

Fundamentals & Best Practice for Effective Stewardship

17th July 2023



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



5300+

SIGNATORIES:

ASSET OWNERS
INVESTMENT MANAGERS
SERVICE PROVIDERS



120+

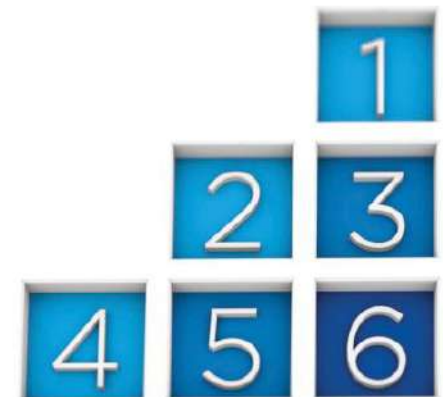
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**ASSETS UNDER
MANAGEMENT**

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.



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.”



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

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



Key components of an engagement process

Develop a dedicated Stewardship Policy:

- Consistent with local regulation & stewardship codes
- Aligned with investment strategy and reviewed regularly
- Clearly outlines the scope of the policy and the assets it covers

Key elements of a successful engagement strategy:

- Research & preparation
- Understand cultural differences & corporate culture
- Focus on the business case, present a consistent message & share best practices
- Consider timing & relevant standards

PRI resources:

- [A practical guide to active ownership in listed equity](#)
- [ESG engagement for fixed income investors](#)
- [ESG engagement for sovereign debt investors](#)
- [Getting started with collaborative engagement](#)

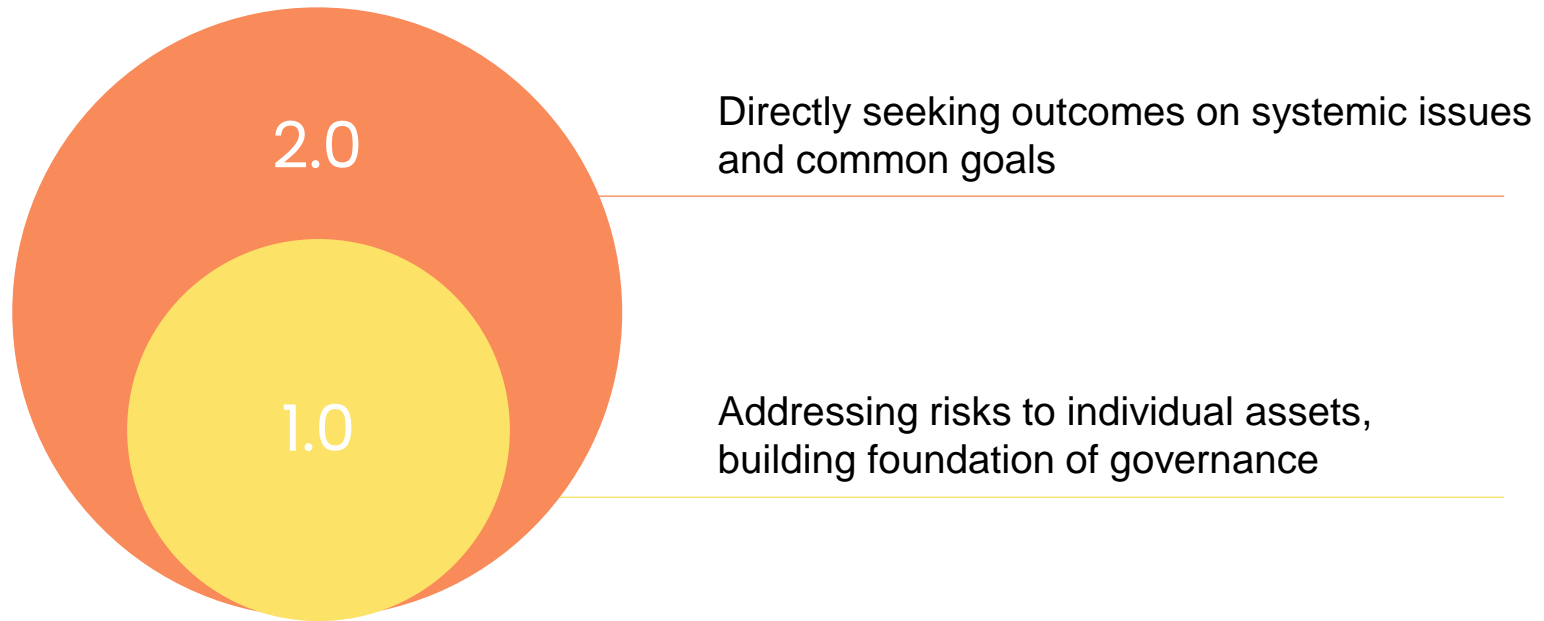
Prioritising engagements – insights from PRI signatories

Drawn from 2021 Reporting & Assessment data across listed equity, private equity and fixed income.

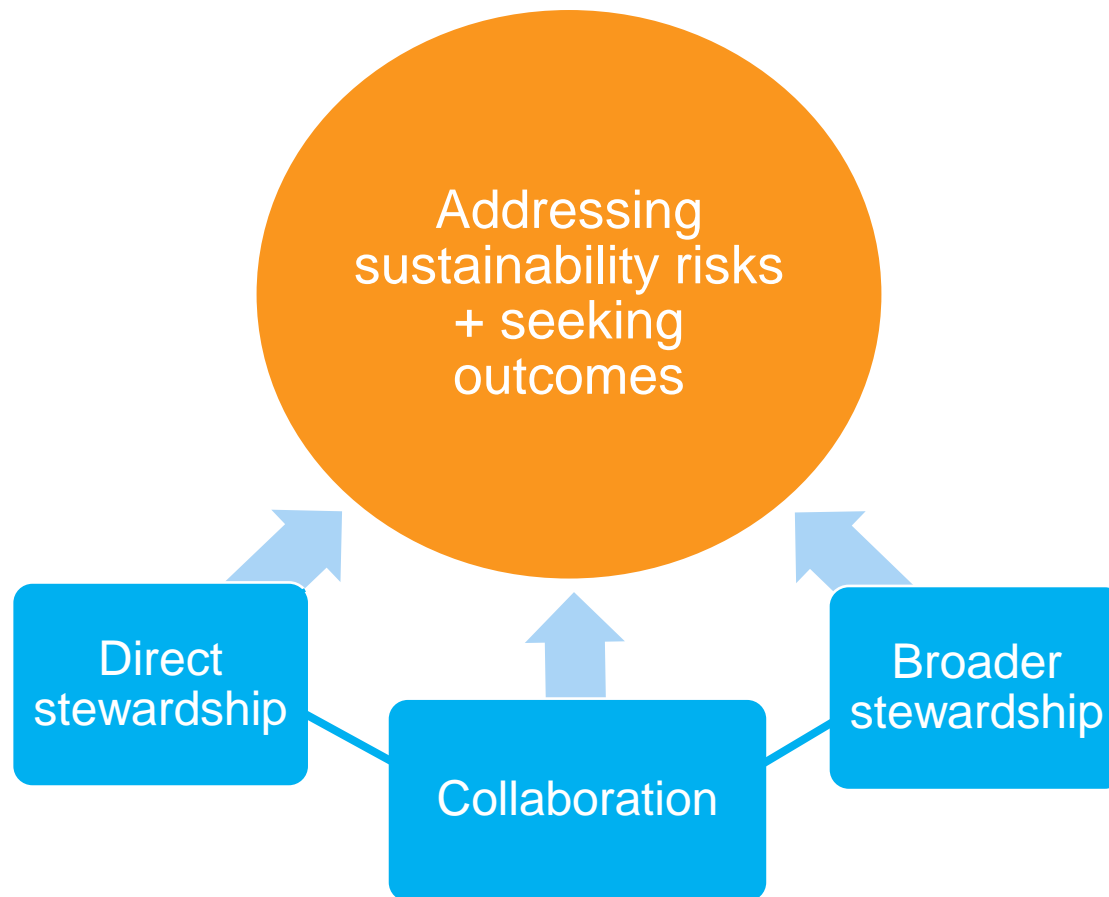
1. The size of our holdings in the entity or the size of the asset, portfolio company and/or property
2. The materiality of ESG factors on financial and/or operational performance
3. **Globally** - Specific ESG factors with systemic influence (e.g., climate or human rights)
3. **Asia ex. Japan** - The ESG rating of the entity

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



Benefits of collaboration

Collaborative shareholder engagement occurs when a group of institutional investors come together to engage in dialogue with companies or other stakeholders on ESG issues



Example: Investor working group on sustainable palm oil

TIMELINE OF ACTIVITIES



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

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.

Voting principles

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

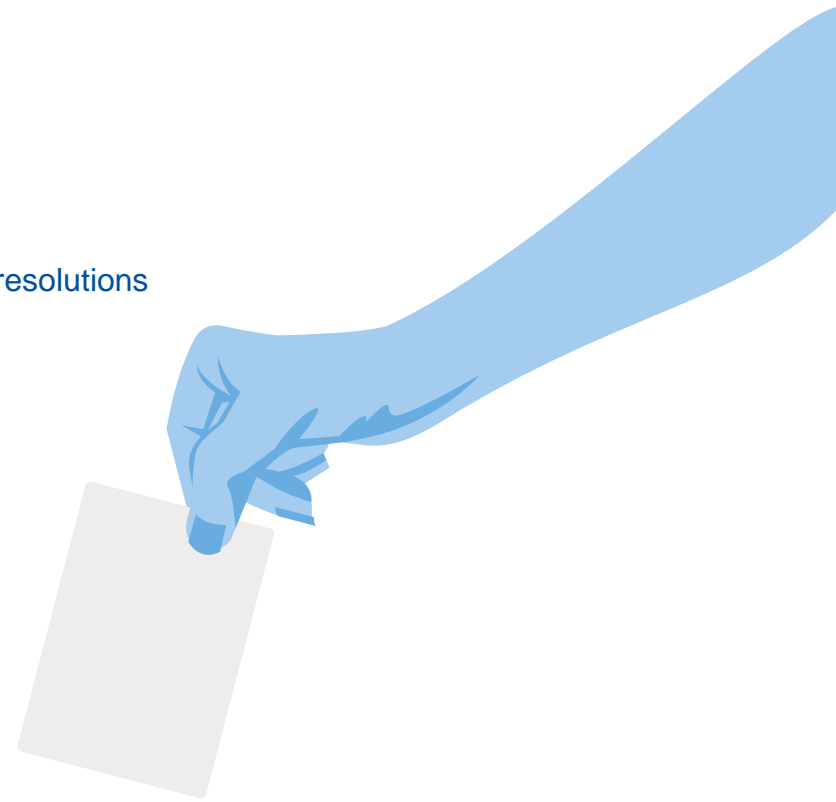
Voting principles are **high-level statements** explaining an **investor's position on ESG issues** and **how they vote** to effect progress on them



 [Making Voting Count: principle-based voting on shareholder resolutions](#)

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

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.



Emerging themes for the 2023 AGM season

Emerging themes for 2023 include:

Asset retirement obligations

Animal welfare

Biodiversity and nature

Digital rights and privacy

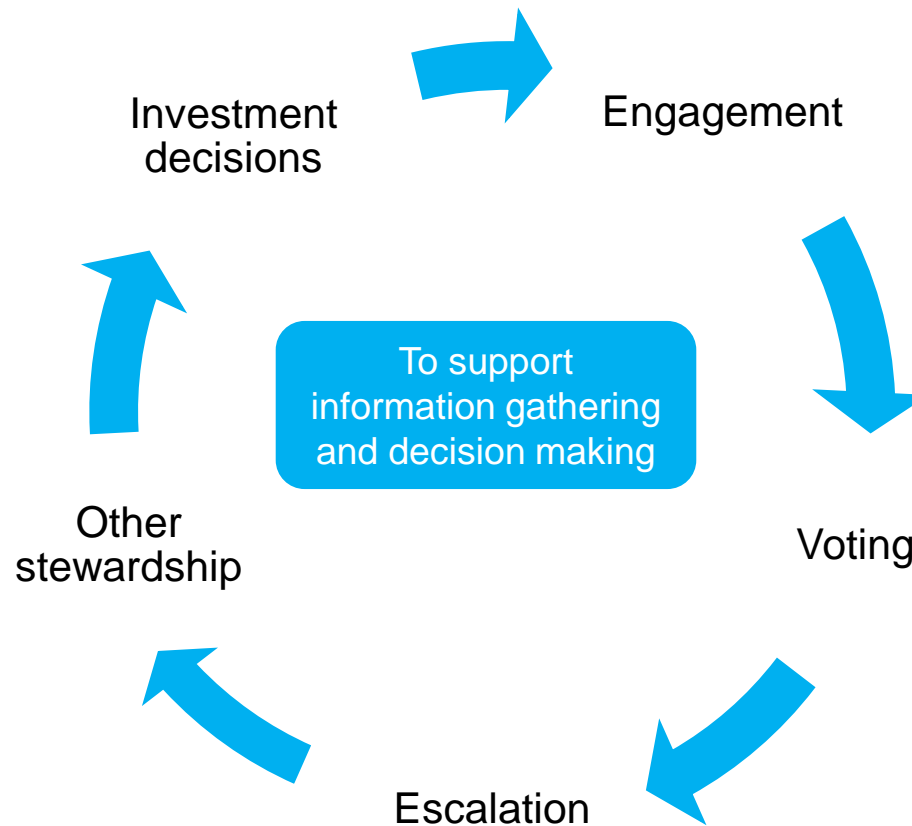
Votes against management

Tax transparency

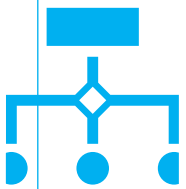
Register for PRI's webinar 26 July [Proxy season 2023: Key takeaways and looking ahead](#)

Connecting engagement, voting and investment decisions

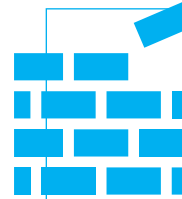
Engagement, voting, other stewardship tools and investment decisions feed into each other



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

PRI's Work Programme on 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

PRI-supported collaborative stewardship initiatives



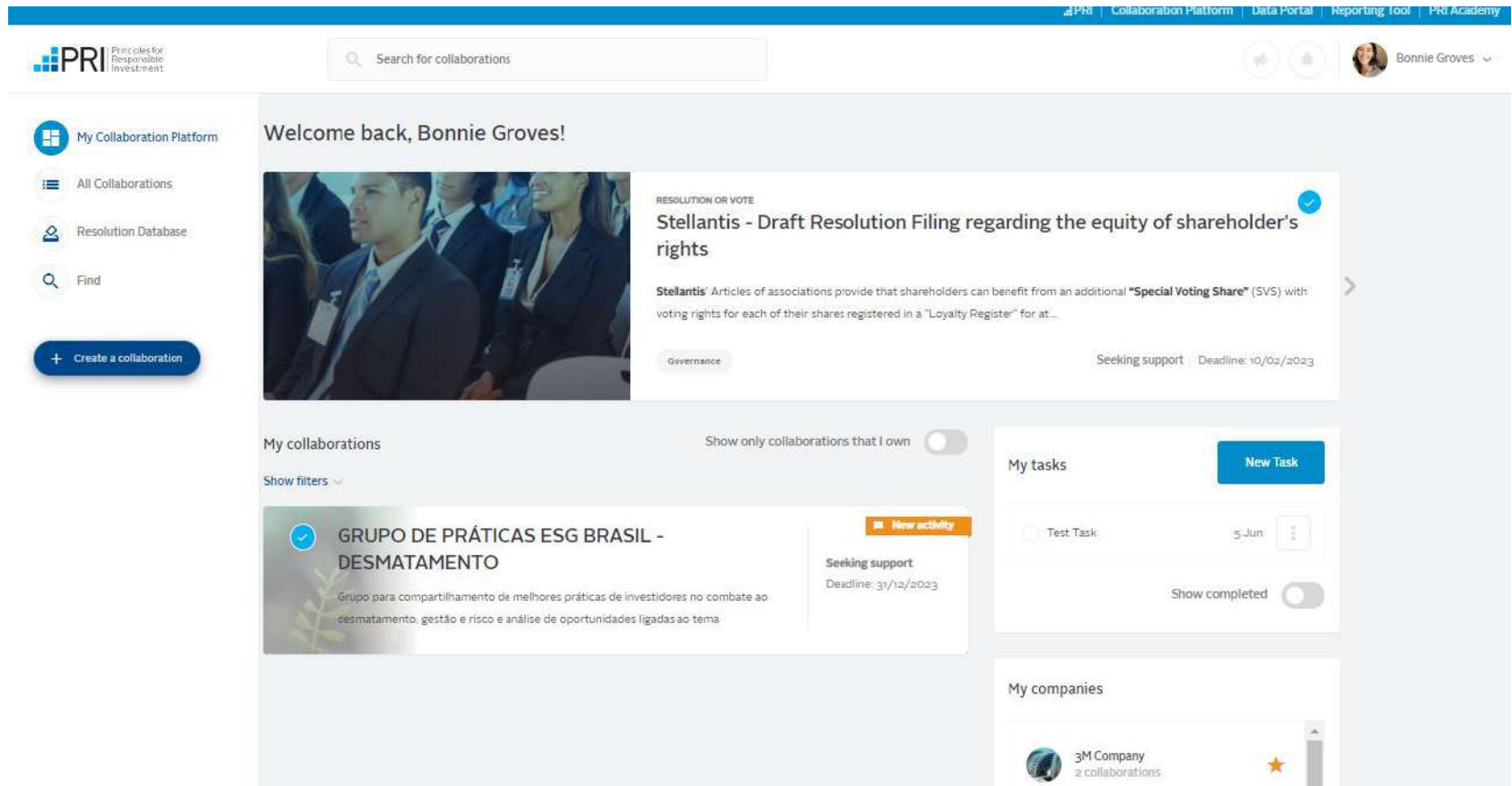
Climate Engagement Canada (CEC)

**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

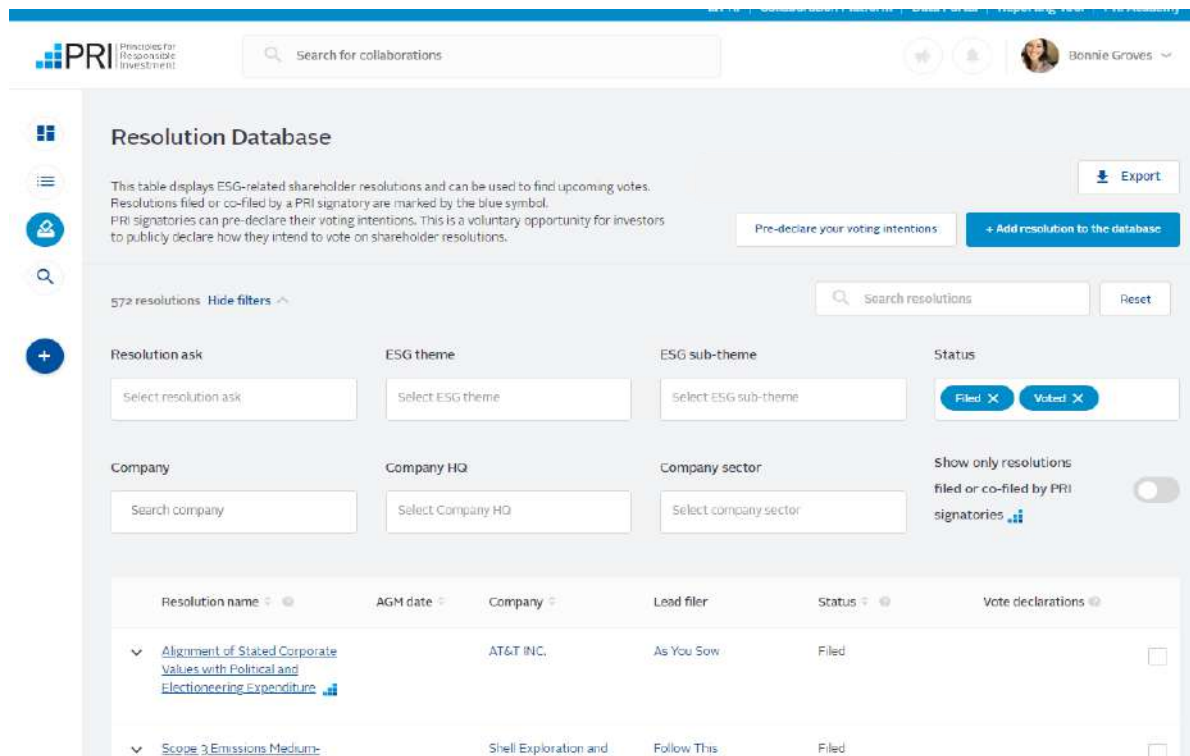
Introducing the PRI Collaboration Platform



The screenshot displays the user interface of the PRI Collaboration Platform. At the top, a navigation bar includes links for 'PRI', 'Collaboration Platform', 'Data Portal', 'Reporting Tool', and 'PRI Academy'. The user's profile, 'Bonnie Groves', is visible in the top right corner. A search bar is located below the navigation bar with the placeholder text 'Search for collaborations'. On the left side, a sidebar menu contains options for 'My Collaboration Platform', 'All Collaborations', 'Resolution Database', and 'Find', along with a 'Create a collaboration' button. The main content area features a 'Welcome back, Bonnie Groves!' message. A prominent card titled 'Stellantis - Draft Resolution Filing regarding the equity of shareholder's rights' is shown, with a 'RESOLUTION OR VOTE' label and a 'Seeking support' status. Below this, a 'My collaborations' section includes a toggle for 'Show only collaborations that I own' and a list of collaborations, such as 'GRUPO DE PRÁTICAS ESG BRASIL - DESMATAMENTO'. To the right, a 'My tasks' section has a 'New Task' button and a list of tasks, including 'Test Task'. At the bottom right, a 'My companies' section lists '3M Company' with '2 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 is a search bar for collaborations and a user profile for Bonnie Groves. The main section is titled "Resolution Database" and includes an "Export" button and a description of the database's purpose. Below this, 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". A search bar for resolutions and a "Reset" button are also present. At the bottom, a table displays the following data:

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"/>

Stewardship Resources



AN INTRODUCTION TO RESPONSIBLE INVESTMENT: STEWARDSHIP

Explains the importance and relevance of stewardship and outlines the tools investors can incorporate into policies, processes and practices.



A PRACTICAL GUIDE TO ACTIVE OWNERSHIP IN LISTED EQUITY

Outlines concrete steps to make active ownership an effective tool to support long-term value creation in listed equity investing.



DIVERSITY, EQUITY AND INCLUSION DDQ FOR INSTITUTIONAL INVESTORS

Helps understand how investment managers and consultants approach diversity, equity and inclusion through their investment activities, the manager research process and within their own organisations.



A GUIDE TO FILING IMPACTFUL SHAREHOLDER RESOLUTIONS

Guides investors as to how they can use shareholder proposals to drive improvements at investee companies on matters related to ESG issues.



ESG ENGAGEMENT FOR FIXED INCOME INVESTORS

Explains how to engage with bond issuers on ESG factors to identify and manage ESG-related risks, and maximise positive ESG outcomes.



ACTIVE OWNERSHIP 2.0

Sets out a framework for the more effective and ambitious stewardship needed to deliver against beneficiaries' interests and improve the sustainability and resilience of the financial system.



MAKING VOTING COUNT: PRINCIPLE-BASED VOTING ON SHAREHOLDER RESOLUTIONS

Sets out how investors can develop and apply high-level principles to govern their use of voting on shareholder resolutions.



ESG ENGAGEMENT FOR SOVEREIGN DEBT INVESTORS

Highlights existing practices and differences between corporate and sovereign bondholder engagement.



GETTING STARTED WITH COLLABORATIVE ENGAGEMENT

Sets out how institutional investors can effectively collaborate in dialogue with companies.

Read more at [Stewardship Resources](#)

Thank you

- Contact collaborations@unpri.org for any questions
- Contact James.Robertson@unpri.org or info@unpri.org to learn more about the PRI or to discuss becoming a signatory contact