FinanceMap Asset Managers Methodology

Analyzing asset managers on portfolios, engagement, and resolutions through a climate lens

March 2022

Table of Contents

Introduction

The IPCC's October 2018 *Special Report on Global Warming of 1.5 °C* laid out the urgent need to transition the global energy mix and, in particular, speed up the introduction of renewable and transport electrification technologies. However, according to the UN, national climate pledges combined with other mitigation measures currently put the world on track for a global temperature rise of 2.7 °C by 2100[1], and governments worldwide are lagging on introducing meaningful and binding climate policy designed to drive the energy transition. As a result, increasing attention has recently turned to the financial sector to drive meaningful progress on climate.

While there are efforts underway (notably at the EU level) to codify climate-related issues into financial regulation, climate change action within finance is currently largely focused on voluntary, non-binding initiatives. As a result, there is a need from a range of stakeholders for an independent assessment of how the world's leading financial institutions are performing on climate change.

FinanceMap provides a platform that looks at the asset management sector through a climate lens, examining portfolios, investor-engagement processes, and shareholder resolutions. The twin objectives of this platform are (i) to allow asset owners and other key stakeholders insights into how the asset management sector is performing on climate change and (ii) to drive improvement within the sector itself by providing benchmarking information.

This document summarizes FinanceMap's methodology for assessing the performance of asset managers on climate change. This assessment is largely divided into two streams, (i) portfolio analysis and (ii) stewardship scoring, each with its own metrics and methods.

[1] Emissions Gap Report 2021. *26 October 2021. UNEP.*

Portfolio Analysis

Assessment Universe

FinanceMap's assessment of asset management portfolios begins at the level of investment funds. Concretely, this research seeks to identify all equity investment funds worldwide with over $10 million in net asset value (NAV). These funds and their portfolios are allocated to the asset managers which manage them. FinanceMap assesses asset managers at the level of the highest parent financial group, including all subsidiary asset managers under the parent. FinanceMap assesses portfolios both at the level of individual funds as well as at the level of the asset manager. An asset manager's portfolio is defined as the aggregate portfolio of all of its funds' portfolio holdings.

FinanceMap relies on Refinitiv Lipper to identify funds, their asset managers, and their portfolio holdings. Concretely, a list of all equity investment funds which meet the $10 million NAV threshold is created from the database. Data on the fund manager as well as the fund holdings for each of these funds is then extracted, where available. Depending on the fund, the holdings data dates from the most recent day, month, or quarter end.

In mapping out the asset management sector, FinanceMap identifies approximately 30,000 equity funds managed by over 1,400 asset managers globally.

Portfolio Paris Alignment

The primary metric used to analyze investment portfolios is the FinanceMap Portfolio Paris Alignment (PA) Score. This metric uses the industry-standard *Paris Agreement Capital Transition Assessment (PACTA*) tool, an open-source methodology designed by *2DII* and expanded upon by FinanceMap, to measure the alignment of a portfolio of companies with the IEA Net Zero Emissions by 2050 Scenario (NZE). For an in-depth elaboration of the PACTA methodology, please refer to 2DII's *PACTA documentation*. A condensed explanation is given below, followed by the full methodology behind FinanceMap's use of the PACTA outputs to calculate the Portfolio Paris Alignment Score.

PACTA

PACTA is an open-source portfolio alignment methodology developed by 2DII, which calculates the forward-looking alignment of a portfolio of companies with science-based climate scenarios. To do so, PACTA uses physical asset-based data (e.g., automotive production facilities, coal mines, power plants, etc.), created by *Asset Resolution*, to estimate the total future production of real-economy companies in climate-relevant sectors. The dataset used contains forward-looking production data for approximately 3,000 public and 29,000 private real-economy organizations across climate-relevant sectors. Comparison of this real-economy production data against prescriptions by Paris-aligned climate scenarios allows for the

calculation of the Paris Alignment of companies and portfolios. FinanceMap uses the *IEA Net Zero Emissions by 2050 Scenario (NZE)* in its application of PACTA.

Currently, FinanceMap uses PACTA analysis for four climate-relevant sectors: automotive, upstream oil and gas production, coal mining, and electric power. The Asset Resolution forward-looking production data at company level is split into different 'technologies', i.e., types of output, within these sectors. For a specific real-economy company, the data forecasts the number of units which the company will produce in each technology in each year. The following table shows the different production technologies analyzed within each sector.

Sector	Unit of Production	Technology
Automotive	Light-duty vehicles per year	Electric
		Hybrid
		Internal Combustion Engine (ICE)
Coal Mining	Tonnes of coal mined per year	Coal
Oil & Gas Production	Barrels of oil equivalent (BOE) extracted per year	Oil
		Gas
Electric Power	MW installed capacity	Coal-Fired
		Gas-Fired
		Hydropower
		Nuclear
		Oil-Fired
		Renewables

Table 7. PACTA production technologies by sector.

The IEA NZE, meanwhile, sets out a pathway with a 50% chance of limiting global warming to 1.5° C by 2100. This pathway consists of roadmaps for the different sectors, prescribing production targets for the different technologies within a sector for every year between now and 2050. PACTA translates these sector-level targets to company-specific targets, allowing the calculation of the gap between a company's forecasted operations and its target under the Paris-aligned NZE.

The following section explains how PACTA calculates technology-level Paris Alignment scores for a portfolio based on the forward-looking data of its portfolio companies. Subsequently, top-line Paris Alignment scores are calculated by FinanceMap at the sector and the overall portfolio level.

Technology Paris Alignment Scores

In order to calculate the Paris Alignment of a portfolio for a certain technology within a given sector, PACTA first allocates the real-economy activities of the portfolio's holding companies to the portfolio. Concretely, the technology production of each company is allocated to the portfolio proportionately to its equity ownership of the company. For example, if a portfolio has shareholdings in Car Company A, amounting to 5% of the total shares outstanding of this company, then 5% of Car Company A's forward-looking production in internal combustion engine vehicles, electric vehicles, and hybrids is allocated to the portfolio.

By summing the portfolio-allocated production over all the companies in a portfolio, the methodology obtains the portfolio's total owned forward-looking production in each technology in each sector. The same allocation and summing process is applied to the companies' NZE targets, giving a Paris-aligned target for the portfolio in each technology. Calculating the relative difference between the portfolio's total owned production in a technology and the portfolio's NZE target over a five-year timeframe gives the Paris Alignment score at technology level. Note that the score is calculated such that overshooting the target gives a positive score for green technologies but a negative score for polluting technologies.

Thus, for a green technology i,

$$A_i^{tech} = \frac{P_{t=5}^{tech,portfolio}}{P_{t=5}^{tech,NZE}} - 1$$

and for a polluting technology j,

$$A_j^{tech} = (-1) * \left(\frac{P_{t=5}^{tech,portfolio}}{P_{t=5}^{tech,NZE}} - 1 \right)$$

Where A_i^{tech} is the Technology Paris Alignment Score for technology i, $P_{t=5}^{tech,portfolio}$ is the portfolio's total owned production in the technology in 5 years' time, and $P_{t=5}^{tech,NZE}$ is the portfolio's IEA NZE target for the technology for the same timeframe.

Therefore, in this scoring method, a 0% alignment score indicates that the portfolio is aligned with the NZE. Simply put, the companies in the portfolio are (in allocated aggregate) forecast to produce an amount corresponding to the NZE scenario target. A negative score indicates that the portfolio is involved in too much polluting or too little green production compared to the NZE. A positive score shows that the portfolio is involved in less polluting or more green production than the NZE prescribes.

Technology Paris Alignment scores are artificially capped at +100% and -100%, in order to avoid imbalance between the possible range of positive and negative PA scores. For example, for green technologies, a portfolio which owns zero actual production but has a non-zero scenario target would receive a score of -100%. However, very high numbers for actual green production with very low scenario targets could technically lead to infinitely high PA scores. The opposite is true for polluting technologies, where portfolios could have infinite negative alignment while being limited to +100% positive alignment.

Sector Paris Alignment Scores

To arrive at the Sector-level PA score, the PA scores for each technology within a sector are combined using a weighted average. The weighting used is a product of two factors:

- Portfolio technology share (W_i^{TS})**:** This weighting is calculated by finding the fraction of production each technology has within its sector in the portfolio aggregate in 5 years' time. This is used to gauge the technologies' relative importance in the companies held by the portfolio.
- Technology production change in NZE (W_i^{TE})**:** Within a sector, each technology makes a different relative contribution to global emissions or emissions reduction. Consequently, changes in the use of some technologies (e.g., coal-fired power and renewable energy) are more crucial than others (e.g., oil-fired power) for meeting the NZE pathway. To reflect this, each technology in a sector is weighted based on the extent to which its production must change between 2020 and 2030 in the NZE. The result is that in addition to weighting the individual technology alignments on the basis of portfolio exposure, the Sector Paris Alignment Score also accurately captures the variable importance of different technologies to the global energy transition.

Thus, the Sector Paris Alignment Score A_k^{sector} for sector k is calculated as

$$A_k^{sector} = \frac{\sum_i W_i^{TS} \cdot W_i^{TE} \cdot A_i^{tech}}{\sum_j W_j^{TS} \cdot W_j^{TE}}$$

with i and j indices for technologies within the given sector k and the other variables defined as in the aforementioned.

Portfolio Paris Alignment Scores

The calculation of the overall Portfolio Paris Alignment score from the Sector Paris Alignment scores closely mirrors that of the Technology to Sector Paris Alignment calculation. The Portfolio PA score is a weighted average of the Sector PA scores, with weightings reflecting portfolio value exposed to a given sector and the sector's importance to the emissions transition. This represents a minor variation on the calculation used to aggregate to the sector level. The two factors in each weighting are:

- Financial exposure to sector (W_j^{SV}): Unlike weighting different technologies within a sector, between sectors there are entirely different production types (e.g., MW of capacity, tons of coal produced),

which renders a weighting based on absolute production meaningless. As a proxy, the relative portfolio value exposed to that sector is used. Note that in this calculation only those companies for which the sector at hand is the company's *primary sector of operations* are counted, in order to avoid double-counting, as well as to prevent highly valuable companies with negligible production in a sector from skewing the weighting (e.g., Apple and Amazon have very small holdings in power generation assets).

- Sector emissions change in NZE (W_j^{SE}): Similar to the explanation above for technologies, different sectors will need to make different relative contributions to global emissions or emissions reductions over the coming decades. To reflect this, each sector is weighted based on the extent to which its emissions must *change* between 2020 and 2030 as outlined in the NZE.

Thus, the Portfolio Paris Alignment Score $A^{portfolio}$ is calculated as

$$A^{portfolio} = \frac{\sum_k W_k^{SV} \cdot W_k^{SE} \cdot A_k^{sector}}{\sum_l W_l^{SV} \cdot W_l^{SE}}$$

with k and l sector indices and the other variables defined as in the aforementioned.

Stewardship Scoring

Introduction

Stewardship, considered here as the combination of investor-company engagement and investor voting at shareholder meetings, has become an increasingly important lever of change in the climate finance space. Alongside this, it is a growing source of value in the marketing of portfolios by asset managers keen to differentiate their offerings. There has also been a rise in investor collaboration and strategic company targeting in company engagements on climate through the *Climate Action 100+* (CA100). This collaborative investor-company engagement initiative was established in December 2017 (now with over 615 institutional investors with US $55 Tn under management) has three asks of the targeted 167 companies, representing the most climate-important listed corporations in the world.

- Improve governance of climate risks/opportunities,
- Reduce greenhouse gas emissions across the value chain, consistent with limiting global average warming to well below 2C,
- Provide enhanced disclosure aligned with the TCFD process.

The CA100 tracks indicators to measure the factors above including emissions targets, decarbonisation strategy, capital allocation, lobbying on climate policy and board-level oversight of climate by the company. Given the prominence of the CA100 currently within the climate stewardship process, it is expected that asset managers should demonstrate contact with these indicators in their corporate engagement processes.

Despite this importance being placed on the investor-company engagement process, there is a dearth of publicly available, objective metrics to judge the quality of this process both generally and with respect to climate. FinanceMap's methodology to measure investor stewardship on climate was developed in consultation with several of the world's leading asset managers and uses key aspects of the UK Financial Reporting Council's 2020 Stewardship Code. The Stewardship Code was chosen to benchmark engagement quality as it appears to provide an ambitious framework and detailed definitions available of what constitutes effective engagement, while being aligned with CA100 three asks.

Through this document, the term 'engagement' is used to refer to all private and public investor communications designed to influence the companies they hold shares in.

- Private communications and meetings with corporate management and appointed advisors.
- Questions at the AGM or other company meetings.
- Comments on the company in the media or public fora.
- Activities around shareholder resolutions and director nominations.

The methodology is designed so that climate resolution voting metrics can be isolated and examined in detail for any particular asset manager, alongside the engagement focused metrics to assess investor stewardship as a whole.

Key Assumptions

The methodology is based on the following concepts which have been discussed with asset managers, asset owners, and other stakeholders throughout 2019-2021 by the FinanceMap team.

- **Information limitations:** Investors may be concerned about maintaining relationships with companies they invest in and may disclose little information on private engagements, especially around sensitive topics. This lack of disclosure is an inherent limitation to any engagement assessment methodology.
- **Applicability of the UK Stewardship Code to the engagement process**. Although asset managers will be subject to different regulatory or voluntary standards across geographies, FinanceMap engagement analysis is benchmarked against the *UK 2020 Stewardship Code* (henceforth Stewardship Code) released in October 2019. The scoring is also consistent with requirements under EU Disclosure Regulation for investors such as *EU Directive 2017/828.* The Stewardship Code was chosen to benchmark the quality of engagement because it provides detailed definitions of what constitutes good engagement. The analysis scores the robustness of asset managers' engagement programs on climate by evaluating their alignment with the principles of the Stewardship Code. However, this should not be taken to mean that the engagement score offers a complete or representative assessment of an investor's *compliance* with the Stewardship Code.
- **Effective engagement on climate**. The Stewardship Code states that "When applying the Principles signatories should "consider [...] environmental and social issues, including climate change". The analysis assesses the degree to which engagement on climate constitutes "effective stewardship." The behavior of companies with respect to climate, and by extension, the targets and aims of investor engagement, should be aligned with global political and scientific agreements. In particular, the 2015 *Paris Agreement*, article 2.1(a) states as its goal: "holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels." An engagement that follows the recommendations of the IPCC is thus subject to the evolution of the IPCC's science-based recommendations, in particular, the Global Warming of 1.5°C release of November 2018.

Engagement Assessment Methodology

The following section outlines the key queries and data sources by which asset managers engagement programs are assessed within a system devised by InfluenceMap in 2019, which breaks down the area being assessed into sub-issues and data sources to generate a matrix structure. FinanceMap applies set criteria for the selection of data sources. Firstly, FinanceMap aims to ensure as much comparable data as possible across organizations to allow for fair scoring. Secondly, FinanceMap draws evidence from credible and public sources (direct company disclosures or respected third party sources).

To break down investor engagement into sub-issues, FinanceMap uses a series of eleven queries that can be applied across all data sources, constructing a matrix of queries (Q1...Q11) against data sources (D1...D4) for each investor. All queries are then weighted against one another in a matrix system to arrive at a final top-level score. Data sources are listed across the top horizontal row, in dark shading. This results in a scoring matrix, with sample scores (five-point scale of -2,-1,0,1,2) or NA (not applicable)/NS (not scored) in the sample matrix below[2].

			Data Sources			
Engagement/Resolution Categories (Queries)		Weighting of Query	Company Disclosures	External Data Sources	Financial Disclosures	Media Reports
1	Engagement Transparency	6%	2	NS	NA	NS
2	Climate Engagement Framework	9%	1	NS	NA	NS
3	Milestones for Success	9%	1	NS	NA	NS
4	Escalation Strategy	9%	1	NS	NA	NS
5	Engagement on Paris Aligned Business Models	10%	2	NS	NA	NS
6	Engagement on Climate Lobbying	10%	1	NS	NA	2
7	Climate Engagement Impact	12%	2	2	NA	1
8	Collaborative Engagement	10%	2	NS	NA	2
9	Resolutions: Voting Transparency	6%	1	NS	NS	NS

[2] *Please note. The order of queries may vary in the organization profiles on InfuenceMap.org*

10	Resolutions: Climate-Relevant Voting	10%	1	NS	1	1
11	Use of Shareholder Authority	10%	1	NS	NS	1

It is thus possible to score each sub-issue across the various data sources within the cells of the matrix. Pieces of evidence within each cell (e.g., time-stamped webpage PDFs) are assessed and scored by FinanceMap team members according to pre-set criteria for each cell, in a manner so that the score is independent of particular team member i.e. is as objective and consistent as possible. Evidence pieces are scored on a 5-point scale (-2; -1; 0; 1; 2), tagged with date, region, and other useful filters. Each cell, data source, and sub-issue is weighted. An algorithm is applied across the matrix to result in sub-scores for each sub-issue and a total score for the entire matrix. If no evidence is found in a particular cell or the cell is not relevant to the entity being scored (noted as NS or NA) the weighting for that cell is allocated to other cells in the row where there are evidence pieces and scores. Scored evidence in each cell is aggregated across the matrix structure using a range of carefully weighted algorithms. These calculations produce an organizational score metrics to describe the asset manager's engagement program.

- **Organization Engagement Score** (value of 0-100) A measurement of a company's engagement program with investee companies on climate. Above 86 (graded in increments of 5 between A-, A, A+) indicates strong and consistent engagement to transition companies in line with the Paris Agreement. Between 71-85 (graded B) suggests the asset manager is actively engaging companies to improve their climate performance, although the engagement is not sufficiently firm or clearly in line with the Paris Agreement. Asset managers scored 56-70 (graded C) engage companies on climate, although are not driving clear behavior change i.e., around the companies' business models. Below 55 (graded D) indicates that the asset manager does not appear to engage companies on climate.

The entities currently scored on engagement in FinanceMap are asset management groups, which in the FinanceMap system are the top-level entities representing numerous operating companies, which in turn manage funds - e.g., BlackRock - BlackRock UK Ltd - iShares ETFs. In some cases, the brands and engagement activities of operating companies within financial groups are suitably different to warrant separate analysis. For example, *Allianz* (the financial group) owns the asset manager *Allianz Global Investors*, which manages *Allianz* group assets as well as other clients. *Allianz* also, in May 2000, acquired the subsidiary *PIMCO*, a fixed Income specialist with assets under management of US $1.9 trillion in 2020. As *Allianz Global Investors* and *PIMCO* have sufficiently distinct policies and behavior towards companies on climate, FinanceMap will analyze each entity separately.

Engagement Assessment Queries

FinanceMap has a set of queries against which all asset managers are assessed on their corporate engagements around climate change. The following section describes these queries and how asset managers' behavior is scored against them.

Q1: Engagement Transparency

According to EU Directive 2017/828, "institutional investors and asset managers should [...] be more transparent as regards their approach to shareholder engagement." For an asset manager to be considered fully transparent within the FinanceMap scoring system, the manager should, for instance, publish the companies they are engaging with alongside an explanation of the issues discussed and the outcomes sought. An equally high transparency score could be obtained by providing detailed case studies of engagements with specific (named) companies across the areas being engaged on. There is no expectation that every engagement merits a case study, as this would be excessive. All disclosures should be freely available on company websites and presented in an accessible format.

Q2: Climate Engagement Framework

The UK's 2020 Stewardship Code Principle 9 expects asset managers to explain "how they have selected and prioritized engagement" & "how they have developed well-informed and precise objectives for engagement with examples". For asset managers to score highly on this query, they should, therefore, have a clear high-level climate change framework that informs what companies they choose to engage with and on what issues to achieve specific results. Legal and General's *Climate Impact Pledge* offers one example of best practice. This program assesses and engages with 1,000 companies across six sectors on climate performance and provides a structure for all climate-related engagements, ensuring engagements are targeted, accountable and logically consistent.

Q3: Milestones for Success

Principle 9 of the Stewardship Code, requires investors to disclose how "how engagement has been used to monitor the company; any action or change(s) made by the issuer(s) [...] Examples should be balanced and include instances where the desired outcome has not been achieved or is yet to be achieved." Asset Managers are assessed on if engagements are monitored, including if there are processes in place to track specific required outcomes that need to be achieved consecutively or at different time-points, as milestones or success criteria during the engagement. To score highly, companies should have a framework that structures their engagement activities and includes key milestones against which to measure progress and determine whether changes in strategy or an escalation of approach are needed. Hermes Investment Management, *for example*, has a propriety milestone system that measures engagement progress depending on each concern and its related objective.

Q4: Escalation Strategy

The Stewardship Code, Principle 11, states that "Signatories, where necessary, escalate stewardship activities to influence issuers [... and explain] how they have selected and prioritized issues, and developed well-informed objectives for escalation; when they have chosen to escalate their engagement, including the issue(s) and the reasons for their chosen approach, using examples". Consistent with the Stewardship Code, highly scored asset managers should have in place escalation strategies and responses that are deployed in certain situations. When asset managers encounter sufficient disagreement or a lack of progress on engagement, it is essential they have a robust escalation strategy in place to prevent the engagement process from stalling. Escalation actions are key in enabling asset managers to be 'forceful stewards,' without which engagement is an advisory conversation without consequences. Sarasin & Partners, *for example*, has a particularly forceful strategy, being prepared to: vote against directors, file shareholder resolutions, propose replacement directors, vote against the auditor and/or annual report and accounts, submit formal complaints to regulators, make public statements, and litigate. FinanceMap's methodology does not prescribe a certain response as necessary, nor pass judgment on which type of response is better than another, so long as the response constitutes a meaningful penalty. Simply 'increasing engagement intensity', for example, is considered insufficient.

Q5: Engagement on Paris Aligned Business Models

FinanceMap assesses whether asset managers are engaging companies to transition in line with the Paris Agreement. Climate change already tends to be the primary focus of ESG-related engagements. However, the methodology assesses the extent to which the intent and desired outcomes of engagements are consistent with the IPCC's Special Report on 1.5°C and the Paris Agreement's commitment to limit warming to "well below" 2°C this century. *For example* in 2019, Allianz, in coordination with the Net-Zero Asset Owner Alliance, engaged with companies around decarbonizing their business models in line with the 1.5°C commitment. Engagements that promote GHG emission targets that lack sufficient ambition or have no grounding in climate science are considered insufficient for the highest positive scores in the methodology.

Q6: Engagement on Climate Lobbying

As InfluenceMap has demonstrated through consistent analysis since 2015, corporations remain a primary obstacle to the progress of climate change legislation. Investors have a key role in bringing about corporate behavior change to ensure companies' direct and indirect policy footprints are consistent with the ambition of the Paris Agreement. Asset owners such as the Church of England Pension Board and Sweden's AP7 have led an engagement process requesting that companies publicly audit their influence over climate policy. This type of activity, or, for example, engagements to prevent a company opposing specific legislative strands, would receive the highest score.

Q7: Climate Engagement Impact

This query aims to determine the extent to which there has been some impact or materiality as a consequence of asset managers' engagements. For instance, asset managers would score highly if they have been individually or collectively engaging on an issue where there has been significant observable progress. All asset managers that are observably active within the Climate Action 100+ engagement initiative would receive points for the success of the program as a whole. However, to receive the maximum score there would have to be some evidence of causality or additionality specifically related to the engagement: in other words, evidence that the investor drove a particular outcome. This would include being the lead or co-lead filer of a resolution that appears to have caused the intended change. An investor assigned as the lead engager on a CA100+ company that has materially changed its behavior would also receive full points.

Q8: Collaborative Engagement

Principle 10 of the Stewardship Code states that "Signatories, where necessary, participate in collaborative engagement to influence issuers." Collaborative investor engagement around climate has become increasingly common and important in recent years. The Climate Action 100+ (CA100+) coalition, for example, represents 615 investors with US $55 trillion in assets under management, and over a five-year time-period intends to transition 167 of the most significant companies on climate. To score highly on this query asset managers need to be material contributors to collective engagement efforts to transition companies in line with the Paris Agreement. *For example*, Federated Hermes, which is the CA100+ lead or co-lead engager on 27 companies, would score highly. Accepting that not all asset managers have the resources or authority to lead collaborative engagements, our scoring will assess whether there has been a material contribution to the collaboration and/or an engagement.

Q9: Resolutions: Voting Transparency

The UK's 2020 Stewardship Code Principle 12, states that, for listed equity assets, investors should "provide a link to their voting records, including votes withheld if applicable; explain their rationale for some or all voting decisions, particularly where: there was a vote against the board; there were votes against shareholder resolutions; a vote was withheld; the vote was not in line with voting policy." Subsequently, the highest scores we award are to asset managers that publish their voting records on their website annually (or more frequently) and disclose their voting rationale in line with the Stewardship Code. All disclosures should be freely available on company websites and presented in an accessible format. Sarasin and Partners, *for example*, has a dedicated webpage providing annual voting records with justifications for voting decisions disclosed in downloadable excel sheets. Consistent with the Stewardship Code, to score highly it is not necessary for the voting rationale to be provided for routine votes such as the appointment of auditors, and accounts, etc.

Q10: Resolutions: Climate-Relevant Voting

Annually, FinanceMap filters shareholder resolutions deemed to be climate-relevant, and asset manager vote support for these resolutions is recorded. The climate-relevance categorization is based on the *IPCC's Special Report on 1.5 °C* and its concluded need for "rapid and far-reaching transitions in land, energy, industry, buildings, transport, and cities." FinanceMap scores voting on any resolution where the intent and likely outcome is consistent with this IPCC stated need. For example, a resolution requesting a utility company to increase its renewable energy production would be considered climate-relevant. Votes on resolutions where any climate-impact would be indirect or unclear, for example, requesting a company to disclose on ESG, are not scored.

The full list of resolutions assessed is available *here*. The voting data is drawn from proxy voting data provider ProxyInsight, asset managers disclosures to the U.S. Security Exchange Commission (SEC), asset managers' websites (including third-party websites they link to), and directly from the asset managers.

Given the significance of proxy voting in the stewardship process, this methodology is designed so that an asset manager's climate voting record Is incorporated into its engagement organization score, but can also be isolated and examined in detail. On FinanceMap.org, asset manager engagement scores are presented alongside its percentage voting support for climate relevant resolutions in the most recent calendar year.

Q11: Use of Shareholder Authority

Owners of corporate equity have significant legal and statutory powers to influence company behavior. FinanceMap assesses whether asset managers have, in their use of shareholder authority, been ambitious, purposeful and forceful in driving companies toward Paris Alignment. Investors that score highly may, for instance, have filed or co-filed shareholder resolutions.

Asset managers may also score highly through galvanizing investor support for a climate resolution either individually or as part of a coalition, or other public forms of shareholder activism. Examples where asset managers have issued public statements around their voting intentions at company AGMs, engaged with company boards ahead of AGMs about climate concerns or resolutions, or made statements/asked a climate-related question at company AGMs would score positively. Asset managers may also highlight climate concerns at company AGMs though other voting activities. For example, *BNP Paribas Asset Management* will abstain votes on the financial statements of companies that do not disclose scope 1 and scope 2 emissions and if the company is unwilling to engage on transitioning its business model to Paris Alignment. *Sarasin and Partners* has an ongoing campaign focused on voting against the statement of accounts, voting against the re-nomination of auditors, and targeting specific relevant director nominations at companies that are not considering climate risk effectively.