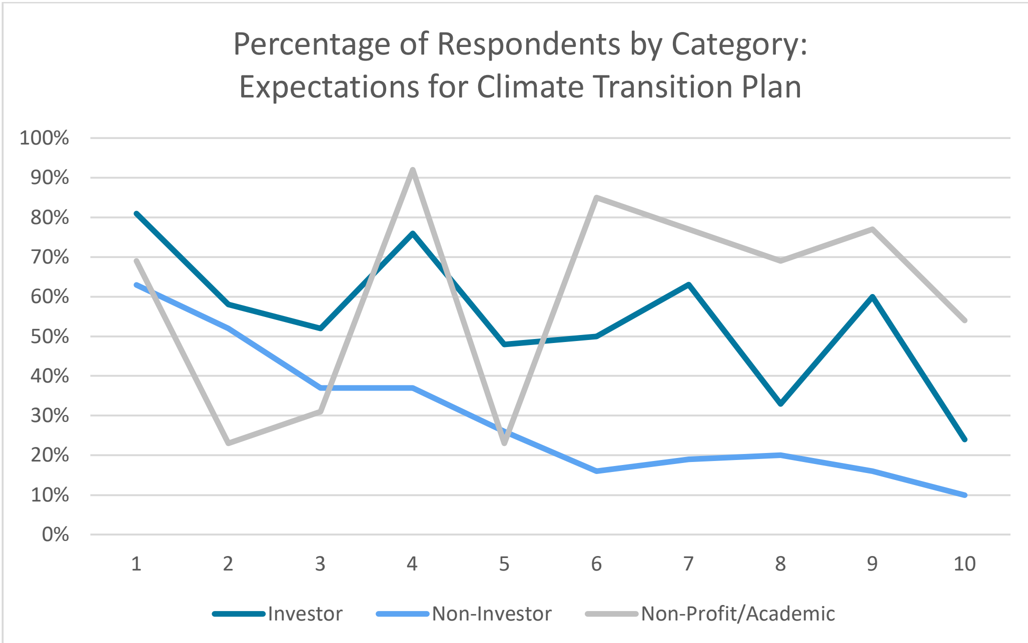
| | Investors | Non-Investors | Non-Profits/Academics |
|---|---|---|---|
| Such high minimum expectations should apply only to companies that are considered to strongly contribute to climate change. | 6% | 19% | 0% |
| Minimum expectations for companies that are not as strongly contributing to climate change should be less than for companies that are considered to strongly contribute to climate change, but there still should be some expectations. | 53% | 44% | 15% |
| Minimum expectations should be the same irrespective of contribution to climate change. | 33% | 28% | 62% |
| It depends (please specify) | 9% | 8% | 23% |
| **Total number of respondents who answered at least once** | **163** | **144** | **13** |



## 3. "Say on Climate" Management Climate Transition Plan

Some companies have begun or have committed to putting forward their climate transition plans for a regular shareholder advisory vote (Say-on-Climate" vote). What, in your view, could be "dealbreaker" for shareholder support for approval of a management-proposed climate transition plan? (Please select all that apply).

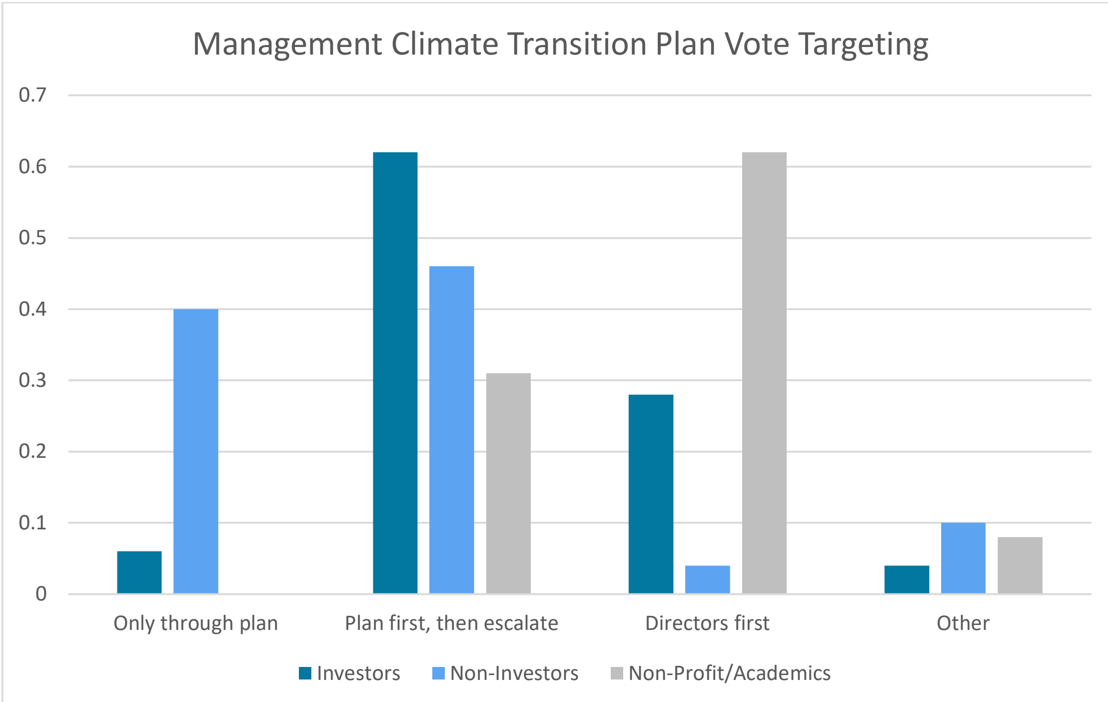
| | Investors | Non-Investors | Non-Profits/ Academics |
|---|---|---|---|
| 1. A lack of clear and appropriately detailed disclosure of its climate change emissions governance, strategy, risk mitigation efforts, and metrics and targets, for example such as according to the Task Force on Climate-Related Financial Disclosures (TCFD) framework | 81% | 63% | 69% |
| 2. A lack of improvement on disclosure and performance (even if it is not yet in line with peers or with Paris Agreement goals) | 58% | 52% | 23% |
| 3. A lack of targets and emissions reductions at least in line with industry peers | 52% | 37% | 31% |
| 4. A lack of a long-term ambition to be in line with Paris Agreement goals for its operations and supply chain emissions (Scopes 1, 2 & 3 targets) that could reasonably be seen to be in line with limiting global warming to "well below 2 degrees C" (Paris Agreement goals) | 76% | 37% | 92% |
| 5. A lack of absolute medium-term (through 2035) GHG emissions reductions targets for its operations (Scope 1 & 2 emissions) that could reasonably be seen to be in line with limiting global warming to "well below 2 degrees C" (Paris Agreement goals) | 48% | 26% | 23% |
| 6. A lack of absolute medium-term (through 2035) GHG emissions reductions targets for its operations and supply chain emissions (Scopes 1, 2 & 3 targets) that could reasonably be seen to be in line with limiting global warming to "well below 2 degrees C" (Paris Agreement goals) | 50% | 16% | 85% |
| 7. A lack of a strategy and capital expenditure program in line with GHG reductions targets that could reasonably be seen to be in line with limiting global warming to "well below 2 degrees C" (Paris Agreement goals) | 63% | 19% | 77% |
| 8. A lack of a declining trend in terms of absolute GHG emissions in operations and supply chain | 33% | 20% | 69% |
| 9. A lack of reporting showing that its corporate and trade association lobbying activities are in alignment (or are not in contradiction) with limiting global warming in line with Paris Agreement goals | 60% | 16% | 77% |
| Other (please specify) | 24% | 10% | 54% |
| **Total number of respondents who answered at least once** | **162** | **134** | **13** |




## 4. Management Climate Transition Plan Vote Targeting

If a management climate transition plan is on the ballot for shareholder approval, would you:

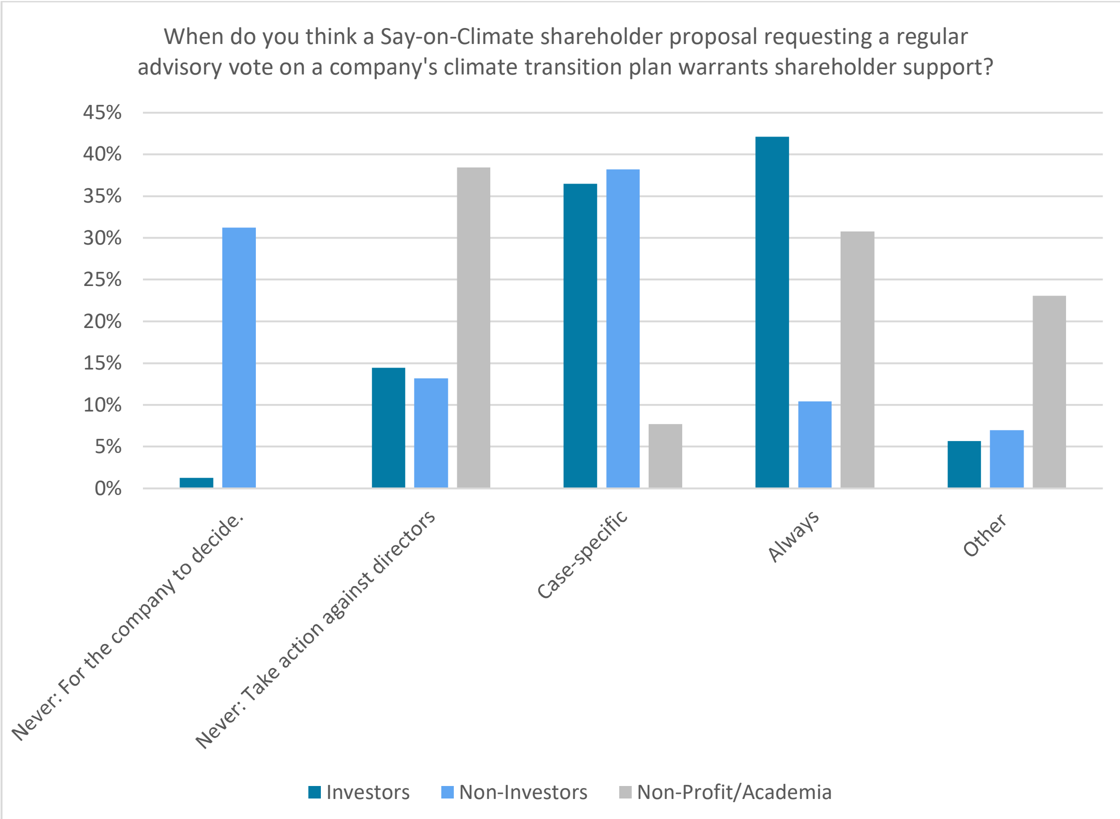
| | Investors | Non-Investors | Non-Profits/Academics |
|---|---|---|---|
| Consider that investors' views about the adequacy of climate risk mitigation should be expressed only through votes on the plan itself (for example, if investors consider the plan, information provided, or progress inadequate, should they potentially only vote negatively on the say on climate proposal)? | 6% | 40% | 0% |
| Consider that the plan is the primary place to vote to express sentiment about the adequacy of climate risk mitigation but that escalation to votes against directors may be warranted in future years if there is multi-year dissatisfaction? | 62% | 46% | 31% |
| Consider that votes on directors are the appropriate place to express dissatisfaction on the adequacy of a company's climate risk mitigation no matter how investors plan to vote on the plan? | 28% | 4% | 62% |
| Other (please specify) | 4% | 10% | 8% |
| **Total number of respondents who answered at least once** | **160** | **134** | **13** |




## 5. Say on Climate Shareholder Proposal

When do you think a Say-on-Climate shareholder proposal requesting a regular advisory vote on a company's climate transition plan warrants shareholder support? Please select the option that best reflects your view.

| | Investors | Non-Investors | Non-Profits/Academics |
|---|---|---|---|
| Never: This should be a matter for the company to decide. | 1% | 31% | 0% |
| Never: Shareholders should vote against directors if they are not adequately managing climate risk. | 14% | 13% | 38% |
| Case-specific: Shareholders should be granted a right to regularly vote on a company's climate transition plan only if there are gaps in the current climate transition plan and/or climate reporting, for example, lack of short, medium or long-term targets, and/or lack of GHG reporting. | 36% | 38% | 8% |
| Always: Even if the board is managing climate risk effectively, a shareholder vote tests the efficacy of the company's approach and promotes positive dialogue between the company and its shareholders. | 42% | 10% | 31% |
| Other | 6% | 7% | 23% |
| **Total number of respondents who answered at least once** | **159** | **144** | **13** |

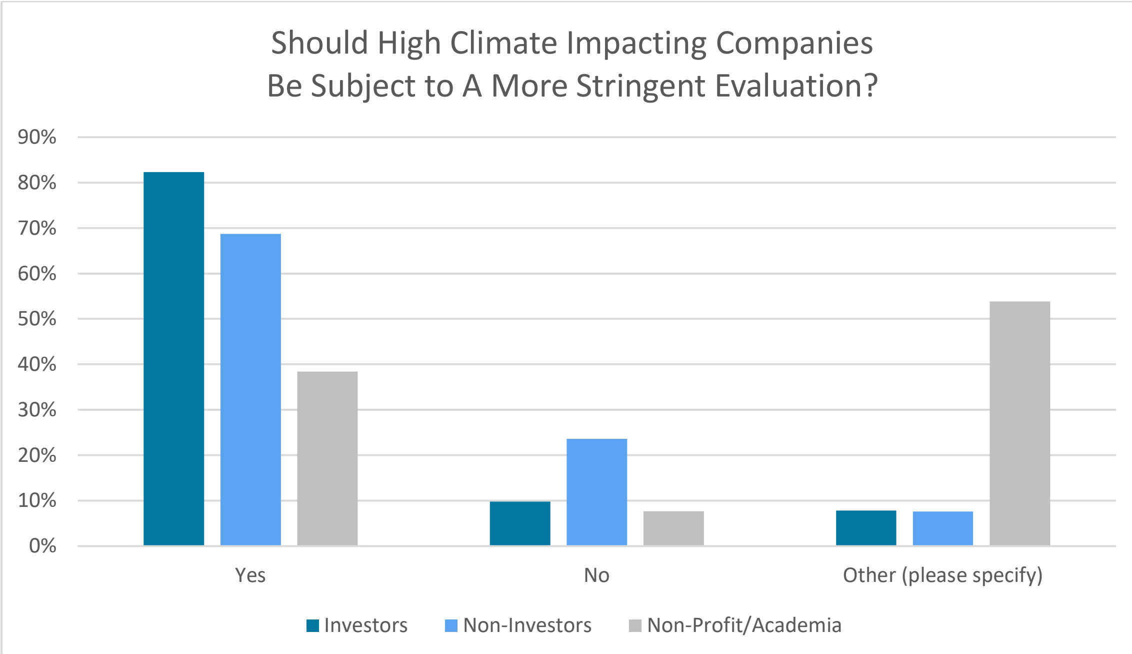



## *ISS Specialty Climate Voting Policy – Questions posed primarily for Current and Interested Investor Subscribers:*

### 6. High-Impact Companies

Climate Action 100+ has identified 167 companies that are disproportionately responsible for GHG emissions and therefore are also responsible for urgent emissions reduction if 1.5-degree goals are to be met. Under the Specialty Climate Policy, should these or a similar list of high-impact companies be subject to a more stringent evaluation of additional indicators compared to companies that make a less substantial contribution to climate change?

| | Investors | Non-Investors | Non-Profits/Academics |
|---|---|---|---|
| Yes | 83% | 69% | 38% |
| No | 10% | 24% | 8% |
| Other | 8% | 8% | 54% |
| **Total number of respondents who answered at least once** | **152** | **131** | **13** |

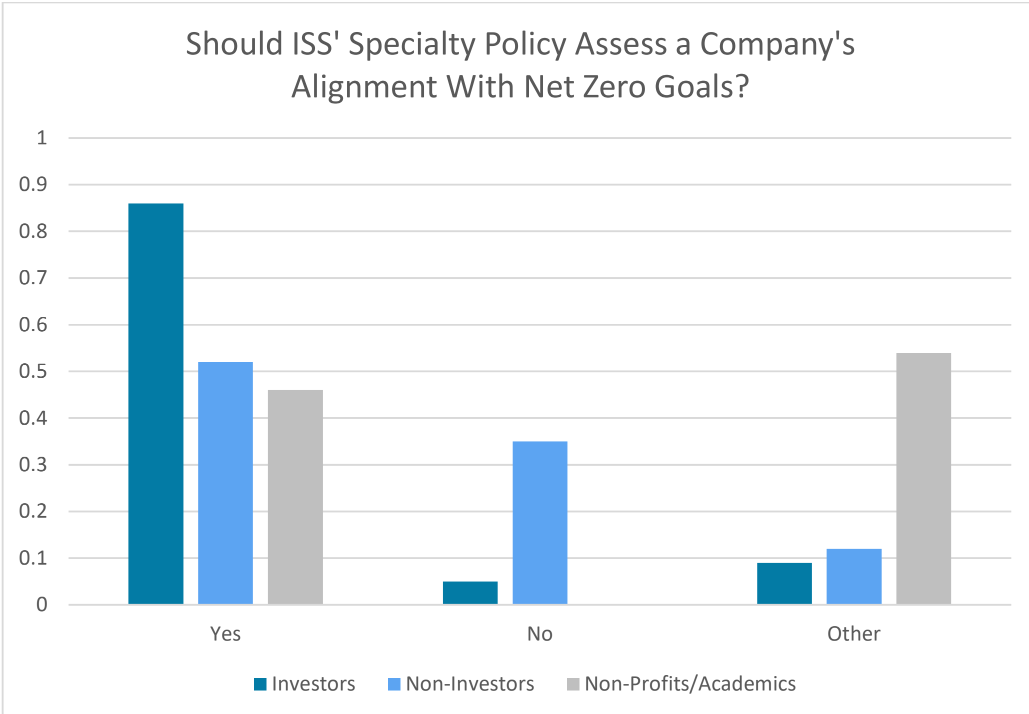



## 7. Net Zero Initiatives

The current Climate Policy uses a model with many data factors for assessment of a company's climate-related performance and disclosures. In cases where concerns are identified, the Climate Policy seeks to target those directors deemed responsible for the climate-related concerns or in cases where no responsible directors are up for election, the policy targets appropriate discharge, approval of sustainability report and/or financial statements. There is increased investor interest and participation in initiatives that, generally, seek to see companies align with a "net zero by 2050" emissions pathway ("Net Zero goals") consistent with a 1.5°C scenario (referred to as Net Zero going forward) as an action to ensure appropriate management of the risks and opportunities of climate change.

**In your view, should the Climate Policy assess a company's alignment with Net Zero goals?**

| | Investors | Non-Investors | Non-Profits/ Academics |
|---|---|---|---|
| Yes | 86% | 52% | 46% |
| No | 5% | 35% | 0% |
| Other | 9% | 12% | 54% |
| **Total number of respondents who answered at least once** | **152** | **130** | **13** |


Should ISS' Specialty Policy Assess a Company's Alignment With Net Zero Goals?
1
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
Yes
No
Other
Investors
Non-Investors
Non-Profits/Academics

## 8. Net Zero Goals

There are several initiatives that are attempting to establish a framework for assessment of companies' progress in relation to Net Zero goals. In March 2021, the CA 100+ published a Net-Zero Company Benchmark report using 10 disclosure indicators. The Science-Based Targets initiative (SBTi) has established sector guidance for developing ambitious GHG emissions reductions targets and provides companies with an independent assessment and validation of targets. In January 2021, the Net Zero Asset Owners issued its inaugural protocol for setting detailed short-term GHG emissions reductions targets.

**How important do you consider the following elements in indicating a company's alignment with Net Zero goals?** Rank each option from 0 (should not be considered) to 5 (extremely important)?

**Investors**

| | Should Not Be Considered | 2 | 3 | 4 | Extremely Important |
|---|---|---|---|---|---|
| An announced long-term ambition of net zero GHG emissions by 2050 consistent with a maximum temperature rise of 1.5 degrees C above pre-industrial temperatures | 3% | 2% | 8% | 25% | 62% |
| Long-term targets for reducing its GHG emissions by 2050 on a clearly defined scope of emissions. | 2% | 2% | 9% | 23% | 62% |
| Medium-term targets for reducing its GHG emissions by between 2026 and 2035 on a clearly defined scope of emissions | 1% | 0% | 7% | 25% | 66% |
| Short-term target for reducing its GHG emissions up to 2025 on a clearly defined scope of emissions | 1% | 3% | 13% | 23% | 59% |
| A disclosed strategy and capital expenditure program in line with GHG reductions targets that could reasonably be seen to be in line with limiting global warming to "well below 2 degrees C" (Paris Agreement goals) | 2% | 2% | 11% | 20% | 64% |
| Commitment and disclosure showing its corporate and trade association lobbying activities are in alignment with limiting global warming in line with Paris goals | 4% | 5% | 16% | 25% | 48% |
| Clear board oversight of climate change | 1% | 2% | 5% | 18% | 74% |
| Disclosure showing the company considers the impacts from transitioning to a lower-carbon business model on its workers and communities | 3% | 4% | 20% | 37% | 35% |
| A commitment to clear and appropriately detailed disclosure of its climate change emissions governance, strategy, risk mitigation efforts, and metrics and targets, for example such as according to the TCFD framework | 1% | 1% | 5% | 25% | 67% |
| **Number of respondents who checked at least one answer** | **151** | | | | |

**Non-Investors**

| | Should Not Be Considered | 2 | 3 | 4 | Extremely Important |
|---|---|---|---|---|---|
| An announced long-term ambition of net zero GHG emissions by 2050 consistent with a maximum temperature rise of 1.5 degrees C above pre-industrial temperatures | 12% | 16% | 24% | 16% | 30% |
| Long-term targets for reducing its GHG emissions by 2050 on a clearly defined scope of emissions. | 8% | 9% | 23% | 33% | 25% |
| Medium-term targets for reducing its GHG emissions by between 2026 and 2035 on a clearly defined scope of emissions | 9% | 10% | 21% | 34% | 25% |
| Short-term target for reducing its GHG emissions up to 2025 on a clearly defined scope of emissions | 19% | 16% | 23% | 17% | 21% |
| A disclosed strategy and capital expenditure program in line with GHG reductions targets that could reasonably be seen to be in line with limiting global warming to "well below 2 degrees C" (Paris Agreement goals) | 17% | 17% | 24% | 27% | 12% |
| Commitment and disclosure showing its corporate and trade association lobbying activities are in alignment with limiting global warming in line with Paris goals | 37% | 19% | 25% | 11% | 6% |
| Clear board oversight of climate change | 2% | 9% | 16% | 25% | 47% |
| Disclosure showing the company considers the impacts from transitioning to a lower-carbon business model on its workers and communities | 12% | 15% | 31% | 25% | 14% |
| A commitment to clear and appropriately detailed disclosure of its climate change emissions governance, strategy, risk mitigation efforts, and metrics and targets, for example such as according to the TCFD framework | 5% | 6% | 21% | 27% | 40% |
| **Number of respondents who checked at least one answer** | **126** | | | | |

**Non-Profits/Academics**

| | Should Not Be Considered | 2 | 3 | 4 | Extremely Important |
|---|---|---|---|---|---|
| An announced long-term ambition of net zero GHG emissions by 2050 consistent with a maximum temperature rise of 1.5 degrees C above pre-industrial temperatures | 8% | 8% | 8% | 38% | 38% |
| Long-term targets for reducing its GHG emissions by 2050 on a clearly defined scope of emissions. | 0% | 8% | 15% | 15% | 62% |
| Medium-term targets for reducing its GHG emissions by between 2026 and 2035 on a clearly defined scope of emissions | 0% | 8% | 0% | 15% | 77% |
| Short-term target for reducing its GHG emissions up to 2025 on a clearly defined scope of emissions | 0% | 0% | 8% | 8% | 85% |
| A disclosed strategy and capital expenditure program in line with GHG reductions targets that could reasonably be seen to be in line with limiting global warming to "well below 2 degrees C" (Paris Agreement goals) | 0% | 0% | 8% | 8% | 85% |
| Commitment and disclosure showing its corporate and trade association lobbying activities are in alignment with limiting global warming in line with Paris goals | 0% | 0% | 8% | 23% | 69% |
| Clear board oversight of climate change | 0% | 8% | 23% | 31% | 38% |
| Disclosure showing the company considers the impacts from transitioning to a lower-carbon business model on its workers and communities | 0% | 0% | 15% | 38% | 46% |
| A commitment to clear and appropriately detailed disclosure of its climate change emissions governance, strategy, risk mitigation efforts, and metrics and targets, for example such as according to the TCFD framework | 0% | 0% | 23% | 54% | 15% |
| **Number of respondents who checked at least one answer** | | | **13** | | |

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