

Universal ownership

Systems thinking for asset owners

Contents

The foundations of universal ownership

Universal Ownership	3
Systemic risk	4
Systems thinking for universal owners	5
Portfolio-wide stewardship	6
Ask five Whys to find root causes	7
Root cause found; what's next?	8
Setting boundaries	10

Tools and amplifiers that merit more attention from UO:s

Activate and amplify stewardship tools	11
1. Effective collaborative stewardship	12
2. Director votes	13
3. Expectation documents	14
4. Pre-disclosure of voting intentions	15
5. Asset management engagement	16
6. Bondholder stewardship	17

Case studies

Sovereign engagement on deforestation	18
Engaging European automotive manufacturers over ICE phase-out	19
Antimicrobial resistance	20

In conclusion	21
---------------	----

Introduction

Universal ownership is a concept that has gained traction as institutional investors increasingly recognize their exposure to systemic risks that affect the entire economy. This report aims to provide an overview of universal ownership and the value of this perspective for asset owners, such as pension funds, sovereign wealth funds, and insurance companies, to adopt systemic stewardship strategies.

Universal owners, due to their highly diversified and long-term portfolios, are uniquely positioned to drive systemic change by addressing risks that cannot be mitigated through diversification alone, such as climate change, biodiversity loss, and global inequality. These risks not only threaten individual investments but also undermine portfolio-wide value and long-term financial returns.

The report outlines the foundations of universal ownership, introduces key stewardship tools and amplifiers, and presents case studies to illustrate current practices in managing systemic risks. By highlighting approaches such as policy advocacy, standard setting, and sector-wide engagement, the report emphasizes the importance of collaboration and a root-cause approach to create impactful, large-scale change.

Ultimately, this report can serve as an inspiration for asset owners who seek to align their investment strategies with broader societal goals while fulfilling their fiduciary duty to beneficiaries.

ABOUT THIS REPORT

To complement our ongoing activities, AP7 explores specific sustainability themes in three-year cycles. From 2022 to 2024, our thematic focus was Universal Active Ownership, a platform for investigating how we can make best use of our resources and our role as a universal owner.

The theme has provided an opportunity to further develop and refine our ownership activities, such as voting, and to test and evaluate new tools and methods.

This report is part of that thematic work, aiming to collate and share knowledge about universal ownership among our peers and other stakeholders.

Universal Ownership

Universal owners are large institutional investors whose diversified and long-term investment portfolios span multiple industries and geographies. These investors are considered "universal" because they own a highly representative sample of the economy.

Universal owners are affected by risks that impact the entire economy, as these risks could reduce the overall value of their portfolios. For example, climate change may negatively affect multiple industries, from agriculture to energy, reducing their profitability and, in turn, the portfolio returns for universal owners.

The concept of "externalities" is central here, meaning issues that transcend the level of any individual company, industry or sector, and that are typically not captured by financial metrics of any of them – such as

pollution, poverty, or health. The focus on externalities means that universal owners may at times have different interests than company management. This is in stark contrast to traditional financial thinking where an investor could think favorably of a company that profits from shifting part of its production cost in the form of negative externalities to other companies or society at large.

Universal owners are well positioned to align their investment strategies with broader societal goals, such

as those outlined in the Paris Agreement, the Kunming-Montreal Global Biodiversity Framework, or the 2030 Agenda for Sustainable Development.

Some refer to universal ownership as diversified ownership, or systemic stewardship. The archetypal universal owner would be a pension fund, insurance company, or sovereign wealth fund.

By leveraging their significant influence and resources, universal owners can drive systemic change.

Systemic risk

Systemic risk refers to the potential for disruptions within an entire system, such as the global financial system or the economy, caused by a single or series of interconnected events. It often arises from factors that propagate across multiple sectors and entities due to interconnectedness.



Examples of systemic risks include:

- climate change
- pandemics
- income inequality
- biodiversity loss

Systemic risks cannot be avoided through diversification, nor by engaging with individual companies. Rather, they require a system-wide approach.

From a universal owner perspective, systemic risks are relevant to the extent that they can negatively affect financial outcomes. The approach is aligned with asset owners' fiduciary duty, i.e. to protect portfolio value in the best interest of beneficiaries.

Biodiversity loss is a good example. It is a global phenomenon driven by interconnected factors such as deforestation, pollution, climate change, and unsustainable land use. It underpins ecosystem services such as polli-

nation, clean water, carbon sequestration, soil fertility, and climate regulation. These services are essential for industries like agriculture, forestry, fisheries, and even semi-conductor production or pharmaceuticals. Biodiversity loss has, in other words, broad, interconnected impacts across economies, ecosystems, and society, all of which can ultimately affect portfolio value.

As a concrete example, if cattlefeed suppliers clear rainforests to grow soy, this large-scale deforestation can disrupt essential ecosystem services, such as medicinal compounds derived from rainforest plants. The Amazon rainforest is home to plants that form the basis of anti-cancer and anti-inflammatory drugs.

The destruction of these habitats not only jeopardizes biodiversity and climatic regulation regionally but can directly limit the pharmaceutical industry's ability to develop new medicines, ultimately affecting profits and public health outcomes.

Systems thinking for universal owners

Systems thinking, i.e. understanding and addressing the complex interdependencies within and between systems, is critical for universal owners.

- It allows universal owners to assess the ripple effects of systemic risks across their portfolios.
- It helps universal owners to identify leverage points for interventions that protect and enhance long-term value.
- It guides corporate engagement activities by identifying strategic areas for impact.
- It underscores the value of collaboration among asset owners, companies and policymakers to address systemic issues.

In essence, systems thinking enables universal owners to move beyond incremental improvements and address the root causes of challenges, in order to contribute to a thriving planet and society - and hence securing long-term investment returns.



Portfolio-wide stewardship

A “broad strokes” approach distinguishes portfolio-wide strategies from more traditional shareholder engagements focused on individual companies. By addressing systemic risks at policy and sector or industry levels, universal owners can create meaningful, large-scale change that benefits their entire portfolio.

A comprehensive stewardship strategy for universal owners would incorporate three interconnected components: Policy advocacy, standard setting, and sector-wide or value-chain engagement. Together, they form an ecosystem of influence that maximizes the universal owner’s ability to support sustainable financial markets and long-term value creation.

1 POLICY ENGAGEMENT

By engaging with policymakers and public institutions, universal owners can advocate for broad regulatory changes that affect entire sectors or regions. Through policy change, systemic issues can be tackled at the source.

2 STANDARD SETTING

Universal owners can shape market expectations and best practices at an industry or global level. Standard setting involves influencing or contributing to the development of industry-wide disclosure and performance standards.

3 SECTOR-WIDE & VALUE-CHAIN ENGAGEMENT

Sector-wide engagement focuses on coordinating dialogue and actions to address shared sustainability challenges across particular economic domains, such as the energy, transportation, or agricultural sectors. Value chain engagement plays a crucial role in scaling impact by addressing sustainability issues at every stage of production and consumption.

These are all holistic approaches that bode for systemic improvements rather than isolated successes.

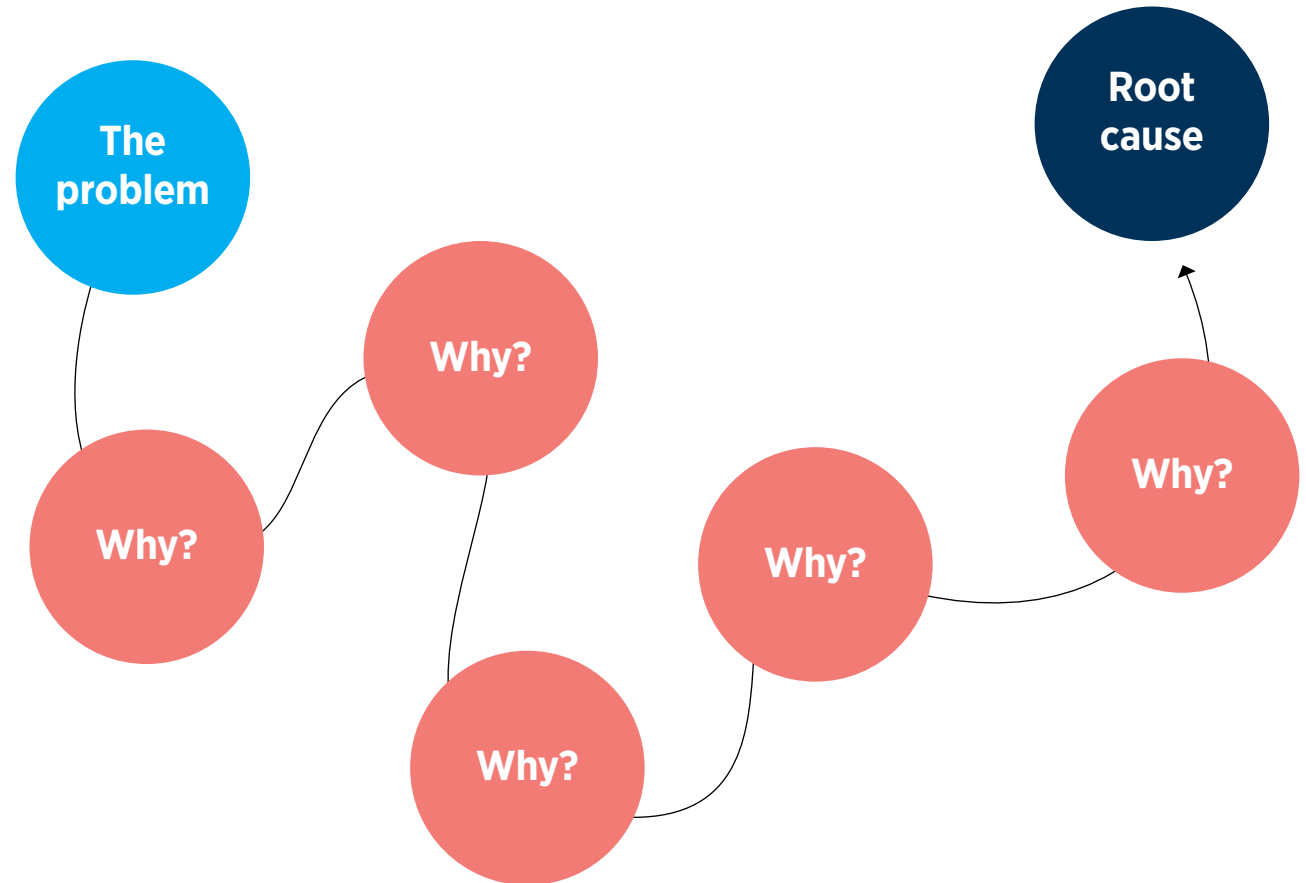
Ask “Five Whys” to find root causes

Addressing root causes – rather than symptoms – ensures that stewardship activities target the foundational drivers of risks, leading to more durable solutions.

The “Five Whys” technique is an iterative problem-solving approach developed as part of the Toyota Production System in the 1930s. It is a simple but powerful tool for uncovering the root cause of a problem by asking “why” repeatedly – typically five times, though it can be more or fewer depending on the complexity of the issue.

Universal owners can apply the Five Whys technique to stewardship and systemic issues by drilling down into risks their portfolios face.

This can help to pinpoint root causes of risks affecting entire sectors, to find areas where interventions can have the most significant impact, and to prioritize, design and organize stewardship activities accordingly.



Root cause found; what's next?

Once root causes are identified, investors will need to consider the following:

1 Express the portfolio-wide financial argument

It is core to the universal ownership concept that systemic risk is considered to optimize investors *financial interests* on the portfolio level, rather than for non-financial reasons.*

2 Assess investor agency

Who and what has the power to change the issue, and what could the investor's role be – and not be? If a geopolitical crisis is the root cause of a problem, investors will likely not have agency to engage with it directly. If, however, insufficient international frameworks lie at the core of the problem, investors could engage with policymakers. They could also ensure that portfolio companies are not lobbying against it and – on the flip side – that corporate policy advocacy is supportive of appropriate legislation.

3 Design stewardship activities

Explore how to mobilize resources most effectively and at reasonable cost to advocate for the sought-after change.

EXAMPLES OF A ROOT CAUSE APPROACH

INEQUALITY

Symptom-level approach: Monitoring diversity statistics in a company.

Root cause approach: Engaging companies to adopt fair wage practices, lobbying for progressive taxation policies, or addressing lack of gender diversity in the workforce.

SUPPLY CHAIN RISKS

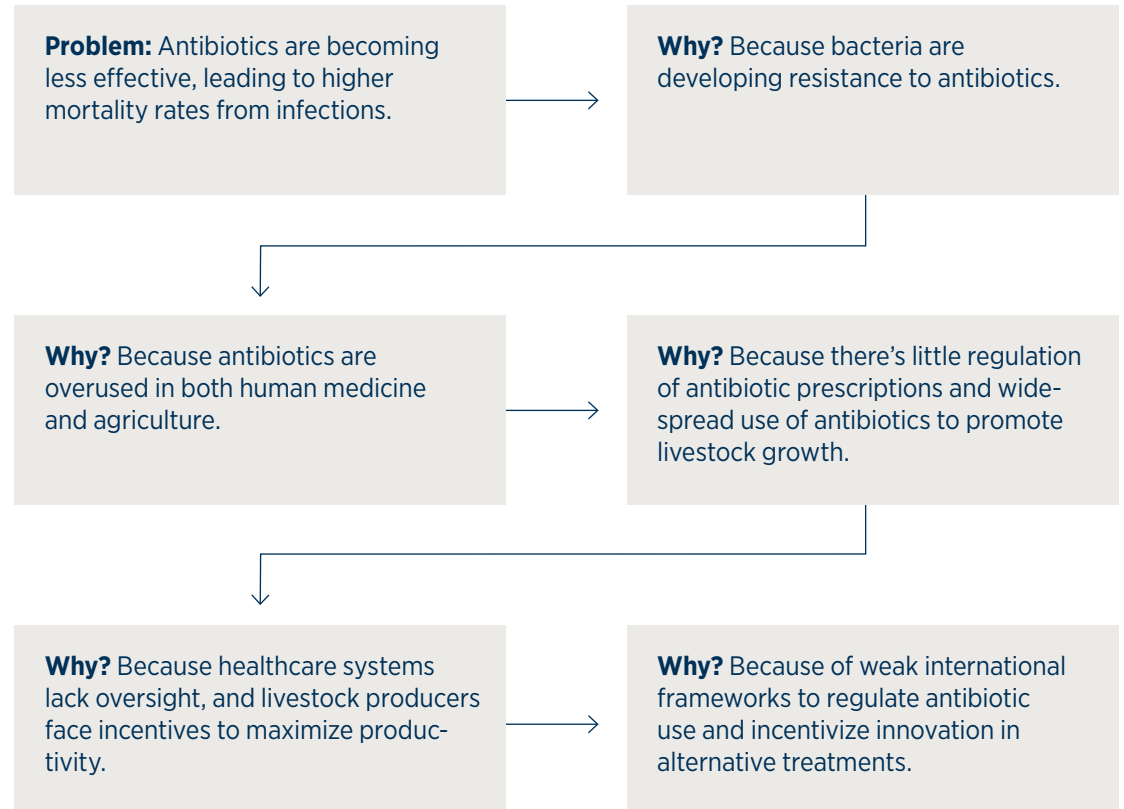
Symptom-level approach: Focusing on a specific company's supply chain.

Root cause approach: Collaborating to build industry-wide solutions, like traceability standards or regenerative agriculture practices.

* See for example Gosling, T. (2025). [Universal owners and climate change](#). *Journal of Financial Regulation*, 11 (1), 1–40.

Simplified example: A root cause approach to Antimicrobial resistance (AMR)

- **Systemic risk:** AMR undermines public health systems, disrupts global economic stability, and impacts critical industries.
- **The financial argument:** AMR poses long-term risks to sectors like healthcare, insurance, pharmaceuticals, agriculture, and labour intensive industries.
- **Investor agency:** Investors can engage pharmaceutical and biotech companies to invest in R&D for new antibiotics and develop alternative treatments, support initiatives to reduce inappropriate antibiotic use in agriculture, and advocate for robust and comprehensively enforced global regulations.
- **Resource effective stewardship:** Form a coalition – or identify existing ones - to coordinate action and form or identify working groups targeting key sectors and regulators.



Setting boundaries

Investors can establish parameters that define the boundaries within which companies must operate to protect the value of diversified portfolios. Such “guardrails”, unlike traditional ESG standards, are established with the goal of maximizing overall economic value, rather than focusing on individual company profits.

They are specific and set clear parameters, for example by which time companies should eliminate the use of a certain substance in their supply chains.

Setting limits on the level of social and environmental costs that individual companies externalize can mean that company management will not share the interest of investors. Therefore, director responsibility becomes a central focus for influence. This approach, which has yet to be widely adopted, could take the form of voting against directors, going-private transactions or not supporting IPOs at companies that are not committed to guardrails.*

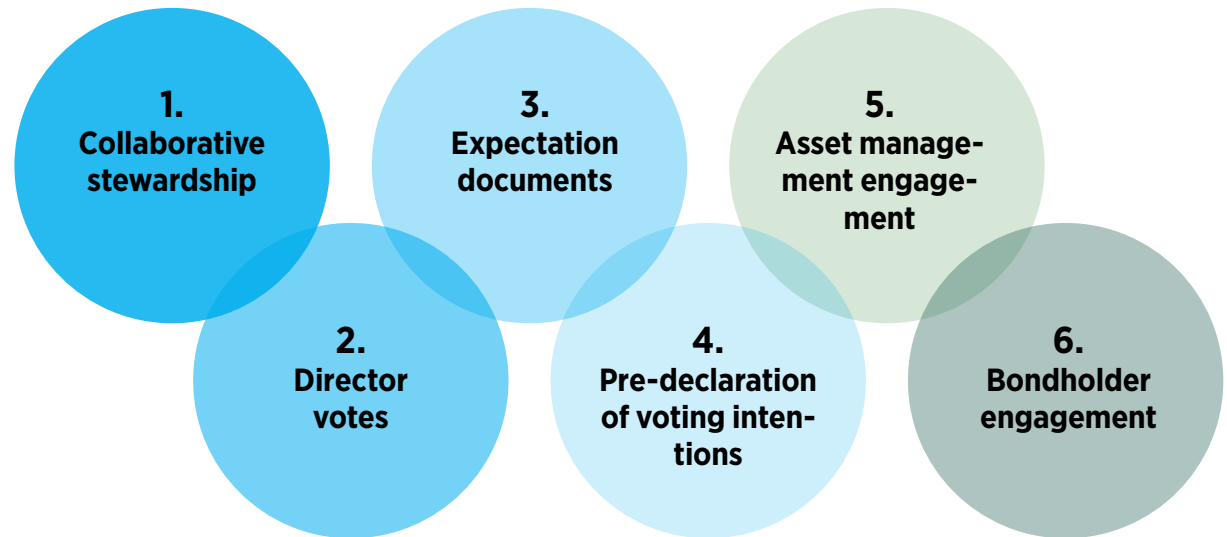


* The Shareholder Commons (n.d.) ["What are guardrails?"](#)

Activate and amplify stewardship tools

There are many tools in the investor stewardship toolbox, and while some are commonly used by investors with an ESG and sustainability mandate, other are rather underutilized. Additionally, the efficiency and/or the scale of impact from these tools can sometimes be amplified through certain means. Voting, for example, is a useful tool on its own, but pre-declaring voting intentions raises the chances of a higher total vote in alignment with the intention, according to academic research. While this can be used by any investors, universal owners specifically can use this to drive an agenda tied to systemic risk.

In this section, we highlight six tools and amplifiers that we think merit more attention by universal owners.*



* The list is not an exhaustive toolbox for active ownership – filing resolutions and other common stewardship activities are also key.

1. Effective collaborative stewardship

Collaboration is vital to universal owners' stewardship activities, as it enhances shareholder salience in an engagement context.*

It is important, however, both for resource efficiency and maximized impact, that coalitions are not formed ad hoc or as one-size-fits-all. Instead, they can be customized based on the target and its context.

According to a recent academic study based on 553 PRI-coordinated engagements on climate issues, successful coalitions use certain combinations of attributes tailored to companies' receptivity.² Depending on companies' financial capacity and environmental performance, they can best be engaged by coalitions that combine the same four key levers in different ways: Coalition size, stake, experience, and local access.

For example, moderately capable companies could best be engaged by large coalitions with local access, as it allows investors to translate demands based on local knowledge, thereby increasing company capacity, according to the study. Investors may want to consider such factors when designing coalitions.



¹ See for example Gifford, J. (2010) [Effective shareholder engagement: The factors that contribute to shareholder salience](#). *Journal of Business Ethics*, 92 (Suppl 1), 79-97

² Slager, R. et al (2023) [Tailor-to-Target: Configuring Collaborative Shareholder Engagements on Climate Change](#). *Management Science*, 69 (12), 7693-7718

2. Director votes

Board directors are responsible for setting a company's strategy, overseeing risk management, and ensuring that governance aligns with shareholder interests. Directors are accountable to shareholders, not company management. Company management is accountable to the board.

When shareholder engagement efforts fail to bring about desired changes, director votes provide a clear accountability mechanism. For universal owners, voting for or against the (re-) election of directors is a way to hold boards accountable for how well they address systemic risks. This is especially relevant in the face of the potential misalignment between individual company management interests and portfolio-wide investor interests.

For example, investors leading engagement within the Climate Action 100+ initiative have published their intentions to vote against board members at companies that fail to adopt credible climate strategies.

Academic research shows that, especially in the governance space, so-called Vote No campaigns as well as unconcerted votes against directors is effective at prompting company-level behaviour change – even more so than majority-supported shareholder resolutions. Sometimes the mere threat of an against-vote can prompt change.*



* For a literature overview, see Quigley, E. (forthcoming), *Universal Ownership in Practice: A Practical Investment Framework for Asset Owners*, Cambridge University Press, and Quigley, E. (2024) [Universal ownership and the polycrisis: Social norms, feedback loops, and the double hermeneutics](#) (working paper).

3. Expectation documents

An expectation document can be a low-cost governance tool with wide market effect. It is a publicly available document that articulates the expected practices to be adopted by all portfolio firms. They are typically thematic and aligning with Agenda 2030.

The documents make expectations predictable, easier to communicate and facilitates the design and execution of an escalation process.

Academic research demonstrates the potential effectiveness of such documents: A study from 2024, based on Norges Bank Investment Management (NBIM)'s expectation note for corporate governance released in 2012, shows that overall, firms' governance practices adapt to the expectation document.¹

The study found that firms that are smaller, less liquid and exhibit worse financial performance are more prone to change their governance characteristics to align with the stated preferences of the expectation document. The authors note that smaller firms are precisely those for which it is less cost-effective for a universal owner to conduct a firm-specific stewardship activity.

Market-wide expectations can be expressed jointly with other investors, as has already been done by networks such as IIGCC and Climate Action 100+.

Expectation documents can form the basis of voting guidelines. This is especially noteworthy since academic research shows that investors' voting guidelines can indeed impact corporate ESG policies.²

Further, expectation documents can be helpful for universal owners who want to formulate a stance in open consultations.



¹ Aguilera, R.V. et al (2024) [The systemic governance influence of expectation documents: evidence from a universal owner](#) *The Review of Corporate Finance Studies*, cfae009

² Gormley, T.A. et al (2023) [The Big Three and board gender diversity: The effectiveness of shareholder voice](#), *Journal of Financial Economics*, 149: 323-348

4. Pre-disclosure of voting intentions

Voting at annual general meetings is an important tool for any active owner who seeks to influence corporate decisions. Universal owners can use their votes to encourage practices that align with long-term, portfolio-wide goals. It would therefore make sense for their proxy voting guidelines to reflect these broader objectives.

A lever for effective voting practices is to disclose voting intentions prior to the annual general meeting. In addition to contributing to transparency and accountability, pre-disclosure is a mechanism by which shareholders can seek to influence other shareholders in order to add pressure to their proposals. Currently, the practice remains selective and is more common among larger investors with the resources to implement it effectively.

Recent academic research suggests that pre-disclosures can indeed influence voting results: the introduction of NBIM's pre-disclosure in 2021 caused an additional 2.7

percentage points of votes to align with NBIM's against-votes. The study records a 3.6 percentage point increase in supportive votes following NBIM's intention to vote in support.*

The study shows that voting pre-disclosures are more effective for proposals with a higher information demand such as those targeting small firms, for proposals targeting companies that had a high amount of dissent in the past, and for proposals that pass or fail with a narrow margin. It is also more effective if the shareholder pre-discloses a decision that is not directly observable from its proxy-voting guidelines.

Thus: If universal owners pre-disclose, especially in more complex voting situations that may require manual voting, it could function as a lever for attaining a higher total vote in favor of systemic risk management.

“ Our results highlight the potential for voting pre-disclosures as a form of stewardship that can be done at scale.

(Fahlenbrach, R. et al, 2024:6)

* Fahlenbrach, R., et al (2024) [Leading by Example: Can One Universal Shareholder's Voting Pre-Disclosure Influence Voting](#), ECGI Finance Working Paper N° 958/2024.

5. Asset management engagement

Asset managers play a critical role in implementing investment strategies and influencing corporate behavior. Yet, the UK Asset Owner Stewardship Review (2023) shows that only a select few are aligning closely with asset owners' climate transition pathway expectations in the oil and gas sector. The review underscores the importance of asset owners engaging with asset managers to ensure alignment in stewardship and voting practices.¹

For universal owners, engaging with these intermediaries allows them to bridge the gap between high-level, systemic and long-term goals and the implementation of investment strategies. Asset managers often have direct access to corporate boards and management teams. Universal owners can ensure that these interactions reflect their systemic priorities by setting clear stewardship expectations.

Further, while it has become more common in recent years that asset managers pass on the right to vote to their clients, many still exercise proxy voting on behalf of universal owners. Engaging with asset managers helps ensure that voting aligns with universal owners' goals.

Asset managers manage complex portfolios and may face competing priorities. Universal owners can demand transparency around voting records, engagement goals and outcomes, and ESG integration to ensure accountability. Universal owners can regularly engage with asset managers to track whether their activities align with agreed-upon goals.²

What universal owners can ask asset managers for ³

- Clear policy positions
- Strategic approach
- Collaboration
- Appropriate resourcing
- Governance framework
- Consistency
- Progress monitoring
- Disclosure of activity

¹ Hoepner, A. (2023) [UK Asset Owner Stewardship Review 2023: Understanding the Degree & Distribution of Asset Manager Voting Alignment](#) Available at SSRN 4643377

² For an example of expectations on asset managers, see NZAOA (2024) [Serving Asset Owner Clients through Climate Stewardship: A call to action to the asset management industry](#)

³ Pensions for Purpose & LCP (2024) [Pensions for Purpose & LCP online roundtable 05/12/2024](#) Webinar recording

6. Bondholder stewardship

While the global bond market far surpasses the equity market in total assets under management, it has historically been less used as a forceful lever for stewardship activities. Bondholders are key capital providers to corporations and governments. Engaging as a bondholder means influencing the cost and availability of capital.

Although bondholders lack voting rights, they hold significant influence in capital allocation and can engage with companies to ensure practices meet investor expectations.

Bondholders have leverage during refinancing periods or when companies seek to issue new bonds. Universal owners can use this moment to ask for better commitments on issues of concern.

While both equity and bondholder stewardship can be used on its own, coordinating them can enhance the effectiveness.

Importantly, bondholders can also engage with sovereigns as a way to influence public policy (see the case study on the next page).

The IIGCC proposes three best-practice techniques for bondholder engagement with issuers and banks.*

- **Engage Early and Consistently**
Proactive engagement before bond issuance is essential. Participation in roadshows and pre-issuance meetings allows investors to raise concerns directly with issuers and banks. Without these questions, the issues may be deprioritized in practice.
- **Link Engagement to Investment Decisions**
Communicate investment decisions with clear reasoning tied to engagement goals. Sharing these decisions with issuers and syndicate banks emphasizes the importance of systemic (e.g. climate) considerations and sets expectations for future bond issuance practices.
- **Provide Transparency on Fund Allocation**
Informing issuers which funds their bonds qualify for during the order process helps clarify alignment with investor priorities and may unlock access to larger capital pools.

ASCOR: Enabling bondholders to engage at scale

Universal owners often hold significant positions in sovereign debt. Engaging with governments as bondholders can help influence public policies to address systemic risks. Sovereign debt markets play a key role in systemic stability, and irresponsible fiscal or environmental policies can lead to default risks or global financial contagion.

Specifically focusing on climate issues, ASCOR is a publicly available, independent, and open-source investor framework and database assessing the climate action and alignment of sovereign bond issuers. Short for Assessing Sovereign Climate-related Opportunities and Risks, this collaborative project was launched in 2021 by asset owners, asset managers and investor networks.²

The goal of ASCOR is to fairly measure and compare, but not rank, sovereign climate performance, and to actively engage sovereign issuers and other stakeholders. By making the assessments and methodology publicly available and free, it encourages widespread adoption and sets a benchmark for responsible investing in sovereign debt, thus amplifying the potential influence of sovereign bondholder systemic stewardship.

* IIGCC (2024) [Three takeaways to support bondholder stewardship with banks](#)
See also the IIGCC [Net-Zero Bondholder Stewardship Guide](#)

² ASCOR ascorproject.org

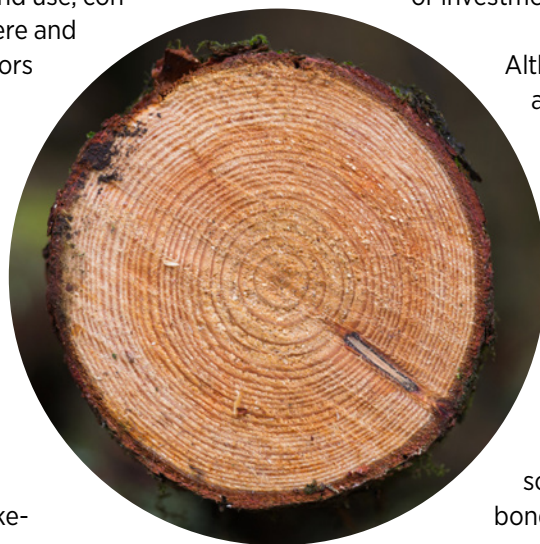
CASE STUDY

Sovereign engagement on deforestation

Some of the world's most biodiverse, carbon-absorbing biomes are rapidly diminishing, as a result of conversion to agriculture or other non-forest land use, conversion to tree plantations, and severe and sustained degradation. Many investors are exposed indirectly or directly to deforestation through global supply chains containing forest-risk commodities such as soy, beef, palm oil and others.

The Investor Policy Dialogue on Deforestation (IPDD) was established in 2020 and supported by financial institutions from more than 20 countries. The aim is to show governments, their debt management offices, and other stake-

holders that investors see deforestation as a systemic risk that can impact the creditworthiness of a country or investment.



Although the link between deforestation and higher sovereign borrowing costs is not always direct, IPDD highlights its potential to weaken debt service capacity through slower economic growth, reduced exports, and increased climate-related expenses. Additionally, evolving regulations raise borrowing costs for sovereigns that underperform on ESG metrics, and sovereigns looking to issue labelled bonds can expect increasing scrutiny.

The IPDD's work is focusing on Brazil and Indonesia. The Brazil workstream has facilitated dialogue with government officials, legislative bodies, embassies, and state governments to raise awareness of the financial risks posed by deforestation.

The group has been able to engage and increase awareness with policymakers. IPDD representatives were invited by the Ministry of the Environment in Brazil and the Brazilian Central Bank to speak at the announcement of a national carbon market in Rio de Janeiro in 2022. IPDD highlighted deforestation's impact on fiscal risks.

IPDD's efforts in Indonesia have included promoting better governance frameworks and policy alignment with sustainability goals. The IPDD has engaged government bodies to support and strengthen the current trend of declining deforestation rates.*

* The IPDD initiative, [Deforestation report](#) (2022)

CASE STUDY

Engaging European automotive manufacturers over ICE phase-out

Emissions from transport account for one quarter of the EU's green house gas emissions.¹ Petrol cars continue to be the most sold fuel type in the EU, followed by diesel cars.

Rather than focusing on corporate-specific emissions, from a universal owner perspective it make sense to address the sector-wide hindrances to the phase-out of vehicles with internal combustion engines (ICE).

A 2021 analysis by InfluenceMap showed significant misalignment between European industry lobbying efforts and science-based policy pathways for achieving net-zero emissions, and especially so in the transport sector.² While many corporations publicly support climate targets, industry associations often resist the regulatory measures necessary for achieving these goals, particularly in the short term.

A group of investors therefore decided to engage with European automakers to ask for disclosure on climate lobbying in line with the Global Standard on Responsible Climate Lobbying.³ The dialogue focused on German automakers. The investors had clear intention to file shareholder resolutions if the companies did not commit to start reporting.

After several meetings with BMW and Mercedes-Benz in 2021, both companies agreed to begin reporting on their climate lobbying. Volkswagen, however, did not agree to report. Investors escalated the matter by filing a shareholder resolution. When VW refused to bring the proposal to the AGM, it led to a legal case, that was eventually dismissed by the German court. In 2023, however, the company did publish its first trade association review and subsequently published updates.

In 2024, investors engaged with Stellantis and Renault on climate lobbying disclosure. Again, it was a dialogue with a clear pathway for escalation. This time, several investors planned to vote against directors if no commitment was given.

After meetings with both companies, investors received commitments to start reporting and the first reports were published in 2025. The engagement continues.

¹ European Environment Agency (2024) [Greenhouse gas emissions from transport](#)

² InfluenceMap (2021) [Industry Associations and European Climate Ambition](#)

³ [Global Standard on Responsible Climate Lobbying](#)

CASE STUDY

Antimicrobial resistance

Antimicrobial resistance (AMR) means that bacteria, virus, fungi and parasites do not respond to antibiotics, i.e. the medicines that are commonly used to combat them. As this resistance is quickly spreading around the world, it has become a pressing global challenge. AMR threatens to undermine public health systems, disrupt supply chains, and increase healthcare costs.

About 70 percent of the global use of antibiotics can be traced to food-producing animals. Therefore, several investors have joined the Farm Animal Investment Risk and Return (FAIRR) initiative, a global investor network in support a sustainable global food system.

It has two AMR work streams. One is focusing on pharmaceutical companies to enhance transparency regarding how these companies address AMR risks throughout their value chains. The other focuses on fast food chains to address the overuse of antibiotics in animal agriculture supply chains. FAIRR is advocating for responsible use of antibiotics across the value chain for animal protein.

Restaurant Antibiotics Engagement

In 2023, FAIRR initiated an investor engagement focusing on 12 North American fast-food restaurant companies. This builds on engagement efforts in 2016–2019 which resulted in 19 out of 20 targeted fast-food restaurants disclosing antibiotic policies, up from one at the outset.

FAIRR has reported some progress, including that McDonald's, Wendy's, and Yum! Brands set targets for specific regions and proteins, and that McDonald's extended its broiler policy to multiple international markets, covering 84% of its global footprint.¹

Animal Pharmaceuticals Engagement

In 2022, FAIRR launched an investor engagement targeting seven of the largest publicly listed animal pharmaceutical companies, representing 34% market share globally. So far, there has been progress in disclosing antibiotic-related revenue and banning growth promotion, but transparency on manufacturing impacts, R&D investments, and lobbying remains weak.²

Policy advocacy

Ahead of the UN General Assembly's High-Level Meeting on AMR in 2024, 80 investors backed a joint statement, urging global leaders and policymakers to take action to curb the spread of AMR.³



¹ FAIRR (2024) [From Farms to Forks: Antibiotic Stewardship in the Animal Pharmaceutical and Quick Service Restaurant Sectors](#) Progress Report May 2024

² Ibid

³ FAIRR (2024) [US \\$13 Trillion Investors Call on Global Leaders To Tackle Antimicrobial Resistance Crisis](#) Press release 3 September 2024

In conclusion

Asset owners with large diversified portfolios are exposed to systemic risks, affecting overall portfolio value. It is within their fiduciary duty to address such risks. By adopting a root cause approach, investors can identify where and how to direct its stewardship efforts.

Systemic-focused stewardship entails wide brush strokes, such as seeking to impact policy, standards and sector-wide change. Fundamentally, it is a move away from engaging individual companies on single issues, towards taking a portfolio-wide perspective.

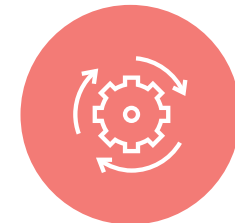
To amplify the effects of stewardship tools, investors could consider to collaborate strategically with other investors, align director votes with stewardship goals, publicise their expectations and their voting intentions, engage with asset managers, and extend stewardship to its bond holdings, including sovereigns.

On a final note: While stewardship activities to discourage harmful practices is pivotal, universal owners would also do well to seek to invest in solutions.

Identify systems risk



Analyze root causes



Engage at the source



Further reading

- ▶ [Systemic risks: A framework for portfolio resilience](#)
UKSIF, Scottish Widows, Canbury (2025)
- ▶ [Systemic stewardship – Challenges and strategies for change](#)
Pensions for Purpose (2025)
- ▶ [Systemic risk – Adapting our practices](#)
Thinking Ahead Institute (2024)
- ▶ [The future of investor engagement: A call for systematic stewardship to address systemic climate risk](#)
UN-convened Net-Zero Asset Owners Alliance (2022)
- ▶ [Universal ownership: Why environmental externalities matter to institutional investors](#)
PRI and UNEP Finance (2011)
- ▶ [Universal owners: Challenges and opportunities](#)
Hawley, J. & Williams, A. (2007) Corporate Governance An International Review, (15) 3: 415-420