

# Responsible Investment: Best Practice for Effective Stewardship

16<sup>th</sup> February 2023



# Welcome Remarks

# Housekeeping & Introduction

## Speakers



**James Robertson**

Head of Asia (ex-China & Japan),  
PRI



**Chloe Horne**

Specialist, Stewardship  
PRI



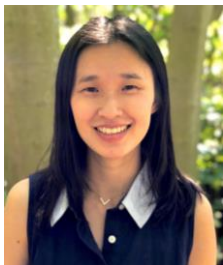
**Bonnie Groves**

Senior Analyst, Stewardship  
PRI



**Clara Melot**

Specialist, Stewardship  
PRI



**Lilian Wang**

Research Director  
(Impact & Engagement)  
Arisaig Partners



**Valerie Kwan**

Director, Engagement  
AIGCC

# Agenda

- Housekeeping & Introductions
- PRI's Approach to Stewardship
- Investor Sharing: Arisaig's Partners Approach to Stewardship
- Best Practices in Engagement
- Undertaking Stewardship in Asia: A Focus on Climate
- Best Practices in Voting
- Conclusion and Q&A
- Closing Remarks

# The PRI

The world's leading proponent of responsible investment...

## Works to:

- Understand the investment implications of environmental, social and governance (ESG) factors
- Support its international network of investor signatories in incorporating these factors into their investment and ownership decisions

## Acts in the long-term interests:

- Of its signatories
- Of the financial markets and economies in which they operate
- And ultimately of the environment and society as a whole



**2**

**UN PARTNERS:**

UNEP FINANCE INITIATIVE  
UN GLOBAL COMPACT



**5100+**

**SIGNATORIES:**

ASSET OWNERS  
INVESTMENT MANAGERS  
SERVICE PROVIDERS



**120+**

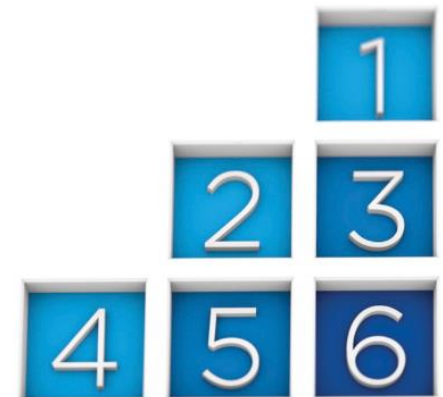
**US\$ trn**

**ASSETS UNDER  
MANAGEMENT**

## Investor-led, supported by the United Nations

The six Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

- 1 We will incorporate ESG issues into investment analysis and decision-making processes
- 2 We will be active owners and incorporate ESG issues into our ownership policies and practices.
- 3 We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- 4 We will promote acceptance and implementation of the Principles within the investment industry.
- 5 We will work together to enhance our effectiveness in implementing the Principles.
- 6 We will each report on our activities and progress towards implementing the Principles.



# PRI's Approach to Stewardship



## How the PRI defines stewardship

**“The use of influence by institutional investors to maximise overall long-term value including the value of common economic, social and environmental assets, on which returns and clients’ and beneficiaries’ interests depend.”**



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# Stewardship tools and activities

Investors can fulfil their stewardship obligations through various methods. These stewardship tools and activities can be split into investee stewardship and broader stewardship. Many of these tools and activities can be used collaboratively by investors

- Engagement
- Voting
- Filing shareholder proposals
- Board and committee roles
- Direct oversight of assets
- Litigation

## Investee stewardship



- Policy engagement
- Engagement with standard setters, industry groups and other stakeholders
- Engagement with actors in the investment chain
- Contributions to public goods or public discourse

## Broader stewardship



## How the PRI works to support its signatories' stewardship efforts



Provide guidance and support



Address system barriers



Support investors during AGM season



Facilitate collaboration

## PRI-led and co-led collaborative stewardship initiatives



A collaborative stewardship initiative on action on climate change at the world's largest corporate greenhouse gas emitters (ongoing)



A collaborative stewardship initiative on human rights and social issues (recently launched)

Collaborative  
**Sovereign  
Engagement on  
Climate Change** (pilot)

**Resilient Natural  
Systems (RNS)**  
Collaborative  
Stewardship Initiative  
(under-development)

## PRI-supported collaborative stewardship initiatives



**Climate Engagement Canada (CEC)**

**Investor Policy Dialogue on Deforestation  
(IPDD)**

## Other support for stewardship initiatives

**PRI Collaboration Platform** – an online forum to facilitate collaboration by allowing signatories to host their own initiatives and invite others to join; explore collaboration opportunities and get involved; and access collaborations coordinated by the PRI

# **Investor Sharing: Arisaig Partner's Approach to Stewardship**

ARISAIG PARTNERS

# Best Practices in Engagement

## What is engagement?

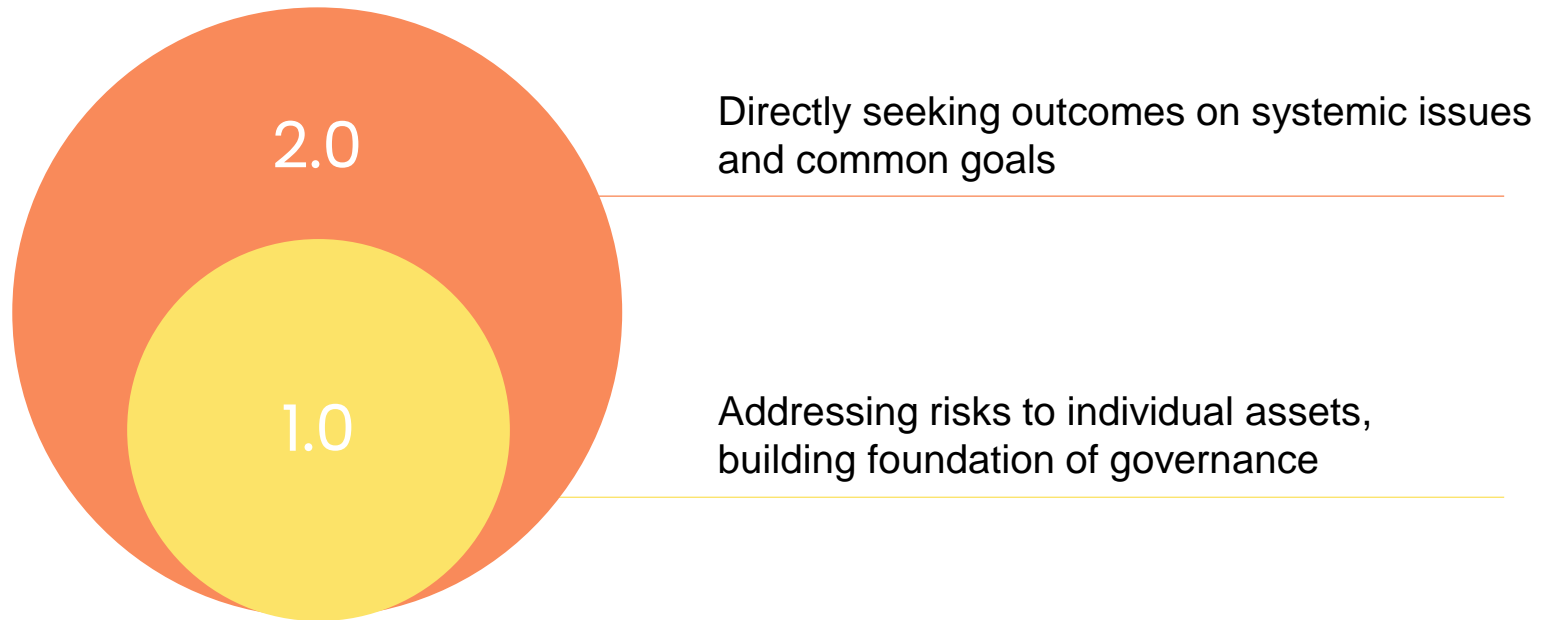
**Dialogue between an investor (or an engagement service provider) and decision maker (such as companies), to improve ESG practices, sustainability outcomes or public disclosure**



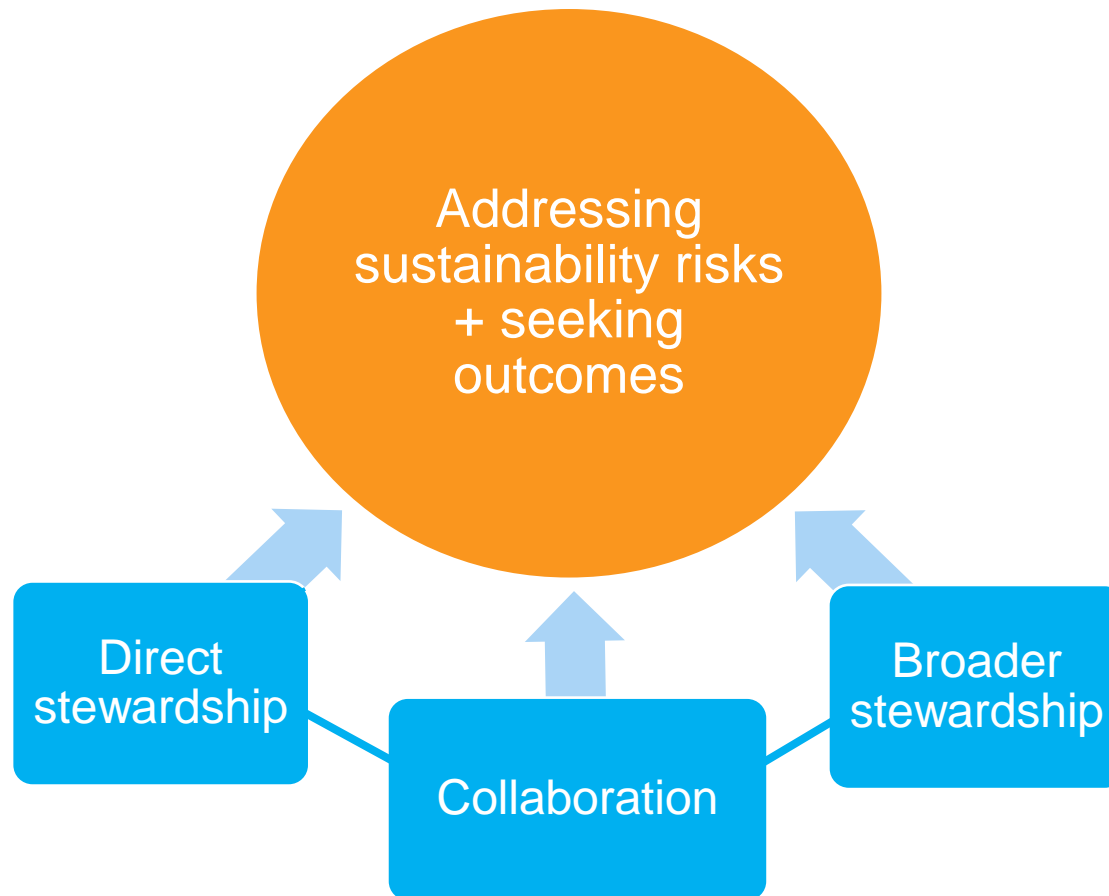


# The evolution of stewardship and engagement

How can investors better deliver against beneficiaries' interests and improve the sustainability and resilience of the financial system?

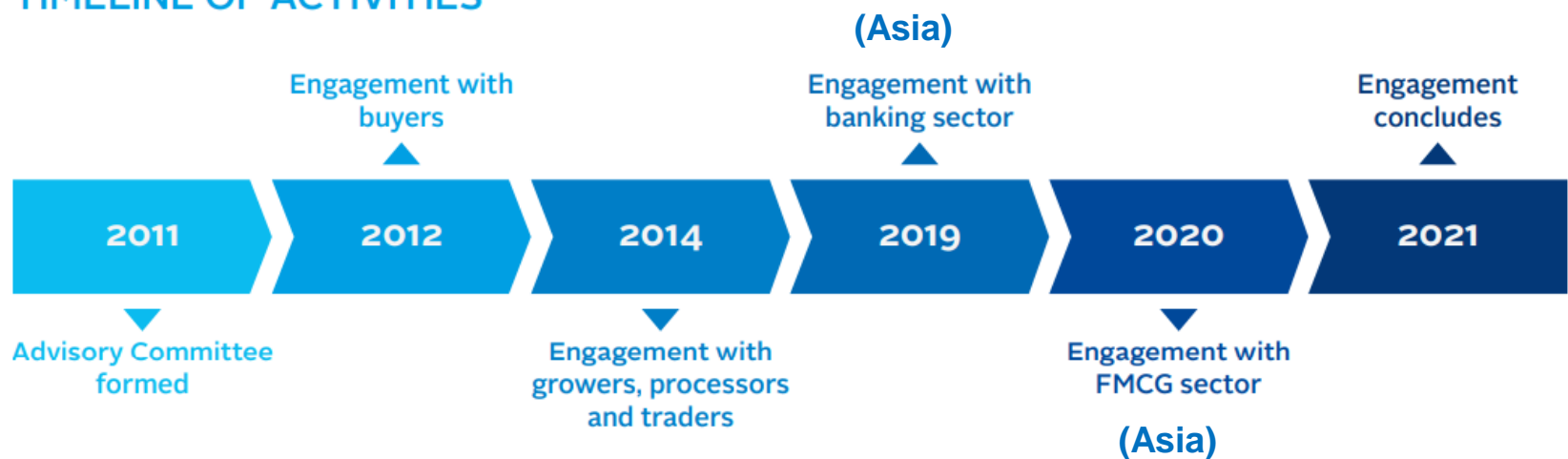


## Introducing Active Ownership 2.0



## Example: Investor working group on sustainable palm oil

### TIMELINE OF ACTIVITIES



Source: [PRI \(2022\), Investor Working Group on Sustainable Palm Oil – Engagement results](#)

## Example: Climate Action 100+



**75%**

of focus companies have net zero commitments (up from 50% March 2021)



**92%**

of focus companies have some level of board oversight (up from 87% March 2021)



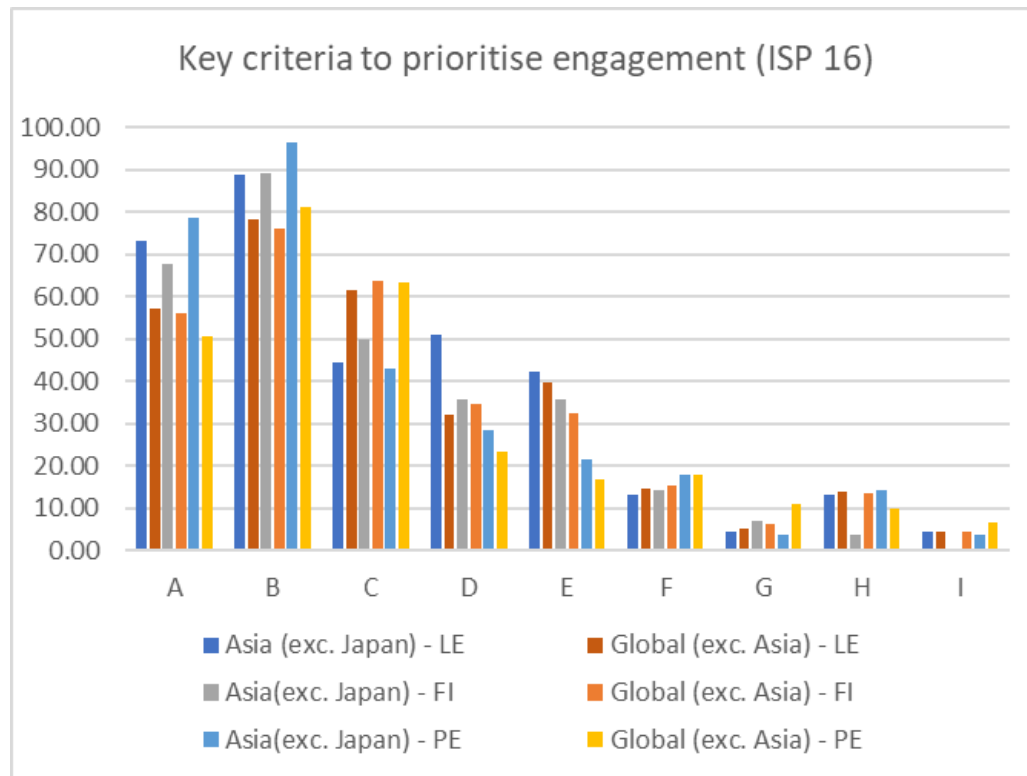
**91%**

of focus companies have aligned with TCFD recommendations (up from 72% March 2021)

Source: [CA100+ \(2022\), Progress Update](#)

# Prioritising engagements

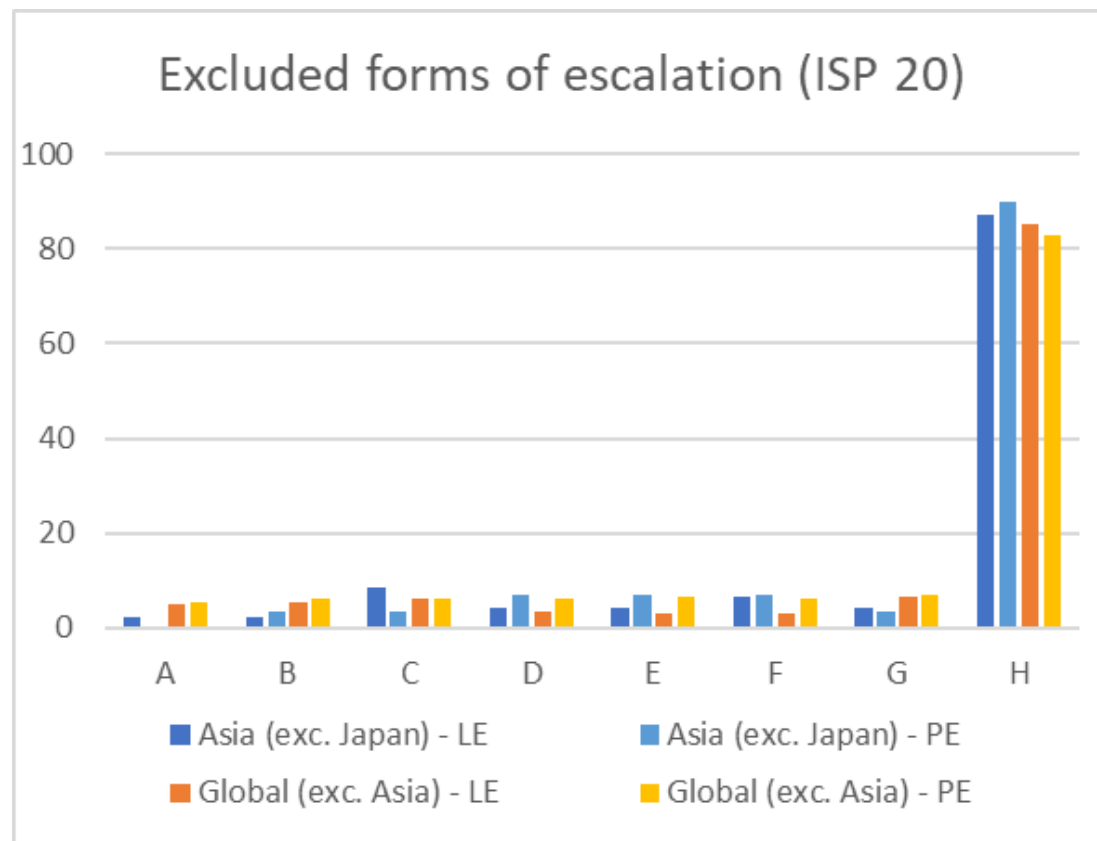
A few findings from reporting and assessment data (2021)



- A. The size of our holdings in the entity or the size of the asset, portfolio company and/or property
- B. The materiality of ESG factors on financial and/or operational performance
- C. Specific ESG factors with systemic influence (e.g. climate or human rights)
- D. The ESG rating of the entity
- E. The adequacy of public disclosure on ESG factors/performance
- F. Specific ESG factors based on input from clients
- G. Specific ESG factors based on input from beneficiaries
- H. Other criteria to prioritise engagement targets, please specify:
- I. We do not prioritise our engagement targets

# Escalating engagements

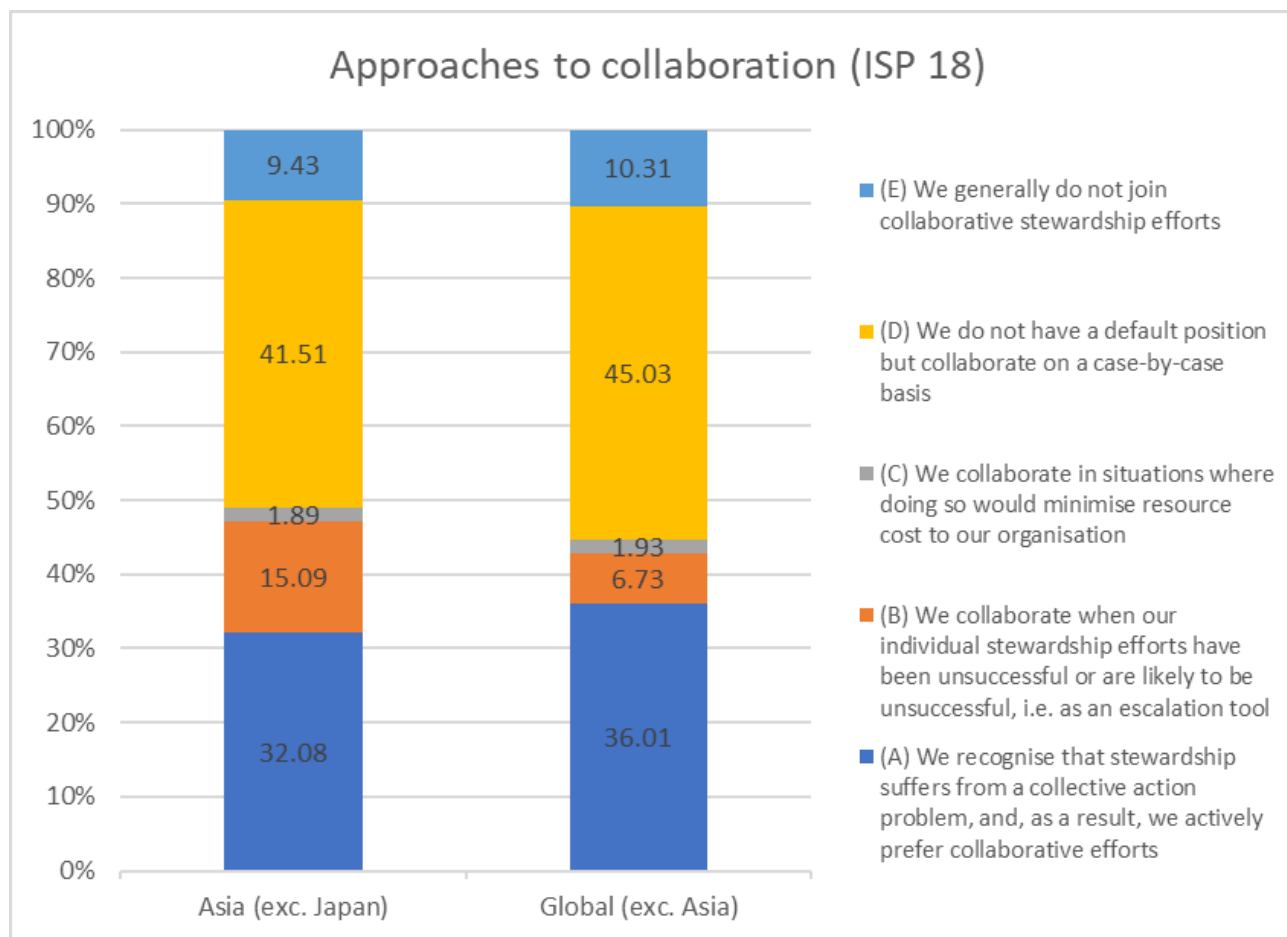
A few findings from reporting and assessment data (2021)



- A. Collaboratively engaging the entity with other investors
- B. Filing/co-filing/submitting a shareholder resolution or proposal
- C. Publicly engaging the entity (e.g. open letter)**
- D. Voting against the re-election of one or more board directors
- E. Voting against the chair of the board of directors
- F. Voting against the annual financial report**
- G. Divesting or implementing an exit strategy
- H. We do not have any restrictions on the escalation measures we can use

# Collaboration

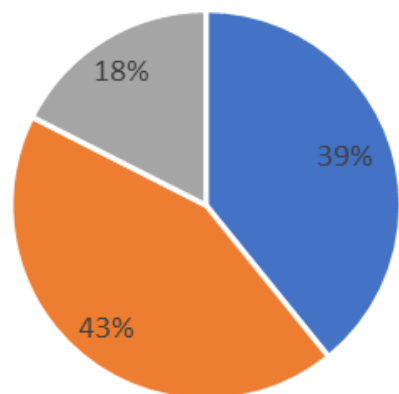
A few findings from reporting and assessment data (2021)



## Policy engagement (1/2)

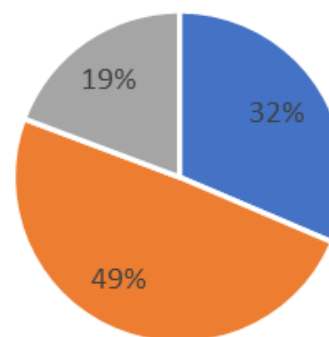
A few findings from reporting and assessment data (2021)

Asia (exc. Japan) (ISP 23)



- Direct policy engagement
- Indirect policy engagement
- No policy engagement

Global (exc. Asia) (ISP 23)

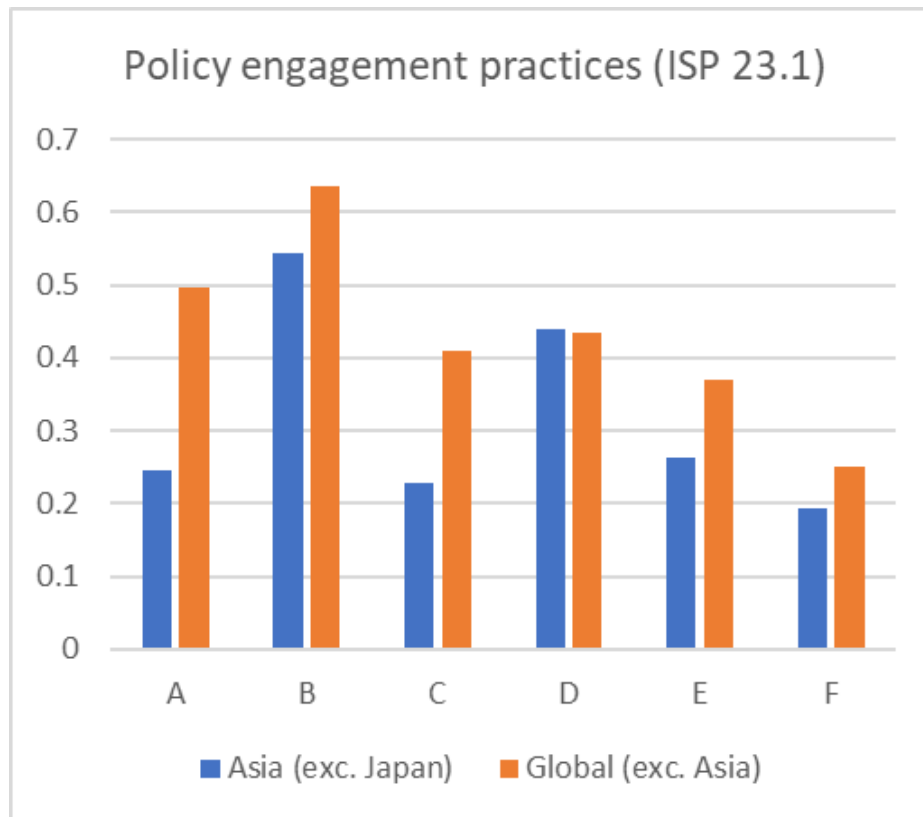


- Direct policy engagement
- Indirect policy engagement
- No policy engagement



## Policy engagement (2/2)

A few findings from reporting and assessment data (2021)



- A. We participate in **"sign-on" letters** on ESG policy topics
- B. We respond to **policy consultations** on ESG policy topics
- C. We provide **technical input** on ESG policy change
- D. We **proactively engage financial regulators** on financial regulatory topics regarding ESG integration, stewardship, disclosure or similar
- E. We **proactively engage regulators and policymakers on other policy topics**
- F. **Other methods** used to engage with policymakers

# Undertaking Stewardship in Asia: A Focus on Climate



# Best Practices in Voting

# The value of voting on shareholder resolutions

**Engagement is valuable,**  
and can help to build rapport with companies...



**...but voting adds accountability and effectiveness.**

When utilised effectively, voting on shareholder resolutions can strengthen engagement.

## The 2022 AGM season

All data used in this presentation is up-to-date as of 2 September 2022. It is drawn from resolutions and votes listed on the PRI Resolution Database, which is non-exhaustive

Proposals that went to a vote



■ Environment ■ Social ■ Governance

- **Increase** in number of ESG resolutions and votes
- **Average proposal support: 30.5%**
- Over a **third of proposals** that were filed were **withdrawn**
- PRI Resolution Database sees ESG resolutions filed at companies headquartered across **15 countries**

# Emerging themes for the 2023 AGM season

Emerging themes for 2023 include:

Climate transition  
planning

Environmental  
issues & human  
health

Biodiversity

Digital rights

Diversity, equity &  
inclusion

Tax transparency

More information can be found in PRI's webinar [Preparing for 2023: Lessons from 2022 proxy season](#)

## Voting principles

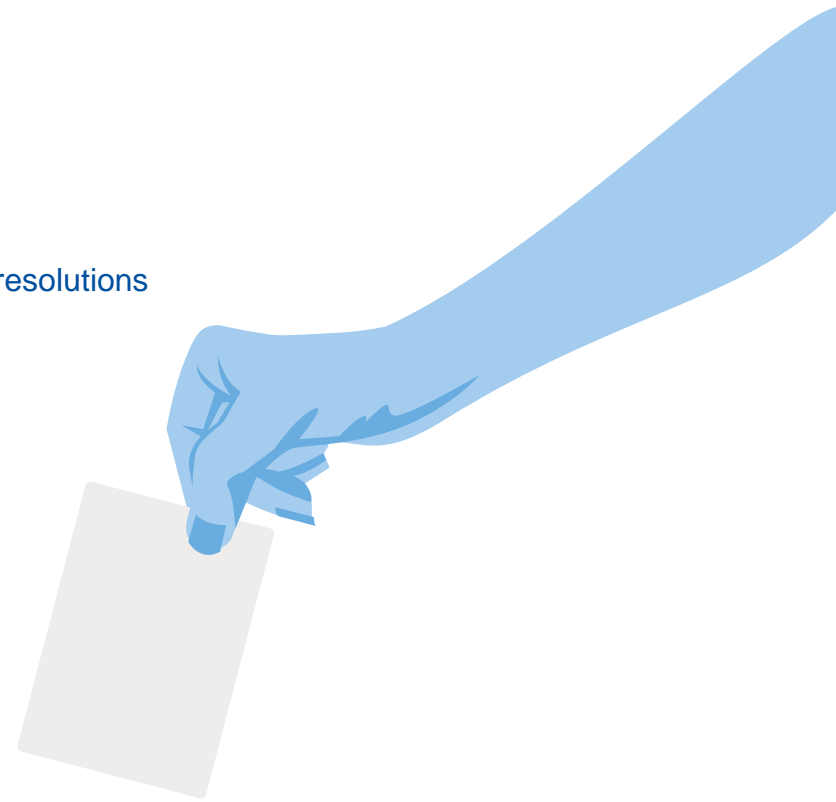
Investors can develop and apply high-level principles to govern their use of voting on shareholder resolutions

Voting principles are **high-level statements** explaining an **investor's position on ESG issues** and **how they vote** to effect progress on them



# Applying voting principles

Investors should apply their principles consistently to shareholder resolutions



## **Vote to inform**

... and communicate an investor's views.

## **Vote to affirm**

... action that is already being taken by the company.

## **Vote to advise**

... on the substance and directionality of the resolution, rather than the intricate details.



## Voting in favour of shareholder resolutions should not be reserved for escalation

Voting in favour of a shareholder resolution does not need to be reserved for when efforts need to be escalated.

There are other escalation strategies available to investors.

### **These strategy may include:**

- filing shareholder resolutions;
- voting against the (re-) election of board members;
- proposing directors for election;
- voting against the annual reports and accounts of companies;
- litigation.



# Filing shareholder proposals

Guidance on filing impactful shareholder proposals to be published this month

This paper provides guidance on **how to file shareholder proposals** to drive improvements at investee companies on ESG issues.



**Country-specific factsheets** have also been developed to provide an overview of the **key legal and technical processes** related to filing a shareholder proposal eight key markets: Australia, Canada, France, Japan, Germany, South Africa, the UK and the US.

# Filing shareholder proposals

Guidance on filing impactful shareholder proposals to be published this month

## An overview:

A **comprehensive** and **calculated strategy** for filing proposals is crucial

Successful proposals require **clear and persuasive messaging**

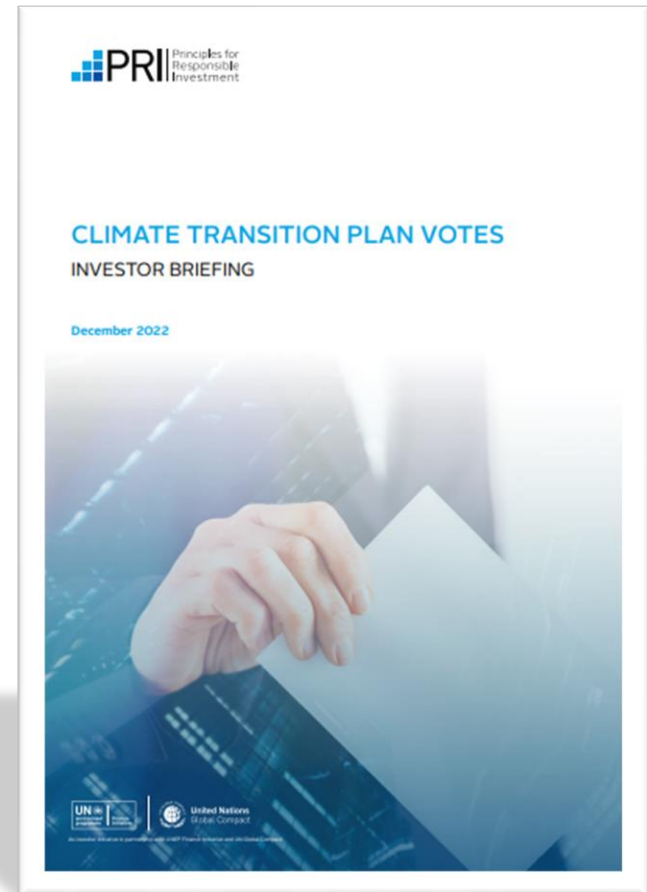
Submitting the proposal is just one part of the **bigger picture**

The role of **board votes** should not be overlooked

**Other actors** can play an important role in the success of a proposal

## Voting on management-filed resolutions

“ *Investors should carefully consider the signals and potential consequences (intended and unintended) of using climate transition plan votes as a mechanism to drive climate action.* ”



## Other actions to prepare for the AGM season

Beyond investor guidelines on shareholder proposals, investors can:



Consider where **other votes** (such as board votes) may be a complementary or more suitable tool



Determine your approach to **public discourse** (including voting disclosures) – especially for controversial votes



Articulate your approach to **addressing systemic risks** and how this informs how you vote on shareholder proposals



Engaging with **investment managers and/or proxy advisers** on expectations for priority ESG issues

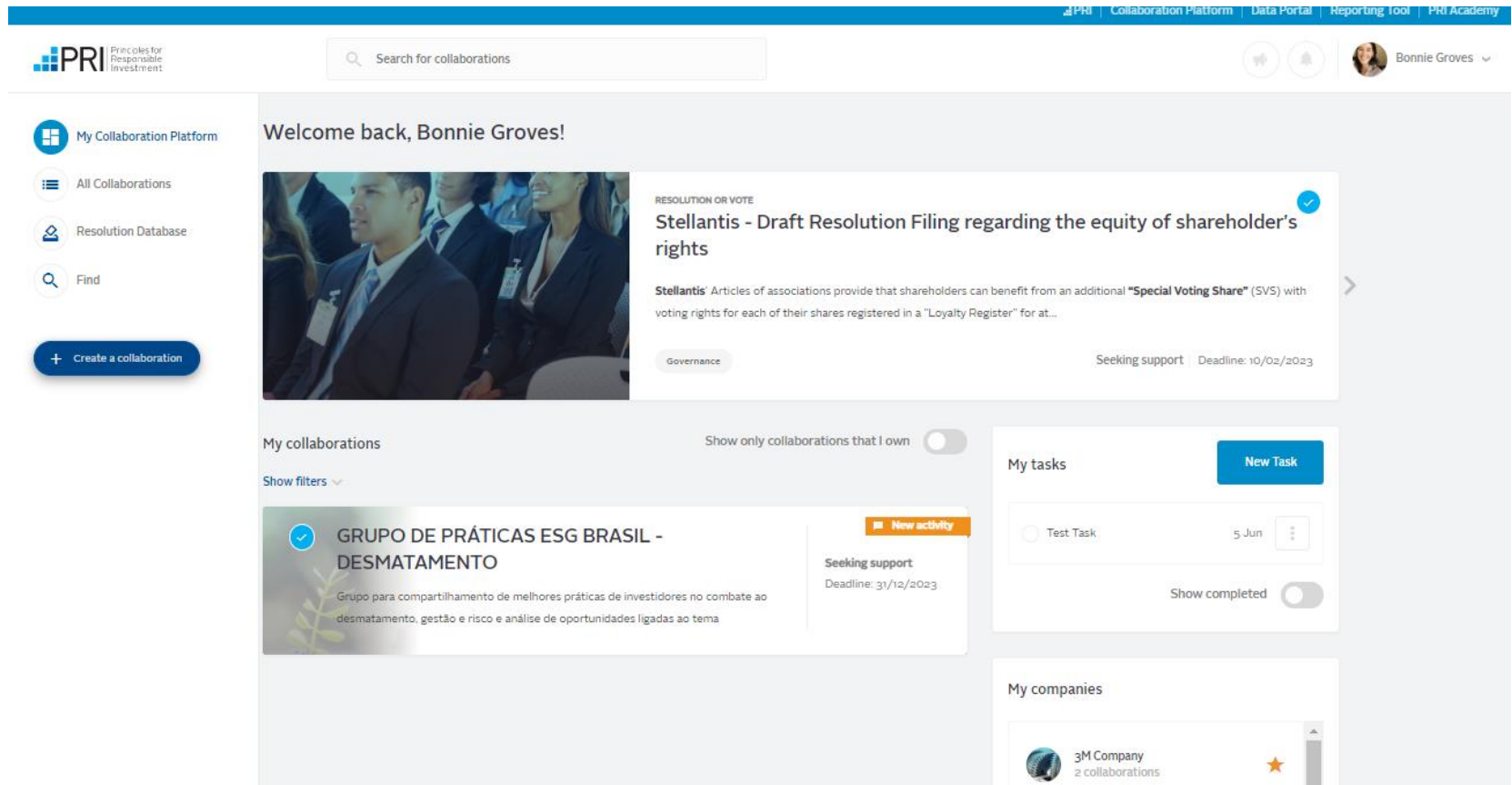
# Putting theory into practice: PRI Stewardship Award Winner 2022

The image displays three overlapping screenshots of a digital platform for the 'Votes Against Slavery' initiative, showing its growth over time.

- Left Screenshot (2021):**
  - Title:** Votes Against Slavery 2021
  - Members:** 16 members
  - Description:** Investors are invited to sign and support 350 companies who have failed to report on modern slavery in 2015. Please find the target list and a version of the Modern Slavery Act 2015.
  - Type:** Engagement or initiative
  - Metadata:**
    - Created on: 19 January 2021
    - ESG theme: Social
- Middle Screenshot (2022):**
  - Title:** Votes Against Slavery 2022
  - Members:** 11 members
  - Description:** Now in its third year, investors are invited to sign and support non-compliant FTSE 350 companies that have failed to report on modern slavery in the Modern Slavery Act 2015. Please find the target list and a version of the Modern Slavery Act 2015.
  - Type:** Engagement or initiative
  - Metadata:**
    - Created on: 1 February 2022
    - ESG theme: Social
- Right Screenshot (2023):**
  - Title:** Votes Against Slavery
  - Members:** 4 members
  - Description:** Investor engagement with FTSE350 companies that have failed to meet the Section 54 reporting requirements of the Modern Slavery Act.
  - Type:** Engagement or initiative
  - Status:** Ongoing
  - Deadline:** 30 January 2023
  - Contact:** Archie Pearson
  - Navigation:** About, Activity, Files, Calendar, Subspaces, Tasks, Members
  - Metadata:**
    - Created on: 18 January 2023
    - ESG theme: Social
  - Collaboration details:**

Modern slavery is a widespread, criminal activity which has a global reach. It involves the exploitation of people through force, deception or coercion, for the purpose of modern slavery. Modern slavery is a widespread, criminal activity which has a global reach. It involves the exploitation of people through force, deception or coercion, for the purpose of modern slavery.

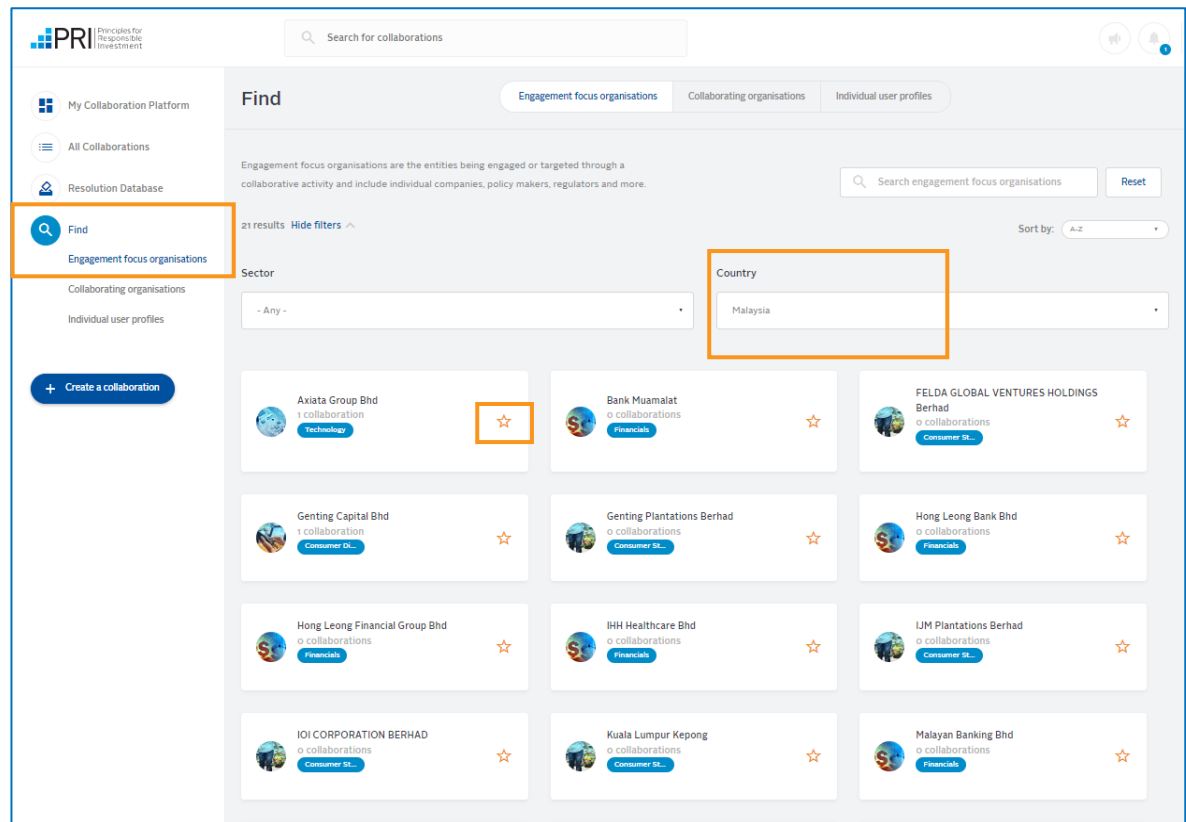
# Introducing the PRI Collaboration Platform



The screenshot displays the PRI Collaboration Platform interface. At the top, a navigation bar includes links to PRI, Collaboration Platform, Data Portal, Reporting tool, and PRI Academy. The main header features the PRI logo and a search bar labeled "Search for collaborations". On the left, a sidebar menu lists "My Collaboration Platform", "All Collaborations", "Resolution Database", and "Find", along with a "Create a collaboration" button. The main content area welcomes "Bonnie Groves" and highlights a "Stellantis - Draft Resolution Filing regarding the equity of shareholder's rights" under the "RESOLUTION OR VOTE" category. Below this, the "My collaborations" section shows a "GRUPO DE PRÁTICAS ESG BRASIL - DESMATAMENTO" collaboration. To the right, the "My tasks" section includes a "New Task" button and a "Test Task". The "My companies" section lists "3M Company" with 2 collaborations. The interface is clean and professional, using a blue and white color scheme.

# The PRI Collaboration Platform – quick actions

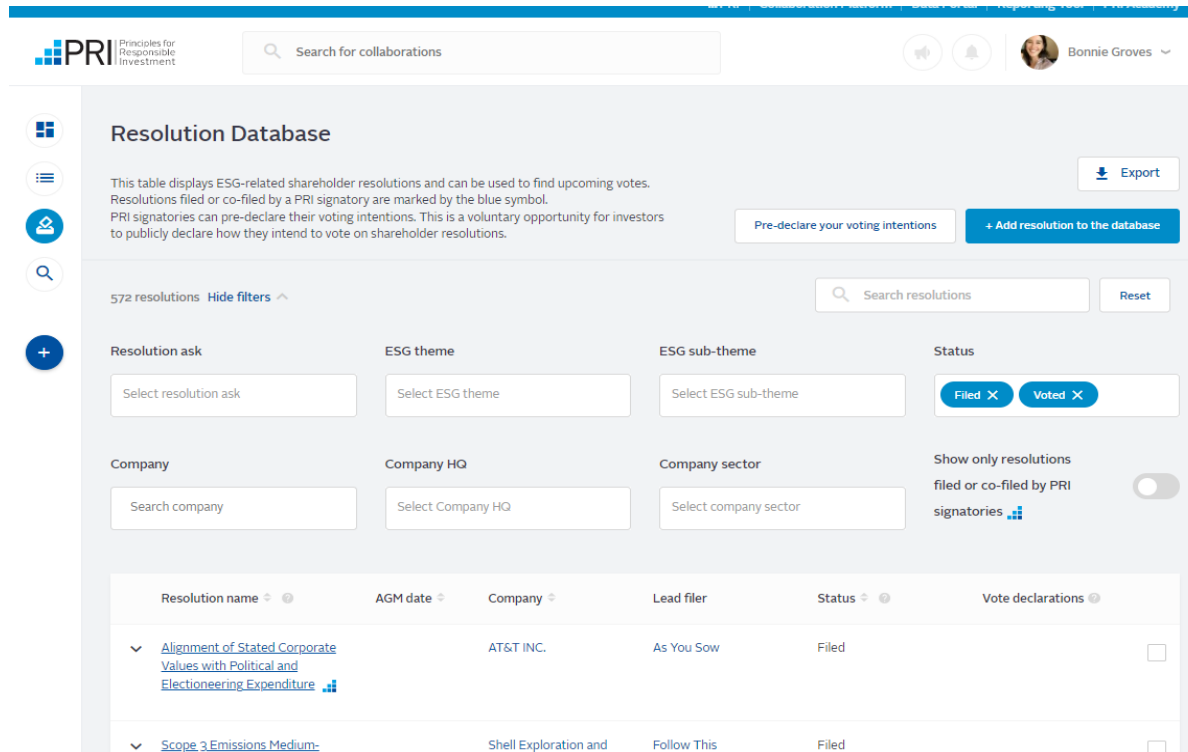
1. **Register** to the Collaboration Platform
2. **Follow companies** you are most interested in to receive notifications when a collaboration or resolution is added focusing on this company
3. Sign up to the **Collaboration Alert** for weekly updates of new collaborations





# The PRI Resolution Database

This publicly accessible database of ESG-related resolutions and votes can be used to easily find upcoming AGM votes, as well as to track the results of key proposals that have been voted on

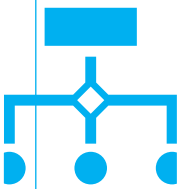


The screenshot shows the PRI Resolution Database interface. At the top, there's a navigation bar with the PRI logo and a search bar for collaborations. Below this, the main header reads 'Resolution Database' with a brief description of the database's purpose. To the right of the header are buttons for 'Export', 'Pre-declare your voting intentions', and '+ Add resolution to the database'. Below the header, there are several filter sections: 'Resolution ask', 'ESG theme', 'ESG sub-theme', 'Status' (with 'Filed' and 'Voted' buttons), 'Company', 'Company HQ', 'Company sector', and a toggle for 'Show only resolutions filed or co-filed by PRI signatories'. At the bottom, a table displays the results of the filters, showing columns for Resolution name, AGM date, Company, Lead filer, Status, and Vote declarations. Two rows are visible in the table.

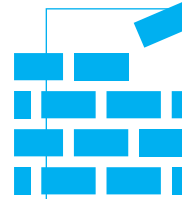
Resolution name	AGM date	Company	Lead filer	Status	Vote declarations
Alignment of Stated Corporate Values with Political and Electioneering Expenditure		AT&T INC.	As You Sow	Filed	<input type="checkbox"/>
Scope 3 Emissions Medium-		Shell Exploration and	Follow This	Filed	<input type="checkbox"/>

# Conclusion

## Key takeaways



Stewardship can be delivered across all asset classes



There are a variety of stewardship tools that can be utilised by investors



Collaboration can strengthen engagement



A clear, thoughtful escalation strategy is important



AGM voting, engagement and other tools can complement one another



Voting on shareholder proposals should not be reserved for escalation

## Find out more

The PRI has a range of tools and guidance to support investors in their stewardship efforts

### Resources:

- [An introduction to stewardship](#)
- [Active Ownership 2.0](#)
- [PRI-led collaborative engagements](#)
- [A practical guide to active ownership in listed equity](#)
- [ESG engagement for fixed income investors](#)
- [Getting started with collaborative engagement](#)
- [ESG engagement for sovereign debt investors](#)
- [PRI Collaboration Platform](#)

### PRI contacts:

- [James Robertson](#), Head of Asia (ex-China & Japan)
- [Chloe Horne](#), Stewardship Specialist
- [Clara Melot](#), Stewardship Specialist
- [Bonnie Groves](#), Senior Analyst, Stewardship
- [Stewardship@unpri.org](mailto:Stewardship@unpri.org)
- [Collaborations@unpri.org](mailto:Collaborations@unpri.org)

# Questions?

# Thank you

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