The responsible investment landscape is changing amid climate-change governance risks. We wrote a letter, supported by 60 asset managers and owners, urging the oil industry to address climate change concerns.

What’s the Issue?
At Newton, we believe an active investment approach plays a crucial role in identifying the future risks and opportunities of climate change for investors. Where we believe companies are ineffectively managing their climate-related risks or opportunities, we will engage to seek further information and more comprehensive action. One recent example provides a good case study of collaborating with other investors to create a wide-reaching, global impact.

How Did We Engage?
In the run-up to the oil companies’ 2018 Annual general meetings (AGMs), we wanted to strongly encourage the oil industry to take full responsibility for their emissions and to improve the transparency of reporting in this area. As members of the Institutional Investors Group on Climate Change (IIGCC), we have been supporting the Climate 100+ campaign to target the 100 most significant contributors to climate change. Our investment strategies (combined) hold securities in fewer than ten of these companies. We carry out engagement work with these businesses at an individual level, but we wanted to make a bigger impact. To do this, we collaborated with our industry contacts to garner support for a public letter. We believe that collaboration of this sort is an effective way to maintain pressure on the industry, and that it bolsters the overall campaign for greater climate change awareness. Responsible investment analyst Victoria Barron worked alongside her counterparts at Legal & General Investment Management to rally other investors to support these aims.

What Was the Outcome?
The outcome of this work was a letter, supported by 60 asset managers and owners with combined assets of over $10.5 trillion. The letter gained excellent traction in the global press, being first published by the UK’s Financial Times and then by other media outlets including the Wall Street Journal, Bloomberg and Reuters. Crucially, we were particularly pleased to hear from Christiana Figueres (chair of the Paris COP21 negotiations and former Executive Secretary of the United Nations Framework Convention on Climate Change), that the letter was discussed by the CEOs of large oil companies. The letter urged the oil and gas industry to be more transparent and take responsibility for its emissions. Given that some of the largest oil and gas companies held their annual shareholder meetings in the weeks following the letter’s publication, it was an opportune moment for these companies to raise climate change issues and position themselves for a low-carbon future. In particular, we discussed a vote at one large oil company’s AGM on which investors would be deciding whether the company should set firm carbon emissions targets in alignment with the Paris Accord. We also encouraged all companies in this sector to clarify where they see their future in a low-carbon world, including concrete commitments and actions to improve climate change issues.
In 2019, we used our voting power to table a resolution at another large energy company’s AGM, calling for the company to address its emissions and share its business model for a low-carbon world. The resolution passed with 99.1% support, making clear how important these questions are to shareholders.

With many investors embracing their responsibility to support the Paris Agreement, we believe it is time for oil and gas companies to do the same. Climate change remains a key area of focus for us, and the work we have undertaken with the oil and gas industry shows our commitment to creating positive change and productively engaging with companies to improve outcomes in this area.

1 https://www.ft.com/content/fda63c26-5906-11e8-b8b2-d6ceb45fa9d0
IMPORTANT INFORMATION

Investors should consider the investment objectives, risks, charges, and expenses of a mutual fund carefully before investing. Contact a financial advisor or visit im.bnymellon.com to obtain a prospectus, or summary prospectus, that contains this and other information about the fund, and read it carefully before investing.

All investments involve risk including loss of principal. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. Asset allocation and diversification cannot ensure a profit or protect against loss.

Risks:

Bonds are subject to interest-rate, credit, liquidity, call and market risks, to varying degrees. Generally, all other factors being equal, bond prices are inversely related to interest-rate changes and rate increases can cause price declines. Equities are subject to market, market sector, market liquidity, issuer, and investment style risks to varying degrees.

Currencies can decline in value relative to a local currency, or, in the case of hedged positions, the local currency will decline relative to the currency being hedged. These risks may increase fund volatility.

Investing in foreign denominated and/or domiciled securities involves special risks, including changes in currency exchange rates, political, economic, and social instability, limited company information, differing auditing and legal standards, and less market liquidity. These risks generally are greater with emerging market countries.

Impact investing and/or Environmental, Social and Governance (ESG) managers may take into consideration factors beyond traditional financial information to select securities, which could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. Further, ESG strategies may rely on certain values based criteria to eliminate exposures found in similar strategies or broad market benchmarks, which could also result in relative investment performance deviating.

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