

The Church of England Pensions Board has been engaging with Volkswagen AG (VW) for over four years on its approach to climate change.

As part of the Board's engagement, and as a designated lead investor through Climate Action 100+, the Pensions Board has urged the company to set stronger emissions reduction targets, and to provide public disclosure on its lobbying activities regarding climate change policy.

VW's performance on setting targets and its transparency related to lobbying lags its German peers including Mercedes Benz and BMW. Unlike VW, both of these companies have produced lobbying disclosures, and have been independently assessed as having stronger short and medium-term emissions reduction targets by the Transition Pathway Initiative (TPI). We have repeatedly submitted shareholder amendments seeking disclosures on the company approach to corporate climate lobbying. These regrettably continue to be rejected by the company.

Laura Hillis, Director of Climate & Environment, Church of England Pensions Board, commented:

"Volkswagen has committed to align its business with a net-zero emissions future. Yet the company's activities on climate lobbying, and insufficient emissions reduction targets, continue to hold it back from realising that ambition.

Over more than four years of climate engagement with the company we have repeatedly called for the company to set emissions reduction targets aligned with limiting global warming to 1.5C, and a climate lobbying and industry associations disclosure. Given the company is still yet to meet these expectations, as shareholders we intend to use our votes to hold the Board of Management and the members of the Supervisory Board accountable."

The Church of England Pensions Board's long-standing requests of Volkswagen

- That the company align its short and medium-term emissions reduction targets with the science of limiting global warming to 1.5C, and take advantage of the opportunity for the company in transitioning to net zero.
- That the company publicly commit to disclose a comprehensive lobbying and public policy report which is aligned with the Global Standard on Responsible Climate Lobbying, and covers its subsidiaries and industry associations.

The Church of England Pensions Board's votes at the 2023 AGM

Given we have not seen these commitments from the company, we will vote as follows at VW's upcoming AGM on 10 May 2023:

- **Actions of the Board of Management** [items 3.1 to 3.13 on the ballot]: Against, given that the Board of Management is responsible for the management of environmental matters. The Board of Management refused to permit a shareholder amendment onto both the 2021 and 2022 ballots on the basis that it was beyond the AGM's competence, and persist in failing to publish the requested disclosures and commitments
- **Actions of the members of the Supervisory Board**

[items 4.1 to 4.25 on the ballot]: Against discharge of the members of the Supervisory Board due to its failure to oversee delivery of these requests in fiscal year 2022. While VW assign responsibility for environmental matters to the Board of Management, the Supervisory Board advises and monitors the Board of Management, and according to the company is 'directly involved in decisions of fundamental importance to the company.'

- **Re-election of members of the Supervisory Board** [items 5.1 to 5.3 on the ballot]: Against, given the Board's collective responsibility to manage fundamental issues, and their failure to produce the requested disclosures during fiscal year 2022.

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