

COP26 Declaration Asset Owner Climate Expectations Follow-Up Letter to Asset Managers: Fossil Fuel Expansion

Ahead of the 2021 COP26 Climate Conference, 25 leading asset owners published a set of [climate expectations](#) for the asset management industry. These expectations aimed to establish a minimum standard for action necessary to meet the goals of the Paris Agreement.

We are writing to you this AGM season to re-affirm our support for these expectations, which we believe represent a vital minimum standard for ensuring the asset management industry aligns with the 1.5 degree ambition laid out in the Paris Agreement.

Since the release of the expectations, the world's pre-eminent climate science and energy system experts have identified new fossil fuel projects as one of the clearest threats to reaching net zero global emissions by 2050 and limiting global temperatures to the critical 1.5 degree ambition laid out in the Paris Agreement.^{1,2,3,4} Despite this, many large global companies with public commitments to the 1.5 degree goal continue to support major fossil fuel expansion projects⁵ through insurance services⁶, financing⁷, infrastructure construction and exploration activities⁸.

In this context, it is vital that asset managers' approach to alignment with the Paris Agreement prioritises halting fossil fuel expansion activity.

As such we, your clients, have 3 clear requests of you. These detailed asks are based on the high-level principles set out in the COP26 Asset Owner Climate Expectations and we will use performance against these three asks as a key metric for assessing your compliance with the climate expectations more broadly.

Specifically, we urge you to:

- 1) Halt financing for fossil fuel expansion.** We are asking you to publicly commit to halting new financing for fossil fuel expansion projects. This must include halting primary market financing to companies expanding fossil fuel output or infrastructure. Specifically, asset managers should commit to no longer purchasing new bonds associated with fossil fuel expansion projects, or issued by companies involved in constructing new fossil fuel infrastructure and/or exploring for new oil, coal or gas reserves. Divestment from existing bond holdings associated with fossil fuel expansion should also be initiated in a phased but timely manner.
- 2) Vote in favour of pro-climate shareholder resolutions.** As is laid out in the COP Declaration expectations, we expect you to adopt a presumption to vote in favour of all climate-related shareholder resolutions. This AGM season, we will pay particular attention to voting behaviour for resolutions highlighted in ShareAction's [2023 Resolutions to Watch](#) list, as well

¹ <https://www.carbonbrief.org/new-fossil-fuels-incompatible-with-1-5c-goal-comprehensive-analysis-finds/>

² <https://www.iea.org/reports/net-zero-by-2050>

³ https://report.ipcc.ch/ar6syр/pdf/IPCC_AR6_SYR_SPM.pdf

⁴ <https://www.bbc.co.uk/news/science-environment-63149957>

⁵ <https://www.theguardian.com/environment/ng-interactive/2022/may/11/fossil-fuel-carbon-bombs-climate-breakdown-oil-gas>

⁶ <https://www.insurancebusinessmag.com/uk/news/breaking-news/three-insurance-giants-push-back-on-demand-to-stop-underwriting-fossil-fuels-325843.aspx>

⁷ https://www.ran.org/wp-content/uploads/2022/03/BOCC_2022_vSPREAD-1.pdf

⁸ <https://priceofoil.org/2022/05/24/big-oil-reality-check-2022/>

as any resolutions which relate to a company's involvement in new oil, coal or gas projects. We also expect to see strong performance in ShareAction's next Voting Matters report, which will take account of voting during this AGM season.

- 3) **Escalate engagement with companies facilitating new fossil fuel projects by voting against their directors.** Even where there are no climate-specific resolutions at a company, we expect our asset manager to use the most robust possible engagement escalation tools if that company is involved in fossil fuel expansion projects. This should include voting against director re-elections at any bank, insurance, utilities or fossil fuel company which remains involved in facilitating new fossil fuel projects. We have identified these sectors as they are closely involved in facilitating new coal, oil and gas projects. Escalation could also involve voting against the company's annual report and audited accounts on the basis that they do not appropriately factor in the climate risk of the company's continued involvement in expanding oil, coal and gas infrastructure.

We believe that these actions must be adopted as standard practice by the asset management industry in order to ensure the global economy meets critical international climate targets. We expect our asset managers to lead the way in initiating this kind of robust engagement during the 2023 AGM season and beyond.

Please respond outlining your compliance with our COP Declaration expectations, as well as specifically how you will meet the 3 requests outlined in this letter during the 2023 AGM season and beyond.

Yours,

The University of Sussex

The University of Newcastle

The University of Bristol

Jesus College, Cambridge

The Joseph Rowntree Charitable Trust

The Health Foundation

Access, The Foundation for Social Investment

The EIRIS Foundation

The Guild of St George

Trinity College, Cambridge⁹

Jesuits in Britain

Friends Provident Foundation

---- For more information, or to become a signatory, please contact zak.coleman@sos-uk.org ----

⁹ *Trinity College is a new member of this investor coalition and so was not involved in the original declaration. It has sent a letter to its fund managers that is slightly amended to reflect this, but outlining the College's support for the requests laid out above.



