COP26 declaration: asset owner climate expectations

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COP26 declaration

• A great many asset managers have made net zero commitments but there is a huge variance in standards and lots of greenwashing.

• As asset owners we wanted to send a strong market signal regarding the minimum standards we expect from asset management and to assist others to judge what is good practice and what is greenwash.

• Launched at COP26 with 27 founding signatories representing £7 billion of investments (mainly endowed charities and universities).

• To help establish as minimum standards, signatories commit to use the ‘expectations’ in asset manager selection, monitoring and reviews.
Our minimum expectations: 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 from 2010 levels 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.

2. Operational alignment with achieving net zero by 2050 and 45% emissions reductions by 2030, covering property, travel, and corporate lobbying.
Our minimum expectations: Asset

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).

4. An active commitment to invest in solutions to climate change, where 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.
Our minimum expectations: 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.

6. Active shareholder engagement on 1.5°C aligned transition plans. Investee companies should be engaged with to set short and medium term science based targets, and a net zero target for no later than 2050 that is not overly reliant on negative emissions technologies.

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 director re-elections, co-filing shareholder resolutions, and ultimately divestment.

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Our minimum expectations: 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.

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Asset owner signatories to date:

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To sign up, go to:

COP26declaration.uk

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