Proxy Voting: Managers Focus on Environmental and Social Themes

Evaluating 25 asset managers' approaches to ESG themes

Morningstar Manager Research
12 July 2022

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Executive Summary

Active ownership—also called "investment stewardship"—has taken on ever greater significance as environmental, social, and governance themes feature more prominently in investing. This has been prompted by the search for solutions to address systemic issues like climate change and rising inequality.

At shareholder meetings, it has become common for environmental and social issues in particular to feature in both management and shareholder resolutions, with the latter rapidly increasing in number this year. Asset managers are responding by making their voting policies on E&S themes more detailed and specific. This is a positive development for investors as it gives them better sight of asset managers' stances on key issues and helps them select the managers best aligned with their own E&S objectives as well as financial ones.

In this report, we dissect the current voting policies of 25 large asset managers— 12 in the United States and 13 in Europe—and analyze the key E&S themes they cover. We also discuss the positions these managers take on E&S issues and the level of detail they provide in their policies, grouping them in four categories based on their level of focus on E&S themes, from Very High to Low.

Key Takeaways

- The number of shareholder resolutions on E&S themes, as well as the level of support for many of them, has increased significantly in 2022.
- Asset managers are adding more clarity to their policies on the features of E&S proposals that they will and will not support. This can help investors make informed choices about manager selection.
- Nine of the 13 European asset managers analyzed in this study have a high or very high E&S focus in their proxy-voting policies, while 11 of the 12 U.S. asset managers have a medium or low focus.
- Allianz GI, BNP Paribas, Fidelity International, and LGIM have the highest levels of focus on E&S issues in their proxy-voting policies. The "big three" index managers—BlackRock, State Street, and Vanguard—all have a medium E&S focus.
- Among the environmental issues covered, climate, unsurprisingly, is the most common, but biodiversity and other connected topics, such as deforestation and water use, are gaining prominence.
- Among social issues, diversity, equity, and inclusion, or DEI, is the most common topic, covering issues from the board level to the general workforce. Broader human capital management issues, human rights, and labor rights are often also covered.

About Active Ownership

According to the Principles for Responsible Investment—to which the 25 asset managers examined in this study are signatories—active ownership is: "the use of influence by institutional investors to maximize overall long-term value including the value of common economic, social and environmental assets, on which returns and clients' and beneficiaries' interests depend."[1]

Active ownership—also called "investment stewardship"—includes proxy voting, engagement, filing shareholder resolutions, and other forms of influence that investors can use as financial stakeholders. These can be used in combination as complementary strategies to manage investment risk, create and identify investment opportunities, and strengthen the resilience of capital markets.

A key feature of any active ownership strategy is the asset manager's proxy-voting policy, which sets principles for the way in which asset managers vote on behalf of their clients at shareholder meetings. These policies are becoming important factors in distinguishing asset managers' approaches to climate change and net-zero transition, gender and racial equality, and other key E&S themes. We take the view that investment stewardship should be guided by an overarching vision and strategy for change and that all of its components—engagements, voting, and other efforts—should be outcome-oriented.

Proxy-Voting Policies

Proxy-voting policies are typically written by specialist stewardship and corporate governance teams at each asset manager who work alongside senior management to develop policies that best fit the manager's investment objectives. These policies are usually updated annually but may be revised more often, particularly if a response to a major ESG issue is needed. Proxy-voting policies are primarily governance-focused—historically written to set clear voting expectations for asset managers in areas such as:

- Board composition, independence, and effectiveness
- Management and board remuneration
- Shareholder rights, M&A, and capital issuance
- Financial reporting, audit, and internal controls

While proxy-voting policies continue to focus on addressing governance themes, increasingly they also include guidance on how investors intend to vote on environmental and social proposals, in areas such as:

- Climate change
- Biodiversity and natural capital
- Diversity, equity, and inclusion and human capital management
- Human rights and labor rights

1 Principles for Responsible Investment website

Key Trends

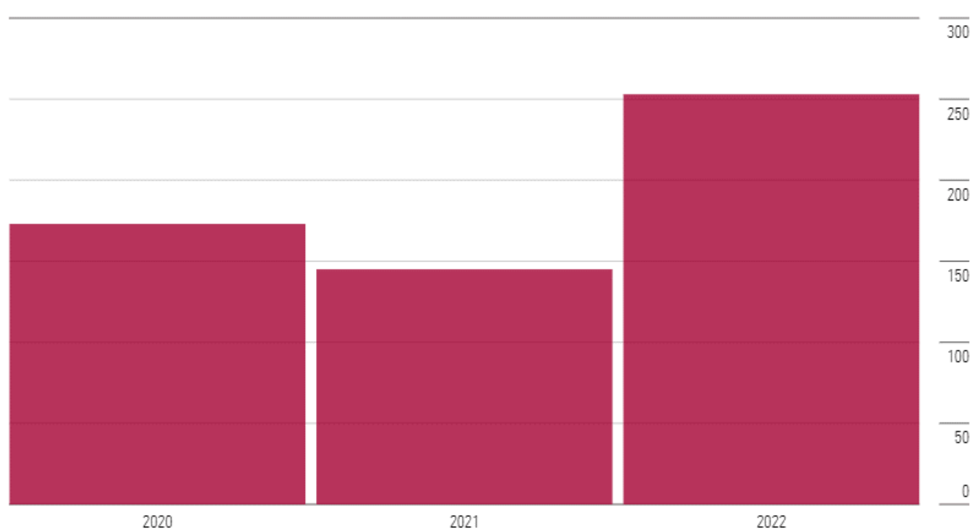
Recent votes on climate policy at company shareholder meetings in North America and Europe have thrown into sharp focus the importance of shareholders using their votes to drive positive outcomes on ESG issues alongside shareholder value.

This is particularly true in the energy and banking sectors regarding climate, amid increasingly urgent warnings from the scientific community that companies need to take urgent action to bring down greenhouse gas emissions to prevent global warming from exceeding 1.5 degrees Celsius above preindustrial levels. The proxy contest between Engine No. 1 and oil majors Exxon Mobil XOM and Chevron CVX on climate action and governance in 2021 is perhaps the most notable event in this area. Shareholders are also increasingly taking an interest in how banks—such as Wells Fargo WFC, Citigroup C, and Bank of America BAC in the U.S., and Barclays BCLYF and HSBC HSBC in the United Kingdom—will ensure net-zero ambitions are reflected in their lending portfolios.

However, other key environmental and social issues—including biodiversity and natural capital, DEI, and human and labor rights—are gaining prominence in shareholder votes. Much of this increase is attributable to the SEC's revised guidance[2] addressing "significant social policy issues," which broadened the definition of permissible shareholder resolutions.

The number of shareholder resolutions on E&S themes has grown rapidly in the most recent proxy year[3], as has the number of such resolutions with significant shareholder support.

Exhibit 1 Number of E&S Shareholder Resolutions: Last Three Proxy Years



Source: Morningstar data on United States proxy-voting activity. Data as of June 17, 2022, showing 12-month periods to June 30 of each year.
Note: Data comprises E&S resolutions opposed by company boards.

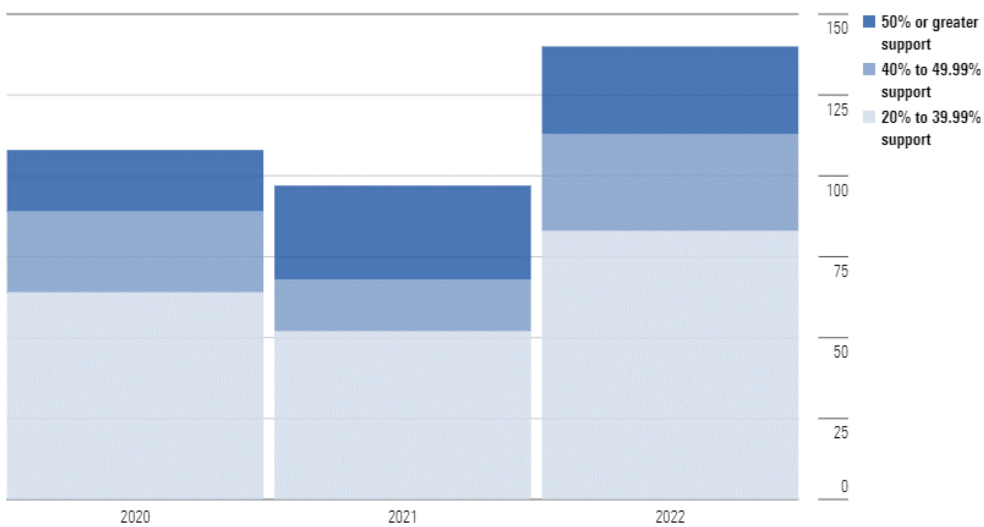
2 Shareholder Proposals: Staff Legal Bulletin No. 14L (CF)

3 A proxy year starts on July 1 and ends on June 30 to accommodate the fact that most shareholder meetings occur between March and June.

According to Morningstar's data on U.S. proxy voting, the number of E&S shareholder resolutions in the United States that were opposed by company boards increased from 145 in the 2021 proxy year to over 250 this year (see Exhibit 1).

Out of those 2022 proxy-year resolutions, 140 gained the support of more than 20% of shareholders. Fifty seven gained more than 40% support, and 27 actually gained majority shareholder support (see Exhibit 2).

Exhibit 2 Number of E&S Shareholder Resolutions With Significant Support: Last Three Proxy Years



Source: Morningstar data on United States proxy-voting activity. Data as of June 17, 2022, showing 12-month periods to June 30 of each year.
Note: Data comprises E&S resolutions opposed by company boards.

Many asset managers have responded to this trend by providing more detailed and specific policies on what E&S proposals they would support. This leads to more predictable voting outcomes for asset managers, which in turn can help investors make informed choices about which managers' active ownership approach best reflects their own E&S priorities.

This paper analyzes the level of focus on these E&S themes in the current proxy-voting policies of 25 asset managers. These managers, including 12 based in the United States and 13 based in Europe, are a representative selection of the largest equity fund managers that Morningstar has previously assessed for the ESG Commitment Level rating. The 12 U.S. asset managers make up three fourths of the USD 54 trillion of assets under management represented in our analysis.

Analysis of Focus on E&S Themes

We analyzed the current proxy-voting policies of the 25 asset managers selected for this study. We assessed their overall active ownership philosophies and approaches to shareholder resolutions on E&S themes. We also evaluated each manager's level of focus on key E&S themes—including climate, biodiversity and natural capital, DEI and human capital management, and human rights and labor rights—considering whether policies on these themes are present and sufficiently specific to give predictable voting outcomes at shareholder meetings.

We then ranked managers and grouped them in four categories based on their level of focus on E&S themes, from Very High to Low. Our findings are summarized in Exhibit 3 below.

Nine of the 13 European managers in our analysis have a High or Very High focus on E&S themes in their proxy-voting policies. Managers with a High or Very High E&S focus tend to include detailed and specific policies on several aspects of climate policy and often cover other environmental themes such as biodiversity, natural capital, deforestation, and water usage. They also outline in detail their rationale, targets, and voting intentions for DEI and human capital management issues—advocating for greater female and racial/ethnic representation on boards—and often also have detailed policies for human rights and labor rights.

Conversely, most of the large U.S.-based asset managers—including BlackRock, Fidelity, State Street, and Vanguard—have a Medium or Low focus on E&S themes in their proxy-voting policies. AllianceBernstein, with a High E&S focus, is an exception. Managers with a Medium E&S focus often outline their expectations and voting intentions for climate matters, but in less detail than managers with a High or Very High E&S focus. Additionally, it is much rarer to find specific policies for biodiversity issues within this group. Finally, managers with a Medium E&S focus usually have detailed policies on DEI issues—also advocating for greater female and racial/ethnic representation on boards—but offer less detail on human rights and labor rights issues.

Meanwhile, managers with a Low E&S focus tend not to have detailed E&S policies—they often indicate that operational matters are left to management discretion with case-by-case consideration of support for shareholder resolutions on E&S issues.

Exhibit 3 25 Large U.S. and European Asset Managers: E&S Focus and Key E&S Themes in Proxy-Voting Policy

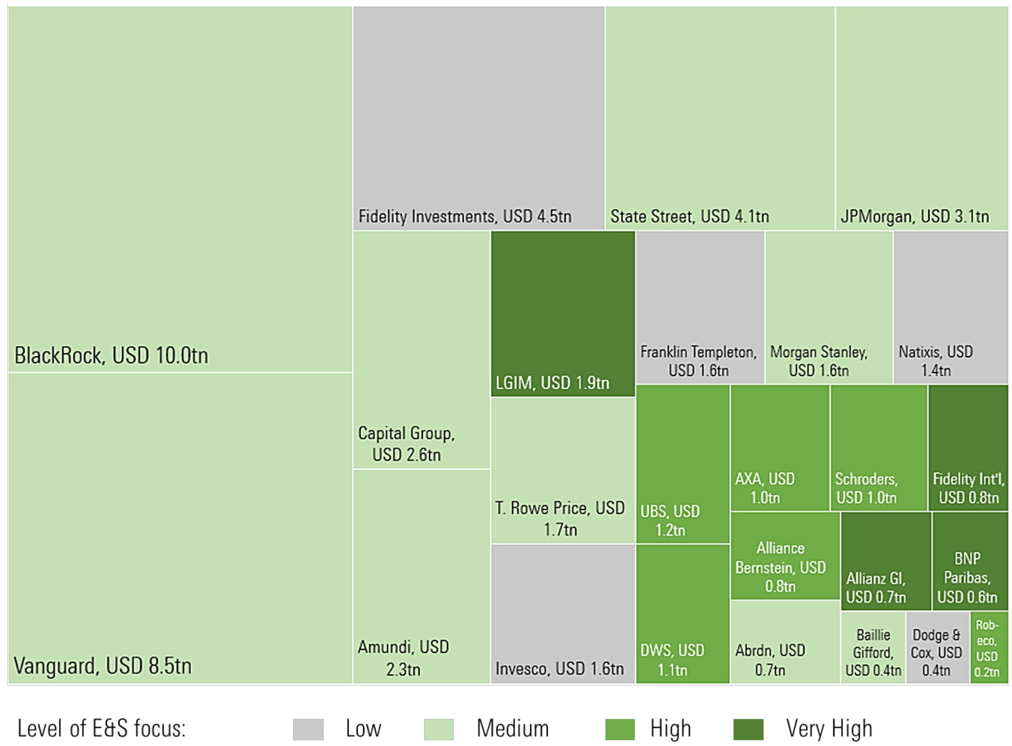
Category	Manager (Location)	Environmental themes	Social themes
Very High	Allianz GI (Germany) BNP Paribas (France) Fidelity International (UK) LGIM (UK)	Climate: Specific policies on greenhouse gas reduction targets, oversight, reporting frameworks and voting intentions are always present. Biodiversity and natural capital: Specific policies on disclosures and voting intentions are often present.	DEI and human capital management: Specific policies on rationale for gender and race at board and workforce levels, targets, and voting intentions are always present. Human rights and labor rights: Broad policies on disclosure and voting intentions are often present.
High	AXA IM (France) AllianceBernstein (US) DWS (Germany) Robeco (Netherlands) Schroders (UK) UBS (Switzerland)	Climate: Specific policies on greenhouse gas reduction targets, reporting frameworks, and voting intentions are often present. Biodiversity and natural capital: Broad policies on voting intentions are often present.	DEI and human capital management: Specific and detailed policies on rationale for gender and race at board and workforce levels, targets, and voting intentions are always present. Human rights and labor rights: Broad policies on standards, disclosure, and voting intentions are sometimes present.
Medium	Abrdn (UK) Amundi (France) Baillie Gifford (UK) BlackRock (US) Capital Group (US) JPMorgan AM (US) Morgan Stanley (US) State Street (US) T. Rowe Price (US) Vanguard (US)	Climate: Specific policies on greenhouse gas reduction targets, reporting frameworks, and voting intentions are often present. Biodiversity and natural capital: Broad policies on voting intentions are sometimes present.	DEI and human capital management: Specific and detailed policies on rationale for gender and race at board and workforce levels, targets, and voting intentions are often present. Human rights and labor rights: Broad policies on standards and disclosure are sometimes present.
Low	Dodge & Cox (US) Fidelity Investments (US) Franklin Templeton (US) Invesco (US) Natixis (France)	Broad policy statements generally indicate support for management decisions, with support for E&S shareholder resolutions considered on a case-by-case basis. Usually, there is little discussion of specific themes.	

Source: Morningstar research, asset manager websites.

The 25 asset managers in our selection represent USD 54 trillion of AUM[4], of which USD 40 trillion (75%) is represented by the 12 U.S. asset managers. The "big three" index asset managers—BlackRock, Vanguard, and State Street—account for USD 23 trillion of AUM; all three have a Medium E&S focus. Managers with a High or Very High E&S focus (shown in dark green on the chart below) account for USD 9 trillion of AUM. All except one—AllianceBernstein—are based in Europe.

4 AUM as of 31 December 2021. (A previous version of this paper showed AUM for Allianz Group instead of Allianz GI only. This has been corrected in the commentary and in Exhibit 4 below.)

Exhibit 4 E&S Focus in Proxy-Voting Policy Vs. AUM for 25 U.S. and European Asset Managers



Source: Morningstar research, asset manager disclosures. AUM as of 31 Dec 2021.

This apparent transatlantic divide can be attributed to several factors.

- Market culture: U.S. asset managers have long taken a strict shareholder value approach to their dealings with company boards and management in part due to the narrow definition of fiduciary duty in the U.S., which requires that managers focus on maximizing financial returns for the client. This contrasts with the European view that fiduciary responsibility encompasses a broader range of issues, including the impact of companies on the environment and society at large. U.S. managers have only recently espoused a more stakeholder-conscious stance on E&S issues.
- Regulation: European regulations implemented in recent years, such as the Sustainable Finance Disclosure Regulation and the Non-Financial Reporting Directive, have driven companies and asset managers to make fuller disclosures and set more-complete strategies for tackling key E&S issues.
- Stewardship codes: The use of best practice codes for investment stewardship started in the United Kingdom in 2010 and has become a key element of asset manager selection in Europe. This, in turn, has prompted greater focus by European asset managers on E&S policy and engagement in a way that has not so far manifested in the United States.

Summary of Findings

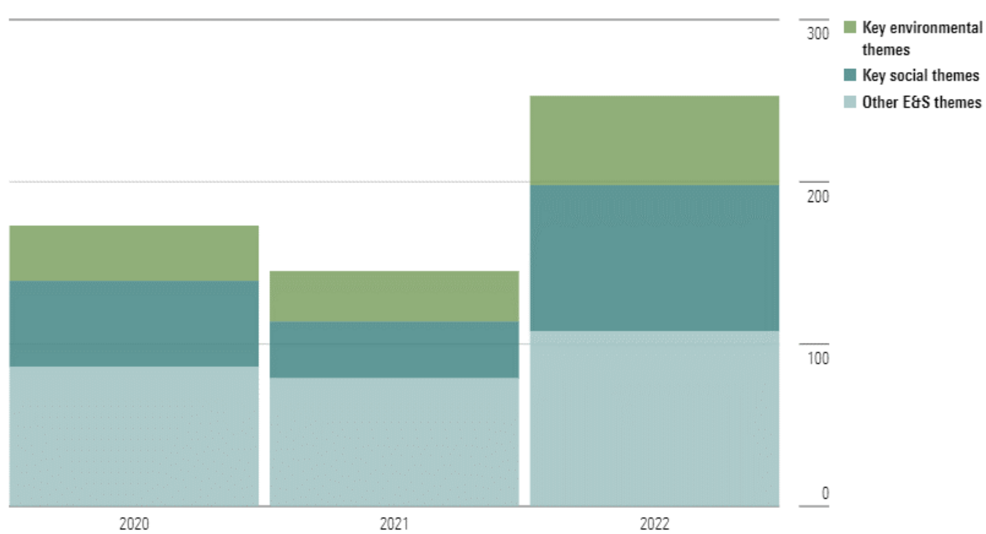
We examined the 25 asset managers' proxy-voting policies from a variety of angles. Their overall approach to active ownership and consideration of shareholder resolutions reveals much about their level of focus on E&S themes.

Among environmental issues covered by voting policies, climate, unsurprisingly, is the most common, but biodiversity and other connected topics, such as deforestation and water use, are gaining prominence.

Among social issues, diversity, equity and inclusion—from board level to the wider workforce—is the most common topic. Broader human capital management issues, human rights, and labor rights are often also covered.

We refer to these issues as key environmental and social themes in this report, not just because they appear more frequently in asset managers' proxy-voting policies but also because the number of shareholder resolutions on these themes has increased rapidly this year (see Exhibit 5). According to Morningstar data, in the 2022 proxy year, the number of shareholder resolutions on climate and environment issues has almost doubled to 55; the comparable number for DEI, human capital, and human rights and labor rights issues has more than doubled to 90.

Exhibit 5 Number of E&S Shareholder Resolutions by Theme: Last Three Proxy Years



Source: Morningstar data on United States proxy-voting activity. Data as of June 17, 2022, showing 12-month periods to June 30 of each year.
Note: Data comprises E&S resolutions opposed by company boards. Key environmental and social themes are defined below.

The summary of our findings, below, covers the 25 asset managers' approaches to:

- Active ownership philosophy
- E&S shareholder resolutions
- Key environmental themes: climate; biodiversity, and natural capital

- Key social themes: DEI and human capital management; human rights and labor rights

We have examined each of these areas in detail on the following pages, along with wording examples taken from the managers' policies, which can be found on each company's stewardship web page. Examples of policy wording from each of the managers can be found in Appendix 1. Links to the asset managers' policies and disclosures can be found in Appendix 2.

Active Ownership Philosophy

The wording in the 25 asset managers' proxy-voting policies—about their overall approach to ESG, sustainability, and active ownership—gives a strong indication of their level of E&S focus.

While all of them state their aim of maximizing shareholder wealth, they tend to use different language when describing their approaches to E&S themes affecting broader stakeholder groups. We have identified three types of overall active ownership philosophies in the policies we have analyzed.

Exhibit 6 Proxy-Voting Policies Reflect One of Three Active Ownership Philosophies

Active ownership philosophy	Characteristics
Stakeholder inclusive	The manager seeks to hold companies to account for their impacts on the environment and wider society in the belief that such companies are more resilient to risk—both at the company and systemic levels—and will in turn make better investments.
Stakeholder conscious	The manager prioritizes what it believes is best for shareholder wealth at each individual company, but its policies are not designed to address the effect of those companies' actions at a systemic level. The policy wording reflects the manager's conviction that the company's impact on the environment and wider society can affect shareholder wealth and seeks to minimize risk in this regard at company level.
Strict shareholder value	The manager maintains an explicit focus on maximizing shareholder wealth. It considers E&S factors to be a key influence on long-term shareholder value and usually defers to management's discretion in handling matters impacting the environment and wider society.

Source: Morningstar research, asset manager websites.

Asset managers that we have described as having a High or Very High E&S focus tend to write stakeholder-inclusive and stakeholder-conscious policies.

Asset managers with a Medium E&S focus tend to use stakeholder-conscious language, occasionally using stakeholder-inclusive policies for key issues like climate and DEI. Asset managers with a Low E&S focus often emphasize their strict shareholder-value approach.

E&S Shareholder Resolutions

A broad cross-section of investors, from individuals to large public pension funds, participates in the proxy process by filing shareholder resolutions, which have become a key area of focus in recent years. Shareholder-resolution policies covering governance themes like shareholder rights, board composition and independence, and management pay have long been commonplace. However, the increasing focus on E&S issues such as climate change and racial equity have prompted many asset managers to expand their policies on these themes.

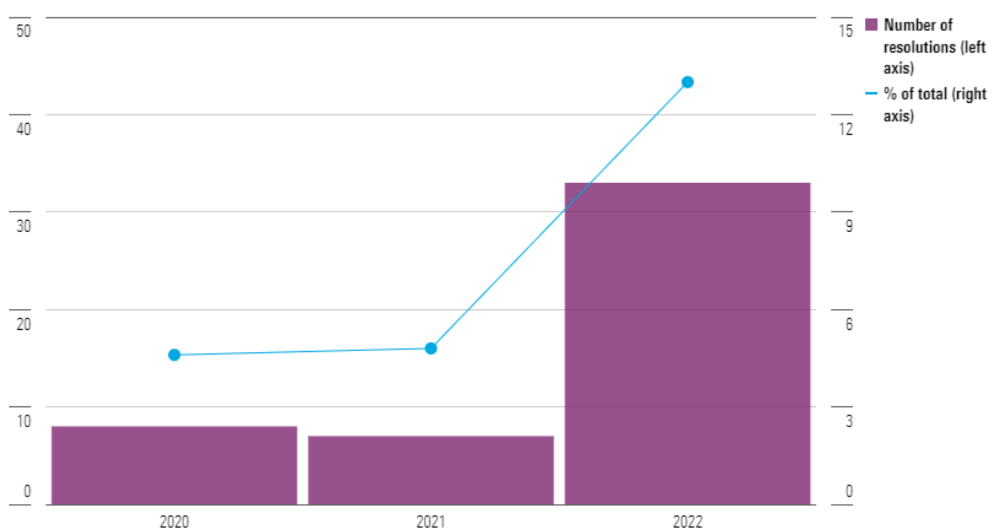
Asset managers across the spectrum indicate that they consider E&S shareholder resolutions on their individual merits and that they are generally supportive of shareholder resolutions that seek to improve disclosure or company conduct in important areas. Yet our analysis reveals some key areas of difference between managers.

Several of the managers—mostly those with High and Very High E&S focus and a few with a Medium E&S focus—go further than this, providing considerable detail on the attributes of shareholder resolutions they are inclined to support and often covering several distinct E&S themes in depth. Most managers with a Low E&S focus tend to give little detail other than to say they support shareholder resolutions that are positive for shareholder value and that they decide case-by-case.

A few managers also highlight additional considerations of shareholder resolutions they are not inclined to support—they often object to "highly prescriptive" or "poorly framed" proposals, or to proposals covering issues that are already being addressed by the company.

BlackRock generated news headlines in May when it announced it was "likely to support proportionately fewer [shareholder resolutions] this proxy season than in 2021" due to an increase in the number of proposals perceived as inappropriately prescriptive[5]. The data for the 2022 proxy year suggest this trend covers more than just one asset manager (see Exhibit 7).

Exhibit 7 Number of E&S Shareholder Resolutions With Less Than 5% Support: Last Three Proxy Years



Source: Morningstar data on United States proxy-voting activity. Data as of June 17, 2022, showing 12-month periods to June 30 of each year.
Note: Data comprises E&S resolutions opposed by company boards.

5 BlackRock, May 2022: 2022 climate-related shareholder proposals more prescriptive than 2021

This year, the number of E&S shareholder resolutions with a very low level of shareholder support (5% or less) has increased to 13% of the total—that is, 33 resolutions—up from around 5% in the two previous proxy years.

Key Environmental Themes

Climate

Climate is the environmental theme that receives the greatest amount of attention from asset managers. Those with a High or Very High E&S focus tend to do most or all of the following.

- Request that companies disclose their targets for greenhouse gas emissions reduction (often referring to the goals of the 2015 Paris Agreement).
- Request alignment of climate-related disclosures with internationally recognized frameworks—for example, the Taskforce on Climate-Related Financial Disclosures, the Science Based Targets initiative, and others.
- Request alignment of their public policy advocacy activities (for example, political lobbying or membership of trade associations) with their stated climate objectives.
- Emphasize their expectation that climate matters are subject to board-level oversight by identified directors.
- Request a "Say on Climate" vote allowing shareholders to opine on the company's climate strategy.
- State clearly what escalations will be applied to companies falling short of their expectations, including:
    - voting intentions (for example, against specific directors, all directors, or the annual report and accounts); and/or
    - partial or full divestment.

Managers with a Medium E&S focus often refer to their expectations regarding greenhouse gas reduction targets and disclosure frameworks but refer less frequently to the other issues mentioned above; voting intentions tend to be less clear. Managers with a Low E&S focus tend not to include specific expectations and voting intentions on climate matters, usually deferring to management discretion.

Biodiversity and Natural Capital

Policies in this area tend to be less specific than for climate. However, asset managers with a High or Very High E&S focus—and, less frequently, some with a Medium E&S focus—tend to:

- Request commitments from companies to reduce negative impacts on biodiversity and natural capital and provide greater disclosure.
- Request specific disclosures and actions regarding deforestation, water pollution, and water usage in areas of high water-supply stress.
- Be usually less specific on their voting intentions regarding biodiversity and natural capital compared with climate.

Key Social Themes

DEI and Human Capital Management

Alongside public focus on gender and racial inclusion, increased regulation in the U.S. and the U.K. has prompted many asset managers to raise their expectations of companies regarding practice and reporting on DEI issues. This is the only area where we have observed managers across the full spectrum of E&S policy focus—from Low to Very High—to have outlined specific policies and voting intentions.

- Managers of all kinds highlight their rationale that evidence shows that diversity of gender, race, ethnicity, and other characteristics at board-level improves business-decision-making and helps minimize risk.
- Managers with High or Very High E&S focus—and several of those with Medium E&S focus—tend to expect:
    - at least around one third of the boards of large-cap companies in developed markets to be composed of women; and
    - a minimum participation of racially or ethnically diverse individuals on boards in line with local norms.
- Less stringent expectations are often set for smaller companies or those in other markets, but further development in these areas over time is often expected.
- Several managers—again, usually those with High or Very High E&S focus but also a few with Medium E&S focus—outline their intentions to vote against director appointments where these targets are not met.

Additionally, several managers—usually those with High or Very High E&S focus—outline their expectations for DEI and human capital management along similar principles, addressing the matter from a business performance perspective. Clearly defined voting intentions in these areas are rarer, although some managers outline the circumstances of their potential support for shareholder resolutions.

Human Rights and Labor Rights

Human rights and labor rights voting policies tend to be published by managers with a High or Very High E&S focus—a few managers with Medium E&S focus also do so.

Several managers mention their expectation that companies manage human rights and labor rights risks in line with principles outlined by the United Nations; however, it is uncommon to find specific voting intentions or escalations in these policies.

A few managers mention that they would vote against individual directors if companies were unresponsive to engagement on human rights and labor rights. Some also outline the nature of shareholder resolutions on these themes that they would be willing to support.

Appendix 1: Proxy-Voting Policy Wording Examples

In this appendix, we share multiple examples[6] of proxy-voting wording that illustrate the different levels of detail provided by managers on the following key themes:

- Active Ownership Philosophy
- E&S Shareholder Resolutions
- Climate
- Biodiversity and Natural Capital
- DEI and Human Capital Management
- Human Rights and Labor Rights

Active Ownership Philosophy

High and Very High E&S Focus

"Robeco's Stewardship Policy is closely aligned with our investment mission, which is to use research-based, quality driven processes to produce the best possible long-term results for our clients … Even though assets are managed with different strategies and investment objectives to fit clients' needs, there is a companywide philosophy that companies and countries that act in a sustainable way towards the environment, society, and all its stakeholders are more likely to be able to deal with a variety of issues, including systemic risks, in the future." — Robeco

"For us, a sound Corporate Governance centers on a clearly defined and stress-resilient business model with the corresponding corporate structure in place. We believe companies should take more responsibility in the way goods are produced, services are provided and resources are used. Therefore, we expect investee companies to integrate their environmental and social impacts and the possible reaction of their relevant stakeholders into their thinking, strategy and remuneration systems, in order to secure a sustainable value creation." — DWS

6 Some of the examples have been edited for clarity or to correct typographical errors.

“As a major global investor, we have a fundamental interest in ensuring that shareholder and bondholder value is not eroded by a company’s failure to manage the risks associated with its natural and social environment. We believe that, if companies take advantage of the need to move towards a more sustainable economy, investors can benefit through protection from future risks and the potential of better long-term financial outcomes.”—LGIM

“At BNPP AM, we believe that promoting good corporate governance standards is an essential part of our ownership responsibilities … Good corporate governance creates the framework that ensures that a corporation is managed in the long-term interest of its stakeholders. Therefore, BNPP AM expects all corporations in which we invest to comply with high corporate governance standards.”—BNP Paribas

“Voting is a key tool for investors to improve client returns, improve sustainable business behaviour and advance our purpose to build better financial futures. Specifically, we aim to: (1) Encourage and hold our investee companies to account to promote a more sustainable future; (2) Enhance our client returns in a way that helps create a more sustainable financial system for society.”—Fidelity International

Medium E&S Focus

“Companies are responsible for ensuring they have appropriate governance structures to serve the interests of shareholders and other key stakeholders. We believe that there are certain fundamental rights attached to shareholding. Companies and their boards should be accountable to shareholders and structured with appropriate checks and balances to ensure that they operate in shareholders’ best interests to create sustainable value.”—BlackRock

“[Abrdn] is committed to exercising responsible ownership with a conviction that companies adopting improving practices in corporate governance and risk management will be more successful in their core activities and deliver enhanced returns to shareholders.”—Abrdn

“The Advisers are committed to acting in the best interests of their clients. We view proxies of companies held in client portfolios as significant assets and proxy voting as an integral part of our engagement and the investment process. The voting process reflects our understanding of a company’s business, its management and its relationship with shareholders over time… In all cases, the investment objectives and policies of the funds and accounts we manage remain the focus.”—Capital Group

“We have established robust corporate governance principles and practices that are backed with extensive analytical expertise in order to understand the complexities of the corporate governance landscape. We engage with companies to provide insight on the principles and practices that drive our voting decisions. We also conduct proactive engagements to address significant shareholder concerns and environmental, social, and governance (“ESG”) issues in a manner consistent with maximizing shareholder value.”—State Street

"Our Investment Stewardship program has a clear, consistent, and compelling mandate: to serve as a voice for our investors and to promote long-term value creation at the companies in which our funds invest."—Vanguard

"Issues of social responsibility and sustainable development, such as those of governance, are essential in the assessment of a company. Only a global vision of the company, going beyond the purely financial aspects and integrating all risks and opportunities, in particular for ESG criteria (Environment, Social, Governance), allows an assessment of its intrinsic value and long-term economic performance."—Amundi

"As a diversified investor, we must also take into account factors affecting the environment, social and human rights aspects, as well as elements related to governance or corruption, even when they do not have a direct, short or medium term impact on the value of a company as this can have an impact on society and the global economy."—Amundi

"For Vanguard, sustainability is synonymous with long-termism. We start with the premise that our equity index funds typically hold companies' stock for long periods and are near-permanent investors in just about every public company and every industry. With this indefinite horizon, our funds must focus on how companies are setting themselves up for success today, next year, and well into the future. We expect that the companies in which our funds invest, and their boards, have a similar focus."—Vanguard

"We acknowledge that many companies disclose their practices relating to social and environmental issues and that disclosure is improving over time. We generally encourage a level of reporting that is not unduly costly or burdensome and which does not place the company at a competitive disadvantage, but which provides meaningful information to enable shareholders to evaluate the impact of the company's environmental policies and practices on its financial performance."—JPMorgan AM

Low E&S Focus

"As an investment manager, Dodge & Cox is primarily concerned with maximizing the value of its clients' investment portfolios. Dodge & Cox normally votes in support of company management, but votes against proposals that Dodge & Cox believes would negatively impact the long-term value of its clients' shares of a company."—Dodge & Cox

"In the Investment Manager's experience, those companies that are managed well are often effective in dealing with the relevant environmental and social issues that pertain to their business. As such, the Investment Manager will generally give management discretion with regard to environmental and social issues."—Franklin Templeton

“We seek to protect our customers’ interests through regular engagement with management of companies to discuss a variety of matters including environmental, social, and governance (ESG) issues that we believe could affect long-term performance. As part of our process of deciding whether to buy or sell a company’s securities, we take those ESG practices into consideration.” — Fidelity Investments

“We aspire to incorporate ESG considerations into all of our investment capabilities in the context of financial materiality and in the best interest of our clients. In our role as stewards of our clients’ investments, we regard our stewardship activities, including engagement and the exercise of proxy voting rights as an essential component of our fiduciary duty to maximize long-term shareholder value.” — Invesco

E&S Shareholder Resolutions

Conditions for Support

“The positions described below [which include policies on shareholder proposals about climate change, environmental impact, product safety and toxic/hazardous materials, the Equator Principles on project risk, diversity and human capital management, and human rights and labor rights] outline our general voting stance in particular areas. Allianz GI supports proposals that ask company boards and management to enhance transparency, adhere to internationally recognized standards and principles, and give greater consideration to sustainability issues deemed material to the long-term performance of the company or to key stakeholders.” — Allianz GI

“DWS is generally supportive of ESG-related shareholder proposals while considering recognized standards … and evaluates them on a CASE-BY-CASE basis, whereby we would generally vote FOR reasonable proposals asking companies to prepare sustainability reports … FOR reasonable proposals requesting that companies conduct social and/or environmental audits and/or risk assessments of their activities in general … FOR reasonable proposals to reduce negative environmental impacts … FOR reasonable proposals asking companies to report on their environmental practices, policies and impacts … FOR reasonable proposals asking companies to adopt greenhouse gas reduction targets, considering science based targets … FOR reasonable proposals requesting that companies adopt fair labor practices consistent with recognized international human rights standards … FOR reasonable proposals asking a company to adopt a diversity policy and/or issue a diversity report.” — DWS

“[Policy for supporting shareholder resolutions:] Resolutions introduce or facilitate legal proceedings to compensate shareholders for damage suffered by the company. - Resolutions that help to improve social and environmental performance while contributing to the protection of stakeholders’ long-term interests. - Resolutions that align with our climate change expectations (e.g. Say on Climate expectations, carbon disclosure, business strategy in alignment with a 1.5°C world.)” — BNP Paribas

“We will generally support resolutions seeking the following actions by companies: – Provide report on company Sustainability/ Environmental Policies – Report in line with EEO-1 guidelines of breakdown of workforce by gender and ethnicity guidelines (US companies) – Provide a specific Human Rights Risk Assessment across the business – Report on company policies and implementation practices related to biodiversity, including deforestation – Report on breakdown of global Median Gender Pay Gap across workforce.” —UBS AM

“Robeco votes for shareholder proposals which: – aim to increase transparency on material ESG issues – enhance long term shareholder value creation – address material ESG risks, except when management and the board have mitigate (+d) such risks in a transparent way – aim to enforce appropriate conduct, except when their implementation would additionally reward fundamental behavioral norms.” —Robeco

“BIS is more likely to support shareholder proposals that are consistent with our request to companies to deliver information that helps us to understand the material risks and opportunities they face, especially where this information is additive given the company’s existing disclosures. As noted below, as relates to climate risk, this is principally climate action plans with clear explanations of how the energy transition will affect a company’s long term business model and financial performance, supported by quantitative information such as scope 1 and 2 greenhouse gas (GHG) emissions and short-, medium-, and long-term targets for emissions reductions. Similarly, we may support climate-related proposals that encourage companies to provide investors with comprehensive and accessible information on how their corporate political activities support their long-term strategy.” —BlackRock

“Fidelity may support shareholder proposals that request additional disclosures from companies regarding environmental or social issues, including where it believes that the proposed disclosures could provide meaningful information to the investment management process without unduly burdening the company. This means that Fidelity may support shareholder proposals calling for reports on sustainability, renewable energy, and environmental impact issues. Fidelity also may support proposals on issues in other areas, including but not limited to equal employment, board diversity and workforce diversity.” —Fidelity Investments

“A fund is likely to support shareholder proposals that address a shortcoming in the company's current disclosure relative to market norms or to widely accepted frameworks … and are not overly prescriptive about time frame, cost or other matters.” —Vanguard

Additional Considerations

“We may not support [shareholder] proposals if: - The proposals are contrary to our voting principles and guidelines. - The company is sufficiently addressing the issue raised by the proponent. - We believe the issue raised by the proponent is not material. - The proposal would be unduly burdensome or could not be implemented without significant adverse impacts on the company.” —Fidelity International

"We are not likely to support [shareholder proposals] that, in our assessment, implicitly are intended to micromanage companies. This includes those that are unduly prescriptive and constraining on the decision-making of the board or management, call for changes to a company's strategy or business model, or address matters that are not material to how a company delivers long-term shareholder value." — BlackRock

"Shareholders typically do not have sufficient information about specific business strategies to propose specific targets or environmental or social policies for a company, which is a responsibility that resides with management and the board. Shareholder proposals that are more prescriptive in nature will generally not be supported by a fund." — Vanguard

"If the proposal is in line with stakeholders' long-term interests but not in its application and/or if it has already been implemented by the company [then we would abstain. We would vote against if:] - Shareholder proposal is not in line with our guidelines. - Shareholder proposal is not in line with stakeholders' long-term interests. - Shareholder proposal is not appropriate for the general meeting." — BNP Paribas

"In determining votes on shareholder social and environmental proposals, the following factors are considered: – Whether the proposal itself is well framed and reasonable; – Whether adoption of the proposal would have either a positive or negative impact on the company's short-term or long-term share value; – The percentage of sales, assets and earnings affected; – Whether the company has already responded in some appropriate manner to the request embodied in a proposal; – Whether the company's analysis and voting recommendation to shareholders is persuasive; – What other companies have done in response to the issue; – Whether implementation of the proposal would achieve the objectives sought in the proposal." — UBS AM

"When voting, we will take the company's existing practices into consideration and will vote AGAINST, if one of the following applies: - The proposal undermines the company's corporate governance, business profile or existing practices and disclosures. - The proposal limits the company's business activities or capabilities. - The proposal generates significant costs with little or no benefit." — DWS

"We consider all shareholder proposals tabled at a company's shareholder meeting in the wider context of the corporate governance practices at the company and the long-term benefits for investors. We expect companies to provide a meaningful discussion of the proposals to enable shareholders to make an informed judgement. We expect majority-supported shareholder proposals to be adopted. And where there has been significant support (20% or more) we expect companies to consider the benefits of the proposal and to discuss this with their shareholders and to include any outcomes in their annual disclosures." — LGIM

"When assessing shareholder proposals, we evaluate each proposal on its merit, with a singular focus on its implications for long-term value creation. We consider the business and economic relevance of the issue raised, as well as its materiality and the urgency with which we believe it should be addressed. We take into consideration the legal effect of the proposal, as shareholder proposals may be advisory or legally binding depending on the jurisdiction. We would not support proposals that we believe would result in over-reaching into the basic business decisions of the issuer." — BlackRock

"Rather than opting to automatically support all shareholder proposals that mention an ESG or climate issue, we evaluate whether or not each shareholder proposal promotes genuine improvement in the way a company addresses an ESG or climate issue, thereby enhancing shareholder value for our clients in managing a more comprehensive set of risks and opportunities for the company's business." — AllianceBernstein

"We will generally avoid supporting proposals that are overly prescriptive, taking into account, among other things, the current policies, practices and regulatory obligations of the company. We consider whether a proxy proposal is nonbinding and may vote in favor of a proposal that addresses either a material shortcoming or an area in which the company has not shown sufficient progress, even if the proposal would benefit from some modification before being implemented." — Capital Group

"We review each resolution on a case-by-case basis and will support those resolutions that address key governance and sustainability concerns or encourage progress on material governance and sustainability issues where we feel improvement is required. We do not however expect these proposals to be repetitive, prescriptive or to seek to micromanage companies." — Baillie Gifford

Key Environmental Themes

Climate

Emissions Reduction Targets

"We expect companies identified as the world's largest corporate greenhouse gas emitters to have set an ambition to achieve net-zero GHG emissions by 2050 or sooner underpinned by credible decarbonisation strategies and intermediary targets, in line with global efforts to limit warming to 1.5 degrees Celsius." — BNP Paribas

"Our voting policy is designed to support the implementation of the Paris Agreement and limit global warming to well below 2°C. We expect our investee companies to: - Take action to manage climate change impacts and reduce their greenhouse gas emissions. - Make specific and appropriate disclosures around emissions, targets, risk management and oversight." — Fidelity International

"We support shareholder proposals calling for the reduction of GHG emissions, subject to our assessment of the company's efforts and improvements achieved. We also vote for shareholder proposals requesting a report/disclosure of a company's goals on GHG emissions from operations and/or products as well as progress against these goals."—Allianz GI

Science Based Targets (SBT's) are decarbonisation targets aligned with the objective of the Paris Agreement. We therefore encourage all companies we invest in to commit to and work towards approved SBT's aligned with the Science Based Target initiative's recent Net-Zero Standard."—LGIM

"We expect that these companies set clear emission reduction targets, in line with the Paris Agreement and the SDGs and align their climate strategies with their lobbying activities via their memberships in industry associations."—DWS

"We expect that companies will … develop group-level climate policies and, where relevant, set targets to manage the impact, report on policies, practices and actions taken to reduce carbon and other environmental risks within their operations."—Abrdn

"We request that companies have a climate policy and strategy which are aligned with the Paris Agreement … We expect companies to set timebound decarbonization targets to support their transition to net zero emissions and the low carbon economy."—Robeco

"We encourage companies to discuss in their reporting how their business model is aligned to a scenario in which global warming is limited to well below 2°C, moving towards global net zero emissions by 2050."—BlackRock

"As part of our policy on climate we urge companies to: Commit to a net zero emission strategy, with short-, mid- and long-term carbon emissions reduction targets that are based on climate science."—AXA IM

"We seek to understand companies' plans for how they intend to deliver long-term financial performance through the energy transition, consistent with their business model, sector and geography. We look for companies to demonstrate they have strategies in place that address and are resilient to a range of scenarios, including likely decarbonization pathways well below 2°C, as well as global ambitions to limit temperature rise to 1.5°C."—BlackRock

"Since 2015, the goals set forth in the Paris Agreement have become a widely accepted standard for countries and companies aiming to address climate change. Where climate change is a material risk, Vanguard encourages companies to set targets that align with these goals and to disclose them clearly."—Vanguard

“Amundi also wants the remuneration of the top management to be aligned with the strategy of alignment with the Paris Agreement via the KPIs included in the variable remuneration, more specifically on the climate high impact sectors.”—Amundi

“Climate change increasingly receives investor attention as a potentially critical and material risk to the sustainability of a wide range of business-specific activities. These proposals may include emissions standards or reduction targets, quantitative goals, and impact assessments. We generally support these proposals, while taking into account the materiality of the issue and whether the proposed information is of added benefit to shareholders.”—AllianceBernstein

“We also generally support proposals that aim to meaningfully reduce or mitigate a company’s impact on the global climate.”—Morgan Stanley

“We may vote against the independent board leader at companies in the STOXX 600 [and the S&P 500 and S&P/TSX Composite] that fail to provide … targets for reducing greenhouse gas emissions.”—State Street

Reporting Frameworks

“We will generally support [shareholder] proposals that require, or request, information regarding an issuer’s adoption of, or adherence to, relevant norms, standards, codes of conduct or universally recognized international initiatives, including the recommendations of the Financial Stability Board's Task Force on Climate Related Financial Disclosures (TCFD).”—UBS

“We support shareholder proposals that call for enhanced disclosure on climate-related reporting and practice, encouraging this to be in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.”—Fidelity International

“We expect companies to report to investors on targets, measures and achievements regularly and consistently, ideally using TCFD reporting framework.”—Allianz GI

“Companies help investors understand their approach when they provide disclosures aligned with the four pillars of the TCFD—including scope 1 and 2 emissions, along with short-, medium-, and long-term science-based reduction targets, where available for their sector.”—BlackRock

“We support the Task Force on Climate Related Financial Disclosure (TCFD) and encourage companies to report against the key elements of this framework.”—Schroders

“In addition to TCFD, we expect companies to report using the CDP climate questionnaire which is aligned with the TCFD framework and crucially provides investors with climate data on a large universe of companies in a comparable format”—LGIM

"Our interest is in transparency; when the market has relevant information, a company's stock price will more accurately reflect climate-related risk and opportunity. Climate-related disclosures should be aligned with investor-oriented frameworks such as those set forth by the TCFD, so that they may be compared over time and across peers." —Vanguard

"State Street Global Advisors has publicly supported the global regulatory efforts to establish a mandatory baseline of climate risk disclosures for all companies. Until these consistent disclosure standards are established, we find that the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) provide the most effective framework which companies can develop strategies to plan for climate-related risks and make their businesses more resilient to the impacts of climate change." —State Street

"We generally support proposals that if implemented would enhance useful disclosure on climate, biodiversity, and other environmental risks, such as disclosures aligned with SASB (Sustainability Accounting Standards Board) and the TCFD (Taskforce on Climate-related Financial Disclosures)." — Morgan Stanley

"We encourage companies to consider using the appropriate globally developed standards and would particularly encourage the use of those created by the Taskforce for Climate related Financial Disclosure (TCFD), the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB)." —Abrdn

"We encourage companies to align their sustainability reporting to best-practice frameworks (such as GRI and SASB) and where relevant to relate the Sustainable Development Goals (SDGs) to their strategic priorities and operations." —LGIM

"We generally believe environmental issues present investment risks and opportunities that can shape a company's long-term financial sustainability. Accordingly, we expect companies to disclose against the standards set forth by the Sustainability Accounting Standards Board (SASB) and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We also expect companies to issue sustainability reporting." —Capital Group

Board-Level Oversight

"AB believes that board oversight and director accountability are critical elements of corporate governance. Companies demonstrate effective governance through proactive monitoring of material risks and opportunities, including ESG related risks and opportunities. In evaluating investee companies' adaptiveness to evolving climate risks and human rights oversight, AB engages its significant holdings on climate strategy through a firmwide campaign. Based on each company's response, AB will hold respective directors accountable as defined by the committee charter of the company." — AllianceBernstein

"We expect our investees to have a proper oversight on ESG-related risks and opportunities at Management and Board level. For companies facing high climate transition or physical risks, we also recommend a dedicated climate expert within the Board." —DWS

"We expect companies to not only have greenhouse gas (GHG) reduction targets in place, but also to disclose board oversight of climate change and other sector-specific policies." —LGIM

"We request that companies have … a process to integrate climate change risks and opportunities into the company's centralized risk management framework and a governance structure which ensures sufficient oversight over the management of climate change related risks." —Robeco

"The Board should be accountable for the company's long-term resilience with respect to potential shifts in the business landscape that may result from climate change, and therefore should be accountable for the climate strategy." —Amundi

"Boards need to get smart on climate risk. This means having directors with relevant expertise, participating in ongoing climate education, and maintaining perspectives that are independent of management. We expect active, independent monitoring of climate issues and integration of climate risks into strategic and financial planning." —Vanguard

"We will pay particular attention to the election of directors who have the experience and a proven track-record in managing environmental and social issues. In the context of the energy transition, climate change, as well as natural capital degradation and biodiversity loss, these competences of the board members on these issues will be sought as we consider them to be key and essential." —AXA IM

"We will generally vote against proposals that call for director candidates with specialized expertise because, in addition to the importance of an individual director's breadth of experience (as discussed above under "Election of directors"), we believe overly prescriptive proposals can create burdensome limitations on the effectiveness of a company's oversight. However, where the company is in a sector with particular exposure to climate-related risks and we believe directors with specialized expertise would enhance the company's ability to mitigate such risks and create long-term value, we will consider voting in favor of such proposals." —Capital Group

Alignment of Public Policy Advocacy

"The Board should disclose climate-related activities and monitor the lobbying activities of trade associations being consistent with the company's positioning on environmental, social and governance issues, and should be willing to relinquish their membership in case of misalignment." —AXA IM

"Whether companies perform individual engagement with regulators or policy makers, or collaborative engagement as part of an industry association, we expect them to be transparent and to comprehensively disclose their public policy engagement activities." —LGIM

“Specific to climate change, we would expect companies to publicly disclose any concerns they may have with current or evolving legislation and to publicly report on any lobbying activity that is undertaken as a result of such concerns. We recognise that achieving the Paris Agreement requires policy action in a wide range of areas. Therefore, we expect companies to engage with policymakers and regulators to encourage the introduction of policies to enable a net-zero transition for their respective sectors.” — LGIM

“We also look for membership of industry associations and lobbying groups to be aligned with corporate commitments on climate changes.” — Schroders

‘Say on Climate’ Vote

“Allianz GI encourages high-emitting companies to ask shareholders for support of their climate strategy. We support such proposals if the company provides a challenging climate strategy including clear targets and milestones.” — Allianz GI

“We support companies setting out climate action plans and improvements that result in votes at AGMs to act as accountability mechanisms for the execution of these plans.” — Fidelity International

“We welcome the movement by some investee companies to submit an advisory vote on their transition plans, as a space for shareholder dialogue and increased engagement. We welcome regular votes or other means of shareholder communication on the progress against these announced strategies.” — AXA IM

“When voting on ‘Say-on-Climate’ proposals, we will take into consideration whether the company has Disclosed all relevant GHG emissions linked to its activities (scopes 1, 2, and 3 as appropriate). - Set an ambition to achieve net-zero GHG emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius. - Set short and medium targets to achieve net-zero GHG emissions by 2050 or sooner that are addressing in priority the most relevant scopes of emissions of the company. - Reported on its climate governance, strategy, risk management and metrics, and targets in line with the TCFD standards. If not decisive, additional factors may be considered on how the company performs compared to its peers in terms of climate strategy, considering all recent published information.” — BNP Paribas

“Amundi is supporting resolutions that strive to implement better reporting and transparency on companies’ climate-related strategy. In addition, Amundi encourages issuers to have an annual advisory vote at the AGM on the company’s climate strategy (ex ante vote), and another resolution on the ex post implementation of this strategy.” — Amundi

Escalation: Voting

“In all other funds where we cannot divest, we will vote against the companies and/or their directors, to ensure we are using one voice across our holdings.” — LGIM

"We may choose to vote against the Board Chairman of a company when we determine that sufficient progress has not been made on specific topics raised during our engagement with companies, in particular in relation to climate change matters discussed as part of our climate related engagement program." — UBS

"We will generally vote against directors at companies where we feel that climate change is a major risk and the boards cannot demonstrate publically that they are preparing sufficiently for it." — Schroders

"We will vote against directors that we consider accountable for major corporate failures in relation to their duties to manage relationships with stakeholders on material environmental or social concerns." — Fidelity International

"Where we consider that a Board has not managed environmental and social issues appropriately or does not evidence a proper governance of these key risk issues, we will reflect our concerns by voting against relevant directors standing for election or by not supporting the approval of the Reports & Accounts." — AXA IM

"Where corporate disclosures are not adequately aligned with the pillars of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) — governance, strategy, and risk management — or a company has not provided scope 1 and 2 emissions disclosures and meaningful short-, medium-, and long-term targets, we are unlikely to support director(s) considered responsible for climate risk oversight." — BlackRock

"We may withhold support from relevant resolutions including approval of Reports & Accounts, director elections and remuneration proposals in the following instances: … - Non-disclosure of quantitative and qualitative information (and where appropriate targets) on key environmental and social issues of relevance to the company, particularly in high-risk sectors (climate, biodiversity issues) and or where sectorial peers are able to report; - Failure to participate in the CDP disclosure programmes." — AXA IM

"For companies that do not meet our ESG expectations, we will oppose the following categories of resolutions, depending on the market: Financial Statements / Director and Auditor Reports; Discharge of Board and Management or Board Elections." — BNP Paribas

"We may vote against the independent board leader at companies in the STOXX 600 [and the S&P 500 and S&P/TSX Composite] that fail to provide sufficient disclosure in accordance with the TCFD framework, including: - Board oversight of climate-related risks and opportunities; - Total Scope 1 and Scope 2 greenhouse gas emissions; - Targets for reducing greenhouse gas emissions." — State Street

"On a selection of companies with poor climate strategy while they operate in sectors for which transition is paramount for the alignment with the Paris Agreement, our policy will consist of voting against the discharge of the board or management, or the reelection of the Chairman and of some Directors." — Amundi

Escalation: Divestment

"Companies that fail to meet our minimum standards with regards to climate disclosure will be removed from select funds, including our Future World funds, subject to tracking error constraints." — LGIM

"Where we have concerns with a company's practice in any of these areas, we will seek to engage with the company to seek improvements, support any relevant shareholder proposals and consider voting against members of the board to ensure accountability for continued progress. Should our concerns be material and continue to persist, we will consider selling the shareholding." — Baillie Gifford

Biodiversity and Natural Capital

Impact and Disclosure

"We expect companies to assess their impact and dependencies on biodiversity with a view to managing risk, as well as mitigating and, over time, reversing negative impacts. We encourage companies to commit to having an overall positive impact on biodiversity and to consider direct as well as indirect activities of their supply chains. We will be seeking greater disclosure from investee companies in line with the Taskforce on Nature-related Financial Disclosures (TNFD) framework and SASB standards." — LGIM

"We expect companies to assess and report on key impacts and dependencies on nature, beginning with companies in high impact sectors, and with a priority focus on deforestation and water-related issues." — BNP Paribas

"We look to companies to disclose detailed information on their approach to managing material natural capital-related business risks and opportunities, including how their business models are consistent with the sustainable use and management of natural resources such as air, water, land, minerals and forests. To support investors' assessments, it is helpful for companies with material dependencies or impacts on natural habitats to disclose how they measure their progress on key issues such as water conservation, reforestation, and pollution control. This may include a discussion of efforts to improve efficiency, minimize and mitigate negative impacts and track positive impacts." — BlackRock

"We generally will support reasonable proposals to reduce negative environmental impacts and ameliorate a company's overall environmental footprint, including any threats to biodiversity in ecologically sensitive areas. We generally will also support proposals asking companies to report on their environmental practices, policies and impacts, including environmental damage and health risks resulting from operations, and the impact of environmental liabilities on shareholder value." — Morgan Stanley

"We will vote against directors where they have clearly failed to manage or implement the capabilities to monitor and assess material environmental risks related to biodiversity matters and reduce the ecological impact of their operations." — Fidelity International

"Allianz GI supports resolutions that ask companies to outline environmental policies and the community impact of their operations. When determining our vote direction, we take into account the company's current state of policies and disclosure, the potential impact of noncompliance as well as the nature and scope of the company's operations. Allianz GI supports proposals asking companies to report on environmental damage of their operations in protected regions."—Allianz GI

"We will generally support resolutions seeking the following actions by companies: … Report on company policies and implementation practices related to biodiversity, including deforestation."—UBS AM

"We would generally vote: - FOR reasonable proposals to reduce negative environmental impacts and a company's overall environmental footprint, including any threats to biodiversity in ecologically sensitive areas. - FOR reasonable proposals asking companies to report on their environmental practices, policies and impacts, including environmental damage and health risks resulting from operations, and the impact of environmental liabilities on shareholder value."—DWS

"In companies which are exposed to biodiversity, social and data privacy risks, the Board may be held responsible for not taking the necessary measures to address them. A dissenting vote might be cast against the CEO, the Board Chairman, or the appropriate supervisory element of the governance structure in case risk management shortcomings are proven to have occurred."—AXA IM

"We may withhold support from relevant resolutions including approval of Reports & Accounts, director elections and remuneration proposals in the following instances: … Non-disclosure of quantitative and qualitative information (and where appropriate targets) on key environmental and social issues of relevance to the company, particularly in high-risk sectors (climate, biodiversity issues) and or where sectorial peers are able to report; Failure to participate in the CDP disclosure programmes."—AXA IM

"Environmental Proposals (SHP [shareholder proposals]): These proposals can include reporting and policy adoption requests in a wide variety of areas, including, but not limited to, (nuclear) waste, deforestation, packaging and recycling, renewable energy, toxic material, palm oil and water. We generally support shareholder proposals calling for reports and disclosure while taking into account existing policies and procedures of the company and whether the proposed information is of added benefit to shareholders."—AllianceBernstein

"The protection of biodiversity should be a priority for all businesses and companies should take steps to limit the destruction of the natural environment as far as possible. We are working towards developing a policy in relation to our material sector exposures, considering how best to assess and integrate the consideration of biodiversity risk into our investment and engagement process."—Ballie Gifford

Deforestation and Water Policies

"LGIM's expectations of investee companies are focused on high impact sectors … The lack of a comprehensive deforestation policy constitutes one of our 'red lines' when deciding LGIM's priority engagement companies. Our minimum voting standards also consider the presence and application of a deforestation policy and programme."—LGIM

"For sectors where it is material, we strongly encourage companies to report via the CDP Water and Forest questionnaires."—LGIM

"Water-related risks are an important issue with a number of environmental and social implications. Depending on the company's exposure to water stressed areas, we want companies to track fresh water use and quality, set ambitious reduction and recycling targets, and appropriately manage conflicts with local stakeholders concerning fresh water resources. Major water pollution issues are treated as UN Global Compact environmental breaches and we will engage accordingly."—Robeco

"Allianz GI votes for proposals requesting a company to report on or adopt a policy on water-related risks."—Allianz GI

Key Social Themes

DEI and Human Capital Management

Rationale

"We believe a suitably diverse mix of skills, experience and perspectives is essential for a board to function and perform optimally. Several studies have demonstrated that a good level of diversity can improve business decision-making, minimise risks, improve the sustainability of profit growth and therefore maximise long-term returns for investors."—LGIM

"Our voting policy is designed to encourage gender balanced boards and takes into account the recommendations of key initiatives on female representation."—Fidelity International

"We support enhancing board effectiveness through diversity and inclusion of necessary talents and skill sets on a company board. This includes our support for gender, racially and ethnically diverse boards."—Fidelity International

"Allianz GI believes that healthy gender balance can positively influence group dynamics, leading to better decision-making. For this reason, we strongly encourage all boards and management teams to strive for at least 30% representation of male and female genders."—Allianz GI

"We also expect to see national and ethnic diversity that appropriately reflects the geographic footprint and employee/ customer base of the business, as well as other diversity attributes at board level that can improve its effectiveness."—Allianz GI

“We believe that companies should be representative of the communities in which they operate, and that a diverse workforce improves company culture and innovation. This extends to the Board of Directors and we expect our investee companies to ensure that the Board is comprised of individuals from across genders and ethnicities.”—UBS

“Gender diversity should provide for a more dynamic, well rounded Board of Directors, bringing unique perspectives, experience, talents and expertise. We expect our investee companies to incorporate gender diversity into their composition and refreshment processes, which is critical to effective corporate governance. Furthermore, as to ensure reasonable Board refreshment and succession planning, an adequate age range should ensure a balance between experience and new perspectives. We also welcome any developments that aim to achieve a better gender balance; however, for us, qualification remains the decisive factor that needs to be assured for a sound Board. We expect Boards to enhance their diversity by taking intentional actions to expand the pool of women and minority candidates, including reaching out to a broader set of professional networks and considering candidates with a variety of skills, racial/ethnic backgrounds, and experiences."—DWS

“The Board should comprise a range of directors who, individually and collectively, understand the company’s strategy; can contribute their knowledge and expertise to the development of its businesses; understand the environment in which it operates; have a knowledge of the markets where it conducts its businesses; are aware of the risks associated with the strategy; and have insights into the different stakeholders, including regulators, customers, shareholders and wider society, whose views impact on the company or whose support is necessary for its continued success. We believe that this requirement naturally points to the need for a diversity of skills, knowledge, experience, gender and nationality amongst the directors on the Board.”—AXA

“Diversity is an important element of assessing the board’s quality, as it promotes wider range of perspectives to be considered for companies to both strategize and mitigate risks.”—AllianceBernstein

“Generally, we believe racial and gender equity and diversity within a company’s workforce, including its management and the board of directors, contribute to the company’s long-term value creation. To that end, subject to local norms and expectations, we expect companies to be able to articulate a strategy or plan to advance these values.”—Capital Group

“We expect boards to reflect both diversity of personal characteristics (such as gender, race, age, and ethnicity) and diversity of skill, experience, and opinion. We believe that a variety of unique experiences meaningfully contributes to a board’s ability to serve as effective, engaged stewards of shareholders’ interests. We are not prescriptive about age limits, tenure limits, board size, or overall composition. We believe that boards should determine the composition best suited to their company while considering market best practices, expectations, and risks.”—Vanguard

“As a matter of principle, we expect our investee companies to be committed to diversity and inclusiveness in their general recruitment policies as we believe such diversity contributes to the effectiveness of boards.”—JPMorgan AM

“Recruiting individuals with unique skills, experiences and diverse backgrounds is a fundamental part of strengthening a business, and is an important consideration when searching for new board members. Although we do not endorse quotas, we expect boards to have a strategy to improve female representation in particular. To this end, we generally support the target of one-third of board positions being held by women, as recommended by the UK Government’s Women on Boards Report, the Davies Review and the Hampton-Alexander Review. We will utilise our voting power to bring about change where companies are lagging, as well as engage with Nominations Committees where appropriate. We also expect companies to consider diversity in its widest sense, both at board level and throughout the business. In support of the Parker Review, we will monitor changes of UK Boards, in increasing ethnic diversity, and ask for transparency and disclosure of progress made.”—JPMorgan AM

“Academic research already reveals correlations between specific dimensions of diversity and effects on decision-making processes and outcomes. In our experience, greater diversity in the board room contributes to more robust discussions and more innovative and resilient decisions. Over time, greater diversity in the board room can also promote greater diversity and resilience in the leadership team, and the workforce more broadly. That diversity can enable companies to develop businesses that more closely reflect and resonate with the customers and communities they serve.”—BlackRock

“We encourage companies to continue to evolve diversity and inclusion practices. Boards should be comprised of directors with a variety of relevant skills and industry expertise together with a diverse profile of individuals of different genders, ethnicities, race, skills, tenures and backgrounds in order to provide robust challenge and debate. We consider diversity at the board level, within the executive management team and in the succession pipeline.”—Invesco

“Our experience leads us to observe that boards lacking in diversity represent a sub-optimal composition and a potential risk to the company’s competitiveness over time. We recognize diversity can be defined across a number of dimensions. However, if a board is to be considered meaningfully diverse, in our view some diversity across both gender and race should be present.”—T. Rowe Price

Reporting Expectations

“We expect all companies to disclose a breakdown of board directors, executive directors, managers and employees, at a minimum by geography, main skill set, gender and ethnicity.”—LGIM

"Companies that fall short of market or sector best practice with respect to board gender, race and ethnic diversity are expected to adopt objectives for improvement and demonstrate progress over time."—Fidelity International

"Gender diversity enhances corporate governance, talent attraction and human capital development, which fosters value creation not only within companies, but also for stakeholders and society. Robeco usually supports reasonable shareholder resolutions requesting disclosure of specific diversity targets and disclosure on gender pay gaps within companies."—Robeco

"DWS is generally supportive of ESG-related shareholder proposals while considering recognized standards … and evaluates them on a CASE-BY-CASE basis, whereby we would generally vote … FOR reasonable proposals asking a company to adopt a diversity policy and/or issue a diversity report."—DWS

"Companies should publish their perspectives on diversity so that shareholders can better understand how a board considers diversity in its composition. As a best practice, we expect to see board composition disclosure, at least in aggregate."—Vanguard

"We are interested in diversity in the board room as a means to promoting diversity of thought and avoiding 'group think'. We ask boards to disclose how diversity is considered in board composition, including demographic characteristics such as gender, race/ethnicity and age; as well as professional characteristics, such as a director's industry experience, specialist areas of expertise and geographic location."—BlackRock

"We strongly encourage disclosure of specific diversity targets set by the board and reporting on performance against these targets."—Allianz GI

Voting Intentions

"Vote for the election of a director nominated by management unless … the board fails to incorporate basic considerations for gender diversity. Boards should comply with best practices or legal requirements where these exist. In other developed markets, we expect the least represented gender to comprise at least 30% of the board. In all markets an against vote is warranted if there is no gender diversity."—Robeco

"We will vote against: - Boards that do not have at least 30% female representation at companies in the most developed markets (including the UK, European Union, USA and Australia). - Boards that do not have at least 15% female representation at companies in markets where standards on diversity are still developing."—Fidelity International

"We will continue to apply voting sanctions to those FTSE 350 companies that do not have a minimum of 33% women on their boards. From 2022, we will also apply voting sanctions to the FTSE 100 companies that do not have at least one woman on their executive committee, with the expectation that there should be a minimum of 33% over time. For smaller companies, our policy has been to require at least one female to be on the board. However, we have signalled that our expectation is for a minimum of 33% to be reached over time. Therefore from 2023, we would expect women to represent at least 25%, rising to 33% by 2024."—LGIM

"We expect all FTSE 100 companies to have at least one ethnically diverse board member and will start applying voting sanctions from January 2022 to companies that do not meet this minimum requirement. Smaller companies are also encouraged to consider the Parker Review findings when refreshing their boards."—LGIM

"It is our view that gender diversity on the board, in leadership positions and throughout the business, has positive impact on decision-making and overall performance of a company. We will take voting action at the general meetings of companies that do not demonstrate adequate consideration of the benefits of gender diversity."—Abrdn

"In circumstances where we conclude that a board is not addressing this issue [i.e. gender, racially and ethnically diverse boards] with the seriousness or urgency it deserves, additional measures may be considered, including, where appropriate, voting against the re-election of members of the board, which may include the chairman or the chairman of the nomination committee."—Fidelity International

"We support racial and ethnic diversity on a company's board and will consider voting against the election of accountable directors where there are serious concerns relating to racial or ethnic underrepresentation on the board, or the number is inadequate, based on factors including the board size, industry, and market."—Fidelity International

"[Vote against or abstain if:] - Fewer than 30% of directors are female (for Europe, North America, Australia, New Zealand and South Africa); - Fewer than 15% of directors are female (for the other markets)."—BNP Paribas

"Allianz GI normally votes against the re-election of the Nominations Committee chairmen of large-cap companies in developed markets where board gender diversity is below 30%."—Allianz GI

"Allianz GI would not support the re-election of the Nominations Committee chairman of large-cap companies in the US where there is not at least one member with an ethnically diverse background on the board. We will also implement this rule for large-cap companies in the UK as of 2023."—Allianz GI

"We encourage companies to develop a policy and implementation plan to increase diversity at board level, in senior positions and in the workforce more widely. To support this expectation, we require companies to have at least 40% of the board comprised of diverse appointees by 2025, initially focused on the dimensions of gender and ethnicity. More specifically, we expect all companies in which we invest globally to have at least one female board member. We will vote against the Chair of the Nomination Committee, or equivalent committee, where this is not the case."—UBS AM

"In addition, we will vote against the Chair of the Nomination Committee when: - A company does not meet local market regulatory standards in regard to gender or ethnic diversity, where those standards are superior to our own policy, or - A company in a developed market with at least 10 board members or a market capitalisation of more than US$10bn, does not have 30% female board representation, or - A company in a market where ethnic diversity data is available has not appointed, or disclosed plans to appoint, at least 1 director from an underrepresented ethnic background."—UBS AM

"Board gender diversity is one of the most transparent metrics that we currently have on a global basis. We actively vote against individuals on boards that are not making enough progress on this area to hold them accountable."—Schroders

"When it comes to the reappointment and/or discharge of directors, DWS will carefully evaluate and hold boards accountable for their environmental and social responsibility, applying stringent guidelines such as voting against in the cases when… the Board lacks sufficient diversity (i.e. in terms of gender representation, it lacks at least one female member)."—DWS

"Our views on board diversity translate to the following two voting approaches: a. Gender Diversity: AB will generally vote against the nominating/governance committee chair, or a relevant incumbent member in case of classified boards, when the board has no female members. In Japan, we will vote against the top management. This approach applies globally. b. Ethnic and Racial Diversity: AB will escalate the topic of board level ethnic/racial diversity and engage with its significant holdings that lack a minority ethnic/racial representation on the board through 2021. Based on the outcome of such engagements, AB will begin voting against the nominating/governance committee chair or a relevant incumbent member for classified boards of companies that lack minority ethnic/racial representation on their board in 2022."—AllianceBernstein

"(UK) Starting in 2022, in the U.K. market, our minimum expectation for board diversity within FTSE 350 companies is they should be at least 33% diverse by gender. Additionally, company boards in the FTSE 100 should include at least one director from an underrepresented ethnic or racial group. For smaller companies in this market, our diversity policy is applied to single-gender boards. (Europe) Starting in 2022, in the Continental European markets our minimum expectation for board diversity of companies on the main listing is they should be at least 30% diverse by gender. For smaller companies in these markets, our diversity policy is applied to single-gender boards. (EMEA) Starting in 2022, in markets elsewhere in EMEA our diversity policy is applied to single-gender boards."—T. Rowe Price

"We expect boards of all listed companies to have at least one female board member. If a company fails to meet this expectation, State Street Global Advisors may vote against the Chair of the board's nominating committee or the board leader in the absence of a nominating committee, if necessary. Additionally, if a company fails to meet this expectation for three consecutive years, State Street Global Advisors may vote against all incumbent members of the nominating committee."—State Street

"We believe that companies have a responsibility to effectively manage and disclose risks and opportunities related to racial and ethnic diversity. If a company in the S&P 500 does not disclose, at minimum, the gender, racial and ethnic composition of its board, we may vote against the Chair of the nominating committee. We may withhold support from the Chair of the nominating committee also when a company in the S&P 500 does not have at least one director from an underrepresented community on its board."—State Street

"Beginning in the 2023 proxy season, we will expect boards to be comprised of at least 30% women directors for companies in major indices in the US, Canada, UK, Europe, and Australia."—State Street

"We generally support shareholder proposals urging diversity of board membership with respect to gender, race or other factors where we believe the board has failed to take these factors into account. We will also consider not supporting the re-election of the nomination committee and/or chair (or other resolutions when the nomination chair is not up for re-election) where we perceive limited progress in gender diversity, with the expectation where feasible and with consideration of any idiosyncrasies of individual markets, that female directors represent not less than a third of the board, unless there is evidence that the company has made significant progress in this area."—Morgan Stanley

"In markets where information on director ethnicity is available, and it is legal to obtain it, and where it is relevant, we will generally also consider not supporting the re-election of the nomination committee chair (or other resolutions when the nomination chair is not up for re-election) if the board lacks ethnic diversity and has not outlined a credible diversity strategy."—Morgan Stanley

"We will generally vote against the chair of the Nominating Committee when the issuer does not disclose the gender or racial and ethnic composition of the Board. Aggregated diversity data will be considered as adequate in instances where individual directors do not wish to disclose personal identification."—JPMorgan AM

"With regards to diversity, we expect boards to have made reasonable progress towards both gender and ethnic diversity or having at least set out a clear roadmap as to how to achieve this. If the board composition or that of its subcommittees very different from these expectations, we aim to engage with the company in the first instance, and may also consider taking additional voting action against appropriate directors, such as the Chair of the Nomination Committee, if we do not believe sufficient progress has been made."—Baillie Gifford

“We will generally vote against the chair of the Nominating Committee when the issuer lacks any gender diversity or any racial/ethnic diversity unless there are mitigating factors. Mitigating factors include, among other factors, recent retirement of relevant directors, a relatively new public company, and an ongoing search for a director. We generally will vote case-by-case on shareholder proposals which seek to force the board to add specific expertise or to change the composition of the board.”—JPMorgan AM

“We will generally vote against the incumbent nominating committee chair of a board where women constitute less than two board members or 25% of the board, whichever is lower, for two or more consecutive years, unless incremental improvements are being made to diversity practices.”—Invesco

“We will consider a company’s performance on broader types of diversity which may include diversity of skills, non-executive director tenure, ethnicity, race or other factors where appropriate and reasonably determinable. We will generally vote against the incumbent nominating committee chair if there are multiple concerns on diversity issues.”—Invesco

“We generally vote in favor of proposals that encourage the adoption of a diverse search policy, so-called “Rooney Rules”, assuring that each director search includes at least one woman, and in the US, at least one underrepresented person of color, in the slate of nominees.”—AllianceBernstein

“For companies in the Americas, we currently generally oppose the re-elections of Governance Committee members if we find no evidence of current or recent board diversity on gender lines and from 2023 onwards, plan on opposing Governance Committee members where there is no evidence of current or recent Board diversity around race.”—T. Rowe Price

“Fidelity also may support proposals on issues in other areas, including but not limited to equal employment, board diversity and workforce diversity.”—Fidelity Investments

“We may withhold support from director elections in the following instances … Diversity: Composition of the Board does not reflect necessary diversity.”—AXA IM

“For markets where this is permissible, we may take action where there is insufficient ethnic representation on the Board.”—AXA IM

Human Capital Management

“We encourage companies to foster a positive corporate culture that maximises board and employee effectiveness and wellbeing, and that takes account of a broad spectrum of considerations including diversity, conduct and accountability.”—Fidelity International

“Employees are the greatest asset a company can have. We believe that the value they bring to the long-term sustainability of the company should not be underestimated. LGIM is looking at human capital management using a number of different lenses: Diversity & Inclusion – We believe a suitably diverse mix of skills, experience and perspectives is essential for a board to function and perform optimally. We expect boards to embrace different forms of diversity: gender, ethnicity, neurodiversity … Employee Voice – The value placed on employees can be measured by the effort a company places on receiving and acting upon employee feedback. … Employee welfare – companies should ensure that their employees have adequate training to equip them with the appropriate skills to carry out their jobs effectively. They should provide a safe working environment and annual training on safety within the workplace. Companies should be mindful of and comply with the principles of the United Nations Global Compact, the International Labour Organization conventions and recommendations; OECD guidelines for multinational enterprises and all local and national laws and regulations relating to the protection of employees. Fair Pay – We expect all companies to be paying their direct employees at least a real living wage. This wage is usually higher than any local government/state mandated minimum wages … In addition, we expect companies to ensure that employees within their supply chain are also being paid at least a living wage.”—LGIM

“Allianz GI supports proposals seeking enhanced reporting of the company’s efforts to enhance diversity of boards, management and workforce. We will support shareholder proposals seeking enhanced reporting of human capital data, including composition of the workforce, employee turnover, absenteeism rates, gender diversity, racial/ethnic diversity, and other useful indicators that help investors assess companies’ human capital management practices. Allianz GI supports resolutions seeking introduction of policies and statements that explicitly prohibit discrimination and promote equal opportunities at investee companies. We support resolutions asking for improved reporting on gender and racial/ethnic pay gaps taking into account the company’s policies and disclosure as well as recent controversies. If required in our view, we may support proposals requesting external audit of the issue.”—Allianz GI

“Companies whose employees are happy and healthy achieve stronger operational and financial performance in the long term. We want companies to develop a human capital management policy which should cover how they attract and retain talent, provide training and courses, and establish workforce diversity.”—Robeco

“We may vote in favor of proposals put forward by shareholders that seek to promote good corporate citizenship and environmental stewardship, while enhancing long-term shareholder and stakeholder value. Such proposals might refer to, but are not limited to, sustainability disclosure, human capital management, diversity, supply chain's labor standards.”—UBS AM

"We expect engaged Boards to provide oversight of Human Capital Management (HCM); a company's management of its workforce including human resources policies including code of conduct, use of full time versus part time employees, workforce cost, employee engagement and turnover, talent development, retention and training, compliance record, and health and safety. JPMAM will vote case by case on shareholder resolutions seeking disclosure of HCM. JPMAM will generally vote against shareholder proposals seeking HCM information which is considered confidential or sensitive information by the Board."—JPMorgan AM

"Human capital management matters are critical to a company's long-term success, and boards should demonstrate appropriate oversight of these risks."—Vanguard

"Allianz GI supports proposals seeking enhanced reporting of the company's efforts to enhance diversity of boards, management and workforce. We will support shareholder proposals seeking enhanced reporting of human capital data, including composition of the workforce, employee turnover, absenteeism rates, gender diversity, racial/ethnic diversity, and other useful indicators that help investors assess companies' human capital management practices. Allianz GI supports resolutions seeking introduction of policies and statements that explicitly prohibit discrimination and promote equal opportunities at investee companies. We support resolutions asking for improved reporting on gender and racial/ethnic pay gaps taking into account the company's policies and disclosure as well as recent controversies. If required in our view, we may support proposals requesting external audit of the issue." —Allianz GI

"We expect our investee companies to: - Establish and uphold comprehensive and effective diversity and non discrimination policies. - Regularly review their hiring and promotion practices to ensure against bias, and to set ambitious diversity targets appropriate to the business. - Demonstrate alignment with our belief that diversity helps deliver long-term shareholder value."—Fidelity International

"We expect all companies to disclose … information on its gender pay gap, ethnicity pay gap and the initiatives in place and action the company is taking to close any stated gap."—LGIM

"Companies and boards should be able to demonstrate that they are diverse organisations across gender, ethnicity, sexuality and thought. As well as monitoring board diversity, the board should be monitoring the internal pipeline of talent and the wider workforce using these metrics."—Schroders

"Companies whose employees are happy and healthy achieve stronger operational and financial performance in the long term. We want companies to develop a human capital management policy which should cover how they attract and retain talent, provide training and courses, and establish workforce diversity."—Robeco

"We generally support shareholder proposals calling for reports and disclosure surrounding workplace diversity while taking into account existing policies and procedures of the company and whether the proposed information is of added benefit to shareholders."—AllianceBernstein

"The diversity of employees throughout the organisation is important to ensure a diverse pipeline of talent for future senior roles and improve equality generally within society. Reporting on the diversity of the workforce should also be provided and include details on gender, ethnicity, culture and nationality. In markets where it is required, gender pay gap reporting should be clear and unambiguous with clear actions to solve the pay gap should it exist." —Baillie Gifford

"Companies and their boards should demonstrate how workforce diversity is integrated into their broader talent strategy, as well as their oversight of human capital management risks. Companies should provide disclosure that demonstrates the board's oversight and objectives related to the company's diversity, equity, and inclusion priorities. With consideration for market norms and regulations, companies should disclose relevant metrics, including workforce demographics, in order to monitor current state and year-over-year progress." —Vanguard

"An engaged and diverse employee base is integral to a company's ability to innovate, respond to a diverse customer base and engage with diverse communities in which the company operates, thus delivering shareholder returns. JPMAM will generally support shareholder resolutions seeking the company to disclose data on workforce demographics including diversity, and release of EEO-1 or comparable data, where such disclosure is deemed inadequate." —JPMorgan AM

"We support reporting and disclosure of data relating to workforce diversity and equity across various types of roles and levels of seniority, consistent with broadly applicable standards (e.g., Employment Information Report (EEO-1) and U.K. pay gap reporting)." —Capital Group

Human Rights and Labor Rights

"We expect companies to comply with international labour standards as outlined by the International Labour Organization's Fundamental Conventions. Allianz GI supports shareholder proposals to adopt labour standards for foreign and domestic suppliers to ensure that the company will not do business with suppliers that manufacture products using forced labour, child labour, or that fail to comply with applicable laws protecting employee's wages and working conditions." —Allianz GI

"We expect all our holdings to respect internationally accepted human rights and labour rights throughout their business operations and value chain in line with the United Nations Guiding Principles for Business and Human Rights. As a minimum, this should include the maintenance of health, safety and well-being management systems, particularly in high-risk sectors; the management of exposure to labour and human rights risks throughout their value chain, especially human/modern slavery; and encouraging positive relationships with local communities. As signatories to the UN Global Compact, we believe that [its] principles should be upheld in relation to human rights and labour." —Baillie Gifford

"Companies should ensure that they are not permitting modern slavery to take place either within their own operations or within their supply chains. Putting in place a code of conduct is not sufficient for ensuring modern slavery does not exist within the supply chain, and we expect companies to carry out due diligence investigations to ensure any such practices are eradicated." — LGIM

"Companies that operate in or source their goods from countries with a record of human rights abuse risk the safety of their staff and operations. In addition, companies may face reputational damage should they be associated with, or contribute to, the human rights abuses of such countries. We expect that companies, wherever they operate, will: - recognise international human rights standards, such as the UN Declaration of Human Rights - take affirmative steps to ensure that they have strong policies in place to respect human rights - introduce systems and processes to ensure company actions do not violate or infringe upon the human rights of its stakeholders, including employees, business partners and civil society - where appropriate, use the UN Guiding Principles on Business and Human Rights to help develop systems and mechanisms to manage human rights within business operations - be transparent and report on how human rights are managed and measured within business operations." — Abrdn

"Allianz GI supports proposals requesting a report on the company's or its suppliers' labour and/or human rights standards and policies, as well as implementation of human rights standards and workplace codes of conduct in general and in relation to countries in which there are systematic violations of human rights. Allianz GI may support shareholder proposals that call for independent monitoring programs in conjunction with recognized human rights groups to monitor compliance." — Allianz GI

"We recognise the importance of companies respecting and protecting human rights, ensuring decent working conditions and upholding labour rights, promoting greater environmental responsibility and having robust anti-corruption measures and practices in place. As UNGC signatories we are committed to ensuring companies align their operations and strategies to the UNGC's ten universally accepted principles … where we consider companies' business practices may be unsustainable we regularly engagement management teams to better understand their plans, and to promote more responsible behavior, and if we believe the action taken is not appropriate will vote against individual directors." — Schroders

"We support the human rights principles described in the Universal Declaration of Human Rights (UDHR) and detailed in the Guiding Principles on Business and Human Rights (UNGP), the OECD Guidelines for Multinational Enterprises and the eight fundamental International Labour Organization (ILO) conventions. Our commitments to these principles means we will expect companies to formally commit to respect human rights, have in place human rights due diligence processes, and, where appropriate, ensure that victims of human rights abuses have access to remedy." — Robeco

“We expect companies to align their policies and practices with the Principles of the UN Global Compact on Human Rights, Labour, Environment and Ethical Behaviour and OECD Guidelines for Multi-National Enterprises.” —AXA IM

“We consider proposals on other social issues on a case by case basis but generally support proposals that seek to enhance useful disclosure or improvements on material issues such as human rights risks [and] supply chain management.” —Morgan Stanley

“We will generally support [shareholder] resolutions seeking the following actions by companies … Provide a specific Human Rights Risk Assessment across the business.” —UBS AM

“We would generally vote… FOR reasonable [shareholder] proposals requesting that companies adopt fair labor practices consistent with recognized international human rights standards, including policies to eliminate gender-based violence and other forms of harassment from the workplace, as well as proposals asking a company to prepare a report on its efforts to promote a safe workplace for all employees.” —DWS

“We may withhold support from relevant resolutions including approval of Reports & Accounts, director elections and remuneration proposals in the following instances: … Material breach of one or more Principles of the UN Global Compact on Human rights, Labour, Environment and Ethical Behaviour and OECD Guidelines for Multi-National Enterprises.” —AXA IM

“In evaluating investee companies’ adaptiveness to evolving climate risks and human rights oversight, AB engages its significant holdings on climate strategy through a firmwide campaign. Based on each company’s response, AB will hold respective directors accountable as defined by the committee charter of the company.” —AllianceBernstein

“For [shareholder] proposals addressing forced labor and supply chain management from the human rights perspective, AB assesses the proposal based on its proprietary framework. The framework considers factors such as oversight of the issue, risk identification process, action plan to mitigate risks, the effectiveness of the action plan, and future improvement. We generally support shareholder proposals calling for reports and disclosure while taking into account existing policies and procedures of the company and whether the proposed information is of added benefit to shareholders.” —AllianceBernstein

“We will also vote for proposals requesting that a company conducts an assessment of the human rights risks in its operations or in its supply chain, or report on its human rights risk assessment process.” —Allianz GI

"It has become increasingly important for companies to understand and mitigate the potential social risks that can affect their communities, human rights, and society at large … If managed poorly, social risks can manifest themselves as, for example, reputational, competitive, legal, or regulatory risks; can affect a company's social license to operate; and can erode long-term shareholder value. We expect boards to be fully engaged and knowledgeable about monitoring and governing such risks."—Vanguard

"We know that social issues, such as employee safety, community engagement and human rights (including with respect to a company's supply chain), are important factors that can affect companies' long-term prospects for success. As such, they are researched by our investment professionals as part of the investment process and are also considered within the framework [on shareholder proposals]."—Capital Group

Appendix 2: Further Information

Exhibit 8 List of Asset Managers and Links to Active Ownership Disclosures

Manager	Location	Stewardship and proxy-voting web page
Abrdn	U.K.	https://www.abrdn.com/en-gb/intermediary/sustainable-investing/voting
AllianceBernstein	United States	https://www.alliancebernstein.com/corporate/en/corporate-responsibility/corporate-governance.html
Allianz GI	Germany	https://www.Allianz GI.com/en/our-firm/esg/active-stewardship
Amundi	France	https://www.amundi.co.uk/professional/Local-Content/ESG/Documentation
AXA	France	https://www.axa-im.com/who-we-are/stewardship-and-engagement
Baillie Gifford	U.K.	https://www.bailliegifford.com/en/uk/about-us/esg/
BlackRock	United States	https://www.blackrock.com/corporate/about-us/investment-stewardship
BNP Paribas	France	https://www.bnpparibas-am.be/professional-investor/footer/voting-policy/
Capital Group	United States	https://www.capitalgroup.com/individual/policies-faq.html
Dodge & Cox	United States	https://www.dodgeandcox.com/individual-investor/us/en/investing/our-approach/esg-integration.html
DWS	Germany	https://www.dws.com/en-gb/solutions/esg/responsible-investment-office/
Fidelity International	U.K.	https://www.fidelity.co.uk/responsible-investing/
Fidelity Investments	United States	https://www.fidelity.com/about-fidelity/proxy-voting-overview
Franklin Templeton	United States	https://www.franklintempleton.co.uk/about-us/our-company/sustainable-investing#insightsanddocuments
Invesco	United States	https://www.invesco.com/corporate/en/our-commitments/esg/active-ownership-proxy-voting-engagement.html
JPMorgan AM	United States	https://am.jpmorgan.com/gb/en/asset-management/institutional/about-us/investment-stewardship/
LGIM	U.K.	https://www.lgim.com/uk/en/capabilities/investment-stewardship/
Morgan Stanley	United States	https://www.morganstanley.com/im/en-gb/institutional-investor/about-us/proxy-voting-en-gb.html
Natixis	France	https://www.im.natixis.com/us/fund-documents/proxy-voting-policies
Robeco	Netherlands)	https://www.robeco.com/en/key-strengths/sustainable-investing/glossary/stewardship-code.html
Schroders	U.K.	https://www.schroders.com/en/sustainability/active-ownership/
State Street	United States	https://www.ssga.com/uk/en_gb/institutional/ic/capabilities/esg/asset-stewardship/asset-stewardship-report-library
T. Rowe Price	United States	https://www.troweprice.com/institutional/uk/en/lp/esg.html
UBS	Switzerland	https://www.ubs.com/global/en/assetmanagement/capabilities/sustainable-investing.html
Vanguard	United States	https://corporate.vanguard.com/content/corporatesite/us/en/corp/how-we-advocate/investment-stewardship/reports-and-policies.html

Source: Morningstar research, asset manager websites.

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Morningstar's global manager research team conducts objective, qualitative analysis of managed investment strategies such as mutual funds and exchange-traded funds. Manager research analysts express their views through the Morningstar Analyst Rating, which takes the form of Gold, Silver, Bronze, Neutral, or Negative. The analysts arrive at a strategy's Analyst Rating by assessing key areas including its management team and supporting resources (People Pillar), its investment approach and rationale (Process Pillar), and the investment organization backing the strategy concerned (Parent Pillar). The analysts juxtapose those assessments with the strategy's cost in arriving at a final Analyst Rating, which expresses their conviction in the strategy's ability to outperform a relevant benchmark index or category peers over a market cycle, adjusted for risk. The Morningstar Analyst Rating methodology is forward-looking in nature and applied consistently across geographies and markets. (The Analyst Rating is an opinion, not a statement of fact, and is not intended to be nor is a guarantee of future performance.)

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