RBC Global Asset Management

Climate change – Investor attitudes and shareholder proposals

This article is part of a new series based on the results of the 2020 RBC Global Asset Management Responsible Investment Survey. The survey, entitled 'Responsible Investing: Global Adoption – Regional Divide,' revealed meaningful insights on the considerations of environmental, social and governance (ESG) factors by global institutional investors.

Throughout 2020, the novel coronavirus (COVID-19) has been top of mind for investors as it has brought disruption to economies, financial markets, communities, travel, and commerce. At the same time, investor interest and awareness in fully integrating material environmental, social and governance (ESG) factors into the investment process has grown. Climate change is one of those factors.

In the RBC Global Asset Management 2020 Responsible Investment Survey, a global study of attitudes in the institutional investing community, climate change was respondents' second-highest ESG concern, after anti-corruption. There remains considerable room to grow, however – 60% of respondents to the survey said that their firm's investment policy did not address climate change. There was significant regional variation here. Only in Europe (65%) did a majority of respondents say their firm incorporated climate change into their investment policy. By contrast, 31% of investors in Asia, 30% of investors in Canada and 17% of investors in the U.S. made the same claim. Globally, another 12% said they were not certain one way or another about this point.

The survey also revealed investor preferences with regard to climate initiatives. Globally, the most popular strategy was to invest in renewables (55%), closely followed by carbon-neutral and low carbon (54%), and seeking out high-carbon companies that are transitioning to low carbon (48%). The survey also gave an indication that concern about climate change continues to grow. Climate risk was cited second only to supply chain risk among respondents who said the pandemic had prompted them to look more closely at ESG factors.

When it comes to addressing climate change, companies are seeing increasing demand for action from their shareholders. The Financial Times reports that in the U.S. and Canada, average investor support for environmental shareholder resolutions rose to 32.7% in the first half of 2020, up from 21.9% in 2019. Support for environmental resolutions remains a minority position but one that looks to be rapidly growing.

One way for asset managers to approach the climate change risks and opportunities faced by their investee companies is through thoughtful proxy voting on climate-related shareholder proposals. Historically, RBC Global Asset Management (RBC GAM) has generally seen climate-related shareholder proposals requesting that companies report on their sustainability initiatives. Although we continued to see these shareholder proposals during the 2020 proxy voting season, we also saw proposals asking that companies consider climate change more holistically throughout the company's overall strategy.

Another way is by coming together. Climate Action 100+, of which RBC GAM is a signatory, is an investor collaboration seeking to actively engage systemically important carbon emitters, or companies with significant opportunity to drive the transition to a low-carbon economy. Since its launch in 2017, Climate Action 100+ engagements have resulted in 120 companies nominating a board member or board committee for oversight of climate change, 50 companies announcing the goal of achieving net-zero emissions by 2050 or sooner, and 59 companies formally supporting the Task Force on Climate-related Financial Disclosure (TCFD) recommendations. This past proxy voting season, several climate-related shareholder proposals were filed at Climate Action 100+ Focus Companies in the U.S. energy and manufacturing sectors.[2] One particular success resulting from this initiative was a major U.S. energy firm disclosing more information on its lobbying efforts as they relate to the Paris climate agreements.

The impacts of climate change are systemic and unprecedented. They're also already apparent. As asset managers and investors, and stewards of our clients' assets, we believe that considering climate-related risks and opportunities in our investment approach can enhance our long-term risk-adjusted results. It is for this reason that in 2020 we formalized our approach to climate change, which focuses on fully integrating climate change into the investment process, conducting active stewardship through thoughtful proxy voting and engagement on climate risk mitigation and adaptation, and providing client-driven solutions and reporting that meet their needs.

[1] Financial Times, Climate change: asset managers join forces with the eco-warriors, July 26, 2020
[2] Proxy season 2020, Climate Action 100+, 2020.

Learn more about RBC GAM's Approach to Climate Change.

(01/2021)

016GAM031 (01-2021)_ARTICLE_CLIMATE_CHANGE_EN_V1_3 01/29/2021