

# Collaborative investor engagement with policymakers: Changing the rules of the game?

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**23 June 2023**

# A new form of ESG investor strategy

[Home/Engagement](#)/BKC and SfC engage Namibia on biological weapons

## *BKC and SfC engage Namibia on biological weapons*

By [ffe](#) on March 4, 2020 (updated March 3, 2020)

## PRI pushes Australia for better sustainable finance regulation

[ESG Clarity](#), 12 Sep 2022

## Investors warn Brazil to stop Amazon destruction

Firms say surging deforestation raises 'widespread uncertainties' about investments

[Financial Times](#), 23 June 2020

## Sovereign engagement: The next frontier for fixed-income investors?

*Net-zero commitments are prompting asset managers and owners to address the climate implications of investing in government debt.*

[Responsible Investor](#), 17 Aug 2022

## Trillion-dollar investors warn Brazil over 'dismantling' of environmental policies

**Letter signed by 29 organisations, including the Church of England, states financial institutions have a duty to tackle climate change**

[The Guardian](#), 23 June 2020

# A new form of ESG investor strategy

Increasing number of collaborative investor initiatives engaging with government entities to change public policy.



**Investors Policy Dialogue on Deforestation (IPDD)** engaging with the Brazilian government asking for reduction in deforestation rates.



**Shareholders for Change (SfC)** engaged with Namibia to persuade the country to join the UN Biological Weapons Convention.



**The Investor Agenda** engaged with the Australian Treasurer and the Reserve Bank of Australia Governor to ask for mandatory disclosure aligned with the TCFD.

- Existing literature on **investor corporate engagement** and **policy engagement** by other stakeholders, such as churches, companies, think tanks, the media and NGOs.
  - Success factors: personal links with policymakers, advocacy skills.
- **BUT:** in the academic literature, little focuses on engagement with policymakers.
- The universal ownership theory suggests that institutional investors are interested in engaging with policymakers to mitigate the **systematic risks** of their own portfolios.

**Research question: What drives institutional investors to engage with sovereign entities on ESG issues? And what are the main challenges?**

- **11 case studies** on investor policy engagement were selected
- **Analysis of documents:** reports on the engagement initiatives; reports from investor associations; web sites of investors and investor coalitions; investor engagement policies.
- **Content analysis** using Atlas T.I. based on investor motivations (188 quotations coded)
- **Semi-structured interviews** with investors and investor associations (*in progress, 6 so far*)

# Case studies

Engagement initiative	Launch year	Coalition	AUM	Targeted country
Investor Policy Dialogue on Deforestation (IPDD)	2020	67 investors from 19 countries (for the IPDD initiatives)	US\$ 10 trillion	Brazil (case 1)
	2021			Indonesia (case 2)
Shareholders for Change (SfC)	2018	13 investors from Germany, France, Italy, Spain and Austria	€30bn	Namibia (case 3)
BKC + group of Catholic investors	2021	Group of Catholic investors	NA	Brazil (case 4)
Collaborative Sovereign Engagement on Climate Change	2022	PRI signatories	Open for new members	Australia (case 5)

# Case studies

Engagement initiative	Launch year	Coalition	AUM	Targeted country
The Investor Agenda	2021 and 2022	PRI, AIGCC, CDP	NA	Japan (case 6)
	2021 and 2022	IIGCC, PRI, AIGCC, CDP, Ceres, IGCC	AUS 100 trillion	Australia (case 7)
	2020, 2021 and 2022	CDP, Ceres and PRI	NA	EU institutions (case 8)
	2021 and 2022	CDP, Ceres and PRI	NA	US (case 9)
	2021	IIGCC, PRI, AIGCC, CDP, Ceres, IGCC, UNEP FI and over 700 signatories	US\$ 52 trillion	Group of governments before COP26 (case 10)
	2022	IIGCC, PRI, AIGCC, CDP, Ceres, IGCC, UNEP FI and over 600 signatories	US\$ 42 trillion	Group of governments before COP27 (case 11)

**Research proposition 1:** Investors engage in public policy to comply with their **fiduciary duty**.

**Research proposition 2:** Investors engage in public policy to **manage investment risks**.

- Corporate disclosure
- Sovereign risks
- Market, reputational and regulatory risks of investee companies
- Systemic risks



**Research proposition 3:** Investors engage in public policy to create an **enabling environment** for sustainable investments

- Allow investors to seize investment opportunities
- Creating a level playing field that rewards companies and investors for higher levels of social and environmental performance.

**Research proposition 4:** Values-based investors engage in public policy for **ethical reasons**.

# Research findings - challenges

1. Investor understanding of public policy
2. Wary of not compromising relationships with government
3. Changes in government
4. Cultural differences
5. Steps for escalation
6. Formulating engagement asks
7. Staff and financial resource, and time constraints

- Analyses **sovereign engagement** as new form of investor activism;
- Identifies a **new stakeholder influencing public policy** that has **not been the focus of academic research** so far.
- **Offers insights to governments on the demands of the investment community**, providing inputs on how sovereign entities can attract private investments to achieve their national climate and SDG commitments.

# Thank you!

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Paper available at:  
[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=4485912](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4485912)

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