

Model Proxy Voting Guidelines on Key Sustainability Issues

Created by the Sierra Club

These model proxy voting guidelines were last updated in January 2025.

Questions? Contact jessye.waxman@sierraclub.org.

Table of Contents

How To Use This Document	2
Model Proxy Voting Guidelines	3
Systemic Risk Framework	3
Engagement Escalation	3
Director Voting	3
For Climate-Related Systemically Important Companies	4
For Nature/Biodiversity Systemically Important Companies	4
For Large-Cap Financial Institutions	5
For All Large- and Mid-Cap Companies (Excluding Those Previously Identified)	6
Capital Structure	8
Auditors	8
Shareholder Resolutions	8
Climate-Related Resolutions	8
Biodiversity and Nature-Related Resolutions	9
Finance-Related Resolutions	11
Lobbying and Political Spending Resolutions	12
Human Rights and Indigenous Peoples' Rights	13
Environmental Justice and Just Transition	14
Say-On-Climate Proposals	16

How To Use This Document

This document is intended to detail what a comprehensive proxy voting policy looks like on a set of critical environmental and environmental justice issues. It draws from best practices as established in both the proxy voting guidelines of global asset managers and state pensions and the climate finance and forest finance advocacy movements.

This model is not a complete proxy voting guideline. It focuses on many key issues related to some of the most pressing systematic financial risks, namely climate change and biodiversity loss. As such, these model guidelines are meant to help investors revise and strengthen their existing guidelines on these issues, and serve as an example of both recommended language and the scope of issues that a comprehensive guideline should cover. It is not intended to be adopted as a stand-alone policy.

Some funds may be moving to a more principles-based, rather than an itemized, approach to proxy voting. Both are valid approaches; in either case, the key is to ensure that the guidelines are robust and forward-looking, prepared to address the full spectrum of potential resolutions in any given proxy season. Additionally, it is imperative that principle-focused guidelines retain enough clarity and specificity to clearly indicate how the fund will vote on the full scope of issues covered.

Finally, as managing for and seeking to mitigate systemic risks is a central part of fiduciary duty, this guideline is written in a way to support the adoption of a systemic risk mitigation framework in proxy voting practices.

Model Proxy Voting Guidelines

Systemic Risk Framework

We will evaluate proxy proposals by evaluating both idiosyncratic risk to the company and systemic risks posed by the company's operations and financing activities.

The physical and financial risks posed by climate change and biodiversity loss are systemic, portfolio-wide, and undiversifiable.

Therefore, the actions of companies that directly or indirectly negatively impact climate and biodiversity outcomes pose risks to both our portfolios and the financial system as a whole. To protect the value of our portfolio and to mitigate growing systemic and systematic risks, we will hold companies and their boards accountable that fail to adhere to scientific recommendations needed to: limit warming to 1.5°C no/low overshoot scenarios; to preserve at least 30% of terrestrial and marine habitat by 2030; and to uphold the principles of the Global Biodiversity Framework and the International Labor Organization.

Our fiduciary responsibility to our clients and/or beneficiaries includes taking advantage, when practicable, of opportunities to prevent companies from pursuing financial value through behavior that externalizes systemic costs and risks that are likely to harm our beneficiaries more than the isolated financial gains at a single company might benefit them.

Engagement Escalation

We will phase out exposure to the most severely transition-misaligned and climate-risk-exposed holdings if, after a predetermined amount of time, engagement and proxy voting efforts fail to bring the company into alignment with expectations.

Director Voting

Proponents may choose to adopt an escalating approach on matters related to board accountability. A recommended escalatory frame can be found below, but may be condensed for proponents who prefer to enact strong accountability measures from the outset. For those choosing an escalatory framework, the criteria should be cumulative (e.g., Year 2 should necessarily encompass the expectations outlined in Year 1). Voting is disaggregated by issue to allow for differences on issue area and to inform vote rationales accordingly.

For Climate-Related Systemically Important Companies

We will vote against the entire board at high-emitting and high-impact companies...

- Year 1
 - That have failed to set short-, mid-, and long-term, science-based climate targets aligned with 1.5°C pathways low/no overshoot pathways
 - That have failed to publicly commit to align climate policy engagement, lobbying, and political contributions with the goals of the Paris Agreement (1.5C);
- Year 2
 - That have failed to disclose operationally and financially credible transition plans to align business operations and strategy with 1.5C pathways;
 - That rely on offsets for its short- and mid-term climate goals for emissions that could be avoided;
 - That have failed to commit to principles of a Just Transition
 - That has failed to disclose its climate policy engagements or those of the trade associations of which it is a part OR disclosures show the company's political activities to be misaligned with the goals of the Paris Agreement
- Year 3
 - That have not demonstrated progress toward decarbonizing its capital expenditures
 - That have failed to commit to develop new projects in consultation with affected communities and seek their consent

For Nature/Biodiversity Systemically Important Companies

We will vote against the chair of the board or the lead independent director AND the chair of the ESG or relevant committee at Nature Action 100 companies if...

- Year 1
 - The company lacks a public commitment to minimize its contributions to the key drivers of and impacts on nature loss OR the company lacks a public commitment to align with the CERES Principles
 - The company lacks a no-deforestation or similar policy
 - The company does not disclose nature-related dependencies, impacts, risks, and opportunities in either its ESG reporting or financial statements
 - The company lacks a relevant board oversight committee for assessing and managing nature-related dependencies, impacts, risks, and opportunities
- Year 2
 - The company lacks time-bound, context-specific, science-based targets for its impacts and dependencies on nature
 - The company does not disclose operationally and financially credible plans to achieve its targets
 - The company lacks relevant supplier engagement policies, including FPIC, NDPE, and DCF, among others
 - The company has failed to adopt a nature-positive framework

- Year 3
 - The company does not disclose annual progress toward goals
 - The company does disclose annual progress, but disclosures do not demonstrate implementation of goals in line with targets
- Year 4
 - We will vote against the entire board at Nature Action 100 companies for failing to meet these expectations

For Large-Cap Financial Institutions

We will vote against either the chair of the board or the lead independent director AND the chair of the ESG and/or relevant risk committees if...

- Year 1
 - The company lacks short-, mid-, and long-term financed emissions targets encompassing all financial activities
 - The company does not disclose its Scope 3 Category 15 emissions (ie financed emissions) OR lacks a near-term time-bound plan to disclose its total GHG emissions for all in-scope financial activities
 - The company fails to disclose the ratio of financial support for fossil fuels relative to financial support for renewable energy
- Year 2
 - The company lacks a clear, comprehensive, and strategic plan to support its stated climate goals AND the plan lacks
 - A policy for phasing out/ceasing financial activities for long-lived high-emitting assets in the fossil fuel sector and for companies undertaking such projects
 - A no-deforestation/conversion-free policy
 - The company lacks a report detailing fossil fuel financing/underwriting in primary/secondary markets
 - The company has not issued an (audited) climate transition plan
 - The company has not adopted a policy to align finances in line with the goals of the Global Biodiversity Framework or the UN Declaration on the Rights of Indigenous Peoples
 - The company lacks a policy on the rights of Indigenous Peoples to Free, Prior, and Informed Consent (FPIC) and/or a comprehensive human rights due diligence
- Year 3
 - The company lacks a report detailing financing/underwriting in deforestation- and biodiversity-risk sectors
 - The company lacks annual disclosures of fossil fuel and forest-risk financing

For All Large- and Mid-Cap Companies (Excluding Those Previously Identified)

We will vote for the election of new directors, provided that s/he/they...

- Has made public commitments, including in their proxy nomination bio, to prioritize decarbonization and just transition efforts that are aligned with 1.5C pathways at the company
- Do not have past or current ties to the fossil fuel industry
- Enhances the board's capacity to effectively oversee strategy and risk on issues related to climate, nature, biodiversity, environmental justice, indigenous rights, or just transition

We will vote against either the chair of the board or the lead independent director AND the chair of the ESG and/or relevant risk committees if the company...

- Year 1
 - Lacks TCFD-aligned disclosures,
 - Lacks third-party verified short-, mid-, long-term science-based targets
 - Has not undertaken nor stated plans to undertake a community impact assessment
 - *For utilities and companies on the [GOGEL](#) and [GCEL](#) lists:* the company discloses plans to engage in expansion of fossil fuel assets and/or infrastructure
- Year 2
 - Has failed to disclose an operationally and financially credible transition plans to align business operations and strategy with 1.5C pathways
 - Has failed to commit to principles of a Just Transition
 - Has failed to disclose its impacts and dependencies on nature
 - Has failed to set targets to measure and mitigate the impacts the company may have on communities of color, Indigenous communities, and disadvantaged communities in their risk management, health and safety, corporate social responsibility, or similar policies.
- Year 3
 - Lacks specific policies or plans to mitigate the impacts the company may have on communities of color, Indigenous communities, and disadvantaged communities in their risk management, health and safety, corporate social responsibility, or similar policies.
 - Has failed to state its plans and timelines for phasing out investments in unabated carbon-intensive assets
 - Has failed to publicly commit to align climate policy engagement, lobbying, and political contributions with the goals of the Paris Agreement (1.5C)
 - The majority of board members have not made explicit commitments (as reflected in re-election bios) to align their company strategy with 1.5C pathways
 - Has failed to a nature-positive framework
 - The company has failed to publicly commit to align policy engagement, lobbying, and political contributions on deforestation, land-use, biodiversity and related matters are in line with the goals of the Global Biodiversity Framework

- Undertakes or financially facilitates the development of projects that generate significantly negative legal, housing, health, or social outcomes for communities of color, Indigenous communities, or disadvantaged communities (as defined by the federal government).
- Year 4
 - Has not aligned capital expenditure with 1.5C pathways
 - The company has failed to increase portion of capital going to climate solutions and/or emissions reductions
 - The company lacks policies to prevent and provide redress for polluting activities in disadvantaged communities
- *Note: Those choosing an escalatory framework should consider escalating to vote against the entire ESG and/or relevant risk committees on a 2 year delay.*

We will vote against the entire ESG and/or relevant risk committees if the company...

- Fails to adequately address proposals related to enhancing companies' environmental or human rights policies that have garnered at least 30% support from shareholders within the previous year.

We will vote against the chair of the audit committee if the company fails to do the following by the end of the most recent fiscal year disclosures...

- Year 1
 - Report climate change risks and impacts in financial statements
 - Disclose climate- and biodiversity-related public policy engagement activities and political contributions in financial reports
- Year 2
 - Disclose a credible transition plan
 - Make a public commitment and provide an independently assured report that lobbying activities align with 1.5C transition pathways

We will vote against the chair of the nominating committee if...

- The board lacks capacity to effectively oversee strategy and risk across relevant climate, nature, biodiversity, or transition issues
- The bio in the proxy for newly nominated directors lacks information on relevant expertise on above issues OR lacks a commitment to to prioritize decarbonization and just transition efforts that are aligned with 1.5C pathways at the company
- Directors seeking re-election don't explicitly affirm their commitment to align company strategy with 1.5C pathways in nomination bios outlined in the proxy
- No member of the board has significant experience working with or personal connection to Indigenous communities or communities of color
- The board committees that manage climate, biodiversity, and related risks lack members with relevant expertise (eg climate scientist or ecologist)

Capital Structure

We will vote against management-backed proposals to approve new stock offerings at companies continuing to engage in fossil fuel expansion across the value chain, inclusive of financiers.

We will vote in favor of shareholder resolutions to restrict new debt or equity issuance or underwriting at companies involved in fossil fuel expansion across the value chain, inclusive of financiers.

Auditors

We will vote against ...

- Resolutions to approve the Report and Accounts, auditor, and/or audit committee chair where it fails to explain the company's process for monitoring and addressing biodiversity and climate-related risks, or fails to properly reflect them in the financial statements.
- Reappointment of auditor (and their remuneration where relevant) where they fail to detail how they have considered climate risks as part of the audit process at companies materially exposed to climate risk and at companies whose activities have material climate impacts
- Reappointment of auditors that have failed to effectively integrate climate risk into their reports

Shareholder Resolutions

**Some investors may adopt a principles-based approach to proxy voting, focusing on broadly applicable governance principles rather than specifying particular resolutions they would support. For funds that choose the former approach, the policy should be crafted in a way that ensures the funds will support the range of resolutions itemized below, in order to align with best practices.*

Climate-Related Resolutions

Example of principle-based approach

The physical and transition impacts of climate change are increasingly recognized as posing material, and even systemic risks and opportunities to a range of companies, their operations and their value chain. Companies that provide climate change solutions are also well-positioned to generate value as a part of a carbon-constrained future. Investors increasingly expect companies to assess their climate risk exposure and develop transition plans that address how they plan to reduce such risk, including reducing GHG emissions. In general, the Fund supports proposals that require a corporation to report or disclose to shareholders company efforts in the environmental arena, seek to improve a company's environmental practices to protect the world's natural resources or address climate change.

Scope of resolutions to support

We will support resolutions that ask companies to improve disclosure or report on...

- Net-zero GHG reduction targets
- Goals to reduce Scope 3 emissions
- Methane emissions and flaring and methane emission reduction targets
- Paris-aligned GHG reduction targets
- Stranded carbon asset risk
- Use of carbon offsets
- Asset retirement obligations in financial reporting
- Climate transition plans, including audited transition plans
- Annual progress toward climate goals, including against publicly disclosed transition plans and/or sectoral decarbonization pathways
- Business practices that place financial return over healthy social and environmental systems and risk returns of diversified investors
- Material ESG risks, including climate risks, against a double materiality standard in financial filings

We will support resolutions that ask companies to act on climate mitigation strategies, including...

- Adopting a policy to reduce Scope 3 emissions
- Strengthening climate targets, including setting absolute reduction targets or having credible third-party verification (eg SBTi)
- Setting net-zero GHG reduction targets
- Aligning capital expenditures with (near-term) climate goals and/or 1.5C pathways
- Adopting practices to curtail corporate activities that externalize social and environmental costs that are likely to decrease returns of diversified portfolios
- Producing and disclosing a transition plan

We will support all flagged votes at companies on the Climate Action 100+ and Nature Action 100 lists.

Biodiversity and Nature-Related Resolutions

Example of principle-based approach

Protecting biodiversity and natural ecosystems is crucial for ensuring the long-term sustainability of resources, healthy supply chains, and economic prosperity. Companies should seek to align their practices with the principles of the Global Biodiversity Framework and are expected to regularly monitor, assess, and transparently disclose their risks, dependencies, and impacts on biodiversity, inclusive of their value chains and portfolios, where relevant. The Fund will vote its shares in a manner consistent with progressively reducing negative impacts on biodiversity, increasing positive impacts, reducing biodiversity-related risks to business and

financial institutions, promoting actions to ensure sustainable patterns of production, and promoting sustainable consumption patterns with customers.

Scope of resolutions to support

We will support resolutions that ask companies to improve disclosure or report on...

- Biodiversity risk
- The company's (adverse) impacts to nature
- The company's total current or proposed land footprint
- Disclosures aligned with the Taskforce on Nature-related Financial Disclosure (TNFD)
- Impacts of company's operation and supply chains on global biodiversity
- Supply chain deforestation impacts, including in areas of native vegetation and intact forests
- The habitats in which direct and indirect suppliers operate
- Pesticide use by the company and its direct and indirect suppliers
- Company impact or dependence on biodiversity or natural capital and associated risks and opportunities

We will support resolutions that ask companies to adopt strategies that mitigate negative impacts on these issues, including...

- Adopt policies to align with the goals of the Kunming-Montreal Global Biodiversity Framework (GBF)
- Adopt no deforestation policies, including, but not limited to:
 - No Deforestation, No Peat, No Exploitation policies (NDPE)
 - Deforestation and Conversion Free supply chains
 - Application of the High Carbon Stock Approach by the company and its direct and indirect suppliers
- Adopt a supply chain policy not to drain or degrade wetlands and peatlands
- Adopt no-go zones for operations, supply chain sourcing, and/or for areas to finance fossil fuel and agricultural production, transportation, including:
 - The Arctic
 - The Amazon, Gran Chaco, and Cerrado
 - Intact forests, High Carbon Stock (HCS) forests, or High Conservation Value (HCV) areas
 - Protected areas or other environmentally sensitive areas
 - Habitats of endangered or threatened species
 - Key biodiversity areas
 - No Go Areas as defined by the Banks and Biodiversity initiative
 - Indigenous Territories or sites traditionally held Indigenous and community-conserved areas (ICCA)
- Improve supply chain transparency and disclosures, including through enhanced monitoring across all supply and value chain impacts

- Adopt a policy not to harvest or trade in endangered species, including through direct or indirect suppliers
- Adopting strategies to protect threatened and endangered species
- Require direct and indirect suppliers to report against the habitats they operate in
- Adopt a policy not to use or introduce genetically modified species of invasive alien species into the environment
- Adopt policies to minimize or eliminate the use of pesticides by the company and its direct and indirect suppliers
- Adopt a policy to minimize pollution with the best available technologies cause by mills and factories processing deforestation-risk commodities, by the company and its direct and indirect suppliers

Finance-Related Resolutions

Example of principle-based approach

Though not high-emitting companies themselves, financial institutions are critical actors given their role in controlling capital allocation, enabling the funding of sustainable projects and innovations that drive the shift towards a low-carbon economy. For these reasons, the Fund will support measures that encourage financial institutions to align its financial activities with the goals of the Paris Agreement, the Global Biodiversity Framework, the International Labor Organization, and “30 by 30.”

Scope of resolutions to support

We will support resolutions that ask companies to improve disclosure or report on...

- Scope 3, Category 15 emissions, including from AFOLU sectors
- Fossil fuel financing and underwriting
- Deforestation financing and underwriting
- Stranded asset risks
- Audited climate transition plans
- Financing of activities on Indigenous Peoples’ lands
- Clean energy financing, including the ratio of financial support for fossil fuels relative to financial support for renewable energy
- Progress toward climate financing and/or just transition goals
- Positive and negative impacts of financing activities on communities of color, Indigenous communities, and disadvantaged communities
- Scope and impact of stewardship activities, including corporate engagements and proxy voting
- Alignment of stewardship policies and practices with climate goals

We will support resolutions that ask companies to...

- Adopt intensity and absolute GHG reduction targets for financed and facilitated emissions

- Set short-, mid-, and long-term financed and facilitated emissions targets, encompassing all financial activities
- Set science-based targets, including those approved by a credible third-party institution (eg SBTi)
- Adopt a policy to phase-out/cease financing or underwriting for or long-lived high-emitting assets in the fossil fuel sector
- Adopt a policy to cease new financial flows to new projects, expanding projects, and companies engaging in new expansion in the fossil fuel sector
- Adopt a policy to restrict financing activities to companies whose lobbying and/or political contributions contravene 1.5C transition policies and incentives
- Adopt policies to align stewardship practices with (global) climate and biodiversity goals, including proxy voting and engagement activities
- Adopt policies and practices to align portfolio construction and stewardship practices, including proxy voting and engagement activities, in line with approaches that mitigate systemic risks (such as climate change and biodiversity loss)
- Adopt policies requiring clients to respect the rights of Indigenous peoples and all communities with customary land rights to give or withhold Free, Prior, and Informed Consent (FPIC) if they could be affected by planned operations
- Adopt policies to mitigate the environmental impacts, health impacts, and climate-related risks from company's financing activities on communities of color, Indigenous communities, low-income or otherwise disadvantaged communities
- Adopt policies not to invest or finance businesses linked to deforestation
- Adopt policies to eliminate agricultural commodity-driven deforestation from their investment and credit portfolios
- Produce and disclose an (audited) transition plan

Lobbying and Political Spending Resolutions

Example of principle-based approach

Having comprehensive policies and oversight procedures for a company's political activity is essential for ensuring transparency, accountability, and alignment with the company's long-term goals. It is therefore vital that a company's political activities align with company strategy and support global goals that support sustainable growth and protect the value of our portfolio, such as the Paris Agreement and Global Biodiversity Framework. Companies policies should encompass both direct and indirect political activities (eg inclusive of trade associations) and should be available to shareholders.

Scope of resolutions to support

We will support resolutions that ask companies to improve disclosure or report on...

- Direct and indirect lobbying, including payments, memberships in tax-exempt organizations that write legislation, and management decision-making processes

- Report on contributions made to trade associations and other tax-exempt entities that are used for political purposes

We will vote in support of resolutions asking companies to...

- Adopt a policy to align lobbying and/or corporate political spending with climate and biodiversity targets
- Adopt a policy to align lobbying and political contribution activities with 1.5C pathways
- Adopt a policy to restrict lobbying and political activities and donations to efforts that undermine the adoption of 1.5C transition policies and incentives
- Provide a congruence analysis between corporate values and political and electioneering contributions (e.g., climate change, environmental risks)
- Establish board oversight of the company's charitable contributions, lobbying activities and expenses, and political contributions

Human Rights and Indigenous Peoples' Rights

Example of a principles-based approach

We recognize the interconnection between human rights (inclusive of Indigenous people's rights) and long-term value creation. Companies that prioritize ethical practices and respect for human rights can benefit companies by fostering a positive corporate reputation, reducing risks of conflict, fostering innovation, improving relationships with communities, and promoting greater operational stability. Ultimately, ethical business practices not only mitigate risks but also enhance the potential for sustainable growth, contributing to the overall stability and performance of our portfolios. The Fund will support shareholder measures that encourage companies to improve disclosure and performance on issues related to human rights and the rights of Indigenous peoples.

Scope of resolutions to support

We will support resolutions that ask companies to improve disclosure or report on...

- Human rights due diligence process to assess, identify, prevent, and mitigate actual and potential adverse human rights impacts
- Human and labor rights risks and/or incidents in the supply chain, including abuses against people trying to protect nature and their rights
- Efficacy of human rights due diligence processes and/or grievance mechanisms
- Grievance list reporting
- Efficacy of a company's policies, practices, and performance on human rights throughout its operations and supply chains, including as it relates to respect of Indigenous Peoples' rights

We will vote in support of resolutions asking companies to strengthen their human rights policies, including...

- Developing and adopting a human rights due diligence process and monitoring system to assess, identify, prevent, and mitigate actual and potential adverse human rights impacts throughout the company's operations and supply chains
- Adopting policy to prevent human and labor rights abuses in company and supply chain operations and/or incidents in the supply chain
- Adopting a zero tolerance policy for violence against human and environmental defenders, including policies that proactively prevent and provide redress for any acts of violence, criminalization, harassment and intimidation of land and human rights defenders in their operations and supply chains.
- Adopting a grievance mechanisms (e.g., as outlined by the UN Guiding Principles on Business and Human Rights)

We will vote in support of resolutions that protect Indigenous Peoples' rights, including...

- Report on the efficacy of policies on Indigenous Peoples' rights
- Adopt a policy to require the Free, Prior, and Informed consent (FPIC) of local and Indigenous communities, including of direct and indirect suppliers and including on customary lands
- Develop and implement policies and due diligence processes to identify, cease, prevent, mitigate, and remedy actual or potential impacts on the individual and collective rights of Indigenous peoples
- Adopting policies regarding economic reconciliation and/or co-development plans that recognize Indigenous land ownership

Environmental Justice and Just Transition

Example of principle-based approach

Net zero will take longer to achieve, or may not be achieved at all, without centering on frontline communities. The low-carbon transition and producing a more ecologically sustainable economy will require a significant shift in the global economy, presenting opportunities for environmental mitigation, job creation, and technological innovation. It is crucial to ensure that these benefits are accessible to all and do not worsen existing inequalities. To these ends, the Fund will generally support efforts that encourage companies to better understand and disclose the company's environmental and health impacts on workers and vulnerable communities where it operates and throughout its value chain. It will also support efforts that encourage the adoption of practices to reduce and redress harms to workers and vulnerable communities as a result of ongoing company operations and/or its climate transition strategy.

Scope of resolutions to support

We will support resolutions that ask companies to improve disclosure or report on...

- Environmental impacts, health impacts, and climate-related risks from company operations on communities of color, Indigenous communities, low-income or otherwise disadvantaged communities, including demographic-based outcome disparities
- Environmental impacts, health impacts, and climate-related risks from company operations on communities in the Global South
- Outcomes affecting workers related to operations and financing activities
- Risks to waterways, to air quality, or of chemical leakages
- Community-health risks
- Sourcing from WMBEs or equivalent
- Community impact assessments
- Climate-related just transition plan
- Social impact on workers and communities from closure or energy transition of a company's facilities
- The impact of its climate change-related strategies on affected stakeholders, including employees, workers in its value chain, and communities in which it operates

We will vote in support of resolutions asking companies to adopt strategies that mitigate negative impacts on communities of color, Indigenous communities, communities in the Global South, and disadvantaged communities, including...

- Adopt a policy to mitigate environmental and health impacts from company operations or financed activities
- Adopting a policy to minimize disparities in where operational or financed polluting activities are located, including mitigating demographic-based or geographically-based disparities in exposure to pollution and adverse climate outcome
- Adopt a policy to mitigate risks to waterways, air quality, and ecosystem integrity from operations or financed activities
- Policies to prevent and provide redress for polluting activities in disadvantaged communities
- Adopting a policy to increase sourcing from, contracting with, and financing to WMBEs or their equivalents, particularly those providing climate-beneficial products and services

We will vote in favor of resolutions calling on companies to adopt and implement principles for a just transition throughout their operations, including...

- Embed principles for a just transition throughout company operations
- Develop decarbonization strategies that can be achieved without excluding customers, unduly affecting workers, and/or mitigating 'stranded customer' risk
- Develop and report on metrics or milestones to assess company progress toward incorporating just transition principles into its operations

- Develop strategies to help mitigate the social impact of closure or energy transition of a Company's facilities
- Alignment with ILO's "just transition" guidelines
- Develop plans to reskill and support workers affected by the shift to a low-carbon economy
- Increased investment in sustainable technologies and practices that promote job creation in green sectors
- Improved engagement with stakeholders, including affected communities, in developing transition strategies

Say-On-Climate Proposals

Example of principle-based approach

It is crucial for say-on-climate proposals to align with the goals of the Paris Agreement, as this ensures that corporate climate strategies are rooted in science-based targets essential for limiting temperature rise and mitigating climate change. We cannot approve climate plans that lack this scientific foundation, as they undermine corporate accountability and jeopardize long-term sustainability, ultimately eroding investor confidence and delaying the transition to a low-carbon economy.

Metrics by which to analyze proposals

We will support management-backed say-on-climate proposals provided that they meet the following criteria:

- TCFD-aligned disclosures
- Disclosure of operational and supply chain greenhouse gas emissions (Scopes 1, 2, and 3)
- Alignment of both climate targets and business strategy with science-based 1.5C pathways
- Completeness and rigor of short-, medium, and long-term targets for reduction operations and supply chain GHG emissions
- Credible, third-party approval of targets (must be verified and science-based)
- Net zero by 2050 commitment
- Commitment to annual reporting of progress
- Third-party assurance of the validity of climate data
- Alignment of the company's lobbying activities and capital expenditures with 1.5C pathways, and annual disclosure of relevant activities
- Adequate competency on the board of directors and dedicated board-level oversight of the company's climate transition efforts