CONTENTS

PREFACE .......................................................................................................................... 4
EXECUTIVE SUMMARY ................................................................................................. 6
SHAREHOLDER ACTIVISM CASES ............................................................................. 8
PASSIVE SHAREHOLDING AND THE ‘BATTLE FOR THE SOUL OF CAPITALISM’ .... 9
SHAREHOLDER ACTIVISM IN NUMBERS .................................................................. 10
SHAREHOLDER ACTIVISM FOR SUSTAINABILITY ..................................................... 11
MATERIALITY AND REPUTATION .............................................................................. 13
PUBLIC POLICY TRENDS AND SHAREHOLDER RIGHTS ........................................ 16
THE FUTURE OF SHAREHOLDER ACTIVISM ............................................................. 19
ANNEX I: ACTIVIST INVESTORS IN SELECTED COUNTRIES ............................... 21
ANNEX II: PROXY COMPANIES ................................................................................ 21
ANNEX III: OVERVIEW OF ACTORS IN ENVIRONMENTAL, SOCIAL AND
GOVERNANCE (ESG) SHAREHOLDER ACTIVISM ...................................................... 22
REFERENCES ................................................................................................................ 24
SOURCES ....................................................................................................................... 27
Millions of people are shareholders, and therefore owners, of corporations around the world. This ownership can be indirect, via pension schemes for example, which can break or complicate the rights that corporate shareholding confers. Purposefully exercising those rights is called shareholder activism. Despite the fact that shareholders are company owners, most small investors – and many large institutional investors too – either do not exercise their governance rights or outsource these rights to proxy companies with little oversight. In this way, the vast majority of shareholders are ‘passive’. They rely on the ability of the board and managers of the company to run things in a way that protects or institutional, typically take a small equity stake in a company and, with the motive of maximising short-term financial gain, use this as a vehicle to push through changes in governance, pay structures, dividends and so on that can boost ‘shareholder value’. Activist shareholder behaviour is not new but it appears to have increased in frequency and impact since the 2008 financial market crisis. The challenge for the environmental community is when the short-term interests of ‘shareholder value’ can be at odds with longer-term company objectives, including those for sustainability. This emerging trend, exemplified by Third Point’s acquisition of a stake in Nestlé in 2017, was one of the main drivers of the Luc Hoffmann Institute being involved in this research and producing this report.

In direct contrast to the behaviour of activist shareholders, it has long been recognised that there is significant potential for the sustainability movement to mobilise passive shareholders to influence corporate strategies, particularly on environmental, social and governance (ESG) issues. With better understanding of their role and rights within corporate governance, more shareholders can in theory at least, play an important part in guiding corporate decisions.

As this report shows, a dedicated number of relatively small NGOs and investors have emerged within the field of corporate ESG. They provide research, rankings, certifications, voting advice or direct advocacy at company annual general meetings where corporate governance issues are decided. But efforts tend to remain local or thematic. There has been no concerted and coordinated attempt to determine the connection between shareholder activism and long-term global sustainability.

This is what the Luc Hoffmann Institute is setting out to do. We want to raise awareness about the impacts of shareholder activism on sustainability, particularly in the conservation community, widen the scope of the debate and draw on a range of partners to expand action on environmental conservation to corporate boardrooms and general assemblies.

“...we want to raise awareness about the impacts of shareholder activism on sustainability, particularly in the conservation community, widen the scope of the debate and draw on a range of partners to expand action on environmental conservation to corporate boardrooms and general assemblies.”

We have conducted research and producing this report.

In the first instance, we will focus on activist shareholders and we aim to bring together the innovative thinking and practice, build new networks and support research in this rapidly growing space.

This report examines the state of play surrounding the issue – who is involved and what knowledge exists. It outlines trends in shareholder activism in general and more specifically, activism in pursuit of ESG objectives. We also highlight opportunities, risks and challenges of shareholder activism for sustainability from the perspective of shareholders, corporates and non-profits.

This report is our first small step along the path to finding out where we and our partners can play a most effective role in taking shareholder activism to a new level as a force for global sustainability.

Jonathan Hutton
Director, Luc Hoffmann Institute
April 2018
EXECUTIVE SUMMARY

This report is intended to inform relevant but as yet unengaged actors about a growing trend that has significant ramifications for environmental conservation and sustainability, negative and positive. It is based on desktop research and a literature review and aims to support an interdisciplinary debate about shareholder activism. Within this review we examine a range of shareholder instruments and engagement options, with a view to understanding their potential as tools to address a wide range of sustainability topics.

This report includes both a historical analysis of general trends and patterns in shareholder activism as well as a deeper dive into more specific shareholder activism that pursues environmental, social and governance (ESG) goals. Recent high-profile cases of shareholder activism illustrate that such activism is now a constant part of corporate life globally.

The different instruments shareholders have at their disposal to drive changes in corporate behaviour are explained and the impacts of ESG shareholder proposals on the performance of a company explored. Drawing from research the report shows that ESG proposals can lead to improvements in the company on the particular issue, even if majority support is very rare.

This report supports the launch of a Luc Hoffmann Institute project on shareholder activism and sustainability. It will be followed by a series of interviews of relevant stakeholders to better inform ongoing research and help provide a baseline ‘state of play’ on the issue. The institute also plans to convene various stakeholders around this topic with a view to increasing the understanding and impact of shareholder activism for sustainability.
SHAREHOLDER ACTIVISM CASES

Shareholder activism has become increasingly prominent in the investment world and a powerful force in corporate decision making in recent years1. The practice consists of buying a minimum stake in a company’s stock – often only 1-3% – and fully asserting ownership rights, in particular the right to vote on motions for corporate decision making at the annual general meeting (AGM). Such activism is usually focused on maximising investments and short-term profits and tends to rely on extensive media coverage to magnify influence. This form of influence is different to full takeover bids, for example the model favoured by the ‘corporate raiders’ of the 1980s who typically raised debt to buy entire companies, restructure them and generate a profit upon their sale or stripping of assets2.

Examples of these recent high-profile cases abound. In 2017 in the US, the activist Trian Fund launched successful campaigns against General Electric (GE) and Procter & Gamble (P&G). Holding only 1.5% of GE shares, Trian drove the CEO of GE off the board after 16 years. P&G became the largest ever campaign target, trying to place Trian’s founder, the hedge fund billionaire Nelson Peltz, on the company’s board to take control of P&G. In Europe, Nestlé became the target of activist US hedge fund Third Point, which took a 1.7% stake in the company in June 2017. Its founder, Daniel Loeb, demanded major strategic changes in the company’s product portfolio, including a share buyback programme and selling its large holding in L’Oréal. In September that year, Nestlé essentially gave in to most of Third Point’s demands, setting itself an operating margin target for the first time and accelerating a share buyback programme. In the Netherlands, AkzoNobel, a Dutch paint and chemicals firm which has been under pressure from Elliott Advisors for alleged financial underperformance3, agreed to appoint three new directors to its board4. In Germany, Active Ownership Capital started a historic takeover battle against the drugmaker Stada and managed to replace the top management5.

The mere notion of activist investors can be enough to influence companies and values. When Third Point announced that it had taken a stake in Nestlé and made its demands known, Nestlé shares surged by over 4.3%; when Nestlé publically gave in to Third Point’s demands, its shares jumped 1.8%. When in 2017 Kraft Heinz Co., a food conglomerate known for its aggressive cost-cutting tactics, failed in its attempt to take over Unilever, Unilever still put in place a number of Kraft Heinz’s demands, such as carrying out share buybacks to ward off other potential hostile takeovers or activist investors with similar intents6.

These activists’ campaigns tend to emphasise profitability, growth targets, governance and value per share. They are, by and large, driven by the need for profit, but unlike companies themselves, funds can shift capital from company to company, moving from target to target, ignoring the long-term value of each. A target company’s long-term value proposition and sustainability can therefore easily become collateral damage in the process. A company interested in long-term value and environmental sustainability, as Unilever under Paul Polman had loudly proclaimed it was7, will see any plans it has on sustainability to be genuinely threatened by these activist investors.

What is shareholder activism?
The practice of shareholders purposefully exercising their rights as a shareholder to influence a company’s behaviour. There is a broad range of instruments, formal and informal, shareholders have at their disposal, as well as a wide spectrum of shareholders with different motivation and approaches. Put simply, one can consider there is a ‘spectrum’ of shareholder activism. On one end there are the so-called ‘Shareholder Activists’, individuals or funds, who are driven by short-term interests in increasing shareholder value. On the other end are value driven ‘ESG-oriented activists’ who use shareholder rights, including harnessing those of others, to advance corporate sustainability. There are also ‘passive shareholders’: institutional or individual investors who do not actively use ownership rights, whether it is from shares they own or hold for others. For the purpose of this report, ‘activist shareholders, or activist investors’ is understood as the non-value and short-term driven form of activism, contrary to ‘ESG shareholder activism’ or ‘shareholder activism for sustainability’ as the value-driven form of shareholder activism.

PASSIVE SHAREHOLDING AND THE ‘BATTLE FOR THE SOUL OF CAPITALISM’

In the backdrop of these activist shareholder campaigns, which are able to significantly influence a company’s strategic direction with only a 1–3% of share, lies an increasing number of passive investors.

Passive shareholders can be individuals or institutions that do not actively use their right to vote in annual general meetings or who do not exercise the influence this provides. Passive shareholders can include wealthy individuals, institutional investors or pension funds who own stock as investments but do not exercise their owner rights to vote on corporate decision making.

Passive shareholders as a share of the whole have also seen their ranks swelled by the rise in the past few decades because of ‘passive investors’ and ‘passive index funds’. These index funds or exchange-traded funds (ETFs) mirror a market index, such as Standard and Poor’s 500 Index (S&P 500) or the Dow Jones U.S. Real Estate Index, without trying to ‘beat the market’. Lower management fees of index funds compared to those of actively managed funds and the reliable delivery of the market’s average performance have contributed to their popularity. While passive funds currently account for 29% of the US market, they are expected to overtake active market share between 2021 and 20248.

With the surge of passive investment, criticism has also increased. Several commentators have warned about the perils of passive investment products, such as negatively affecting price discovery, reduced competition between firms due to common ownership and increased market volatility in the event of a crash9. This is seen to threaten the market process and attribution of adequate pricing. Furthermore, because managers of passive funds only buy and sell a company stock based on its place in a given index, this gives them little incentive to engage directly with companies or in an AGM to seek improvements to the way they are individually run.

Recently Larry Fink, CEO of BlackRock, the largest investment management company in the world with US$1.7 trillion under investments, told the chief executives of companies with significant BlackRock investment that their responsibility is not only to deliver profits, but also “or the long-term”: “To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society”10. Yet as the same letter pointed out, “in managing our index funds, however, BlackRock cannot express its disapproval by selling the company’s securities as long as that company remains in the relevant index”11. In other words, large and global investors such as BlackRock, that only indirectly manage their capital via passive funds that track pre-defined indices, are limited in their options to engage with companies, i.e. divestment. This ‘degree of separation’ between the holders of capital and shareholder rights can prevent action, or provide cover for passivity, or increased incentives for shareholder activism.

John Bogle, founder of the Vanguard group, had already warned in 2007 of a ‘battle for the soul of capitalism’ using this logic: with investors focused only on short-termism, capitalism had been distorting incentives and served the managers of companies over their owners12.

More recently, Bogle has warned of the dramatic rise of passive investors which is allowing, and will increasingly allow, minority active ones to get their way with very small stakes13. Numbers suggest this ‘battle’ is raging.
ShrA: Activism in Numbers

The form of shareholder activism described previously where owners exercise their voting right to influence corporate practice, has moved from the fringes to being a standing part of corporate life in a few short years.

Shareholder activists now manage capital of more than US$ 170 billion, up from less than US$3 billion in 2000—"a double-digit annual growth rate— with 2016 marking a record in public shareholder activism. Campaigns are frequently relayed and discussed in the mainstream financial press. Although initially focused on US-based corporations, where initial salvos included Carl Icahn’s bid to seek control of Time Warner Management in 2006 and Roy Disney’s and Stanley Gold’s campaign against Disney’s CEO Eisner in 2004, shareholder activism has increasingly become a global phenomenon.

While the volume of shareholder activism varies significantly from country to country, the US still sees the most activity with around 300 to 500 annual campaigns against publicly listed companies worldwide, a 10 to 13% increase on 2015. In 2017, the global volume of campaigns decreased by 6% with nearly every region experiencing a modest decline in new campaigns versus the 2016 record season.

Most of these activist campaigns have focused on corporate governance or strategic business issues (see illustration 2). It is estimated that, in the 2016 proxy season (typically defined as the 12 months ending June 30), between 644 and 750 shareholder requests were submitted against public companies worldwide, a 10 to 13% increase on 2015. In 2017, the global volume of campaigns decreased by 6% with nearly every region experiencing a modest decline in new campaigns versus the 2016 record season.

A corollary to this trend is that the term ‘shareholder activist’ or ‘activist investor’ has come to mean an investor who seeks, above all, economic and financial gains to maximise investments in the short term. This form of shareholder activism almost inherently weighs negatively on corporate sustainability policies which are focused on the longer-term.

Meanwhile, however, there are many other shareholders and investors who have also increased another form of activism, using their shareholder rights positively to influence the environmental, social and governance (ESG) performance of companies.

Shareholder Activism for Sustainability

Against the backdrop of growing trends for high-profile shareholder activism campaigns, there has also been a marked increase in the number of smaller investors engaging companies on ESG issues in a more positive way for society as a whole.

These shareholders can engage companies directly, either one-on-one or through group engagements and through the mechanism of a shareholder proposal, just like the more high-profile activists.

ESG shareholder proposals are usually sponsored by pension funds, ESG-oriented investment managers, religious groups, or coalitions of like-minded investors. More than ever, institutional investors are actively engaging companies on ESG issues as part of their ‘fiduciary duty’ (see box) and in the belief in the long-term benefits for corporations and stakeholders. Others operate as proxy advisors (for profit or not), others are philanthropic foundations or non-governmental organisations (NGOs) with a values-driven agenda. Annex III of this report contains a comprehensive list of such actors.

ESG shareholder proposals in the 2018 proxy season focused on climate change and corporate governance, at nearly 81% of the total number of proposals. Among environmentally focused shareholder proposals, climate change has been the primary concern. Many proposals underpinning this broader trend have for example asked energy companies and utilities about the impact of a warming planet and the implications for their business strategies. These shareholders can engage companies directly, either one-on-one or through group engagements and through the mechanism of a shareholder proposal, just like the more high-profile activists.

Illustration 1: Adapted from JPMorgan, The proxy season 2017.

Companies publicly subjected to activist demands worldwide since 2013


An increasing number of proposals seek sustainability reports (see illustration 4) and changes related to ‘sustainability governance’, for example, how companies make their social and environmental policy decisions44.

Research therefore points to a significant uptick not only in the number of ESG proposals but also on their impact and effectiveness. It also shows that most of these proposals have focused on one environmental issue, climate change mitigation.

Evidence further shows that ESG proposals have been of social and environmental shareholder resolutions filed in 2016 dropped from an all-time high in 2015, the number of actual votes continued its upward march to a record 24343.

In general ESG resolutions receive, when voted on, lower support than resolutions on corporate governance issues. In the US the success rate for resolutions has been high with two out of three achieving their objectives44. In contrast, the average support for ESG resolutions over the last four years held steady at around 21% each year, above earlier years, and was 21.5% in 2017. (See illustration 5).


Companies committed to ESG are finding competitive advantages in product, labour, and capital markets. Portfolios that have integrated ‘material’ ESG metrics have provided average returns to their investors that are higher than those of conventional portfolios, while exhibiting lower risk.”

and immaterial sustainability issues based on the Sustainability Accounting Standards Board (SASB). The study highlights that filing shareholder proposals is associated with improved performance of the company on the focal ESG issue across both material and immaterial issues. However, proposals filed on immaterial ESG issues are accompanied by larger and faster increases in firms’ performance on the ESG issue that the proposal identifies, relative to proposals on material issues. Material sustainability issues frequently require fundamental changes in processes and the business model.

Perrault and Clark discuss the effect of environmental shareholder activists’ status and reputation on a company’s responsiveness, when shareholders choose to use their ownership to enact changes within firms. They conclude that “firms respond positively to shareholder activists with higher status […] as well as to stakeholders with a negative reputation that could threaten the firm.”
Shareholder activism, in whatever form, is guided by the various national laws and regulations that apply to the local markets in which corporations are traded.

Often overlooked as agents of change in this sector, national laws and market exchange regulations frame and influence what is and what is not possible for activists, or the overall parameters of engagement.

This section gives an introduction to shareholder legislation in select countries or regions: the United States, European Union, UK, France, Germany, Switzerland and South Africa.

**Public Policy Trends and Shareholder Rights**

**Shareholder rights**

The rights of shareholders are governed by the laws in the country or state where the company is headquartered or publicly listed. The most important rights include the right to share in the company's profitability, a degree of control and influence over company management selection, and general meeting voting rights.

Although national legislation and regulation differ, basic rights for shareholders are in general: the right to attend the AGM; to ask questions and, to different extents, voting rights. Publicly listed companies are obliged to hold an AGM. Important aspects of company policy such as the re-election of directors and to some extent approval of executive pay packages (say-on-pay) are often voted on by shareholders at AGMs. Votes can be advisory or binding. Some companies grant common shareholders one vote per share owned. There may be different classes of shares with no voting rights or restricted rights which can dilute decision making. AGMs can also be a forum to discuss the company’s performance in relation to environmental, social and governance (ESG) issues.

Shareholders can delegate their voting rights in the general assembly to a proxy company. Proxy companies offer services, such as voting, to institutional and private investors. See a list of proxy companies in Annex II.

Proposals generally need to address corporate environmental, social and governance policy questions that are considered significant public issues and not related to a matter of the company's ordinary business operations.

The US Chamber of Commerce is lobbying to change the SECs shareholder proposal process to make the filing of ESG resolutions more difficult, claiming that they are destroying value. The Financial CHOICE Act, approved by the House of Representatives in 2017 and facing an uncertain future in the Senate, would replace the Dodd-Frank Act and, if it becomes law, sharply raise the ownership threshold for shareholders who can file proposals.

**What is a proxy statement?**

Companies are required to provide shareholders with a ‘proxy statement’, a document containing the information to make an informed decision during the annual meeting. This led to the term ‘proxy voting.’ (US SIF)


A number of new provisions were introduced to facilitate the interaction between companies and shareholders (Art. 3a-3d). This increases the transparency of institutional investors, asset managers and proxy advisors (Art. 3g-3j). Art 3g, for example, requires institutional investors and asset managers to describe their engagement policy with companies and shareholders (Art. 3a-3d). This includes the transparency of institutional investors, asset managers and proxy advisors (Art. 3g-3j). Art 3g, for example, requires institutional investors and asset managers to describe their engagement policy with shareholders and how they monitor investee companies on relevant matters including ESG risks. Proxy advisors (Art 3j) are required to publicly disclose information about a code of conduct which they apply and information about their research, advice and voting recommendations. Under the new directive, shareholders will have a right to vote on the remuneration of directors (‘say-on-pay’). This can be either a consultative or a binding vote.

The SRD is complementary to the EU Directive 2014 on Non-Financial Reporting, currently in transposition phase. In the following jurisdictions, national specifics of the EU framework are described.

- **The United Kingdom**
  - The rights of shareholders are governed by the laws in the country or state where the company is headquartered or publicly listed. The most important rights include the right to share in the company's profitability, a degree of control and influence over company management selection, and general meeting voting rights.
  - The rights to participate and vote in the AGM are required to disclose information in their annual report on their business strategy on climate change-related risk. A specialty of the French Commercial Code are ‘double vot-
Although shareholder activism in Germany is on the rise, there is still significantly less activity than, for example, in the UK. The legal basis for shareholder rights is mainly the German Stock Corporation Act 1965. Resolutions are passed on a simple majority vote. Shareholders, individually or collectively, representing at least 5% of share capital, or equivalent to €500,000, can ask for resolutions to be put on the agenda. Shareholders also have the right to challenge resolutions put to the meeting if the resolution is deemed ‘unethical’. The non-legally binding Corporate Governance Code for listed companies complements legislation. It contains recommendations and suggestions on internationally and nationally accepted standards for successful and responsible business management and also guidance for shareholder meetings.

The main source of law for shareholder rights is the company law contained in Articles 620ss of the Swiss Code of Obligations (CO). In addition, the Ordinance against Excessive Compensation in Listed Companies which entered into force in January 2014, contains far-reaching rules on corporate governance with direct effects on boards, executive management, shareholders, pension funds and independent proxies. It requires, for example, Swiss pension funds to exercise their voting rights. Furthermore, shareholders have a binding say on compensation for the board, senior management and the advisory board. Art 689 CO regulates representation in the AGM. The Company Law is currently under revision. One factor that drives down activity is the widespread presence of the so-called ‘anchor’ shareholders – management-supporting investment firms that typically acquire stakes of 20% or more. As a result, approaching the anchor shareholder first is paramount for successful activism.

A key driver of shareholder activism in South Africa has been the introduction of minorities’ rights in the Companies Act 2008. Minority shareholders with only 10% of shares can call for a general meeting. Shareholders can more easily instigate legal action against directors in the event of financial loss. The rise in shareholder activism is also partly caused by the fact that over 50% of the market capitalisation of the Johannesburg Stock Exchange is owned by foreigners. The King Code of Governance Principles 2009, a set of world-class ‘best practice’ principles for corporate governance, has also played a significant role. It emphasises ethical leadership, sustainability and good corporate citizenship. The best practices include increases in reporting transparency that are required for a listing on the Stock Exchange.

In all cases it is important to note that public policy underpins shareholders rights and, at least indirectly, access to and engagement in company boards. These laws and regulations vary from country to country but are not fixed; they have evolved over time and continue to evolve.

THE FUTURE OF SHAREHOLDER ACTIVISM

From a sustainability perspective, shareholder ownership should be focused on a long-term relationship between investors and the companies they own.

Sustainability would be logically baked into this relationship as returns on capital would be focused on the continued success of the companies, not just the immediate term.

Yet many investors actively navigate from one company to the next and focus on short-term efficiencies that can help bring quick returns on investment. To ‘beat the market’, they can always move on afterwards – ownership changes based on short-term news with little regard for the long-term horizon. With computers and algorithms, ownership can even change in fractions of a second.

Many long-term investors operate via one or more intermediaries. Whether through mutual funds, stock portfolios or pension schemes, investors often fail to link directly to their responsibility in managing their capital. Some of this may be due to lack of awareness among the broader public and wealthy individuals and merits further research.

It is also clear, however, that shareholder engagement and effectiveness on ESG matters are on the rise. Such activism could potentially act as a counterweight to those seeking short-term gains.

As active ownership continues to mature, more and more institutional investors are becoming aware and active on ESG issues. Yet this raises the question of the quality of management of such issues – there are no fixed ‘certified’ ESG standards and these can vary significantly in quality. This is especially important for the proxy companies acting on behalf of large institutional investors who outsource their shareholder rights.

‘Greenwashing’ is clearly still possible. The increase in ESG interest is also impacted by evolving public policy which can encourage – or otherwise – active ownership. Often, actors involved in corporate engagements are not influencing public policy and those working on improving public policy on sustainability are not always ‘corporate savvy’.

ESG activism may also benefit from better assessments of the financial materiality of the specific sustainability issue. For example, managing water risks at local or even systemic levels; climate change risks, whether in increased governmental regulations or rising insurance premiums; ensuring predictable supply chains of natural resources; or even reputational risks may have an impact on a company’s bottom line. Activists could therefore benefit from having a better understanding of what is material in each industry, supported by hard evidence. The company itself may not have full knowledge about the materiality of the ESG issue. Informed advisers can help close the knowledge gap between ESG concerns and business operations. If sustainability activists ignore materiality, there is a risk that ESG becomes associated with and labelled as ‘value destroying’.

New technologies can also be relevant in the next phase of shareholder activism for sustainability. Smartphones can better connect investors and their portfolios; improve the certification of supply chains, through decentralised data entry and blockchain technology; allow easier access to information, including on corporate calendars and shareholder resolutions, and may even allow for direct voting.

There is a need for a new, holistic approach to shareholder activism for sustainability to counter-balance the short-term-minded activist shareholders. This must include raising awareness of the issue among large, relevant actors, for example international NGOs focused on social and environmental issues. They must be better prepared to address this important, emerging threat to sustainability. A response must also be organised, one that is specific about the various shareholder instruments and options available to help sustainability actors achieve their global vision.

A number of actors stand to benefit from better shareholder activism for sustainability. Companies would benefit from more research on the link between sustainability and materiality. Investors with long-term horizons, including but not limited to pension funds, endowments, foundations and sovereign wealth funds, would be better able to fulfill their intra-generational mandates. The technological sector could find new markets for
managing capital. Public policy and the general public would benefit from corporations being more focused on long-term valuations and sustainable wealth creation.

Galvanizing these actors to counter short-term shareholder activism and stand up for sustainability is of key importance. A coherent vision and concerted action on shareholder engagement, which lies at the very heart of capitalism, is urgently needed to ensure an economic system that is truly sustainable.

ANNEX I: Activist investors in selected countries
Companies that exercise their own shareholder rights having acquired ownership in publicly listed companies.

<table>
<thead>
<tr>
<th>Country</th>
<th>Company name</th>
<th>Stated ESG goals</th>
<th>Activity/campaign</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>Charity Investment Management (CIAM)</td>
<td></td>
<td>Euro Disney</td>
</tr>
<tr>
<td>Germany</td>
<td>Active Ownership Capital</td>
<td></td>
<td>Stada</td>
</tr>
<tr>
<td>Monaco/Switzerland/UK</td>
<td>Knight Vinke</td>
<td></td>
<td>E.On</td>
</tr>
<tr>
<td>Sweden</td>
<td>Cevian Capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>Teleios Capital Partners</td>
<td>yes</td>
<td></td>
</tr>
<tr>
<td>US</td>
<td>Bogle Investment Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>US</td>
<td>Convex Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>US</td>
<td>JANA Partners</td>
<td>yes</td>
<td>Apple</td>
</tr>
<tr>
<td>US</td>
<td>Nelson Peltz Investment Management</td>
<td></td>
<td>Procter &amp; Gamble 2017</td>
</tr>
<tr>
<td>US</td>
<td>Third Point</td>
<td></td>
<td>Nestlé</td>
</tr>
<tr>
<td>US</td>
<td>ValueAct Capital</td>
<td>yes</td>
<td></td>
</tr>
</tbody>
</table>

ANNEX II: Proxy companies
Proxy companies offer a number of services such as voting and recommendations to institutional and private investors. The majority focus on traditional governance issues and are not engaging in ESG issues. Notable exceptions are Ethos Services, Actares and Proxy Impact.

<table>
<thead>
<tr>
<th>Country</th>
<th>Proxy company</th>
<th>Location</th>
<th>ESG engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>Deminor International</td>
<td>Brussels</td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>Actares</td>
<td>Bern/Geneva</td>
<td>yes</td>
</tr>
<tr>
<td>Switzerland</td>
<td>Ethos Services</td>
<td>Geneva/Zurich</td>
<td>yes</td>
</tr>
<tr>
<td>UK</td>
<td>Hermes EOS</td>
<td>London</td>
<td></td>
</tr>
<tr>
<td>US</td>
<td>C &amp; W Investment Group</td>
<td>Goldston, NC</td>
<td></td>
</tr>
<tr>
<td>US</td>
<td>Egan-Jones Proxy Services</td>
<td>Haverford, PA</td>
<td></td>
</tr>
<tr>
<td>US</td>
<td>Glass, Lewis &amp; Co.</td>
<td>San Francisco, CA</td>
<td></td>
</tr>
<tr>
<td>US</td>
<td>ISS Institutional Shareholder Services</td>
<td>Rockville, MD</td>
<td>Subsidiary ISS-Ethix</td>
</tr>
<tr>
<td>US</td>
<td>Marco Consulting Group</td>
<td>Chicago, IL</td>
<td></td>
</tr>
<tr>
<td>US</td>
<td>MSCI</td>
<td>New York, NY</td>
<td></td>
</tr>
<tr>
<td>US</td>
<td>Proxy Impact</td>
<td>California</td>
<td>yes</td>
</tr>
<tr>
<td>US</td>
<td>ProxyTell, LLC</td>
<td>Fairfax, VA</td>
<td></td>
</tr>
</tbody>
</table>
### ANNEX III: Overview of actors in environmental, social and governance (ESG) shareholder activism

Non-profit, for profit, research, academic institutions and proxy advisors engaged in ESG shareholder activism in selected countries and regions.

<table>
<thead>
<tr>
<th>Country</th>
<th>Name</th>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>Institutional Investors Group on Climate Change (IIGCC)</td>
<td>Network of for profit actors</td>
<td>A collaboration of 150 members, mainly mainstream investors in Europe, with over €21 trillion assets under management, to provide investors with a common voice to encourage public policies, investment practices and corporate behaviour which address long-term risks and opportunities associated with climate change.</td>
</tr>
<tr>
<td>France</td>
<td>INSEAD Academia</td>
<td>Global Private Equity Initiative (GPEI)</td>
<td>For responsible investment.</td>
</tr>
<tr>
<td>Switzerland</td>
<td>Actares</td>
<td>Non-profit</td>
<td>Membership organisation promoting sustainable investment management through active ownership (shareholder voting and engagement).</td>
</tr>
<tr>
<td>Switzerland</td>
<td>Ethos Foundation</td>
<td>Non-profit</td>
<td>Foundation composed of 230 Swiss pension funds and other tax-exempt institutions aiming at promoting socially responsible investment (SRI). Its subsidiary Ethos Services offers proxy voting reports with voting recommendations.</td>
</tr>
<tr>
<td>Switzerland</td>
<td>Inrate</td>
<td>For profit</td>
<td>Independent Swiss sustainability rating agency.</td>
</tr>
<tr>
<td>UK</td>
<td>ShareAction (Fair-share Educational Foundation)</td>
<td>Non-profit</td>
<td>Promotes responsible investment practices by pension providers and fund managers. Helps savers hold companies to account, directly at AGMs or through their pension savings. Shows opportunities for investors on responsible investment issues. Drives campaigns and makes policy recommendations.</td>
</tr>
<tr>
<td>UK</td>
<td>University of Cambridge Academia</td>
<td>Initiative between Ernst &amp; Young with Cambridge University for a new corporate reporting framework that goes beyond financial reporting: Accounting and reporting for long term value (<a href="http://www.ey.com/uk/en/services/assurance/ey-long-term-value">http://www.ey.com/uk/en/services/assurance/ey-long-term-value</a>)</td>
<td></td>
</tr>
<tr>
<td>US</td>
<td>As you Sow</td>
<td>Non-profit</td>
<td>Promotes environmental and social corporate responsibility through shareholder advocacy, coalition building, and innovative legal strategies.</td>
</tr>
<tr>
<td>US</td>
<td>Coalition for Environmentally Responsible Economies (CERES)</td>
<td>Non-profit</td>
<td>Network of investors and environmental, religious and public interest groups to promote investment policies that are environmentally, socially and financially sound. Members include large financial organisations such as Harrington Investments and environmental groups such as the Sierra Club.</td>
</tr>
<tr>
<td>US</td>
<td>Investor Responsibility Research Centre Institute (IRRC) Research Organisation</td>
<td>Funds environmental, social and corporate governance research, as well research on the capital market context that impacts how investors and companies make decisions.</td>
<td></td>
</tr>
<tr>
<td>US</td>
<td>ISS-Ethix</td>
<td>Proxy company (for profit)</td>
<td>Provides expertise on ESG issues to financial professionals.</td>
</tr>
</tbody>
</table>
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Available figures for the number of resolutions submitted vary to a large extent. The reason lies in the disclosure requirements. In the US, where most data is available, many of the organisations submitting resolutions on ESG issues disclose them in practice, without being required to do so by law. Requests for permission to exclude resolutions need to be published. However, neither companies nor proponents are required to disclose the number of resolutions that are withdrawn by agreement with corporations.


https://shareaction.org/take-on-bp-and-shell/


Proxy Preview 2018, p. 28

http://www.ussif.org/resolutions


Barnett and Salomon, 2006; Margolis and Walsh, 2003; Orlitzky, Schmidt and Rynes, 2003; Hillman and Keim, 2001; McWilliams and Siegel, 2000


For example, broadly speaking, environmental issues tend to be more material for the non-renewable and transportation sectors, governance more material for the financial sector and social issues for the healthcare, services, and the technology and communication sectors.


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