



VAN LANSCHOT
KEMPEN

Voting for the energy transition

Sustainability in Action | June 2024

Engagement and Voting

Sector

Big Oil, Infrastructuur

Theme

Climate, Social



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High tide for active shareholders: in the second quarter of the year, the voting season is in full swing. This is when most shareholder meetings take place and investors can cast their votes to express their opinions on important matters that determine a company's policies and future. In our view, voting is never separate from our engagement throughout the year. During the voting season, we can put our money where our mouth is.

Big Oil & Gas companies typically attract significant attention during this period. In this Sustainability in Action, we are pleased to present our considerations for voting in favor or against certain plans in this sector. We also highlight another interesting voting case.

Focus on transitions

First, let's review the past six months: Up until June 20, the Van Lanschot Kempen portfolio managers voted at 291 annual shareholders meetings in the first half year of 2024. We voted against management in 13% of the cases, slightly lower from 2023 (15%). About 40% of the votes cast 'against' were on director election, and one in six votes (16%) 'against' were on executive compensation related items. The number of agenda items tabled by shareholders was 2.3%, noticeable lower than the 4.5% in the first half of 2023.

Van Lanschot Kempen focuses on important transitions of our time, in particular the energy and food transitions. Therefore, the portfolio managers select companies for their portfolios that can actively contribute to these transitions now or in the future.

'We strongly believe in active ownership and actively engage with corporate boards to drive the necessary changes', says Sustainability expert Janine Whittington. 'Our voting behavior aligns with our engagements throughout the year. Asking companies for a robust climate policy and making progress towards achieving net-zero goals often take center stage. This is particularly evident at the shareholder meetings of major oil and gas companies.'

To invest or not to invest?

In our sustainable funds (Kempen Sustainable funds), there is very limited to no exposure to oil and gas companies. If other funds have exposure to this sector, we mainly invest in companies willing to be part of the energy transition. We engage with these companies and provide transparency on progress through reports and milestones.

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Janine Whittington
Sustainability Expert

If no progress is made, we are prepared to escalate our engagements and ultimately divest. As a result, the Kempen strategies are no longer invested in Exxon Mobil, which has refused to develop credible climate plans, address (individual and collective) engagements, and disregarded dissenting votes in recent years.

For or against?

Shell

Similar to last year, we abstained from voting on the resolution proposed by the management regarding the company's energy transition strategy. On one hand, we recognize that Shell has made progress in terms of short-term goals and has set absolute targets for reducing the emissions of its customers

through the use of oil products (Scope 3 emissions) for the first time.¹ On the other hand, we see that the strategy does not guarantee the achievement of the net-zero target by 2050, and there is no independent confirmation that the short-term goals are aligned with the long-term goals. Moreover, there is no clarity on allocated investments. Nearly 22 percent of shareholders voted against Shell's policy.

'We did vote in favor of the climate resolution proposed by the NGO Follow-This, similar to last year', says Whittington. 'This resolution called for reducing greenhouse gas emissions and setting absolute targets for Scope 3 emissions. It received over 18 percent of the votes, slightly less than last year (20%).'

Equinor

We consider Equinor as a sector leader in the transition to a zero-emission future. The Norwegian company has a clear strategy to achieve net-zero by 2050 and has ambitious intermediate goals and investment plans aligned with this objective. However, we voted in favor of a shareholder resolution asking Equinor for a more detailed update of its strategy, particularly regarding required investments. We also want Equinor to set absolute emissions targets.

Repsol

We voted against a management resolution seeking advice on the company's climate policy. The Spanish Repsol has strong climate related objectives and partially aligns executive compensation with the achievement of these goals. However, we still found it justified to vote against, because the company does not include the emissions from sold products in its scope 3 reduction targets, which is the largest source of emissions. Additionally, the calculation of emissions reduction lacks clarity.

¹ Shell says that it wants to reduce the emissions by clients through the use of oil & gas products by 15 to 20% by 2030, compared to 2021. Scope 1 emissions are direct emissions from owned or controlled sources of company. Scope 2 are indirect emissions for the generation of purchased energy. Scope 3 emissions are all indirect emissions that occur in the value chain of the reporting company.



TotalEnergies

Whittington: 'We abstained from voting on the resolution proposed by the management regarding Total's climate plan. We did the same last year, and since then, no updates to the strategy have occurred. While Total has net-zero goals and directs investments to meeting these goals, there is insufficient transparency on how the goals can be achieved. Moreover, Total has announced an increase in oil and gas production until 2030, which raises doubts about goal attainment and will increase Scope 3 emissions.'

Dark turn

The struggle to urge major oil companies to transition away from fossil fuels took a dark turn this year when ExxonMobil sued FollowThis and Arjuna Capital, another climate-focused activist shareholder group. The case against FollowThis was quickly dismissed as the US court had no jurisdiction over the Dutch NGO. However, the case against Arjuna Capital continued, even after Arjuna agreed not to submit a climate resolution during the shareholders' meeting in late May. 'Together with several major shareholders and Dutch asset managers we have expressed our concerns about this step', says Whittington. 'This looks like an attempt by Exxon to silence critical shareholders.'

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Japanese governance and zero-tolerance

The voting season is of course not limited to Big Oil alone. We vote on numerous other significant resolutions that relate to the topics we engage with companies on throughout the year. The Van Lanschot Kempen Small Caps team, for example, has in recent years been engaging actively with Japanese companies to improve corporate governance. In Japan, where the voting season starts slightly later than in Europe and the US, we will therefore express our approval or disapproval through our votes on the adjustments made by boards in this regard.

Another significant vote took place during the shareholders' meeting of the French infrastructure company Vinci. Consistent with the position we expressed during the engagement process, we voted against the approval of the CEO's remuneration. Last year, the CEO received his full variable compensation, despite four confirmed fatal accidents among employees.

In our view, Vinci should adopt a zero-tolerance policy for workplace fatalities as part of the variable compensation. We have already communicated this to the company earlier this year and will continue to do so through further engagement.



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