

## Key Takeaways

Morgan Stanley Investment Management (MSIM) which manages over USD 1.4 trillion AUM (March 31, 2022) published its semi-annual report in June 2022. The report provides details of MSIM’s 2021 engagement and proxy voting activity: **51% of all engagements by MSIM included ESG-related discussions in 2021**; MSIM voted against management on at least one resolution at 62% of the meetings; and 6% of the votes cast by MSIM went against ISS recommendations.

MSIM engaged with 94% of the companies it holds across all strategies in 2021. Its engagement is holistic and considers long term material E, S, and G issues for each company.

### Engagement Priorities and 2022 Outlook

MSIM engaged with portfolio companies on a range of ESG issues in 2021, including decarbonization, biodiversity, circular economy, executive pay, and supply chain management. Through 2021, 143 out of 280 of MSIM’s engagements included ESG themes. MSIM typically engages with companies on more than one topic in a meeting (see Figure 1). Based on previous engagement patterns, MSIM’s 2022 engagement priorities are likely to focus on the following factors:

#### Environmental

- Reduction of Scope 1 and 2 greenhouse gas emission
- Creation of science-based targets, alignment with climate reporting framework (TCFD) and Paris Agreement

#### Social

- Establishment of supply chain audits, action towards possible circular economy products
- Reporting on D&I targets. If targets are missed, explanation of why and establishment of an action plan to achieve them
- Disclosure of EEO-1 representation data. Explanation if not provided. Encourage ethnic diversity

#### Governance

- Align board and executive compensation to long term performance targets, with several of these targets being ESG KPIs

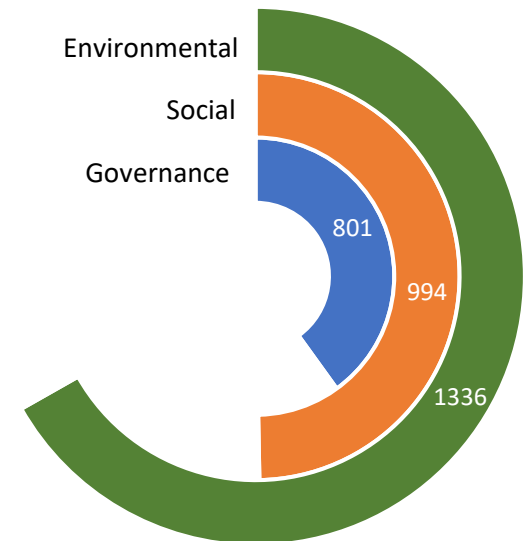


Figure 1 Engagement topics –  
Breakdown by theme for FY 2021



# Morgan Stanley Investment Management

## Spring 2022 Engagement Report

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#### Proxy Voting Overview

During 2021, MSIM voted on 1412 proposals (99% of all proposals). Common reasons for voting against management are listed in the table.

Issue	Action	Rationale
<b>Compensation</b>	MSIM voted on 161 say-on-pay proposals in 2021, with 29% of votes cast against management	MSIM cited excessive levels of pay, insufficient levels of pay, insufficient weight of performance-based remuneration, subjective or undisclosed targets for management, or performance incentives that are not aligned with shareholders as reasons for voting against management on say-on-pay proposals
<b>Election of directors</b>	MSIM voted against 23 directors in 2021	MSIM voted against members of nomination committee when it was concerned about board and company diversity, and against director candidates when there were concerns over their independence
<b>Shareholder ESG proposals</b>	MSIM voted in support of 56% of ESG related shareholder proposals in 2021	MSIM considers social and environmental shareholder proposals on a case-by-case basis by determining relevance of the issues raised and their likely impacts

#### What ZMH Can Do for You

*Our Proprietary ESG Engagement Dashboard™ allows you to leverage technology and data to optimize your shareholder interactions.*

Know what could be asked during an engagement

Stay up to date on investor's ESG priorities

Access to 1000+ case studies & detailed analysis

Understand how investors will vote on your ballot

Gain access to 7M NPX voting records & governance policies

Contact information & key players at each firm

**CONTACT US TO SCHEDULE A DEMO**

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