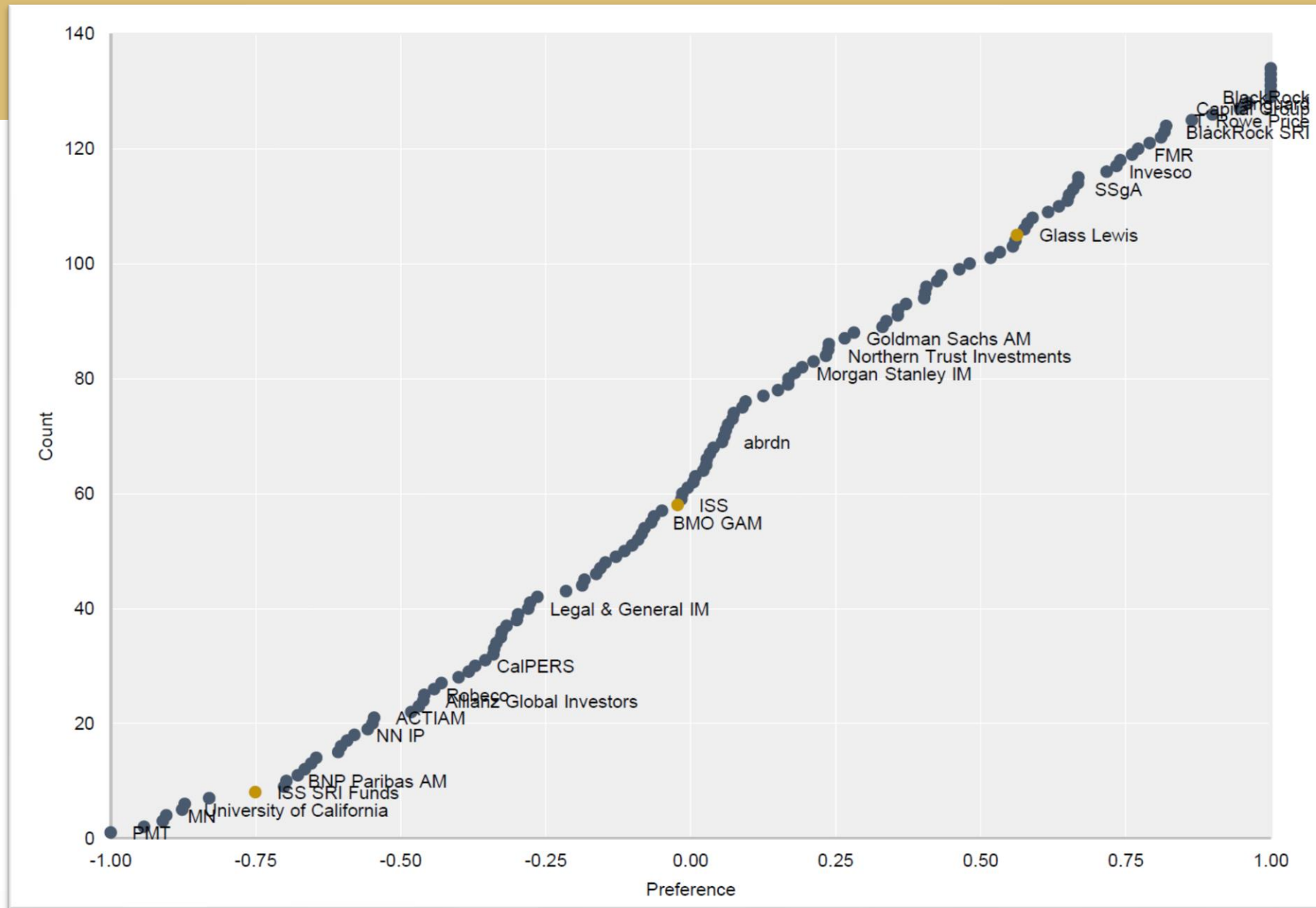


Introduction

- Large focus on ESG in research and practice;
- Investors claim to foster sustainability in investee companies;
- But important doubts whether they ‘walk the talk’, particularly including Big Three (incl. Bebchuk and Hirst, 2022; Brandon et al., 2022);
- International and investor types differences (Sievänen et al., 2013; Duuren et al., 2016; Dyck et al., 2019).

→ *European (including Dutch) investors seem to be acting more sustainable*
(ShareAction, 2022; Lafarre, 2022)



Lafarre (2022), Do Institutional Investors Vote Responsibly?, available on SSRN. *Model 1 plotted, Insightia data*

Existing sentiment (mostly 'Type B', Roe (2022))

Existing sentiment results from past shareholder activism cases:

- HR ABN Amro
- HR Stork
- HR Cancun
- OK AkzoNobel
- HR Boskalis/Fugro

Long-term value creation, protection of the company [board] against 'short-termism' of activist shareholders, law and contract (Winter et al., 2020; EY, 2020)

→ *The Dutch model cannot explain the behavior of shareholders (Hart and Zingales, 2022)?*

→ *Europe recognizes the potential of shareholders with SRDII, SFDR, MiFID II etc.*

Example: Shareholder ESG proposals

- Restricted in Europe (Cools, 2023);
 - Including the Netherlands (HR Boskalis/Fugro), not even advisory shareholder right.

But can be a useful tool:

- Before: gadflies, not effective (Gantchev and Giannetti, 2021)
- Now: shareholder proposals can have impact (Lee and Lounsbury, 2011; Bauer et al, 2015; Grewal et al., 2016; Flammer et al., 2021; Bauer et al., 2022).

Anecdotal evidence from practice:

- *Shell 2021 AGM: 30% in favor*
- *TotalEnergies 2023 AGM: 30% in favor*

TotalEnergies suffers investor revolt over climate goals

Over 30% back activist motion against French oil group at annual meeting as police use tear gas against protesters

Many problems, some of them

Shell 2021 and 2022 AGM: 'only' 20% in favor

1. Ownership Big 3 and others;
2. Divestments decrease the presence of green shareholders;
3. EU asset managers seem to become more constraint
 - *US: anti-ESG campaigns and laws*
 - *Big Three, but also seems to affect large European asset managers: NZIA*

NZIA example

"We must wonder whether their ditching of the alliance has more to do with fears of losing business in the U.S. than real legal jeopardy," said Patrick McCully, senior analyst at campaign group Reclaim Finance. (Reuter, 26 May 2023)

Insurers flee climate alliance after ESG backlash in the U.S.

By Tommy Wilkes ▾, Alexander Hübner ▾ and Tom Sims ▾

May 26, 2023 11:02 AM GMT+2 · Updated 4 days ago



Some thoughts

- Investor-led sustainability will definitely not solve all sustainability problems;
 - Board autonomy is key (shareholders do not have the knowledge (Paccès, 2023));
 - Focus on ESG transparency.
-
- But: Dutch legislator and other legislators in EU MS can take the role of shareholders more seriously;
 - No misplaced use of the 'short-termism' argument.
- Board autonomy, but shareholders may be able to set broader lines and boundaries for sustainability issues using their tools. For instance (following Hart and Zingales, 2022):
- Board identifies material ESG issues (CSRD) [in AoA]
 - Shareholders can put advisory proposals on the agenda regarding these matters.
 - Concentrated ownership structures: attract funding from institutional investors (Paccès, 2023).