

Is Shareholder Engagement Adding Value?

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(based on project “coordinated engagement” coauthored
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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

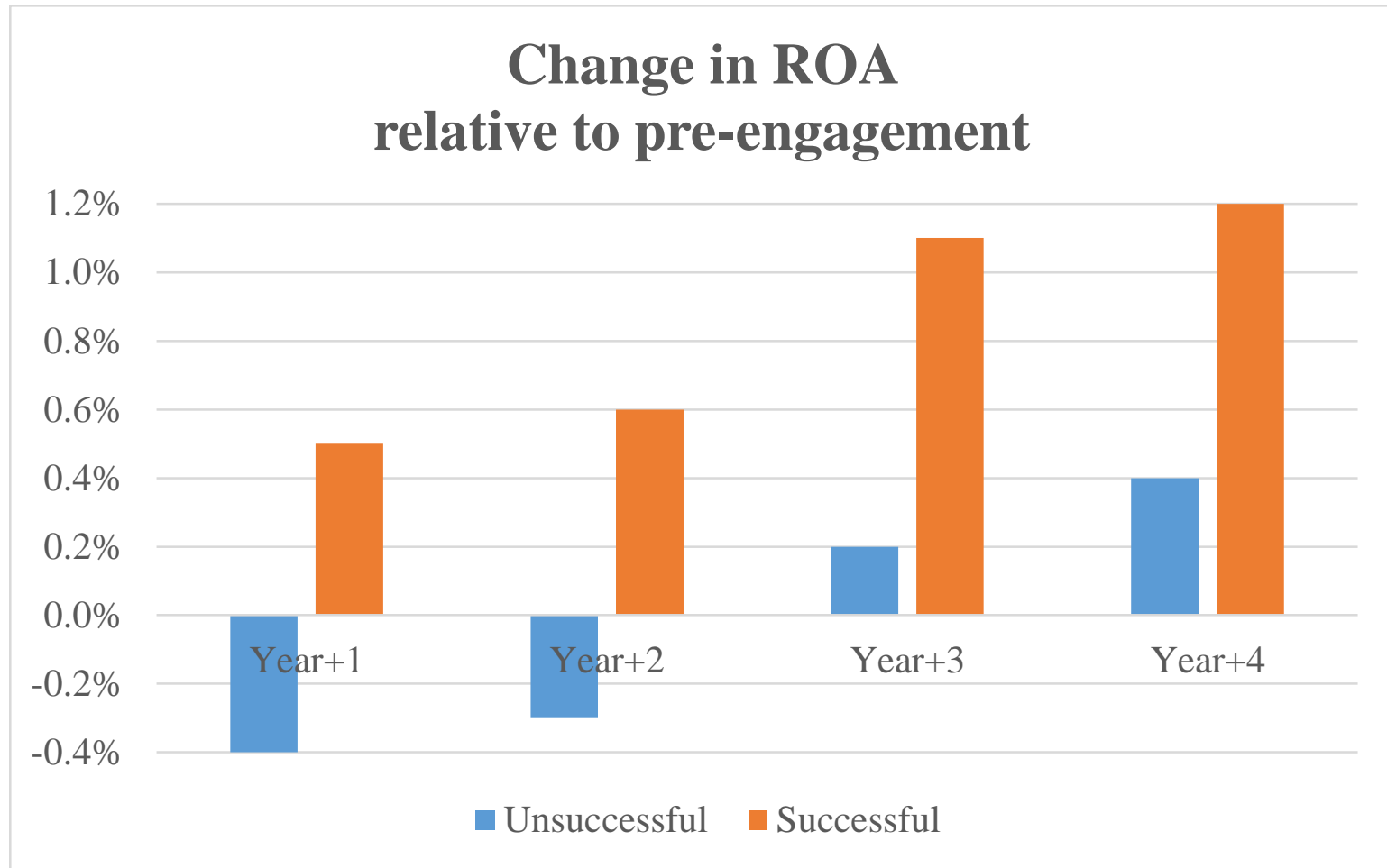
2. What determines success?

- Having a lead investor, especially a local lead
- Having more influential investors
- Having foreign investors on board

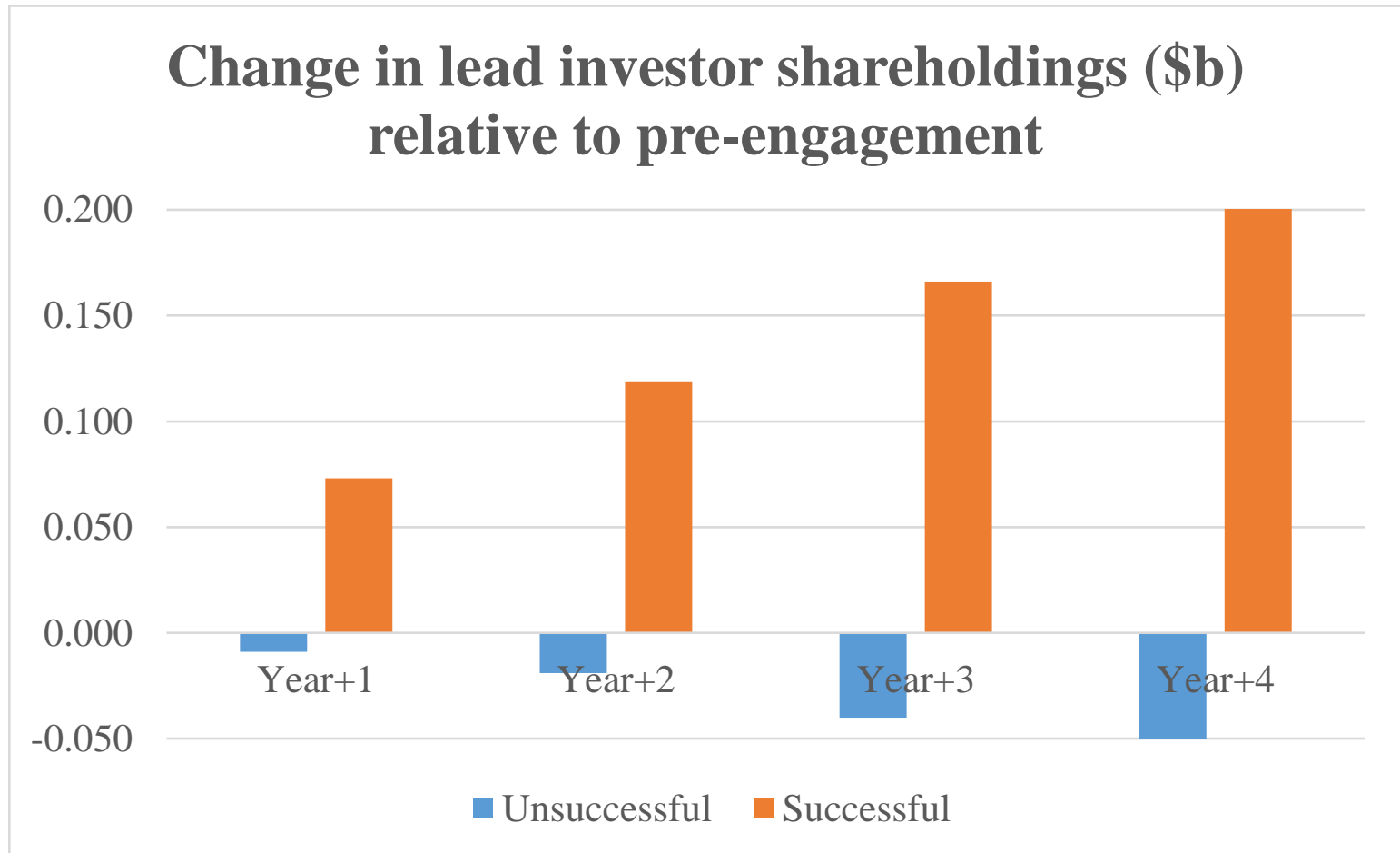
3. What are the impacts of successful engagements?

- Higher average profitability (ROA) of target
- Increased lead-investor shareholding in target

Impact of successful engagements



Impact of successful engagements (cont'd)



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