Is Shareholder Engagement Adding Value?

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(based on project “coordinated engagement” coauthored with Elroy Dimson and Oğuzhan Karakaş)

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Research Questions

What are the best practices for impactful coordinated engagements?

• Which firms are targeted?
• What determines success?
• What are the impacts of engagement?
Methodology

1. Quantitative data analysis
   • 31 PRI-coordinated projects over 2007-2017
   • 4 areas: environmental, social, governance, UNGC

2. Global engagements
   • 1,671 dialogues with target companies
   • Targeting 964 listed firms in 63 countries

3. International involvement
   • 225 investors from 24 countries
   • Asset owners, investment managers, service providers

4. Extensive additional data from commercial databases
Main Findings

1. Which firms are targeted?
   - Top countries: U.S., France, U.K.
   - Industries: Manufacture, infrastructure, wholesale/retail
   - Large target companies with high institutional ownership

2. What determines success?
   - Having a lead investor, especially a local lead
   - Having more influential investors
   - Having foreign investors on board

3. What are the impacts of successful engagements?
   - Higher average profitability (ROA) of target
   - Increased lead-investor shareholding in target
Impact of successful engagements

![Bar chart showing change in ROA relative to pre-engagement for successful and unsuccessful engagements across years.](chart.png)
Impact of successful engagements (cont’d)

Change in lead investor shareholdings ($b) relative to pre-engagement

- Year+1
- Year+2
- Year+3
- Year+4

Unsuccessful Successful
Recommendations

1. Follow engagement practices associated with success
   • Select lead investor from same location as target
   • Lead should have high AUM and big holding in target

2. Select supporting investors to broaden influence
   • Seek supporters from foreign countries
   • Preferably with high AUM and large holding in target

3. Engage with firms where success is more probable
   • Targets should have high institutional ownership
   • Prioritise firms with broad institutional ownership