



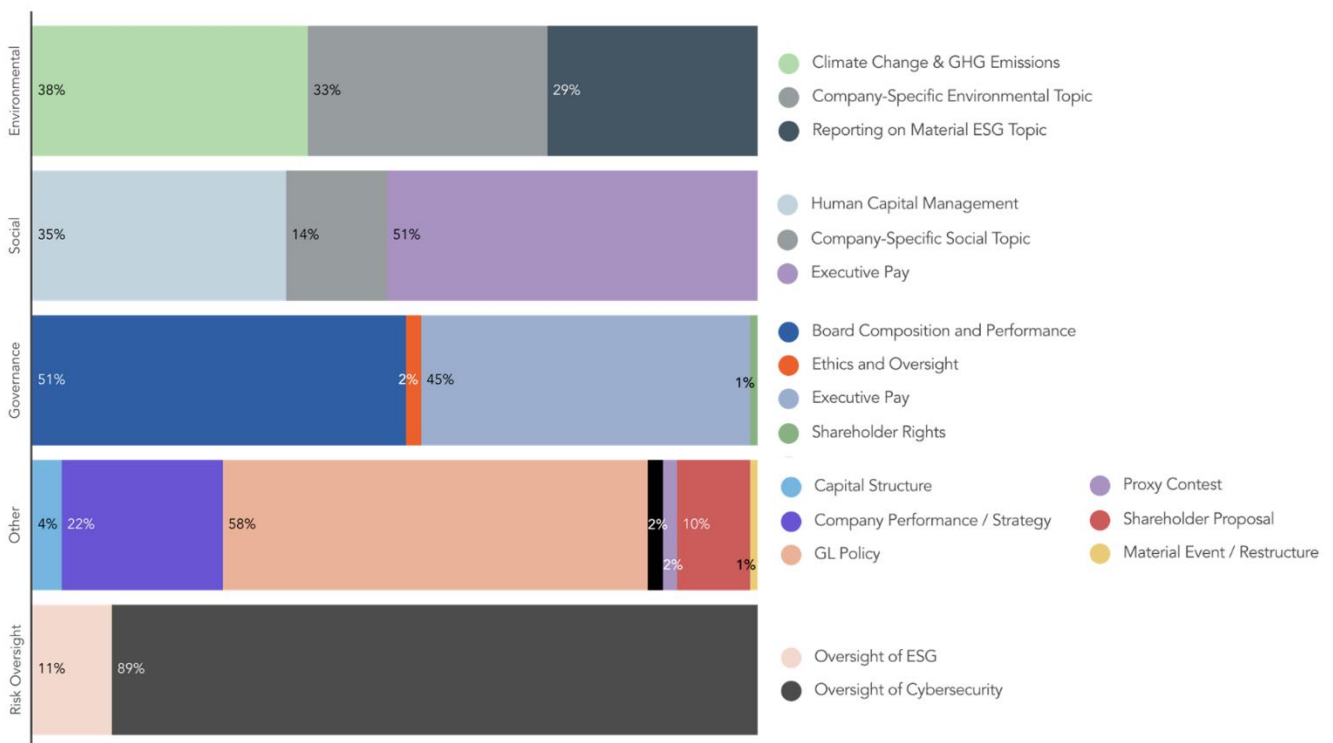
Perspectives on Global Engagement Observations from the Glass Lewis Stewardship Team

The following Q&A session with Elena Leofanti and Patrick Fiorani of the Glass Lewis Stewardship team is the first of a two-part series covering engagement trends across the globe, as well as common challenges faced by institutional investors in carrying out their stewardship responsibilities. Patrick and Elena each possess over 10 years of experience engaging with issuers in the course of their work at Glass Lewis, encompassing over 900 engagement meetings between the two of them. Both began their engagement careers working with companies in European markets- and have since engaged with companies in markets around the world.

Q: What themes are you discussing most often with issuers in your recent engagements?

Patrick: While we engage on a range of emerging themes important to our institutional investor clients, longstanding governance themes represent the majority of our engagement efforts with corporate issuers. The two most common engagement themes for our team are Board Composition and Performance, and Executive Pay, discussed in 68% and 59% of our engagements over the last twelve months, respectively. Beyond those two mainstay governance areas, other common themes include Company Performance/Strategy, which is addressed in about 17% of engagements, Shareholder Proposals in about 8%, and Greenhouse Gas Emissions in about 7%.

Engagements by Theme, Q1-Q4 2023



Data on Glass Lewis global engagements by theme from January 1 through December 31, 2023.



Q: How do your engagements differ by region?

Elena: Climate is one growing area of focus, particularly in Europe where expanding regulation and heightened investor scrutiny naturally produce a stronger focus on Net Zero progression than in other regions. In Europe and the Asia-Pacific region, we've also seen biodiversity gain prominence. As investor expectations related to issuer environmental practices have evolved, a growing number of our clients are interested in engagement on more specific sub-themes like biodiversity or antibiotics in the supply chain. We expect these engagements will only continue to grow with new and updated guidance and standards from groups like the Taskforce on Nature-related Financial Disclosures, Science Based Targets Network and Organisation for Economic Co-operation and Development. In the APAC region, we've seen more focus on social considerations given some issuers have had heightened exposure to labor rights and human rights issues.

In the U.S., cybersecurity oversight is a fast-growing area of focus. Following recent SEC regulations, significant developments in cybersecurity disclosure have led to more opportunity for engagement in the U.S. Interest in cybersecurity practices is also increasing globally. Over the past twelve months, 84% of our discussions on Risk Oversight were focused on cybersecurity, and we expect engagement on this theme to continue expanding. As disclosure standards and investor expectations grow in the coming years, companies will face increased pressure to align with cybersecurity best practices worldwide.

Patrick: Beyond different engagement approaches, we've also seen investors in some regions make more use of shareholder proposals on certain issues. For example, in the U.S. we have seen a few recent shareholder proposals on antibiotics in the supply chain, although this is an issue we've seen emerge only recently. Conversely, in Europe, we typically see a longer engagement period before a shareholder proposal is put forward on an emerging issue.

Q: What are some challenges investors face in maximizing the impact of their engagement programs?

Patrick: Engagement challenges usually depend on the investor's goals as well as their resource capacity to carry out their program, which is often limited. For even a relatively simple outreach campaign, the scale of an investor's program can present a challenge. Some of the investors we work with have particularly broad portfolios or engagement goals that require sending thousands of messages to issuers before, during, and after each major proxy season globally. Whether a client needs to press for change on an issue or simply inform investee companies of the rationale for specific votes cast the scale of outreach can be a major challenge, especially for smaller teams with many responsibilities and limited time.

Elena: Investors can also face difficulties reaching the right people and/or decision-makers within a company. We have experienced this challenge firsthand in our own engagements, working over the years to build a base of contacts through our engagements and through Glass Lewis programs like our Issuer Data Reports and Report Feedback Statements. For an investor that needs to send even 100 letters, identifying and verifying contact information can be a hurdle, and firms may default instead to contacting a company's investor relations address, which is often ineffective. Reaching the right people from the start streamlines the engagement process and increases the probability of success.

Patrick: Another major challenge for some investors arises in handling large-scale thematic engagements. For some asset managers, the group of people dedicated to engagement may not have the resources to conduct thematic engagements at the scale they need. Depending on their specific areas of focus, regulatory requirements or voluntary frameworks, identifying targets and objectives related to the wide variety of themes they need to cover can be challenging. Even with extensive in-house knowledge, engagements that



require deeper discussions of specific governance issues or environmental and social concerns might extend beyond the scope of internal expertise. . Finally, performing the necessary background research to conduct an informed engagement with a portfolio company can be incredibly time-intensive. In our experience, investor engagement teams can often benefit from support in this area. Considering all the markets with unique rules and regulations that investors need to address and report on, handling each discussion and prioritizing efforts across a broad portfolio is a major undertaking.

[Read more](#) *on overcoming engagement challenges in part 2 of our Q&A with the Glass Lewis Stewardship team.*