

# A New Best Practice for ESG Oversight

## Enhancing Shareholder Engagement with Quantitative ESG Portfolio Analytics

IEN Webinar

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# ESG – Shareholder Engagement: Step 1: Research - Identify Manager Trends

**Efficient Top-down Tracking: One-page fund-level summary of every portfolio monitored**

For each portfolio, chart shows current quarter's overall ESG rank as well as that portfolio's E, S, and G pillars.

For each portfolio, chart shows historical trend of overall ESG rank and each pillar, relative to the prior year.

**XYZ Endowment Fund** 04/01/2022 to 06/30/2022

## ESG Manager Diagnostics

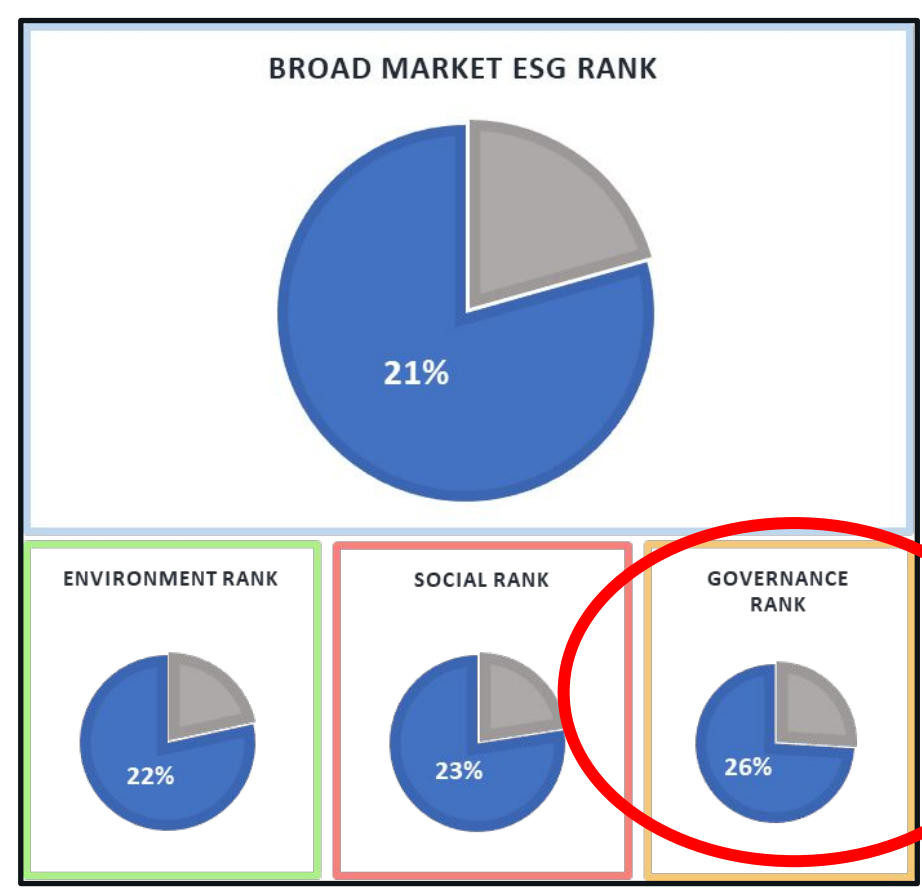
Manager	Compliance/Fiduciary Oversight Issues											
	Overall ESG Rank		Environmental Rank		Social Rank		Governance Rank		Sector ESG Rank - Trends (prior four quarters)			
	Broad Mkt	Sector	Broad Mkt	Sector	Broad Mkt	Sector	Broad Mkt	Sector	Overall	Environmental	Social	Governance
MANAGER A	17.9%	17.1%	18.8%	15.6%	19.7%	17.8%	22.6%	29.6%	→ 0.2%	↔ -1.1%	↔ 1.7%	↔ -3.6%
MANAGER C	17.9%	17.1%	18.8%	15.6%	19.7%	17.8%	22.6%	29.6%	→ 0.2%	↔ -1.1%	↔ 1.6%	↔ -3.6%
MANAGER D	15.8%	16.7%	15.5%	15.9%	17.9%	17.4%	21.5%	25.8%	↔ -1.4%	↔ -1.1%	→ -1.0%	↔ -2.9%
MANAGER F	18.1%	17.8%	18.3%	15.5%	20.2%	18.2%	21.9%	28.5%	→ 0.8%	→ 0.5%	→ 0.9%	↔ 1.8%
									→	→	→	→
									→	→	→	→
									→	→	→	→
									→	→	→	→
									→	→	→	→
<b>TOTAL</b>	<b>17.7%</b>	<b>17.3%</b>	<b>18.2%</b>	<b>15.6%</b>	<b>19.6%</b>	<b>17.8%</b>	<b>22.3%</b>	<b>28.8%</b>	↔ 1.4%	↔ 1.9%	↔ 1.5%	↔ 1.6%

ESG Ratings: 0% is best, 100% is worst

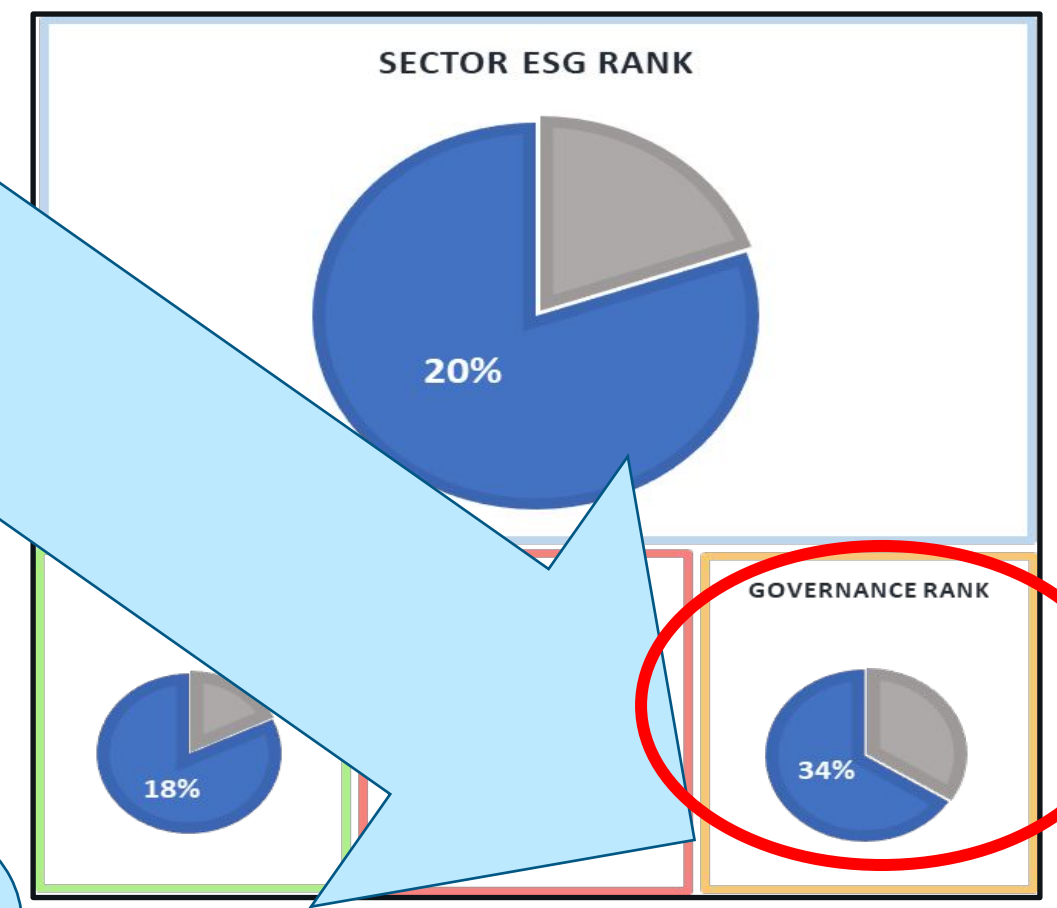


# ESG: Shareholder Engagement:

## Step # 2: Determine Key Performance Indicators Driving Ranks



Manager F's Broad Market Governance rank fell 7 percentile ranks when adjusted for Sectors



Manager F's SOCIAL positive ranks were driven by "Community & Charity" KPI while their poor GOVERNANCE Sector rank, was primarily driven down by the "Board Effectiveness" KPI

Broad Market Holdings' Ranks				
KPI	2021/Q3	2021/Q4	2022/Q1	2022/Q2
<b>Environment</b>				
Pollution	21%	16%	14%	17%
Transparency	31%	26%	24%	26%
Resource	25%	19%	20%	25%
<b>Social</b>				
Compensation/Satisfaction	31%	30%	27%	29%
Diversity & Rights	28%	28%	25%	24%
Education/Work Conditions	31%	29%	23%	22%
Community & Charity	25%	20%	20%	23%
Human Rights	34%	29%	27%	32%
Sustainability Integration	24%	23%	18%	22%
<b>Governance</b>				
Board Effectiveness	31%	29%	26%	27%
Management Ethics	35%	33%	28%	26%
Disclosures/Accountability	33%	31%	28%	32%

Sector Holdings' Ranks				
KPI	2021/Q3	2021/Q4	2022/Q1	2022/Q2
<b>Environment</b>				
Pollution	18%	16%	15%	17%
Transparency	25%	23%	22%	22%
Resource	19%	16%	17%	21%
<b>Social</b>				
Compensation/Satisfaction	26%	25%	31%	31%
Diversity & Rights	28%	28%	22%	22%
Education/Work Conditions	31%	29%	21%	18%
Community & Charity	25%	20%	19%	21%
Human Rights	34%	29%	31%	34%
Sustainability Integration	24%	23%	23%	27%
<b>Governance</b>				
Board Effectiveness	44%	44%	39%	41%
Management Ethics	39%	38%	35%	35%
Disclosures/Accountability	36%	35%	32%	36%

# ESG: Shareholder Engagement:

## Step # 3 Target: Determine Which Companies to Focus on Annual Proxy Season

Manager F's third largest position (Cellnex Telecom) improved 14 percentile ranks in their overall ESG rank relative to the prior year. This was primarily driven by actions they took re: their Social pillar (which rose 22 percentile ranks)

Manager F: POSITIVE SOCIAL IMPACT YEAR OVER YEAR

Manager F													04/01/2022 to 06/30/2022			
Stock Overview			ESG			Environment			Social			Government				
Security Name	ISIN	Holding Size (\$MM)	Broad Market	Sector	Δ vs. Prior Year Sector Rank	Broad Market	Sector	Δ vs. Prior Year Sector Rank	Broad Market	Sector	Δ vs. Prior Year Sector Rank	Broad Market	Sector	Δ vs. Prior Year Sector Rank		
S&P GLOBAL INC	US78409V1044	\$ 32.4	5%	5%	-1%	5%	4%	0%	6%	4%	0%	11%	11%	-1%		
ALPHABET INC CL A	US02079K3059	\$ 27.3	15%	13%	4%	4%	3%	2%	29%	24%	8%	33%	44%	-3%		
CELLNEX TELECOM SA	ES0105066007	\$ 25.5	10%	21%	14%	12%	32%	10%	8%	17%	22%	18%	27%	0%		
AGILENT TECHNOLOGIES INC	US00846J1016	\$ 18.7	7%	3%	-1%	7%	3%	-1%	4%	1%	1%	20%	13%	1%		
ANALOG DEVICES INC	US0826541051	\$ 18.7	28%	26%	5%	29%	20%	-1%	26%	18%	5%	40%	62%	15%		
EQUIFAX INC	US2944291051	\$ 17.7	44%	48%	3%	54%	54%	14%	48%	57%	8%	30%	42%	-15%		
USA INC CLASS A SHARES	US9282638394	\$ 17.6	8%	7%	0%	7%	6%	0%	9%	5%	-2%	15%	15%	0%		
THERMO FISHER SCIENTIFIC INC	US8885561029	\$ 16.9	14%	7%	2%	12%	6%	2%	19%	7%	4%	20%	13%	4%		
AMERICAN TOWER CORP	US08027X1000	\$ 16.8	31%	16%	-1%	39%	20%	1%	28%	12%	0%	35%	43%	-32%		
SWEDISH MATCH AB	SE0000310336	\$ 15.9	15%	29%	1%	13%	19%	-6%	17%	31%	7%	23%	57%	-4%		
INTERCONTINENTAL EXCHANGE INC	US45866F1049	\$ 15.6	19%	9%	2%	28%	15%	7%	15%	6%	1%	24%	21%	-7%		
APPLIED MATERIALS INC	US0882221051	\$ 15.5	7%	6%	-1%	4%	3%	-4%	14%	8%	1%	13%	11%	-1%		
WOLTERS KLUWER	NL0000895908	\$ 15.4	9%	21%	-4%	6%	12%	-3%	13%	27%	2%	16%	35%	-10%		
FIDELITY NATIONAL INFO SERV	US31620M1062	\$ 15.1	28%	14%	-7%	44%	24%	-20%	21%	9%	1%	28%	28%	-39%		
CBRE GROUP INC - A	US1250411098	\$ 14.7	10%	5%	3%	18%	9%	4%	9%	2%	1%	13%	7%	0%		
ZOETIS INC	US98978V1035	\$ 14.0	28%	12%	-1%	31%	12%	-7%	25%	10%	2%	35%	38%	0%		
TENCENT HOLDINGS LTD	KYG875721634	\$ 13.6	25%	22%	0%	12%	10%	0%	34%	30%	4%	46%	70%	-3%		
METAPLATFORMS INC CLASS A	US30808M1027	\$ 13.3	34%	33%	8%	22%	15%	4%	44%	47%	6%	48%	72%	6%		
ECLAB INC	US2788651006	\$ 12.9	5%	8%	-3%	3%	3%	-1%	5%	3%	-6%	14%	24%	1%		
BRUNSWICK CORP	US1170431092	\$ 12.8	24%	18%	-8%	35%	25%	-12%	23%	14%	-5%	20%	18%	-7%		
WILLIS TOWERS WATSON PLC	IE00BDB6Q211	\$ 12.7	32%	17%	8%	30%	16%	8%	38%	20%	10%	34%	40%	1%		

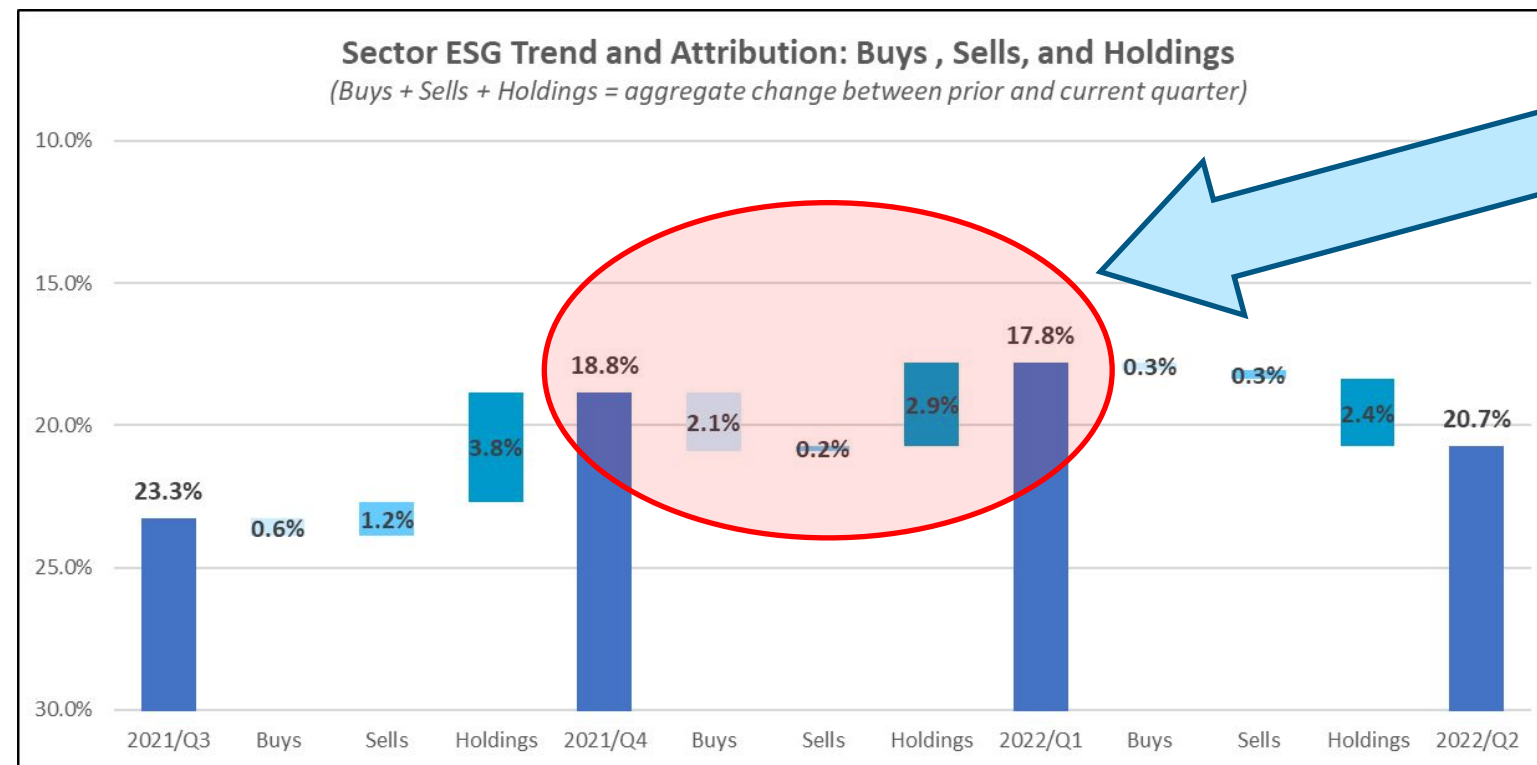
Manager F: NEGATIVE GOVERNANCE YEAR OVER YEAR

Manager F's Governance Ranking fell out of the Top Quartile Sector rank relative to the prior year. This was primarily driven by Equifax (-15%), American Tower Co. (-32%) and Fidelity National (-39%) YOY

# ESG: Shareholder Engagement

## Step # 4 Track: Shareholder Engagement Performance

### Manager A



Manager A's Q1 ESG rating improved 1% vs Q4

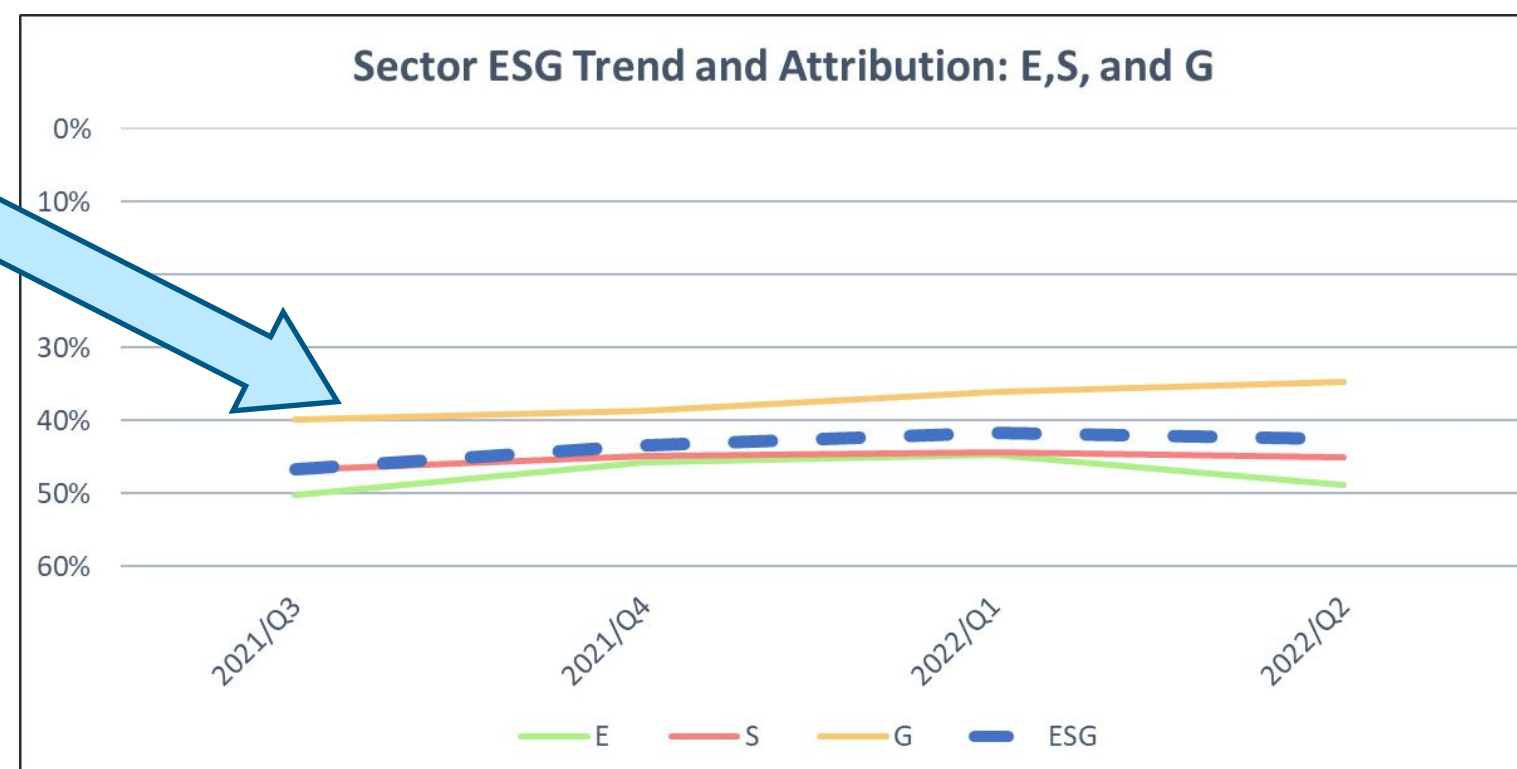
The improvement was due to static holdings, not Manager A's buy/sell decisions.

In other words, changes due to intentional company efforts and/or manager interactions took place.

Manager B's static holdings remained fairly constant, but their buys (new companies in the portfolio) contributed to better overall ESG ratings each quarter.

	Sector							
	2021/Q3		2021/Q4		2022/Q1		2022/Q2	
	Value (MM)	ESG Rank	Value (MM)	ESG Rank	Value (MM)	ESG Rank	Value (MM)	ESG Rank
Quarter-End Holdings	\$ 124	44%	\$ 136	44%	\$ 127	43%	\$ 110	42%
Buys	\$ 12	40%	\$ 10	38%	\$ 12	40%	\$ 12	37%
Sells	\$ 14	44%	\$ 11	55%	\$ 13	40%	\$ 11	50%
Static Holdings	\$ 112	44%	\$ 126	45%	\$ 115	43%	\$ 99	42%

Manager B's best pillar is **Governance**, which steadily improved over time.



# Client XYZ Shareholder Engagement:

## Effective Process Summary

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1. Identify Each Managers ESG & E-S-G Trends Year Over Year:  
*Are your ranks within range and what is YOY performance?*
2. What Key Performance Indicators within each E-S-G Silo are impacting your portfolios Ranks?  
*Are they material to your Fund?*
3. Based on the KPI Ranks, as Shareholders, review the Companies (Holdings) pushing materially important factors to your Fund and target them for follow up and engagement.
4. Track Steps 1-3 Quarter over Quarter for Improvements in each of Your Funds!