

Investor Requests on Climate Impacts and Adaptation

The number of shareholder resolutions filed against public companies in the U.S. and Canada on climate change impacts and adaptation issues nearly doubled between 2010 and 2011. Investors want to understand the materiality of future climate change for their investment decisions. This concern is fuelled by increased extreme weather events, observed impacts on the built and natural environment, improved scientific information on future climatic changes and associated impacts, and accelerating government attention on adaptation.

In this briefing note, we take stock of shareholder resolutions on climate impacts and adaptation filed in 2009-11 and analyse the implications for public companies in the U.S. and Canada.

Acclimatise, 30 November 2011

Investor concerns

While efforts to reduce greenhouse gas (GHG) emissions are crucial to limit unmanageable future climate change, businesses still need to adapt to inevitable changes in climate, which are already 'locked in' the climate system¹. The impacts of climate change will be felt throughout a company's business model, with consequences for supply chains, assets, operations, workforce, market conditions, regulations, products, and community management².

Climate impacts and adaptation have received far less attention from companies than GHG emission reductions. However, as scientific confidence in future climate is improving and impacts are being felt more prominently, climate change adaptation is making a steady progress in corporate agendas.

In the absence of robust information from companies on climate impacts and adaptation, investors seek reassurance that their investments are resilient in the long-term by filing shareholder resolutions requesting companies to assess and manage their climate risks, and disclose the steps they are taking.

Rising number of shareholder resolutions on climate impacts and adaptation

We reviewed shareholder resolutions filed in 2009-11 against U.S. and Canadian public companies on climate impacts and adaptation considerations [Table

Authors

Jean-Christophe Amado
Anastasia Polyakova

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Acclimatise Contacts

North America

Jean-Christophe Amado
Risk Manager
✉ [jc.amado\[at\]acclimatise.ca](mailto:jc.amado[at]acclimatise.ca)
☎ +1 514-764-9684

Europe

John Firth
CEO and co-founder
✉ [j.firth\[at\]acclimatise.uk.com](mailto:j.firth[at]acclimatise.uk.com)
☎ +44 (0) 1623884347

Acclimatise has worked with many companies to help them understand how vulnerable their business is to a changing climate by assessing impacts for assets, workforce, supply chains and stakeholders expectations. In 2009, Acclimatise produced a series of four reports analysing climate change adaptation performance based on corporate responses to the Carbon Disclosure Project.

Our team has also advised banks, pension funds, asset and fund managers on the materiality of climate change risks for investment drivers and how to factor this into portfolio decision-making.

More information is available in the 'Disclosure and Investor Risk' section of our website:

www.acclimatise.ca

www.acclimatise.uk.com

1]. The number of these resolutions grew from just 1 in 2009, to 19 in 2011.

No sector is immune

Though climate change vulnerability will vary between sectors, locations and levels of adaptive capacity, virtually no business is immune from climate change impacts.

As a result, a large number of sectors are exposed to shareholder resolutions on climate impacts and adaptation (Figure 1).

Good understanding from investors of potential impacts

The level of detail in which investors reason their concerns over the implications of a changing climate varies between resolutions. However, resolutions are well reasoned overall, since more than 75% refer to specific impacts.

Shareholder resolutions predominantly raise issues of financial performance, security of inputs, legal obligations and reputation (Figure 2). A large number of resolutions mention concerns over availability of water, droughts and extreme weather events and a few refer to other impacts, including: changes in average temperatures and more frequent temperature extremes, floods, storms, fires, sea level rise, soil moisture and evaporation change.

In the past these shareholder resolutions have been filed by groups responsible for managing socially responsible investments worth several billions of dollars in assets. Going forward, as climate risk management becomes mainstreamed by corporate leaders, mainstream investor groups could be expected to follow suit.

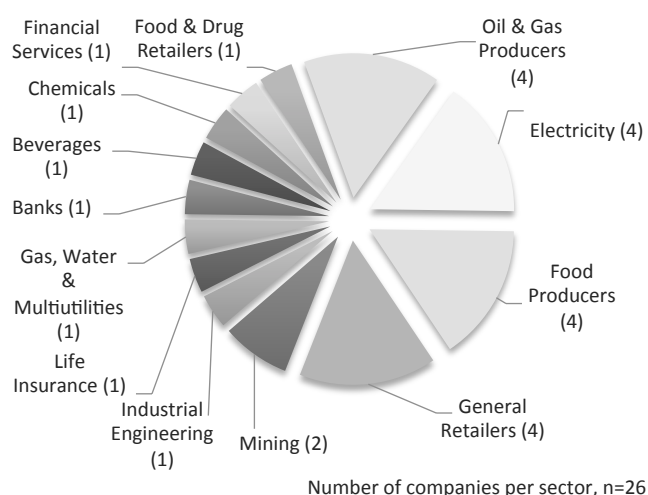


Figure 1. Sectors that have been affected by shareholder resolutions on climate impacts and adaptation since 2009

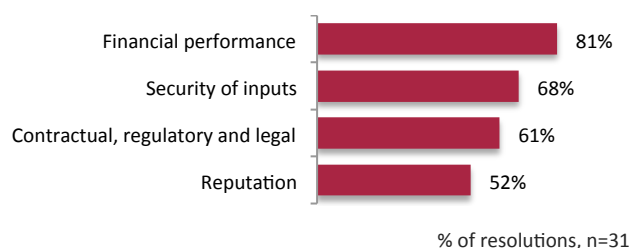


Figure 2. Number of shareholder resolutions referring to specific business risks arising from climate change

Differences between investor and company perceptions of materiality

Shareholder resolutions on climate impacts and adaptation aim to either obtain further information on risks that could be potentially material to investment decisions, or trigger action to reduce vulnerability.

In relation to most of shareholder resolutions on climate impacts and adaptation, company directors feel that these issues do not warrant action because they are not material, or that they are already doing enough to disclose information and manage risk. As a result, many companies are reluctant to take action on climate impacts and adaptation issues. Between 2009 and 2011, a considerable portion of such resolutions on these issues were challenged by companies in front of the securities regulator to avoid shareholder voting at general assemblies, and a few were authorised to be omitted from proxy material by the regulator.

The majority of shareholder resolutions on climate impacts and adaptation are either approved by a majority of shareholders or withdrawn after successful discussions with the company directors (Figure 3).



Given the growing interest of investors on climate impacts and adaptation considerations, company directors should reflect on the materiality of a changing climate for their investors. There is an opportunity for companies to proactively assess the business implications of climate change, put in place adaptation strategies, and disclose relevant information to investors. Coincidentally, this can help companies to gain an early-mover advantage over their competitors.

1. Have you developed a process for assessing climate change risks, opportunities and adaptation measures?
2. Do you know if your key stakeholders have taken positions with respect to climate risk and adaptation?

- A longer and more detailed checklist of prudent steps for public companies on climate impact and adaptation is available by contacting us.

To help investors and businesses in identifying and understanding the potential risks of climate change, Acclimatised developed an online, rapid, climate risk screening tool: Aware™. Visit our website at www.acclimatised.com/aware to find out more about the Aware™ tool.



Table 1. Companies and investor groups involved in shareholder resolutions on climate impacts and adaptation filed in 2009-11

Companies against which shareholder resolutions have been filed ^a		Investor groups that have filed shareholder resolutions
Amazon.com, Inc.	Northwest Natural Gas	CalSTRS
Chevron ^b	Potash Corporation	Calvert Asset Management
ConocoPhillips ^b	PPL Corp	Ceres
CONSOL Energy	Saputo Inc.	Christopher Reynolds Foundation
Dominion	SCANA Corp	Connecticut Treasurer's Office
Dr Pepper Snapple Group, Inc.	Southern Company	Ethical Funds Company
Energen Corporation	SunTrust Banks	Green Century Capital Management
ExxonMobil Corporation	Sysco Corporation	Meritas Mutual Funds
Fairfax Financial Holdings Limited	TJX Cos	Miller/Howard Investments
Great-West Lifeco ^b	Viterra	Needmor Fund
International Coal Group ^b	Yum! Brands, Inc.	Newground Social Investment
J. M. Smucker Company		Northwest & Ethical Investment
Kroger		Trillium Asset Management
Layne Christensen Company ^b		Unitarian Universalist Association
Nordstrom, Inc.		Walden Asset Management

^a Resolutions filed in 2009-2011, on the basis of information provided by Ceres, Calvert Investments, Trillium Asset Management, Interfaith Centre for Corporate Responsibility, Shareholder Association for Research and Education, and U.S. Securities and Exchange Commission.

^b Repeated resolutions

¹ Firth, J. & Colley, M., 2006: The Adaptation Tipping Point: Are UK Businesses Climate Proof? Acclimatise and UKCIP, Oxford.

² Acclimatise, 2009: Building business resilience to inevitable climate change. Carbon Disclosure Project Report 2008. FTSE 350. Oxford.