Insights

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Proxy Voting is Essential for ESG Investing

Posted by Unknown

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Investors and their membership organizations play a critical role in shaping (and many times, course-correcting) corporate behavior on ESG issues. Investor influence strategies often include dialogues with company management, shareholder proposals, and proxy voting, divestment, and public policy engagement. Proxy voting in particular can have a tangible impact on corporate financial and sustainability performance. Wondering why proxy voting is a driver of success when it comes to ESG investing, here’s why.

First, what is proxy voting and how does it work?

Proxy voting is a formal mechanism for investors to voice their support or concerns for a shareholder proposal. Exercising this right enables investors to essentially agree, disagree, or abstain on a vote for a shareholder proposal. Casting a vote is an effective mechanism to influence change since it allows the entire shareholder base to weigh in on an issue - it’s the power of the masses.

Proxy season tends to be in the springtime when most Annual General Meetings are held. This is often the forum for proposing shareholder resolutions on pressing issues, showing support for environmental and social shareholder proposals, and raising concerns over management or governance.

Why proxy enforces when it comes to ESG investing

Investors can leverage shareholder rights to drive a meaningful change in investee company behavior and improve the portfolio's impact performance. Aneuvia engages with the management teams of investee companies on two aspects – quantity and quality. We ask a company to increase ESG-related disclosures (quantity) and consequently focus on improving its disclosed ESG performance (quality).

In our latest whitepaper, we explore the disconnect between a corporation's commitment to ESG standards versus their reporting of outcomes and steps taken to meet those commitments. Given the effects of the COVID-19 pandemic, progress towards the United Nations Sustainable Development Goals (SDGs) is likely to be pushed back by another decade. Juxtaposed to this, many corporations continue to make vague sustainability commitments while chasing profits at the environment and society's expense. Our whitepaper proves that as 2020 ends, no corporation will have achieved its zero-deforestation targets and none of the largest carbon emitters align with the Paris Agreement and remain elusive despite pressure from consumers.

This is where proxy voting can be a driver of success, transparency, and accountability. Sustainable institutional investors should vote against shareholder resolutions in demand of better ESG-related disclosures and effective social and environmental impact.

This article: Proxy Voting is Essential for ESG Investing first appeared on http://aneuvia.com.

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