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Responsible investing

2024 Proxy Season Preview

A continuous calibration of ESG risks and opportunities

No right versus wrong assessment can be applied to proxy voting. Assessing how proxy voting supports the overall investment process is what is most important. Rather than seeking to influence vote outcomes, the market should focus on influencing how investors use the proxy vote in the context of the investment objectives it seeks to achieve on behalf of clients.

The choice provided by the pass-through voting programs may eventually change proxy vote outcomes, but decoupling proxy voting from the rest of investor decision making may have the unintended consequence of reducing accountability of both investors and companies to demonstrate their ESG conviction through the proxy voting process.

Many reasons have been put forward for the changing levels of support for shareholder proposals. Less consideration has been given to the specific requests in individual proposals and their alignment with shareholders' investment views, stewardship activities and overarching beliefs.

UNDERSTANDING PROXY VOTING THROUGH STEWARDSHIP STYLES

In this proxy season preview, we provide examples of how users of various stewardship styles are likely to assess prominent environmental and social issues. We then summarize the prominent ESG themes expected in the 2024 proxy season, along with the industry and company factors that we believe will most likely influence the alignment (or lack thereof) between the voting decisions across styles.

We also offer a view on how to contextualize investors' proxy votes and suggest questions for discussion of asset managers' application of their investment stewardship philosophies.

2024 Proxy Season Preview Summary:

- **Recession or revision:** The market commentary suggested the decline in support for ESG issues in 2023 was driven by a larger pullback in commitment, but we suggest the decline was more likely due to differences in investment stewardship styles. Changes to investment stewardship styles will be infrequent and slowly evolving, but the alignment between the styles will ebb and flow based on market and policy influences.
- **The long-term investor:** Material ESG issues come from decades of accumulated challenges and/or require decades of coordinated actions to solve. Even where there is agreement on the intended outcomes, the weight given to short- vs. long-term returns, the opportunities to maximize value to clients, and the risk tolerance accepted through the transition contribute to differences in proxy voting results for investors using the proxy vote in alignment with their ESG investment style.
- **The right choice:** No right vs. wrong assessment can be applied to proxy voting. What is important is assessing how proxy voting supports the overall investment process. Rather than seeking to influence vote outcomes, the market should focus on influencing how investors use the proxy vote in the context of the investment objectives it seeks to achieve on behalf of clients.

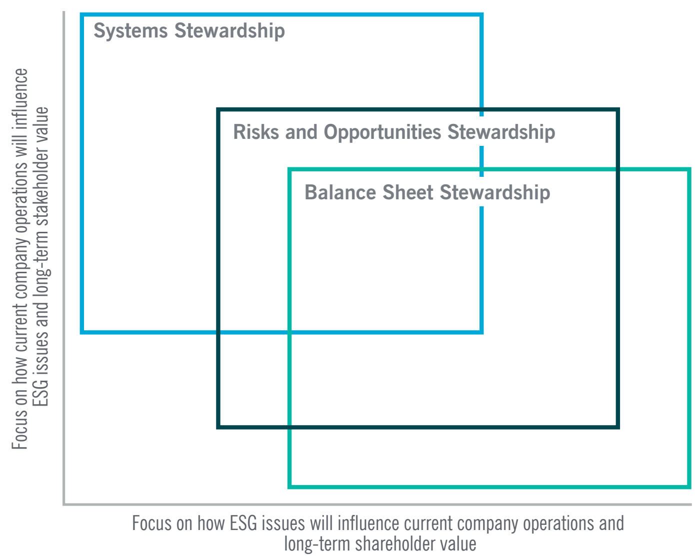
THE VALUE OF A PROXY VOTE AND THE GROWTH OF STEWARDSHIP STYLES

In some cases, commentary on ESG investment oversimplifies complex issues - and this preview will make some bright-line distinctions for illustrative purposes. However, parallels can be drawn between how the market thinks about proxy voting or investment stewardship more broadly, and how the market thinks about the investment styles in the traditional sense.

In the traditional investment space, different investment styles have different objectives and assumptions: passive vs. active; growth vs. value; long-only vs. long-short; etc. The same variety of styles exists in ESG investing and stewardship activities, including the use of proxy voting.

Investment stewardship styles do not signal the end of proxy voting as a key benchmarking tool for the market. Better understanding the varying stewardship styles may provide further insights on the movements in support levels for ESG resolutions and can hopefully move the discussion past leadership being defined based on the number of proposals supported. Rather, the vote outcomes can be viewed as a starting point to assess the extent to which an investor sees ESG as misvalued by the company or by the market.

Stewardship styles operate on a spectrum of integrating company- and market-views into strategies



CONCEPTUALIZING STEWARDSHIP – IT'S A MATTER OF STYLE

Like traditional investment styles, each stewardship philosophy aims to support investment objectives of long-term, sustainable returns for clients. Passive funds seek overall market growth, whereas active funds look to identify the industries or companies most likely to outperform that growth. Value funds look to generate steady returns with minimized risk, whereas growth funds seek companies with newer ideas that can capture market share or disrupt an industry.

These style stereotypes are not applied universally, nor do they neatly divide the companies where the different funds invest. For example, Microsoft had a 58% weighting in growth and 42% weighting in value S&P indexes, which can make it a top holding across both growth and value funds.[1]

Similarly, broad investment stewardship styles can help conceptualize key assumptions in the application of proxy voting, but don't guarantee a certain vote outcome or investment decision. A stewardship style focused on impact through ESG investing still requires some level of equity ownership to have a proxy to vote, which is not possible if the company is excluded or divested.

We recognize more nuances likely exist in the market, and investors do not neatly conform to only one style. The investment strategies, firm identity, market position and local market norms will influence the acceptance and alignment to a particular style.

Assessing the recent voting trends among asset managers, we categorize voting activity into three stewardship styles: systems; risks and opportunities; and balance sheet. We summarize their defining characteristics below.

Stewardship styles applied by global institutional investors

Stewardship style	General approach to ESG investing	Stewardship characteristics	Proxy voting application
Systems	Overall economic health and societal prosperity are the greatest drivers of investment returns for diversified portfolios. Companies must minimize negative externalities caused by their business activities even at the expense of individual company value. Market forces will respond to systems needs through regulation, new product/technology solutions and changes in customer preferences. Financial markets play a leading role in shifting capital away from negative externalities and into solutions to enact change.	Identify the optimal economic outcome, including positive/negative stakeholder externalities. Advocate for solutions that support that projected end state. Advocacy-based stewardship strategies that may be explicit in terms of desired real-world impact but hypothetical in how risks or opportunities may be realized in financial terms. Focus on portfolio approaches and absolute positive/negative indicators more than incremental progress.	Principles-based support for ESG proposals that relate to a thematic issue. Escalation of votes at companies misaligned with best practices and expectations, with limited consideration to specific contextual factors. Voting pattern may be a sign of overall market progress, but changes are generally limited over time so long as the company remains (mis)aligned with end-state goals.
Risks and opportunities	A company will maximize its risk-adjusted value over the long-term through integration of material ESG risks and opportunities into its operations, products and services. Market forces require a focus on the solutions with the greatest efficiency in terms of cost and feasibility relative to the magnitude of impact generated. Financial markets must balance idiosyncratic risks and opportunities of specific investments against systemic risks and potential long-term market failures.	Identify the solutions at the industry- or company-level most likely to result in positive economic and stakeholder impact. Consultative-based stewardship strategies that encourage companies to invest in solutions that will have long-term positive returns or hedge against material downside risks. Focus on company-level approaches but may use policy-based strategies to influence market forces that will facilitate incentives to adopt solutions.	Case-by-case analysis of ESG proposals based on materiality, feasibility and current/future strategy of the company. Targeted vote escalation to companies that disregard material issues or lack improvement strategies. More variation in voting behavior based on dynamic materiality and ongoing calibration of risks and opportunities.
Balance sheet	Material stakeholder risks and opportunities show up in company financials indirectly through revenues, expenses and cost of capital, and are reflected in security prices. Market forces integrate stakeholder issues if relevant and material, while companies respond and adapt to policy forces as applicable to their business. Financial markets allocate capital efficiently where it can generate the highest risk-adjusted returns and is not intended to change supply/demand dynamics.	Identify clear ESG-related risks and opportunities contributing to current financial performance or company valuation relative to peers. Information-based stewardship that seeks to understand company awareness and management of material risks and opportunities, and ensures adequate disclosure is available to the market. Focus on materiality of specific issues for companies and the market, but generally agnostic to unpriced externalities or undetermined future outcomes.	Selected support for ESG proposals addressing clear disclosure gaps or explicitly linked to issues with measurable financial effects. Escalation of votes is reserved for unsuccessful engagement, governance failures or lack of adherence to minimum standards. Voting pattern is a sign of ESG awareness and reflects baseline market expectations without anticipating emerging issues.

Notwithstanding the differences described above, each style can agree upon the financial materiality of an ESG theme consistent with their views on maximizing value for clients. For example, investors of all three styles agree that climate risk — whether physical or transition risk — will affect investment returns over the long term. Similarly, the styles agree that social preferences from employees, customers and regulators will influence a company's long-term profitability.

However, the style of choice may yield different conclusions on using proxy votes to address the issue. For example, assume a projected status-quo of the climate transition that results in 50% GDP loss by 2100.[2] The systems stewardship style would focus on this end-state number and use its efforts to reduce or reverse lost market value.

The balance sheet style may discount the economic loss to net-present-value, which would amount to only a 100 bps per annum loss in value. While the loss is measurable, a balance sheet stewardship focus may give more consideration to other market forces that are lesser in cumulative severity but more influential on short-term valuations such as interest rates or unemployment figures. The risks and opportunities style would likely focus on companies most at-risk of being caught by a market correction. A change in market pricing of climate risk by 2030, when many company short-term targets are realized (or not), could swing company valuations by as much as 15%.

STEWARDSHIP STYLES IN PRACTICE

The examples below demonstrate how each style may assess prominent environmental and social topics arising in the 2024 proxy season. Industry and company factors are likely to inform decisions across all three styles, but understanding the assumptions underpinning the analysis can help explain vote outcomes on a thematic level, as well as calibrate the conditions at target companies likely to influence company-specific vote outcomes.

Vote analysis for environmental and social shareholder proposals

Stewardship style	Environmental proposal: Report on plans to cease financing of energy-intensive projects	Environmental proposal: Disclose ratio of financing clean energy supply vs. fossil fuel supply
Systems	• The proposal supports climate objectives of aligning the economy with a desired carbon budget • No mitigating factors justify financing of carbon-intensive projects, especially when climate solutions remain underfunded; expectations require all companies to reduce emissions and exposure to carbon-intensive businesses **Conclusion:** Support is likely warranted on principle to reduce carbon emissions.	• The proposal supports climate objectives by implicitly incentivizing financial firms to increase capital flows to climate solutions • The proposal encourages companies to increase flow of capital into climate solutions; investment returns of a particular solution will be trivial relative to overall market gains **Conclusion:** Support is likely warranted on principle to advance a net-zero economy.
Risks and opportunities	• The proposal expects the adoption of a specific strategy to achieve a particular pathway for the climate transition • Factors to assess may include: 1) exposure to carbon-intensive projects; 2) client engagement activity regarding reducing emissions in current/new projects; 3) climate financing targets and execution on targets; 4) feasibility of the strategy — if adopted broadly – to achieve an orderly transition **Conclusion:** Support generally is not warranted on the basis that the optimal solution will require competition among financial firms to develop different strategies and projects to compete for capital to prove their long-term viability.	• The proposal seeks to establish a comparable benchmark across firms for financing through the climate transition • Factors to assess may include: 1) definitions of carbon intensive and carbon solutions projects; 2) current targets related to financing different project types; 3) strategies developed to assess emerging carbon solutions; 4) overall growth of carbon intensive and carbon solutions markets **Conclusion:** Support generally is warranted on the basis that it creates comparability of firm strategy, aids market share positioning (including in growth segments), and minimizes outsized exposure to assets that may carry duration risk.
Balance sheet	• The proposal requires the company to take a specific action on climate • Factors to assess may include: 1) risk oversight and risk governance; 2) current reporting on risks; 3) common market practices and peer comparisons **Conclusion:** Support is likely not warranted on the basis that financial firms already have appropriate means of risk-based due diligence; constraining strategic flexibility may be detrimental to shareholder value.	• The proposal implies a change in current financing strategies to increase funding of solutions for a net-zero future • Factors to assess may include: 1) current reporting on financing strategy; 2) extent of current company exposure to carbon intensive and carbon solutions projects; 3) historic rate of return and rate of default across the project categories **Conclusion:** Support is likely not warranted on the basis that financial firms should be able to choose to allocate capital where it can generate the highest risk-adjusted returns.

Stewardship style	Social Proposal: Report on ability to increase employee minimum wage	Social Proposal: Report on strategy for addressing labor organization
Systems	• The proposal supports the social objectives of ensuring decent work and reducing inequality • So long as companies can maintain operating profitability, increasing wages support responsible human capital management and improved economic well-being **Conclusion:** Support is likely warranted on principle to advance employee well-being and workforce inequality.	• The proposal supports the social objective of complying with a global labor standard that supports decent work • Labor organization can help establish rights for workers where protections are limited; adhering to a global standard supports positive employee relations and reduces related risks across operations **Conclusion:** Support is likely warranted on principle to advance labor practices, decent work and economic growth.
Risks and opportunities	• The proposal expects the adoption of a specific strategy to address one element of labor management • Factors to assess may include: 1) proportion of workforce affected; 2) recruiting/retention/promotion KPIs in those roles; 3) benefits and other investments companies make for employees; 4) potential transfer of human capital off the company balance sheet to outsourced operations **Conclusion:** Support is likely not warranted on the basis that companies will set wage rates at competitive levels to manage workforce needs.	• The proposal focuses on human capital, which generally is becoming a greater source of company valuation than tangible plant, property and equipment • Factors to assess may include: 1) applicable industry norms and market standards on organized labor; 2) ability for workers to organize at the site, job-function or enterprise level; 3) employee controversies such as health and safety violations, discrimination, etc.; 4) estimated expenditures to integrate organized labor into the workforce **Conclusion:** Support is generally warranted on the basis that companies should develop human capital strategies that maximize returns on intangible assets rather than focus on minimum regulatory standards or short-term expenses.
Balance sheet	• The proposal implicitly requires the company to increase its wage-related expenses • Factors to assess may include: 1) interruptions in business continuity due to worker shortages; 2) starting wages across similarly situated jobs; 3) alignment of wages with jurisdictional minimum wage requirements. **Conclusion:** Support is likely not warranted on the basis that companies will set wage rates at competitive levels to manage workforce needs.	• The proposal does not require that the company support organized labor, but implies the company cannot apply an anti-organization strategy • Factors to assess may include: 1) adherence to regulatory requirements; 2) market entry/exit strategies in relation to workers' rights; 3) peer comparison on productivity and safety as measured through sales and liabilities paid **Conclusion:** Support is likely not warranted on the basis that organized labor often comes with increased expenses and higher probability of business continuity disruption.

We believe that the variance in assessments and vote decisions as illustrated above can explain the vote outcomes from recent proxy seasons. In our view, proposals should focus on the commonalities across the stewardship approaches to recapture significant or majority support from investors. Alternatively, proponents of shareholder proposals should better time their submission based on the dynamic materiality being applied to the issue or solution being proposed.

To provide additional views on proposals that may feature prominently in the 2024 proxy season, we outline the industry and business model factors that are, in our view, likely to influence the views on the risks and opportunities for those applying a case-by-case approach to the proposal types. We believe that proposals more focused on the factors with broader agreement across stewardship styles are more likely to see relatively higher levels of support.

Proposal theme	Proposal types and key factors
Biodiversity and use of natural resources (environmental)	**Land use change and deforestation:** Proposals generally request companies ensure raw materials are certified as free of deforestation **Industry materiality:** • Forest-derived products as well as companies whose business models make them key customers of those products through product packaging and/or shipping • The agricultural value chain including food staples, retail and restaurants **Business model materiality:** • Deforestation as a dependency or impact within company operations or its supply chain • Traceability and substitutability of certified non-deforestation raw materials in company products • Estimated costs to potential substitutes and what incremental costs will be absorbed by the company, its customers or end-users of a product
	Water use change and water stewardship: Proposals generally request companies assess water usage within the value chain and identify operations in water-stressed areas. **Industry materiality:** • Products that are water-based or rely heavily on water in the manufacturing process • Manufacturing processes and byproducts that may accumulate in water supplies **Business model materiality:** • Water efficiency, circularity and remediation to water supply • Supply chain organization in terms of water-intensive operations occurring in water-stressed regions • Opportunities and capex requirements to relocate operations to less water-stressed regions
	Pollution and waste including plastics: Proposals generally request companies reduce product waste and/or address waste byproducts of company operations. **Industry materiality:** • Products with short-term lifecycle assessments and/or non-recyclable end of life products • Operations that generate byproducts with contamination risk due to toxicity and/or accumulation that affects ecosystem health **Business model materiality:** • Control of product end of life disposal and opportunities to recapture for circularity • Health/safety risks are associated with product recyclability • Costs of remediation for excessive pollution
Climate transition plans and climate reduction targets (environmental)	**Climate transition plan:** Proposals generally request companies provide a more operational-focused report to supplement the general risks and strategies addressed in TCFD climate reports. **Industry materiality:** • High-transition industries to achieve net-zero global economies • Industry misalignment between current and required capex to achieve climate transition strategies **Business model materiality:** • Enterprise value-at-risk in terms of pure-play versus diversified business models • Core competencies within current operations or human capital expertise that are adjacent to emerging climate solutions • Returns associated with transition plans and risk/opportunity of (mis)timing the transition-required investments
	Climate reduction targets: Proposals generally request the company set an emissions reduction target aligned with the normative climate transition pathways and often include Scope 3 requirements. **Industry materiality:** • Carbon intensive industries • Company size and geography that affect expenditures required to align with climate policies **Business model materiality:** • Proportional materiality of Scope 1+2 versus Scope 3 emissions to the company • Feasibility to operationalize emissions reductions given current technologies • Demand for Scope 3 improvements upstream and returns associated with changes to product mix to meet downstream carbon demand

Proposal theme	Proposal types and key factors
Just transition (environmental/social)	**Just transition:** Proposals generally request companies address the stakeholder consequences of the climate transition strategy with a particular focus on affected workers and communities. **Industry materiality:** • High-transition industries, including physical location of business activities, to achieve net-zero global economies • Industry reliance on new technologies to achieve transition strategies **Business model materiality:** • Changes to workforce operations, including up/down skilling, quality of work and displacement • Infrastructure and/or regulatory support at the community level • Costs associated with the remediation of the lost value to the most affected workers and communities
Corporate political activities (environmental/social)	**Direct and indirect political contributions:** Proposals generally request companies report on direct political contributions to candidates and to lobbying or trade associations that do so. **Industry materiality:** • Current regulatory oversight of business activities and regulatory developments in scope • Recent industry controversies are likely to create emerging activity in the legal and regulatory environment **Business model materiality:** • Water efficiency, circularity and remediation to water supply • Supply chain organization in terms of water-intensive operations occurring in water-stressed regions • Opportunities and capex requirements to relocate operations to less water-stressed regions
	Responsible policy and policy alignment: Proposals generally request the company report on the alignment of the company's policy positions with the positions taken by its primary trade associations. **Industry materiality:** • Activities across industry trade associations and intent to develop versus delay regulation • Industries with a broader range of views on regulatory issues and where companies will benefit differently from proposed regulations **Business model materiality:** • Scope of policy themes addressed through trade association • Company positions regarding leadership versus industry-level perception • Risks and benefits to being a first-mover or using regulation to address supply/demand market failure
	Climate policy: Proposals generally request the company address the alignment of its political activities and/or that of its trade associations with the goals of climate transition scenarios. **Industry materiality:** • Carbon intensive industries • Industries that rely on subsidies or technology developments for climate transition strategies **Business model materiality:** • Company-specific climate policy and support for specific regulation(s) • Company leadership in an organization misaligned with climate policy objectives • Constructive collaborations through industry-led efforts that substantiate intent to help develop transition solutions

Proposal theme	Proposal types and key factors
Human rights and racial equity (social)	**Human rights:** Proposals generally request enhanced oversight, policies, commitments and monitoring of suppliers regarding labor practices, including child labor, forced labor and other hazardous working conditions. **Industry materiality:** • Physical location of raw materials in the company products and the standard (or lack thereof) of labor practices in those regions • Business-to-consumer revenue streams where customer preferences are conditional on brand reputation **Business model materiality:** • Company position in the supply chain relative to at-risk labor practices • Number of company suppliers and impacts of having to pull particular products from the market due to controversies • Types of controversies anchored to local, national or international norms of decent work versus controversies driven primarily by specific customer values
	Racial equity: Proposals generally request the company conduct a third-party audit and issue a report on company policies and practices and their (dis)proportionate effects on minority customers and communities. **Industry materiality:** • Industry materiality can be universal, but the specific customers, communities and disproportionate effects caused by business operations or products & services vary by industry For example, customer access & affordability is material to the health care sector and patient outcomes; selling practices and product labelling is material to financial services products and financial inclusion; and environmental justice is material to the industrials sector and community development **Business model materiality:** • Company more (less) significant contributor to the racial equity effects versus industry peers • Company ability to address disproportionate impacts without being discriminatory with the development of its products and services • Disproportionate effect of growing, maintaining a systemic gap or shrinking organically
	Diversity, equity and inclusion (DEI): Proposals generally request a company provide quantitative metrics to support the effectiveness of diversity, equity and inclusion efforts. **Industry materiality:** • Human capital intensive and service-focused industries (align internal performance DEI with client values) and product-focused industries (competition for limited supply of talent/identification of new talent pools) • Large frontline workforces where the transferability of skills across sectors will increase competition **Business model materiality:** • Historic and current makeup of workforce demographics and what improvements have been demonstrated recently • Business model reliance on worker retention to see return on investment in human capital and transferability of skills to/from competitors • Intra-company visibility into (DEI) KPIs and how does improvement (or lack thereof) translate into company culture and worker satisfaction

<table>
<tr><th>Proposal theme</th><th>Proposal types and key factors</th></tr>
<tr><td rowspan="3">Artificial intelligence (AI) and digital rights (social)</td><td>Ethical artificial intelligence guidelines: Proposals generally ask companies to develop policies and report on the use of AI in their businesses, both in the curation of information and/or business decision-making as well as state company principles to address risks of AI usage for society
Industry materiality:
• Technology industry as well as interactive media companies that curate content and influence market preferences
• Industries that may collect significant consumer-level data that may be used to inform AI technology training and development
Business model materiality:
• Revenue and/or projected valuation multiple tied to the development of broadly accepted artificial intelligence
• Company ability to put guardrails on the use cases of its product and enforce those guardrails in the face of the legal and regulatory environment
• Past practices of putting a product to market that generated an unintended outcome and steps taken to remediate the past product controversies</td></tr>
<tr><td>Technology-enabled product use cases: Proposals generally request the company address biases, unintended outcomes or misuses of artificial intelligence or technology applications in specific product use cases.
Industry materiality:
• Business to consumer applications that may have unintended biases and/or are using artificial intelligence as a decision-making tool for customer access, pricing or related activities
• Business to government product applications with limited ability for companies to oversee or enforce terms of service in the case of potential product misuse
Business model materiality:
• Company in-house expertise to develop or test the artificial intelligence applications
• Extent of potential stakeholder harm that could be caused by product misuse
• Evidence of stakeholder influence (or lack thereof) in relation to user privacy and/or information made available through technology platforms</td></tr>
<tr><td>Digital safety and protections: Proposals generally request a company assess the risks associated with either under-monitoring of interactions in a digital environment that may harm vulnerable populations such as children or over-monitoring of interactions in a digital environment that may violate customer privacy
Industry materiality:
• Applications that facilitate online interactions, as well as the industries within the value chain that facilitate access to the virtual environments
• Industries that rely on customer interaction and advertisements in virtual channels or support digital economies through marketplaces and payments networks
Business model materiality:
• Extent the business can monitor and enforce access to its applications or underlying data
• Business models focused on customer engagement regardless of positive or negative interactions, and extent the negative interactions in a digital environment limit short- and long-term customer retention
• Proportion of customer base that are minors and what tools, restrictions, etc., exist specific to minors</td></tr>
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<table>
<tr><th>Proposal theme</th><th>Proposal types and key factors</th></tr>
<tr><td>Executive compensation (governance)</td><td>Executive compensation: Proposals generally request the company put guardrails into the compensation program that limit the absolute value of specific means by which executives can be paid.
Industry materiality:
• Executive compensation (absolute) and as a ratio of executive-to-median worker compensation
• Business activities have negative externalities and use of ESG metrics to guardrail pay against business impacts on stakeholders
Business model materiality:
• Ratio of hourly to salaried workers within the company and concentration of equity grants among the top executives within the workforce
• Current policies regarding stock holding requirements, change-in-control agreements claw back policies, etc.
• Extent to which the company relies on compensation metrics that discount stakeholder externalities or have misalignment between non-GAAP and GAAP financial outcomes in terms of defining long-term value creation</td></tr>
<tr><td>Shareholder rights (governance)</td><td>Shareholder rights: Proposals generally request companies adopt shareholder rights features associated with best-in-class governance norms.
Industry materiality:
• Industry vulnerability to market volatility and activism
• Industries with recent disruption where companies have been slow to react to changes to regulatory or stakeholder expectations
Business model materiality:
• Companies entering new phases of a business lifecycle
• Company has reached a new market status, such as inclusion in an index with new peers
• Companies that have entrenched board and/or executive leadership</td></tr>
</table>

LOOKING BACK AND AHEAD

Even if vote outcomes on prominent environmental and social proposals continue to decline in 2024, it does not signal the death of ESG in financial markets. Looking back at ESG's rise to prominence in the proxy voting process, it is clear that investors moved from understanding the materiality of shareholder proposals to identifying specific risks and opportunities and converging around particular disclosures that helped standardize ESG reporting and create a foundation for more company-specific ESG assessments.

Now, there is an abundance of ESG data to integrate into the investment process and companies are articulating governance, risk, strategy and metrics and targets to address ESG issues. However, the success of strategies or achievement of targets, as well as the economic consequences of (not) achieving targets, does not have universal market agreement.

We are likely to see a continuous calibration and evolution of how the market evaluates ESG risks and opportunities, and how investors integrate them into proxy voting. Below are questions for market participants to discuss regarding how their stewardship style aligns with their investment philosophy in support of long-term, sustainable investment returns.

How does your stewardship style align with your investment philosophy?

- How would you describe your stewardship and proxy voting style? How does that style support your overall investment process?
- What frameworks guide your vote decisions on ESG resolutions and vote escalations? How do these activities support your overall stewardship program?
- What outcomes do you seek to achieve through stewardship? What trade-offs are you willing to accept in terms of financial versus stakeholder outcomes in achieving success?
- How do you explain your stewardship objectives to companies? How do you overcome resistance when your views are more principles-based than related to company-specific circumstances?
- What role do you see for investors and financial markets in addressing ESG issues? How do you allocate your stewardship resources to maximize your influence within that role?

For more information about RI, visit us at nuveen.com/responsible-investing.

Endnotes

Sources

1 https://www.cnbc.com/2023/03/06/growth-stock-vs-value-stock-its-all-in-the-eye-of-the-beholder.html

2 For a more detailed analysis of this example, see https://www.tom-gosling.com/blog/why-global-warming-doesnt-matter-so-much-to-financial-markets

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