

## Engaging Investment Managers on Proxy Voting & Other Forms of Shareholder Engagement

Endowments that wish to understand how and if potential managers address environmental, social, and governance (ESG) factors through proxy voting and shareholder engagement can leverage the Request for Proposals (RFP), investment manager selection, and monitoring processes to learn more about manager expertise and approaches.

This document outlines potential questions for investment managers on their proxy voting and other shareholder engagement activities around ESG. To signal your endowment's commitment to sustainability, your institution can share a list of questions, such as the one provided below, along with why your institution is interested in these activities (managing long-term risks, addressing stakeholder interest, recognizing long-term metrics including ESG factors, and prioritization of long-term value creation) with both managers and advisors. Sharing your questions and interest in writing at the beginning of the dialogue will allow your managers and advisors an opportunity to prepare for an informed conversation on engagement.

The first section of this document can be used as a standalone list of questions to send to your managers and advisors. The second section includes supplementary questions; these can be used in addition to or instead of questions in the first section as well as in manager interviews.

Dialogues with managers and advisors can be an iterative process. You can adapt and tailor the questions below to your institution's approach and mission from the beginning or as your conversations evolves. These questions are a jumping off point for conversations with the partners in your investment program. Following up with

in-person conversations can help your institution further refine the inquiry process and gain additional insights.

Please note, this document is not a comprehensive list of manager questions but provides examples of the questions endowments can ask to begin a dialogue. The questions are aggregated from publications produced by leading initiatives in the field including IEN members, Ceres, and UNPRI, as well as examples from RFPs.

## 1. Proxy Voting & Engagement Questionnaire

### Proxy Voting

#### Structure

- Does your firm vote its own proxies, or does a third party provider? If proxies are voted by an external proxy voting service, is the service required to vote proxies in accordance with the firm's guidelines and policies or the policies of the external service?<sup>1</sup>
- If your firm votes its own proxies, who at the firm is responsible for proxy voting?<sup>1</sup>
- How do you ensure that your clients' voting policies are followed?<sup>2</sup>

#### Approach: Policies & Practices

- Provide your proxy voting guidelines and other ESG policies and explain how they are applied to your proxy voting activities.<sup>3</sup>
- Do you regularly update your proxy voting guidelines to reflect current ESG issues?<sup>4</sup>
- Explain your approach to voting your clients' proxy priorities concerning corporate governance and strategies on environmental and social issues.<sup>3</sup> Are you able to exercise voting rights in accordance with client instructions?<sup>4</sup>
- What are your policies and practices for communicating with portfolio companies on voting decisions?<sup>3</sup>

- How does your firm evaluate shareholder proposals, including those on ESG issues? How do you use proxy voting advisors, if at all?

### **Outcomes & Results**

- How often do you exercise your right as a shareholder to vote proxies and voice concerns to influence companies to change their corporate behavior?<sup>5</sup>
- By what means would it be possible to assess your ESG proxy voting record?<sup>4</sup>

### **Shareholder Engagement**

#### **Approach & Methods**

- How, and to what extent, does your firm engage on ESG issues with the companies in which you invest?<sup>1</sup> Please provide examples.
- If you are engaging, are you doing so on your own, or as part of a group?<sup>4</sup>
- On what issues do you typically engage senior management of portfolio companies?<sup>3</sup>

#### **Outcomes & Results**

- How do you define, plan and measure engagement?<sup>2</sup>
- If you do not engage, explain why.<sup>1</sup>
- What specific outcomes have you seen as result of your engagement activities?
- Do you disclose your engagement activities to your clients or publicly?<sup>4</sup>

## 2. Additional Questions

### Separately Manage Accounts

- Does your firm allow or enable engagement via separate accounts? (*Please note: this capacity should be available but it is important to confirm with the manager*)

### Pooled Vehicles

- Would your firm consider a share class or pooled vehicle that allows for ESG engagement?

### Engagement

- How does the information gathered through engagement impact investment decisions?<sup>2</sup>
- What are your escalation strategies for when an engagement is unsuccessful?<sup>2</sup>
- Do you engage with companies on ESG matters? If so, which companies and on what ESG issues?<sup>4</sup>
- Do you have a method of evaluating your engagement with companies?<sup>1</sup>

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<sup>1</sup> [ESG QUESTIONS IN NYC RFPs](#). Rep. Harvard Law, n.d. Web.

<sup>2</sup> [Aligning Expectations: Guidance for Asset Owners on Incorporating ESG Factors into Manager Selection, Appointment and Monitoring](#). Rep. PRI, Feb. 2013. Web.

<sup>3</sup> [The 21st Century Investor: Ceres Blueprint for Sustainable Investing](#). Rep. Ceres, June 2013. Web.

<sup>4</sup> [Responsible Investment Questions for Fund A Guide for Foundations](#). Rep. Community Foundations of Canada, 2015. Web.

<sup>5</sup> [ESG: Becoming Mainstream](#). Rep. An Institutional Investor Sponsored Report on Environmental, Social and Governance Issues, Nov. 2015. Web.