Q3 2023 Engagement Trends
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 across Continental Europe, the Nordic countries, APAC and the US.

Q: Within the core thematic areas of Environmental, Social and Governance concerns, what topics are being discussed most often in recent engagements? How does this vary by region?

Elena: While climate is a global area of focus, in Europe we see a heavier emphasis on Net Zero progression and related issues compared to the United States. More broadly, a major focus in the U.S. currently revolves around cybersecurity, with significant developments in terms of disclosure due to the new SEC regulations, which are likely to have an impact globally. In Europe and the Asia-Pacific region, biodiversity is gaining prominence. Recently, almost every conversation with clients or prospects begins with inquiries about biodiversity. In the APAC region, there is also a specific focus on social considerations, with certain countries experiencing heightened exposure to issues related to labor rights and human rights.

Engagements by Theme, Q4 2022 - Q3 2023

Data on Glass Lewis global engagements by theme from October 1, 2022 through September 30, 2023.
Q: What are some topics that stand out as growing in importance or prevalence across your engagements?

**Patrick:** We’ve started getting questions about antibiotics in the supply chain: a brand-new topic for us. There have also been a few shareholder proposals on this topic, especially in the US, where shareholder proposals are more frequent, as opposed to in Europe where there’s generally a lot of engagement before you actually see a shareholder proposal. Biodiversity-related engagement is likely to continue to grow, propelled by new guidance and standards from the TNFD and SBTN and the OECD.

**Elena:** Another growing issue is cybersecurity, as we’ve mentioned, especially in the US. Here, new laws requiring companies to disclose cybersecurity measures will likely drive more engagement. Although currently emphasized more in the US, this focus on cybersecurity is poised to drive change in Europe as well. As the standards of disclosure and investor expectations are changing, companies are going to have to align themselves with developing best practices.

Q: Based on your experience working with investors, what are some of the common challenges clients face in maximizing the impact of their engagement and stewardship programs? How do you support clients in overcoming these challenges?

**Patrick:** There are a few common challenges investors face in managing their stewardship programs. For instance, when considering vote drive campaigns, one of the main ones is scale. Some of the investors we work with need to send thousands of emails before, during, or after the major proxy seasons. Whether they want to inform investee companies of their votes or simply inform them of changes to their voting guidelines, the scale of these efforts is something that many investors find challenging to handle.

**Elena:** In addition to drafting and sending letters on behalf of clients, one of the benefits of our extensive experience engaging with companies in global markets is that we can provide significant support in identifying the right contacts at companies. We have had so many conversations with companies, not just through engagement, but through programs like our Issuer Data Reports and Report Feedback Statements, that we have built a vast network of contacts around the globe. We understand how challenging this can be since we did it ourselves in the beginning. If an investor wants to send even 100 letters, finding the right person and the right contact information to reach them can be a significant hurdle. Instead of sending letters just to a company’s IR address, Glass Lewis has often talked to the most relevant people in the organization and are able to reach them directly.

**Patrick:** Another scale issue comes up when you’re looking at thematic engagements. For some asset managers, there may not be a sufficiently large and diverse group of people dedicated to engagement within the firm to allow them to conduct thematic engagements at the scale they would prefer. Governance is a strong area for most teams, but if an engagement requires deeper discussions about water, biodiversity, labor rights, human rights, etc., they may benefit from our support in identifying engagement targets and objectives. This might be helpful in certain specific areas, even if the firm does have team members with extensive knowledge on many of the required topics. Once you factor in all the different markets with different issues related to those topics, it can become unmanageable to address everything they might want to.

**Elena:** For ESG thematic engagements, the other part that requires the most time is background research on the company, and this is another area where teams often need support in addition to running the campaign from an operational standpoint. The other major challenge is data tracking for engagement. Some of our
clients, especially larger investors, have built in-house solutions for engagement tracking, but every time you build something in-house, it’s expensive and hard to maintain. Alternatively, many firms are using shared folders and Excel, and some have repurposed Salesforce or other platforms for engagement tracking, which can lead to difficulties in maintaining high data quality for reporting. As we’ll discuss further on the subject of greenwashing and related reporting expectations, data quality is important. You need to be able to tell your stewardship story and you need good data at your fingertips to do that most effectively.

Using our engagement platform can help to centralize data for our clients and improve reporting. With historical votes uploaded to our engagement management platform, it is simple to access vote data, link it to engagements and assess both together. This is where the industry is going, because the ability to see voting and engagement together makes reporting a lot easier. Especially when you’re talking about escalation strategies, you need to be able to show that you didn’t simply engage on a certain topic and leave it at that if there were no material improvements. With a strong tracking mechanism, you’ll be able to show how you applied your escalation policy, which is key.

Read more on overcoming engagement challenges in part 2 of our Q&A with the Glass Lewis Stewardship team.