Proxy Voting Guidelines for External Managers

Topic: Environmental Issues
Subtopic: Methane Emissions and Reduction
Approved: July 19, 2019
Updated: January 19, 2023

Description:

Resolutions that ask companies to report on the management or reliability of methane emissions and adopt targets for reducing such emissions.

Topic background:

Methane is a potent greenhouse gas. On a 20-year timescale, methane is estimated to have more than eighty times the global warming potential of an equivalent amount of carbon dioxide.¹ Proponents of resolutions in this area express urgent concerns about methane’s role in climate change and impacts on health and socioeconomic inequalities, while also noting the business risks of fugitive methane emissions, which represent lost gas product that otherwise could have been brought to market. Companies must consider if their actions have disparate environmental impacts on minority, Indigenous, and low-income communities. While some companies have made commitments to support environmental justice, others continue to operate in ways that harm the environmental health of majority-minority communities and face potential reputational and legal risk.² In addition, proponents say, these emissions may pose an increasing reputational risk to the natural gas industry, which has positioned itself as a cleaner alternative to other fossil fuels. In connection to COP 26 over 100 countries, representing 50% of global anthropogenic methane emissions, signed the Global Methane Pledge. This pledge recognizes the urgent need to address methane emissions, participants agree to take action to reduce global methane emissions at least 30 percent from 2020 levels by 2030.³

Methane emissions span industries, and the oil and gas industry represent the largest industrial source of methane emissions globally.⁴ Because conventional methods within the industry for measuring and reporting Scope 1, 2, and 3 methane emissions are likely underestimating values, there is growing support for the use of new technologies such as field drones, satellites, and AI to

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² For more information related to research from the Harvard Community on environment, health, and inequality please see, In Focus - Environmental Exposure.
³ The Global Methane Pledge was launched at COP 26 in November of 2021 https://www.globalmethanepledge.org/#about
⁴ Environmental Defense Fund, The Disclosure Divide, February 2018
increase direct Scope 1 measurement and monitoring, and improve emissions reporting. Some companies, such as members of the OGCI, support advancing methane leak detection technologies and have set intensity reduction targets to help address the climate risks associated with methane emissions. Companies lagging both in terms of reporting and quality of methane emissions data create risks not only for their business but increase the broader economic risk of climate change.

**Considerations for voting:**

- Well-constructed proposals that request companies to report on methane emissions management, through means such as reporting on actual emissions and on goals to reduce them, provide shareholders with valuable information, not only about a potential material risk factor, but also through fugitive methane emissions recapture, about potential business benefits.
- A well-constructed proposal should seek to request reporting across all operations. Reduction targets should be either absolute or intensity-based and should aim for direct measurement when possible.
- The broader aim of measuring, managing, and reducing GHG emissions aligns with Harvard University’s institutional efforts and the Harvard endowment’s net-zero pledge.

With regard to company concerns about reporting standards or burdens, recognized guidance for reporting on methane emissions is available from organizations such as the Task Force on Climate-related Financial Disclosures (TCFD), whose standards for reporting material information on methane emissions reflect substantial input from investors, NGOs, and industry experts.

**Illustrative examples of votes:**

1. Vote in support of shareholder resolutions requesting that a company report its policies and plans to measure, monitor, mitigate, and set quantitative targets for reducing methane emissions, including actions that go beyond regulatory requirements.
2. Vote in support of shareholder resolutions requesting that a company provide updates on establishing any methane reduction targets and progress towards such targets.
3. Vote in support of shareholder resolutions requesting that a company reduce or eliminate routine flaring.
4. Vote in support of shareholder resolutions that request a report analyzing the reliability of a company’s methane emissions disclosures.

*Harvard offers broader general guidance on its recommended approach to considering shareholder resolutions in “Overview of Harvard University’s Proxy Voting Guidelines for*

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5 Environmental Protection Agency, *Scope 1 and Scope 2 Inventory Guidance*, [https://www.epa.gov/climateleadership/scope-1-and-scope-2-inventory-guidance](https://www.epa.gov/climateleadership/scope-1-and-scope-2-inventory-guidance), and *Scope 3 Inventory Guidance*, [https://www.epa.gov/climateleadership/scope-3-inventory-guidance](https://www.epa.gov/climateleadership/scope-3-inventory-guidance)

6 The Oil and Gas Climate Initiative (OGCI) is a CEO-led initiative that aims to accelerate the industry response to climate change. OGCI member companies explicitly support the Paris Agreement and its aims.
When determining votes on resolutions, we consider each resolution in light of this general guidance as well as in light of a resolution’s specific request and contextual information about the relevant company and its approach to the issue.