

## Study 2. Member Voting Analysis

### Key Findings

- NZAOA members are more likely to vote “for” climate-related proposals than peers in the non-NZAOA group across the entire sample of climate votes.
- However, on ambitious proposals that require companies to align their strategies with the Paris Agreement, we find that peers in the non-NZAOA group are statistically more likely to vote in favour than NZAOA members.
- Similar to our 2021 study, we find that joining the NZAOA does not result in asset owners improving their voting in favour of climate-related proposals more than peers in the non-NZAOA group. Moreover, when we only look at the founding members of the NZAOA, we find that after they established the NZAOA, they were 29% less likely to vote “for” on climate-related resolutions compared with their peers in the non-NZAOA group.

- We also find that NZAOA members rarely sponsor climate-related proposals – only three proposals out of 736 climate-related proposals in our Insightia dataset were sponsored by NZAOA members.
- During the 2022 proxy season, NZAOA members did not show consistent leadership in supporting proposals that call for an end to financing new fossil fuel supply. We found a notable lack of support from Storebrand and Aegon, which command large voting shares. Conversely, we found BNP uses its higher voting share largely in support of the same resolutions.
- On a positive note, in 2022, we found that Alliance members frequently overrode proxy adviser voting recommendations on climate resolutions, voting “for” on climate resolutions twice as often as recommended (benchmarked to Glass Lewis).

**29%**

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## Introduction

In the following section we investigate NZAOA members' voting behaviour as a measure of member climate stewardship in equity holdings. Using proxy voting data from Insightia, this study aims to verify whether the members' pro-climate voting patterns are statistically different after joining the Alliance than those of their equivalent peers. We then investigate data for the 2022 voting season to examine the Alliance's more recent voting behaviour on climate resolutions.

Previous literature has explored the alignment of ESG-committed asset managers and their votes, incentives for asset managers to vote for ES proposals, as well as characteristics of asset managers that would affect ESG voting patterns.<sup>xii, xiii, xiv, xv</sup> For example, Curtis et al<sup>xvi</sup> find that ESG funds are more likely to oppose management by supporting shareholder proposals, especially when the proposals involve environmental issues, and that 'E' funds are far more likely than other funds to oppose management. These studies focus on asset managers, and there is a research gap in how asset owners pledging to the net-zero goal vote on climate-related proposals. Therefore, this study's purpose is to show potential (mis)alignment between NZAOA members' stated climate goals and their proxy voting patterns on climate-related proposals.

## Methodology

We conducted two different analyses: one investigating the comparative difference-in-difference statistics for voting behaviour before and after joining the Alliance, and one investigating the 2022 voting behaviour in aggregate. Both analyses were conducted using data pulled from Insightia, a database service that contains investor proxy voting records. After identifying all available climate-related votes from NZAOA members, we then identified proposals we termed as "ambitious" which called for either Paris Agreement-aligned investing or science-backed decarbonisation strategies.

When conducting the analyses, we aimed to evaluate whether Alliance membership has a significant impact on proxy voting, based on changes in voting behaviour after joining the Alliance. We collected data for all NZAOA members<sup>8</sup> with visible votes on climate resolutions for the time period i) before joining the Alliance and after, for which there was data on 30 out of 73 members, and ii) the entirety of the 2022 voting season until August, for which there was data on 16 out of 73 members.

For the statistical analysis, we used data from 2009 through 2022 to conduct a statistical regression on the Alliance members' voting behaviour. Our goal was to understand both the likelihood of members voting in favour of climate proposals and their voting behaviour in relation to identified non-NZAOA peers, who are Principles for Responsible Investment

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<sup>8</sup> For certain members, we included observable votes from their subsidiaries or parent, or sibling organizations. In cases of votes by asset managers, they might vote on behalf of both asset owners and other clients. Please refer to the Appendix 5 for more details.

(PRI) members. When investigating the 2022 voting behaviour, we examined specific proposals and themes for the NZAOA members. We also compared voting on these proposals to proxy adviser recommendations<sup>9</sup> from Glass Lewis,<sup>10</sup> for which we had available recommendations for 80% of the unique 2022 climate-focused proposals.

## Findings

### Statistics

**As a whole, NZAOA members are more likely to vote “for” climate-related proposals than PRI peers. However, similar to last year’s result, we found that after joining the NZAOA initiative, NZAOA members’ increase in pro-climate voting is not statistically different from that of non-NZAOA peers over the same period.**

NZAOA members are early supporters of climate-related proposals companies where they are shareholders (Appendix 2 - Table 4 and 5). However, after joining the Alliance, some of the members seem to underperform in terms of the number of “for” votes on climate-related proposals at AGMs (Appendix 2 - Table 2). Upon closer look at ambitious proposals that might require companies to align their strategies with the Paris Agreement, Alliance members show positive performance, apart from CalPERS (Appendix 2 - Table 3). Despite that, when compared with PRI peers, PRI members are statistically more likely to

vote “for” on ambitious proposals than their NZAOA peers (please refer to the analysis below and Appendix 2 - Table 10 and 11).

Regarding statistical model results, Model 1 to Model 14 (Appendix 2 - Table 4 and 5) show results for two logistic regressions for the whole sample. Table 4 gradually introduces each independent variable (from Model 1 to Model 3) and includes fixed effects for countries and years (Model 4 and 5). We will interpret Model 5’s result as it contains all variables and fixed effects. Overall, for the whole sample of votes from April 2009 to August 2022, the coefficient for being an NZAOA member equals 0.547, which corresponds to the log odds ratio between the NZAOA group and the PRI group. Consequently, the odds ratio is 1.728, which means the odds of NZAOA members voting in favour of climate action are about 73% higher than the odds for PRI members. Moreover, if the issuer’s industry is fossil fuel, it increases the probability of the “for” votes by 7% (log odds = 0.074; odds =  $\exp(0.074) = 1.077$ ).

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<sup>9</sup> Please note that these recommendations are reflective of Glass Lewis’s default policy.

<sup>10</sup> We used Glass Lewis standard policy recommendations as the basis for comparison, as we found that the other leading proxy advisory firm, Institutional Shareholder Services (ISS), only provided recommendations on 60% of unique proposals.

We then deep dive into the voting data on a resolution-detail basis to investigate on which particular resolution details the NZAOA members are more likely to vote in favour. Of the nine resolution details, there are seven resolutions where being an NZAOA member variable has a statistically significant positive result. We find that, on average, NZAOA members tend to cast “for” votes on climate-related resolutions that are on:

- i. Adopt say on climate vote (98% more likely,  $\beta = 0.683$ ,  $p < 0.1$ , odds ratio = 1.980);
- ii. Adopt/amend energy policy (338% more likely,  $\beta = 1.477$ ,  $p < 0.01$ , odds ratio = 4.380);
- iii. Adopt/amend environmental policy (99% more likely,  $\beta = 0.691$ ,  $p < 0.01$ , odds ratio = 1.996);
- iv. Assess impact of a two-degree scenario (130% more likely,  $\beta = 0.834$ ,  $p < 0.01$ , odds ratio = 2.303);
- v. Create climate change report (94% more likely,  $\beta = 0.667$ ,  $p < 0.01$ , odds ratio = 1.948);
- vi. Create energy report (237% more likely,  $\beta = 1.217$ ,  $p < 0.01$ , odds ratio = 3.377);
- vii. Create environmental report (69% more likely,  $\beta = 0.525$ ,  $p < 0.1$ , odds ratio = 1.690)

**However, joining the NZAOA does not result in members voting more often in favour of climate resolutions than peers in the non-NZAOA group. Moreover, the treatment effect coefficients are all negative across three different datasets (whole sample, matched subsample, subsample of ambitious proposals, and subsample containing votes from the seven NZAOA founding members and their peers), which further corroborates the finding that after joining the NZAOA initiative, the NZAOA members’ increase in pro-climate voting is not statistically different from that of non-NZAOA group.**

From Table 6 to Table 12 in Appendix 2, we show results for difference-in-difference regression for the whole sample (Model 15 to Model 24), for matched subset of NZAOA members and their counterparts (Model 25 to Model 33), for votes concerning changing business models of issuers (Model 34), for the subsample with votes concerning changing business models of issuers (Model 35), and for the subsample of the seven founding members and their peers (Model 36). The coefficient on NZAOA member is the expected mean difference in “for” votes between treatment group and control group (NZAOA and PRI members), which can be viewed as the baseline difference. The coefficient on “After NZAOA member” is the expected mean difference in “for” votes before and after NZAOA members join the Alliance, and this is the time effect. The coefficient of focus is the one associated with the interaction term (NZAOA member after joining NZAOA) – estimate of the treatment effect.





Across Table 6 and 8 in Appendix 2, we can see that the difference-in-difference coefficients are negative. The results indicate that after joining the Alliance, the NZAOA members are less likely to vote in favour of climate actions than their non-NZAOA PRI peers. This result holds even for proposals concerning a change in a company's business model (Appendix 2 - Table 10 and 11), which shows that NZAOA signatories fail to statistically outdo their PRI peers in voting "for" the climate – both for total and highly ambitious climate-related resolutions.

More importantly, Table 12 in Appendix 2, displaying results for a subsample of seven founding members and their PRI peers, shows a statistically significant negative difference-in-difference coefficient ( $\beta = -0.327$ ,  $p < 0.05$ , odds ratio = 0.721). This means that NZAOA's founding members are 29% less likely to vote "for" on climate-related resolutions, as compared with the seven PRI members after they establish the Alliance. The statistical result is not surprising given the descriptive statistics from NZAOA members before and after votes (Appendix 2), especially votes by

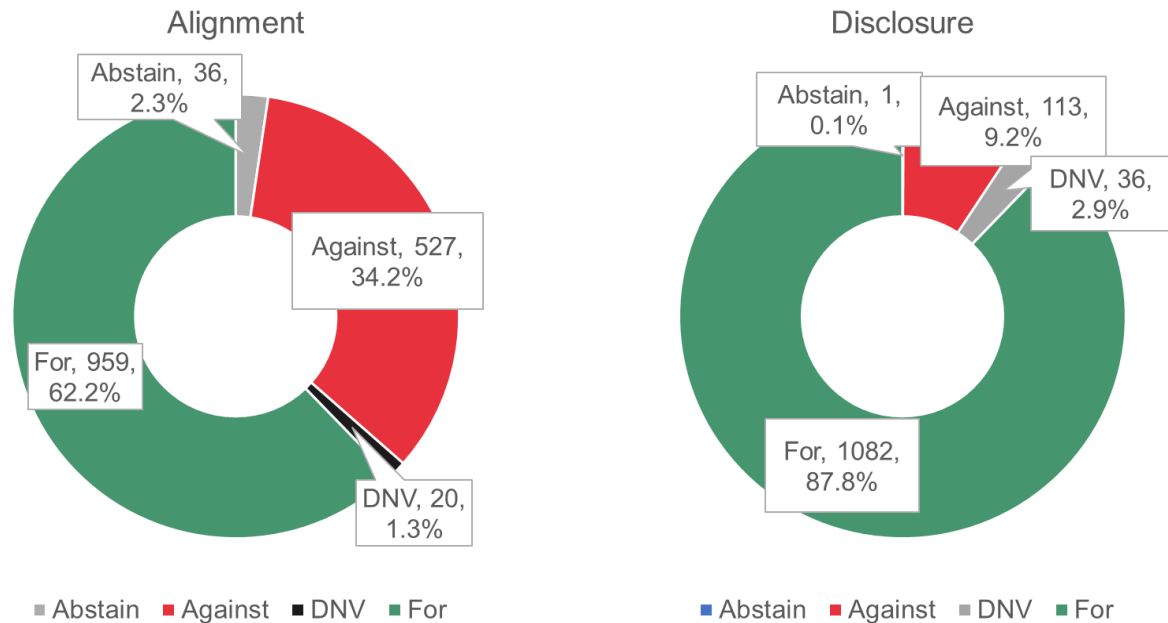
the seven founding members (AMF, Alecta, Allianz, CalPERS, CDPQ, Nordea, and Storebrand). The treatment effect coefficients are all negative across three different datasets (whole sample, matched subsample, and subsample of founding members), which further corroborates the finding that after joining the NZAOA initiative, the NZAOA members' increase in pro-climate voting is not statistically different from that of non-NZAOA members.

Complete statistical results of climate-related voting data can be found in Appendix 2.

## 2022 proxy season deep dives

**Analyzing 2,774 climate votes in the 2022 time period, we found that NZAOA investors voted “for” three out of four times. However, when closely examining the data, we found a significant gap in support between disclosure-oriented and alignment-oriented (i.e. implementation) proposals when coding using CA100+ benchmarks.**

Figure 2. Breakout of climate voting into “Alignment” vs “Disclosure” proposals using CA100+ standards.



While members voted in favour of disclosure-oriented proposals 88% of the time, NZAOA members only voted in support of alignment-oriented proposals 62% of the time.

Yet, the Alliance urges members to go beyond disclosure. The TSP2 also calls for members to leverage stewardship mechanisms and strategies to engage with investee companies to “hold companies accountable when they are making unsatisfactory progress to address climate change or support climate change mitigation.” Therefore, we expect a higher degree of support for alignment-oriented proposals that require investee companies to take proactive measures that align with net zero by 2050 goals.

We also found that NZAOA investors only voted in line with proxy adviser recommendations 51% of the time for votes when recommendations were given. We found that Alliance members were significantly more pro-climate in their voting behaviour, voting “for” climate resolutions twice as often as proxy advisor voting recommendations. In fact, NZAOA members only voted “against” proposals that proxy advisers recommended to vote “for” on three times out of the 1,079 proposals where member voting did not align with recommendations (Appendix 2 - Table 13). Glass Lewis recently announced<sup>xvii</sup> that it will be introducing stricter disclosure recommendation standards for climate-related proposals, which we hope to see reflected in future recommendations.

**NZAOA members did not show consistent leadership in supporting climate resolutions that call for an end to financing new fossil fuel supply. We found a notable lack of support from Storebrand and Aegon, which command large voting shares. Conversely, we found BNP uses its higher voting share largely in support of the same resolutions.**

In January 2022, NZAOA took a firm stance on fossil fuel financing in the TSP2, which required members to “support the phase-out of fossil fuels required by 1.5°C scenario” and “not provide new finance to infrastructure assets whose purpose or emissions cannot be aligned with the Alliance net-zero ambitions” referencing the [International Energy Agency’s \(IEA\) Net Zero by 2050 \(NZE2050\)](#) scenario and the [One Earth Climate Model \(OECM\)](#) as the latest climate science to follow.

However, when investigating specific 2022 resolutions at major financial services companies on ending fossil fuel financing in line with the NZE2050, we observe split results when looking at NZAOA members’ votes. While 10 out of the 16 NZAOA members that voted on fossil fuel financing proposals showed full or partial support for passing these resolutions, several players with larger voting shares across multiple funds voted against proposals in a disappointing lack of support. NZAOA members Storebrand and Aegon both command large, double-digit voting shares that were used to vote “against” proposals meant to align with TSP2 fossil fuel financing goals. However, both members, along with CalPERS, Allianz, Laegernes Pension, and Old Mutual, showed no support for these resolutions. Leveraging its large voting share, BNP voted “for” most proposals, with additional support from fellow NZAOA members AMF, Aviva, AXA, LGIM, Danica, Nordea, and PKA. This stark difference shows that some NZAOA members have yet to follow through on the Alliance’s ambitions and calls for stronger member requirements to prioritize engagement with the facilitators of fossil fuel expansion – including banks and insurers.

Table 4: Voting results on shareholder proposals on fossil fuel financing during 2022.

<b>Shareholder proposals regarding fossil fuel financing<sup>11</sup></b>	<b>Abstain</b>	<b>Against</b>	<b>DNV</b>	<b>For</b>	<b>Total</b>
AEGON Investment Management B.V		16			16
AkademikerPension			5	5	10
Allianz Global Investors	1	3			4
AMF Fonder				1	1
Aviva Investors	1	1		3	5
AXA Investment Managers		1		4	5
BNP Paribas Asset Management	3			31	34
California Public Employees' Retirement System (CalPERS)		5			5
Danica Pension		5		8	13
Laegernes Pension & Bank		4	1		5
Legal & General Investment Management		1		5	6
Nordea Bank Oyj		2		3	5
Old Mutual PLC		2			2
PensionDanmark	3	1	2	2	8
Pensionskassernes Administration (PKA)		4		6	10
Storebrand Asset Management		81			81
<b>Total</b>	<b>8</b>	<b>126</b>	<b>8</b>	<b>68</b>	<b>210</b>

<sup>11</sup> These votes addressed five specific proposals: Adopt Fossil Fuel Financing Policy Consistent with IEA's Net Zero 2050 Scenario, Adopt Fossil Fuel Lending and Underwriting Policy Consistent with IEA's Net Zero 2050 Scenario, Adopt Fossil Fuel Lending Policy Consistent with IEA's Net Zero 2050 Scenario, Adopt Policies to Ensure Underwriting Practices Do Not Support New Fossil Fuel Supplies, and Shareholder Proposal Regarding Move From Fossil Fuels to Renewable Energy.

**We find that members voted more favourably on climate lobbying during the 2022 voting period than on fossil fuel financing.**

While most members voted in support of climate lobby alignment and reporting activity, several members voted against these proposals or did not vote. The NZAOA acknowledges that “sovereign wealth funds are legally advised to avoid political positions or lobbying activities and therefore, would

not be able to engage on policy the same way that other asset owners could,” which may explain why one member did not vote. However, questions are raised around members who consistently voted against climate-lobbying proposals, as lobbying remains a critical lever for the private sector to engage with policymakers. This directly opposes the NZAOA’s stated goals to pursue net zero in tandem with governments, and in support of policy change.

Table 5. Voting results on shareholder proposals on climate lobbying.

Shareholder proposals regarding climate lobbying <sup>12</sup>	Against	DNV	For
AEGON Investment Management B.V			9
AkademikerPension		7	5
Allianz Global Investors			4
AMF Fonder			2
Aviva Investors			3
AXA Investment Managers	2		2
BNP Paribas Asset Management			38
California Public Employees' Retirement System (CalPERS)	2		2
Cbus Super	2		1
Danica Pension			9
Laegernes Pension & Bank			4

<sup>12</sup> These votes addressed four specific proposals: Approve Contingent Resolution – Climate-Related Lobbying, Report on Climate Lobbying, Report on Corporate Climate Lobbying in line with Paris Agreement, and Shareholder Proposal Regarding Lobbying Activity Alignment with 1.5 Degree Scenarios.

Shareholder proposals regarding climate lobbying <sup>12</sup>	Against	DNV	For
Legal & General Investment Management			4
Nordea Bank Oyj			3
PensionDanmark			4
Pensionskassernes Administration (PKA)			6
Storebrand Asset Management			26
<b>Total</b>	<b>6</b>	<b>7</b>	<b>122</b>

**We identify CalPERS, Allianz, and AXA as investors that are slow to exercise their climate voting in line with the NZAOA stewardship goals.**

This is primarily due to lack of support on most (if not all) resolutions they could have supported in 2022 that would have tangible impact, either by phasing out fossil fuels, aligning investee company business strategy with the Paris Agreement, or aligning financing with NZE2050 models (Appendix 4 - Tables 1-3). CalPERS and Allianz are both founding members of the Alliance, and AXA is one of the flagship early members.

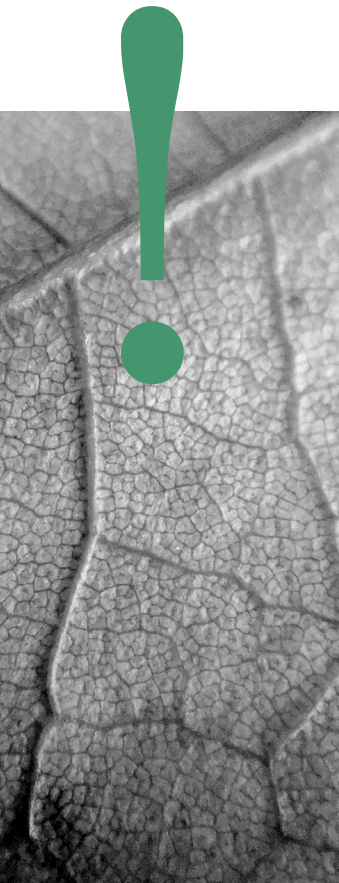
**In contrast, AMF has shown stronger leadership and voting, despite its smaller voting share.**

Also a founding NZAOA member, AMF exerted its voting influence across proposals including strengthening commitments, climate lobbying, and fossil fuel lending policies (Appendix 4 - Table 4). We deemed 34% of these proposals ambitious. Despite the smaller voting influence it wields, the

Swedish pension fund voted in favour of 100% of all environmental proposals visible in Insightia, far outweighing actions from some of the larger cohort members.

Using the “Proponent” datapoint in the dataset, we could identify climate resolution sponsors. Out of 736 climate-related proposals in our Insightia dataset, only three proposals were sponsored by NZAOA members. These members include AkademikerPension, CalPERS, and Wespath. On one of the proposals sponsored by AkademikerPension regarding TCFD reporting, three other members of the Alliance (Allianz, AXA, and PensionDanmark) voted against the proposal.





### **Key Recommendations**

Review and update asset owner's proxy voting policy to reflect their net-zero commitment and emissions-reduction targets before 2023 proxy season.

- Vote in favour of climate resolutions that promote the asset owner's net-zero commitment. This includes supporting climate resolutions at fossil fuel facilitators, including banks and insurers, to prevent the expansion of new fossil fuel supply and increasing support for alignment-oriented climate proposals that require companies to align their business strategy with 1.5°C.
- Be a proactive asset owner by publicly stating the asset owner's voting intentions in advance and/or initiate ambitious climate shareholder resolutions.

- Communicate clearly that asset managers must vote consistently with the 1.5°C pathway and in ways that consider the systemic risks of climate change, representing both the best interests of the asset manager's total client base and the global economy.

Our findings in the proxy voting analysis both reaffirm several findings in the disclosure analysis and complement the study on bondholder exposure to fossil fuel companies. As we have explored the net-zero ambitions of NZAOA members through proxy voting as an indicator of equity engagement, in the next study we investigate members through bond holdings as an indicator of debt engagement.