

STEWARDSHIP FOR SUSTAINABILITY

EVALUATION TOOL

This document is part of our guidance on Evaluating manager stewardship for sustainability. For a full discussion of stewardship for sustainability outcomes and how it relates to investors' fiduciary duties, please refer to the [web article](#). Readers can use this guidance in combination with the related due diligence questionnaire, [Stewardship for sustainability: Responsible investment DDQ](#).

INTRODUCTION

Most investors are exposed to financial risks (and opportunities) associated with undiversifiable, system-level sustainability issues such as climate change, biodiversity collapse or social instability.¹ To manage such exposure in line with their fiduciary duties, many investors are pursuing positive sustainability outcomes to directly address the drivers of these system-level risks and create long-term value.

Stewardship is one of the most important mechanisms investors have to do so, whether as an independent tool, or in combination with investment decisions.

Asset owners that rely on external investment managers for their stewardship activities need to understand the extent to which these managers use stewardship for sustainability outcomes, and to try to align their priorities and actions where necessary and possible.²

ABOUT THIS DOCUMENT

This document provides a framework to help investors (and their investment consultants, if applicable) evaluate and compare how managers use stewardship to address sustainability issues such as human rights, climate change and biodiversity.

It is relevant for asset owners and other investors that use external investment managers to conduct stewardship, and that aim to address sustainability-related financial risks and/or pursue positive sustainability outcomes more broadly.

It aims to complement relevant due diligence questionnaires (including the [PRI's Stewardship for sustainability: Responsible investment DDQ](#)), the PRI Reporting Framework, stewardship codes, or other standards and frameworks that investment managers may need to disclose against. [Appendix 1](#) highlights how the document corresponds to these and provides a list of resources that investors can use in their evaluations.

This guidance and the DDQ it relates to have been informed by the PRI's work on [Active Ownership 2.0](#), asset owner [selection](#), [appointment](#) and [monitoring](#), as well as the [A legal framework for impact](#) project (see *The fiduciary case for pursuing positive sustainability outcomes* for more information).

For any questions on the content of this document, please contact stewardship@unpri.org.

¹ Non-diversifiable risk affects 75%-94% of the variability of financial market returns, according to Jon Lukomnik, James P. Hawley (2021) *Beyond Modern Portfolio Theory: Investing That Matters*.

² We recognise that where asset owners invest in pooled funds, their ability to influence a manager's stewardship activities and priorities to align with their own will be limited. In such cases, we encourage asset owners to consider how aligned the stewardship approach of prospective managers is with their own prior to appointing their managers.

STEWARDSHIP FOR SUSTAINABILITY OUTCOMES: EVALUATION TOOL

The table overleaf provides an overview of good practice in stewardship for sustainability outcomes. Asset owners and other investors can adapt and use this tool to evaluate and compare the practices and tools that investment managers use, based on three tiers: developing, intermediate and advanced.³

Alongside evaluating managers as part of their selection or monitoring processes, asset owners can use this resource to communicate their expectations in requests for proposals or regular manager communications.

Asset owners can replace the evaluation tool's general references to sustainability outcomes, issues and the associated global goals and thresholds with their priority outcomes, issues and goals. Where a generic term can be replaced, this is indicated with **orange text**:

GLOBAL GOALS AND THRESHOLDS LINKED TO SUSTAINABILITY OUTCOMES

- the Paris Agreement
- the UN Guiding Principles on Business and Human Rights (UNGPs)
- the International Bill of Human Rights
- the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work and the core conventions
- the Kunming-Montreal Global Biodiversity Framework
- the UN Sustainable Development Goals (SDGs) and targets
- OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors, and/ or
- other international, regional, sector-based or issue-specific framework(s)

The evaluation tool is intended to be a flexible resource. Depending on their priorities or investment beliefs, asset owners can place higher weighting on different practice areas and add to or remove elements of the good practice criteria captured in the tool – noting that the ability of managers to positively influence sustainability outcomes through stewardship will vary across strategies, asset classes and market environments.

Asset owners may decide against disqualifying managers on the grounds of weak stewardship practices on sustainability outcomes, and instead use their client-manager relationship to help them improve. As with investee engagement, having a clear timescale, milestones for improvement and escalation strategies can enable them to improve their managers' practices.

Before using the tool, we encourage asset owners to identify their own position and priorities on sustainability issues and outcomes. They can then use the tool to determine whether their managers are using stewardship to support progress in these areas. For further detail on how this guidance can support asset owner-investment manager dialogue, please refer to the [web article](#).

³ For most areas of practice, investment manager responses should be considered intermediate if they meet the developing and intermediate tier criteria, or advanced if they meet those criteria alongside the advanced criteria.

EVALUATION TOOL

Evaluating managers' overall approach to sustainability outcomes			
	Developing	Intermediate	Advanced
<p>Section 1. Approach to sustainability outcomes</p>	<p>Organisation level</p> <p>The manager has an organisation-wide commitment to address system-level sustainability issues, including, at a minimum, climate change and human rights. The commitment:</p> <ul style="list-style-type: none"> is captured in a responsible investment policy, investment beliefs, or equivalent document; is supported by a clear rationale that explains the links to financial materiality and/or fiduciary duties;⁴ explicitly supports: <ul style="list-style-type: none"> the objectives of the Paris Agreement, including climate change mitigation and adaptation; the human rights included in the International Bill of Human Rights and the ILO's Declaration on Fundamental Principles and Rights at Work and the core conventions; and any other relevant global goals and thresholds, e.g., in relation to biodiversity. 	<p>Strategy level</p> <p>The strategy has sustainability outcomes targets that:</p> <ul style="list-style-type: none"> are informed by an analysis of the sustainability outcomes that are most relevant for its holdings; support the achievement of its investment objectives;⁵ are clear, verifiable, time-bound, and supported by intermediate milestones (where relevant); aim to align its sustainability outcomes with the asset owner's position on those and/or with global sustainability goals and thresholds; are supported by a clear investment and/or stewardship strategy. <p>The strategy reports to clients regularly on progress (or lack thereof) against its sustainability outcomes targets.</p>	<p>Strategy level</p> <p>The strategy's legal documentation, governance, processes, and/or performance criteria and remuneration:</p> <ul style="list-style-type: none"> incentivise the achievement of the strategy's investment objectives and sustainability outcomes targets;⁶ incentivise a long-term investment and stewardship approach; ensure that stewardship efforts and results feed into investment decision making, and vice versa; ensure that investment personnel can demonstrate their skills/expertise on sustainability; ensure that its stewardship activities are sufficiently resourced to meet its sustainability outcomes targets.
<p>Section 2. Governance of overall political engagement activities⁷</p>	<p>Organisation level</p> <p>The manager:</p> <ul style="list-style-type: none"> establishes a clear framework to identify and address misalignments between the strategy's sustainability outcomes targets and the firm's overall political engagement activities, including any political engagement conducted by third parties on its behalf;⁸ publicly discloses its membership in and support for trade associations, think tanks or similar bodies that conduct any form of political engagement, at least annually. 	<p>Organisation level</p> <p>The manager:</p> <ul style="list-style-type: none"> assigns oversight and accountability to its board (or an equivalent governance body) to ensure that its overall (direct and indirect) political engagement activities are aligned with the strategy's sustainability outcomes targets; reviews how aligned its overall political engagement activities are with the strategy's sustainability outcomes targets; discloses this review on an annual basis. 	<p>Organisation level</p> <p>The manager publicly discloses the steps it has taken to address any misalignment between the strategy's sustainability outcomes targets and its overall (direct and indirect) political engagement activities.⁹</p>

4 Fiduciary duties or equivalent obligations refer to the investment-related duties owed by asset owners and investment managers, such as duties of care, skill and prudence, and requirements to use powers for their proper purposes.

5 Investment objectives may include sustainability outcomes targets in addition to financial targets (Freshfields Bruckhaus Deringer (2021), [A legal framework for impact](#), p. 79).

6 See PRI (2021), [ESG-linked pay: Recommendations for investors](#) for further information on integrating sustainability objectives into executive remuneration.

7 **Overall political engagement:** The process that investors and other interest groups undertake to contribute and participate in the political process to shape laws, regulations and policies that affect their business objectives, broader operating environment and societal goals. Overall political engagement takes many forms, including: engaging with policy makers to contribute to specific policy developments (see below), lobbying, making political contributions, revolving doors (the movement of senior people between the private and public sector roles), shaping public opinion through mass and social media campaigns, and funding grassroots organisations and think tanks. Investors may engage directly or through third parties, such as trade associations or industry bodies.

Engagement with policy makers: Investors' direct or indirect dialogue with regulators or other policy makers to contribute to specific policy developments. It may include participating in 'sign-on' letters, responding to policy consultations, providing technical input via government- or regulator-backed working groups, engaging policy makers on the investor's own initiative or other ways of providing input into policy development. Investors may engage with policy makers individually or collaboratively, or through third parties, such as trade associations, think tanks, external investment managers, service providers or non-profit organisations.

8 This may include a methodology for assessing inconsistencies, as well as identified escalation strategies and when they may be used.

9 For investors that are members of, or support, trade associations, think tanks or other third-party organisations that conduct political engagement activities which may be misaligned with the strategy's sustainability outcomes targets, steps may include: making public statements challenging such third parties, working with such third parties to make the case for aligned engagement, withdrawing funding, and suspending or ending membership or support of such entities.

Evaluating managers' use of relevant stewardship tools for sustainability outcomes			
	Developing	Intermediate	Advanced
<p>Section 3. Engagement with policy makers</p>	<p>Organisation level</p> <p>The manager publicly discloses the sustainability outcomes policy positions it promotes during its engagement(s) with policy makers.</p>	<p>Organisational level</p> <p>The manager:</p> <ul style="list-style-type: none"> advocates for (and not against) laws, regulations and policies that are aligned with the strategy's sustainability outcomes targets; engages policy makers by: <ul style="list-style-type: none"> responding to policy consultations and/or participating in sign-on letters. 	<p>Strategy level</p> <p>The manager engages with policy makers by:</p> <ul style="list-style-type: none"> providing technical input via government- or regulator-backed working groups; and/or making direct requests and recommendations in bilateral meetings.
<p>Section 4. Investee stewardship¹⁰</p>	<p>Strategy level</p> <p>The strategy:</p> <ul style="list-style-type: none"> has a public stewardship policy that sets out how investment staff will use investee stewardship (including escalation) to advance its sustainability outcomes targets; communicates clear expectations to investees, including that investee companies (if applicable) should align with the strategy's sustainability outcomes targets, their direct and indirect political engagement activities, capital expenditures, and internal operations. <p>Listed equity only:</p> <p>The strategy (also) has a voting policy that:</p> <ul style="list-style-type: none"> allocates responsibility for identifying and evaluating votes where the consideration of sustainability outcomes should affect voting decisions; commits to advancing its sustainability outcomes targets via shareholder proposals and other relevant votes; and commits to holding investee board members accountable if they are unresponsive to the strategy's expectations. <p>The strategy publishes its voting record at least yearly, including the rationale for votes:</p> <ul style="list-style-type: none"> that may appear misaligned with its stewardship and voting policy; on relevant shareholder resolutions; against the board. 	<p>Strategy level</p> <p>The strategy engages with investees by:</p> <ul style="list-style-type: none"> identifying priority investees on which to focus its stewardship efforts, based on: <ul style="list-style-type: none"> their likely positive or negative contribution to its sustainability outcomes targets (e.g., higher risk/impact); and the likelihood that the strategy's stewardship activities will contribute to investee progress that may not happen otherwise; communicating to priority investees time-bound milestones that are aligned with its sustainability outcomes targets; at least annually, reviewing the progress of priority investees against the milestones set. <p>Listed equity only:</p> <p>The strategy's voting record is consistent with its stewardship and voting policy across all holdings where the strategy has discretion to vote. The strategy has only opposed resolutions or other votes whose effect would be contrary to its policy or investment objectives.</p>	<p>Strategy level</p> <ul style="list-style-type: none"> Some priority investees have made progress against the milestones communicated by the strategy, and the strategy can demonstrate that it has engaged in stewardship activities to contribute to this progress. For any priority investees that did not meet their milestones, the strategy either used escalation measures within one year of the milestone being missed, or explained why it did not do so. <p>Listed equity only:</p> <ul style="list-style-type: none"> For selected priority investees that did not meet their milestones, the strategy has voted against relevant directors and/or filed a shareholder resolution, or explained why it did not do so.

¹⁰ See [Appendix 2](#) for a list of investee stewardship tools per asset class.

Evaluating managers' use of relevant stewardship tools for sustainability outcomes			
	Developing	Intermediate	Advanced
<p>Section 5. Collaboration with other investors or key stakeholders¹¹</p>	<p>Organisation level The manager has:</p> <ul style="list-style-type: none"> publicly i) endorsed or ii) become a member of available collaborative engagement initiatives aligned with the strategy's sustainability outcomes targets, and/or participated in informal collaborations with investors or other entities aligned with these targets. 	<p>Organisational level The manager is an active participant in one or more of the collaborative initiatives it has signed up to. It demonstrably supports the stewardship strategy, e.g., by participating in preparatory calls and engagement meetings for at least one of the initiative's targeted entities.</p>	<p>Organisational level The manager is a lead or co-lead investor in one or more of the collaborative engagement initiatives it has signed up to. It is developing or leading the stewardship strategy for at least one of the initiative's target entities, e.g., by arranging the dialogue and acting as a contact point between the initiative and entity.</p>

¹¹ Other stakeholders may include standard setters, reporting bodies, stock exchanges, credit rating agencies, auditors, external service providers (e.g., proxy advisers, investment consultants, data providers), academia, and NGOs. All investor activity undertaken through collaborative engagements should be done in keeping with relevant laws and regulations.

APPENDIX 1: REFERENCES AND MAPPING

		Mapping		Key references
		PRI Reporting Framework 2023	Other	
1. Approach to sustainability outcomes	Developing	PGS 1, PGS 2, PGS 4, PGS 9, PGS 48.1	SFDR, Article 3 2020 UK Stewardship Code, Principles 1 and 4 ICAPs Expectations Ladder (ICAPs), Governance IIGCC Asset Owner Stewardship Questionnaire (IIGCC Questionnaire), Question 1	<ul style="list-style-type: none"> ■ PRI (2019) Active ownership 2.0: The evolution stewardship urgently needs ■ PRI, UNEP FI, the Generation Foundation, and Freshfields Bruckhaus Deringer (2021) A legal framework for impact ■ Impact Management Platform (2023) Actions of impact management ■ NZAOA (2022) The Future of Investor Engagement: A Call for Systemic Stewardship to Address Systemic Climate Risk ■ PRI (2021) Investment mandates: Embedding ESG factors, improving sustainability outcomes ■ PRI (2021) ESG-linked pay: Recommendations for investors ■ PRI (2022) Advance Initiative Terms of Reference ■ PRI (2020) Asset owner guide: investment manager selection
	Intermediate	PGS 16, SO 1, SO 2-SO 4.1 ¹² , SO 5-SO 13	SFDR, Articles 6.1(a) and 9 2020 UK Stewardship Code, Principle 9 ICAPs, Investment, Investor disclosure	
	Advanced	PGS 5, PGS 14, PGS 15, PGS 27	2020 UK Stewardship Code, Principles 1, 2, 5, 6 and 7 ICAPs, Governance	
2. Governance of overall political engagement activities	Developing	PGS 19 PGS 19	ICAPs, Policy Advocacy	<ul style="list-style-type: none"> ■ PRI (2022) The investor case for responsible political engagement ■ NZAOA (2023) Aligning Climate Policy Engagement with Net-Zero Commitments ■ Global Standard on Responsible Climate Lobbying (2022), Appendix: The 14 indicators of responsible climate lobbying ■ Preventable Surprises (2021), How can investors help prevent corporate policy capture? ■ IIGCC and PRI (2018) Investor expectations on corporate climate lobbying ■ OECD (2022) Regulating corporate political engagement
	Intermediate	PGS 11.1	2020 UK Stewardship Code, Principle 2 ICAPs, Policy Advocacy	
	Advanced	N/A	ICAPs, Policy Advocacy	

¹² The targets reported in the Sustainability outcomes (SO) module may be firm-wide or refer to other strategies.

		Mapping		Key references
		PRI Reporting Framework 2023	Other	
3. Engagement with policy makers	Developing	PGS 39.2, SO 11	IIGCC Questionnaire, Question 7	<ul style="list-style-type: none"> ■ PRI (2022) A sustainable finance policy engagement handbook ■ NZAOA (2022) The Future of Investor Engagement: A Call for Systematic Stewardship to Address Systemic Climate Risk ■ PRI (2022) The investor case for responsible political engagement ■ NZAOA (2023) Aligning Climate Policy Engagement with Net-Zero Commitments
	Intermediate	PGS 39.1, SO 1 PGS 39.1, SO 11 1	ICAPs, Policy Advocacy IIGCC Questionnaire, Question 7	
	Advanced	PGS 39.1, SO 11	ICAPs, Policy Advocacy IIGCC Questionnaire, Question 7	
4. Investee stewardship	Developing	PGS 1, PGS 3 Listed equity only: PGS 33, PGS 34	2020 UK Stewardship Code, Principle 12 ICAPs, Corporate engagement IIGCC Questionnaire, Questions 2 and 8	<ul style="list-style-type: none"> ■ PRI (2021) Making voting count: principle-based voting on shareholder resolutions ■ PRI (2023) Are corporate boards responding to successful shareholder ESG proposals? ■ PRI (2023) A guide to filing impactful shareholder proposals ■ IIGCC (2022) Net Zero Stewardship Toolkit ■ InfluenceMap (2023) FinanceMap Stewardship Scoring Methodology ■ NZAOA (2021) Elevating Climate Diligence on Proxy Voting Approaches ■ NZAOA (2023) Aligning Climate Policy Engagement with Net-Zero Commitments ■ NZAOA (2023) Target Setting Protocol Third edition
	Intermediate	PGS 23, SO 9 Listed equity only: PGS 31, PGS 34, SO 8	2020 UK Stewardship Code, Principles 9, 11 and 12 ICAPs, Corporate engagement IIGCC Questionnaire, Questions 4, 5 and 8	
	Advanced	SO 8	2020 UK Stewardship Code, Principle 11 ICAPs, Corporate engagement IIGCC Questionnaire, Questions 6 and 8	

		Mapping		Key references
		PRI Reporting Framework 2023	Other	
5. Collaboration with other investors or key stakeholders	Developing	SO 13	2020 UK Stewardship Code, Principles 4 and 10 ICAPs, Corporate Engagement IIGCC Questionnaire, Question 9	<ul style="list-style-type: none"> ■ PRI (2019) Active ownership 2.0: The evolution stewardship urgently needs ■ InfluenceMap (2023) FinanceMap Stewardship Scoring Methodology ■ IIGCC (2022) Net Zero Stewardship Toolkit ■ PRI (2022) Advance Initiative Terms of Reference
	Intermediate	SO 13	2020 UK Stewardship Code, Principles 4 and 10 ICAPs, Corporate Engagement IIGCC Questionnaire, Question 9	
	Advanced	SO 13	2020 UK Stewardship Code, Principles 4 and 10 ICAPs, Corporate Engagement IIGCC Questionnaire, Question 9	

APPENDIX 2: INVESTEE STEWARDSHIP TOOLS PER ASSET CLASS

Investee stewardship tool	Asset class	Examples
Negotiating financing terms before investing	Fixed income (Private debt) Private equity	Including covenants/clauses tied to ESG issues in legal documentation
One-to-one engagement with investee	All	<ul style="list-style-type: none"> ■ Dialogue and private communication with management and/or board (for corporates) ■ Dialogue and private communication with debt management office/Treasury/Ministry of Finance/Central Bank (for sovereigns) ■ Sending private letters to the board (for corporates)/government officials (for sovereigns) ■ Appealing to or promoting the benefits/business case for required change ■ Signalling that additional financing may be provided if requests are met. ■ Signalling that further financing will not be provided unless requests are met.
Signalling concerns to other investors	All	<ul style="list-style-type: none"> ■ Annual or extraordinary general meetings ■ Quarterly results communication ■ Company/country roadshows
Public engagement with investee	Listed equity, Fixed income (Sovereign, Supranational and Agency, Corporate, Securitised)	Issuing press releases, public letters, social media announcements, op-eds, and similar
Collaborative engagement with investee	Listed equity, Fixed income (Sovereign, Supranational and Agency, Corporate, Securitised)	Using any private or public engagement tools in collaboration with other investors.
Supporting investee management or operations to make required changes	Private equity, Real assets	<ul style="list-style-type: none"> ■ Sharing an action/management plan ■ Developing implementation tools ■ Facilitating training for or hiring of investee staff ■ Providing operational support ■ Providing capital and financing
Voting at company meetings	Listed equity	<ul style="list-style-type: none"> ■ Shareholder proposals ■ Director elections ■ Say on Pay
Filing shareholder proposals	Listed equity	<ul style="list-style-type: none"> ■ Seeking improved management of sustainability issue ■ Negotiating with company for improvements in exchange for withdrawing proposal

Investee stewardship tool	Asset class	Examples
Improving or making changes to company oversight or leadership	Listed equity	<ul style="list-style-type: none"> ■ Directly holding board seats ■ Evaluating board for competency gaps and sourcing alternative candidates ■ Facilitating training for boards or senior leadership ■ Modifying executive compensation plans ■ Replacing management team
Legal and regulatory action	All	<ul style="list-style-type: none"> ■ Making or supporting a formal complaint to the regulator ■ Litigation
Reducing or withholding financing (supported by private and/or public communication)	All	<ul style="list-style-type: none"> ■ Avoiding participating in rights issues and/or open offers ■ Avoiding investing in new debt issuances and/or refinancing ■ Abstaining from investing (at the pre-investment phase) ■ Selling investee shares or bonds (partly or fully) ■ Calling a default under the loan agreement (for private debt)

APPENDIX 3: GLOSSARY

The below definitions are taken from the PRI's [Reporting Framework Glossary](#) and guidance.

Systematic sustainability issues:

Issues that pose systematic risks to the common economic, environmental and social assets on which returns and beneficiary interests, depend. Systematic risk (interchangeable with “market risk” or “market-wide risk”) refers to risks transmitted through financial markets and economies that affect aggregate outcomes, such as broad market returns. Because systematic risk occurs at a scale greater than a single company, sector or geography, it cannot be hedged or mitigated through diversification. However, systematic sustainability issues can, and should, be influenced through responsible investment activities.

Sustainability outcomes:

The positive and negative effects of investment activities on people and/or the planet. They are understood in the context of global sustainability goals and thresholds.

Global sustainability goals and thresholds:

The global social, environmental and governance goals and thresholds that are reflected in internationally recognised frameworks and that provide pathways toward a sustainable economy, society and environment. These frameworks include the International Bill of Human Rights, the UNFCCC Paris Agreement, the UN Sustainable Development Goals and the UN Guiding Principles on Business and Human Rights.

Stewardship:

The use of influence by institutional investors to maximise overall long-term value, including the value of common economic, social and environmental assets, on which returns and client and beneficiary interests depend.

Stewardship tools and activities:

Methods through which investors fulfil their stewardship obligations. Tools and activities can be split into investee stewardship and broader stewardship.

Tools and activities for investee stewardship differ by asset class, but can include:

- engagement with investees (both current and potential),
- voting at shareholder meetings,
- filing, co-filing, or submitting shareholder resolutions or proposals,
- nomination of directors to the board,
- leveraging roles on the board or on board committees,
- direct oversight of portfolio companies or assets, and
- litigation.

Tools and activities for broader stewardship can include:

- policy engagement,
- engagement with standard setters,
- engagement with industry groups,
- negotiation with and monitoring of the stewardship actions of intermediaries in the investment chain, e.g. asset owners engaging external managers, limited partners engaging general partners,
- engagement with other stakeholders, e.g. NGOs, workers, communities, and other rights-holders, and
- contributions to public goods (e.g. publicly available research) or to public discourse (e.g. through the media) that supports stewardship goals.

Engagement:

Interactions and dialogue conducted between an investor, or their service provider, and a current or potential investee (e.g. company), or a non-issuer stakeholder (e.g. an external investment manager or policy maker) to improve practice on an ESG factor, make progress on sustainability outcomes, or improve public disclosure. In private markets, engagement also refers to investors' direct control over and dialogue with management teams and/or boards of portfolio companies and/or real assets.

Overall political engagement:

The process that investors and other interest groups undertake to contribute and participate in the political process to shape laws, regulations and policies that affect their business objectives, broader operating environment and societal goals. Overall political engagement takes many forms: it includes engaging with policy makers to contribute to specific policy developments, lobbying, making political contributions, using revolving doors (the movement of senior people between the private and public sectors), shaping public opinion through mass and social media campaigns, and funding grassroot organisations and think tanks. Overall political engagement can be carried out directly or through third-party organisations such as trade associations or industry bodies.

Engagement with policy makers:

Investors' direct or indirect dialogue with regulators or other policy makers to contribute to specific policy developments. It may include participating in 'sign-on' letters, responding to policy consultations, providing technical input via government- or regulator-backed working groups, engaging policy makers on the investor's own initiative or other ways of providing input into policy development. Engagement with policy makers may be conducted individually or collaboratively by investors. It may also be conducted on behalf of investors by third-party organisations such as trade associations, think tanks, external investment managers, service providers or non-profit organisations.

(Proxy) voting:

The exercise of voting rights on management and/or shareholder resolutions to formally express approval, or disapproval, on relevant matters. This includes being responsible for how votes are cast on topics that management raises and submitting resolutions as a shareholder for other shareholders to vote on, in jurisdictions where this is possible. Investors can vote in person during an Annual General Meeting (AGM), or by proxy – using a person or firm, such as an investment manager, to vote on their behalf.

Escalation:

Escalation in the context of stewardship is the approach an investor takes if initial stewardship approaches are unsuccessful at achieving its objectives over a given time period. Escalation differs by asset class and investor type, but generally involves the use of increasingly assertive stewardship tools and activities.

Collaboration (stewardship):

Collaboration in the context of stewardship refers to investors or their service providers working together, and/or with other stakeholders, to pool resources and enhance their effectiveness in pursuing their stewardship objectives.

Collaboration can include informal means, such as sharing insights on how to approach an issue with peers, as well as formal mechanisms such as collaborative engagements or initiatives, or the use of an external service provider (e.g., engagement overlay service) that pools resources from multiple investors.

The Principles for Responsible Investment (PRI)

The PRI works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

More information: www.unpri.org



The PRI is an investor initiative in partnership with **UNEP Finance Initiative** and the **UN Global Compact**.

United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is a unique partnership between the United Nations Environment Programme (UNEP) and the global financial sector. UNEP FI works closely with over 200 financial institutions that are signatories to the UNEP FI Statement on Sustainable Development, and a range of partner organisations, to develop and promote linkages between sustainability and financial performance. Through peer-to-peer networks, research and training, UNEP FI carries out its mission to identify, promote, and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations.

More information: www.unepfi.org



United Nations Global Compact

The United Nations Global Compact is a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues embodied in the Sustainable Development Goals. The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate practices. Launched in 2000, it is the largest corporate sustainability initiative in the world, with more than 8,800 companies and 4,000 non-business signatories based in over 160 countries, and more than 80 Local Networks.

More information: www.unglobalcompact.org

