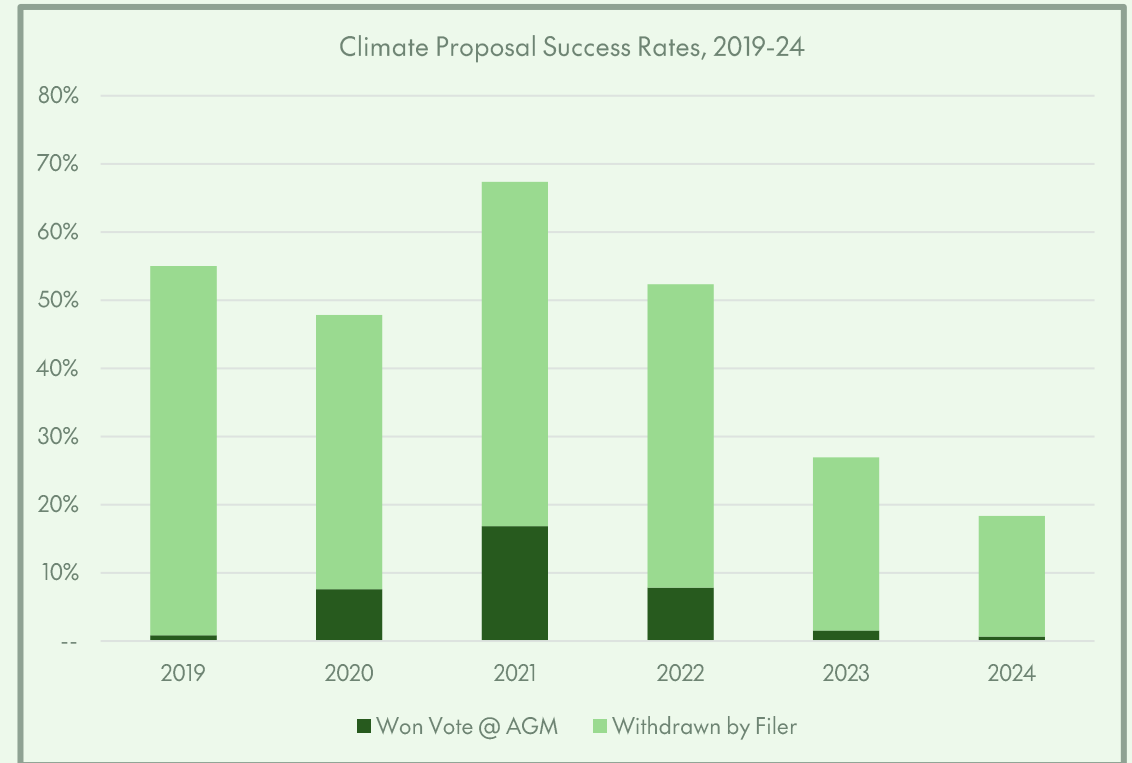
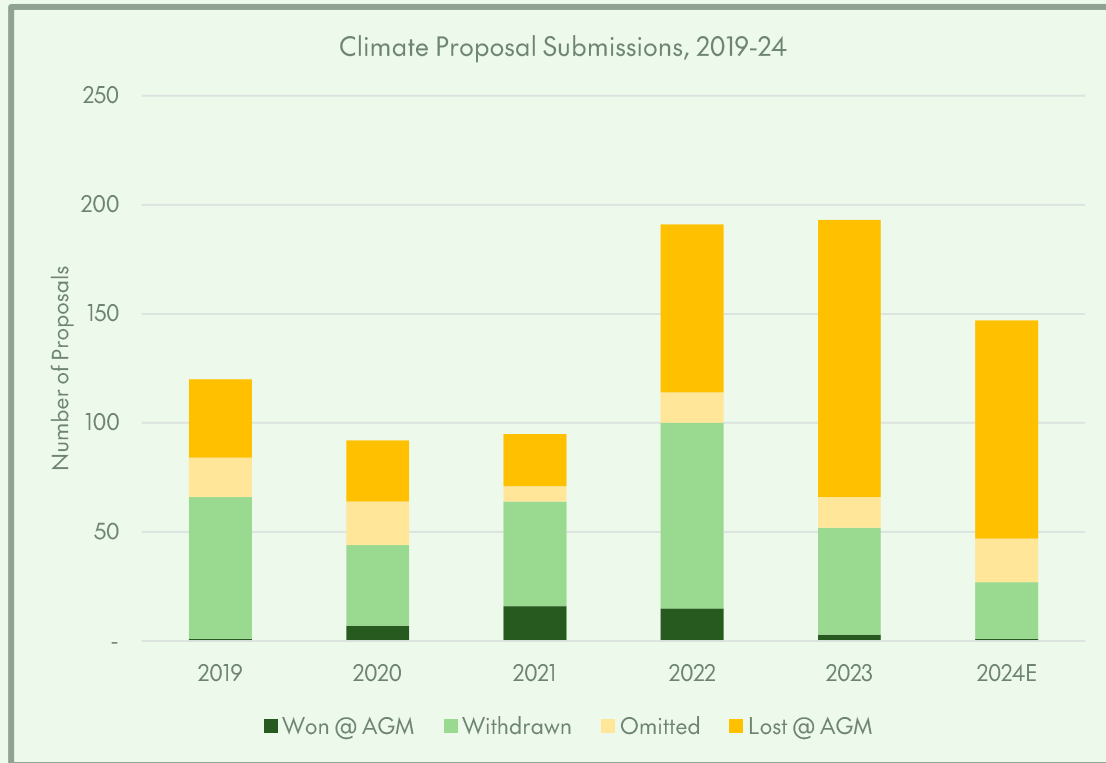




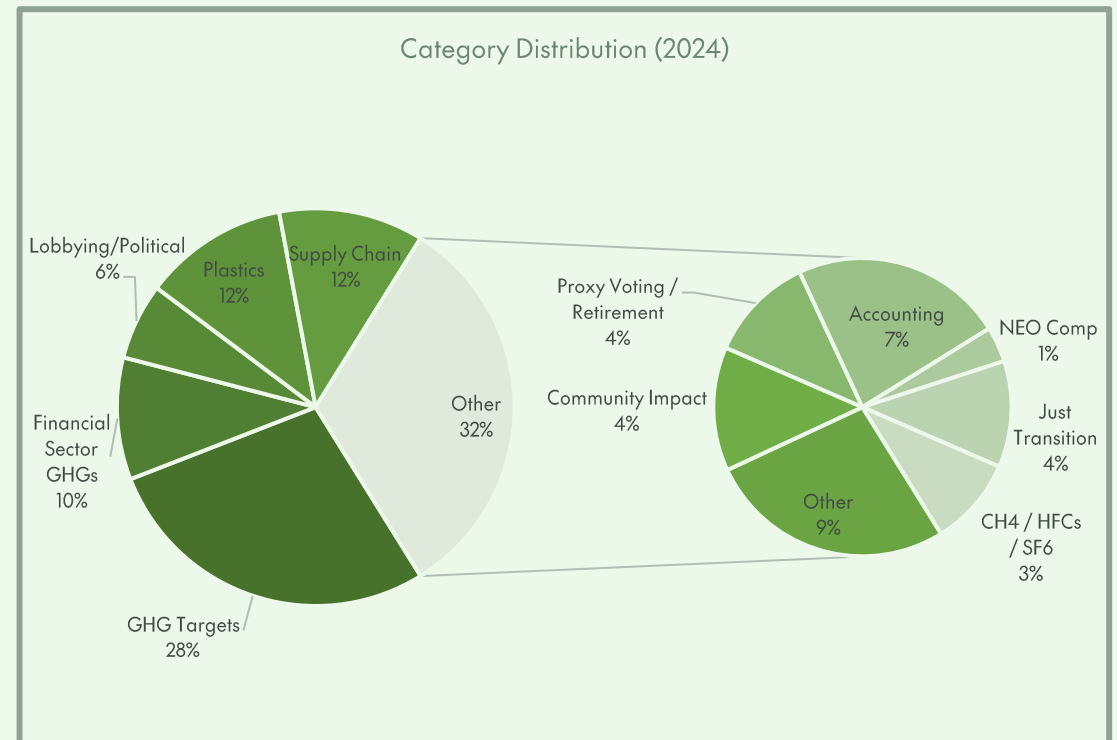
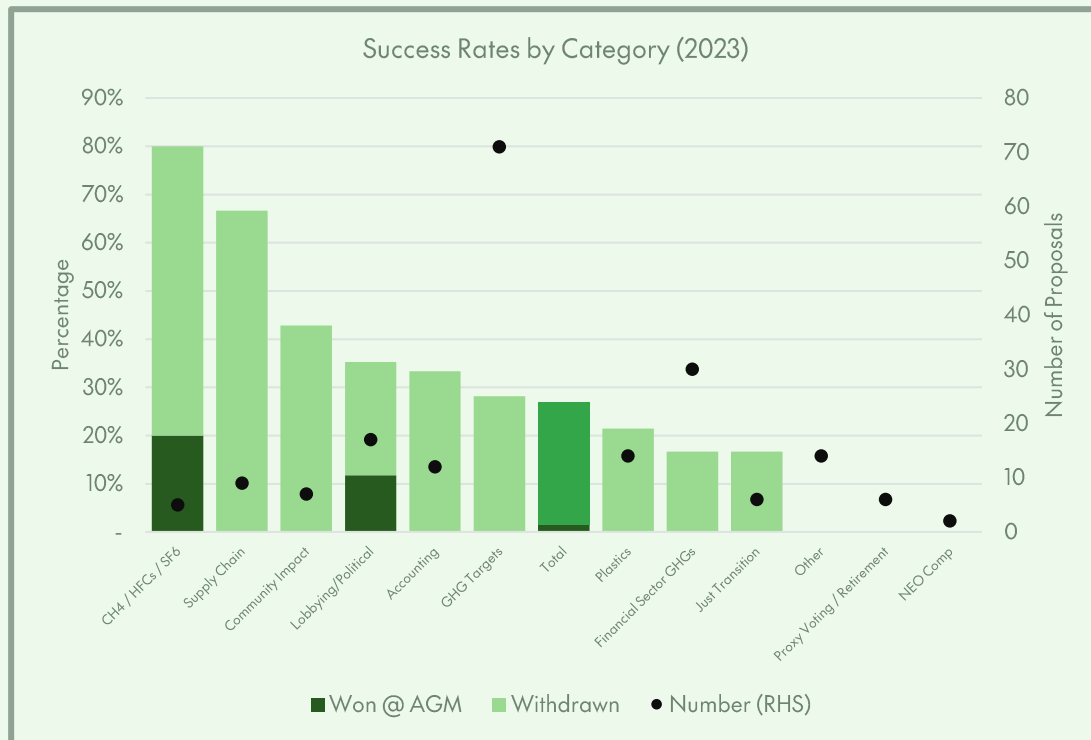
# ESG's Second Act

April 2024

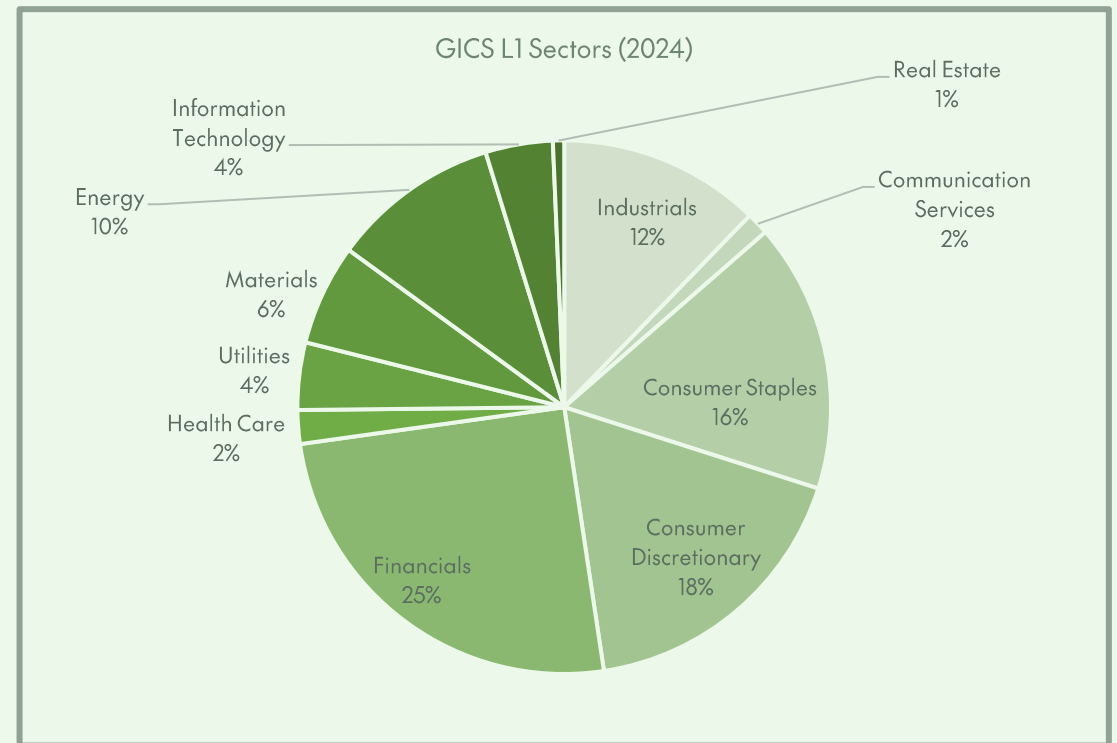
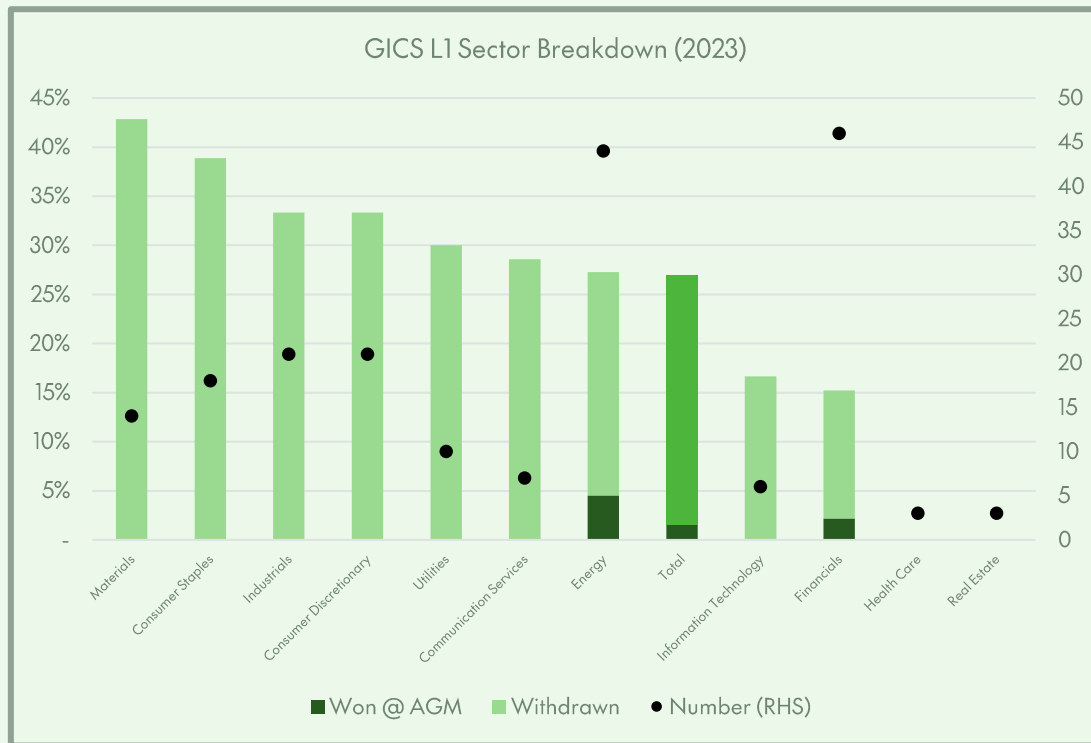
# Climate proposal volumes remain high, while success rates are on track to decline further.



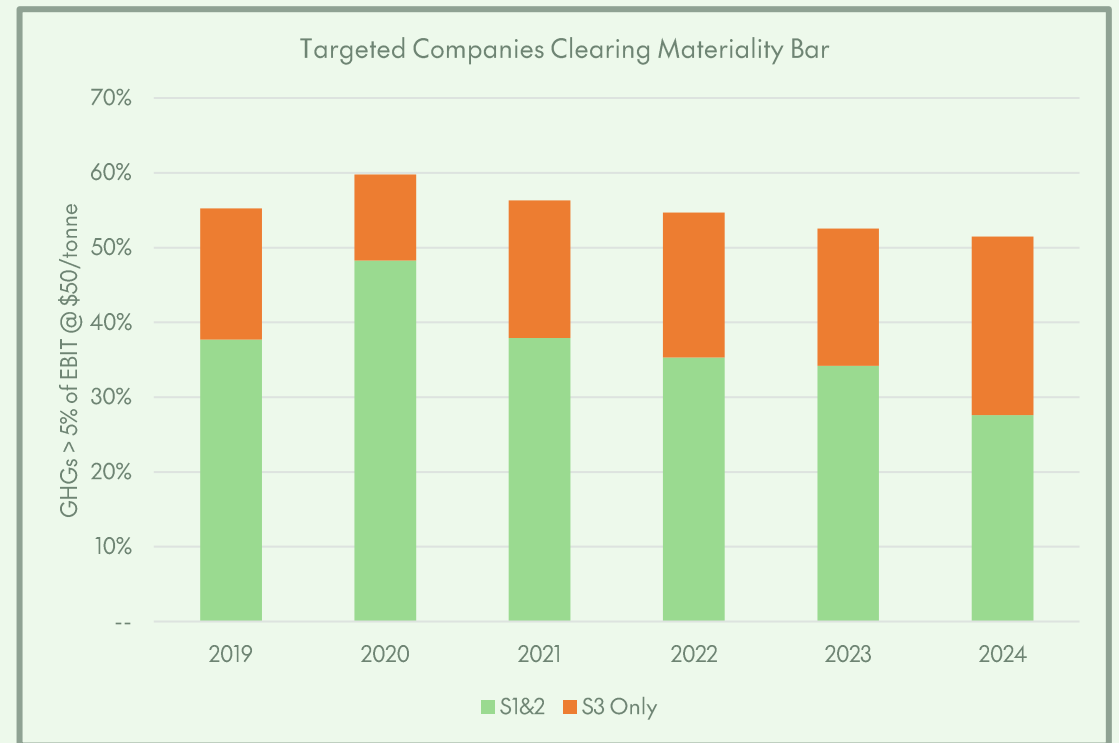
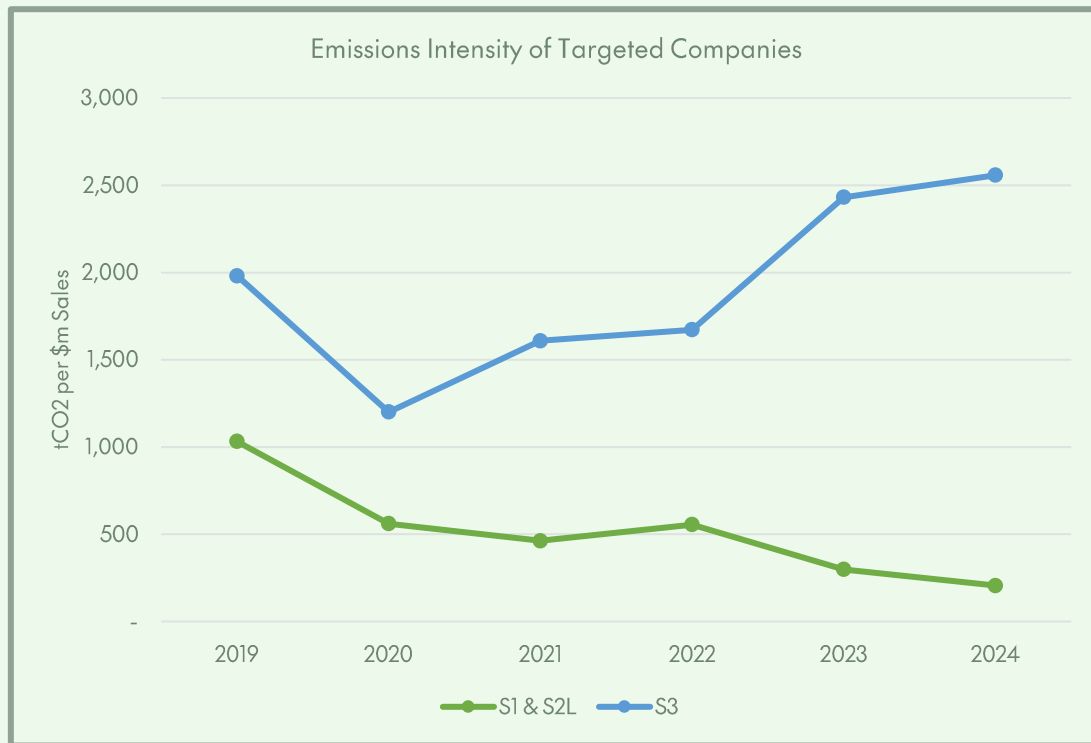
# ~2/3 of proposals fall under five major categories; long tail covers wide range of topics.



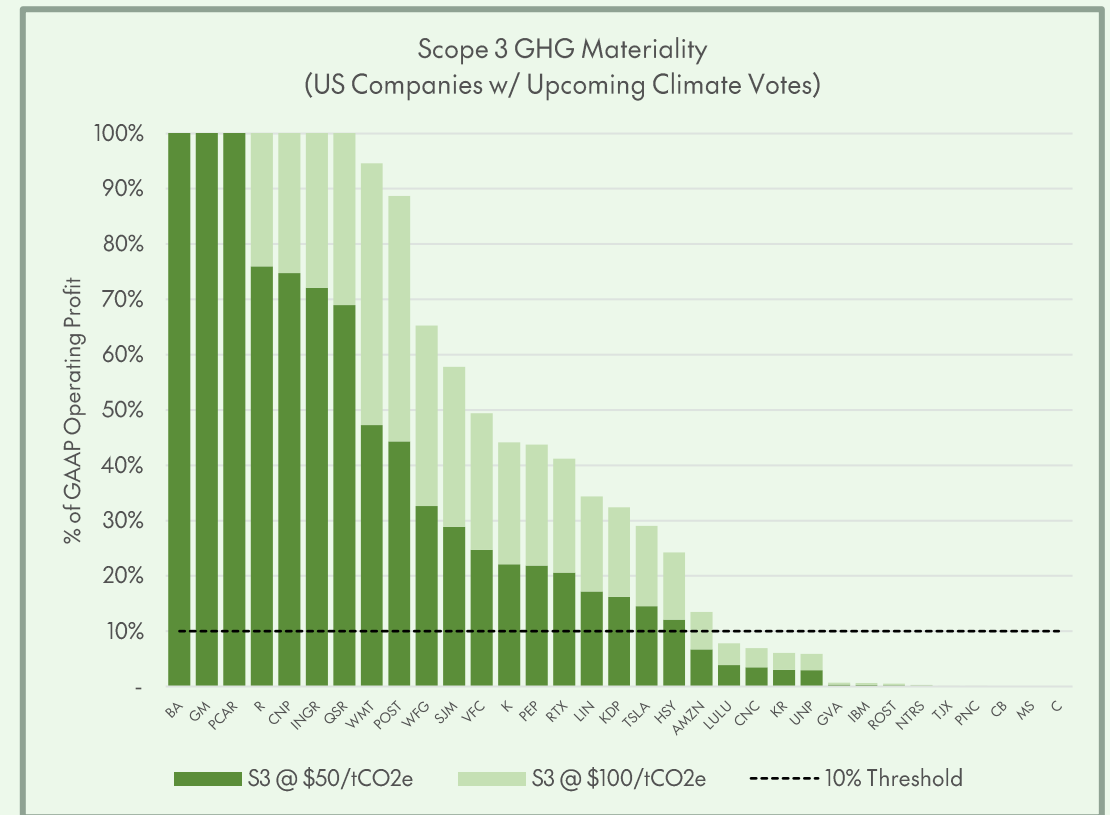
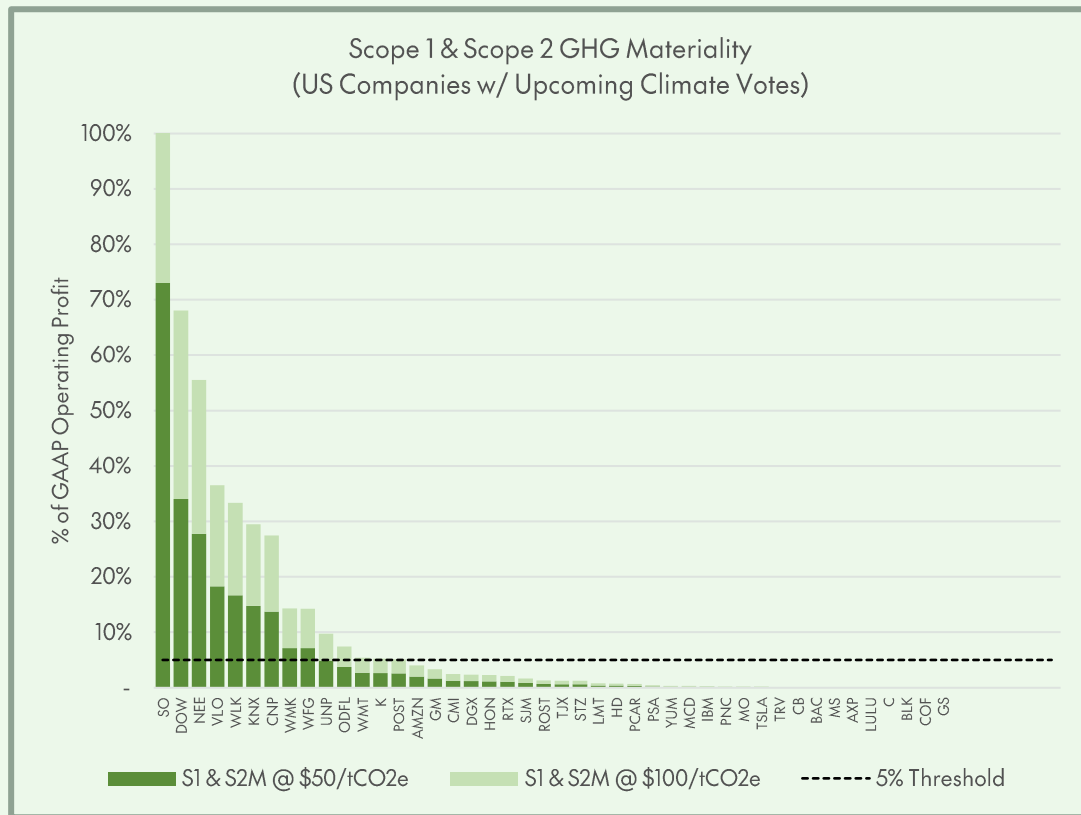
# Consumer, financials, and energy over-represented by ~2x their weight in the S&P 500.



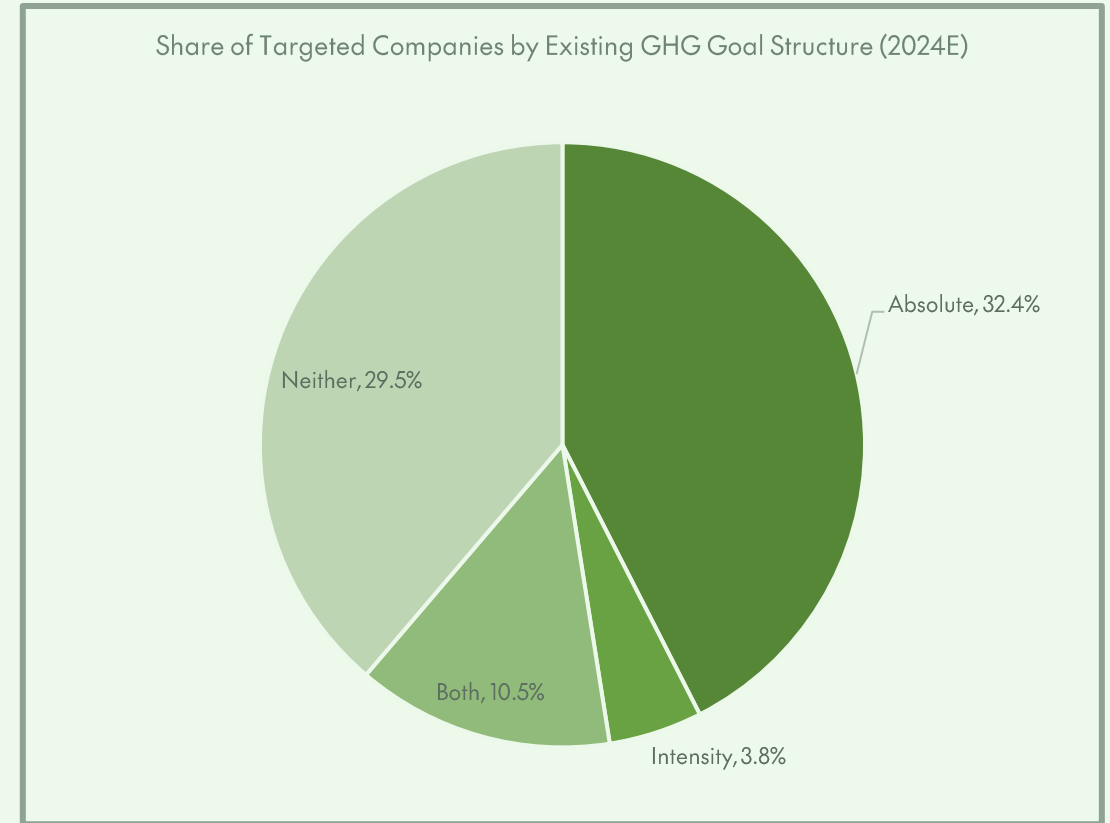
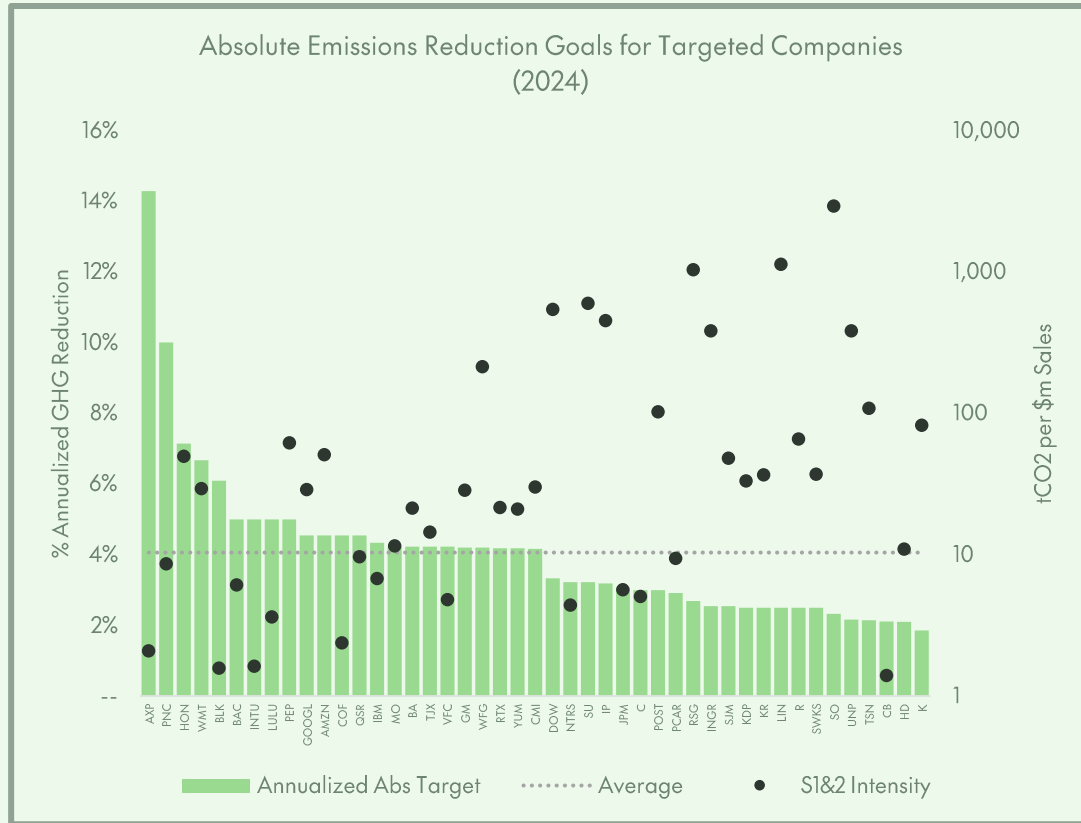
# A greater share of proposals target companies without material S1&2 GHGs @ \$50 / tonne CO<sub>2</sub>.



# Material S1&2 GHGs concentrated in utilities, energy, materials; S3 in industrials and consumer.



# ~70% of companies with an upcoming climate vote have targets already; analytical burden is high.



# General Remarks (1/2):

- (1) Transition risk is ultimately **policy** risk; what is the NPV of climate policy **sticks**, net of the NPV of climate policy **carrots**, divided by market cap?
- (2) If **emissions** decline over time, and CO<sub>2</sub> prices rise over time, the NPV of climate policy sticks is < to << current emissions \* CO<sub>2</sub> prices divided by sales, EBIT, earnings, etc.
- (3) The **IRA** increased the value of **carrots** by a lot, especially for the “molecules” side of the energy transition (e.g. 45Q and 45V tax credits).
- (4) SASB/TCFD reporting and lip service to targets is now widespread; evaluating proposals requires deeper engagement w/ company strategy.



# General Remarks (2/2):

(5) The key cross cutting theme for both analysts and activists is that **explaining the financial materiality** of climate proposals now requires a company- and industry-specific approach.

(6) This is especially true when looking at proposals beyond the classic “report on GHG targets” format – plastics, supply chain deforestation and water use, just transition and community impacts, etc.

(7) Our guests – Marian, Michael, and Jessica – are here to talk about some of the **frameworks** and **themes** they apply when thinking about the financial materiality of sustainability issues.