

# ***Trinity Responsible Investment Society***

## **Report on AGM attendance, June 2019**

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### **Executive Summary**

- Student members of the Trinity Responsible Investment Society have attended shareholder meetings of BAE Systems, BP, and Shell, using the college's shares.
- At those meetings, we asked questions of the companies' boards, and voted on shareholder resolutions.
- Allowing students to attend AGMs is a good first step for Trinity.
- However, shareholder engagement, at least in this limited form, is not appropriate for fossil fuel companies.
- If Trinity wishes to remain invested in fossil fuels, Trinity should engage more extensively, by becoming a member of investor coalition Climate Action 100+, actively putting forward resolutions, and making statements to media.
- If Trinity does not engage more fully, divestment from fossil fuels is the best option.
- In the 2020 AGM season TRIS intends to attend AGMs of companies in the banking, insurance, agriculture, and consumer goods sectors.

### **Introduction**

This report has been written by members of the Trinity Responsible Investment Society (TRIS) following our attendance at Annual General Meetings (AGMs) of publicly listed companies in which the college holds shares, with the purpose of informing discussions within the college on how environmental, social, and governance (ESG) factors affect the college's investment decisions. After laying out the necessary context, we outline our experiences at the meetings, including the questions we asked, the board's responses thereto, any ESG-relevant resolutions, and how we voted. We then discuss conclusions and next steps.

### **1. Background**

#### ***Mandate to attend AGMs***

At the Discussion Forum on responsible investment in Lent Term 2019, the Senior Bursar expressed willingness to allow TRIS members to attend AGMs using the college's shares. Subsequent discussions culminated in a Heads of Agreement made between TRIS and the Senior Bursar's office in April 2019. Under this agreement, *inter alia*, the Senior Bursar affirmed that Trinity College will facilitate attendance by TRIS members at AGMs.

#### ***AGM attendance: general matters***

Pursuant to this mandate, members of the Trinity Responsible Investment Society have attended meetings of three companies in May 2019: BAE Systems, BP, and Shell. Beforehand, TRIS held a training session with ShareAction, a London-based responsible investment non-profit experienced in AGM attendance, to enable us to "make the most of" these meetings.

Several factors influenced our choice of which AGMs to attend: our members' interests, ESG-relevant resolutions, and timing issues. With respect to the former, our particular interest in climate

change, which led to our attendance at BP and Shell, will be briefly explained below. Regarding timing, AGM season takes place in the spring, and was already ongoing when the Heads of Agreement was approved; we would liked to have attended the AGMs of banks such as HSBC and Barclays, among others, and hope to take up this opportunity in 2020.

The usual format of an AGM is that the Chair of the Board and the Chief Executive make presentations on the company's performance over the previous financial year. Following this, there is time for shareholders to ask questions. In addition, there are resolutions to be voted on, and shareholders are provided with voting cards in order to cast their votes. Many shareholders do not attend the AGM in person but vote online or by post before the meeting.

When we asked questions, we prefaced them with the disclaimer that we were students at Trinity College, Cambridge, that we were not expressing official views of the college but rather those of TRIS, and that our attendance was to inform discussions within the college about how ESG factors affect its investments. We also made this clear when speaking informally to individuals, such as representatives of institutional investors.

### **Context: climate change and asset stewardship**

In 2015 governments adopted the landmark Paris Agreement, aiming to limit global warming to “well below 2°C” above pre-industrial levels and to “pursue efforts to” limit it to 1.5°C.<sup>1</sup> In late 2018, the Intergovernmental Panel on Climate Change (IPCC) Special Report on Global Warming of 1.5°C showed that limiting global warming to 1.5°C requires major, immediate and unprecedented societal transformation, reducing CO<sub>2</sub> emissions by 45% by 2030 and to net zero around mid-century, and that the risks and dangers of warming are substantially lower at 1.5°C than 2°C.<sup>2</sup>

However, the world is not on track to meet Paris Agreement goals. It is widely recognised that the gap between expected global emissions levels and agreed emissions reductions targets—let alone society's actual trajectory—is currently far too wide.<sup>3</sup> Similarly recognised is that countries' and companies' plans to expand oil and gas extraction are not consistent with Paris Agreement goals: not all known, or indeed currently operating, fossil fuel reserves can be exploited, and fossil fuels must be phased out.<sup>4</sup> Everyone—individuals, organisations, businesses, investors, churches, local governments, countries, and so on—needs to strengthen efforts to combat climate change.

Responsible investment methods—particularly asset stewardship—can be used to encourage and incentivise climate action by companies. Generally speaking, responsible investment is an investment strategy which aims to incorporate ESG factors into investment decisions, to better

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<sup>1</sup> *Paris Agreement* (2015). United Nations Framework Convention on Climate Change, Bonn, Germany. [https://unfccc.int/files/meetings/paris\\_nov\\_2015/application/pdf/paris\\_agreement\\_english.pdf](https://unfccc.int/files/meetings/paris_nov_2015/application/pdf/paris_agreement_english.pdf).

<sup>2</sup> IPCC (2018). *Special Report on Global Warming of 1.5°C*. Intergovernmental Panel on Climate Change, Geneva, Switzerland. <https://www.ipcc.ch/sr15/>.

<sup>3</sup> Rogelj, J., den Elzen, M., Höhne, N., Fransen, T., Fekete, H., et al. (2016). Paris Agreement climate proposals need a boost to keep warming well below 2 °C. *Nature*, 534(7609). 631–39. DOI:10.1038/nature18307.

UNEP (2018). *The Emissions Gap Report 2018*. United Nations Environment Programme, Nairobi, Kenya. [http://wedocs.unep.org/bitstream/handle/20.500.11822/26895/EGR2018\\_FullReport\\_EN.pdf](http://wedocs.unep.org/bitstream/handle/20.500.11822/26895/EGR2018_FullReport_EN.pdf).

<sup>4</sup> E.g. McGlade, C., & Ekins, P. (2015). The geographical distribution of fossil fuels unused when limiting global warming to 2 C. *Nature*, 517(7533).

Muttitt, G., McKinnon, H., Stockman, L., Kretzmann, S., Scott, A., & Turnbull, D. (2016). *The sky's limit: Why the Paris climate goals require a managed decline of fossil fuel production*. Oil Change International, Washington, DC. <http://priceofoil.org/2016/09/22/the-skys-limit-report/>.

Lazarus, M., and van Asselt, H. (2018). Fossil fuel supply and climate policy: exploring the road less taken. *Climatic Change*, 150(1-2). 1-13. <https://doi.org/10.1007/s10584-018-2266-3>.

manage risk and generate sustainable, long-term returns.<sup>5</sup> Theoretically, a company's shareholders are the owners of the company and have the right of control. Long-term investors, such as Trinity, have a particular interest in pushing for changes that will pay off in the long term. One particular concern for investors is stranded assets. Because responding to climate change requires phasing out fossil fuels, carbon intensive assets, such as fossil fuel reserves, fossil fuel power plants, and other infrastructure, could lose most of their value, a point repeatedly stressed by Bank of England Governor Mark Carney.<sup>6</sup>

Some shareholder engagement on climate issues focuses on reporting and disclosure of climate risk and/or carbon emissions, while other engagement aims to get companies to adopt emissions reductions targets. Shareholders are cooperating on these initiatives. Climate Action 100+ is a group of more than 300 institutional investors who together manage funds of more than \$33 trillion. It aims to 'ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change'. The group engages with 100 companies which account for two-thirds of annual global industrial emissions, and 60 other companies 'with a significant opportunity to drive the clean energy transition'.<sup>7</sup> Follow This is another group of shareholders which engages with companies to speed up the energy transition; unlike Climate Action 100+, it comprises mostly individual investors and focuses on the oil industry.

## **2. BAE Systems AGM – Thursday 9 May, Farnborough**

Mark Burrell and Sofia Taylor attended the BAE Systems AGM in Farnborough. We chose to attend BAE Systems in part due to the controversy regarding Trinity's investments in arms manufacturers and in part due to its sizeable carbon footprint. Trinity owns approximately 21,000 shares in BAE Systems with a market value of approximately £130,000 on the day we attended.

### ***Our intended question***

We planned to ask a question regarding the company's ability to sustain growth whilst lowering its carbon footprint. We chose this question as we had been advised that other attendees would be better placed to pose questions on the company's involvement in weapon sales and the company had responded positively to a question about climate targets in the previous year posed by ShareAction. The company's annual report highlighted the reduced emissions footprint normalized by employee and the company's intention to align with the UN Sustainable Development Goals (SDGs), in which Goal 13 is 'Take urgent action to combat climate change and its impacts'.<sup>8</sup> However, we found in their audited sustainability report published separately online, emissions normalized by revenue were 7% higher than the previous year and 12% higher than a decade ago. Further, the

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<sup>5</sup> *UN Principles for Responsible Investment*. <https://www.unpri.org/pri/what-is-responsible-investment>.

<sup>6</sup> See e.g. Mark Carney et al (27 April 2019). The financial sector must be at the heart of tackling climate change. *The Guardian*. <https://www.theguardian.com/commentisfree/2019/apr/17/the-financial-sector-must-be-at-the-heart-of-tackling-climate-change>.

Also see Pilita Clark (29 September 2015). Mark Carney warns investors face 'huge' climate change losses. *Financial Times*. <https://www.ft.com/content/622de3da-66e6-11e5-97d0-1456a776a4f5>.

<sup>7</sup> *Climate Action 100+*. <http://www.climateaction100.org/>. Also see *Bloomberg Businessweek*. 'Climate Group with \$32 Trillion Pushes Companies for Transparency'. 11 April 2019. <https://www.bloomberg.com/news/features/2019-04-11/climate-group-with-32-trillion-pushes-companies-for-transparency>.

<sup>8</sup> BAE Systems. *Annual Report 2018 and Corporate Responsibility Summary 2018*.

<https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/report-archive>.

reduced emissions had largely been achieved by substituting coal for natural gas and with coal mostly phased out further improvements would be harder to make.<sup>9</sup> Our question was therefore to ask the board about their strategy to continue to lower emissions, in line with their stated goal of aligning to the UN SDGs, whilst growing or maintaining revenue.

### ***Unable to ask question***

BAE Systems required questions to be pre-registered and the order of questions was chosen and enforced by moderators. There was significant security, with cameras and phones not allowed in the auditorium. After a video presentation highlighting the company's results in the previous financial year, the chairman began taking questions. The majority of questions posed to the board were regarding BAE Systems' involvement in the war in Yemen. In response to these questions, the chairman repeatedly stressed that BAE Systems is contracted by the UK government to provide equipment and it has not ever investigated how these weapons are used upon delivery and takes no responsibility for the use of its weapons. After about an hour of questions, the chairman called to end the question time and, despite protests from the many who did not get to ask their question (I would estimate some 40% of those attending intended to ask questions), ended the meeting at this point.

We were unable to ask our question, but a similar question was posed by a member of ShareAction: they asked the board whether they would implement Science Based Targets, as a follow-up to their question the previous year. The response by the Chief Executive did not address the basic question, but instead referred to the improved carbon footprint by employee and improved building management. The impression we received was that they were satisfied with their approach and were unwilling to commit to firm targets.

Speaking to other AGM attendees there to ask questions in the following lunch, we received the impression that it was standard operating procedure for BAE Systems to close the question session before everyone had a chance to speak. Members of the board spoke to some participants during the lunch but did not remain long and we were unable to speak with them.

### ***Conclusion – BAE Systems***

To conclude, we were unable to ask questions or discuss relevant matters with any management. Engaging with the company is difficult at the AGM due to the strong showing from those there to ask about their arms business and the limited time allowed for questions. Their limited response to climate change brings into question how sincere their commitment is to sustainable development. Other channels of engagement may be pursued with BAE Systems, but at the present, it is difficult to imagine effecting change at their AGM.

## **3. BP AGM – Tuesday 21 May, Aberdeen**

Natalie Jones and Pooneh Nazari took the train to attend BP's AGM at the Aberdeen Exhibition and Conference Centre.

At the start of the meeting, Helge Lund, Chair of the Board, and Bob Dudley, Group Chief Executive Officer, made presentations.<sup>10</sup> In general, they emphasised the "dual challenge" of providing more

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<sup>9</sup> BAE Systems. Global Carbon Footprint 2018. <https://www.baesystems.com/en/our-company/corporate-responsibility/resource-efficiency/carbon-reporting/global-carbon-footprint-2018/total-scope-2018>.

energy to the world while reducing carbon emissions, and spoke of the need for BP to “earn society’s trust”. Like at BAE Systems, BP required questions to be pre-registered, although unlike at BAE, here there was time for all pre-registered questions to be asked.

### **Question One: Lobbying**

We asked two questions of BP’s board. Our first question was on BP’s lobbying activities. As think tank Influence Map revealed, since governments adopted the Paris Agreement, BP has spent hundreds of millions of dollars, the highest expenditure of any oil and gas major, in spending on lobbying and campaigning *against* climate action policies by national governments, including carbon taxes.<sup>11</sup>

Yet BP states that it supports the aims of the Paris Agreement<sup>12</sup> and are “calling for a price on carbon”.<sup>13</sup> This contradicts its lobbying activities, and seems in conflict with BP’s stated values of openness, transparency and integrity.<sup>14</sup> Moreover, it puts in jeopardy the trust which BP aims to maintain between the company and its shareholders. Therefore, we asked whether and how the board planned to align the company’s lobbying activities with its public- and investor-facing statements. At least two other investors raised questions along a similar line.

*The board’s answer:* Dudley stated that media reports of BP’s lobbying activities were false, and effectively denied all lobbying against climate policies. Lund said “BP has no interest in lobbying against something that it is for”.

This seems, at best, disingenuous, and at worst, an outright lie. BP’s lobbying is a matter of public record; in some cases the actual documents are available,<sup>15</sup> and InfluenceMap is a reputable source.

In response to a later question on the same issue from another institutional investor, Lund said BP would review its lobbying practices and report back its findings.<sup>16</sup> This could represent a small step forward, although it remains to be seen how such a review will be conducted, or what effects it could have.

### **Question Two: 1.5°C**

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<sup>10</sup> Their speeches can be viewed at: <https://www.bp.com/en/global/corporate/investors/annual-general-meeting.html>.

<sup>11</sup> InfluenceMap (2018) *Big Oil’s Real Agenda on Climate Change*. <https://influencemap.org/reports/Reports>. Also see Niall McCarthy (25 March 2019). Oil And Gas Giants Spend Millions Lobbying to Block Climate Change Policies. *Forbes*. <https://www.forbes.com/sites/niallmccarthy/2019/03/25/oil-and-gas-giants-spend-millions-lobbying-to-block-climate-change-policies-infographic/#595a9317c4fb>.

<sup>12</sup> BP (2019). *Notice of Annual General Meeting 2019*. BP, London, UK. <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/investors/bp-agm-notice-of-meeting-2019.pdf>. Pages 23-24.

<sup>13</sup> BP (2018). *Annual Report and Form 20-F 2018*. BP, London, UK. <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/investors/bp-annual-report-and-form-20f-2018.pdf>. Page 48.

<sup>14</sup> See speeches from Lund and Dudley, <https://www.bp.com/en/global/corporate/investors/annual-general-meeting.html>.

<sup>15</sup> Rob Davies (19 May 2019). BP pushed for Arctic drilling rights after Trump’s election. *The Guardian*. <https://www.theguardian.com/business/2019/may/19/bp-pushed-for-arctic-drilling-rights-after-trump-election>.

<sup>16</sup> Kelly Gilblom. ‘BP Bosses Get Public Grilling on Climate From Largest Investors’. *Bloomberg*. 21 May 2019. <https://www.bloomberg.com/news/articles/2019-05-21/bp-bosses-get-public-grilling-on-climate-from-largest-investors>.

The long-term goals of the Paris Agreement (“the Paris goals”) represent a spectrum: from “well below 2°C” above pre-industrial levels, to as close as possible to 1.5°C.<sup>17</sup> However, the IPCC’s 2018 Special Report on 1.5°C (SR15) clearly showed that limiting warming to 1.5°C is much less dangerous than 2°C. Governments, accordingly, are adjusting their national policies and legislation to be consistent with 1.5°C pathways.<sup>18</sup>

BP stated in its annual report that it “supports the Paris goals”, and the climate-related resolutions voted on at the AGM (see below) also refer to the “Paris goals”. It is not clear, however, which interpretation, or which end of the spectrum of goals, this is referring to. In the light of IPCC SR15, it is important that all societal actors are at least attempting to meet the lower goal. Therefore, we asked if the board was committed to the 1.5°C goal.

*The board’s answer:* Lund did not expressly answer the question. He made a general statement about the importance of the Paris Goals, and said BP would follow society’s progress. He said BP could not unilaterally achieve 1.5°C. He said that new technologies need to be developed and deployed, including CCS, and said a carbon price is needed. When specifically prompted to clarify on whether he supported the 1.5°C goal, he again made a general statement about supporting the Paris Goals. It was apparent that he was avoiding directly answering the question.

### **Other observations on questions**

Ours were not the only questions with which the board failed to satisfactorily engage. Several other questions were asked by institutional investors, including Hermes, Legal & General, Aviva, the Church Commissioners Endowment Fund, Christian Brothers Investment Services, the Church of England Pensions Board, and Newton Investment Management. Including full detail here would require several more pages; suffice it to say that the board was generally non-committal and evasive.

### **Voting**

There were 23 resolutions which investors could vote on.<sup>19</sup> Aside from ordinary resolutions such as the election of directors and appointment of auditors, there were two climate-related resolutions. The first, proposed by Climate Action 100+ and supported by BP’s board, asked BP to set out a business strategy consistent with the Paris goals, including reporting on its capital expenditure, metrics and targets.<sup>20</sup> The resolution passed with over 99% support.

The second resolution, proposed by Follow This, was not supported by the board. It asked BP to set specific climate targets for emissions reductions, including “Scope 3” emissions (that is, the downstream emissions created when the fuels it supplies are burned).<sup>21</sup> This resolution did not pass, with 8.4% of shareholders voting in favour. While this seems a small percentage, it is worth bearing in mind that a similar resolution at Shell last year gained an even lower percentage of votes, yet ultimately caused the company to change its behaviour.<sup>22</sup> We voted in favour of both resolutions.

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<sup>17</sup> Paris Agreement, Article 2(1).

<sup>18</sup> See e.g. New Zealand’s Zero Carbon Bill, which is currently making its way through their Parliament. [https://www.parliament.nz/en/pb/bills-and-laws/bills-proposed-laws/document/BILL\\_87861/climate-change-response-zero-carbon-amendment-bill](https://www.parliament.nz/en/pb/bills-and-laws/bills-proposed-laws/document/BILL_87861/climate-change-response-zero-carbon-amendment-bill). Also see potential European Union changes: <https://www.businessgreen.com/bg/news/3071171/net-zero-business-leaders-urge-eu-to-adopt-2050-climate-neutral-goal>.

<sup>19</sup> Results can be found here: <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/investors/bp-agm-poll-results-2019.pdf>.

<sup>20</sup> Notice of AGM, pp 4, 23-25.

<sup>21</sup> Notice of AGM, pp 4, 26-27.

### ***Miscellaneous observations***

Security was extremely tight. At one point, security confiscated Natalie's pen, perhaps suspecting that it was an audio recording device. (It was an ordinary ballpoint pen.) There were protestors both inside and outside the AGM, at one point causing a disruption during the CEO's presentation.

### ***Conclusions from the BP AGM***

The passage of the climate disclosure resolution represents a small step forward. Under the resolution, BP will now have to demonstrate that its strategy is consistent with the Paris goals. However, the key concern for shareholders remains: that BP's strategy is not, in fact, consistent with the Paris goals. BP is expanding its extraction operations—while scientific evidence tells us that, on the contrary, oil and gas extraction must be phased out for 1.5°C-2°C pathways. Stranded assets are still an issue. It is unclear how BP can maintain its core business, oil and gas production, in a 1.5°C-2°C world. The board's lack of support for the second resolution (on targets & Scope 3 emissions) is particularly concerning. The main argument BP raised against the resolution was that downstream emissions were out of its control, and it couldn't be held responsible for its customers' actions. But the company knows how its customers will predominantly use their product—they will burn it—and carbon capture and storage (CCS) technology is not workable at scale.<sup>23</sup>

Moreover, we felt that the board had not engaged with our questions: one answered with an untruth; the other deflected. We observed further deflection in relation to questions from many other institutional investors. This is concerning as it throws doubt upon the idea that investors (including Trinity) can meaningfully engage with BP and, by "staying at the table", influence its path.

## **4. Shell London shareholders' meeting – Thursday 23 May**

Sofia Taylor and Natalie Jones attended the Shell shareholders' meeting at Methodist Central Hall in Westminster. We were unable to go to Shell's AGM because it was held in The Hague on the same day as that of BP. The shareholders' meeting was structured similarly to an AGM, with presentations from the Chief Executive and Chairman of the Board, followed by questions from shareholders, but there was no voting on resolutions as they had already been passed at the AGM two days earlier.

### ***Question One: 1.5°C***

We asked the same question as we asked BP (full context above): whether the Shell board supported the 1.5°C goal. Shell, like BP, has repeatedly stated its commitment to the "Paris goals".

The reply was similar to that of BP. The Board Chair did not expressly answer the question. He said that Shell has to move at the same pace as society, and that if society as a whole decided to aim for

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<sup>22</sup> Susanna Rust (23 May 2018). Investors back Shell in climate change vote but register concerns. *IPE*. <https://www.ipe.com/news/esg/investors-back-shell-in-climate-change-vote-but-register-concerns/www.ipe.com/news/esg/investors-back-shell-in-climate-change-vote-but-register-concerns/10024852.fullarticle>.

<sup>23</sup> Anderson, K., and Peters, G. (2016). The trouble with negative emissions. *Science*, 354(6309). 182-183. DOI: 10.1126/science.aah4567.

Reiner, D.M. (2016). Learning through a portfolio of carbon capture and storage demonstration projects. *Nature Energy*, 1, 15011 <https://www.nature.com/articles/nenergy201511>.

Gerard Wynn (2017). IEEFA Europe: The Carbon-Capture Dream Is Dying. *IEEFA*. <http://ieefa.org/ieefa-europe-carbon-capture-dream-dying/>.

1.5°C, Shell would follow. He made some generic statements about supporting the Paris Goals. When specifically prompted to clarify, he said that he, personally, would prefer a 1.5°C pathway, but refused to comment on whether BP supports the 1.5°C goal.

### **Question Two: Carbon Capture and Storage**

CCS, while operating in pilot plants, does not appear to be technologically feasible.<sup>24</sup> Most pilots have failed. However, Shell's "Sky" scenario relies substantially on CCS, effectively gambling on the invention of new technologies.<sup>25</sup> Therefore, we asked whether the company would prepare a scenario that did not rely on CCS, and present that scenario at the next AGM.

The board did not directly answer this question. The Chief Financial Officer, Jessica Uhl, prefaced her reply by saying, in a patronising manner, "clearly you have spent a lot of time thinking about this," at which many of the shareholders present laughed (and not in a nice way, either). She stated that oil and gas production could not be stopped in the near future, saying that society needs access to energy and highlighting the benefits of oil and gas for quality of life. She did not mention CCS and did not attempt to refute the point that it does not work.

### **Miscellaneous observations**

This meeting had a very different atmosphere from that of BP: perhaps owing to its more accessible location, more individual investors were present, and we were quite possibly the youngest in the room, with a median age of around 60.

### **Conclusions from the Shell meeting**

Our experience at Shell was similar to that at BP, in that we felt our questions not to be taken seriously; even more so given the condescending response we received. Moreover, investor concerns regarding stranded assets are just as relevant at Shell. Although Shell in 2018 adopted a target for its "net carbon footprint" to be 2 to 3 percent lower in 2021 than in 2016, this does not actually refer to reducing emissions; rather, it refers to the emissions intensity ratio (the emissions per unit of energy Shell sells). Shell continues to expand its fossil fuel production, and its targets are entirely consistent with increasing emissions from its products.<sup>26</sup> As stated above, its scenario relies on carbon capture and storage, and with its aim to reduce emissions by 50% by 2050, it is not consistent with 1.5°C pathways.

## **5. Conclusions and Next Steps**

What conclusions can we draw from these experiences, and what should the next steps be?

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<sup>24</sup> Anderson, K., and Peters, G. (2016). The trouble with negative emissions. *Science*, 354(6309). 182-183. DOI: 10.1126/science.aah4567.

Reiner, D.M. (2016). Learning through a portfolio of carbon capture and storage demonstration projects. *Nature Energy*, 1, 15011 <https://www.nature.com/articles/nenergy201511>.

Gerard Wynn (2017). IEEFA Europe: The Carbon-Capture Dream Is Dying. *IEEFA*. <http://ieefa.org/ieefa-europe-carbon-capture-dream-dying/>.

<sup>25</sup> Shell (2018). *Sky Scenario*. <https://www.shell.com/energy-and-innovation/the-energy-future/scenarios/shell-scenario-sky.html>.

<sup>26</sup> Greg Muttitt (20 May 2019). Shell Emissions Still Going Up, Despite Accounting Device. *Oil Change International*. <http://priceofoil.org/2019/05/20/shell-emissions-still-going-up-despite-accounting-trick/>.

### ***Students attending AGMs is a good first step***

We found AGM attendance to be useful in terms of informing ourselves about ESG matters. We remain grateful to the Senior Bursar and the College Council for allowing us to do this.

For the 2020 AGM season, we would like to attend smaller AGMs—to avoid barriers like those we encountered at BAE Systems. We would also like to attend AGMs of companies in other sectors, like banking, insurance, agriculture, and consumer goods, as these are areas where shareholder engagement could have a real impact in terms of climate objectives.

### ***However, more thorough shareholder engagement with fossil fuel companies is needed – or the college should divest***

We have heard from many the idea that it is better for Trinity to stay invested in fossil fuels: by staying at the table, we can meaningfully exert influence on oil and gas companies and get them to change course. “Better to be in than out.” This is an attractive notion.

The problem with this argument is that at the moment, Trinity is *not* using its seat at the table – *not* meaningfully exerting its influence as a shareholder in fossil fuel companies. To make “staying in” worthwhile, Trinity would need to follow the example of an active steward like the Church Commissioners, by (i) joining an investors’ coalition like Climate Action 100+,<sup>27</sup> (ii) taking an active role in the coalition, (iii) engaging with target companies on an ongoing basis, not just at AGMs, (iv) making public statements to news media, and (v) sending a representative to AGMs with authority to speak on behalf of the college. This would require significant time and effort from the Bursar’s Office, and it is worth noting that the central University investment office has recently appointed a person just to work on shareholder engagement, along with other responsible investment approaches.

Students can achieve a very limited amount by attending AGMs, particularly when they are not expressing official views of the college. If Trinity does not have capacity to engage more fully as outlined above, the next best option is to divest from fossil fuel companies, rather than to continue with these half-measures.

It is also notable that Trinity’s asset manager, State Street, is not a member of Climate Action 100+ (unlike several other investment managers), and does not vote in favour of the majority of climate disclosure resolutions.<sup>28</sup> Trinity could ask State Street to become a member of Climate Action 100+.

### ***Stranded assets concerns***

We came out of the Shell and BP meetings concerned about the long-term financial risk arising from these companies’ business models, as outlined above, in terms of carbon reserves and production infrastructure becoming stranded assets. We are not persuaded that Shell and BP are acting consistently with the Paris Agreement. We are concerned about consequent financial risk to Trinity. Divesting (again, if not actively engaging) would be a way to manage this risk.

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<sup>27</sup> The Climate Action 100+ website states: ‘If you are an investor interested in signing on to Climate Action 100+ please email [info@climateaction100.org](mailto:info@climateaction100.org).’

<sup>28</sup> 50/50 Climate Project. *Asset Manager Climate Scorecard 2018*. <https://5050climate.org/wp-content/uploads/2018/09/FINAL-2018-Climate-Scorecard-1.pdf>.