

# Best Practice Engagement Reporting Template



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This Best Practice Engagement Reporting Template (the Template) provides a framework for investors' reporting on ESG engagement with portfolio companies. The Template has been developed by ShareAction with the aim of facilitating higher quality, more consistent reporting that will in turn allow stakeholders – including clients and civil society – to better compare, assess, and monitor investors' engagement activities.

The Template is intended for use by asset managers and owners with directly held and engaged investments to guide their annual public ESG engagement reporting. It has been developed primarily for reporting on engagements with publicly listed assets, however investors are encouraged to use the Template to guide engagement reporting in other asset classes as relevant.

In developing the Template, we have aimed to support and complement existing engagement reporting guidance such as the UK Stewardship Code and the ICSWG Engagement Reporting Guide. As such, we have aimed to retain consistency with existing guidance, where applicable, by leveraging and embedding existing reporting principles.

We recommend that investors adopt the Template to guide their annual engagement reporting. We also recommend that policymakers integrate the Template into relevant stewardship regulation.

# Corporate engagement approach in [reporting period]

## Engagement and escalation strategy



### Definition of engagement

Ideally, engagements should be defined as purposeful, targeted communications with companies on specific matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide systemic risk, such as climate change.

Regular communication to gain information as part of ongoing research should not be counted as engagement. Similarly, collaborative engagements where the investor has had a passive role (i.e., they were part of a collaborative group but contributed little or nothing towards a specific company engagement) should not be counted as an engagement they have undertaken.<sup>1</sup>



### Details on firm-wide engagement strategy including escalation steps

Escalation steps should include the activities that the firm will undertake if engagement milestones are not met. These should be as specific, measurable, achievable, realistic, and timebound and include timelines for reviewing engagement progress and maximum timelines for taking escalation steps when engagement milestones are not met. If the engagement strategy varies across regions or asset types, this should be articulated.

Escalation steps may include:

- 1 AGM questions and/or voting against management at AGMs;
- 2 Letters to, and meetings with, boards of directors;
- 3 Public statements including pre-declaring voting intentions, filing shareholder resolutions, and open letters; and
- 4 Divestment or refusal to purchase new debt in applicable funds.



## Explanation of how the firm monitors the status of engagements

This section should outline status categories for engagements. For example, “ongoing”, “escalated”, and “closed”. Investors may also disclose whether engagements were “with success” or “without success”. Investors may also use “not applicable” in cases when, for example, the issuer was divested from for reasons unrelated to the engagement.

Specific escalation steps and timelines tailored to thematic engagement priorities may be included in the sections below.



## Explanation of how the firm tracks and monitors engagement progress

This should include milestones for company responsiveness to engagement. For example:<sup>ii</sup>

- 1 Contacted:** Engagement asks have been communicated to the issuer.
- 2 Acknowledged:** The issuer has acknowledged the engagement asks as a serious matter.
- 3 Planned:** The issuer has developed a credible strategy to meet the engagement asks.
- 4 Completed:** The issuer has implemented a strategy that meets the engagement asks.

## Engagement statistics



### Aggregate statistics on total engagements within the reporting period

These disclosures should include:

- The approximate number of issuers engaged (multiple engagements with a single issuer count as one) and the proportion of firm-wide holdings that this figure represents; and
- The approximate total number of engagements (multiple engagements with the same issuer on different topics count separately).

Additional statistics on engagement may include:

- Type of engagement (top-down thematic-driven vs bottom-up issuer-driven);
- Sectors engaged;
- Asset classes engaged; and
- Method of engagement (letters/emails/meetings).



### Charts showing milestones reached by engagements in aggregate

These should reflect a point in time and include a year-on-year comparison.



## Charts showing the percentage of total engagements on ESG sub-topics

Suggested categories for sub-topics include:<sup>iii</sup>

- Environment – Climate change
- Environment – Natural resource use/impact (e.g., water, biodiversity)
- Environment – Pollution, Waste
- Social – Conduct, culture, and ethics (e.g., tax, anti-bribery, lobbying)
- Social – Human and labour rights (e.g., supply chain rights, community relations)
- Social – Human capital management (e.g., inclusion and diversity, employee terms, safety)
- Social – Inequality
- Social – Public health
- Governance – Board effectiveness – Diversity
- Governance – Board effectiveness – Independence or oversight
- Governance – Board effectiveness – Other
- Governance – Leadership – Chair/CEO
- Governance – Remuneration
- Governance – Shareholder rights
- Strategy, Financial, and Reporting – Capital allocation
- Strategy, Financial, and Reporting – Reporting (e.g., audit, accounting, sustainability reporting)
- Strategy, Financial, and Reporting – Financial performance
- Strategy, Financial, and Reporting – Strategy/purpose
- Strategy, Financial, and Reporting – Risk management (e.g., operational risks, cyber/information security, product risks)
- Other (specify)

When an engagement covers two sub-topics, such as executive remuneration on climate targets, these may be counted twice.

## Thematic engagement priorities

Thematic engagement priority: [topic X]<sup>1</sup>



### Rationale for engagement on [topic X]

This should include:

- An explanation of why the topic has been chosen as a thematic engagement priority; and
- Clearly articulated objectives for the engagement topic.

Objectives should be science-based, SMART, and reflect international norms such as the Paris Agreement and the International Bill of Human Rights for social issues.<sup>2,3</sup>

1 Investors should repeat this section for each of their thematic engagement priorities.

2 SMART targets are specific, measurable, achievable, relevant, and time bound.

3 For climate change, investors may wish to link objectives to the indicators assessed in the CA100+ Net Zero Company Benchmark. Namely:

- Net-zero GHG Emissions by 2050 (or sooner) ambition;
- Long-term (2036-2050) GHG reduction target(s);
- Medium-term (2026-2035) GHG reduction target(s);
- Short-term (up to 2025) GHG reduction target(s);
- Decarbonisation strategy;
- Capital allocation alignment;
- Climate policy engagement;
- Climate governance;
- Just Transition;
- TCFD disclosure; and
- Climate accounting and audit.



## Details on engagement activity on [topic X]

This should include:

- Details on when the thematic engagement priority started;
- Details on scope of engagement, including companies in scope for engagement and any differing approaches to engagement across funds, assets, sectors, and regions;
- The number and type of engagements undertaken on this engagement topic; and
- Any escalation strategies specific to the engagement topic.



## Charts showing escalation stages reached on [topic X]

These should reflect a point in time and include a year-on-year comparison.

This should also include a list of collaborative engagement initiatives the investor has taken part in that are linked to the engagement topic, including the level of involvement (e.g., leading vs passive) as well as any activities undertaken via the initiative and the outcomes of those activities.<sup>4</sup>

<sup>4</sup> For CA100+ participants, this disclosure should include the number of and names of issuers that the investor engages with via the initiative, including whether they are the Lead Investor or a Collaborating Investor for those issuers.





## Outcomes and next steps

This disclosure should include:

- An explanation of the extent to which engagements on this topic have met stated objectives; and
- An explanation of how engagement on this topic will progress in future.

The disclosure should offer a balanced overview of challenges, lessons learned, and any negative outcomes, in addition to positive outcomes and successes.



## Charts showing milestones reached for engagements on [topic X]

These should reflect a point in time and include a year-on-year comparison.

### Case studies



## Sample of case studies of engagements on [topic X]

The sample of case studies chosen should be representative of the status and milestones reached for all engagements related to the thematic engagement priority, not just those that have been successful. Where possible case studies should also be representative of sectors, geographies and asset types, and include examples of both individual and collaborative engagements.

Suggested headings and content for case studies are included below.

Context	Issuer information	Name, country, sector, asset classes, and funds held.
	Rationale	Why the issuer has been selected for engagement.
	Engagement objectives	This may be a specific sub-set of the objectives identified for the thematic engagement priority. Objectives should be science-based, SMART, and reflect international norms such as the Paris Climate Agreement and the International Bill of Human Rights for social issues. If objectives have changed over the course of the engagement, this should be detailed.
	Date engagement initiated	If the engagement has taken place across multiple years, it should be clear to readers when different activities and outcomes have occurred.
Activity	Status	This should be linked to the status categories outlined in the engagement and escalation strategy.
	Engagement activities	This should include should be as specific as possible, including where possible: <ul style="list-style-type: none"> <li>• Rationale for the chosen engagement approach;</li> <li>• Number and type of meetings and written communications undertaken;</li> <li>• Level of individuals engaged with at the issuer (C-Suite, Investor Relations);</li> <li>• Any escalation steps taken and reasons for that escalation and chosen escalation approach; and</li> <li>• Voting consequences (if relevant). Reporting should specify whether activities were undertaken by the investor alone or as part of a collaborative engagement with other investors. In the case of collaborative engagements, the case study should make clear the investor’s role and contribution, including whether they played an active or passive role.</li> </ul>
Outcomes	Milestone reached	This should be linked to the milestones set for monitoring progress.
	Progress against objectives	This should include: <ul style="list-style-type: none"> <li>• Any evidence that the investors’ actions played a significant role in bringing about the change;</li> <li>• The type of impact the outcome will have (financial vs wider societal/environmental); and</li> <li>• Any portfolio allocation decisions that have been taken based, in whole or in part, on the engagement (e.g., divestment).</li> </ul>
	Next steps	Next steps for progressing engagement against stated objectives (if engagement is “ongoing” or has been “escalated”).

## Significant votes



### Sample of voting decisions on shareholder resolutions related to [topic X]

This should include the number of resolutions at portfolio companies linked to [topic X] and the percentage support across resolutions that are in scope.

Company	Country	Sector	Resolution type	Vote	Rationale
Number of resolutions:			#	Percentage support:	%



# References

- i Investment Consultants Sustainability Working Group (2021). ICSWG Engagement Reporting Guide. Available online at: <https://www.icswg-uk.org/resources> [accessed 05/04/2022]
- ii Ibid.
- iii Ibid.

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ShareAction is a NGO working globally to define the highest standards for responsible investment and drive change until these standards are adopted worldwide. We mobilise investors to take action to improve labour standards, tackle climate change and address pressing global health issues. Over 15 years, ShareAction has used its powerful toolkit of research, corporate campaigns, policy advocacy and public mobilisation to drive responsibility into the heart of mainstream investment. Our vision is a world where the financial system serves our planet and its people.

Visit [shareaction.org](https://shareaction.org) or follow us [@ShareAction](https://twitter.com/ShareAction) to find out more.

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