

STRENGTHENING SHAREHOLDER RELATIONSHIPS

THROUGH THE RISE IN ESG PROPOSALS



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Overview

Proxy ballot shareholder proposals may be non-binding, but the 2021 proxy season set record highs in investors voting for a series of environmental, social and governance (ESG) shareholder proposals.

Morningstar reported that support across 171 shareholder-sponsored resolutions averaged 34 percent, roughly five points above the previous high set in 2019, and on the back of years of incremental gains. It also highlighted that 26 climate-related resolutions saw average support rise to 51 percent, with 14 earning majority support, while average support for 34 diversity, equity and inclusion resolutions was 43 percent, with nine passing.

Causes and Effects

According to Mindy Lubber, CEO and president of Ceres, a sustainability nonprofit, investors are quite reasonably responding to risk and reward. The financial risks posed by the climate change are sinking in and there are new investment opportunities as economies transition to net-zero emissions. In an article in Forbes, she points out that ESG funds saw 250 percent growth in 2020, and that asset managers responsible for a combined \$37 trillion have committed to deadlines to achieve net-zero emissions.

Researchers at Harvard Business School and Boston University Questrom School of Business wanted to understand the effectiveness of shareholder activism and if it had an impact on share price. Their analysis in [Harvard Business Review](#) showed that climate-risk disclosure increased by approximately 4.6 percent for each environment-related proposal submitted. The effect was greater for proposals initiated by institutional shareholders with a long-term holding horizon, rising from 4.6 to 6.8 percent.

They also found that markets respond favorably to such disclosures, with the disclosing firm's stock price increasing by 1.21% on average (on a market-adjusted basis) in the days following a shareholder-induced disclosure of climate-change risks.

How Issuers Can Respond

Morningstar anticipates a 2022 proxy calendar with more ESG scrutiny. Issuers can get ahead by expanding their understanding of investors' motivations and making shareholder engagement a year-round program.

Focusing on what matters to the audience naturally increases engagement and helps build strong relationships, so providing a forum to highlight key shareholder messaging will mean more views on your proxy communications. Mediant's SEC-compliant online document hosting solution provides customized websites that extend your corporate website and investor relations messaging. Information regarding your sustainability efforts can be included, which helps to enhance the investor experience and therefore engagement.

In addition, regular communication – relevant and easy to access – will help earn investors' trust and reduce lack of awareness about policies and progress on the issues that matter to them. Mediant has the experience, technology and processes to create and effectively distribute engaging and compliant investor communications.

For more information, [contact us](#).