

BRIGHTLIGHT

Screening & Engagement Services

# Engagement Report

## 2023 in Review

January 2024

**Prepared by:**

Jolyon Smith, Associate - Investment Advisory

Edmund Ing, Analyst - Investment Advisory

## Annual Reflection

The inaugural year of our engagement program has been a great success, as we help faith-based investors to express their values with the companies in which they are invested.

This year, we have commenced 113 engagements with 92 companies, on 60 different issues. This included written dialogues, in-person meetings with company representatives, and multilateral investor statements. Most of these engagements were conducted unilaterally (102), while 11 engagements were conducted in collaboration with other investors. Most engagements were undertaken through written formats.

Child labor, forced labor, and other labor rights issues were prominent themes in our discussions with companies, as we sought to identify and advocate for best practice in addressing these issues – not just by managing risks, but also in contributing to solutions that address the underlying causes of these issues. We also engaged frequently on issues of human rights abuses and environmental destruction, holding companies to account for the impact they have on both society and creation.

It is difficult to attribute change to Brightlight’s engagement efforts alone; however, as investors we all play an important role in contributing to the chorus of voices calling for companies to support positive change. As investors, we do so through the lens of promoting long-term shareholder value. We engage on issues that promote positive outcomes not only for the company but for human flourishing. In reflecting on the outcomes achieved by our engagements in 2023, it is encouraging to see that 19.5% of engagements saw companies committing to and taking positive action.<sup>1</sup> Additionally, it was good to see that in 15% of engagements, companies were able to demonstrate that they were already comprehensively addressing the issue in question. While about a quarter of engagements failed to receive a response from companies, we are hopeful that these outreaches still send a message to these companies that investors are wanting to see them operate in a responsible manner. As the volume of assets represented by Brightlight in these engagements continues to grow, we anticipate that company responsiveness will improve.

We would like to thank our clients for trusting Brightlight to represent you in these engagements for 2023, and to encourage you with some words from the apostle Paul in Galatians 6:9-10 (NIV).

“Let us not become weary in doing good, for at the proper time we will reap a harvest if we do not give up. Therefore, as we have opportunity, let us do good to all people, especially to those who belong to the family of believers”.

Looking ahead to 2024, we will continue to focus on how companies are seeking to ensure that all workers are treated with dignity, from employees to subcontractors to those in the supply chain. We are also looking to focus on companies operating in countries run by oppressive regimes, and how they are managing the risk of supporting these regimes, as well as holding to companies to account on any negative impacts of their operations on people and creation, especially the most vulnerable. Given that we saw much more positive outcomes from meeting with companies than just writing to them, we will seek to engage in more relational forms of dialogue much more, where possible.

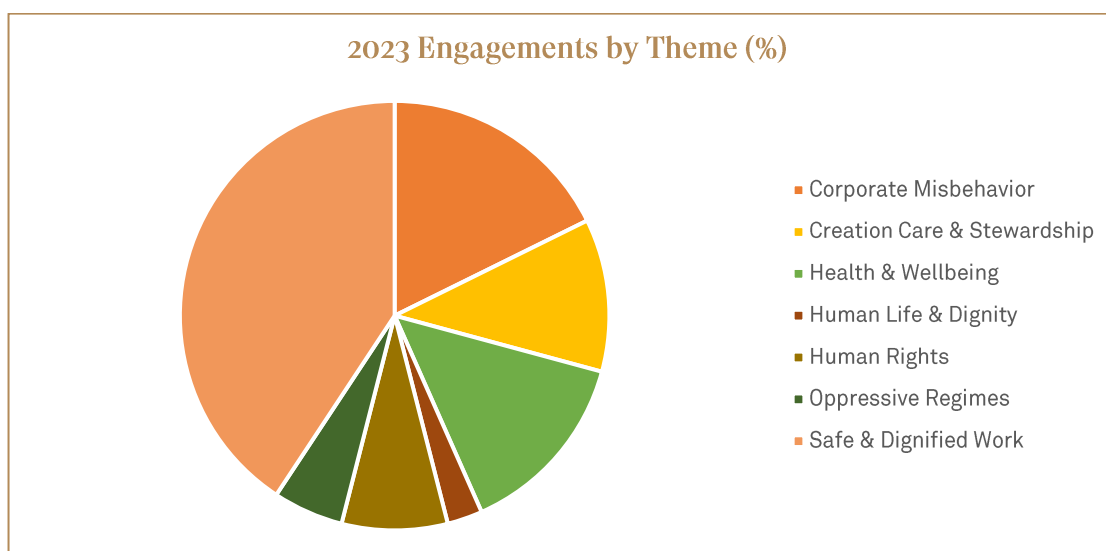
---

<sup>1</sup> This number includes both “Positive – Positive Steps Taken” and “Neutral – Positive Commitments Made” outcome ratings.

## Engagement Statistics

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Since Inception <sup>2</sup>
<b>Number of Issues Engaged</b>	14	18	14	14	79
<b>Number of Companies Engaged</b>	23	31	33	26	155 <sup>3</sup>

2023 Engagement Outcome Ratings <sup>4</sup>							
Format	Positive – No Action Required	Positive – Positive Steps Taken	Neutral – Steps Taken, More Needed	Neutral – Positive Commitments Made	Negative – Poor Response	Negative – No Response	Ongoing
<b>All formats</b>	<b>14.2%</b>	<b>14.2%</b>	<b>14.2%</b>	<b>5.3%</b>	<b>8.8%</b>	<b>27.4%</b>	<b>15.9%</b>
Email	11.7%	14.9%	12.8%	5.3%	9.6%	30.9%	14.9%
Meeting	40.0%	20.0%	30.0%	10.0%	0.0%	0.0%	0.0%
Letter	0.0%	0.0%	0.0%	0.0%	14.3%	28.6%	57.1%
Investor Statement	50.0%	0.0%	50.0%	0.0%	0.0%	0.0%	0.0%

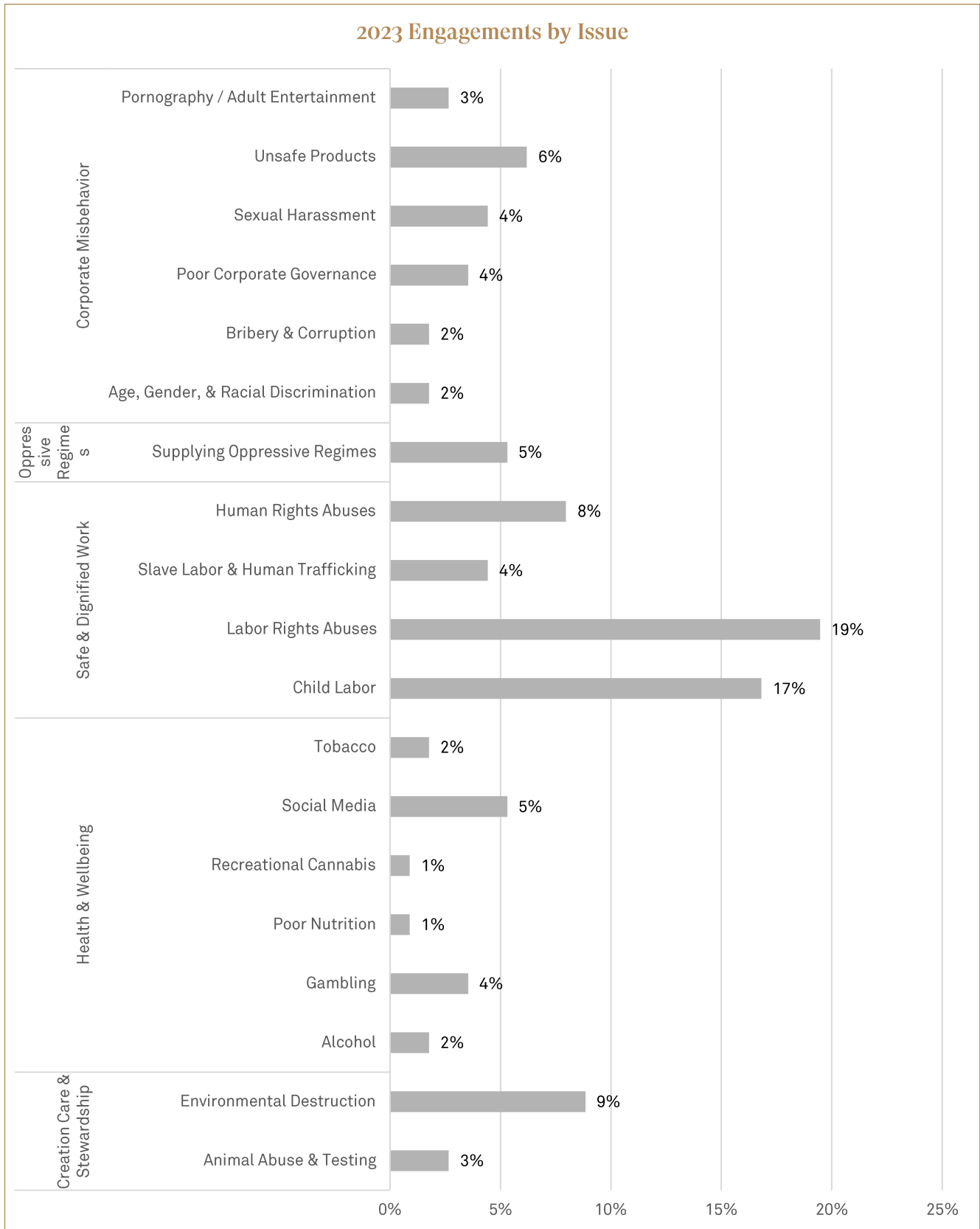


The ethical issues that Brightlight engages companies on are broadly categorized into the key themes above.

<sup>2</sup> October 2022

<sup>3</sup> Some companies have been engaged more than once; there have been 155 total engagements to 121 unique companies.

<sup>4</sup> See Appendix B for definitions of these outcome ratings.



The engagements initiated this year have been categorized into the specific issues listed above.

# Appendix A - Engagement Approach

Brightlight engages with companies held by our clients with the goal of promoting human flourishing and improving long-term shareholder value. We have a track record of working with companies to identify ways in which they can express their corporate values, improve long-term shareholder value, and promote the dignity and wellbeing of employees, customers, supply chain participants and society.

Since we began our engagement program in October 2022, we have engaged with **121** companies.

Our values-based rationale for investing articulates foundational principles that govern the way we engage with companies:

- **Core business** – we consider the core business of companies to be the important point of engagement and will engage on topics that are of relevance to a company’s business operations.
- **Promoting Profitability** – we seek the flourishing of the companies in which our clients invest; our engagement should support outcomes that are in the long-term interests of shareholders.
- **Flourishing People** – we care about and advocate for the dignity of all people – customers, employees, and others across all parts of a company’s value and supply chain.
- **Forward Looking** – we engage on past mistakes or current problems without fixating on them, ensuring that engagement is future action oriented.
- **Clear Actions** – we provide concrete and reasonable steps that are within the company’s power to take in responding to our engagement.
- **Influence not Power** – we focus on constructive dialogue and a tone of encouragement, not on seeking to exercise power to force change.
- **Non-partisan** – our goal is human wellbeing and flourishing, not the promotion of politically aligned causes. We advocate for people, not parties.

We are happy to further discuss Brightlight’s engagement philosophy and approach, as well as any questions on specific engagements.

## Appendix B – Definitions

Outcome Rating Definitions	
Format	Definition
Positive - No Action Required	The company can demonstrate that they have addressed the issue of concern well, not just managing risks but also working to address the underlying causes of the issue. These companies demonstrate best practice in addressing the issue.
Positive - Positive Steps Taken	The company has managed the issue well and are in the process of taking further action to improve their response to the issue. They understand best practice, and while not there yet, are progressing toward it.
Neutral - Steps Taken, More Needed	The company's practice is behind that of peers, and despite taking some action to begin to address the issue, there is still more action required for them to align with peers and best practice.
Neutral - Positive Commitments Made	The company is lagging peers but has committed to making positive change. These changes take time to implement, and sometimes commitments are not followed through. Words are encouraging, but we would like to see action.
Negative - Poor Response	The company has failed to demonstrate that they are appropriately addressing the issue we are engaging them on. This includes companies that provide generic, unhelpful statements and refuse to discuss any further.
Negative - No Response	The company has not responded to our efforts to open dialogue with them.
Ongoing	We are continuing to discuss the issue with the company, seeking more information or awaiting further developments.