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# Point of No Returns Part V – Leading Practice

A leading practice checklist

**ShareAction»**

# Acknowledgements

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## About ShareAction

ShareAction is a non-profit working to build a global investment sector which is responsible for its impacts on people and planet. We mobilise investors to take action to improve labour standards, tackle the climate crisis, and address pressing global health issues, such as childhood obesity. Over the last 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. We want a future where all finance powers social progress.

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# A leading practice checklist

This checklist reflects what ShareAction observes to be current leading responsible investment practice in the mainstream asset management industry.

Asset managers are encouraged to use this checklist to align their approaches with leading practice. Asset owners and their advisers can use this checklist in their engagements with asset managers.

## Responsible investment governance

### Rethinking 'responsible' investment

- Adverse and positive impacts of investments on society are assessed
- Impacts of investments on society are integrated into investment decision-making

### Accountability

- Accountability for responsible investment is clearly embedded at both board and senior executive levels
- Accountability structures on responsible investment are publicly disclosed

### Training

Training on responsible investment topics is established and disclosed. Specifically, training:

- Is mandatory for relevant staff, including board members
- Occurs at frequent intervals
- Leverages external expertise
- Covers asset classes beyond public equity

### Financial incentives

- Responsible investment is integrated in remuneration policies
- Responsible investment objectives are linked to real-world impact

### Voting transparency

- Voting decisions are published as soon as possible after meetings in an online, searchable, user-friendly format
- Rationales for voting decisions on controversial and key ESG-related resolutions are publicly available
- Voting intentions for key ESG-related resolutions are pre-declared ahead of the meeting

## Voting policies

- Voting policy clearly outlines positions and commitments on ESG topics, including but not limited to climate change, human rights, and biodiversity
- Voting policy includes commitments to vote against relevant management-proposed resolutions for ESG-related concerns
- Voting policy includes a presumption in favour of voting for independent ESG-related resolutions

## ESG engagement transparency

Public reporting on ESG-related company engagement includes the following key elements:

- A comprehensive list of companies engaged with during the reporting period and the topics of engagement
- Case studies of key ESG engagements, including details of objectives, targets, outcomes, and next steps
- Details of progress of engagements
- Real-world outcomes resulting from ESG-related engagement activities
- Contribution and activity relating to collaborative initiatives
- Details of engagement activities in asset classes beyond listed equity

## Escalation strategy

Escalation strategy is publicly available and:

- Outlines the steps taken in cases of unsuccessful engagements
- Provides timelines and/or triggers for escalation
- Is integrated into wider stewardship reporting

# Climate change

## Firm-level policies and commitments

### Fossil fuel exclusion policies

- Total exit from coal by 2030 in OECD countries and 2040 worldwide
- Requirement for investee companies to publish coal exit plans by 2030 in OECD countries and 2040 worldwide
- Companies developing new coal mines and power plants are excluded
- Relative and absolute exclusion criteria are aligned with the 2017-2019 GCEL methodology
- Companies generating up to 10 per cent of revenue from tar sands are excluded
- Companies generating up to 20 per cent of revenue from tar sands transportation are excluded
- Principles of a Just Transition are included
- List of excluded companies is published

### Portfolio decarbonisation commitments

- Commitment to net-zero emissions across all assets under management by 2050 at the latest
- Interim targets for emissions reductions for 2030 at the latest are set

- Scope 1, 2, and, where material, 3 portfolio emissions are taken into account
- Emissions pathways are consistent with the IPCC special report on global warming of 1.5°C

### **Voting policies and commitments**

- Commitment to vote against directors at climate laggard companies
- Commitment to support lobbying-related shareholder resolutions
- Commitment to support shareholder resolutions that call for the disclosure and management of greenhouse gas emissions

### **Thematic engagement programmes**

- Engagement strategically targets high-impact topics and sectors
- Engagement has clearly defined timelines
- Engagement has clearly defined expectations
- Engagement is linked to voting and/or asset allocation
- Engagement objectives are aligned with the goals of the Paris Agreement
- Engagement progress is transparently disclosed

### **TCFD disclosure**

- Comprehensive and detailed disclosure across the four pillars
- Clear link to changes in investment and engagement across asset classes
- Disclosure of results of scenario analysis at portfolio- and asset class- level against range of scenarios

## **Human and labour rights**

### **Firm-level policies and commitments**

- Controversial weapons are excluded, and relevant treaties and list of excluded companies/countries are disclosed
- Relevant international frameworks are referenced, including how they apply to ESG integration or negative screening
- Salient human rights risks are recognised within proactive due diligence
- Human and labour rights are linked to engagement and voting behaviour
- Promotion of access to remedy

### **Voting policies and commitments**

- Commitment to vote against directors at human and labour rights laggard companies
- Relevant international frameworks are referenced
- Commitment to support shareholder proposals relating to human and labour rights

## Thematic engagement programmes

- Engagement strategically targets high-impact topics and sectors
- Engagement has clearly defined expectations
- Engagement is linked to voting and/or asset allocation.
- Engagement objectives reference relevant international frameworks
- Key contributor to relevant collaborative initiatives
- Engagement progress is transparently disclosed

## Biodiversity

### Firm-level policies and commitments

- Biodiversity-related exclusion criteria apply to the entire investment universe
- Portfolio target of no net biodiversity loss by 2030 is set
- Portfolio targets on biodiversity-related topics are set
- Commitment to annually reporting the significant positive and negative contribution to global biodiversity goals linked to financing activities and investments in portfolios

### Voting policies and commitments

- Commitment to support shareholder resolutions relating to the disclosure and management of environmental impacts of company operations

### Thematic engagement programmes

- Engagement strategically targets high-impact topics and sectors
- Engagement has clearly defined timelines
- Engagement has clearly defined expectations
- Engagement is linked to voting and/or asset allocation

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