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POWER WORKSHEETS***



WORKSHEET:

Proxy Guidelines “Strength-Gauge” Checklist

***How strong is the pension system’s proxy and engagement?
Use this checklist to find out:***

- Investment Policy recognizes the systemic risk of climate
- Includes guiding principles for stewardship to address systemic climate risk. (For example, if the pension fund prioritizes ESG issues, they may develop principles that prioritize companies with strong ESG practices or that are working to improve their ESG performance.)
- Guidelines include specific voting direction that the fund may/will vote out directors of companies that fail to align their business practices consistent with 1.5 C degree warming
- Guidelines include specific criteria that the fund will vote for resolutions calling on companies to disclose their climate emissions, transition plans, and lobbying activities.
- Due diligence policies for hiring external managers, which include climate risk policies that align with those adopted by the fund and report on their performance.
- Fund conducts an annual assessment of proxy votes, benchmarked against proxy guidelines and stewardship beliefs.
- Campaign and proxy performance reports are publicly accessible and shared with trustees and beneficiaries.
- Guidelines clearly define ESG-related issues to address through proxy voting, including climate risk– and state the intersection between the impact of climate, racial and economic equity, and governance practices (i.e. racial and gender board diversity, fair compensation, labor standards).

WORKSHEET FOR TRUSTEES: How to Raise the Bar for Stronger Corporate Engagement (Page 1 of 3)

As trustees who hold the fiduciary responsibility to protect the long-term health of worker retirement funds and represent the public workers and retirees' needs, you have a unique role to play in pushing proxy guidance review and enhancements. You have a powerful voice at the table and an opportunity to ask important questions that ensure material risks are appropriately addressed.

To build clarity, transparency, and confidence in the fund, a pension system should share regular, publicly accessible reports on voting policy, engagement plans, and vote performance— benchmarked against its guidelines and stewardship beliefs. This is something trustees are well suited to raise as key stakeholders who have a role in ensuring the fund is addressing risks to the fund, including climate risk.

FIVE QUESTIONS TO BEGIN THE PROCESS OF DISCOVERY:

1. How much of our fund is managed internally, that is by staff of the fund?
2. How much of the fund is managed by other outside asset managers?
3. What is the name of those companies, how much of the fund's assets do they manage, and what types of assets does each external manager manage?
4. Do our outside managers of public equities-- where proxy voting is an issue-- vote "our" proxies? (For example, are they voting the proxy votes that are attached to the pension fund's investments they manage.) Or do we employ proxy voting services—for example ISS and Glass Lewis—directly to handle the pension fund's proxy voting?
5. How do the pension fund's external managers decide their proxy voting?
 - a. Have we provided our own proxy voting guidelines to the managers? How clear are we about expectations to follow our guidance? (For example, do we leave discretion to the manager to vote according to their guidelines?)
 - b. Do they vote according to our pension fund's proxy voting policies, or their own proxy voting policies?

WORKSHEET FOR TRUSTEES: *Prompts to Gauge Effectiveness of Proxy Guidelines and Performance (Page 2 of 3)*

- 01** *How frequently and when does the fund review proxy and stewardship policies? What in this process will make proxy policies around environmental and social risks more robust?*
- 02** *Do our policies acknowledge the systemic risk that climate change poses to our investments?*
- 03** *How are our asset managers voting on climate change-related proposals? Is this information disclosed transparently?*
- 04** *What criteria are we using to select staff and/or consultants managing our asset allocations and proxy voting? And who has a say in that?*
- 05** *What are the strategies our pension system is willing to engage in to ensure that engagement is productive and not window-dressing?*
- 06** *How will our pension system use its proxy voting power to create accountability for portfolio companies?*
- 07** *How will our pension system ensure engagement is robust and includes accountability when companies fail to act? What are the guidelines the system can set to ensure it uses shareholder power as a catalyst for change to a low-carbon economy?*
- 08** *Are there networks or resources we should use to augment our capacity and influence in stewardship? Have we researched leading practices for proxy voting by peer pension systems to help identify key issues and approaches?*

OPPORTUNE MOMENTS TO RAISE THESE QUESTIONS:

- Board strategy retreat
- Setting agenda for audit/investment committee
- Ahead of hiring staff or consultants
- During asset or engagement performance reviews
- Onboarding new trustees or staff

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FOUR EXPECTATIONS TRUSTEES CAN CALL ON THEIR FUND TO HAVE ON PROXY VOTING:

- **Research the landscape.** It's important to research leading practices for proxy voting guidelines, such as those developed by peers. This can help identify key issues and approaches that may be relevant to the pension fund.
- **Define key issues.** The pension fund should define key ESG-related issues to address through proxy voting, including on climate risk.
- **Develop guiding principles.** Based on the pension fund's values and objectives, they should develop guiding principles that will inform their voting decisions on each issue. For example, if the pension fund prioritizes ESG issues, they may develop principles that prioritize companies with strong ESG practices or that are working to improve their ESG performance.
- **Monitor and review.** The pension fund should regularly monitor and review the voting outcomes based on their proxy voting guidelines. This ensures these guidelines remain aligned with their values and objectives and to make any necessary updates or revisions.

HOW TO TRACK DOWN A PROXY VOTING RECORD:

ISS and Glass Lewis provide voting recommendations for both management and shareholder proposals and provide proxy voting services. Other proxy voting platforms include Broadridge. Contact the proxy advisor or voting provider to obtain reports on voting activities for all managers.



Thank you for exploring Know Your Shareholder Power, Part Two of **Investing in Our Future: A Guide for Climate-Conscious Pension Strategies**.

What to do Next:

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[Part Three: The Power of Investment](#)

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Climate Finance Action (CFA) is a women-led, 501(C)3 non-profit organization equipping stakeholders and decision-makers to leverage the transformative power of publicly-held capital for real-world climate solutions to ensure a just transition to an inclusive economy in favor of people and the planet.