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# 2021

## ABOUT THE AUTHORS

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## SPONSORS


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# TABLE OF CONTENTS



**Updates on Information in *Proxy Preview***

Information about the proposals and companies mentioned in the *Proxy Preview* was accurate as of February 19, 2021. Many ongoing negotiations between companies and proponents, plus action at the Securities and Exchange Commission, will change the final tally of proposals that will appear in proxy statements for investors to consider. *Proxy Preview* is unable to provide updates about the ongoing status of all 435 proposals—for updates on proposals at select companies, follow our Proxy Season Updates at www.proxypreview.org.

# LETTER FROM THE PUBLISHER

If there is a silver lining from 2020, it is that "business as usual" no longer exists. Covid-19, the contested U.S. election, the racial justice uprising, and climate change disasters continue to take a toll on the global psyche and require fundamental systemic transformation. Shareholders, as always, reflect the zeitgeist in their proposals. What I see in 2021 is an authentic, empowered, and self-aware movement emerging from the chaos, putting us on a trajectory toward a regenerative economy and civil society based on justice and sustainability. Investors feel the momentum, as do company executives; shareholders are escalating with new tactics, tired of talk and demanding action at a scale appropriate to the risk.

Underlying this change is the fundamental need for transparency. The alphabet soup of SASB, GRI, IIRC, IASB, CDP, and others are converging, as a half dozen ESG ratings are beginning to align. New scorecards on racial justice, diversity, equity, and inclusion are now public. Investors in passive index funds can see that they are blindly complicit as they profit from society's destruction; becoming aware of their power to align their investing with their values. It is also apparent that we cannot continue in a system where some people earn 1,000 times more than others. The spotlight on disclosure illuminates polarized wealth, privilege, and entitlement that underlay epic destruction of the ecosystems upon which we all depend for survival. We need to see even more granular data and we need these disclosures to be standardized and audited.

After decades of intense climate change shareholder actions, proponents are scaling up, aiming to have every public company in the world embrace a net-zero, Paris-aligned, climate transition plan and report progress annually. Shareholder groups in Australia, Asia, Europe, Canada, and the United States have joined in a global coalition called "Say on Climate" and major companies are voluntarily signing up. Every corporate leader understands that countries cannot achieve their Paris goals if companies do not do their part. Climate risk is investment risk and affects the entire economy; denial is not an option as this is an existential threat to every business, to civil society, and impacts the poorest communities disproportionately.

Simultaneously, in May 2020, the world witnessed the murder of George Floyd, the latest example in a long history of abuse; shocking Americans into seeing the racial injustice Black Americans experience daily. The escalating Black Lives Matter movement has forced a public re-evaluation of civil rights progress and has catalyzed change. Every corporation now can see how its policies and practices contribute to systemic racism; each must pivot to an antiracist stance. The 2021 proxy season is witness to a wave of new racial justice resolutions and those that focus on diversity, equity, inclusion, and wage justice; executives must understand change is long overdue. Now is the time to address these pernicious problems.

This momentum and awareness is generating record-high resolution withdrawals as companies agree with proponents' identification of risks and are open to finding solutions together. Yet power that comes from concentrated wealth remains in the hand of a few; in particular, large asset managers and pension funds. Unless these organizations use their proxy voting power to send strong signals to the boards of intransigent companies we will remain talking about problems rather than solving them.

This is the year that corporate boards can put their rubber stamps away and exercise real oversight, requiring substantive action from management. Shareholders are organizing as never before to vote against boards that will not adopt a climate transition plan; disclose diversity, equity, inclusion and racial justice metrics; adopt policies to eradicate systemic racism; and implement the tenets of stakeholder capitalism that they have all pledged to uphold. Words will not suffice. Now is the time for action.

Andrew Behar
CEO, *As You Sow*

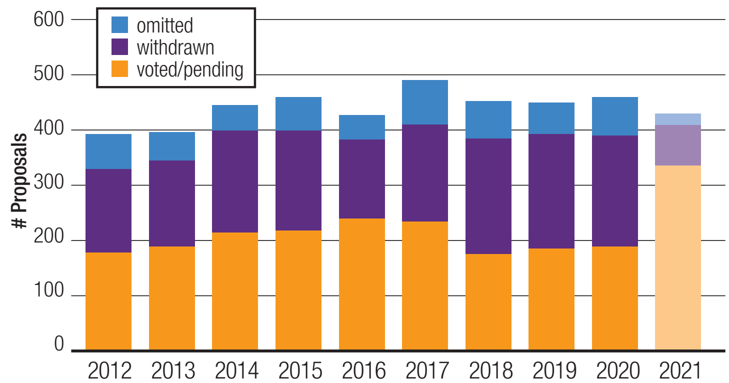
# EXECUTIVE SUMMARY

Proponents have filed at least 435 shareholder resolutions on environmental, social and sustainability issues for the 2021 proxy season, with 313 pending as of February 19. Securities and Exchange Commission (SEC) staff have allowed the omission of 24 proposals so far in the face of company challenges; companies have lodged objections to at least 74 more that have yet to be decided—12 more than at this time last year. Proponents have already withdrawn about 90 proposals, however, up from 78 at this time last year and 71 in mid-February 2019.

Annual totals are down from a bit from the all-time high of just under 500 in 2017. About 40 percent of filed resolutions have gone to votes each year since 2018, around 45 percent have been withdrawn and between 13 and 16 percent omitted. *(Bar chart, right)*

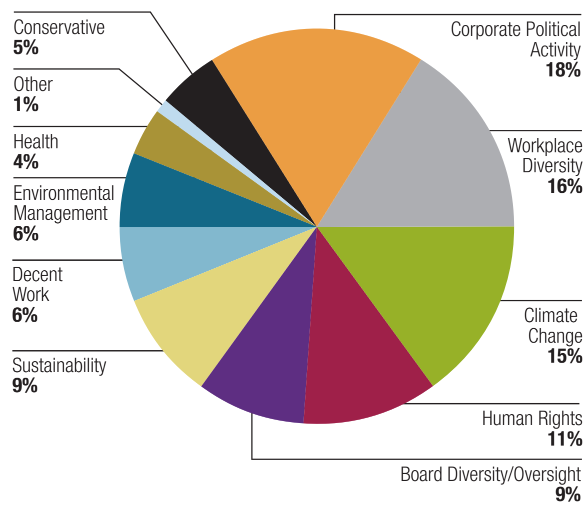
The tumultuous events of 2020 prompted a slew of new shareholder proposals investors will consider in 2021. New angles are most apparent in the big increase in resolutions about racial justice and equal opportunity, but proponents also are raising fresh ideas about worker safety, climate transition planning and lobbying. *(Pie chart, right)*

### Environmental, Social & Sustainability Outcomes




As of 2-19-21

### Environmental, Social & Sustainability Proposals in the 2021




## Key Recent Developments

**New SEC rules:** On September 23, 2020, the Securities and Exchange Commission (SEC) approved new rules that make it harder to file and resubmit shareholder resolutions. Earlier, on July 22, the commission issued a final rule imposing new strictures on proxy advisory firms, as well.

The rulemaking process in each case prompted substantial pushback from investors who see the shareholder proposal process as central to their engagement with companies. Business groups largely supported the changes, which they had long sought. Many mainstream players in the investment community perceive key material risks and opportunities in environmental and social issues that surface in shareholder proposals, which has driven votes up and increased the number of withdrawn proposals. The new rules do not go into effect until the 2022 proxy season.

Proponents opposed to the shareholder proposal changes are contemplating their legal options and Institutional Investor Services (ISS), the largest proxy advisory firm, is suing to block the rule that requires it to give more voice to companies that disagree with its recommendations. In a related development, just before President Trump left office, in December, the Department of Labor finalized rules that make it harder for some pension funds to vote on ESG shareholder resolutions, although the strictures are not as harsh as those initially proposed. Both shareholder proponents and companies continue to jockey for position under the much more shareholder-friendly administration of President Biden.

**Changing SEC interpretations:** The SEC has been shifting its interpretation of what may be included in shareholder resolutions and issued interpretive bulletins in 2017, 2018 and 2019. These changes have had their most significant impact on climate change proposals that ask companies to measure and report on their greenhouse gas emissions.

**Mutual fund voting:** The huge mutual funds that have influential stakes in nearly every corner of the American financial markets continue to pay more attention to proxy voting on environmental, social and sustainability issues, which has pushed the overall support levels ever higher, with 21 majority votes in 2020. But critics continue to press these market movers to vote for more shareholder resolutions and make their environmental, social and governance (ESG) policies consistent with investment management practices.

# INTRODUCTION

## Overview and New Issues in 2021

This section provides a look at the main issues raised in each of the topics covered in this report, giving special attention to new issues and the coming impact of the new proxy rules.

### Environment

Climate change remains the dominant environmental topic. Climate-related concerns lay beneath the surface of many other proposals, particularly those about sustainable governance, covered separately in this report. In all, there are 91 proposals about the environment.

**Climate change:** The tally of 66 proposals specifically concerned with climate change is about even with last year's total, but down from a peak of 83 in 2018. Climate change comes up frequently in other proposals about sustainability disclosure and lobbying; an expanded set of 13 proposals about climate lobbying is discussed below. Proponents seek information about how companies plan to address carbon asset risks, but not many address other issues such as clean energy and deforestation on their own.

**Carbon asset risk**—Proponents have filed about 10 more carbon asset risk proposals this year, with 29 asking for greenhouse gas (GHG) emissions reduction targets—or reporting—in the context of the Paris climate treaty; all but four of these simply ask for reports. Notable this year is the consistency of the requests for reporting—18 proposals use nearly the same language, which has passed muster at the SEC after many earlier proposals fell afoul of the commission's new "ordinary business rule" interpretation that disproportionately found after 2018 that emissions goals were "micromanagement," despite earlier precedents to the contrary. Proponents already have withdrawn 11 of the "Paris-compliant" goals proposals.

New are proposals about cutting Scope 3 emissions from products (at **Chevron** and **Occidental Petroleum**). An early win for the California Public Employees' Retirement System (CalPERS) came when **ExxonMobil** agreed to report on its full carbon footprint. Another new angle comes from *As You Sow* and Mercy Investments, seeking reports on how four companies will achieve net-zero GHG emissions by 2050.

Proposals asking for better disclosure on how climate-related extreme weather such as flooding that produces contamination from petrochemical plants, first raised in 2019, are back, with one pending at ExxonMobil but withdrawn at **Dow**.

Eight proposals express skepticism about whether natural gas and methane are truly climate-friendly, but four have been withdrawn and just one—on flaring at **Hess**—may see a vote.

Proponents have withdrawn two new proposals about drilling for oil and gas in the Arctic Natural Wildlife Refuge.

**"Say on climate"**—The biggest new development on climate change is an effort that seeks climate transition assessment and investor feedback—in the form of annual shareholder advisory votes, akin to "say on pay" vote for executive compensation. Skeptics of this approach suggest it may prove an ineffectual way to trim emissions, allowing companies to vaunt shareholder approval while not affecting their damaging trajectory. The effort has now adopted benchmarks set by the Ceres Climate Action 100+ initiative, and supporters think this will become the standard for holding companies' feet to the fire. A prominent supporter is activist British hedge fund magnate Sir Chris Hohn and his firm, The Children's Investment Fund (TCI). The campaign began in the United States with filings in November 2020. Proponents have engaged 75 companies to date and plan to file hundreds of proposals at the end of 2021, escalating globally in partnership with proponents in Australia, Asia, Europe, and Canada.

A new related idea comes from Christian Brothers Investment Fund (CBIS) and asks that **Chevron** and **ExxonMobil's** strategic climate plans undergo a formal audit, although they face SEC challenges.

**High carbon finance**—Investor advocates increasingly are looking at the role banks play in facilitating carbon intensive projects and four proposals are pending on this subject at **Bank of America**, **Citigroup**, **Goldman Sachs** and **Wells Fargo**.

**Clean energy**—Proponents and companies have found so much agreement about the merits of saving money through green energy that few proposals have been filed on the subject this year. Proponents withdrew all 13 resolutions they filed last year and in 2021 the New York State Common Retirement Fund has filed just four. New is a proposal from *As You Sow* about how **DTE Energy** might facilitate more electrification of "the built environment" and thus trim emissions.

**Deforestation**—Green Century Funds, which seeks to reduce harms caused by deforestation, is again seeking reports from food companies about how these risks affect commodity supply chains; the proposal is pending at **Bloomin Brands** and **Bunge**. Also pending is a new proposal from the group about financing deforestation, at **JPMorgan Chase**.

**Environmental management:** The number of environmental management proposals has fallen from earlier highs 10 years ago and in 2021 there are two dozen proposals. Half are about plastics pollution (by plastic manufacturers and makers and those that use it for product packaging) and the other half about various aspects of industrial agriculture. Eleven of the plastics/waste proposals are pending, as are two on pesticides, three about antibiotics and one on water use.

**Waste**—Green Century withdrew its plastics proposal after **Coca-Cola** agreed to cut its virgin plastic use by 3 million metric tons by 2025, in a significant move. In another shift, **Eastman Chemical** agreed to start reporting on its plastics pellet spills in a report due out by the end of the year, in response to *As You Sow's* proposal. But seven more plastics proposals are still pending.

New is another proposal from *As You Sow* and First Affirmative Financial Network about the use of potentially harmful substances in food packaging (poly and perfluoroalkyl, known as "PFAs"); it seeks a report from **McDonald's**.

**Agriculture**—Two pesticide reporting proposals are pending (out of four), at **Home Depot** regarding Roundup, and at **PepsiCo** about Roundup/glyphosate use in the supply chain. A new proposal asking about the externalized cost of antibiotics appears headed for a vote at **McDonald's** and **Yum Brands**.

## Social Issues

**Animal welfare:** A resubmitted proposal from Harrington Investments seeking an animal welfare policy, inspired by fur used in some of the apparel sold by **TJX**, is pending. Votes will not occur on two new proposals from People for the Ethical Treatment of Animals, concerning horse racetracks and **ExxonMobil's** sponsorship of the famous Iditarod dogsled race in Alaska. PETA withdrew both after SEC challenges, but noted Exxon will end its sponsorship.)

**Corporate political activity:** After supporters of ex-President Trump attacked the U.S. Capitol on January 6, many companies announced they would "pause" their corporate political spending and re-evaluate how they spend, a move applauded by critics of company spending. Proponents continue to seek explicit board oversight and reporting about companies' spending to influence the outcome of elections and shape policy afterwards through lobbying, although with a somewhat lower number of proposals than several years ago.

The 78 proposals filed to date include 13 that seek more specific information about how companies try to affect climate change choices by governments; last year this proposal earned 53 percent at **Chevron**, in a significant development; the company is now working with proponents on a new report.

New this year is a proposal from the Nathan Cummings Foundation asking **Best Buy** about lobbying specifically connected to racial justice, in the context of retailers' support for laws that "criminalize poverty" and feed mass incarceration that disproportionately affects people of color.

While most companies do not bother to lodge SEC challenges about proposals about political spending and lobbying, this year **Citigroup** is trying to persuade the commission that its lobbying proposal is not significantly related to its business, in what may prove to be an important early test of the Biden SEC's stance on this provision of the shareholder proposal rule.

Political spending and lobbying proposals use the same resolved clause and often run for several years, making them particularly vulnerable to the much higher resubmission thresholds set by the new SEC rules. How this plays out as the proxy season progresses is a key trend to watch.

**Decent work:** Proposals seeking fair pay and equitable working conditions blossomed in the Trump era and in the wake of the #MeToo movement. Their number has fallen by half in 2021, however, in favor of a big expansion of workplace representation proposals (covered in the Diversity at Work section).

**Fair Pay**—Proposals address pay equity from both extremes. The United Steelworkers and Trillium Asset Management argue that peer group benchmarking feeds an unsustainable and inequitable CEO pay differential compared to low wage employees. One new angle this year for executive pay is a resolution from Myra Young concerned about the overall societal impact of executive pay differentials, in a resolution at **Marriott International**. There are seven proposals about executive pay differentials.

From a different perspective, Arjuna Capital and Proxy Impact continue to press for better disclosure about gender- and race-based pay differentials. Support for many of the gender pay equity proposals fell in 2020, however, since investors appeared to be largely satisfied with *some* reporting on pay differentials, even though they largely eschewed disclosure of the global median pay data the proponents wanted. The number of proposals is down to just seven for 2021.

**Benefits**—The SEC decided that new proposals about paid sick leave, filed at seven companies and inspired by the pandemic are an ordinary business matter and none seem likely to go to votes. On a related subject, still pending are proposals at **Amazon.com** and **Wendy's** that ask for an accounting of how they ensure workers remain safe during the pandemic, with the New York City Comptroller's office offering a litany of well-documented problems at Amazon. Both these proposal face SEC challenges, however. But a **Walmart** worker's proposal for a Pandemic Worker Advisory Council survived a challenge.

**Diversity in the workplace:** Shareholder proponents have responded to the Black Lives Matter movement sparked by the May 25th murder of George Floyd in Minneapolis by filing twice as many proposals as they did last year about diversity. The resolutions seek better disclosure about fair representation in the workforce and more information about programs for employees of color. Companies were quick to highlight their efforts during the BLM demonstrations over the summer, but proponents want to see proof these commitments have real impact. All but two of the companies facing these proposals are doing so for the first time.

- After facing requests to report on *how employees are represented* throughout the company for some two decades, **Home Depot** finally acceded to the release of its EEO-1 form that it files annually with the Equal Employment Opportunity Commission. So far, the New York City Comptroller-led expanded campaign for EEO-1 disclosure has prompted 16 withdrawals; the city is joined by Trillium and Calvert Investments and at least a dozen more proposals are pending. Company moves to disclose are likely influenced by support from leading investment firms BlackRock and State Street, which both say they will vote against corporate boards whose firms do not provide EEO-1 data.
- The AFL-CIO has brought to the table the idea that companies should ensure their *employee hiring pools* include women and people of color, using the same idea employed in board diversity proposals; the resolution is pending at three companies.
- The emphasis on a more *diverse executive suite* continues, with three proposals still pending seeking reports on representation from Trillium, and four others from New York City that also are pending.
- *As You Sow* is focused on more granular reporting on how *diversity and inclusion programs* work and have impact, with metrics-based reporting. Its proposal, also filed by Nia Impact Capital and the Nathan Cummings Foundation, was filed at 22 companies and has been withdrawn at one.
- NorthStar Asset Management addresses *representation and racism* directly in a new proposal at Home Depot and **PayPal**, seeking a report on how each confront "unwritten norms" that "reinforce racism in company culture." *(Similar proposals about racism are covered in the Human Rights section.)*

**Ethical finance:** Trillium wants **KeyCorp** to report on the differential impact of its overdraft and insufficient funds fees on people of color. The pending proposal notes the company's reliance on fee-based income that it says comes from charges imposed by "aggressive or deceptive" marketing.

**Health:** Members of the Interfaith Center on Corporate Responsibility (ICCR) are seeking information on drugs for treating Covid-19, and the extent to which prices reflect the level of government aid that went into the drugs' development. But both **Eli Lilly** and **Johnson & Johnson** have challenged the proposal at the SEC, which has yet to respond to arguments the proposal is false and misleading, ordinary business or moot.

Other public health issues also are on the agenda, with resubmitted proposals about sugary beverages made and sold by three companies, while a new resolution seeks a report on the public health costs of the food business of **CVS Health** and **PepsiCo**. In addition, Clean Yield Asset Management would like **Walmart** to report on risks it faces for employees in need of reproductive health services in states where laws restrict access to abortion, contraception and other care. (This issue was first raised last year and work on the subject is coordinated by a group called Rhia Ventures.)

**Human rights:** Investors voting on proposals about human rights face a panoply of new proposals about racism both at work and more generally, all inspired by the Black Lives Matter movement. The focus is on systemic racism and the extent to which companies can and should combat it. Older proposals about supply chain risks like child labor continue, as do those that scrutinize the implications of electronic media platforms and how they can perpetuate hate speech and be used by governments to violate privacy. There are 46 proposals on human rights this year.

**Racism**—Eighteen new proposals ask about mitigating racism. The trade unions Change to Win and Service Employees International Union (SEIU) introduce the idea of a racial equity audit of their operations and offerings at eight financial institutions. Two similar proposals at drug companies zero in on the need for more people of color in drug trials. One at **Amazon.com** highlights problematic practices in the company's warehouses and in its platforms. Six companies have challenged the proposal at the SEC, but the commission denied **Johnson & Johnson's** challenge, in a positive harbinger for the others. Another new idea is for companies to report on their affirmative plans "to promote racial justice," referencing *As You Sow's* new Racial Justice Scorecard that features comparable data on corporate performance.

Several other racism proposals are new. One asks about environmental racism by **Chevron**, but it faces a challenge at the SEC. Arjuna Capital wants a report from **Chubb** about underwriting police insurance, and the Nathan Cummings Foundation seeks a report on community policing partnerships from **Target**. Yet another new angle is the question of prison labor and the racist history of mass incarceration; NorthStar Asset Management wants to hear more about how **TJX** monitors compliance with its policy to avoid prison labor.

**Risk policies and reporting**—More familiar to proxy season voters are the longstanding requests for assessments of human rights risks. So far there have been three withdrawals and one procedural omission, but five of these resolutions remain, at food and defense companies.

Particularly relevant to this year's proxy season are proposals asking meat processing companies to explain how the human rights of their workers are protected. A third-year proposal to **Tyson Foods** earned 18.4 percent, not enough to qualify for the new 25 percent resubmission threshold, which is particularly hard to meet at dual class stock companies like Tyson. Oxfam America withdrew after agreements at fellow chicken companies **Pilgrim's Pride** and **Sanderson Farms**, however.

**Media**—With the January 6 attack on the U.S. Capitol fresh in the nation's mind, investors will again vote on proposals asking social media companies how they moderate content on their platforms, how surveillance technology is deployed with appropriate caution (or not), and what can be sold online. All but two of the 12 proposals filed on media issues have been challenged and two have been omitted.

One new proposal asked three companies to study and report on any connections between their advertising policies and violations of civil or human rights, but none appears likely to see a vote given SEC challenges.

**Other human rights**—Proxy Impact has resubmitted its request for a report on child sexual exploitation on **Facebook**; it earned 12.4 percent last year and must get 15 percent to be resubmitted, a high bar for a dual class stock company.

The final human rights proposal unearths opposition to nuclear weapons and asks **PNC Financial** to stop "banking the bomb" by financing nuclear weapons makers.

## Sustainable Governance

**Board diversity:** A diminished complement of board diversity and oversight proposals is on the agenda for sustainable governance; the total has fallen to the lowest level in five years (30 proposals) as more companies agree to diversify their boards. Included in this are eight filings, mostly from the New York City pension funds, that ask for diversity in CEO searches.

**Board oversight:** Also diminished in number are proposals seeking specific types of board oversight, with just eight filings—down from two dozen three years ago. A new variant is a proposal that asks four companies to report on board oversight of workplace equity issues. It is pending at **Chipotle**, **Lyft** and **Southwest Airlines**.

**Sustainability:** The gradual erosion of sustainability reporting proposals is now nearly complete. In its place are a slew of new proposals that try to use corporate support for the 2019 Business Roundtable (BRT) Statement on the Purpose of a Corporation to force a wholesale reimagining of business.

**Corporate purpose**—The Shareholder Commons is coordinating proposals asking companies to reincorporate as public benefit corporations (PBCs). The core argument the proponents of 14 resolutions assert is that long-term investors would benefit if the corporate governance structure of companies is fundamentally altered. This would give companies the legal room to address the broad needs of society, not just the pecuniary interests of shareholders, the argument goes. Four companies have lodged challenges at the SEC, which has yet to weigh in. Harrington Investments withdrew its proposal after a challenge by **JPMorgan Chase**, which also released a report explaining why it would not reincorporate as a PBC.

Four pending related proposals ask financial institutions about what their BRT affirmation means in practice; the proposals are resubmissions and earned modest support last year of less than 10 percent; under the new rules they will need at least 15 percent to survive for another round in 2022.

**ESG pay links**—The number of resolutions seeking links of sustainability metrics to pay fell by half this year, after holding steady at around 20 for three years. They ask for ESG links generally on a panoply of specific issues—drug prices, executive diversity, climate change and privacy. Votes last year on drug pricing links were relatively strong, in the 20-percent range. Companies are contesting the inclusion of the three legal cost proposals; these resolutions, notably, come from pension funds in jurisdictions hard hit by opioids—Vermont and Philadelphia.

**ESG proxy voting**—Proponents have been urging large mutual funds to integrate ESG concerns into their proxy voting policies for several years; three are pending and another is planned. One of the proposals is new and asks **State Street** to consider factors beyond profitability in its proxy voting policy.

## Conservatives

The field of proposals from politically conservative groups, chief among them the National Center for Public Policy Research (NCPPR), has always focused heavily on social policy, but NCPPR has joined the debate over the BRT statement's implications this year. It also has proposed several charitable contributions proposals. It is not clear that any will go to votes given pending SEC challenges that have worked already this year.

**BRT:** NCPPR has asked at least seven companies to report on the meanings of their CEOs' sign-on to the BRT statement of purpose. The SEC has agreed the proposal can be excluded at two companies.

**Charitable giving:** NCPPR has proposed that six companies provide detailed reports on their charitable giving. The SEC already has agreed this is an ordinary business matter at four companies so far.

**Board diversity:** Proposals ask for reporting on "ideological diversity" on corporate boards, although votes in 2020 were around 1 percent, aside from an anomalous 13 percent at **Boeing**, where discontent with management in the wake of the 737 MAX disasters may have influenced the vote. This year, two have been omitted so far.

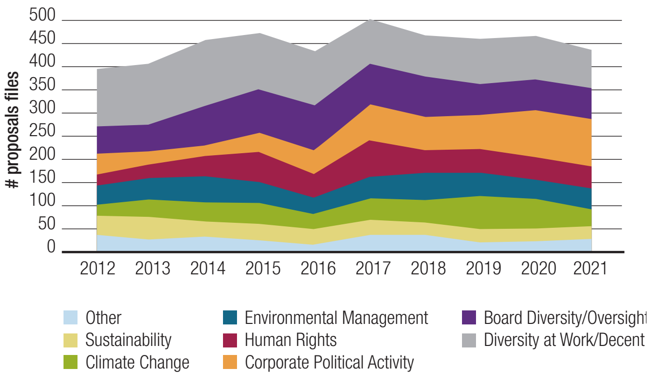
**Diversity at work:** NCPPR is continuing its campaign to get companies to report on how they protect persecuted conservatives in the workplace, by including "ideology" in non-discrimination policies, but one company knocked it out at the SEC to date.

**Other issues:** Two proposals seek to exclude foreign-made products from company inventories or allow customers to know where products are made to filter out foreign ones. A final proposal calls into question **Exelon's** work to facilitate electric vehicle charging by questioning child labor in the cobalt supply chain, but uses as its source a website questioning the reality of climate change. All three face SEC challenges.

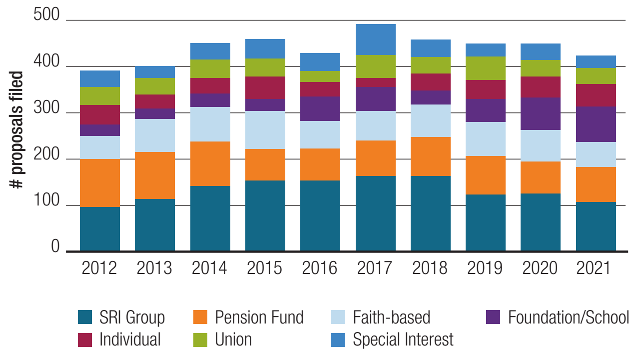
# Proposal Trends

The charts below illustrate long-term trends for proposal filings, showing the dominance of political activity and the rise of diversity resolutions over time, and shifts in the types of shareholder proponents who are lead filers of proposals. (Because many of the faith-based investors who are members of the Interfaith Center on Corporate Responsibility co-file with other proponents and may not be lead filers, the chart undercounts their participation.)

### Environmental, Social & Sustainability Filings Trend




### Distribution of Proponent Types




## SHAREHOLDER RIGHTS GROUP CALLS FOR REVERSAL OF TRUMP ERA SEC RULES

At the beginning of February, the Shareholder Rights Group outlined concerns about what it called the SEC's "significant doctrinal experimentation" with the shareholder proposal rule during the Trump administration. Attorney Sanford Lewis, who heads the coalition of active shareholder proponents, called for a reversal of Trump era changes in a February letter to John Coates, the acting head of the SEC's Division of Corporation Finance. Previously, the group outlined its opposition to rule changes on the Investor Rights Forum website.

Lewis urged Coates to "take careful stock of the various experiments" of the last four years, and to "reverse problematic initiatives." He said the SEC used "novel doctrinal and procedural devices" to make it easier for companies to omit proposals, with new definitions of "micromanagement," "substantial implementation" and "relevance." Further, he notes, the SEC introduced a new idea that considers the difference, or 'delta,' between proposals and previous company action. Collectively, the impact has been to "interfere with the ability of shareholders to engage in active stewardship through the shareholder proposal process."

Last year, the SEC stopped issuing written responses to accompany its decisions, and instead started posting notice of its responses—"yes" or "no"—to SEC no-action requests in a chart. This year, the SEC has made the chart more interactive; it notes the proponent, the reasons companies cite for proposal exclusions, and the ultimate decision, with links to the correspondence.

The choice not to issue letters "has been problematic in the extreme," Lewis argues, "because it fails to provide guidance or establish a framework for accountability," explaining that "unwritten exclusions, lacking clearly stated rationales, can be subject to multiple interpretations." The Shareholder Rights Group sees "a compelling need for clear guidelines as to when Staff will issue a written opinion and rationale."

The new ideas introduced by the last SEC "have conclusively failed to provide benefit due to the costs and uncertainties they impose," Lewis asserts. Instead, they were "doctrinal changes" that were a stealth rulemaking that did not provide the public with the required notice and a comment period. As such, they "can and should be withdrawn."

The SEC's Trump era interpretations "thwarted appropriate proposals from being filed, and have contorted the drafting of proposals into a form that necessitates less clarity of the proponent's request." The narrowed definition of micromanagement is "a serious impediment" to climate change proposals, despite "strong sentiment in the investment community that portfolio companies should set performance targets such as net-zero GHGs on a timeline consistent with global climate goals."

The Shareholder Rights Group also believes the SEC's expanded interpretation of "substantial implementation" is problematic. It allowed companies to claim proposals that ask "if and how" they will comply with the Paris climate treaty have already been implemented by "voluminous but unresponsive reporting." Blocking such proposals "is both unnecessary and ill-advised," Lewis wrote.

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## WHAT SHAREHOLDERS CAN EXPECT FROM A BIDEN SEC

**LISA WOLL**
*CEO, US SIF*

With a new year, proxy season, and presidential administration, US SIF expects to see new support for environmental, social, and governance (ESG) disclosure and other actions that benefit shareholders, other investors, and society at large.

During the presidency of Donald Trump, the executive branch rolled back environmental protections and imposed constraints on investors who sought to raise concerns about ESG issues.

In September 2020, for example, the SEC promulgated a rule that attacked the ability of investors to file shareholder proposals. Previously, an investor needed to hold $2,000 in stock for one year to be eligible to file a shareholder resolution. Starting in 2022 a shareholder must hold $25,000 of stock for one year, $15,000 for two years, or $2,000 for three years to file. The new rule also prohibits smaller investors from aggregating their shareholdings to meet the ownership requirements.

In addition, from 2017 through 2019, the SEC's Division of Corporation Finance, which among other duties advises whether publicly traded companies may omit various shareholder proposals, issued three Staff Legal Bulletins (14I, 14J, and 14K). These bulletins essentially announced that Division staff would give companies more leeway to omit shareholder proposals—even on critical issues such as climate change—on the grounds that they involve only "ordinary business" or are not significantly related to their business.

President Biden, in contrast, has made clear that action on climate and other environmental and social issues will be a priority.

Biden's executive order on Tackling the Climate Crisis at Home and Abroad details his intent to use existing regulatory, procurement, and budgetary powers to advance climate change action. It establishes a National Climate Task Force of the heads of the federal departments and agencies charged with domestic affairs to identify key federal actions to reduce climate pollution, increase resilience to climate change impacts, and spur well-paying union jobs and equitable economic growth and benefits.

The executive order does not specifically mention financial regulatory bodies such as the SEC. However, US SIF was heartened that Acting SEC Chair Allison Herren Lee created a new position in her office—Senior Policy Advisor for Climate and ESG—filled by Satyam Khanna. Khanna's brief is to advise the SEC on ESG issues and "advance related new initiatives across its offices and divisions." The new post aligns with US SIF's request in the policy document it submitted to the Biden transition team to appoint a sustainable investment advisor in the Chair's office.

Another promising recent appointment is that of John Coates, a corporate governance expert, to acting Director of the Division of Corporation Finance.

Biden has also nominated Gary Gensler, the former Chair of the Commodity Futures Trading Commission under President Barack Obama, to chair the SEC. His appointment has been hailed by Senator Elizabeth Warren, Americans for Financial Reform, and others who would like the SEC to provide greater protection for investors, including ESG disclosure and expansion of shareholder rights.

# THE 2021 PROXY SEASON

This section of the report presents information the 435 shareholder proposals investors have filed so far for the 2021 proxy season, up from 429 at this point in 2020. Additional proposals for spring votes will show up as the season progresses and more are likely to be filed for meetings that occur after June. A handful of proposals are included in the aggregate totals but not described in detail since they have yet to be made public by the proponents. The numbers this year are a little bit higher than last year, and up from 387 that had been filed at this point in 2019. As noted above, although new SEC rules have significantly increased resubmission thresholds and made it much harder to file proposals, these will not go into effect until 2022. Whether the new Biden administration will spend political capital to alter the new rules, which are very unpopular with proponents, remains an open question—as does whether proponents will sue to overturn the rule and what the outcome of any litigation might be.

**Structure of the report:** Information is presented in three main areas—Environment; Social and Sustainable Governance. A separate section covers Conservatives. We note how many proposals have been filed in each category, which are now pending, how many have been withdrawn for tactical or substantive reasons after negotiated agreements with companies, and the disposition of challenges to the proposals at the SEC under its shareholder proposal rule. Rule 14a-8 of the 1934 Securities and Exchange Act allows companies to omit proposals from their proxy statements if they fall into certain categories such as dealing with mundane, "ordinary business" issues. *(See www.proxypreview.org for details on the rule.)*

Analysis in this report focuses on the resolved clauses and how these compare to previous proposals, as well as previous support for resubmitted resolutions and new developments. We pay close attention to the SEC's interpretations of the omission rules, considering guidance documents released annually during the Trump administration; those set out some new interpretations from the commission's Division of Corporation Finance about whether a resolution concerns "ordinary business" or is "significantly related" to company business.

**Voting eligibility**—To vote on proposals, investors must own the stock as of the "record date" set by the company, about eight weeks before the meeting.

## Environmental Issues

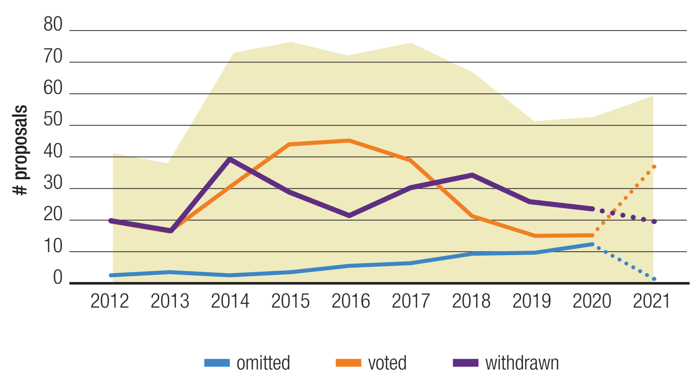
As natural disasters associated with our changing climate proliferate and companies grapple with increasing climate-related risks, financial analysts are continuing their efforts to quantify these risks and identify opportunities. Because investors and the companies they seek to influence are spending more time in engagement outside proxy season, the number of shareholder proposals has dropped, although a new crop of related political spending resolutions pushes the overall tally up in 2021 for the first time in several years. To date, there are 66 climate-specific proposals filed and another 13 on climate-related lobbying. Proposals about a wide variety of environmental management issues continue apace, but their number also has fallen; they stand at their lowest ebb of the decade, with just two dozen filed so far in 2021.

*(The Political Activity section, p. 33, discussed the climate lobbying proposals. The section on Sustainable Governance, p. 51, examines 12 related proposals seeking reports on and links to ESG metrics for executive compensation as well as board oversight.)*

### CLIMATE CHANGE

As of mid-February, proponents have filed a total of 66 proposals on climate change. Fifty-six proposals are about carbon asset risks companies face and how they will cope with a carbon-constrained world—and how they plan to manage greenhouse gas (GHG) emissions. The climate slate is rounded out with 10 more, six on clean energy and four on deforestation. This year appears notable for the number of new types of resolutions, including those asking about climate transition plans and annual votes on these plans.

**Climate Change Outcomes**

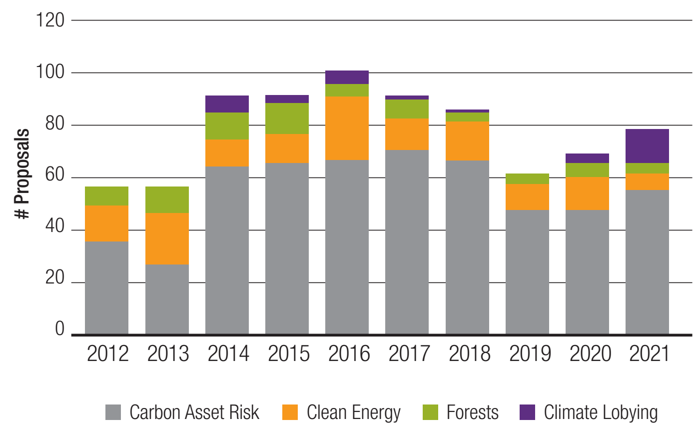


Last year saw five majority votes on climate, as several proposals attracted support from major mutual funds. The number of withdrawals recently has meant both new and more demanding proposals as well as companies that seem less receptive to proponents' demands. Support has grown dramatically, with average support for all climate change proposals in 2020 at 39.4 percent, up from just under 19 percent ten years earlier.

With the Biden adminstration promising aggressive action to address climate change, companies and their investors face a completely different public policy context than they have over the last four years. While work has begun to reverse the Trump administration's widespread rollbacks of laws and regulations enacted earlier to curb emissions and reduce harms, the demands of the COVID-19 pandemic and its related economic woes likely mean this will take some time. Just how companies will position themselves as they face the Biden adminsitration's climate plans is on the minds of many investor activists, and explains their focus on lobbying discussed on p. 33.

**Proponents:** The Ceres coalition coordinates nearly all these proposals, working with its Investor Network on Climate Risk (INCR) and a broad coalition of institutional investors, including many members of the Interfaith Center on Corporate Responsibility (ICCR), the New York City pension funds, state pension funds, *As You Sow* and many responsible investment firms, as well as some individuals. The proponents support Climate Action 100+, an effort focused on more than 100 carbon emitters that account for two-thirds of global industrial emissions and several dozen more companies the network says will be key to a "clean energy transition." Climate Action 100+ is backed by 450 institutional investors managing more than $52 trillion in assets. This year, a significant addition to the proponents is the British hedge fund The Children's Investment (TCI) Fund, which is sponsoring "say on climate" proposals asking for net-zero GHG emissions plans and shareholder advisory votes on them.

**Types of Climate Change Proposals**




## Carbon Asset Risk

In a shift from earlier proxy seasons, this year proponents are concentrating even more of their requests on proposals that consistently ask for plans about reconfiguring businesses to cut carbon in line with the Paris climate accord, without being too specific. Proposals about GHG goals were hit by a new interpretation of the SEC's "ordinary business" rule from 2018 onward, when the SEC staff agreed that a request for reporting at **EOG Resources** on emissions was "micromanagement"—even though this interpretation had not previously applied to emissions. The key stumbling block at EOG was a request for "company-wide, quantitative, time-bound targets." Proponents have been trying ever since to come up with language that will pass scrutiny, with varying degrees of success, but they also have doubled-down on engagement outside proxy season and filed fewer proposals. Last year, six emissions proposals averaged more than 46 percent, double the 2010 average.

### *Emissions Reporting and Goals*

**Paris-compliant goals:** In 2021, the proposal at **Costco Wholesale**, **Sysco** and **Wendy's** seeks a report that includes supply chain emissions for goals "well below 2 degrees,"

> describing if, and how, it plans to measure and reduce its total contribution to climate change, including emissions from its supply chains, and align its operations with the Paris Agreement's goal of maintaining global temperature increases well below 2 degrees Celsius.

Proponents have filed a similar proposal, with minor variations, at another 15 companies *(see table for list)* asking each to describe "if, and how it plans to reduce total contribution to climate change and align its operations with the Paris Agreement's goal of limiting global temperature increases to 1.5 degrees C."

## Climate Change – Carbon Asset Risk

| Company | Proposal | Proponent | Status |
|---|---|---|---|
| **Emissions Reporting & Goals** | | | |
| Albemarle | Report on Paris-compliant plan to cut carbon footprint | New York State Common Retirement Fund | withdrawn |
| Amgen | Report on Paris-compliant plan to cut carbon footprint | Green Century | withdrawn |
| Booking Holdings | Report on Paris-compliant plan to cut carbon footprint | Boston Common Asset Management | June |
| CarMax | Report on Paris-compliant plan to cut carbon footprint | Green Century | June |
| Caterpillar | Report on net-zero GHG goals | As You Sow | June |
| Chevron | Adopt GHG reduction targets | McKenzie Ursch | May |
| Chevron | Reduce Scope 3 GHG emissions | Follow This | May |
| Cleveland-Cliffs | Report on Paris-compliant plan to cut carbon footprint | New York State Common Retirement Fund | withdrawn |
| Comcast | Report on Paris-compliant plan to cut carbon footprint | Unitarian Universalists | withdrawn |
| ConocoPhillips | Adopt GHG reduction targets | Follow This | May |
| Corning | Report on Paris-compliant plan to cut carbon footprint | Green Century | withdrawn |
| Costco Wholesale | Report on Paris-compliant plan to cut carbon footprint | Trillium Asset Management | withdrawn |
| Danaher | Report on Paris-compliant plan to cut carbon footprint | Boston Common Asset Management | May |
| Domino's Pizza | Adopt Paris-compliant strategy to cut GHG emissions | New York State Common Retirement Fund | April |
| Expeditors International of Washington | Adopt GHG reduction targets | Zevin Asset Management | May |
| ExxonMobil | Report on full carbon footprint emissions | CalPERS | withdrawn |
| Federal Realty Investment Trust | Report on Paris-compliant plan to cut carbon footprint | Green Century | May |
| General Electric | Report on net-zero GHG goals | As You Sow | May |
| McKesson | Report on Paris-compliant plan to cut carbon footprint | New York State Common Retirement Fund | July |
| Occidental Petroleum | Reduce Scope 3 GHG emissions | Follow This | May |
| Phillips 66 | Adopt GHG reduction targets | Follow This | May |
| Public Storage | Report on Paris-compliant plan to cut carbon footprint | As You Sow | withdrawn |
| Skyworks Solutions | Report on Paris-compliant plan to cut carbon footprint | Green Century | withdrawn |
| Sysco | Report on Paris-compliant plan to cut carbon footprint | Trillium Asset Management | withdrawn |
| Twitter | Report on net-zero GHG goals | As You Sow | May |
| United Airlines Holdings | Report on net-zero GHG goals | Mercy Investment Services | withdrawn |
| United Parcel Service | Report on Paris-compliant plan to cut carbon footprint | Zevin Asset Management | May |
| Waters | Report on Paris-compliant plan to cut carbon footprint | Green Century | withdrawn |
| Wendy's | Report on Paris-compliant plan to cut carbon footprint | Sinsinawa Dominicans | withdrawn |
| **Extreme Weather** | | | |
| Dow | Report on climate-related extreme weather impacts | As You Sow | withdrawn |
| ExxonMobil | Report on climate-related extreme weather impacts | As You Sow | May |
| **HFCs** | | | |
| Walmart | Report on refrigerants and GHG emissions | Rhode Island Pension Fund | June |
| **Methane and Natural Gas** | | | |
| Cheniere Energy | Report on LNG stranded asset scenarios | Stewart W. Taggart | May |
| Chevron | Report on Paris treaty compliance & LNG | Stewart W. Taggart | May |
| Duke Energy | Report on GHG emissions in supply chain | As You Sow | withdrawn |
| Hess | Report on flaring reduction plans | Vermont State Treasurer | June |
| NextDecade | Report on LNG stranded asset scenarios | Stewart W. Taggart | withdrawn |
| PDC Energy | Report on flaring reduction plans | Trinity Health | withdrawn |
| Sempra Energy | Report on Paris treaty compliance & LNG | Stewart W. Taggart | omitted |
| Southern | Report on GHG emissions in supply chain | As You Sow | withdrawn |
| **Arctic Drilling** | | | |
| Bank of America | Report on ANWR development/financing | Trillium Asset Management | withdrawn |
| Chevron | Report on ANWR development/financing | Green Century | withdrawn |

*table continued on next page*

## Climate Change – Carbon Asset Risk *(continued from previous page)*

| Company | Proposal | Proponent | Status |
|---|---|---|---|
| **Transition Planning & Investor Feedback** | | | |
| Berkshire Hathaway | Report on climate-related transition plan | Hermes Investment Management | May |
| Booking Holdings | Allow annual advisory vote on climate strategy | As You Sow | June |
| Booking Holdings | Report on climate-related transition plan | As You Sow | June |
| Chevron | Issue audited annual climate transition plan | As You Sow | May |
| ExxonMobil | Issue audited annual climate transition plan | Christian Brothers Investment Services | May |
| Monster Beverage | Allow annual advisory vote on climate strategy | As You Sow | June |
| Union Pacific | Allow annual advisory vote on climate strategy | As You Sow | May |
| Union Pacific | Issue TCFD report and allow annual advisory vote | The Children's Investment Fund | May |
| Union Pacific | Report on climate-related transition plan | As You Sow | May |
| **High Carbon Finance** | | | |
| Bank of America | Report on financing Paris-compliant GHG cuts | As You Sow | May |
| Citigroup | Report on financing Paris-compliant GHG cuts | As You Sow | April |
| Goldman Sachs | Report on financing Paris-compliant GHG cuts | As You Sow | May |
| JPMorgan Chase | Report on GHG emissions and finance | As You Sow | May |
| Wells Fargo | Report on financing Paris-compliant GHG cuts | As You Sow | April |

**Pending**—The proposal is pending at **Booking Holdings**, **CarMax**, **Danaher**, **Domino's**, **Federal Realty**, **McKesson** and **United Parcel Service**.

**Withdrawals and SEC action**—As of mid-February, proponents have withdrawn 11 of these proposals, at **Albemarle**, **Amgen**, **Cleveland-Cliffs**, **Comcast**, **Corning**, **Costco Wholesale**, **Public Storage**, **Skyworks Solutions**, **Sysco**, **Waters** and **Wendy's**. Only one, at Skyworks, faced a challenge at the SEC, which noted the proposal arrived past the submission deadline. Agreements include the following:

- **Cleveland-Cliffs** plans to cut its Scope 1 and 2 GHG emissions by 25 percent by 2030, compared with 2017 baseline levels.
- **Comcast** is discussing benchmarks and targets for climate goals.
- **Costco Wholesale** released a new Climate Action Plan that includes an intention to set absolute emissions reduction targets and to track and measure its supply chain footprint.
- **Public Storage** agreed to consider new goals for its GHG emissions and energy use, to work with the Science-Based Targets Initiative and to continue dialogue.
- **Sysco** will issue new climate data, including on its full agricultural supply chain.
- **Wendy's** made new climate change commitments.

**Adopting specific goals:** The Dutch-based collaborative Follow This has requested reports on how three companies will approach climate change and set emissions goals:

- McKenzie Ursch, working with Follow This, wants **Chevron** "to address the risks and opportunities presented by the global transition towards a lower emissions energy system by devising a method to set emissions reduction targets covering the greenhouse gas (GHG) emissions of the company's operations as well as their energy products (Scope 1, 2, and 3).
- At **ConocoPhillips**, the request is for a "report on the strategy and underlying policies for reaching [GHG] targets and on the progress made, at least on an annual basis." It says in the resolved clause that "Nothing in this resolution shall limit the company's powers to set and vary their strategy or take any action which they believe in good faith would best contribute to reaching these targets." Further, "We believe that the company could lead and thrive in the energy transition. We therefore encourage you to set targets that are inspirational for society, employees, shareholders, and the energy sector, allowing the company to meet an increasing demand for energy while reducing GHG emissions to levels consistent with curbing climate change."

- At **Phillips 66**, the proposal is simply "to set and publish emissions reduction targets covering the greenhouse gas (GHG) emissions of the Company's operations and energy products."

Separately, Zevin Asset Management proposes that the board at **Expeditors International of Washington** "oversee the adoption of time-bound, quantitative, company-wide, science-based targets for reducing total greenhouse gas (GHG) emissions, taking into account the goals of the Paris Climate Agreement, subject to board and management discretion, and report…on its plans to achieve these goals."

Follow This also is asking **Chevron** and **Occidental Petroleum** specifically to reduce Scope 3 emissions, seeking "medium-term targets covering the greenhouse gas (GHG) emissions of the Company's energy products (Scope 3) on their pathway to their long-term target, which is net-zero emissions before 2050," while attempting to forestall a challenge by saying it does not seek to "micromanage" or undercut company management of the issue. The Scope 3 focus at Chevron is new, although it has received countless emissions proposals in the past. At Occidental, a proposal seeking a report on the company's analysis of a 2-degree scenario earned notably high support of 67.3 percent in 2017, while another regarding methane emissions earned 45.8 percent the same year—but no proposals have been filed since until now.

**SEC action**—**Chevron** is contending at the SEC that all four of its climate-related proposals (including one about natural gas and another on transition plans, described below) can be omitted, in a nested set of arguments. It asserts the Ursch proposal duplicates the one from Follow This and another on natural gas, which it received first, and also concerns ordinary business. At the same time, Chevron argues the Follow This proposal is ordinary business since it is too detailed, and also duplicates the natural gas proposal.

For its part, **ConocoPhillips** has told the SEC the Follow This proposal concerns ordinary business by dint of micromanagement and also has been implemented because of its "publicly disclosed emission targets." A 2020 Chevron proposal on emissions was omitted for this reason.

**Reporting on goals:** Five proposals ask for reports on emissions goals, with two variants:

- **All scopes**—The California Public Employees' Retirement System (CalPERS) withdrew a new resolution at **ExxonMobil** that asked:

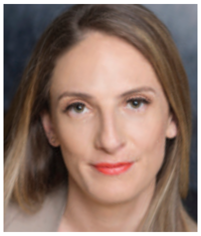
  > In order that investors can better understand and measure the material longterm business risks associated with the low-carbon energy transition, shareowners request that ExxonMobil Corporation provide annual public reporting of the company's greenhouse gas (GHG) emissions across its full value chain, so as to include scopes 1, 2 and 3 emissions.
  >
  > At the Board's discretion, the annual public reporting may be in a stand-alone ExxonMobil report or incorporated into existing reporting….

  The withdrawal came after the company publicly reported on its Scope 3 emissions, adding to earlier Scope 1 and 2 disclosures. Exxon argued at the SEC that this report made the proposal moot and CalPERS withdrew before any SEC response.

- **Net-zero**—Proponents reference a new net-zero aim set out by the Ceres Climate Action 100+ initiative. The Net Zero Company Benchmark calls on the world's largest carbon emitters "to work toward reducing greenhouse gas (GHG) emissions to net zero, improving climate governance, and providing specific climate related financial disclosures," by 2050. Its framework addresses all emission scopes and seeks alignment with a 1.5-degree warming goal, with specific indicators. In addition to GHG goals, the proposal's supporting statement also asks about "Any climate performance elements incorporated into executive remuneration."

  *As You Sow* filed at **Caterpillar**, **General Electric** and **Twitter**, seeking a report from each, with slightly different language, to disclose "the Company's climate policies, performance, and improvement targets, if any, responsive to each of the indicators set forth in the Net Zero Benchmark, or any rationale for failure to adopt such metrics."

  Mercy Investments echoed the request at **United Airlines** but withdrew after the company announced in its Global Citizenship Report that it would cut its emissions to zero by 2050.




## INVESTOR CLIMATE SUPPORT FOR CLIMATE ACTION 100+ NET ZERO BENCHMARK

**MORGAN LAMANNA**
*Senior Manager, Investor Engagements, Ceres*

**PAUL RISSMAN**
*Co-founder, Rights CoLab*

Climate science is clear on the need to reach net-zero global GHG emissions by mid-century to limit global warming to 1.5°C and to avoid the most devastating impacts of climate change to communities and the natural world. Net-zero commitments matter to investors because they provide a long-term market and policy signal, reduce regulatory uncertainty, create opportunities for innovations, and give investors confidence that they are developing strategies to address climate risk. Climate Action 100+ was initiated in December 2017 to support 161 companies that are systemically important in the transition to net zero emissions by 2050 or sooner. More than 500 investors, responsible for over $52 trillion in assets, are now part of the initiative.

Investors in partnership with leading researchers developed the Climate Action 100+ Net Zero Company Benchmark, which provides investors and the market a tool to assess company commitments around governance, disclosure, and targets, aiming to reduce emissions and avoid climate risk. The benchmark builds on the TCFD recommendations with more guidance on specific company actions and the most relevant disclosures for investors' decisions. Investors working through Climate Action 100+ now seek more robust and comparable information on how focus companies are realigning their business strategies and operations to meet the goals of the Paris Agreement and a net-zero emissions future. The tool's metrics will help promote and inform investment and stewardship decisions that create long-term value for investors' beneficiaries.

To test whether the Benchmark could be an effective engagement tool, *As You Sow* and Rights CoLab worked together to file five resolutions requesting disclosure against a variety of its indicators. Four resolutions targeted CA 100+ focus companies. Four resolutions are pending as of this writing at **General Electric**, **General Motors**, **Caterpillar**, and the refiner **Valero Energy**. Another, filed with Twitter, asks for broad disclosure compliant with the Benchmark at a technology firm that has never reported on the GHG emissions its data centers generate.

The Caterpillar resolution requests broad disclosure compliant with the Benchmark. At GE, the request is to comply with the Benchmark indicator for a net-zero target for Scope 3 emissions. At GM and Valero, it asks for a report on the Benchmark indicator that measures the connection of executive compensation to climate change performance. Last year, *As You Sow*, Rights CoLab, and Ceres collaborated on resolutions requesting that companies disclose a variety of Sustainability Accounting Standards Board (SASB) indicators. After BlackRock CEO Larry Fink's early 2020 annual letter to clients asked for SASB reporting, the resolutions garnered some of the highest shareholder votes of 2020. This year, Larry Fink's annual letter focused on climate change and asked companies "to disclose a plan for how their business model will be compatible with a net-zero economy…by 2050." With major investors aligning their engagement priorities to the CA 100+ Benchmark, we are hopeful for another round of successful resolutions.

**Refrigerants:** Another new issue has come up at **Walmart**. The Rhode Island Treasurer wants the company to report "if and how it plans to limit its impact on climate change by increasing the scale, pace and rigor of its plans to reduce refrigerants released from its operations." The proposal notes that "hydrofluorocarbons (HFCs), a common class of refrigerants, are super pollutants with global warming potentials (GWP) hundreds to thousands of times greater than CO2. It points out the company saw a 15 percent increase in HFC emissions in 2019, which amounted to about half its total global Scope 1 carbon footprint. It contends Walmart "has a vague intention to "improving the performance of our refrigeration systems" by 2040 but says it could keep up with competitors and do more by:

- Replacing HFC refrigerants with ultra-low GWP and non-HFC substances,
- Limiting leakage and ensuring end of life refrigerant recovery by use of good management practices,
- Increasing refrigeration efficiency,
- Establishing quantitative refrigeration targets and action plans.

**Extreme weather and public health:** *As You Sow* has returned with its proposal seeking more information about the risks petrochemical operations pose to community health if they are located in flood-prone areas that are particularly vulnerable to rising water levels and resulting chemical leaks. A similar version of the proposal first went to a vote in 2019, with a 7 percent result at DuPont but 25 percent at ExxonMobil. It went on in 2020 to earn 54.7 percent at Phillips 66 and 46 percent at Chevron, but the same tally of just under 25 percent at ExxonMobil. This year, *As You Sow* has withdrawn at new recipient **Dow**, reporting an agreement.

**Petrochemical stranded assets:** *As You Sow* has expanded on its previous petrochemical-focused resolution with **Exxon** to now ask for a report "describing if and how it is reducing the risk of stranded assets related to environmen-tal impacts of its petrochemical investments." The company is arguing at the SEC that the proposal is moot and addressed by existing disclosures claiming high growth projections for plastic demand.

**Methane and natural gas:**

**Supply chain**—*As You Sow* has withdrawn a new proposal asking two utilities—**Duke Energy** and **Southern**—to provide "annual public reporting of the indirect upstream GHG emissions from its supply chain." The proposal outlines risk from utilities' "growing reliance on natural gas" that it says is "a major contributor to climate change due to methane leaks occurring throughout the supply chain." It reasons that better disclosure will help investors assess risk that are both material and critical to transformation of the electric grid to low-carbon energy. The proposal notes that neither Duke nor Southern currently report on upstream releases that occur during natural gas exploration, production and transportation. *As You Sow* is continuing its dialogue on the issue and withdrew both proposals as a result.

**Flaring**—Direct producers of methane are targeted in another new proposal. It asks **Hess** and **PDC Energy** if each will "curtail its impact on climate change from routine flaring and venting, beyond existing efforts," and to report by November. Trinity Health withdrew at PDC Energy after an agreement, but the proposal remains pending at Hess, from the Vermont Treasurer. (At Hess, proposals asking for Paris-compliant GHG reductions were omitted in both 2020 and 2019 on the grounds that they were moot, while a resolution seeking a 2-degree scenario report in 2017 earned 30.1 percent support.)

**Liquid natural gas risks**—Individual investor Stewart W. Taggart has returned for the third year with detailed proposals expressing concern about a variety of risks caused by climate change, all about liquid natural gas (LNG). He proposed similar resolutions starting in 2019, but just one has gone to a vote so far, earning 28.1 percent last year at **Cheniere Energy**. This year, Taggart asks Cheniere to

> prepare a report outlining the business case and premature write down risk for the global Liquid Natural Gas trade under a range of rising carbon price scenarios (say to $30 to $120 by 2030 in 2018 dollars) applied to the life-cycle emissions (production, transport and combustion) of the company's natural gas assets.
>
> Such a report should include discuss of how carbon pricing, a parallel 'implicit price' derived by intergovernmental action or a third method of achieving the 2C scenario (such as shifting to hydrogen exports) under the Paris Accords will affect the longevity of the company's sunk and planned investments in Liquid Natural Gas infrastructure and the length of its carbon-adjusted economic lifespan.

**advocacyposition**

## PLASTIC: THE NEW STRANDED ASSET RISK FACING BIG OIL

**LILA HOLZMAN**
*Senior Energy Program Manager, As You Sow*

As the oil and gas industry reckons with the clean energy transition, its emerging plans show one last desperate attempt to cling to continued fossil fuel extraction: a theory of growing global demand for petrochemicals, especially plastics. In a world flooded with plastic waste, however, the proposed expansion of plastic production raises red flags for investors and requires enhanced scrutiny.

In recent years, the first petrochemical-focused resolutions—addressing negative health impacts from petrochemical facilities hit by climate change-induced extreme weather—garnered a majority vote with **Phillips 66** and strong votes with **Chevron** and **ExxonMobil**. **Chevron Phillips Chemical** has responded to the resolutions by publishing new disclosures addressing these concerns, and this year **Dow** agreed to enhance its related disclosures.

Yet, even as companies acknowledge the need to prepare for physical climate change and better protect communities from hazardous chemicals escaping from these facilities, investors have further cause for concern regarding petrochemical investments: the risk of stranded assets. This year, investors are requesting that ExxonMobil describe if and how it is reducing the risk of stranded assets related to the environmental impacts of its petrochemical investments. In recent years, ExxonMobil has invested heavily in expanding its petrochemical operations and plans to continue growth. Shareholders seek information on the growing risks associated with public, market, and governmental responses to plastic pollution, community health, and climate change associated with petrochemical operations and products.

While plastics and other petrochemical goods are set to overtake the transport sector as the largest driver of future global oil demand, fossil fuel companies risk overinvesting in the space. They are ignoring calls to consider how related environmental concerns may deflate such lofty demand growth expectations. Plastic pollution has become one of society's most intractable problems, leading major corporations to make new commitments, like Unilever's 2025 goal of reducing virgin plastic use by half. Local and international governments are imposing new policies to ban or restrict single-use and disposable plastics.

Further, the industry's massive climate footprint is projected to use up to 19 percent of the world's carbon budget. Therefore, global efforts to reduce GHG emissions will likely affect plastic production and use. Locally, health concerns about hazardous emissions from petrochemical facilities in low-income, fence-line communities create environmental justice issues that could reduce social license to operate and increase opposition. Investors should pay close attention and encourage better transparency from companies, since companies like ExxonMobil significantly understate these risks.

Since 2010, energy and chemical giants have invested nearly $200 billion in new and projected plastics facilities in the U.S.—investments that face an increasingly uncertain future. Investors must ask whether this risky bet on new and expanded petrochemical infrastructure makes sense.

> The report should also include discussion of cost overrun, delayed starting and future technology risks run by Liquid Natural Gas industry compared to competing energy technology (primarily sun and wind, the two most mature, low cost forms of renewable energy).

Taggart also proposes that **NextDecade**

> produce a report at reasonable expense and without revealing propriety information discussing price, amortization, technology and climate change risk from rising carbon prices, advancing renewable energy technology and potential rising seas in coastal areas such as Brownsville where it plans LNG plants.

In addition, he wants **Chevron** to

> report on the Scope Three emissions from Chevron's Liquid Natural Gas operations and how the company plans to offset, pay carbon taxes on or eliminate via technology these emissions to meet post-2050 Paris Accord carbon emission reduction goals to which Chevron is publicly committed and fellow oil major British Petroleum has pledged to meet.

Finally, at **Sempra**, he poses a series of questions:

> Sempra shall confirm whether or not It supports the goals of the Pans Climate Accord. If yes, Sempra shall outline how it intends to meet the objectives of the accord given Sempra's existing investments in Liquid Natural Gas. It should specifically discuss the potential for hydrogen production from renewable energy as a future use for legacy Liquid Natural Gas infrastructure at risk in future years from emissions constraints, carbon pricing and technological dislocation from (among others) wind and solar. If no, Sempra shall discuss how It plans to handle long-term Environmental-Social-Governance divestment risk (should Sempra believe it exists) from continued exposure to the Liquid Natural Gas trade given LNG's Scope Three emissions of around 66 tonne per megawatt-hour equivalent (according to the US Department of Energy, Bloomberg New Energy, the Union of Concerned Scientists, and others.

**SEC action**—All of the Taggart proposals have been challenged. Chevron says a forthcoming report will make it moot, Cheniere says he failed to prove his stock ownership and that the proposal impermissibly consists of multiple proposals, and Next Decade and Sempra also both say he did not prove stock ownership.

**Arctic drilling:** Proponents have addressed development of oil and gas in the Alaskan arctic from two directions this year, but have withdrawn. Trillium Asset Management asked **Bank of America** to report "describing if and how" it "plans to respond to rising reputational risks for the company related to involvement in Arctic oil and gas exploration and production," but then withdrew when the bank said it will not finance such development. **Chevron**, the other recipient, took the opposite approach in response to a resolution from Green Century. The proposal asked for a public report "assessing the benefits and drawbacks of committing to not engage in oil and gas exploration and production in the Arctic, particularly in the Arctic Refuge, as well as the financial and reputational risks to the company associated with such development." Green Century withdrew after a procedural challenge.

## *Climate Transition Planning and Investor Feedback*

As it becomes abundantly clear that our planet and the worldwide economy faces substantial disruptions from climate change, shareholder proponents have been asking ever more pointed questions to companies about how they will adapt. The 2021 proxy season has several new variants on this idea. The big new idea is to have investors weigh in annually in routine votes about company plans, in a "say on climate" approach. Also new is that these plans should undergo a formal audit to ensure the assumptions and data they present are accurate. As of mid-February nine proposals were pending, although five face SEC challenges.

**Transition report:** *As You Sow* and Hermes Investment Management are asking three companies to issue climate transition plans.

The Hermes proposal is much longer. It says:

> In order to promote the long-term success of Berkshire Hathaway…and so investors can understand and manage risk more effectively, shareowners request that the board of the Company publish an annual assessment addressing how the Company manages physical and transitional climate-related risks and opportunities, commencing prior to its 2022 annual shareholders' meeting. At the board's discretion, shareholders recommend that the report also includes:
>
> - Summaries of risks and opportunities for each of the Company's subsidiaries and investee organizations that the board believes could be materially impacted by, or significantly contributing to, climate change;
> - An explanation of how the board oversees and manages climate-related risks and opportunities; and,
> - An examination of the feasibility of the Company establishing science-based, greenhouse gas (GHG) reduction targets, consistent with limiting climate change to well-below 2C.
>
> The disclosure ought to include the details of any scenarios used, along with any material assumptions for determining physical and transitional risks for the Company's subsidiaries and investee organizations which are deemed by the Company to be materially impacted by climate change and the energy transition. The assessment may be a stand-alone report or incorporated into existing reporting, and may cover topics such as governance, strategy, risk management, and metrics & targets. The assessment should be prepared at reasonable cost and omit proprietary information.

## SAY ON CLIMATE: NET-ZERO WITH ANNUAL SHAREHOLDER VOTES – A GLOBAL MOVEMENT

**SIR CHRIS HOHN**
*Founder, Children's Investment Fund Foundation*

**ANDREW BEHAR**
*CEO, As You Sow*

Carbon emissions resulting in climate change pose increasingly growing material risks to society and corporations. These impacts will reach into every supply chain, capital market, and customer base. A recent study found that more than eight million people died prematurely in 2018 from fossil fuel air pollution. To address these risks and shareholder concerns, companies should establish accredited science-based greenhouse gas reduction targets that adhere to the Paris Agreement and limit global warming to 1.5° Celsius from pre-industrial levels.

**Say on Climate** is a global initiative that addresses climate risks by offering companies a standardized and comparable way to put forth a net-zero transition plan, with the added benefit of annual shareholder feedback. This will enable companies to have long-term plans, disclose how they are doing to hit their milestones, and provide a mechanism for shareholders to be part of the process. This alignment of incentives can also result in compensation linked to climate change transition success.

Leading investors are rallying behind net-zero climate transition plans with shareholder voting. UN climate envoy Mark Carney said Say on Climate "would establish a critical link between responsibility, accountability and sustainability." BlackRock's CEO Larry Fink also is calling for "companies to disclose a plan for how their business model will be compatible with a net zero economy." Over the past five months, several companies have agreed to voluntarily adopt Say on Climate after shareholder advocacy by Chris Hohn, founder of the London-based Children's Investment Fund Foundation (CIFF). These companies include Spanish airline operator **Aena**, **Unilever**, **Moody's**, **Canadian National**, **Shell**, **Rio Tinto**, and **Glencore**. These climate leaders show that Say on Climate is feasible and effective. In addition, proponents have filed resolutions with major companies including **Alphabet**, **S&P Global**, and **Canadian Pacific Railway**.

Shareholder advocates from the United States, Canada, Europe, Asia, and Australia are engaging companies and filing resolutions; aiming to get every public company to adopt Say on Climate in the next three years. In the United States, *As You Sow* filed Say on Climate resolutions at **Union Pacific**, **Monster Beverage**, and **Booking Holdings** and plans to file hundreds of resolutions in the next two years unless companies voluntarily adopt the initiative. To date, *As You Sow* has also sent letters to and is meeting with 125 companies, including **Microsoft**, **Pfizer**, and **General Mills**.

*As You Sow* has integrated the rigorous metrics of the Climate Action 100+ benchmark into the Say on Climate proposals. This benchmark is supported by $52 trillion of assets under management and establishes comparable metrics that assess corporate progress toward net-zero 2050 emissions.

For the world's countries to hit their Paris goals, the world's companies must participate. Say on Climate is an equitable and comprehensive way to achieve the safe, just, and sustainable future that awaits us all when we unite to take on this global threat.

At both **Booking Holdings** and **Union Pacific**, *As You Sow* wants the board to "issue a climate transition report, at least 120 days prior to the next annual meeting, and updated annually, that addresses the scale and pace of its responsive measures associated with climate change."

**SEC action**—Union Pacific is arguing at the SEC that *As You Sow* failed to prove stock ownership.

**Annual advisory vote:** Four proposals (one of them a rare binding bylaw amendment) ask for annual votes by investors. At **Booking Holding** and **Union Pacific**, *As You Sow* asks each to

> provide shareholders with the opportunity, in the annual proxy statement (starting with 2022), to provide an advisory vote on whether, in consideration of global climate benchmarks, they approve or disapprove of the Company's publicly available climate policies and strategies.

At **Monster Beverage**, the proposal is to:

> Amend Article I of the Bylaws by adding the following section:
>
> Section 16. Annual Proxy Vote and Report on Climate Change. The annual corporate proxy statement shall include a proposal requesting an advisory vote by shareholders expressing non-binding advisory approval or disapproval of the Company's publicly available climate policies and strategies, in consideration of key climate benchmarks.
>
> The Board of Directors is authorized to include in the Company's annual proxy statement, or publish elsewhere, a report that characterizes the scale and pace of its responsive measures associated with climate change, including referring, at Board discretion, to the Company's alignment with climate-related benchmarks.
>
> Nothing in this section shall be construed as constraining the discretion of the board or management in disclosing or managing issues related to a climate change transition.

advocacyposition

## CLIMATE CHANGE: FOLLOW THE MONEY

**DANIELLE FUGERE**
*President, As You Sow*

As climate-related events hit home with increasing frequency and destruction, the Paris Agreement's goal of net-zero emissions by 2050 has begun to resonate throughout the financial system. From climate risk reporting to net-zero commitments, the low carbon economy is gaining traction and speed.

Banks are a crucial part of this transition. The largest banks are now choosing whether to incentivize and drive emissions reductions across the full range of their financing activities—or continue funding high carbon, status quo activities while making climate commitments on the margins.

*As You Sow* and a range of co-filers have continued to engage the largest U.S. banks on climate this year, filing resolutions at **Wells Fargo**, **JPMorgan Chase**, **Bank of America**, **Citibank**, and **Goldman Sachs**, seeking confirmation as to whether each bank intends to adopt the three basic metrics on measuring, disclosing, and reducing its financed emissions in alignment with the Paris Agreement's 1.5°C goal. Morgan Stanley, in September 2020, was the first major U.S. bank to commit to all three components. JPMorgan Chase followed in 2020 with a commitment to align its financed emissions with the Paris Agreement and to measure its financed emissions for three high carbon sectors, lacking only a clear commitment to publicly disclose its financed emissions.

This year, Citigroup joined Bank of America, in setting long-term targets to reduce its financed emissions in line with the Paris Agreement's net-zero goal. These announcements resulted in withdrawal of shareholder resolutions and confirmed a new standard for U.S. banks in taking responsibility for reducing their contributions to climate change. JPMorgan also agreed, in response to a shareholder proposal, to disclose its financed emissions, assumptions, and methodologies; to report annually on success in portfolio decarbonization; and to announce a timeline for adding additional sectors to its assessment, disclosure, and reduction commitments.

While shareholders are engaging with Goldman Sachs and anticipate a similar commitment, they are increasingly concerned that Wells Fargo is lagging its peers. Wells Fargo has undertaken Task Force on Climate-related Financial Disclosures (TCFD) reporting to measure its own climate risk, as the others have, but it stopped there. Now, it is fighting a proposal asking it to measure, disclose, and *reduce* its financed emissions in line with the Paris Agreement's net-zero goals. Instead of allowing the proposal on its proxy to prompt discussion and analysis, it wants to prevent its inclusion in the proxy statement through a challenge filed at the SEC. This is not a productive response. No matter the outcome of this challenge, shareholders will continue to ask Wells Fargo to accept responsibility for the climate-endangering emissions it is financing.

As surely as individual companies are responsible for the greenhouse gas emissions their activities and products produce, global banks are responsible for their actions in funding and facilitating them. Only when each bank takes responsibility for its climate impact by setting greenhouse gas emission reduction goals on its full range of financing activities, and measuring and disclosing progress in reducing them, can global progress on climate be made.

A second proposal at **Union Pacific** from The Children's Investment (TCI) Fund references guidance issues by the Financial Stability Board's Task Force on Climate-related Financial Disclosure (TCFD). The proposal asks that the board:

> disclose at each annual meeting of shareholders, as soon as reasonably practicable but no later than 60 days after this annual meeting, and thereafter no later than the date the Company disseminates its proxy statement in connection with each subsequent annual meeting, a report disclosing the Company's greenhouse gas emission levels (the "Emissions") in a manner consistent with the Task Force on Climate-related Financial Disclosure recommendations as well as any strategy that the Company may have adopted or will adopt to reduce the Emissions in the future, including any Emissions' progress made year over year (the "Reduction Plan"), and provide shareholders with the opportunity, at each such annual meeting (starting at the next annual meeting), to express non-binding advisory approval or disapproval of the Reduction Plan.

**SEC action**—Union Pacific has challenged both proposals at the SEC. It argues that *As You Sow* failed to provide sufficient proof of stock ownership (as with the other proposal noted above), that the resolution impermissibly consists of two proposals and that it duplicates TCI. Regarding the TCI proposal, the company also says it impermissibly consists of more than one request.

**Audited plans:** Christian Brothers Investment Services (CBIS) is joining *As You Sow* in filing a new request at Chevron and ExxonMobil about formally audited climate plans. The proposal asks for

> an audited report to shareholders on whether and how a significant reduction in fossil fuel demand, envisioned in the [Internal Energy Agency] Net Zero 2050 scenario, would affect its financial position and underlying assumptions. The Board should summarize its findings to shareholders by January 31, 2022…

Both companies are arguing at the SEC that the proposal is false and misleading and moot given current disclosures. Chevron also contends that the proposal duplicates other climate resolutions it received first (described above).

### *High Carbon Finance*

As investors look at ways to persuade companies to reduce their emissions, they have increasingly tried to get financial institutions not to underwrite projects that have high carbon footprints. Boston Common Asset Management (BCAM) first filed these proposals in 2013 to cut off funding for mountain-top removal mining; they earned in the mid-20 percent range, as did a broader proposal from the Sisters of the Holy Names the next year, at Bank of America. Proposals next sought specific limits on high carbon financing in 2017 and 2019, but these were omitted on ordinary business grounds, when the SEC agreed they were "micromanagement." In 2020, this argument did not sway the SEC when the proposal was more general; it sought a report from JPMorgan Chase and earned 49.2 percent, just shy of a majority; the proponents withdrew after agreements last year at Goldman Sachs and JPMorgan Chase. This year, *As You Sow* has returned, asking **Bank of America**, **Citigroup** and **Goldman Sachs** each to

> issue a report, at reasonable cost and omitting proprietary information, outlining if and how it intends to reduce the GHG emissions associated with its financing activities in alignment with the Paris Agreement's 1.5 degree goal, requiring net zero emissions.

At **JPMorgan Chase**, the resolution asks for a report that will address "whether, when, and how" the bank "will measure and disclose the greenhouse gas footprint of its financing activities."

**SEC action and withdrawal:** JPMorgan Chase and Wells Fargo both are arguing at the SEC that the resolution is moot given company reporting. But Bank of America announced on February 11 that it has set a net-zero GHG goal to be achieved by 2050, and *As You Sow* withdrew. *As You Sow* withdrew before the SEC responded to Chase, which said its disclosures and plans for a report in spring 2021 make the proposal moot. As *You Sow* reports the bank will provide "more clarity and details on how it measures its financed emissions."

## Clean Energy and Electrification

Proposals about clean energy have largely dried up. Nearly all of these proposals have been withdrawn in the last few years since companies have agreed that making their operations more energy efficient makes economic sense, and that renewable energy presents attractive options from many perspectives.

**advocacy**position

### CLEAN ENERGY ADVOCACY IS KEY TO NY STATE INVESTMENT STRATEGY

**THOMAS P. DINAPOLI**

*New York State Comptroller, Trustee of the New York State Common Retirement Fund*

In 2020, the New York State Common Retirement Fund (Fund), announced a goal of achieving net-zero greenhouse gas (GHG) emissions for the Fund's portfolio by 2040. The goal builds on the Fund's Climate Action Plan 2019. A key component of this initiative is a four year review of investments in energy sector companies, using minimum standards to assess transition readiness and climate-related investment risk, and, where consistent with fiduciary duty, potential divestment of companies that fail to meet minimum standards.

Along with reviewing investments in energy sector companies, we believe engaging with the Fund's portfolio companies is a critical component of achieving net-zero emissions. As a result, the Fund has developed a systematic shareholder engagement program to address climate change risk that prioritizes companies for engagement, sets specific timeframes, uses transition-readiness and resiliency metrics to define goals, and measures progress against these goals.

The Fund undertakes engagements with companies in high-impact sectors, directly and in collaboration with other investors through initiatives such as Climate Action 100+, the Ceres Investor Network on Climate Risk, and the CDP non-disclosure campaign, among others. The Fund also conducts direct engagements through letter writing and meetings with management and board directors. The Fund also files shareholder resolutions to raise the issue directly with other shareholders.

Since 2008, the Fund has filed over 150 climate-change-related shareholder resolutions, reaching 72 agreements with portfolio companies on climate issues such as setting GHG emissions reduction targets and renewable energy and energy efficiency goals, and enhanced climate disclosures in line with the Task Force on Climate-related Financial Disclosures.

In recent years, the Fund has engaged its portfolio companies on renewable energy and energy efficiency goals. Investments in clean energy resources — including renewable energy like wind and solar, and energy efficiency — can provide companies a cost-effective way to reduce GHG emissions and insulate themselves from climate risks. As a result of the Fund's engagements a number of corporations have set clean energy or emissions reduction goals to drive their decision-making and performance.

Examples of these positive outcomes include:

- **Keurig Dr. Peppe**r committed to adopting science-based targets and reach 100% renewable electricity;
- **Lowe's** went from having no sustainability program to setting a GHG goal for their scope 1&2 emissions and made the Renewable Energy Buyers Alliance (REBA) top-10 list this year for their renewable energy deals;
- **Michael Kors** (now **Capri**), which, after three years of engagement dialogues, committed to be 100% carbon neutral and to use 100% renewable electricity in direct operations in 2020 and is cooperating through the Sustainable Apparel Coalition to improve energy efficiency and increase renewable energy use in the supply chain; and,
- **American Electric Power**, one of the nation's highest-carbon emitting electric utilities, announced its goal to achieve zero emissions by 2050.

In 2021, the Fund has filed six shareholder proposals at companies requesting that they set targets for increased use of renewable energy and enhanced energy efficiency of their facilities. Since those filings, the Fund has received an agreement with **Cleveland-Cliffs Inc.**, a steel manufacturer, which has adopted GHG targets and committed to co-funding green hydrogen projects to decarbonize its steel manufacturing.

## BUILDING SECTOR ELECTRIFICATION: TAKING FOSSIL FUELS OUT OF OUR HOMES

**DANIEL STEWART**
*Senior Research Associate, As You Sow*

Power utilities are now taking more ambitious strides on decarbonizing their electric generation business through setting mid-century net-zero GHG emissions targets and implementing major rollouts of solar and wind resources. But the net-zero proclamations for electric generation only cover part of many utilities' total emissions.

Hybrid utilities, which also provide natural gas for heating and cooking in buildings, are not comprehensively addressing emissions from their gas distribution business arm. Approximately 20 percent of the publicly disclosed emissions from **DTE Energy** and 30 percent of those from **Dominion Energy** come from gas distribution. The climate impact from this business is significant and should be incorporated into net-zero strategies.

Natural gas generates considerable climate impacts through methane leakage across the supply chain and from direct combustion emissions. Gas combustion for heating and cooking is a primary reason commercial and residential buildings account for 12.3 percent of GHG emissions nationwide. Companies annually invest billions of dollars to build and support natural gas infrastructure in buildings, tying millions of homeowners to the fossil fuel. This investment locks in building sector emissions for decades, exacerbates climate impacts, exposes citizens to harmful air pollution, and increases stranded asset risk.

Electrification is an increasingly cost-effective solution to achieve net-zero emissions for the built environment. Experts and policymakers see it as one key way to reach net-zero emissions. Already, 42 cities in California have passed legislation incentivizing building electrification, and many states are taking steps to support it, too. Ambitious building electrification development is not just reserved for milder climate geographies, either, since electric technologies like heat pumps can operate effectively in cold regions.

Unfortunately, instead of embracing building electrification, many utilities are offering fanciful solutions to maintain the current gas system, such as renewable natural gas (RNG) and hydrogen. These strategies are wildly lacking, fail to reduce distribution emissions substantially, and have prohibitively high costs at scale, plus fuel supply limitations.

*As You Sow's* 2021 building electrification shareholder resolutions with DTE and Dominion Energy ask them to disclose whether and how they could reduce distribution emissions through support for building electrification within their service areas. In particular, the resolutions point to the need for clear information on the provision of incentives for electrification efforts, support for policy that would accelerate electrification, and targets for supportive actions. As electrification becomes more cost competitive, policies will gain traction, and utilities will continue to face pressure to reduce GHGs. Hybrid power and gas utilities clearly face transition challenges and opportunities for their gas distribution businesses. Only through aiding the building sector reach net-zero emissions with strategies such as electrification can hybrid utilities such as DTE and Dominion assure investors they are reducing their outsized contribution to the material risks that the climate crisis poses.

**Goals:** New York State Common Retirement Fund (NYSCRF) is asking three companies this year to report on their goals, asking each "if, and how" it

> plans to reduce its total contribution to climate change. In the report, shareholders seek information on--among other things, at board and management discretion--the relative benefits and drawbacks of adopting quantitative and company-wide goals for increasing the Company's use of renewable energy and energy efficiency (together, "clean energy"). The report should be issued within one year of the 2021 annual general meeting...

The resolution is pending at **Advance Auto Parts** and **Realty Income** but NYSCRF withdrew after an agreement at **Pentair**, as Green Century did with the same proposal at **Duke Realty**.

**Electrification and the energy transition:** *As You Sow* has a new proposal this year asking **Dominion Energy** and **DTE Energy** to report

> exploring options as to whether and how the Company could reduce its total contribution to climate change by encouraging electrification of the built environment within the company's service areas as part of a Company transition toward enterprise-wide alignment with the Paris Climate Agreement.

The heavily footnoted proposal explains that natural gas use for heating and cooling buildings, and for cooking, "is a primary reason commercial and residential buildings account for 12.3% of greenhouse gas (GHG) emissions nationwide." It says electrifying heating and cooking can help move us away from fossil fuels, and asserts that gas distribution networks used by the utilities present related transition challenges and opportunities. The proposal therefore seeks information about "the relative benefits and drawbacks" of:

- Providing expertise and financial support or incentives for commercial and residential electrification efforts;
- Supporting public policies that encourage new building construction to utilize electricity rather than gas for heating and cooking, and to transition buildings currently served by gas;
- Setting time bound targets related to the actions above.

The proposal is still pending at DTE but *As You Sow* withdrew after a Dominion commitment; the company also had argued at the SEC that the proposal was ordinary business and moot given current disclosures. The SEC agreed a 2020 proposal about stranded carbon assets could be omitted for that reason. Dominion has had many proposals about reducing its carbon footprint, but many also have been omitted; the last to go to a vote was a request from NYSCRF for a 2-degree scenario analysis in 2017; it received 47.8 percent support.

## Other Climate Change Issues

| Company | Proposal | Proponent | Status |
|---|---|---|---|
| **Clean Energy & Electrification** | | | |
| Advance Auto Parts | Report on clean energy goals | New York State Common Retirement Fund | May |
| Dominion Energy | Report on electrification and energy transition | As You Sow | withdrawn |
| DTE Energy | Report on electrification and energy transition | As You Sow | May |
| Duke Realty Corp | Report on clean energy goals | Green Century | withdrawn |
| Pentair | Report on clean energy goals | New York State Common Retirement Fund | withdrawn |
| Realty Income | Report on clean energy goals | New York State Common Retirement Fund | May |
| **Forests** | | | |
| Bloomin Brands | Report on supply chain deforestation impacts | Green Century | May |
| Bunge Limited | Report on supply chain deforestation impacts | Green Century | May |
| Costco Wholesale | Report on supply chain deforestation impacts | Green Century | withdrawn |
| JPMorgan Chase | Report on deforestation and financing | Green Century | May |

## Forests

At **Bloomin' Brands**, owner of Outback Steakhouse and other restaurant brands, Green Century wants a report "outlining if and how it could increase the scale, pace, and rigor of its efforts to reduce its total contribution to climate change, including emissions from its supply chain." It points out that the company's 1,450 restaurants in 21 countries have commodity supply chains with "high carbon footprints, including palm oil, soy, beef, and pulp/paper, which are leading drivers of deforestation

**advocacy**position

### INVESTORS LINK DEFORESTATION AND CLIMATE RISK

**JESSYE WAXMAN**

*Shareholder Advocate, Green Century Capital Management*

Deforestation is a climate risk. While conversations about the climate crisis often focus on fossil fuels, investors cannot overlook the risks posed by deforestation and native vegetation conversion in corporate supply chains. To address the climate crisis, biodiversity loss, and the risks they pose, corporations and investors must protect tropical and boreal forests, peatlands, grasslands, and other native vegetation.

Thankfully, the financial sector is starting to recognize and act on these risks. European banks, including **Standard Chartered**, **Rabobank**, and, most recently, **BNP Paribas**, have adopted restrictive lending policies for potential clients. They no longer will finance corporations driving deforestation or companies that have failed to implement best practice policies to mitigate forest-related risks in their operations.

Green Century has been working to end deforestation in corporate supply chains since 2012 and last year shareholder support may have finally reached a tipping point.

The 2020 shareholder resolution at **Procter & Gamble** provides a good example. It raised concerns that the company did not have plans to adequately prevent deforestation in its supply chain. P&G sources wood pulp from Canada, including the climate-critical boreal forest, to produce some of its tissue products. While the company sources wood pulp certified by the Sustainable Forestry Initiative, this does not prohibit logging in old-growth and high carbon stock forests such as the Canadian boreal, or provide safeguards for threatened species like caribou. Old-growth forests such as the Canadian boreal store large amounts of carbon, and managing them sustainably and preserving intact forests is critical to combating the climate crisis.

In our resolution, we urged P&G to increase the scale, pace, and rigor of its efforts to eliminate deforestation and the degradation of intact forests in its supply chains. We also pressed it to reduce its reliance on natural forest fibers and ensure all remaining virgin fiber is certified by the Forest Stewardship Council (FSC), the industry gold standard.

Green Century's resolution with P&G received the support of a whopping 67 percent of the shareholder votes cast. Even **BlackRock**, which had not previously supported any of the 15 deforestation-related resolutions that had gone to vote since 2012, voted in favor of it. This is progress.

For 2021, Green Century has filed resolutions with **Archer-Daniels-Midland** and **Bunge** given continued reports that link their operations to deforestation and native vegetation conversion throughout Latin America, particularly in the Brazilian Cerrado. Alarmingly, more than 109,266 square miles of forest, grassland, and scrub have been converted to cropland in the Cerrado since 2001.

To limit global warming to 1.5° Celsius, as laid out in the Paris Agreement, and prevent catastrophic biodiversity loss, we must act swiftly. It is difficult to overstate the potential risk of inaction, or even insufficient or delayed action to our portfolios, society, economy, and the environment. We need investors to support shareholder resolutions that push companies to address deforestation and land use changes, and we need them to consider and address deforestation risk in their portfolios.

globally." This contributes to climate change and presents "significant risks to restaurant businesses and their supply chains given growing agricultural commodity price volatility. The company's goals are too modest, Green Century asserts, outstripped by competitors such as Chipotle, McDonald's and Yum! Brands. A similar proposal asking for the same report about "deforestation and land use change" earned 26.4 percent in 2020. Green Century filed but withdrew the proposal at **Costco Wholesale**.

At **Bunge**, the proposal is fairly specific, seeking a report on "if and how it could increase the scale, pace, and rigor of its efforts to eliminate native vegetation conversion in its soy supply chain." Earlier, a proposal seeking more information about deforestation and human rights at the company received 29.3 percent in 2015.

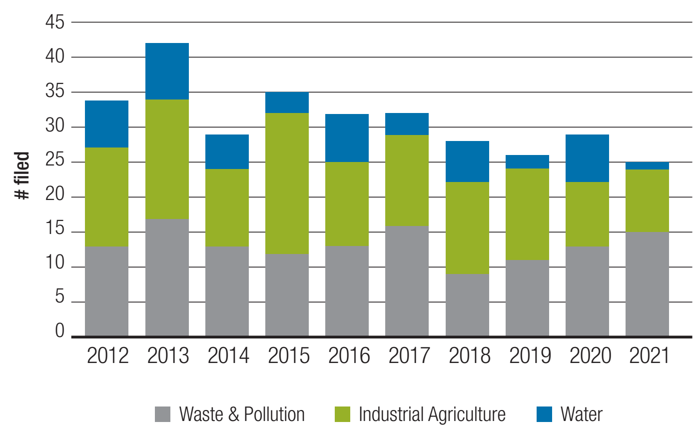
Green Century has a new proposal at **JPMorgan Chase**, seeking a report, "outlining if and how it could improve efforts to reduce negative impacts and enhance positive impacts on natural ecosystems and biodiversity across its banking and investment portfolios." The proposal points out the link between ending deforestation and meeting the Paris climate treaty goals, and the company's membership in the voluntary Soft Commodities Compact that aims to "achieve zero net deforestation by 2050 through its financing of forest-risk commodities." But the proposal contends the bank compares unfavorably with peers, pointing to "attention" from lawmakers and civil society groups. It suggests the report include:

- The forest, ecological, and biodiversity footprints of its financial activities
- Any actions Chase could take to strengthen policies and set targets to reduce the forest and biodiversity impacts of its financial activities, and on what timeline
- Whether Chase would endorse the Finance for Biodiversity Pledge

## ENVIRONMENTAL MANAGEMENT

Proposals about environmental management that go beyond direct climate impacts long have asked about mitigating various types of pollution and waste; they also address different aspects of the industrial agricultural system, including food animals, antibiotics in feed, pesticides and water. Until this year many have asked about recycling, but this year the focus is almost entirely on plastics. There are 24 proposals in all, with 14 in the first category and 10 in the latter. Notable this year is that only two of the resolutions are resubmissions, which may be a first.

**Environmental Management Proposals**




### Pollution and Waste

**Plastics:** *As You Sow* and Green Century are the main proponents on plastics and as of mid-February, they had withdrawn just two proposals, leaving a dozen pending *(see table for list)*. The shareholder campaign for companies to increase reporting and ensure better management of plastics production started in earnest three years ago and was featured in a 2019 *Wall Street Journal* article entitled, "Revenge of the Nurdles," referring to the plastic production pellets under scrutiny. There are four versions of the proposals this year, focused on makers and users:

Still pending at **DuPont de Nemours** is a request for annual reports starting this year about "trends in the amount of plastic in various forms released to the environment by the company annually, and concisely assess the effectiveness of the company's policies and actions to reduce the volume of the company's plastic materials contaminating the environment."

The other resolution at eight food purveyors and restauranteurs—pending at **Keurig Dr Pepper**, **Kraft Heinz**, **Kroger**, **McDonald's**, **Mondelez International**, **PepsiCo** and **Walmart**—asks for a report by the end of 2021, "estimating the amount of plastics released to the environment by our use of plastic packaging, from the manufacture of plastic source materials, through disposal or recycling, and describing any company strategies or goals to reduce the use of plastic packaging to reduce these impacts." One more, at **Amazon.com**, is the same except it specifies the estimate should be for the "amount of plastics released to the environment due to plastic packaging attributable to all Amazon operations."

## PLASTIC POLLUTION – THE TRANSITION FROM RECYCLING TO USING LESS

**CONRAD MACKERRON**
*Senior Vice President, As You Sow*

For 2021, *As You Sow's* work on plastic pollution shifts focus from pressing companies to make plastic packaging more recyclable to using less plastic. Scores of companies have pledged to make their packaging recyclable by 2025; it is time to turn up the temperature and press for more impactful actions like commitments to stop using so much plastic.

A recent authoritative report from the Pew Charitable Trusts rang alarm bells about how much more work needs to be done to address plastic pollution. Developed in partnership with a panel of 17 global experts, the report, *Breaking the Plastic Wave*, estimates that current commitments by industry and government on cutting plastic pollution are far from adequate. If fully implemented, they would reduce the amount of plastic ending up in oceans by only 7 percent!

Using a new, first-of-its kind economic model that quantifies the flow and amount of plastic in the global system, the Pew study finds that without immediate and sustained new commitments in eight areas of the plastics value chain, annual flows of plastic into oceans could nearly triple by 2040. Improved recycling, the focus of much of our previous effort, will not be sufficient to stem the plastic tide and must be coupled with upstream activities like reduction in demand, along with materials redesign and substitution.

"Brand owners, fast-moving consumer goods companies, and retailers should lead the transition by committing to reduce at least one-third of plastic demand through elimination, reuse, and new delivery models," the report says, adding that reducing plastic production is the most attractive solution from environmental, economic, and social perspectives.

This year, our efforts will focus on educating corporate management and shareholders about these urgent new findings and engaging management to immediately begin the process of transitioning to less use of plastic for packaging. *As You Sow* has filed 10 proposals with major consumer goods companies asking them to evaluate opportunities for dramatic reductions in plastics used for packaging. The shareholder proposals are at **Amazon.com**, **Keurig Dr Pepper**, **KraftHeinz**, **Kroger**, **McDonald's**, **Mondelēz International**, **PepsiCo**, **Target**, and **Walmart**—and the Canadian company **Restaurant Brands International**.

We want to see companies follow the lead of **Unilever**, which has pledged to eliminate use of 100,000 tons of plastic packaging (a 14 percent reduction) and cut in half its use of virgin plastic by ramping up use of recycled plastic. These actions force companies to innovate by exploring new methods of product delivery that don't involve plastic—or sometimes any packaging at all. Unilever, for example, has developed shampoo than comes in the form of a bar, like soap, rather than in a bottle, and toothpaste in tablet form rather than in a tube.

The Pew study findings align with the conclusions of *As You Sow's* Waste & Opportunity 2020 report, released in June 2020, which said companies have been far too slow to adopt responsive actions like promoting alternative delivery systems for packaging, developing reuse/refill options reusability, and reducing future use of plastic.

Green Century filed two further proposals in the same vein, also asking for a reduction in plastics use. Pending at **Target** is a proposal for a report "disclosing quantitative metrics that demonstrate how the Company is reducing plastic use in its owned brand packaging over time." Another was withdrawn, as noted below.

**Withdrawals**—There have been two agreements so far:

- Green Century withdrew a request for report at **Coca-Cola** "discussing if and how it can further mitigate its environmental impacts by reducing the overall use of plastic packaging across its portfolio," since the company has set a new goal to reduce its virgin plastic use. This will cut its cumulative use of virgin plastic by 3 million metric tons by 2025.
- **Eastman Chemical**, which got the same proposal as Du Pont from *As You Sow*, agreed to start reporting on its plastic pellet spills in its 2021 sustainability report, due out by the end of 2021.

**SEC action**—Kraft Heinz and McDonald's both have challenged *As You Sow's* proof of stock ownership. *As You Sow* also had filed its plastics proposal at Target but withdrew after the company argued at the SEC that it duplicated the Green Century version, which was filed first.

advocacyposition

## MCDONALD'S TO GET "FOREVER CHEMICALS" OUT OF FOOD PACKAGING

**CHRISTY SPEES**
*Environmental Health Program Manager, As You Sow*

PFAS—per- and polyfluoroalkyl substances—are a family of man-made chemicals with known connections to myriad health impacts, including cancer, hormone disruption, and reproductive and developmental harm, and they're in our food. The compounds do not break down in the environment and can build up in our bodies as we are gradually exposed, earning them the nickname "forever chemicals." Chemicals in this class are used in a variety of consumer goods, from weather-resistant clothing to furniture and carpeting and even dental floss, making exposure inevitable. PFAS are ubiquitous, with biomonitoring showing they are present in nearly all tested Americans.

Given the harmful nature of these chemicals and the increasing negative attention to PFAS by consumers, academics, and media, companies should begin assessing the necessity of their use. Recently, consumer health advocates have pushed food companies to eliminate PFAS from food packaging, where their use is particularly alarming. In 2020, the Mind the Store Campaign released a report noting that several of the nation's largest fast food chains, including **McDonald's**, **Burger King**, and **Wendy's**, all had packaging with elevated levels of fluorine, suggesting PFAS treatment. Following the report, McDonald's received a flood of consumer petitions urging the company to stop using PFAS-treated food packaging.

Shareholders, building on a successful track record of removing BPA, PFOA, phthalates, and other harmful chemicals from food packaging, now are highlighting risks to consumers and the company from PFAS. *As You Sow* and First Affirmative co-filed a shareholder resolution asking McDonald's to report on the public health risks related to chemicals used in food packaging, expressing particular concerns around PFAS.

In January, McDonald's demonstrated leadership by announcing the phase-out of PFAS from its packaging globally by 2025. Investors now want the company to investigate its chemical risks more broadly and establish a plan for reducing its total chemical footprint, a strategy designed to end the whack-a-mole approach to toxic chemicals—and proactively plan for risk management. Simultaneously, investors want Burger King and Wendy's to follow suit and commit to eliminate chemical-treated food packaging. Rather than waiting for regulations to catch up to science, companies must proactively investigate, manage, and report on chemical risks in their business.

**Risky food containers:** *As You Sow* and First Affirmative Financial Network have a proposal about a new concern relating to food containers, filed at **McDonald's**. It seeks a report "on the potential public health and/or environmental impacts of toxic materials used in food contact settings." The concern is about potentially harmful chemical exposure from poly and perfluoroalkyl substances (PFAs), which are in the same class of chemicals as perfluorooctanoic acid (PFOA)—the ingredient used to make Teflon and Kevlar that has been phased out given concerns about hormone disruption. The resolution says PFAs have been found in some McDonald's take-out containers. It also notes new and proposed state laws that will phase PFAs out, as well as moves by peer companies to end its use. *As You Sow* contends a report that explains how the company manages its chemical use could allay investor and public concerns, and could include:

- existing chemical management practices;
- any metrics by which chemical risk is currently being, or will be, measured and disclosed;
- the relative benefits and drawbacks of phasing out the use of food packaging treated with PFAS or other controversial chemicals.

**Food waste:** The final waste proposal is about food itself. Mercy Investments withdrew a resolution newly filed at **Dine Brands** (owner of Applebee's and IHOP) that sought a report "on the feasibility of reducing the environmental and social impacts of food waste generated by the company's operations given the significant impact that food waste has on societal risk from climate change and hunger." Mercy Investments withdrew but the company agreed to two dialogues in 2021 to discuss way to cut food waste in its operations, including for franchisees, and in the supply chain. It also will work on more specific disclosure of these efforts.

## Industrial Agriculture

Proponents have long expressed concern about problems in the way food is produced. This year nine resolutions raise a range of issues and six are still pending, two have been withdrawn and one omitted.

**Pesticides:** In the last five years, proponents have withdrawn about half the 20 proposals filed about pesticides in food production and household products, and earned more than 30 percent three times on proposals that went to votes. Proponents also have notched several agreements about pesticide use in food production. This year, *As You Sow* and Green Century are the proponents and two of four proposals are pending.

At **Home Depot** and **Tractor Supply**, the request is that the board

> conduct an assessment of any environmental and health risks, as well as reputational, regulatory, legal and financial risks to the Company, posed by the Company's current policies on pesticides. The assessment should include any recommendations for changes to policy and practice that the board deems appropriate.

The resolution [also] expresses concern about glyphosate, the main ingredient in the popular Roundup pesticide, noting controversy about its carcinogenicity. It says these concerns could damage the companies' reputation and cites consumer support for a ban on glyphosate products, which are regulated by a patchwork of laws in half the U.S. states. In addition, Bayer (the new owner of Roundup's maker, Monsanto), faces "125,000 legal claims as of November 2020, most of which allege that the consistent use of Roundup has led to cancers such as non-Hodgkin's Lymphoma," the proposal says, with billions due in damages. Since peer companies Costco and British retailer B&Q have stopped or soon will stop selling glyphosate products, the proponents urge a re-think by each of the target companies' chemical strategies, and more disclosure to shareholders.

The other proposal is to snack companies. It asks **Kraft Heinz** and **PepsiCo** each to explain "if and how the company is measuring the use in its agricultural supply chains of pesticides that cause harm to human health and the environment." At Kraft Heinz it also asks if the company will disclose this information. As with the home improvement firms, the body of the proposal outlines problems with pesticide use in the food system, including threats to "farmer resiliency and productivity due to proliferation of pesticide-resistant weeds and insects, loss of top soil, and soil degradation," among other concerns. But the proposal decries the lack of information for investors and the public about how each company "tracks, reports, or reduces the use of synthetic pesticides in its agricultural supply chain," which it says is "an important blind spot" that peer firms address. It calls for the possible use of these metrics:

- Type and amount of pesticides avoided annually through targeted strategies like regenerative agriculture programs, IPM, or other methods;
- Priority pesticides for reduction or elimination;
- Targets and timelines, if any, for pesticide reduction.

## Environmental Management

| Company | Proposal | Proponent | Status |
|---|---|---|---|
| **Waste** | | | |
| Amazon.com | Report on plastics pollution | As You Sow | May |
| Coca-Cola | Report on plastics pollution | Green Century | withdrawn |
| Dine Brands | Report on food waste management | Mercy Investment Services | withdrawn |
| DuPont de Nemours | Report on plastics pollution | As You Sow | June |
| Eastman Chemical | Report on plastics pollution | As You Sow | withdrawn |
| Keurig Dr Pepper | Report on plastics pollution | As You Sow | June |
| Kraft Heinz | Report on plastics pollution | As You Sow | withdrawn |
| Kroger | Report on plastics pollution | As You Sow | June |
| McDonald's | Report on harmful food packaging | As You Sow, First Affirmative Financial Network | May |
| McDonald's | Report on plastics pollution | As You Sow | May |
| Mondelez International | Report on plastics pollution | As You Sow | May |
| PepsiCo | Report on plastics pollution | As You Sow | May |
| Target | Report on plastics pollution | Green Century | June |
| Target | Report on plastics pollution | As You Sow | June |
| Walmart | Report on plastics pollution | As You Sow | June |
| **Industrial Agriculture** | | | |
| ***Pesticides*** | | | |
| Home Depot | Review/report on pesticide policy/practice | Green Century | withdrawn |
| Kraft Heinz | Report on supplier pesticide use | As You Sow | withdrawn |
| PepsiCo | Report on supplier pesticide use | As You Sow | May |
| Tractor Supply | Review/report on pesticide policy/practice | Green Century | withdrawn |
| ***Antibiotics*** | | | |
| Dine Brands | Report on antibiotic use in animal feed | As You Sow | May |
| McDonald's | Report on societal costs of antibiotics in supply chain | Amundi Asset Management | May |
| Yum Brands | Report on societal costs of antibiotics in supply chain | Paul Rissman | May |
| ***Water Use and Risks*** | | | |
| Pilgrim's Pride | Report on water pollution | Mercy Investment Services | April |
| ***Animal Welfare*** | | | |
| Hormel Foods | Report on animal welfare law risks | Humane Society of the U.S. | withdrawn |
| Tyson Foods | Report on animal welfare law risks | Humane Society of the U.S. | omitted |

**SEC action and withdrawals**—Kraft Heinz said *As You Sow* failed to prove stock ownership and it withdrew with no agreement. Tractor Supply's challenge was more substantive, contending the proposal raised ordinary business since it is about specific products, that it is not significantly related to the company's business and also that it is moot. Green Century withdrew before any SEC response, indicating the company would continue discussions on the issue.

**Antibiotics:** Just three proposals are about antibiotics, with two taking a new approach.

**Progress reporting**—With a familiar tack, *As You Sow* asks **Dine Brands** to report on antibiotic use in feed for food animals in its supply chain. It points out that medically important drugs for humans that also are used in animal agriculture are driving antibiotic resistance, with most of the antibiotics sold domestically going to food animals. Given consumer preferences for antibiotic-free meat, and a 2018 request from Dine Brands to its chicken and pork suppliers for a phaseout, the resolution calls for a progress report. It asserts the company lags peers such as Denny's and McDonald's, Taco Bell and Wendy's. Finally, the proposal points to guidelines from the Sustainable Accounting Standards Board (SASB) that suggest reporting on "the percentage of animal protein sold, by animal protein type, produced without use of medically important antibiotics at any stage of its life."

**Social purpose**—A new approach connects action on antibiotic resistance to the assertion by CEOs at **McDonald's** and **Yum Brands** that they support the sort of stakeholder capitalism outlined in the Business Roundtable's Statement of the Purpose of a Corporation. The proposal asks each to

> commission and disclose a study on the external environmental and public health costs created by the use of antibiotics in the supply chain of our company…and the manner in which such costs affect the vast majority of its shareholders who rely on a healthy stock market.

In arguing for their proposals, Paul Rissman and Amundi Asset Management say support for the BRT statement means the companies have a broad obligation to combat antibiotic resistance. Rissman and Amundi cite several studies outlining the challenges of antibiotic resistance and criticize each company's lack of reporting on related "external costs and consequent economic harm to its supply chain." Indeed, while calling for a report on antibiotics, they also suggest reconsideration of the company's formal organization, saying that becoming a public benefit corporation is the solution. The resolution is part of a set of similar proposals being coordinated by The Shareholder Commons (TSC) a new group promoting for universal stock owners the idea of benefit corporations, which are organized to achieve not only profit but also social and environmental aims. (Other proposals from TSC are discussed on p. 39, 50, 64 and 69.)

**Water:** Only one proposal this year is about water. From Mercy Investments, it asks chicken producer **Pilgrim's Pride** for a report by December 1st, "assessing if and how the company plans to increase the scale, pace, and rigor of its efforts to reduce water pollution from its supply chain." The heavily footnoted resolution outlines a wide array of water pollution problems connected to chicken production, a tightening regulatory environment, the company's relative lack of disclosure and customers' preferences for action on stream pollution. The proponents think the company's reporting needs to be more detailed and suggest it could include information on:

- requirements for manure management practices intended to prevent water pollution
- requirements for leading practices for nutrient management and pollutant limits throughout contract farms and feed suppliers, with a focus on verifiably reducing nitrate contamination
- plans to verify suppliers' compliance with Pilgrim's policies

The company has challenged the proposal at the SEC, arguing it concerns ordinary business. Investors have faced proposals every year for the last five years at Pilgrim's, giving them 15.2 percent last year, the highest support yet. Given the new SEC rules, the proposal this year will have to receive at least 25 percent support to qualify for resubmission.

**Farm animal welfare:** The Humane Society of the United States asked **Hormel Foods** and **Tyson Foods** to report on the impact of a new California law on animal welfare. Proposition 12 in California dealt with pork production standards that both companies had opposed on the grounds they would prove too costly—a law supported by the proponent. The proposal asked for confirmation that

> the company faces no material losses from compliance or noncompliance with [California] Proposition 12. If the company cannot so confirm, then shareholders request a risk analysis of any decision to comply or not to comply with Proposition 12, including the risks inherent in the company's failure to disclose such risks in its 10-K and 10-Q reports. These disclosures should be made within three months of the 2021 annual meeting…

The SEC agreed with Tyson's challenge that argued this was an ordinary business issue, a challenge also lodged by Hormel—which also said this resolution was moot.

# SOCIAL ISSUES

## ANIMAL WELFARE

Few resolutions have appeared in recent years about animal welfare concerns outside the industrial food system, and 2021 is no exception, with just one likely vote, at TJX.

**Fur:** Harrington Investments has a fur-inspired proposal at **TJX**. The body of the proposal notes that despite commitments on a variety of human rights issues, the company has no official policy on animal welfare, although it has "successfully executed a fur-free business model in the United States" and says that it has "recently incorporated information about our fur practices into our social compliance training." The resolved clause does not mention fur, but proposes that the TJX board

> commission an independent analysis of any material risks of continuing operations without a company-wide animal welfare policy or restrictions on animal-sourced products associated with animal cruelty. Such report should assess the operational, reputational and financial implications of the company's vendor policies pertaining to oversight on animal welfare throughout the supply chain, and to report to shareholders no later than September 2021.

The proposal is a resubmission that earned 7 percent support last year after the SEC rejected a company challenge on ordinary business grounds. In 2019, the SEC agreed a proposal more specifically about fur from Harrington was moot and a 2018 resolution about fur and wool products was omitted on ordinary business grounds.

**Horse racing:** People for the Ethical Treatment of Animals (PETA) had a new proposal at **Churchill Downs**, the gaming and horse racing company, asking it to "assess and report to shareholders on the feasibility of replacing the dirt track surface at Churchill Downs with a synthetic surface, given the potentially detrimental effect on our Company of horse fatalities and the higher fatality rate associated with dirt tracks." The company challenged the proposal at the SEC on ordinary business grounds and PETA withdrew before any SEC response.

**Iditarod dog sled race:** PETA also has withdrawn a proposal that said,

> to address pressing issues that **ExxonMobil** faces today—specifically, the impact of the COVID-19 pandemic and public opposition to its sponsorship of the Iditarod dogsled race, which are actually related—the shareholders urge the board to consider eliminating sponsorships that benefit activities in which animals are exploited, harmed, or killed."

The proposal faced an ordinary business challenge at the SEC, but after Exxon announced it would end its Iditarod sponsorship PETA declared victory and withdrew. It had reasoned that association with the famous dog sled race exacerbated the company's economic problems connected to the COVID-19 pandemic, saying more customers would avoid the company's gas stations because of the association.

**Sea mammals:** PETA continues its campaign against using marine mammals for entertainment at **SeaWorld Entertainment**, asking it

> to address the most pressing issues that SeaWorld faces today—specifically, the public's continued opposition to captive-animal displays and the consequential impact of the COVID-19 pandemic—the shareholders urge the board to conduct a study to determine how soon SeaWorld could feasibly eliminate animal-based programs, excluding legitimate animal rescue work.

SeaWorld has challenged the proposal at the SEC, arguing it concerns ordinary business, is misleading, moot and relates to a personal grievance. Last year the group withdrew a proposal about dolphins which the company challenged on these same grounds, after the company said it plans to phase out dolphin riding. PETA has proposed many resolutions over the years at SeaWorld and most have been omitted on ordinary business grounds, but at the same time SeaWorld also has made changes to its business.

### Animal Welfare

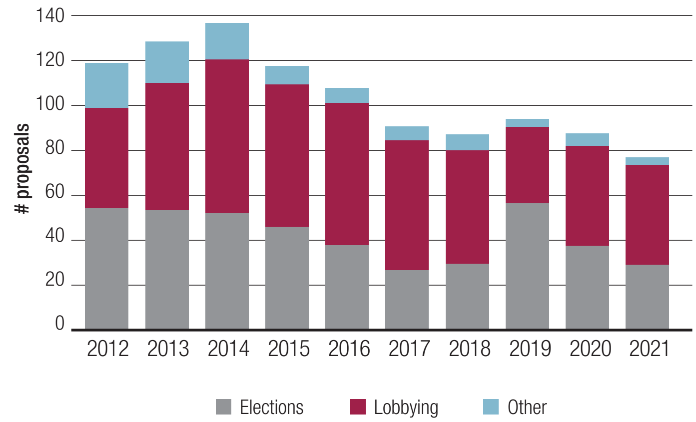
| Company | Proposal | Lead Filer | Status |
|---|---|---|---|
| Churchill Downs | Use synthetic horse racing track | PETA | omitted |
| ExxonMobil | End cruel event sponsorship | PETA | withdrawn |
| SeaWorld Entertainment | Study/encourage ban on entertainment animals | PETA | June |
| TJX | Report on animal welfare issues/policy | Harrington Investments | June |

# CORPORATE POLITICAL ACTIVITY

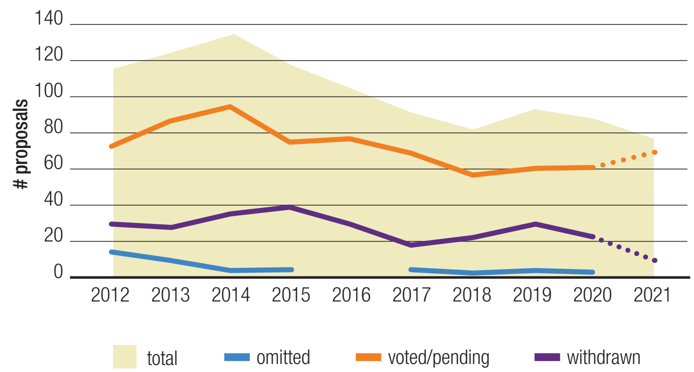
Concern about undue corporate political influence remains the biggest single issue of concern for shareholder proponents, even though total filings are down from their 2014 apex. Proponents have filed more than 1,000 proposals over the last 10 years. Since these proposals use the same resolved clause repeatedly, despite relatively high support they are particularly vulnerable to exclusion under the new SEC rules that have substantially increased resubmission thresholds.

Proponents have filed 78 proposals thus far in 2021, down from 87 in 2020, although filings after the spring season are likely to increase the annual total. These resolutions seek more oversight and disclosure and only a few issues outside the coordinated main campaigns have come up *(chart, top right)*. Since proponents are less likely to withdraw proposals on political spending, proportionally more of these go to votes. *(Graph, bottom right.)*

## Types of Political Activity Proposals




## Political Activity Outcomes




**New developments:** New in 2021 is a significant expansion of proposals asking for more specific information about lobbying on climate change, as noted in the section on climate change (p. 13). Since the lynchpin of effective climate action is government action, proponents are particularly interested in ensuring that companies do not use their influence to block climate legislation. Driving this development is the ample evidence most U.S. energy companies have opposed efforts to curb emissions and encourged reliance on fossil fuels, and the certainty that the changed political landscape in Washington means companies will spend potentially even more to affect legislation and regulation in the Biden administration.

In addition to the climate lobbying surge, a new proposal from the Nathan Cummings Foundation at **Best Buy** seeks informaiton about lobbying specifically connected to racial justice.

In response to the campaigns for more corporate accountability, a growing number of companies now do have oversight in place. However, their disclosure of expenditure amounts in public reports for investors still lags, particularly for state lobbying and especially for so-called "dark money" that flows through trade associations and other nonprofit groups, where donors are anonymous yet play an outsized role in shaping election outcomes and public policies. *(See p. 38, for findings from a 2020 Si2 study that found partisan state spending by leading companies in the states.)*

**Proponents:** Proponents include social investment and religious organizations, leading pension funds from New York City and State, trade unions and some individuals. Investor concern about corporate election spending began in 2003 with the founding of the Center for Political Accountability (CPA) and intensified after the *Citizens United* U.S. Supreme Court decision in 2010. The CPA's model oversight and disclosure approach is the standard template for lobbying transparency, too, and forms the basis for the lobbying disclosure campaign run by Boston Trust Walden and the American Federation of State, County and Municipal Employees (AFSCME). The umbrella Corporate Reform Coalition supports shareholder activity on corporate spending and includes other reformers.

**Resources:** The most recent version of the CPA-Zicklin Index was released in fall 2020, tracking S&P 500 performance about spending on elections. No similar index exists for the lobbying issue, but that shareholder campaign emulates the model pioneered by the CPA. The Conference Board's Committee on Corporate Political Spending offers a more corporate but generally supportive perspective on accountability, but has seen little recent activity.

**Multiple proposals:** Since 2013, proponents have been able to concurrently file separate election spending and lobbying proposals at the same company; before that the SEC judged them to be too similar and allowed the omission of the second one received. This year, seven companies have more than one proposal—**Delta Air Lines**, **Duke Energy**, **ExxonMobil** (three), **FirstEnergy**, **Pfizer** (one on values congruency, explained below), **United Airlines** and **Vertex Pharmaceuticals**.

Proponents espousing free market ideals for several years have borrowed the resolved clauses written by disclosure advocates, in successful efforts to block the main campaign proposals, since SEC rules still allow the exclusion of the second-received proposal on the same subject. None have surfaced to date in 2021, but these proponents are challenging corporate charitable giving practices. *(See Conservatives, p. 68.)*

## Lobbying

**Primary resolution:** The resolved clause for the main lobbying campaign resolution remains the same as in the past and has been filed at 31 companies so far in 2021 *(see table for a full list)*. Fifteen are resubmissions and several face the new, higher resubmission thresholds.

The main proposal asks for an annual report that includes:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by [the company] used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.
3. [The company's] membership in and payments to any tax-exempt organization that writes and endorses model legislation.
4. Description of the decision-making process and oversight by management and the Board for making payments described in sections 2 and 3 above.

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### CAPITOL RIOT, BRIBES AND ASTROTURFING: DARK MONEY LOBBYING REQUIRES TRANSPARENCY

**JOHN KEENAN**
*Corporate Governance Analyst, AFSCME Capital Strategies*

The U.S. Capitol riot on January 6 underscores the need for companies to disclose lobbying funded by dark money contributions, including all third party spending used to affect public policy. In the aftermath of the attack, many companies announced they would stop making political contributions in 2021 to lawmakers who voted to reject the election certification. But the question should be whether these emergency measures to repair reputational damage should become something more lasting.

Political contributions are rightly under scrutiny, but the central role dark money played in the Capitol protests underscores the need for lobbying disclosure, as well. For example, the Rule of Law Defense Fund, a social welfare group affiliated with the Republican Attorneys General Association, helped organize the rally before the riot.

Shareholder proposals on lobbying encompass disclosure of dark money spending where there are no limits on what a company can give, whether through the Chamber of Commerce or social welfare groups. While corporate donations to politicians and traditional PACs have strict limits, their payments to trade associations and 501(c)(4) social welfare nonprofits have no restrictions. Companies can give unlimited amounts to third party groups that spend millions on lobbying and often undisclosed grassroots activity.

Bribery Charges in Ohio Illuminate the Dangers of Dark Money:

**FirstEnergy** is a poster child for why investors need disclosure to prevent reputational, regulatory, and financial damage. Federal law enforcement is investigating FirstEnergy for allegedly funneling $60 million in secret bribes in Ohio through a dark money 501(c)(4) group called Generation Now. In 2018, FirstEnergy had agreed to disclose its trade association lobbying but failed to include 501(c)(4)s, leaving a loophole the company used to make over $60 million in undisclosed payments.

Grassroots Loophole and Astroturfing:

Payments to third party groups can be used for undisclosed grassroots lobbying. Grassroots lobbying does not get reported at the federal level under the Lobbying Disclosure Act, and disclosure is uneven or absent in states. This means companies like **ExxonMobil** and **Dominion Energy** can make payments to a controversial social welfare group like the Consumer Energy Alliance that has been involved in multiple grassroots campaigns to send fraudulent emails and letters using the names and addresses of people without their knowledge.

2021 Lobbying Disclosure Campaign:

For 2021, the investor campaign continues to focus on undisclosed third-party dark money and the theme of corporate political responsibility. Approximately 30 proposals have been filed asking companies to disclose all federal and state lobbying, including all trade association and social welfare 501(c)(4) payments used for lobbying. The concern remains that companies indirectly lobby through third parties for policies that directly contradict their formal public position.

In addition to dark money, the 2021 proposals highlight many lobbying misalignments on issues including climate change, corporate responsibility, Covid-19 and worker safety, racial justice, drug pricing, immigration, tobacco, and workers' rights in the gig economy. If companies are truly committed to political responsibility in the wake of the Capitol riot, they should disclose all contributions to all third-party groups that use that money to influence public policy.

For purposes of this proposal, a "grassroots lobbying communication" is a communication directed to the general public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation and (c) encourages the recipient of the communication to take action with respect to the legislation or regulation. "Indirect lobbying" is lobbying engaged in by a trade association or other organization of which [the company] is a member.

Both "direct and indirect lobbying" and "grassroots lobbying communications" include efforts at the local, state and federal levels.

The report shall be presented to the Audit Committee or other relevant oversight committees of the Board and posted on [the company]'s website.

**Votes**—Investors at **Tyson Foods** gave the proposal 17.9 percent in February—reflecting some 80 percent of shares not held by the Tyson family, but not reaching the 25 percent of all shares votes that it needed to qualify for resubmission under the new rules. (The proposal is in its fifth year.) Other early votes were at **AECOM** with a majority vote of 54.6 percent on February 24, and votes at **Walt Disney** on March 9 and **Maximus** on March 17.

**Withdrawals**—So far, proponents have withdrawn three proposals after reaching agreements, for resubmitted proposals at **Comcast** and **Pfizer** and for a first-year proposal at **Sanderson Farms**.

**SEC action**—**Citigroup** has mounted the only challenge to date, arguing lobbying is not significantly related to its business. This contention has succeeded at companies that have spent almost nothing on politics, but Citi spends millions although that is a fraction of its overall assets, net income and revenue. The SEC already rejected a no-action challenge to this proposal in 2018, in which the bank made this same "unrelated" contention, but only because it said the board had failed to explain its analysis, another new requirement based on an SEC Staff Legal Bulletin. Should the proposal go to a vote, it must earn at least 25 percent under the new rules; last year it received just 15.1 percent in its eighth year, down from a high of 30.9 percent in 2017.

## Lobbying

| Company | Proponent | Status |
|---|---|---|
| 3M | Boston Trust Walden | May |
| Abbott Laboratories | Unitarian Universalists | April |
| AbbVie | Zevin Asset Management | May |
| Adobe | Boston Trust Walden | April |
| AECOM | John Chevedden | 54.6% |
| Altria | Trinity Health | May |
| Amazon.com | Newground Social Investment | May |
| Biogen | James McRitchie | June |
| Boeing | Midwest Capuchins | April |
| Charles Schwab | Friends Fiduciary | May |
| Charter Communications | SEIU Master Trust | April |
| Chevron | Philadelphia Public Employees Retirement System | May |
| Citigroup | Miller/Howard Investments | April |
| Comcast | Friends Fiduciary | withdrawn |
| Dominion Energy | David Backer | May |
| Eli Lilly | SEIU Master Trust | May |
| ExxonMobil | United Steelworkers | May |
| FedEx | Teamsters | September |
| GEO Group | SEIU Master Trust | May |
| Lyft | Teamsters | June |
| Maximus | SEIU Master Trust | March |
| McKesson | Mercy Investment Services | July |
| Pfizer | Teamsters | withdrawn |
| Sanderson Farms | New York State Common Retirement Fund | withdrawn |
| Tyson Foods | Teamsters | 17.9% |
| Uber Technologies | Teamsters | May |
| United Parcel Service | Boston Trust Walden | May |
| Vertex Pharmaceuticals | Friends Fiduciary | June |
| Walmart | Zevin Asset Management | June |
| Walt Disney | Mercy Investment Services | March |
| XPO Logistics | SEIU Master Trust | May |
| **Climate Change** | | |
| American International Group | Presbyterian Church (USA) | withdrawn |
| CSX | Unitarian Universalists | May |
| Delta Air Lines | BNP Paribas Asset Management | June |
| Duke Energy | Mercy Investment Services | withdrawn |
| Entergy | Presbyterian Church (USA) | May |
| ExxonMobil | BNP Paribas Asset Management | May |
| FirstEnergy | Nathan Cummings Foundation | May |
| General Motors | NYC pension funds | June |
| Norfolk Southern | Friends Fiduciary | May |
| Phillips 66 | CalSTRS | May |
| Sempra Energy | As You Sow | May |
| United Airlines Holdings | Presbyterian Church (USA) | May |
| Valero Energy | Mercy Investment Services | withdrawn |
| **Racial Justice** | | |
| Best Buy | Nathan Cummings Foundation | June |

**Climate-related advocacy:** Last year, BNP Paribas Asset Management filed a new resolution, arguing that the gap between countries' GHG reduction commitments and what is needed to meet the Paris climate treaty objectives demands affirmative efforts from companies, not obstruction. It zeroed in on relationships with trade associations and other political entities that impede climate progress, at four companies. Votes were high—53.5 percent at **Chevron**, 45.9 percent at **Delta Air Lines** and 31.5 percent at **United Airlines**, although the SEC agreed it duplicated one of the regular lobbying proposals filed first at **ExxonMobil**. This year, there are 13 filings at energy and transportation companies and airlines (see table) from several proponents. In a similar mien to 2020, the proposal asks that the board for most recipients conduct

> an evaluation and issue a report within the next year…describing if, and how, [the company's] lobbying activities (direct and through trade associations and other organizations) align with the goal of limiting average global warming to well below 2 degrees [1.5 degree at Sempra] Celsius (the Paris Climate Agreement's goal) and how the company plans to mitigate risks presented by any misalignment.

The proposal at **Norfolk Southern** is slightly different. It says:

> We believe it is in the interest of shareholders that Norfolk Southern's management and Board of Directors ensure that its lobbying activities, both directly and indirectly through its trade and other associations, align with the Paris Agreement's goals and the company's own climate risk mitigation actions (e.g. emissions targets). Misalignment squanders company resources and presents reputational and other risks. Thus, we urge the Board and management to assess Norfolk Southern's climate-related lobbying and report to shareholders.

**Withdrawals**—Proponents have withdrawn at three companies so far—**AIG**, **Entergy** and **Valero Energy**. AIG has promised more disclosure. Duke will issue the report and Entergy will discuss its climate change policy priorities in its integrated annual report, with support for limiting global warming to well below 2 degrees Celsius; it also will address trade association advocacy and the board's oversight of lobbying and other advocacy. Valero will report on its climate lobbying activities by the end of the year and provide subsequent updates.

**advocacy**position

## CLIMATE LOBBYING: A CRITICAL WAY TO ADDRESS THE CLIMATE CRISIS

**LAURA DEVENNEY**
*Senior ESG Research Analyst, Boston Trust Walden*

**TIM SMITH**
*Director of ESG Shareowner Engagement, Boston Trust Walden*

The groundswell of companies committing to achieve net-zero emissions by 2050 or sooner, to align with climate science and the goals of the Paris Agreement, has been encouraging. Investors continue to play a significant role in garnering many of these climate commitments, including through engagement initiatives like the Climate Action 100+, where approximately half of the focus companies have committed to set net-zero goals. Still, while these commitments are essential, investors require assurance that companies are taking congruent actions to ensure their public policy activities—and those of their trade associations –also align with global climate goals.

Scrutiny of climate lobbying has become an increasing investor priority in the past few years. European investors have won scores of commitments, including assessments published by **BP**, **Royal Dutch Shell**, **Equinor**, and **Unilever**. With these assessments, companies have disclosed more about their policy positions and even put certain trade associations on "watch." In a few instances, companies have cancelled memberships in trade groups that are not interested in prioritizing climate.

In the United States, investors have raised climate concerns within conventional lobbying engagements for over a decade. In 2019 and 2020, Boston Trust Walden co-led a Ceres initiative asking approximately 50 major U.S. companies on the Climate Action 100+ focus list to conduct and publish climate lobbying assessments. Last proxy season, **Chevron** shareholders voted 53 percent in favor of a climate lobbying resolution led by BNP Paribas Asset Management and Boston Trust Walden. In response, the company issued its first climate lobbying report in January. Similarly, after a series of investor dialogues, **ConocoPhillips** also published its first-ever climate lobbying assessment.

This year, numerous companies are facing shareholder resolutions on climate lobbying, with the coordinating assistance of Ceres, as well as through a new initiative being organized by the Interfaith Center on Corporate Responsibility (ICCR). A number of companies have already agreed to institute climate lobbying reviews, while others continue to stifle action. For example, **ExxonMobil** faced a proposal filed by BNP Paribas Asset Management, Boston Trust Walden, and other investors, but has challenged the proposal at the SEC.

As climate-related regulations and legislation expand this year and in the years ahead, companies must demonstrate how they and their trade associations support favorable policymaking. It is promising that companies are reporting more, and it's encouraging to see groups like the Business Roundtable and the U.S. Chamber of Commerce rhetorically adjust their positions on climate. But the real work of establishing climate policies that scale and accelerate solutions has yet to unfold. Companies and investors alike must magnify their influence to advance smart climate policymaking and abandon the status quo. The urgency of the climate crisis demands it.

**SEC action**—Exxon and **Sempra** both are arguing at the SEC that the resolution is moot given their reporting.

**Racial justice:** The Nathan Cummings Foundation would like **Best Buy** to report within the year

> describing if and how Best Buy Co. Inc.'s lobbying activities (direct and through trade associations) align with the goal of embracing equality and justice and fighting against systemic racism. The report should also address the risks presented by any misaligned lobbying and the company's plans, if any, to mitigate these risks.

The proposal is new in 2021 and raises concerns about the retail industry and criminal justice reform needed to address systemic racism. Nathan Cummings says that despite a stated commitment to racial justice, "the company was found to be the top national retail corporation supporting retail industry groups opposing state criminal justice reforms and supporting harsher anti-shoplifting laws," which "resulted in negative press because of their harmful impacts on communities of color." This has not only "criminalized poverty" but also "alienates potential customers," prompting costly litigation. Racism harms the U.S. economy and society as a whole, the proposal says, since it imposes billions in costs from mass incarceration.

## Election Spending

The Center for Political Accountability and its allies, a wide variety of institutional investors, continue to seek board oversight and transparency about election spending from corporate treasuries, with 30 proposals filed this year. Thirteen are resubmissions. *(See table for the full list.)* Support from investors for these resolutions has continued to climb and averaged 38.6 percent last year, 10 points higher than a decade earlier. There were four majority votes last year on this issue, at **Activision Blizzard** (pending again), **Western Union**, **J.B. Hunt Transport** and **Centene**, with one more just under 50 percent at **Illumina** (also refiled).

**advocacy**position

### BUSINESS AND POLITICAL SPENDING: AN EPIPHANY?

**BRUCE FREED**
*President, Center for Political Accountability*

**DAN CARROLL**
*Vice President for Programs, Center for Political Accountability*

Will January 6th become an epiphany for U.S. public companies and their political spending? The insurrection at the U.S. Capitol turned a spotlight on their contributions to the 147 senators and House members who opposed certification of the 2020 presidential election results. In reaction, more than 40 companies announced they would withhold PAC support for these members or pause all PAC contributions.

Looking ahead, the paramount question is whether the unprecedented reaction is fleeting or whether it marks a fundamental change in how companies approach political spending.

The actual issue for companies goes far beyond their PAC contributions. It encompasses the full range of corporate political money. Companies spend not just through PACs but through an array of third-party groups—527 committees, trade associations, Super PACs, and "social welfare" organizations. Over the past decade, this spending—much of it undisclosed or partially disclosed—played a significant role in the buildup to the crisis that threatens our democracy today.

Billions in company spending helped decide elections and resulted in legislative, legal, and policy consequences that often conflict with company core values, policies, and positions. It has opened companies to charges of hypocrisy. It also has raised the level of risk, sparking consumer blowback, harming employee morale, and affecting company reputation and the bottom line.

Take the case of 527 committees. Center for Political Accountability (CPA) research on the funding of, and spending by, the governors associations, state legislative campaign committees, and attorneys general associations over the past decade provides a window into the problems companies must confront. The 527s raised about $1.5 billion since the 2010 election cycle. CPA found that 46 percent of the money came from public companies and their trade associations. The three Republican 527 groups outraised their Democratic counterparts by slightly more than two to one and wielded far more clout in reshaping state and national politics and policy because of their electoral success at the beginning of the decade.

This flipped party majorities in state legislatures and undergirded subsequent gerrymandering, some racially driven; prompted attacks on climate change laws; funded a lawsuit to dismantle the Affordable Care Act; bankrolled a Supreme Court challenge to the 2020 presidential election results; and even funded robocalls promoting the rally that preceded the Capitol assault. The consequences clash with many of the donating companies' policies, positions, or values statements on diversity, climate change, access to health care, corporate citizenship, and the presidential election outcome.

As they move beyond January 6, companies face a hard choice. They can return to spending as usual after the pause and face an aggrieved public and investors and heightened risks. Or, they can fundamentally change how they approach political spending, incorporating societal responsibilities and obligations and ethical considerations the public now expects, by adopting the Model Code of Conduct for Corporate Political Spending developed by CPA and The Wharton School's Zicklin Center for Business Ethics Research.

For U.S. companies rethinking their political spending today, this is a time of opportunity. They will be judged tomorrow by what they do.

The standard CPA proposal, the same for several years, asks companies to produce a report, with semiannual updates, on:

1. Policies and procedures for making, with corporate funds or assets, contributions and expenditures (direct and indirect) to (a) participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office, or (b) influence the general public, or any segment thereof, with respect to an election or referendum.
2. Monetary and non-monetary contributions and expenditures (direct and indirect) used in the manner described in section 1 above, including:
    a. The identity of the recipient as well as the amount paid to each; and
    b. The title(s) of the person(s) in the Company responsible for decision-making.

**Withdrawals and SEC action**—One proposal at **Molson Coors** has been withdrawn so far and more withdrawals are likely as the season progresses; proponents typically withdraw about a third of their CPA-model filings. Proponents also have withdrawn two proposals so far after SEC challenges, at **Alaska Air Group** (the company argued it was moot) and at **Kimberly-Clark** (it arrived too late) and it has been omitted at **Expeditors International of Washington** on the grounds that the proponent failed to present the same proposal at an earlier annual meeting.

**Political Spending**

| Company | Proponent | Status |
|---|---|---|
| Activision Blizzard | James McRitchie | June |
| Alaska Air Group | John Chevedden | withdrawn |
| American Tower | James McRitchie | May |
| CarMax | Teamsters | June |
| Chemed | John Chevedden | May |
| CMS Energy | New York State Common Retirement Fund | May |
| DaVita | Friends Fiduciary | June |
| Delta Air Lines | Unitarian Universalists | June |
| Diamondback Energy | Nathan Cummings Foundation | June |
| DTE Energy | Mercy Investment Services | May |
| Duke Energy | New York State Common Retirement Fund | May |
| Expedia Group | Friends Fiduciary | June |
| Expeditors International of Washington | John Chevedden | May |
| ExxonMobil | John Chevedden | May |
| FirstEnergy | New York State Common Retirement Fund | May |
| Flowers Foods | Teamsters | May |
| Fortinet | John Chevedden | May |
| Illumina | James McRitchie | May |
| Kimberly-Clark | Nathan Cummings Foundation | withdrawn |
| Kinder Morgan | Unitarian Universalists | May |
| Loews | Clean Yield Asset Management | May |
| Molson Coors Beverage | New York State Common Retirement Fund | withdrawn |
| Netflix | James McRitchie | June |
| NIKE | Newground Social Investment | September |
| Nvidia | James McRitchie | June |
| Omnicom Group | John Chevedden | June |
| Royal Caribbean Cruises | New York State Common Retirement Fund | May |
| T-Mobile US | Unitarian Universalists | June |
| United Airlines Holdings | John Chevedden | May |
| Vertex Pharmaceuticals | Newground Social Investment | June |
| **Values Congruency** | | |
| AT&T | As You Sow | withdrawn |
| JPMorgan Chase | Rhia Ventures | May |
| Pfizer | Tara Health Foundation | April |

**Values:** Reproductive health rights advocates have three proposals this year asking companies to "publish an annual report, at reasonable expense, analyzing the congruency of political and electioneering expenditures during the preceding year against publicly stated company values and policies." Rhia Ventures and Tara Health outlined their argument in favor of more corporate support for women's health in an article published in Triple Pundit on January 22, "Why Reproductive Rights Matter to the U.S. Business Community." The resolution connects corporate support for anti-abortion politicians to risks that can affect the company.

The proposal was withdrawn for procedural reasons at **AT&T**. **JPMorgan Chase** is contending at the SEC that the resolution is moot, but commission staff rejected this argument at Pfizer. *(Also see Health section, p. 49, for related proposals coordinated by Rhia Ventures asking **Church & Dwight** and **Walmart** to report on how they support employees in the face of restrictive state-level reproductive health laws.)*

Calls for companies to more carefully scrutinize the politicians whose campaigns they support have grown in the wake of the January 6 attack on the U.S. Capitol, but lasting change in corporate giving remains uncertain.

expertinsight

## U.S. COMPANIES FACE SCRUTINY OVER PARTISAN SPENDING

**HEIDI WELSH**
*Executive Director, Sustainable Investments Institute (Si2)*

Following the January 6 attack on the U.S. Congress in Washington, attention turned to corporate political support for the 147 members who voted to overturn the November election results and the 43 senators who voted to acquit President Trump in his second impeachment trial. Dozens of companies announced they would "pause" PAC spending and critics of political spending saw an opportunity to tighten the corporate purse strings. But spending immediately following a general election always drops, and it remains far from clear if the spigots will remain off, with a tight Democratic majority in Congress and contentious policymaking ahead.

Companies spend to influence elections in many ways, and little attention is paid to spending in the states. Corporate money, from PACs and directly from the treasury, has been supporting an increasingly partisan set of state lawmakers. Many of these politicians implicity—and often explicity—support the radical set of political ideas that culminated in the Capitol attack.

Si2 found in an examination of *Fortune* 250 spending during the 2020 election cycle that 80 percent of corporate-connected candidate contributions in the South went to Republicans, for instance, even though nationally expenditures were more bipartisan. (The Si2 study examined corporate support for political entities opposed to reproductive health rights, but there is a nearly perfect correlation between opposition to these rights and Republian party affiliation.)

Companies disproportionately support political organizations such as the Republican Governor's Association, the Republican State Leadership Committee, and the Republican Attorneys General Association. These groups, in turn, groom Republican state candidates and support their campaigns.

Super PAC spending—which in the wake of *Citizens United* has no limits—from the *Fortune* 250 companies Si2 examined came from just a handful of energy companies, **Boeing**, and **Altria**. It went entirely to the Senate Leadership Fund and the Congressional Leadership Fund, which worked to elect federal Republicans. Almost all of it bought attack ads aimed at Democrats in key races, including the Georgia races that produced the new knife's edge Democratic Senate majority.

The Si2 study presents another example of unexamined state level spending in the Utah Attorney General's race. Thirteen-year incumbent Republican Sean Reyes received support from **Amazon.com**, **Home Depot**, **Altria**, and **Coca-Cola**. Reyes is an ardent opponent of abortion, tried unsuccessfully in 2014 to defend Utah's outlawed ban on same-sex marriage, sought to block transgender job rights in 2016 and in December 2020 signed on with other AGs to the failed lawsuit seeking to nullify the 2020 presidential election results. (Such incongruencies between corporate policies and practicies are raised in several of this year's shareholder resolutions.)

As companies re-think how they spend in the wake of the January 6 attack, they may well decide to reconsider which politicians and causes to support. The reputational stakes are now higher, and the return on political spending may become more elusive.

## DECENT WORK

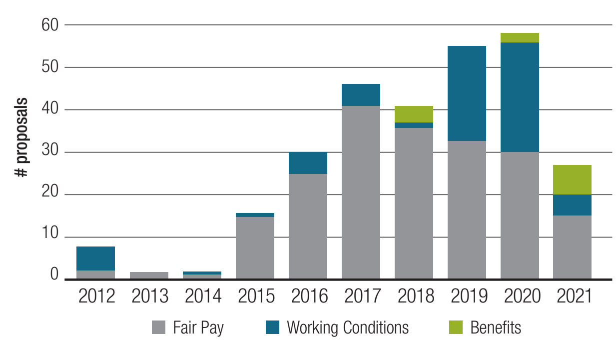
The number of shareholder resolutions seeking more disclosure about fair pay and working conditions blossomed during the Trump administration but has fallen back sharply in 2021, even as fair employment proposals *(covered in the next section on Diversity at Work)* have ballooned in the wake of the Black Lives Matter movement.

While last year's proposals were split evenly between fair pay and working conditions, this year the emphasis is again more squarely on fair pay. *(Table, p. 42, lists all 26 resolutions.)*

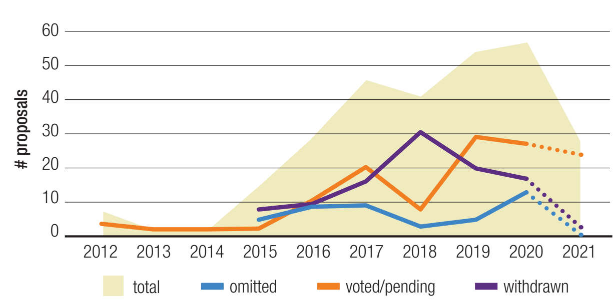
New are proposals about paid six leave, but none will go to votes given SEC challenges that are succeeding. Earlier proposals about mandatory arbitration and the ways in which it hides sexual harassment and violence in the workplace have largely evaporated.

Fair pay proposals ask about high executive compensation compared to lower wage workers continue, though, while others focus on pay differentials for women and people of color. Women, and women of color, continue to earn much less than their white male counterparts, but shareholder votes on pay disparity proposals fell significantly in 2020. Many investors appeared to decide that the information companies

### Types of Decent Work Proposals




### Decent Work Outcomes



have started to release about pay is enough, even though for the most part they still do not publish the global median pay differential figures the proposals request.

Recent decent work proposals reflect priorities articulated by a group of two dozen large institutional investors called the Human Capital Management Coalition, sponsored by the UAW Retirees Medical Benefits Trust, which in 2017, petitioned the SEC to require more disclosure of information about a company's workforce and human resources policies. Members of HCMC include Trillium Asset Management, the Office of the New York City Comptroller, the AFL-CIO Office of Investment and other shareholder proponents, among others. With new leadership in Washington and expressions of support for more ESG disclosure, there are signs that the SEC may take up at least some of the coalition's recommendations.

## Fair Pay

Half of the 15 fair proposals concern executive pay differentials, from individual proponent Jing Zhao, Trillium Asset Management, the United Steelworkers and Myra Young. The other half discuss differentials based on gender and race/ethnicity, filed by Arjuna Capital, Proxy Impact and the Shareholder Association for Research & Education (SHARE), a Canadian shareholder rights organization.

**CEOs:** The United Steelworkers have returned for the fourth time to ask **3M's** board to

> take into consideration the pay grades and/or salary ranges of all classifications of Company employees when setting target amounts for CEO compensation. The Compensation Committee should describe in the Company's proxy statements for annual shareholder meetings how it complies with this requested policy. Compliance with this policy is excused if it will result in the violation of any existing contractual obligation or the terms of any existing compensation plan.

The proposal earned 11.1 percent in 2020, 10 percent in 2019 and 8 percent in 2018. Under new SEC rules, it must earn at least 25 percent support this year to qualify for resubmission.

Trillium Asset Management is asking the same thing at retailers **Burlington Stores** and **TJX**, minus the reference for an explanation of compliance. It is new at the former company but a resubmission at TJX, where it received 9.4 percent in 2020; earlier, NYSCRF withdrew the same proposal after an agreement in 2018.

Both Trillium and the Steelworkers argue that peer group benchmarks used by boards to set pay have driven it up and that companies should change their practices, reasoning that excessive pay hurts organizational performance by undermining "collaboration and teamwork," morale and productivity for those outside the senior executive suite. The proponents cite research from MSCI and a Harvard study that found consumers said they would prefer to buy from companies with flatter pay differentials; disclosure of the CEO to median worker pay differential became mandatory in 2018.

Otherwise, one of the four proposals from individual investor Jing Zhao has already gone to a vote at **Visa**, earning 4.5 percent support (not enough under the new resubmission thresholds to be resubmitted). It asked the company to change its "principles of executive compensation program to include CEO pay ratio and other factors." This proposal also is on the ballot at **Applied Materials** for a vote on March 11; the SEC disagreed with the company's contention the proposal is moot. A similar resolution received 5.5 percent of the vote at **Apple**, asking it to "improve the executive compensation program to include NEOs pay ratios and other factors."

Zhao was unsuccessful in another proposal, however, where he suggested that **Gilead Sciences** should "reduce the CEO Pay Ratio by 5-10% each year until it reaches 20 to 1." The SEC agreed this is an ordinary business matter because of "micromanagement."

**External costs of executive compensation:** Myra Young, who has other proposals requesting reports on specific external costs (see p. 50 and 60) wants a report from **Marriott International** "on the external social costs created by the compensation policy of our company…and the manner in which such costs affect the vast majority of its shareholders who rely on overall market returns." She is concerned about pay inequity in general and its societal impact. The proposal is part of a new campaign in 2021 coordinated by The Shareholder Commons. Marriott is arguing at the SEC that this is ordinary business and too vague. (Other proposals from TSC are on p. 30, 50, 64 and 69.)

**Gender and race:** Arjuna Capital and Proxy Impact have filed dozens of resolutions in the last several years trying to persuade companies to report on differential pay rates for women and people of color. At first the resolutions asked only about policies and goals "to reduce the gender pay gap" and companies took up the suggestion with alacrity, producing many withdrawals. But common ground became much harder to find when the request shifted in 2019 to request reporting on the global median pay differential—"the difference between male and female median earnings expressed as a percentage of male earnings," as defined by the Organization for Economic Cooperation and Development. While companies have made some pledges and disclosures about pay equity generally, they have been far more reluctant to disclose these statistics. Median pay data reveal that even when men and women—and people of color—earn similar pay for the same job ("pay equality"), they are almost always deeply underrepresented in higher echelon jobs where pay is higher ("equal opportunity").

Six of the 12 2020 pay proposals did not earn enough to qualify for resubmission, although proponents also reached agreements at eight more firms. It may be that investors at large felt some disclosure about pay equity, or corporate statements about the need for fairness, was enough—even if this did not address the proponent's focus on representation at all levels of employment.

Five of the seven pending gender/minority pay proposals are resubmissions and each must earn more than in the past to qualify for 2022 filing. They are before **Adobe** (12.5 percent last year in its third year), **Amazon.com** (15.3 percent for its second vote), **Bank of New York Mellon** (7.9 percent for a second vote), **CIGNA** (21 percent last year and 35.6 percent in 2019) and **Intel** (9 percent in its fourth year). The resolutions ask for annual reports "on median pay gaps across race and gender, including associated policy, reputational, competitive, and operational risks, and risks related to recruiting and retaining diverse talent."

Somewhat more specific formulations are before **Biogen** and **Walmart** this year for the first time. At Biogen it calls for an annual,

> quantitative data assessing Biogen's gender pay gap…A report adequate for investors to assess company strategy and performance, including relative opportunities for women to attain higher paying positions in the company, would include the percentage mean and median pay gap between all male and female employees, across race and ethnicity where appropriate, and would include base, bonus and equity compensation.

SHARE takes a similar approach at Walmart, seeking a report from Walmart on its

> plan to address the gender and racial pay gap within its workforce. At a minimum the report should include:
>
> - Relevant details about the Company's strategy, programs and policies planned or in place;
> - Assessment of program effectiveness, through the disclosure of the median pay gap between employees from historically equity-seeking groups, and other relevant metrics.

## Benefits

A new resolution has asked **CVS Health**, **Kohl's**, **Kroger**, **McDonald's** and **Yum Brands** "to analyze and report on the feasibility of including the paid sick leave policy adopted in response to COVID-19" and made effective in March "as a standard employee benefit not limited to the duration of the pandemic." At McDonald's and Yum Brands, it also asked for "incentives for franchisees to adopt such a policy."

At **Walmart**, another proposal is more expansive, asking for a feasibility study on:

> "providing two weeks of paid sick leave, as well as two weeks of paid leave to care for a sick or quarantined family member or a child whose school or childcare provider is closed or unavailable due to illness, as a standard Associate benefit not limited to COVID-19.

**Withdrawal:** *As You Sow* added a provision on telemedicine and withdrew at **Dollar General** when the company agreed to waive telehealth co-pays.

**SEC action:** The SEC has agreed with arguments from CVS, Kohl's, Kroger and Yum Brands that this is a matter of ordinary business; a similar challenge is at Walmart and an omission there seems likely. The only other company where the proposal is pending is Kroger, which does not hold its meeting until late June.

## Working Conditions

**Covid-19 pandemic:** Three of the six proposals about working conditions also take up concerns raised by the global pandemic, and one at **Walmart** has survived an SEC challenge.

- The New York City pension funds would like a report on worker health and safety from **Amazon.com** "on the adequacy of Amazon's efforts to reduce or mitigate health and safety risks from the coronavirus pandemic" and board oversight. The proposal notes safety challenges for workers existed even before the pandemic hit warehouses, with Whole Foods employees and for contracted delivery drivers—which were exacerbated by the pandemic's exigencies and a flood of new employees. The proposal notes the workforce grew by some 430,000 employees, not including temporary holiday workers and another half a million contracted drivers. It opines that investors had questioned the sustainability of the company's business model even before the pandemic, noting high injury rates. The proponent acknowledges improvements and the company's $10 billion investment in workplace safety, but says hard performance metrics about its effectiveness are needed, with more details. An independent committee would help ensure stakeholders benefit and serve as "a standard in the industry."

  APG Asset Management is the co-lead filer of the proposal, discussed in a December 17 press release from NYC Comptroller Scott Stringer.

advocacyposition

## HUMAN RIGHTS PROTECTIONS FOR WORKERS IN FOOD SUPPLY CHAINS VULNERABLE TO COVID-19


**SISTER GLORIA OEHL, OSF**
*Franciscan Sisters of Allegany, NY*

**MATTHEW STARK BLUMIN**
*General Counsel, The Coalition of Immokalee Workers*


The essential workers who harvest, pack, and process our food are at heightened risk of exposure to, and death from, Covid-19. More than 87,000 meatpacking workers, food processing workers, and farmworkers have tested positive, and a recent study showed that agricultural workers have suffered the highest Covid-19 death rate of any occupation. This disproportionate vulnerability to Covid-19 must also be understood in the context of well-documented human rights violations in U.S. agriculture, including modern-day slavery and sexual abuse.

The prevalence of human rights abuses in agriculture, and especially the dangers of Covid-19 in food supply chains, presents material legal, business continuity, human capital, reputational, and supply chain risks for companies. **Wendy's** supply chain is an apt example, as its beef supply was disrupted due to Covid-19 among its suppliers' workers. A **Cargill** plant constituted the largest Covid-19 outbreak linked to a single facility in North America—1,560 cases—while 12,514 workers at **Tyson Foods** contracted Covid-19, causing 39 deaths. Both Cargill and Tyson were finalists for Wendy's "Squarely Sustainable Supplier of the Year" the last time it was awarded (in 2019). Tyson faces a wrongful death lawsuit that alleges Tyson managers bet on how many workers would get infected, and the New York City Retirement Systems called for a securities investigation into whether Tyson misled investors regarding its handling of workplace safety. Although Wendy's does not disclose its produce suppliers, Covid-19 outbreaks among farmworkers have been legion throughout the country, adding to existing human rights risks industry-wide.

A statement from 335 institutional investors representing $9.5 trillion in assets under management calls on companies to take steps to mitigate the impacts of Covid-19 on all their stakeholders, including suppliers. For fast food retailers like Wendy's, there is one risk mitigation tool that stands above all others: The Coalition of Immokalee Workers' (CIW) award-winning Fair Food Program (FFP). The FFP's worker-driven model of social responsibility is the gold standard for protecting human rights in corporate supply chains, with a track record of addressing and preventing modern slavery, sexual assault and harassment, and other abuses. The FFP is also the only social certification to have mandatory, enforceable protocols to address farmworkers' Covid-related health and safety concerns—protections that farmworkers depend on.

Yet Wendy's—unlike its major competitors, including **McDonald's** and **Burger King**—has not joined the FFP.

In solidarity with the CIW, the Franciscan Sisters of Allegany, NY, filed a shareholder proposal that asks Wendy's to disclose evidence of whether its existing policies effectively protect workers in its food supply chain from human rights violations, including harms from Covid-19—as well as whether Wendy's mandates Covid-19 safety protocols for them. The Franciscan Sisters work and pray to bring healing and justice to communities throughout the world, caring deeply about those who are marginalized or living in poverty. The Franciscan Sisters and CIW urge investors to vote yes for resolutions that support the human rights of the vulnerable essential workers in food supply chains.

- A similar proposal from the Franciscan Sisters of Allegheny, N.Y., is at **Wendy's**. It also calls for a report, but its resolved clause is far more detailed, specifying the report should address:

  > Wendy's Supplier Code of Conduct and the extent to which Wendy's Quality Assurance audits and third-party reviews effectively protect workers in its food supply chain from human rights violations, including harms associated with COVID-19. This report should include:
  >
  > - Whether Wendy's requires its food suppliers to implement COVID-19 worker safety protocols ("Protocols"), and, if so, the content of the Protocols, as well as the section(s) of Wendy's Quality Assurance audit instrument relating to the Protocols and/or the Code's Human Rights and Labor Practices Expectations8 ("Expectations");
  > - The number of times Wendy's has suspended one of its meat or produce suppliers ("Suppliers") for failing to meet Expectations and/or Protocols;
  > - A list of all third-party auditors approved by Wendy's to monitor adherence to Expectations and/or Protocols, the total number of Supplier locations, how often Wendy's requires third-party audits on-site at each Supplier location for adherence with Expectations and/or Protocols, and the number of Supplier locations so audited in the last year including the number of Supplier workers personally interviewed at each location;
  > - Whether Wendy's ensures Suppliers' workers have access to a third-party grievance mechanism, with the authority to order a remedy, for reporting violations of Expectations and/or Protocols, and, if so, the required procedures, number of grievances filed by Suppliers' employees in the last year, and outcomes of all such grievances.

- Individual investor Cynthia Murray proposes that **Walmart** set up a Pandemic Worker Advisory Safety Council,

  > composed of hourly Associates, to provide advice to the Board {including any relevant Board committee) upon request on pandemic related workforce issues, including health and safety measures, whistleblower protection, and paid sick leave. Walmart would have discretion to disband the Council when no pandemic has been declared.

**SEC action**—Amazon and Wendy's both are contending at the SEC that it has substantially implemented the proposal and that it relates to ordinary business since it is about legal compliance. While the SEC has yet to respond to these challenges, it disagreed with Walmart's argument the matter concerns ordinary business, in what may be a harbinger for the other two proposals.

**Human capital management:** SHARE is more focused on general practices in the workplace and at franchisees and proposed a report from **Starbucks** that would report on:

1. Information on the Company's overall approach and board-level oversight of human capital management in the context of emerging workforce related risks and opportunities in the retail coffee industry; and
2. Comprehensive workforce metrics that effectively demonstrate the success and challenges the company faces in its management of human capital.

SHARE withdrew before any SEC response to the company's contention that it is moot and concerns ordinary business, noting continued discussion about the release of more workforce metrics.

**Sexual harassment:** Arjuna Capital returned to **Comcast** with a proposal on sexual harassment that survived an SEC challenge last year and earned 13.1 percent support. It asks for "an independent investigation" and report "on risks posed by the Company's failures to prevent workplace sexual harassment. Controversy erupted at Comcast about sexual misconduct by Today show host Matt Lauer, who was fired, and critics called the company's subsequent investigation too narrow and not independent.

## Decent Work

| Company | Proposal | Proponent | Status |
|---|---|---|---|
| **Fair Pay** | | | |
| ***Executive Pay*** | | | |
| 3M | Consider pay disparity in CEO compensation | United Steelworkers | May |
| Apple | Consider pay disparity in CEO compensation | Jing Zhao | 5.5% |
| Applied Materials | Consider pay disparity in CEO compensation | Jing Zhao | March |
| Burlington Stores | Consider pay disparity in CEO compensation | Trillium Asset Management | May |
| Gilead Sciences | Limit CEO pay disparity | Jing Zhao | May |
| TJX | Consider pay disparity in CEO compensation | Trillium Asset Management | June |
| Visa | Consider pay disparity in CEO compensation | Jing Zhao | 4.5% |
| ***Gender & Race*** | | | |
| Adobe | Report on gender/minority pay disparity | Arjuna Capital | April |
| Amazon.com | Report on gender/minority pay disparity | Arjuna Capital | May |
| Bank of New York Mellon | Report on gender/minority pay disparity | Arjuna Capital | April |
| Biogen | Report on gender/minority pay disparity | Proxy Impact | June |
| CIGNA | Report on gender/minority pay disparity | Proxy Impact | April |
| Intel | Report on gender/minority pay disparity | Arjuna Capital | May |
| Walmart | Report on gender/minority pay disparity | SHARE | June |
| **Benefits** | | | |
| CVS Health | Report on paid sick leave policy | Trillium Asset Management | May |
| Dollar General | Report on paid sick leave policy | As You Sow | withdrawn |
| Kohl's | Report on paid sick leave policy | Domini Social Investments | omitted |
| Kroger | Report on paid sick leave policy | Zevin Asset Management | June |
| McDonald's | Report on paid sick leave policy | Sisters of St. Francis of Philadelphia | omitted |
| Walmart | Report on paid sick leave policy | School Sisters of Notre Dame, Central Pacific | June |
| Yum Brands | Report on paid sick leave policy | Change to Win | omitted |
| **Working Conditions** | | | |
| Amazon.com | Report on pandemic worker health/safety | NYC pension funds | May |
| Comcast | Review/report on sexual harassment policy | Arjuna Capital | June |
| Starbucks | Report on decent work oversight & metrics | SHARE | withdrawn |
| Walmart | Set up pandemic worker council | Cynthia Murray | June |
| Wendy's | Report on pandemic worker health/safety | Franciscan Sisters of Allegany, NY | May |

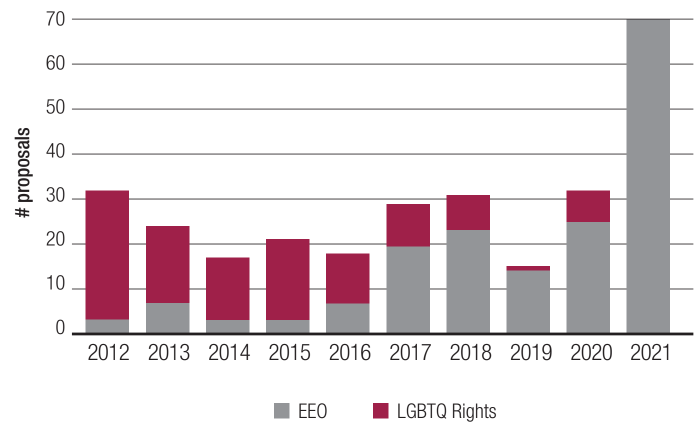
# DIVERSITY IN THE WORKPLACE

Shareholder proponents have responded to the Black Lives Matter movement sparked by the May 25 murder of George Floyd in Minnepolis by doubling down on shareholder resolutions asking for disclosure of diversity in the workplace and in executive positions. They are seeking more robust efforts to hire a diverse workforce, and they want more information on how companies are managing their worforce programs and rooting out racism. The number of propsals doubled to 68, more than have ever been filed before. While not many have been withdrawn so far, the final tally of resolutions to be voted on is likely to shrink significantly because of the pressure companies face to prove their commitments have teeth. All but two of the companies facing these proposals are doing so for the first time.

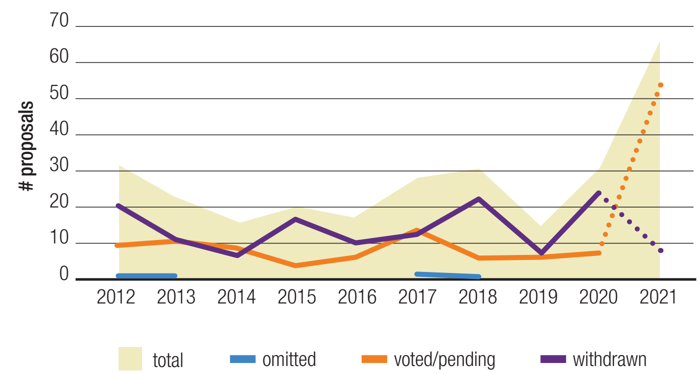
Proponents include most prominently the New York City Comptroller's office, joined by Trillium Asset Management, the Unitarian Universalists, the AFL-CIO, *As You Sow* and the Nathan Cummings Foundation.

*(Proposals about greater pay equity considering gender, race and ethnicity are covered in the Decent Work section directly above, p. 38. The Sustainable Governance section (p. 61), describes 28 other proposals seeking greater board diversity—focused on women and people of color; both are deeply underrepresented on corporate boards despite some progress. Sustainable Governance also notes proposals seeking executive pay links to diversity, p. 62.)*

## Types of Diversity Proposals




## Diversity Outcomes




## Discrimination and Diversity

**EEO-1 data reporting:** The NYC Comptroller is spearheading, with help from a smattering of additional filers, a major new push to get companies to make public the annual EEO-1 forms they file with the federal Equal Employment Opportunity Commission. The forms classify employees by race, gender and ethnicity in 10 standard job categories and provide data that can be used to assess and compare corporate diversity performance. Many companies provide information about their commitments to diversity and programs for employees, but so far comparable data that would allow impartial assessments of outcomes has not been a routine part of corporate disclosures.

Just 12 proposals are pending, with three more planned for fall meetings. The pithy proposal asks that each company "disclose on its website the annual Consolidated EEO-1 Report. The company shall disclose its EEO-1 Report no later than 60 days after the date of its submission to the EEOC."

advocacyposition

## NEW YORK CITY LAUNCHES CAMPAIGN FOR COMPANY DIVERSITY DISCLOSURE

**MICHAEL GARLAND**

*Assistant Comptroller, Corporate Governance and Responsible Investment Office of New York City Comptroller*

High-profile killings of Black men and women in 2020 highlighted the grave consequences of systemic racism in our society, sparked nationwide protests for racial justice, and prompted many companies, including at least 67 S&P 100 companies, to publicize their commitments to racial equity and diversity. We believe demonstrable commitments to hire, equitably compensate, retain, and promote Black employees, other employees of color, and women can contribute not only to a more just society, but also to improved company performance.

In a July 2020 letter, New York City Comptroller Scott M. Stringer, on behalf of the New York City Employees' Retirement System, Teachers Retirement System of the City of New York, and New York City Board of Education Retirement System (the "Systems") called on the 67 companies to match their public statements in support of racial equality, diversity, and inclusion with concrete action by disclosing the Consolidated EEO-1 Report they are required to submit annually to the U.S. Equal Employment Opportunity Commission (EEOC).

Comptroller Stringer and the Systems subsequently submitted shareholder proposals for the 2021 proxy season to 24 of the companies that did not initially commit to disclosure. The proposals requested the Consolidated EEO-1 Report itself, which provides the raw numbers for each employment category. This disclosure gives investors and the public a comprehensive breakdown of a company's U.S. workforce by race, ethnicity, and gender according to 10 employment categories, including, importantly, senior management, defined to incorporate individuals within two reporting levels of the CEO.

The Consolidated EEO-1 Report is the "gold standard" for diversity disclosure and will enable investors to evaluate companies' performance in terms of their ability to hire, retain, and promote employees of color and women. Disclosure of this report will provide investors with critical information, including:

- Standardized, quantitative, and reliable data that are comparable across companies, enabling investors to assess the representation of Black employees, other employees of color, and women in various job categories;
- Specific data on senior management diversity;
- Particularized data that allow investors to assess the representation of specific racial and ethnic groups by gender, such as Black female employees in a job category, and to make meaningful, year-over-year comparisons.

Response to the letters and shareholder proposals has been overwhelmingly positive and is on track to establish a new market standard. Prior to the July launch of the Comptroller's campaign, there were approximately 31 public companies that disclosed their Consolidated EEO-1 Report, of which 14 were in the S&P 100. As a result of the campaign, 52 additional S&P 100 companies will disclose their Consolidated EEO-1 Report, representing a substantial majority (66) of S&P 100 companies. These include **Home Depot**, among others, which has received a shareholder proposal requesting EEO-1 Report disclosure every year since 1998.

As of early February 2021, 15 proposals appear likely to go a vote—including at **Lowe's**, **McDonald's**, and **Disney**, among others—although engagements remain ongoing.

**Withdrawals and SEC action**—After two decades of requests, **Home Depot** at last agreed to annualy publish its EE0-1 report starting this year, prompting a withdrawal. Proposals at the company had routinely earned more than 20 percent and the vote jumped to 48.3 percent in 2018—prompting more workforce data disclosure but not including all job categories. Last year the vote was 36 percent. Other agreements are noted in the table. **JPMorgan Chase** lodged a challenge at the SEC, saying its proposal was moot, but the NYC funds withdrew before any SEC response after the firm agreed to more disclosure about diverse hiring and to work on improvements; the parties will jointly review progress in summer 2021 to discuss future disclosures. **Moody's** has told the SEC the resolution concerns ordinary business by dint of micromanagement, but previous similar arguments have failed. **Walmart** says the proposal has already been implemented and the SEC has yet to respond.

**Diverse hiring pools:** Using an idea employed until now by both the National Football League and corporate board diversity initiatives, the AFL-CIO has opened a new front with regard to hiring employees. It is asking three companies—**Activision Blizzard**, **Amazon.com** and **Electronic Arts** to:

> adopt a policy for improving workforce diversity by requiring that the initial pool of candidates from which new employees are hired by the Company shall include, but need not be limited to, qualified women and minority candidates (a "Diverse Candidate Search Policy").

The NYC funds withdrew the same proposal at **Wells Fargo** after it lodged an SEC challenge asserting its current policies make it moot. The company pointed to a new policy announced in March 2020 that applied diverse search criteria for all who earn more than $100,000. The NYC funds withdrew the proposal before any SEC response.

**Executive diversity:** Trillium Asset Management is in the third year of its campaign to focus corporate attention on upper echelon diversity. In 2019, its proposal earned just under 57 percent at Newell Brands. In 2020 it reached agreement with four companies (as did Proxy Impact with Dell), leaving just one on the ballot, which earned 44.9 percent at IPG Photonics. Trillium withdrew a resubmission there after the company argued it is now moot.

The proposal remains pending at **Autodesk**, **Paycom Software** and **SBA Communications**, asking each to report on an "assessment of the current state of its leadership team diversity and if and how it plans to make the company's leadership team more diverse in terms of race, ethnicity, and gender."

**CEOs:** The NYC funds began asking companies last year to include women and racially/ethnically diverse candidates in all external CEO recruitment searches. The proposal is pending this year at **American Airlines**, **Dell Technologies**, **Kroger** and **TJX** and also specifies "that any third-party consultant will be instructed to include such candidates" on initial search lists.

**Analysis of diversity programs:** *As You Sow*, Nia Impact Capital and the Nathan Cummings Foundation have more than doubled the number of companies in the campaign started last year for annually assessing and reporting on diversity programs. These resolutions go beyond EEO-1 to ask for disclosure of recruitment, promotion and retention cut by gender, race and ethnicity. Pending at 16 companies *(see table)*, the proposal says reports should include:

- the process that the Board follows for assessing the effectiveness of its diversity and inclusion programs,
- the Board's assessment of program effectiveness, as reflected in any goals, metrics, and trends related to its promotion, recruitment and retention of protected classes of employees.

**SEC action**—*As You Sow* has seen a number of procedural omissions this year, with four of its diversity program proposals omitted so far given procedural deficiencies, at **Danaher**, **Johnson & Johnson**, **Eli Lilly** and **Pfizer**; two more are likely to be omitted at **NextEra Energy** and TJX. *As You Sow* withdrew after this challenge at **Texas Instruments**, too, although the company says it plans to expand its diversity disclosures in 2021.


## INVESTORS DEMAND PROOF OF EFFECTIVE DIVERSITY AND INCLUSION PROGRAMS

**MEREDITH BENTON**
*Principal, Whistle Stop Capital*

**KRISTIN HULL**
*Founder and CEO, Nia Impact Capital*

**advocacy**position

In conversations earlier this year, a to-remain-nameless company commented that it recognized it was time to finally release its consolidated EEO-1 form. When asked to also release data related to its recruitment, retention and promotion rates of diverse employees, however, it demurely declined. Afterall, it explained, its EEO-1 looked fine and its recruitment efforts were strong. Retention, the company representative commented, was their big problem. Diverse employees leave soon after joining.

Per research hosted by *As You Sow*, 43 percent of the S&P 100 companies now release their EEO-1 forms, the current best-in-class standard for showing workforce composition. Within the last twelve months, we spoke with most of Nia Impact Capital's portfolio companies about their diversity, equity and inclusion (DEI) practices. Whistle Stop, on behalf of other clients, also spoke with an additional 20 members of the S&P 500. Almost all of these companies, from Nia's innovative small caps to the S&P blue-chips, accepted that EEO-1 disclosure is now a broadly held investor expectation for US companies.

The EEO-1 provides essential data detailing employees' gender, race and ethnicity, at various career levels. It is not able to, however, show how well a company's workplace equity programs are working. Broader disclosure is needed.

For 2021's proxies, Whistle Stop supported the filing of 21 resolutions asking company boards to report on their assessment of diversity, equity and inclusion efforts, including the release of goals, metrics, and trends related to their promotion, recruitment and retention of diverse employees. Filers include Nia, *As You Sow* and Nathan Cummings Foundation.

Within the S&P 500, per *As You Sow's* database, at least 19 percent of companies share gender recruitment rates; only 4 percent share even one race-related recruitment statistic. For retention data, 11 percent share gender yet barely 1 percent share anything by race or ethnicity. Promotion data has the lowest disclosure rate: only 6 percent of companies even share gender data.

Promotion and retention data provide key insights. Do female and Black, Indigenous, and people of color employees have opportunities to move up, while also reaching true pay equity? Do diverse employees stay at the company, or do they leave at higher rates than their white male counterparts?

These questions aren't just philosophical, as significant barriers exist for companies seeking to diversify their workforce and leadership, and for non-white-male employees seeking to advance during their careers. Women enter the workforce in almost equal numbers as men (48 percent ) yet they make up only 22 percent of the executive suite. Similarly, people of color make up 33 percent of entry level workers, yet only 13 percent of the c-suite.

No one company is the cause of systemic bias and discrimination on its own. Companies can, however, show they are willing to honestly discuss, assess, and improve their workplace equity programs. Now is the time for corporations to step into leadership roles in sharing their efforts to create positive and inclusive company cultures. We, as investors, have both the right and the responsibility to speak up for diversity, equity and inclusion within corporate America and beyond.

## Diversity at Work

| Company | Proponent | Status |
| --- | --- | --- |
| **Disclose EEO-1 data** | | |
| 3M | NYC pension funds | withdrawn |
| Abbott Laboratories | NYC pension funds | withdrawn |
| BJ's Wholesale Club | Trillium Asset Management | withdrawn |
| Boeing | NYC pension funds | withdrawn |
| Caterpillar | NYC pension funds | June |
| Charles Schwab | NYC pension funds | withdrawn |
| Comcast | NYC pension funds | withdrawn |
| CVS Health | NYC pension funds | withdrawn |
| Dow | NYC pension funds | April |
| DuPont de Nemours | NYC pension funds | May |
| Eli Lilly | NYC pension funds | withdrawn |
| Ford Motor | NYC pension funds | withdrawn |
| Home Depot | NYC pension funds | withdrawn |
| International Business Machines | NYC pension funds | withdrawn |
| Johnson & Johnson | NYC pension funds | withdrawn |
| JPMorgan Chase | NYC pension funds | withdrawn |
| Kraft Heinz | NYC pension funds | May |
| Lockheed Martin | NYC pension funds | withdrawn |
| McDonald's | NYC pension funds | May |
| Metlife | NYC pension funds | June |
| Mondelez International | NYC pension funds | May |
| Moody's | Calvert Investment Management | April |
| Netflix | NYC pension funds | June |
| Thermo Fisher Scientific | Unitarian Universalists | withdrawn |
| Union Pacific | Calvert Investment Management | May |
| United Parcel Service | NYC pension funds | May |
| Walgreens Boots Alliance | NYC pension funds | withdrawn |
| Walmart | NYC pension funds | June |
| Walt Disney | NYC pension funds | withdrawn |
| **Use diverse pool for hiring employees** | | |
| Activision Blizzard | AFL-CIO | June |
| Amazon.com | AFL-CIO | May |
| Electronic Arts | AFL-CIO | August |
| Wells Fargo | NYC pension funds | withdrawn |

*table continued on next page*

**Racism:** NorthStar Asset Management has a new resolution pending at two companies—**Intel** and **PayPal**. It asks for a report "on whether written policies or unwritten norms at the Company reinforce racism in company culture." It suggests in the supporting statement that the report could

> assess whether Company policies or unwritten norms:
>
> 1. Yield inequitable outcomes for employees based on race and ethnicity in patterns of hiring and retention, promotion and upward mobility, disciplinary action, or employee usage of benefits;
> 2. Establish a cultural hierarchy through perceived pressure to use "whitened" names rather than birth names, to adopt "white-centric" physical appearance standards in hair style, body art or modifications, and facial hair styles, or to avoid traditional attire and religious head coverings.

The proposal quotes the definition of structural racism used by the National Museum of African American History and Culture: "the overarching system of racial bias across institutions and society. These systems give privileges to white people resulting in disadvantages to people of color,' thereby imposing a cultural hierarchy among racial groups." It notes a 2020 Citigroup study that found $16 trillion in U.S. GDP losses over the last two decades, including "$2.7 trillion lost due to pay disparities," and says ending discrimination "could boost U.S. GDP by $5 trillion in the next five years." It further describes elements of racism and outlines its harms, noting changes at one company that "will allow natural black hairstyles and facial hair because the company wants all 'employees to feel comfortable, genuine and authentic.'"

**SEC action**—Home Depot is arguing the proposal is about ordinary business, while PayPal says it is moot given the company's diversity and inclusion policies and practices. The SEC has yet to respond.

**Diversity at Work** *(continued from previous page)*

| Company | Proponent | Status |
|---|---|---|
| **Report on executive diversity** | | |
| Autodesk | Trillium Asset Management | June |
| IPG Photonics | Trillium Asset Management | withdrawn |
| Paycom Software | Trillium Asset Management | April |
| SBA Communications | Trillium Asset Management | May |
| **Adopt policy on executive diversity** | | |
| American Airlines Group | NYC pension funds | June |
| Dell Technologies | NYC pension funds | June |
| Kroger | NYC pension funds | June |
| TJX | NYC pension funds | June |
| **Report on diversity programs** | | |
| Allstate | As You Sow | May |
| American Express | As You Sow | May |
| Berkshire Hathaway | As You Sow | May |
| Booking Holdings | As You Sow | June |
| Caterpillar | As You Sow | June |
| Charter Communications | As You Sow | April |
| Comcast | As You Sow | June |
| CVS Health | As You Sow | May |
| Danaher | As You Sow | omitted |
| Dollar Tree | As You Sow | June |
| Eli Lilly | As You Sow | omitted |
| International Business Machines | Nia Impact Capital | April |
| Johnson & Johnson | As You Sow | omitted |
| McDonald's | Nathan Cummings Foundation | May |
| NextEra Energy | As You Sow | May |
| Pfizer | As You Sow | omitted |
| Texas Instruments | As You Sow | withdrawn |
| TJX | As You Sow | June |
| Union Pacific | As You Sow | May |
| United Parcel Service | As You Sow | May |
| UnitedHealth Group | As You Sow | June |
| **Report on racism at company** | | |
| Intel | NorthStar Asset Management | May |
| PayPal | NorthStar Asset Management | May |

## ETHICAL FINANCE

Just one proposal on ethical finance is pending for 2021. Trillium Asset Management wants **KeyCorp** to "complete a report… evaluating the racial impacts that its overdraft policies and practices have on Black and other racial minority customers." The proposal notes the bank charges a flat $33 fee when it pays each overdraft or non-sufficient funds instance, collecting in 2019 more than $148 million, "7% of its non-interest income and 44% of its service charge income." It outlines the disproportionate impact of these fees on single, non-white renters with low incomes, that "customers often pay more in overdraft fees than the overage amount." Further, "many consumers who opted into fee-based overdraft coverage for debit card transactions" after 2010 regulatory changes "did so as a result of aggressive or deceptive marketing." Trillium asserts the bank's fee "does not appear to bear any relationship to the cost or risk of covering an overdraft, which casts doubt on its reasons for imposing the fee and raises reputational risks." Others such as Citibank do not charge for point of sale or ATM withdrawals, it notes. Finally, the proposal notes a proposed federal law, the Stop Overdraft Profiteering Act, that would address the problem. Combined with "increasing attention paid to the ways in which systemic racism exists in many institutions, including banks, and their impacts on society" justifies the requested report, Trillium concludes.

## HEALTH

ICCR members are seeking information on prices for Covid-19 drugs in a new set of proposals. Other proposals are about public health generally, reproductive health rights in particular and tobacco. Just one addresses the opioid epidemic.

**advocacy**position

### PUBLIC FUNDING, DRUG PRICING, AND EQUAL ACCESS FOR COVID-19 VACCINES

**CATHY ROWAN**

*Director, Socially Responsible Investments, Trinity Health*

Members of the Interfaith Center on Corporate Responsibility (ICCR) want pharmaceutical companies to disclose more on the impact of public funding for COVID-19 vaccines and therapeutic medicine access and pricing.

The shareholder proposals, filed at **Eli Lilly**, **Johnson & Johnson**, **Merck**, and **Pfizer**, ask for reports detailing "whether and how [the company's] receipt of public financial support for development and manufacture of preventives and/or therapeutics for COVID-19 is being, or will be, taken into account when making decisions that affect access to such products, such as setting prices."

Proponents withdrew similar proposals at **Gilead Sciences** and **Regeneron** when the two companies, which have developed therapeutic treatments for COVID-19, agreed to increase disclosure.

The proposals aim to increase accountability and prevent price gouging, ensuring companies exercise prudence in setting prices for these life-saving treatments. Transparency is critical to ensuring that investors and stakeholders understand how companies manage public resources, since pharmaceutical Covid-19 related contracts with governments are opaque. Developed and developing countries face different prices.

Congress appropriated almost $10 billion for Operation Warp Speed, an unprecedented public-private partnership to spur the development of Covid-19 vaccines and treatments. Johnson & Johnson received nearly $1.5 billion and Merck $38 million for vaccine research. Merck will also receive $356 million for the manufacture and supply of a Covid-19 therapeutic in development.

Pfizer has $4 billion in Operation Warp Speed advance purchase contracts for the vaccine it developed with the German pharmaceutical **BioNTech**—which received more than $444 million from its government for the accelerated development of the vaccine. These dollar figures do not account for the basic research for the mRNA vaccine platform used by Pfizer/BioNTech and paid for by the National Institutes of Health, the Defense Department, and federally funded university laboratories.

Eli Lilly also has benefited from public funding for a Covid-19 therapeutic. In March 2020, Lilly entered into an agreement with **AbCellera**, a Canadian company, to develop antibody products to treat and prevent Covid-19, leveraging a platform whose development was funded by $30 million from the U.S. Defense Advanced Research Projects Agency. The Canadian government gave AbCellera $175 million to discover an antibody and expand its manufacturing capability.

The proponents seek assurance that any medical breakthroughs funded with government contributions will be accessible and affordable so that communities of all income levels will benefit equally. According to an International Chamber of Commerce Research Foundation study, unequal allocation of vaccines could cost the global economy up to $9.2 trillion and "as much as half of which would fall on advanced economies." The director general of the World Health Organization calls vaccine equity "not just a moral imperative, but a strategic and economic imperative."

Pharmaceutical companies will face significant reputational and legal risks if they are seen to profiteer from the pandemic. In particular, companies that have used public funding for research, development and purchase commitments will come under heightened scrutiny. These proposals seek to help companies get ahead of these risks and, in the process, increase public trust.

**Pandemic:** Proposals at **Eli Lilly**, **Gilead Sciences**, **Johnson & Johnson**, **Merck**, **Pfizer** and **Regeneron Pharmaceuticals** are seeking a report "on whether and how" their "receipt of government financial support for development and manufacture of vaccines and therapeutics for COVID-19 is being, or will be, taken into account when engaging in conduct that affects access to such products, such as setting prices." Boston Common Asset Management withdrew after Gilead Sciences agreed to update website information on its Covid-19 treatment remdesivir and to continue discussions about public investment. Eli Lilly is arguing at the SEC that the proposal is both false and misleading and moot, while Johnson & Johnson says it concerns ordinary business and moot; the SEC has yet to respond. *(A related proposal that seeks a link between drug pricing risks and executive pay at AbbVie is covered in the Sustainable Governance section, p. 67.)*

One other proposal from an individual investor asks **Royal Caribbean Cruises** to sue the Centers for Disease Control and Prevention about its order cancelling cruise ship sailings because of the pandemic. It calls the order "illegal" and says governments, not cruise ship companies and their shareholders, should bear the costs of the "no sail" order. The proposal is unlikely to go to a vote since the company has mounted a challenge arguing it is false and misleading, concerns a personal grievance and relates to ordinary business. An omission appears likely.

**Public health:** Two proposals address the public health costs of sugary products. One filed at three companies is a repeat from Harrington Investments. One raises similar concerns at two other firms.

**Sugary drinks**—Harrington Investments has returned to three companies, asking for a report by November 1st on:

> on Sugar and Public Health, with support from a group of independent and nationally recognized scientists and scholars providing critical feedback on our Company's sugar products marketed to consumers, especially those Coke products targeted to children and young consumers. Such report to shareholders should include an assessment of risks to the company's finances and reputation associated with changing scientific understanding of the role of sugar in disease causation.

The resolution is in its third year at **Coca-Cola** (it earned 7.7 percent last year and 4.9 percent in 2019); and back for a second time at **McDonald's** (9.4 percent last year) and **PepsiCo** (11.9 percent). Coca-Cola lodged an unsuccessful procedural challenge, but the proposal will need at least 25 percent support for further resubmission under the new rules; it needs to earn 15 percent at the other two companies to be resubmitted.

## Health

| Company | Proposal | Proponent | Status |
|---|---|---|---|
| **Pandemic** | | | |
| Eli Lilly | Report on Covid drug pricing and subsidies | Mercy Investment Services | May |
| Gilead Sciences | Report on Covid drug pricing and subsidies | Boston Common Asset Management | withdrawn |
| Johnson & Johnson | Report on Covid drug pricing and subsidies | Boston Common Asset Management | April |
| Merck | Report on Covid drug pricing and subsidies | Midwest Capuchins | May |
| Pfizer | Report on Covid drug pricing and subsidies | Trinity Health | April |
| Regeneron Pharmaceuticals | Report on Covid drug pricing and subsidies | Boston Common Asset Management | June |
| Royal Caribbean Cruises | Sue the CDC over pandemic "no sail" order | Marc Young | May |
| **Public Health** | | | |
| Coca-Cola | Report on sugary products and public health | Harrington Investments | April |
| CVS Health | Report on public health costs of food business | Myra K. Young | May |
| McDonald's | Report on sugary products and public health | Harrington Investments | May |
| PepsiCo | Report on sugary products and public health | Harrington Investments | May |
| PepsiCo | Report on public health costs of food business | Myra K. Young | May |
| **Reproductive Health** | | | |
| Church & Dwight | Report on reproductive health rights risks | As You Sow | withdrawn |
| Walmart | Report on reproductive health rights risks | Clean Yield Asset Management | June |
| **Tobacco** | | | |
| Altria | Report on policy limiting youth tobacco use | Sisters of St. Francis of Philadelphia | May |
| Rite Aid | Report on tobacco sales | Sisters of St. Francis of Philadelphia | July |
| Walgreens Boots Alliance | Report on tobacco sales | Sisters of St. Francis of Philadelphia | voted on |
| **Opiods** | | | |
| Johnson & Johnson | Report on opioid crisis | Illinois State Treasurer | withdrawn |

**Externalized costs of food business**—Taking up a new but similar health concern about food, Myra Young would like to see a report about the sales by **CVS** and **PepsiCo**. The resolution seeks "a report on the external public health costs created by the retail food business of our company…and the manner in which such costs affect the vast majority of its shareholders who rely on overall market returns." At PepsiCo it substitutes "food and beverage" for "retail food."

The proposal is part of a new set of resolutions coordinated by The Shareholder Commons about the societal impact of businesses. In the body of this resolution, Young asserts that support from each company's CEO for the Business Roundtable Statement of the Purpose of a Corporation commits it to serve the interests of all stakeholders. She notes the public health costs of obesity (which the proposal implicitly ties to the retail food business of CVS and the snacks and beverages sold by PepsiCo), and says "shareholders have no guidance as to costs the Company is externalizing and consequent economic harm" that affects the company's broadly diversified stockholders. She concludes the requested study "would help shareholders determine whether to seek a change in corporate direction, structure, or form in order to better serve their interests and to match the commitment made in the Statement."

CVS is arguing at the SEC the proposal is not significantly related to its business and is an ordinary business matter; PepsiCo also says it is ordinary business and that its current reporting makes the thrust of the proposal moot. The SEC has yet to respond.

**Reproductive health:** *As You Sow* and Clean Yield Asset Management, working with Rhia Ventures, is reiterating concerns first raised last year about eroding access to abortion and other reproductive health care services. The resolution seeks a report by December "detailing any known and any potential risks and costs to the Company caused by enacted or proposed state policies affecting reproductive rights and detailing any strategies beyond litigation and legal compliance that the Company may deploy to minimize or mitigate these risks." Proponents withdrew this resolution in 2020 after dialogue with Macy's and Progressive. *As You Sow* has withdrawn at **Church & Dwight**, which had filed an SEC challenge on procedural grounds and also said it was too vague and concerned ordinary business. An ordinary business challenge remains undecided at **Walmart**.

The proposal points to the wide array of legal challenges that affect access to abortion and contraception, and the "patchwork" of relevant state laws. It reasons that because the companies targeted operate in the states with restrictions, and because their employees are affected, investors need a report on how the companies are handling the issue—particularly given their stated support for diversity and inclusion. It ties unplanned pregnancies to economic harms for women and employers, and says companies should "evaluate any risks and costs including, but not limited to: effects on employee hiring, retention, and productivity, and increases in litigation and brand risks. Strategies evaluated should include any public policy advocacy programs, political contributions policies, and human resources or educational strategies."

*(See Political Spending section, p. 36, for additional proposals asking about how companies make sure their corporate political spending is congruent with their stated support for women.)*

**Tobacco:** Three proposals have been filed in 2021 about tobacco. The Sisters of St. Francis of Philadelphia have a new proposal that asks **Rite Aid** to report within the year "assessing how the increased health risks of severe COVID-19 infections to customers that smoke impact our company's evaluation of risks associated with selling tobacco products." The proponents believe the two drug stores, as the biggest U.S. retail pharmacies, can and should do more to mitigate risks from the combination of COVID-19 and smoking, which are just starting to be understood by scientists. **Walgreens Boots Alliance** investors gave this resolution 11.6 percent support in January. The company told shareholders it carefully monitors all the risks it faces through a robust Enterprise Risk Management Program (ERM), with board oversight, but the program does not mention tobacco and there is no tie between ERM and compensation arrangements for executives. The company did address pandemic risks in its proxy statement.

The other proposal, at **Altria**, is a resubmission that earned 36.6 percent support last year, an unusually high vote for a tobacco proposal. The Sisters of St. Francis of Philadelphia want Altria to

> commission a third-party report, at reasonable cost and omitting proprietary information, on:
>
> 1. corporate adherence to Altria's principles and policies aimed at discouraging the use of their nicotine delivery products by young people, and marketing practices to communities of color and low-income populations,
> 2. the effectiveness of those polices, and
> 3. any damage inflicted on those communities as a result and present the results of that report to shareholders by November 2021.

The proponent believes Altria, the country's largest tobacco firm, is not doing enough to curb tobacco use by young people, which has skyrocketed with their growing use of e-cigarettes. Altria has made new investments in its anti-tobacco use programs, but faces increasing scrutiny from Congress and regulators about the e-cigarette company JUUL Labs, where it owns a 35 percent stake, and new laws and lawsuits that aim to curb vaping.

**Opioids:** A lone proposal this year asks about the opioid epidemic, at **Johnson & Johnson**, but it was withdrawn by the Illinois State Treasurer. The proposal was a resubmission that earned 60.9 percent last year, seeking a report

> describing the governance measures JNJ has implemented since 2012 to more effectively monitor and manage financial and reputational risks related to the opioid crisis, given JNJ's sale of opioid medications, including whether increased centralization of JNJ's corporate functions provides stronger oversight of such risks and any changes in how the Board oversees opioid-related matters, how incentive compensation for senior executives is determined, and how the Board obtains input regarding opioids from stakeholders.

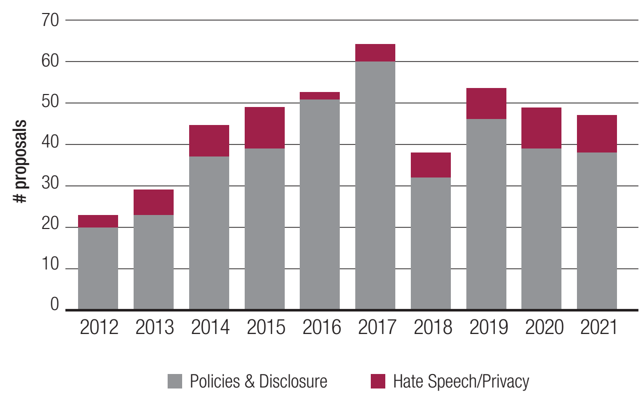
The company has agreed to "more effectively monitor and manage financial and reputational risks related to the opioid crisis," the proponent says. Johnson & Johnson had challenged the proposal at the SEC, arguing it was moot, but the withdrawal came before any SEC response.

## HUMAN RIGHTS

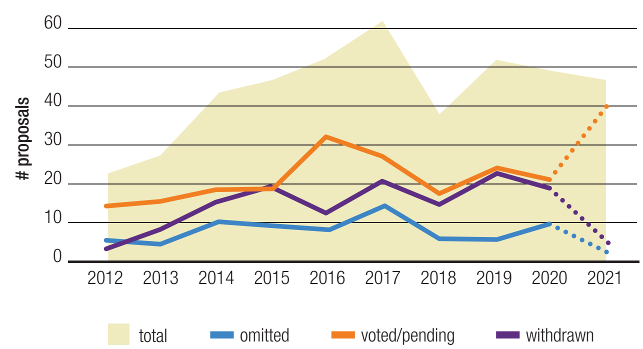
For the 2021 proxy season, shareholders are presenting investors with a largely new set of human rights proposals, half of them asking companies to examine their role in perpetuating or combatting systemic racism. Some of the old mainstays about setting standards and assessing the efficacy of policies also remain, with four resubmissions. Other proposals continue about seeking scrutiny of how electronic platforms harm or help human rights, a particularly relevant concern given the virulent miasma of online discourse that continues to defy moderation.

There are 47 proposals and as of mid-February one vote, five withdrawals and two omissions, with 14 outstanding SEC challenges.

**Types of Human Rights Proposals**




**Human Rights Outcomes**




### Racism

The 19 new resolutions seeking reports on how racism affects companies and how they plan to combat it include several different variants.

**Racial equity audit:** A campaign led by two unions, Change to Win (CtW) and the Services Employees International Union (SEIU) filed resolutions at eight financial firms—**Bank of America**, **BlackRock**, **Citigroup**, **Goldman Sachs**, **JPMorgan Chase**, **Morgan Stanley**, **State Street** and **Wells Fargo**—and **CoreCivic**. The proposal asks the board at each to prepare a public report

> to oversee a racial equity audit analyzing [the company's] adverse impacts on nonwhite stakeholders and communities of color. Input from civil rights organizations, employees, and customers should be considered in determining the specific matters to be analyzed.

In the supporting statement, the proposal notes:

> High-profile police killings of Black people—most recently George Floyd—have galvanized the movement for racial justice. That movement, together with the disproportionate impacts of the COVID-19 pandemic have focused the attention of the media, the public, and policy makers on systemic racism, racialized violence and inequities in employment, health care, and the criminal justice system.

Each proposal describes commitments made by each company and various investment commitments they have made to address pressing social needs, but also describes fraught histories for each. For instance, the proposal notes Bank of America has made fewer loans to minorities in Philadelphia and closed more banks in majority-Black communities compared to other places. It has set minimum account maintenance fees and balances that "disproportionately impact people of color and can inhibit wealth creation among these communities." Further, Black people make up only 8 percent of the C-suite. In addition, the proposal takes issue with bonds Bank of America helped underwrite 10 years ago in Los Angeles, which it says helped pay for police-related settlements, while also giving "to police foundations in New York, Atlanta, and Los Angeles, which bypass normal procurement processes to buy equipment for police departments, including surveillance technology that has been used to target communities of color and nonviolent protestors." The proposal concludes, "A racial equity audit will help Bank of America identify, prioritize, remedy and avoid adverse impacts on nonwhite stakeholders and communities of color," and urges each "to assess its behavior through a racial equity lens in order to obtain a complete picture of how it contributes to, and could help dismantle, systemic racism."

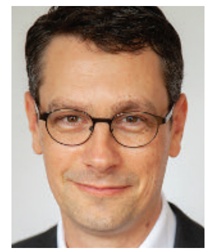
The racial justice audit proposal is also pending at **Amgen** (filed by Newground Social Investment), **Amazon.com** (from NYSCRF) and **Johnson & Johnson** (Trillium), with the same resolved clause but different problems highlighted, including:

- At Amazon.com, NYSCRF notes that after George Floyd's murder that "Amazon tweeted its solidarity with the fight against systemic racism," but that subsequent actions by the company call its commitment into question. These include firing a Black warehouse worker who complained about unsafe working condition (he is now suing). The proposal also says warehouse workers are disproportionately Black and Latino and "are paid low wages and exposed to dangerous working conditions, including exposure to COVID19." Among other things, the company has "been criticized by employees, lawmakers, and regulators for biased promotion practices, discriminatory employee surveillance, and hiding workplace injury rates. The proposal asserts Ring doorbell cameras and the Neighbors app exacerbate racist crime reporting, and raises concerns about facial recognition technology that raises a host of civil and human rights questions—available via Amazon Web Services, in addition to the use of Amazon's platform to sell products "that promote hatred."

**advocacy**position

## RACIAL JUSTICE AUDITS: HOLDING COMPANIES ACCOUNTABLE FOR THEIR ROLE IN SYSTEMIC RACISM






RENAYE MANLEY
*Deputy Director of the Service Employees International Union, Strategic Initiatives*

TEJAL PATEL
*Corporate Governance Director, CtW Investment Group*

JONAS KRON
*Chief Advocacy Officer, Trillium Asset Management*


In a set of new engagements, investors want companies in multiple industries to conduct racial justice audits to evaluate how institutionalized racism impacts their policies and business practices. In the wake of the Black Lives Matter marches, the shareholder proposals warn that the outpouring of public commitments to racial equity will be seen as empty promises if they are not backed up with substance.

The Service Employees International Union (SEIU)'s Capital Stewardship Program, CtW Investment Group, Trillium Asset Management, and the New York State Comptroller's Office have filed proposals at **Bank of America**, **Citigroup**, **JPMorgan Chase**, **Wells Fargo**, **Goldman Sachs**, **Morgan Stanley**, **Johnson & Johnson**, and **Amazon**. The proposals suggest a third party audit focused on racial justice, which **Starbucks**, **Facebook**, and **Airbnb** already have done.

Banks, health care companies, and the tech/retail sector all have historically harmed generations of people of color. It's imperative that they now help fix what is broken. A racial equity audit is the first step to safeguard against further harm and it's also the smart thing to do.

Importantly, the proposals encourage an internal and external review, looking at human capital management but also the products and services companies offer, along with their philanthropic and political contributions. This review can show whether the companies' sizable financial commitments on racial equity are working as intended.

A third party audit also encourages public and stakeholder trust. While banks are quick to rely on philanthropic contributions or financial commitments to Community Development Financial Institutions as proof of a racial justice commitment, those actions do not address broader adverse impacts on communities of color. Discriminatory policies on mortgage lending, checking accounts, and small business funding have perpetuated racism for decades. An objective third party evaluation can address this systemic problem.

Another good example comes from the health care sector. Black Women for Wellness is concerned with Johnson & Johnson's May 2020 decision to end sales of talcum-based powder in North America but to continue them globally. Claims about aggressive marketing of these products to Black and brown women after a talc supplier included the World Health Organization's "possibly carcinogenic" label on shipments are troubling—as are the more than 19,000 lawsuits pending about its use. In August, more than 200 health and environmental justice organizations from 50 countries called on the company to "walk its talk on racial equity and valuing Black lives" by ending global talc sales.

Investors deserve to understand the long-term impact of how these companies' policies and products continue to affect communities of color. While public statements committing to Black Lives Matter and racial equity are encouraging, companies must take a full accounting of how they could help dismantle systemic racism and its effects on investors.

- At Johnson & Johnson, Trillium applies the lens to disparities in the health care sector, with disparate outcomes for Black Americans. Underrepresentation in clinical trials, and higher mortality rates for breast cancer are the result, the proposal suggests. While the company has committed to addressing the clinical trial issue and making other changes, the proposal says a deeper assessment is needed to "reveal additional ways in which JNJ can have even more impact on systemic racism." It is continuing sales of talcum powder outside North America and faces allegations of racism as a result, the proposal notes.

**SEC action**—Amazon.com, Citigroup, JPMorgan Chase and Johnson & Johnson variously have argued at the SEC that the resolution is moot in light of current diversity and inclusion programs, ordinary business or too vague. But the SEC disagreed with all three propositions made by Johnson & Johnson, so unless withdrawn it seems headed for a vote at all the companies.

## Human Rights

| Company | Proposal | Proponent | Status |
|---|---|---|---|
| **Racism** | | | |
| Abbott Laboratories | Report on racial justice impacts/plan | As You Sow | April |
| Amazon.com | Report on racial justice impacts/plan | New York State Common Retirement Fund | May |
| Amazon.com | Report on surveillance technology | Harrington Investments | May |
| Amazon.com | Report on sales of offensive products | Nathan Cummings Foundation | May |
| Amazon.com | Report on surveillance technology | Sisters of St. Joseph of Brentwood | May |
| Amgen | Report on racial justice impacts/plan | Newground Social Investment | May |
| Bank of America | Report on racial justice impacts/plan | Change to Win | April |
| BlackRock | Report on racial justice impacts/plan | SEIU Master Trust | May |
| Charles Schwab | Report on racial justice impacts/plan | As You Sow | May |
| Chevron | Report on racial justice impacts/plan | Sisters of St. Francis of Philadelphia | May |
| Chubb Limited | Report on underwriting racist policing | Arjuna Capital | May |
| Citigroup | Report on racial justice impacts/plan | Change to Win | April |
| CoreCivic | Report on racial justice impacts/plan | SEIU Master Trust | withdrawn |
| Foot Locker | Report on racial justice impacts/plan | As You Sow | May |
| Goldman Sachs | Report on racial justice impacts/plan | Change to Win | April |
| Home Depot | Report on racial justice impacts/plan | NorthStar Asset Management | May |
| Johnson & Johnson | Report on racial justice impacts/plan | Trillium Asset Management | April |
| JPMorgan Chase | Report on racial justice impacts/plan | Change to Win | May |
| Monster Beverage | Report on racial justice impacts/plan | As You Sow | June |
| Morgan Stanley | Report on racial justice impacts/plan | Change to Win | May |
| State Street | Report on racial justice impacts/plan | SEIU Master Trust | May |
| Target | Report on/end police partnerships | Nathan Cummings Foundation | June |
| TJX | Report on racial justice impacts/plan | NorthStar Asset Management | June |
| Wells Fargo | Report on racial justice impacts/plan | Change to Win | April |
| **Risk Policy & Approach** | | | |
| Alphabet | Report on whistleblower protection and human rights | Trillium Asset Management | June |
| Apple | Review/report on human rights free speech policy | SumOfUs | omitted |
| Chevron | Report on conflict zone operations | Episcopal Church | withdrawn |
| Expedia Group | Report on conflict zone operations | Presbyterian Church (USA) | June |
| General Dynamics | Report on human rights risk assessment | Franciscan Sisters of Allegany, NY | omitted |
| Goodyear Tire & Rubber | Report on human rights policy | Sisters of the Good Shepherd | April |
| Kraft Heinz | Report on human rights risk assessment | Midwest Capuchins | May |
| Kroger | Report on human rights risk assessment | Oxfam America | June |
| Lockheed Martin | Report on human rights risk assessment | Sisters of St. Francis of Philadelphia | April |
| Northrop Grumman | Report on human rights risk assessment | Sisters of St. Francis of Philadelphia | May |
| Pilgrim's Pride | Report on human rights risk assessment | Oxfam America | withdrawn |
| Raytheon | Report on human rights risk assessment | School Sisters of Notre Dame, St. Louis | withdrawn |
| Sanderson Farms | Report on human rights risk assessment | Oxfam America | withdrawn |
| TripAdvisor | Adopt/expand human rights policy | Mercy Investment Services | June |
| Tyson Foods | Report on human rights risk assessment | Investor Advocates for Social Justice | voted on |
| United Airlines Holdings | Report on human rights policy | Episcopal Church | May |

advocacyposition

## CORPORATE RACIAL JUSTICE STATEMENTS PROMPT A RECKONING

**OLIVIA KNIGHT**
*Racial Justice Initiative Coordinator, As You Sow*

After the televised murder of George Floyd, systemic racism became front page news and led companies, investors, and consumers to acknowledge their roles in perpetuating racist policies and practices. While companies issued statements of support, investors and consumers began demanding corporate transparency and disclosure on racial and ethnic diversification. Companies have started to realize that heightened awareness of systemic racism, and corporate inaction, materially risks revenue growth and brand value. Conversely, promoting racial justice can increase profitability and competitive advantage.

Numerous studies document important corporate benefits come from racial justice policies. McKinsey found that companies with the most racial and ethnic diversity are 35 percent more likely to outperform industry medians. Companies with the most ethnically/culturally diverse boards worldwide are 43 percent more likely to have higher profits. For every 10 percent increase in racial and ethnic diversity among senior executives, earnings before interest and taxes grow 0.8 percent.

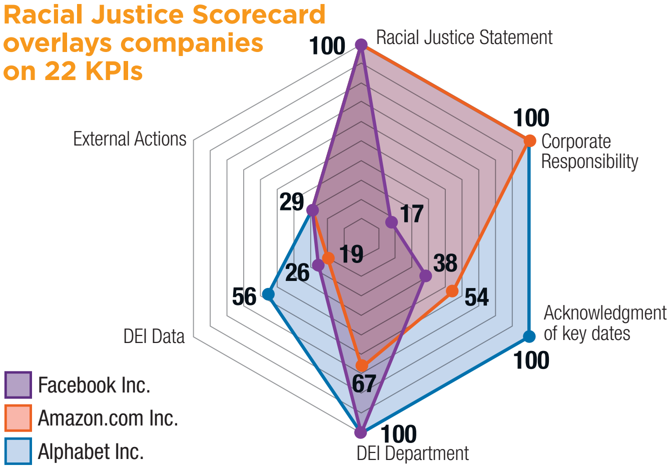
However, inequities in the workplace continue: people of color (POC) comprise 33 percent of entry level positions—but only 13 percent of the C-suite. Among companies in the Russell 3000, Black individuals accounted for only 4.1 percent of board members versus 13.4 percent of the U.S. population.

Our own research revealed troubling statistics, which prompted *As You Sow's* Racial Justice Initiative, which is coordinating 2021 shareholder resolutions seeking more comprehensive diversity data.

Our Racial Justice Scorecards serve as the basis for corporate engagement, with a data-led initiative to motivate action. During our engagements, companies have been open minded while discussing racial justice. Since protests began last summer, companies have responded; many have expanded their diversity, equity, and inclusion efforts, beefing up outreach programs for employees and communities of color. They are still figuring out *how* to work most effectively, however.

Our work seeks to identify the best ways companies can create the needed internal and external change that consumers and investors want, to combat racist policies that hurt the bottom line.

**Racial Justice Scorecard overlays companies on 22 KPIs**




**Withdrawal**—SEIU withdrew at prison company **CoreCivic** after it agreed to conduct and publish the requested racial equity audit by the end of January 2022; the proposal raises concerns about systemic racism in the criminal justice system generally, as well as specific problems in the company's workplace and in its political spending and lobbying.

**Racial justice plan:** *As You Sow* takes a similar approach at **Charles Schwab**, **Abbott Laboratories**, **Foot Locker** and **Monster Beverage**. It asks each to report "disclosing the Company's plan, if any, to promote racial justice." As with the audit proposal, it invokes George Floyd. It points out that more than half the Russell 3000 "made public statements expressing their plans to address racial justice, thereby taking the first step to becoming antiracist organizations," and defines this as "the practice of identifying, challenging, and changing the values, structures, and behaviors perpetuating systemic racism." It commends each for doing so, but says "material change" is needed in corporate policies and practices. This will make companies more profitable, according to studies cited in the proposal. But it decries the deep underrepresentation that persists, particularly for upper level employees: Blacks "accounted for only 4.1 percent of board members versus 13.4 percent of the U.S. population," it notes. The proposal also cites findings from *As You Sow's* new Racial Justice Scorecard for each company, with comparable data on why peer companies scored better. "Given heightened awareness around racism, failing to act and disclose policies and quantifiable data raises the material risk of revenue loss and reduced brand value," *As You Sow* concludes. In the supporting statement, the resolution suggests the report could include:

- Potential policies the company could adopt to promote Racial Justice in its corporate workplaces and operations
- Detailed quantitative information on diversity and inclusion, including recruitment, hiring, and retention policies and outcomes

**SEC action**—**Charles Schwab** is arguing the proposal arrived past the submission deadline and an omission there is likely.

**Environmental racism:** The Sisters of St. Francis of Philadelphia uses a slightly different version of the audit proposal's resolved clause, but has the same thrust. It asks for an independent, third-party report "analyzing how **Chevron's** policies, practices, and the impacts of its business, perpetuate racial injustice and inflict harm on communities of color in the United States." Chevron says it is an ordinary business matter given pending litigation; that type of challenge has succeeded in similar cases in the past.

**Mass incarceration and prison labor:** NorthStar Asset Management has been raising concerns about prison labor in the supply chain of retailers for several years and has come up with a new version of its request, filed at **Home Depot** and **TJX**. The TJX proposal seeks a report "evaluating whether the company is supporting systemic racism through undetected supply chain prison labor." At Home Depot, it asks about policies for "any suppliers utilizing incarcerated workers." The proposal notes that prison labor is allowed in the United States because of an exception in the 13th Amendment of the U.S. Constitution, and makes the case that modern prison labor in the United States "is an outgrowth of slavery." It points to findings from the Brennan Center for Justice about punitive laws passed after the Civil War in the South known as "Black Codes, to arbitrarily criminalize the activity of their former slaves," as well as the history of convict labor in the South. This history means "prison labor remains inextricably linked to systemic racism," the proposal concludes, going on to note scant wage rates earned by prisoners today.

NorthStar says TJX has not shown that it monitors compliance with its policy not to use voluntary or involuntary prison labor, other than for a small number of vendors who make its private label goods. It suggests a more robust policy will guard against significant potential reputational risks and calls for better reporting that could include:

- Annual quantitative metrics regarding the number of supplier audits completed by the Company or third party auditors that evaluated the extent to which prison labor is present in the supply chain, as well as the summary of those audits' results and the racial makeup of any prison labor workforces detected;
- Assessment of the effectiveness of current company policies and practices in preventing the utilization of prison labor in the company's supply chain;
- Evaluation of any risks to finances, operations, and reputation linking the company to systemic racism from detected or undetected uses of prison labor in the TJX supply chain.

TJX has challenged the proposal at the SEC, arguing it concerns ordinary business. It successfully challenged a similar but not identical proposal from this proponent about prison labor in the supply chain in 2020; the SEC agreed then it was ordinary business because it addressed supplier relationships and also workplace safety and working conditions.

**Policing:** Two proposal raise questions about racist policing and both face challenges at the SEC that have yet to be decided:

- Arjuna Capital wants a report from **Chubb**,

  > on current company policies, and options for changes to such policies, to help ensure its insurance offerings reduce and do not increase the potential for racist police brutality, nor associate our brand with police violations of civil rights and liberties. The report should assess related reputational, competitive, operational, and financial risks, and be prepared at reasonable cost, omitting proprietary, privileged or prejudicial information.

  The company is arguing this is ordinary business since it deals with specific product offerings (an approach that has succeeded in similar instances before). It also says it is not significantly related to Chubb's business, is moot given current risk management practices and is both too vague as well as false and misleading.

advocacyposition

## CAN INSURANCE COMPANIES HELP PREVENT RACIST POLICE BRUTALITY?

**NATASHA LAMB**
*Managing Partner, Arjuna Capital*

Protests admonishing the murders of George Floyd, Breonna Taylor, and Black Americans at the hands of police defined 2020, second only to the 100-year global pandemic. The moral imperative for police reform is clear, but investors are considering the financial imperative, as well. Thousands of police misconduct lawsuits are filed annually—which cost taxpayers over $300 million in 2019. But what about the private insurance companies that back these municipal police departments? How are they responding to the Black Lives Matter movement and calls for reform?

This proxy season, Arjuna Capital is probing that question in a new shareholder proposal with the largest property and casualty insurer in the world—Chubb. Specifically, we want **Chubb** to "report on current company policies, and options for changes to such policies, to help ensure its insurance offerings reduce and do not increase the potential for racist police brutality, nor associate our brand with police violations of civil rights and liberties."

There are two ways to view the insurers' role—as reducing risk or as increasing it. The more troubling of the two is how insurers may increase the risk of police brutality through moral hazard. John Rappaport, at the University of Chicago Law School, has written extensively on this issue and points to the risk of insuring police departments at all:

> If insurance companies are not doing a good job at trying to manage the risk, they could actually be making things worse. This is the idea of moral hazard, right? When you get insurance coverage, you drive a little bit less carefully.

On the flip side of the coin, insurance companies can and often do work with police departments to improve policies and training. The U.S. Commission on Human Rights' report, "Police Use of Force: An Examination of Modern Policing Policies," highlights studies showing liability insurance may increase police accountability:

> Insurance companies exert pressure on police departments to reduce uses of force that may result in large settlements or court-ordered damages that the insurance company must then pay out. Through lower premiums and deductibles, private insurance encourages departments to engage in "better training, better use of force policies, better screening in the hiring process, and even the firing of bad cops."

Encouraging better policing is a critical leverage point for insurers and their investors. Not only does it reduce the risk of big payouts, but it also reduces the moral and reputational risk of complacency in the face of systemic racism and social inequity.

advocacyposition

## CORPORATIONS SHOULD INVEST IN COMMUNITY – NOT POLICING

**VANESSA BAIN**
*Co-Founder, Gig Workers' Collective*

**RACHEL FAGIANO**
*Associate Program Officer, Racial and Economic Justice, Nathan Cummings Foundation*

**WILLY SOLIS**
*Shipt Shopper, Gig Workers' Collective Organizer*

The police killing of George Floyd brought pervasive racial inequality to the national forefront. Attention turned to policing tactics and policies that cause harm in communities of color and re-entrench racial inequity—and companies took notice. Many corporations expressed solidarity with the Black community and committed to address racial inequality. Despite this, many continue partnerships with law enforcement and remain complicit in practices that further criminalize communities of color.

For long-term investors, these partnerships pose potential civil and human rights risks as well as financial, reputational, and human capital risks that could adversely affect shareholder value. Consumer-facing companies like **Target** are especially vulnerable.

Like others, Target made public statements committing to use its size, scale, and resources to support racial equity. This included establishing a committee that, among other things, will engage policymakers on police reform. However, Target continues its partnerships with law enforcement, providing both legitimacy and funding for practices that can exacerbate racial inequity.

The Safe City program received negative press given its potentially harmful impacts on communities of color. The program contributed to the expansion of local surveillance networks, which the UN Special Rapporteur on freedom of opinion and expression noted "can interfere with human rights." In addition, evidence suggests the program shifted policing tactics in some cities from a focus on violent crime to low-level offenses, which can increase race-based economic burdens and further criminalize poverty.

Target now states that it ended its Safe City program in 2015; however, it continues partnerships with law enforcement. For example, it operates a Forensic Services Laboratory that provides free services to police. Target also directs charitable giving to police foundations across the country, and several of its senior staff hold leadership positions at these foundations. Police foundations allow local law enforcement to circumvent the public budgeting process and can enable them to purchase weapons and surveillance equipment. Experts note that these foundations can allow wealthy donors and corporations to influence law enforcement agencies. Target employees and contractors say the company has not been transparent about the potentially inequitable impact these investments have in the communities in which it operates.

Policing partnerships may also hurt Target's ability to maintain good relations with employees and customers. For instance, over 3,000 people petitioned Target to "immediately cease its funding of police foundations and its Safe Cities program." As employees have noted, if Target and others want to create safer communities, they can have a more profound impact by paying living wages, investing in benefits and providing stable and secure employment—not policing.

While Target is one example of the collaboration between corporate power and policing, other companies, including **Amazon** and **Coca-Cola**, also partner with law enforcement. In the absence of a total pause on these programs, we are asking for more transparency about expenditures related to policing and public safety. Companies like Target—and their investors—would be better served by corporate giving that supports local infrastructure, with investment in employees to build strong, thriving, and resilient communities.

- The other proposal from the Nathan Cummings Foundation is at **Target**, asking it to "instate a prohibition on Safe City partnerships unless the board concludes, after an evaluation using independent evidence, that these partnerships do not increase the likelihood of violations of civil and human rights and do not exacerbate racial inequity." The company is arguing it is an ordinary business matter since it is about community relations.

## Risk Policy & Approach

About a dozen more proposals tread ground more familiar to investors who have considered human rights shareholder proposals in the past, although eight of these 13 proposals have been challenged at the SEC. As was true in 2020, most of these (nine) ask companies to report on how companies conduct their human rights risk assessments. Two more ask for a report on extant policies, one seeks a policy expansion and one more is a resubmission about whistleblower protections.

**Weapons:** At four weapons makers, ICCR members want to see reports on how "high risk products and services" affect "actual and potential human rights impacts." At **Northrop Grumman**, the proposal says the report should be a "human rights impact assessment," while at **General Dynamics**, **Lockheed Martin** and **Raytheon**, the request is for a report on the company's "human rights due diligence process to identify, assess, prevent, mitigate, and remedy actual and potential human rights impacts associated with high-risk products and services, including those in conflict-affected areas. At Northrop this year, proponents are concerned about the company's heavy dependence on defense contracts, including its work using biometric data in its work on the Homeland Advanced Recognition Technology (HART) database. The database will hold information on some 260 million people and poses risk to privacy, the First Amendment and immigrant communities, the proponents contend. Longstanding concerns about the company's weaponry also are at issue, including in its sales to Saudi Arabia given the war in Yemen.

Similar proposals about human rights concerns at two of these companies have gone to votes before, most notable a 37.9 percent vote at General Dynamics in 2013. Previous votes at Northrop were 24.2 percent in 2020 and 31.1 percent in 2019.

**SEC action and withdrawal**—Still pending is a challenge from Northrop Grumman that argues recent enhancements to its human rights policy make the proposal moot; it also says the proposal is impermissibly vague. It was omitted at General Dynamics because it arrived too late. The proponents withdrew at Raytheon for procedural reasons connected to its merger with United Technologies.

**Food:** Three other food companies face human rights due diligences proposals, the result of persistent concerns about workers highlighted in an Oxfam initiative called Lives on the Line. Proponents long have questioned the extent to which food companies properly attend to working conditions in long global food supply chains. These concerns intensified in the last year as workers in crowded meat processing plants fell ill with the coronavirus and died by the hundreds. Oxfam has filed three proposals for 2021, asking for a report that will "identify, assess, prevent and mitigate actual and potential adverse human rights impacts in its operations and supply chain." It is still pending at **Kroger**, where last year it earned 45.7 percent, an unusually high vote for a human rights proposal.

At **Kraft Heinz**, the Midwest Capuchins have filed the "risky products" proposal described above at the defense companies, focusing on the food supply chain. The resolution cites controversy about slave labor used to produce shrimp, migrant labor abuse in the palm oil sector and "rampant labor abuse among tomato producers." It notes the company's own materiality assessment finds human rights risks have a large impact on it, but the proponent views the company's work on the issue to date with a skeptical eye. The company received a low score from the Corporate Human Rights Benchmark for due diligence, in contrast to peers, the resolutions notes. (The Capuchins withdrew this proposal in 2019 after discussions.)

Investor Advocates for Social Justice (IASJ) already has earned 18.4 percent for a third-year proposal at **Tyson Foods** seeking a human rights due diligence report. This is a high vote for the dual class stock company, and represents support from some 80 percent of shares not held by the Tyson family. But since it did not reach 25 percent in its third year, out of all shares voted, the resolution may not be resubmitted under the new SEC rules. Previous support for this resolution rose to 14.5 percent last year, up from 5.5. percent in 2019.

**Withdrawals**—Oxfam withdrew at **Pilgrim's Pride**, where it was in its third year and earned 12 percent in 2020 and 2019. The withdrawal at **Sanderson Farms** came after the proxy statement was published; the vote there last year was 36.8 percent.

**Rubber:** The Sisters of the Good Shepherd want **Goodyear Tire & Rubber** to assess "the effectiveness of Goodyear's systems to embed respect for human rights across company-owned operations and through business relationships, and where appropriate, to provide access to remedy for human rights impacts." This is the first year for this proposal at the company and the issue is the "vast" global supply chain for natural rubber, where the proposal says child and forced labor persists "due in part to poor traceability and accountability" in places such as Vietnamese farms, where work hazards abound. The proposal notes that the company's human rights commitment "does not explicitly prohibit child labor" and invokes the Sustainability Accounting Standards Board's recommendation for human rights disclosures. It says there is no apparent auditing process at Goodyear, even though it participates in a sustainable rubber initiative. (Similar proposals have been filed at firms connected to the automotive industry as part of Investor Advocates for Social Justice's Shifting Gears campaign.)

**Travel:** At **United Airlines**, the request is simpler, asking only for a report "on the Company's management systems and processes to implement the commitments outlined in its human rights policies." The company last saw a human rights proposal in 2016, but the proponents withdrew after the airline agreed to further meetings on the subject. Proponents also had withdrawn a 2014 proposal after the company adopted a policy to combat trafficking.

**TripAdvisor** has a resolution from Mercy Investments that asks it "to establish a human rights policy and corresponding practices throughout its operations and value chain." The proposal outlines human rights problems in the travel and tourism industry that the company serves with its worldwide advice network, which it says raises risks in conflict-prone areas with human rights abuses. The proposal is new to the company, but **Booking Holding** saw a similar proposal, withdrawn in 2019, and **Carnival** last year agreed to continued engagement and expand its policies, also prompting a withdrawal.

**Conflict zones:** Continuing the concerns at travel firms, the Presbyterian Church (USA) has a proposal pending at **Expedia** to report "on the company's policies and procedures to address the human rights risks associated with business activities in conflict-affected and high-risk areas (CAHRA)."

The Episcopal Church filed this proposal at **Chevron**, which has faced human rights criticism for many years. But it withdrew after the company argued at the SEC that company disclosures make it moot. The resolution expressed concerns about operations in the Middle East and Iraq, suggesting additional policies are needed to address the high risks associate with these locations.

**Whistleblowers:** Trillium Asset Management has resubmitted a proposal that earned 4.9 percent last year at **Alphabet** regarding whistleblower protections, with a slightly different cast than last year. It asks that the board "oversee a third-party review analyzing the effectiveness of its whistleblower policies in protecting human rights," and to make its finding public. Even though Alphabet's principle subsidiary Google has a non-retaliation policy in its Code of Conduct, critics contend it has been poorly enforced, noting management resistance to unionization. Furthermore:

> in December 2020, Google fired the prominent co-lead of its Ethical Artificial Intelligence team, Dr. Timnit Gebru, who was researching the risks of technology, including Google's. The firing prompted media attention, social media backlash, and an open letter signed by thousands of employees stating the firing 'heralds danger for people working for ethical and just AI—especially Black people and People of Color—across Google.

## Media

Investor advocates are continuing to raise concern about the risks and ills of media platforms and their role in spreading hate speech and threatening privacy. New this year are two proposals about advertising policies, but SEC challenges seem likely to prevent any votes.

**Free expression:** Azzad Asset Management again wants **Alphabet** to report "assessing the feasibility of publicly disclosing on an annual basis, by jurisdiction, the list of delisted, censored, downgraded, proactively penalized, or blacklisted terms, queries or sites that the company implements in response to government requests." The proposal is earned 11.4 percent last year. Azzad sees a lack of transparency at Google about content takedown requests and frames its concern as a matter of human rights law that supersedes the laws of individual states. Google last year said it already discloses enough information.

SumOfUs saw its resubmitted proposal to **Apple** about freedom of expression omitted on the grounds that it is moot. The proposal earned 40.6 percent last year and again asked for a report

> on Apple's management systems and processes for implementing its human rights policy commitments regarding freedom of expression and access to information; the oversight mechanisms for administering such commitments; and a description of actions Apple has taken in response to government or other third-party demands that were reasonably likely to limit free expression or access to information.

**Problematic content:** The Nathan Cummings Foundation has resubmitted a proposal about Amazon.com's approach to hate speech for the third year. It is concerned about products that foment hate that customers can buy on the company's platforms. It earned 35 percent last year, up from 27.2 percent in 2019 and again asks for a report on

> efforts to address hate speech and the sale or promotion of offensive products throughout its businesses. The report should…discuss Amazon's process for developing policies to address hate speech and offensive products, including the experts and stakeholders with whom Amazon consulted, and the enforcement mechanisms it has put in place, or intends to put in place, to ensure hate speech and offensive products are effectively addressed.

### Human Rights

| Company | Proposal | Proponent | Status |
|---|---|---|---|
| **Media** | | | |
| Alphabet | Report on privacy and government data collection | Azzad Asset Management | June |
| ExxonMobil | Do not advertise on platforms containing hate speech | Henry S. Thomassen | May |
| Facebook | Report on problematic media content management | As You Sow | May |
| Home Depot | Report on ad policy & human/civil rights | Myra K. Young | May |
| Omnicom Group | Report on ad policy & human/civil rights | Nathan Cummings Foundation | June |
| Walt Disney | Report on ad policy & human/civil rights | Myra K. Young | omitted |
| **Other Issues** | | | |
| Facebook | Report on child sexual exploitation and products/services | Proxy Impact | May |
| PNC Financial Services Group | Report on nuclear weapons financing | Sisters of St. Joseph of Brentwood | April |

The proposal asserts that these products remain available on Amazon's platforms despite company policies against their sale. Furthermore:

> Amazon's Offensive Products policies do not apply to books, music, video and DVD. According to a recent report, with respect to these products, Amazon's algorithm for product searches proactively directs customers who search for white supremacist content to additional extremist content….The sale of self-published books by extremist organizations on platforms like Amazon is a key source of funding for these groups.

*As You Sow* is proposing that **Facebook** "prepare a report to assess the benefits and drawbacks to our Company of maintaining or restoring the type of enhanced actions put in place during the 2020 election cycle to reduce the platform's amplification of false and divisive information." It says the company's brand has been sullied because users have spread "gross disinformation, hate speech, and [incited] racial violence." It argues the board has failed to solve the problem, and gives specific examples ranging from Russian election hacking to child pornography and political disinformation. Proposed government restrictions may heighten Facebook's legal risks, it says, at the same time that people are fleeing the platform. *As You Sow* argues Facebook should continue to use the expertise it employed in advance of the 2020 U.S. election to tone down problems. It suggests the requested report could "characterize and quantify" several metrics on employees, boycotts, legal issues and revenue to allay investor concerns.

**SEC action**—Amazon says the proposal is moot.

**Surveillance:** Two additional proposals at **Amazon.com**, both repeats, address surveillance and technology. Harrington Investments has a proposal that earned 32 percent last year and 28.2 percent in 2019. It asks for an independent study and report by September that will examine

- The extent to which such technology may endanger, threaten, or violate privacy and or civil rights, and unfairly or disproportionately target or surveil people of color, immigrants and activists in the United States;
- The extent to which such technologies may be marketed and sold to authoritarian or repressive foreign governments, identified by the United States Department of State Country Reports on Human Rights Practices;
- The potential loss of good will and other financial risks associated with these human rights issues.

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## INCREASED OVERSIGHT OF SURVEILLANCE TECHNOLOGY NEEDED TO REDUCE SYSTEMIC RACISM

**MARY BETH GALLAGHER**
*Executive Director, Investor Advocates for Social Justice*

The U.S. economy is deeply rooted in structural racism and was founded on the exploitation and enslavement of Black Americans and displacement of Indigenous tribes from their land. Now more than ever, investors must recognize our responsibility in this harmful system and leverage investments to advance racial justice in all forms. Following worldwide racial justice uprisings in 2020, many companies took to social media to support the Black Lives Matter movement. However, many of these same companies continue to aid institutions that uphold racist systems through their business practices. For example, many companies profit from selling surveillance technology to military, police, and immigration enforcement, who use it to surveil, over-police, and racially profile Black, Brown, and immigrant communities. The UN Special Rapporteur on contemporary forms of racism reported that "emerging digital technologies exacerbate and compound existing inequities, many of which exist along racial, ethnic and national origin grounds."

Investor Advocates for Social Justice (IASJ) Affiliates engage with companies whose operations and products further systematic racism, calling on them to improve their human rights policies and risk management practices. Proposals filed this proxy season with **Amazon** and **Northrop Grumman** on surveillance technology and other harmful products received strong support last season with 32 percent and 24 percent, respectively.

Amazon's contracts to provide surveillance technologies and cloud products to law and immigration enforcement and other agencies perpetuate human rights violations, including systemic racism. Amazon's Ring doorbell system has partnerships to share video surveillance data with 1,600 police departments, which disproportionately harms people of color, immigrants, and activists. Likewise, Amazon Web Services long facilitated the spread of white supremacist organizing on Parler before abruptly rescinding services only after online organizing led to the violent U.S. Capitol attack. Increased oversight and due diligence of high-risk customers and technologies is needed to prevent, mitigate, and remedy harms to groups disproportionately impacted by Amazon's business model of surveillance capitalism. The proposal at Amazon seeks disclosure of the company's customer due diligence, to ensure it effectively mitigate negative human rights impacts associated with customers' use of its products or services.

Similarly, Northrop Grumman contracts with U.S. government and foreign agencies to develop artificial intelligence and surveillance products with significant human rights risks. In addition to its harmful weapons business, the company is developing a database of biometric and biographical data for the Department of Homeland Security to hold sensitive information on 260 million people, which presents serious risks of privacy rights, increased surveillance, racial bias, and harm to immigrant communities. This proposal asks Northrop Grumman to report on its human rights impact assessments and examine the actual and potential human rights impacts associated with high-risk products and services, including those in conflict-affected areas.

IASJ encourages all shareholders to support these two proposals calling for stronger due diligence around surveillance technology to encourage companies to address the ways their business models contribute to systemic racism and injustice.

The other resolution, from the Sisters of St. Joseph of Brentwood, earned 32.1 percent in 2020. It seeks "an independent third-party report…assessing Amazon's process for customer due diligence, to determine whether customers' use of its surveillance and computer vision products or cloud-based services contributes to human rights violations." The specific concern regards Amazon's Rekognition facial recognition technology, particularly when deployed by governments, but also the Ring doorbell video surveillance technology when its footage is used by police. Additionally, the proposals point to Amazon Web Services technology used by the U.S. Immigration and Customs Enforcement Agency. (A human rights proposal at Northrop Grumman also identifies surveillance among its concerns, *see Weapons p. 56*)

**SEC action**—**Amazon** says the Rekognition proposal duplicates three others it received first about racial justice.

**Advertising:** Three proposals to four companies address advertising and hate speech, but votes seem unlikely:

- Myra Young has filed at **Home Depot** and **Walt Disney** and the Nathan Cummings Foundation at **Omnicom Group**. Their proposal asks for a study and report on advertising policies, "assessing how and whether" these policies "are not contributing to violations of civil or human rights." The report "should consider whether the policies contribute to the spread of hate speech, disinformation, white supremacist activity, or voter suppression efforts, and whether policies undermine efforts to defend civil and human rights, such as through the demonetization of content that seeks to advance and promote such rights." Walt Disney successfully challenged the proposal at the SEC, which agreed it concerns ordinary business. Home Depot and Omnicom have lodged similar challenges that are likely to succeed.
- Individual proponent Henry Thomassen would like **ExxonMobil** not to advertise on platforms with hate speech, but the company also has challenged his proposal on ordinary business grounds, and because Thomassen failed to prove his stock ownership. The proposal said the company should

  > establish an advertising policy for the Company, and any divisions or wholly owned or minority-owned Companies, to suspend for a period of not less than four years the purchase of advertising across all platforms from any media organization that knowingly promulgates daily lies, falsehoods, incorrect facts and dangerous conspiracy theories. After four years this suspension may be reviewed and changed. This suspension would apply world-wide to any affiliate, division, and wholly or minority-owned companies of said organization.

## Other Human Rights Issues

**Child sexual exploitation:** Proxy Impact has refiled a proposal at **Facebook** that last year received 12.7 percent; this represented more than 43 percent of the shares not controlled by CEO Mark Zuckerberg and Facebook insiders. The proposal asks for a report about the risk

> of increased sexual exploitation of children as the Company develops and offers additional privacy tools such as end-to-end encryption. The report should address potential adverse impacts to children (18 years and younger) and to the company's reputation or social license, assess the impact of limits to detection technologies and strategies.

Governments, law enforcement agencies and child protection organizations have harshly criticized Facebook's planned end-to-end encryption, warning that it will cloak the actions of child predators and make children more vulnerable to sexual abuse. Facebook reported more than 20 million cases of child sexual abuse materials on its platforms in 2020. This accounts for more than 95 percent of all cases reported to the National Center for Missing and Exploited Children. By moving to end-to-end encryption, without first moving to take steps to end child abuse on its platforms, Facebook will effectively make invisible 70 percent of these cases—an estimated 14 million instances that are currently being detected and reported. Pending legislation in Congress could make Facebook legally liable for its child sexual abuse material.

**Nuclear weapons:** Taking up an issue that has not surfaced in proxy season for many years, the Sisters of St. Joseph of Brentwood want **PNC Financial Services Group** to report on its financing of nuclear weapons. They ask for a report "assessing the effectiveness of PNC's Environmental and Social Risk Management (ESRM) systems at managing risks associated with lending, investing, and financing activities within the nuclear weapons industry." The nuns point out that the bank "lends over $1.6 billion to nuclear weapons companies, including General Dynamics and others," and argue that "Geopolitical uncertainty and erosion of several arms control treaties leaves the world at its highest ever vulnerability to a nuclear weapons catastrophe." The proposal references the Stop Banking the Bomb Campaign that has organized demonstrations at PNC branches and its annual meeting to call for an end to any connection with nuclear weapons makers. The proposal notes that PNC has in the past ended controversial financing business regarding private prison and mountaintop removal and suggests it should do the same regarding nuclear weapons.

## FACEBOOK ENCRYPTION WILL HIDE ONLINE CHILD SEXUAL EXPLOITATION

**MICHAEL PASSOFF**
*CEO, Proxy Impact*

As the world's largest social media company—and the largest source of reported child sex abuse online—Facebook's actions have a major impact on global child safety. A resubmitted shareholder resolution seeks a report from Facebook that will assess the risk of increased child sexual exploitation that will occur if it implements a plan to offer end-to-end encryption on its platforms.

Online child sexual exploitation and child sexual abuse material (CSAM) is an escalating threat to children worldwide. The exponential growth of CSAM is directly tied to the growth of social media and the increasing number of children online. In 2020, there were more than 21.7 million reports of CSAM containing 65.4 million images and videos. More than 20.3 million reports—94 percent—stem from Facebook and its platforms, including Messenger and Instagram. This represents an increase of 28 percent from Facebook's nearly 17 million reports in 2019.

Facebook's plan to apply end-to-end encryption to these platforms has set off a storm of controversy and criticism. Government agencies, law enforcement, and child protection organizations worldwide claim that it will cloak the actions of child predators, make children more vulnerable, and mean that millions of CSAM incidents will go unreported. Law enforcement will be able to locate neither the victims appearing online nor the perpetrators. The National Center for Missing and Exploited Children (NCMEC) estimates that Facebook encryption plans could effectively make invisible 70 percent of CSAM cases that are currently being detected and reported.

Monika Bickert, Facebook's head of global policy management, testified at a recent hearing in the British House of Commons. In response to a question about how many CSAM cases would "disappear" if the company implements end-to-end encryption, she said, "I don't know the answer to that. I would expect the numbers to go down. If content is being shared and we don't have access to that content, if it's content we cannot see then it's content we cannot report."

The proponents of the shareholder resolution are not opposed to encryption, but believe that Facebook should apply this technology in a way that will not pose additional threats to children from sexual predators. Everyone recognizes that privacy is important, but it should not come at the expense of unleashing a torrent of virtually undetectable CSAM on Facebook.

Facebook touts its leadership on this issue, yet its tools, content moderators, and AI have not kept child sex abuse imagery, live streaming, and videos off its unencrypted platforms. One can only imagine how much worse it will be when those channels "go blind" and mask the content from the company's eyes.

Facebook highlights its work with law enforcement and NGOs but fails to acknowledge that law enforcement and NGOs are among its fiercest critics on how it has responded to this crisis. Facebook has also lobbied for the defeat of numerous bills that sought or currently seek to protect children from sexual abuse online.

If Facebook really wants to protect privacy, it can start by protecting the privacy of the most vulnerable—children.

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# SUSTAINABLE GOVERNANCE

After the Business Roundtable released its Statement on the Purpose of the Corporation in August 2019, suggesting an end to the era of shareholder primacy in favor of a more inclusive type of stakeholder capitalism, shareholder proponents pounced with questions about its implementation . They have since woven references to the CEOs' commitments into many shareholder proposals. A new group, The Shareholder Commons, is coordinating 20 new proposals this year, in the most important fresh development regarding sustainable governance proposals. Also new this year are proposals asking for board oversight of workplace equity, which is in keeping with the diversity focus of many expanded shareholder campaigns this year.

This section looks at proposals about diversity on the board, proposed changes to board committees and the various suggested ways in which executive compensation might be linked to social and environmental concerns. At this point almost no proposals ask for wide-ranging sustainability reports since most companies produce such disclosures, even if report quality varies. What remains contested, however, is the extent to which financial firms should take sustainability concerns into account in their proxy voting policies; the rising votes for resolutions are clear evidence that market-moving mutual funds are looking beyond their traditional focus, and proponents are eagerly courting more decisions, which can push their proposals more firmly on the agenda of the companies they engage.

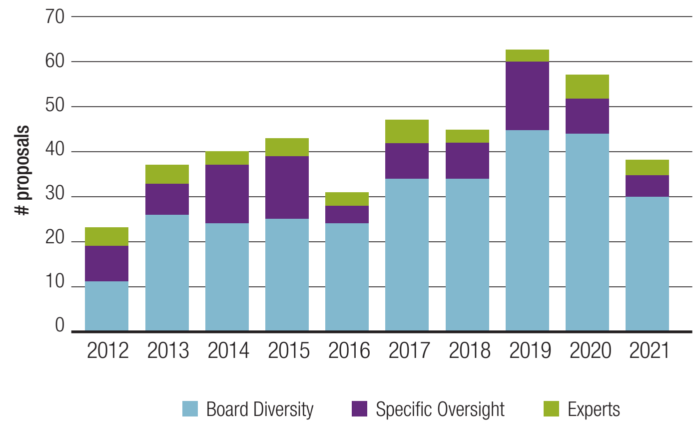
# BOARDS

## Diversity on the Board

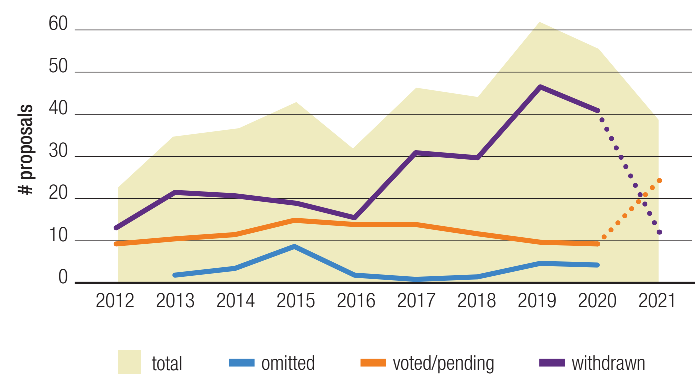
Shareholder proponents have been keenly interested in making the corporate boardroom more diverse for reasons of both equity and performance. Now that more and more companies have agreed to change their board nominee procedures, the number of filings has fallen *(chart left)*. To date, there are 30 proposals and a few more may emerge. The NYC pension funds are continuing an effort started last year specifically seeking more diversity for CEOs when companies conduct external search.

The [30 Percent Coalition] continues to coordinate resolutions and work in other ways to diversify boards. The coalition's members include senior business executives, civil society groups, institutional investors, corporate governance experts and board members themselves. The proposals ask companies to add more diversity to boards and report on how they manage this process. As the table illustrates, many of the target companies now are smaller, less commonly known firms. In the last 10 years, proponents have filed nearly 300 proposals on board diversity, withdrawing about 60 percent of them after companies agreed to be more inclusive. Proponents are most likely to file proposals at companies with no women or people of color on the board, but increasingly they seek expanded representation even where there are one or two diverse board members.

### Types of Board Diversity & Oversight Proposals




### Board Diversity & Oversight Outcomes




Two of the main types of proposals are longstanding. One seeks a requirement that diverse candidates be included in the selection process, based on the "Rooney Rule" concept that aimed to diversify National Football League coaching. These proposals typically ask the company to:

> adopt a policy for improving board and top management diversity (the "Policy") requiring that the initial lists of candidates from which new management supported director nominees and chief executive officers ("CEOs") recruited from outside the company are chosen by the board or relevant committee (each, an "Initial List") should include qualified female and racially/ethnically diverse candidates. The Policy should provide that any third-party consultant asked to furnish an Initial List will be requested to include such candidates.

The other type of resolution asks for reports, asking how companies will

> enhance board diversity beyond current levels, such as:
>
> 1. Strengthening Nominating and Corporate Governance policies by embedding a commitment to diversity inclusive of gender, race, ethnicity;
> 2. Commit publicly to include women and people of color in each candidate pool from which director nominees are chosen;
> 3. Report on its process to identify qualified women and people of color for the board.

**Withdrawals**—As of mid-February, proponents had withdrawn five of the policy adoption proposals and four of the reporting resolutions *(see table)*, after companies agreed to the proposals.

**SEC action**—**Easterly Government Relations** says the proposal is moot since it has added diversity language to its nominating committee charter. The company challenged the proposal at the SEC, arguing it is moot (Rule 14a-8(i)(10)). At **IPG Photonics**, the proponent withdrew before any SEC response, noting the company has appointed two women to its board and changed its selection process.

At **National HealthCare**, the proposal is a resubmission that earned 59.2 percent in 2020. The company unsuccessfully challenged the resolution and NYSCRF withdrew before any SEC response. The company did amend its nominating committee charter to add consideration of nominees' race, ethnicity and gender, but it did not commit to including such candidates in candidate pools nor disclose these characteristics for its board, as the proposal requested.

**CEO diversity:** The NYC pension funds have continued with a new type of resolution that focuses on CEO diversity. It has been filed at eight companies *(see list; at least one is planned for the fall)* and asks the company to

> adopt a policy for improving board and top management diversity (the "Policy") requiring that the initial lists of candidates from which new management supported director nominees and chief executive officers ("CEOs") recruited from outside the company are chosen by the board or relevant committee (each, an "Initial List") should include qualified female and racially/ethnically diverse candidates. The Policy should provide that any third-party consultant asked to furnish an Initial List will be requested to include such candidates.

## Board Diversity

| Company | Proponent | Status |
|---|---|---|
| **Adopt board diversity policy** | | |
| Bank of America | AFL-CIO | withdrawn |
| Citigroup | AFL-CIO | withdrawn |
| Easterly Government Properties | SEIU Master Trust | May |
| FBL Financial Group | Illinois State Treasurer | May |
| JPMorgan Chase | AFL-CIO | withdrawn |
| Ramaco Resources | Illinois State Treasurer | June |
| U.S. Bancorp | AFL-CIO | withdrawn |
| Wells Fargo | AFL-CIO | withdrawn |
| **Adopt board/CEO diversity policy** | | |
| Advanced Micro Devices | NYC pension funds | May |
| Agilent Technologies | NYC pension funds | March |
| Boston Scientific | NYC pension funds | May |
| Fiserv | NYC pension funds | May |
| HCA Healthcare | NYC pension funds | May |
| PetMed Express | James McRitchie | July |
| ProLogis | NYC pension funds | April |
| V.F. Corp. | NYC pension funds | July |
| **Report on board diversity** | | |
| Alico | Philadelphia Public Employees Retirement System | withdrawn |
| DZS | CalSTRS | May |
| First Community Bankshares | New York State Common Retirement Fund | April |
| First Solar | Trillium Asset Management | May |
| German American Bancorp | Boston Trust Walden | withdrawn |
| IDEX | NorthStar Asset Management | April |
| Inseego | CalSTRS | July |
| IPG Photonics | Boston Trust Walden | withdrawn |
| Maui Land & Pineapple | Philadelphia Public Employees Retirement System | April |
| National HealthCare | New York State Common Retirement Fund | withdrawn |
| U.S. Physical Therapy | Boston Trust Walden | withdrawn |
| Where Food Comes From | Nia Impact Capital | May |

## Board Oversight

The number of proposals about ESG board oversight fell dramatically in 2020, with just 10 filed as of mid-February compared to two dozen in 2019. This year there are only eight. Resolutions about board oversight fall into two functional categories—suggesting specific types of committees are needed to properly oversee complicated sustainability issues (five, compared with six last year and 16 in 2019) or asking for the nomination of specific types of experts to sit on the board (three, all resubmission from last year).

**Workplace equity oversight:** New this year is a proposal from NYSCRF and Domini Social Investments at four companies. It each asks for a report on

> if, and/or how, the Board plans to strengthen its oversight of workforce equity issues by assigning responsibility for oversight to an existing or new board committee. For purposes of this proposal, "workforce equity issues" include racial and gender pay equity, employment discrimination, diversity and inclusion, and the relationship between compensation and benefits provided to senior executives and those provided to the rest of the workforce.

Domini withdrew after **Disney** agreed that its board Compensation Committee will examine workforce equity and says the Head of Human Resources will report on related issues at least annually.

**Climate change oversight:** Green Century withdrew a proposal after **Texas Instruments** agreed to address climate risks material to its business in its next sustainability report. The company had challenged the resolution at the SEC, arguing it has been implemented and relates to ordinary business. The withdrawal came before any SEC response. The resolution requested that the company "take steps to establish comprehensive board oversight of the Company's climate change policies and programs and report to shareholders on steps taken or planned toward this within a time frame deemed reasonable by the board."

## Board Committees and Experts

| Company | Proposal | Proponent | Status |
|---|---|---|---|
| **Committees** | | | |
| Chipotle Mexican Grill | Report on board oversight of workplace equity | Domini Social Investments | May |
| Lyft | Report on board oversight of workplace equity | New York State Common Retirement Fund | June |
| Southwest Airlines | Report on board oversight of workplace equity | New York State Common Retirement Fund | May |
| Texas Instruments | Adopt board oversight of climate change | Green Century | withdrawn |
| Walt Disney | Report on board oversight of workplace equity | Domini Social Investments | withdrawn |
| **Experts** | | | |
| Alphabet | Nominate human rights expert to the board | Arjuna Capital | May |
| Facebook | Nominate human rights expert to the board | Arjuna Capital | May |
| Twitter | Nominate human rights expert to the board | Arjuna Capital | May |

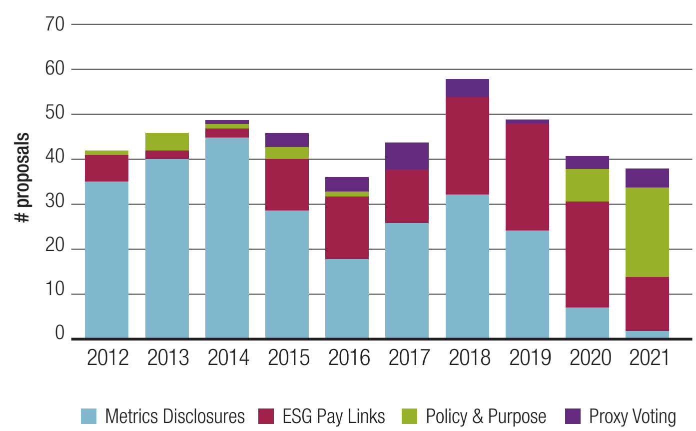
**Human rights expert:** Arjuna Capital withdrew resubmitted proposals about human rights oversight at three of the big social media companies. It is pending at **Alphabet** (9 percent last year), **Facebook** (3.7 percent) and **Twitter** (omitted in 2020 because it arrived too late. The proposal asks each company to:

> nominate for the next Board election at least one candidate who:
>
> - has a high level of human and/or civil rights expertise and experience and is widely recognized as such, as reasonably determined by Alphabet's Board, and
> - will qualify as an independent director within the listing standards of the New York Stock Exchange.

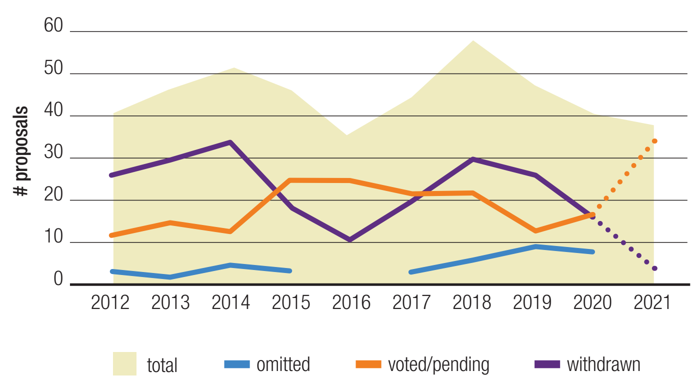
# SUSTAINABILITY

New resolutions about the nature of corporate purpose this year largely subsume the other sustainability categories. Metrics reporting proposals—ubiquitous 10 years ago—are nearly gone. In addition to the new corporate purpose idea, there remain proposals familiar from recent years that ask for specific linkages between executive compensation and different types of social or environmental performance goals. A few proxy voting resolutions round out the tally. In all for 2021, there are 36 sustainability filings, down from a peak of 58 three years ago. Eight await the outcome of SEC challenges and four have been withdrawn so far.

### Types of Sustainability Proposals




### Sustainability Outcomes




## Corporate Purpose

Fourteen proposals ask companies to become public benefit corporations and four resubmitted from last year ask about the implications of the CEOs signing the Business Roundtable (BRT) Statement of Purpose.

**Reincorporation:** At seven companies from several different sectors—**S&P Global**, **Salesforce.com**, **BlackRock**, **Caterpillar**, **Yelp**, **Tractor Supply** and **United Parcel Service**—the proposal coordinated by The Shareholder Commons (TSC) asks the board to

> take steps necessary to amend our certificate of incorporation and, if necessary, bylaws (including presenting such amendments to the shareholders for approval) to become a benefit corporation in light of its adoption of the Business Roundtable Statement of the Purpose of a Corporation…

## BETA ACTIVISM: BENEFIT CORPORATIONS AND EXTERNAL COST DISCLOSURE

**FREDERICK ALEXANDER**
*Founding Partner and Chief Executive Officer, The Shareholder Commons*

**SARA E. MURPHY**
*Chief Strategy Officer, The Shareholder Commons*

For far too long, ESG activism has been defined by proposals designed to improve a company's financial performance or reduce its risk profile. While "doing well by doing good" can create positive outcomes, it does not preserve systems under threat from profits achieved through externalized social and environmental costs.

The Shareholder Commons (TSC) believes that the critical next step for shareholders is beta activism: voting and engagement intended to stop companies from externalizing costs, even when it means surrendering total financial return at an individual company. Because large investors are almost all diversified, such surrender of individual company profit ("alpha") will be more than compensated for by improved overall market returns ("beta") that result from preserving the health of the social and environmental systems upon which all companies and investors depend.

TSC is supporting multiple shareholder resolutions that advocate shifting the focus to beta and monitoring key votes around the world. This gives investors the chance to take a systems-first approach to voting.

The resolutions we have helped to file fall into two broad categories. The first is for companies that have adopted the Business Roundtable's Statement on the Purpose of a Corporation (BRT Statement). Resolutions propose that companies amend their certificates of incorporation to become public benefit corporations (PBCs). Without such amendments, these companies remain bound by the doctrine of "shareholder primacy." The commitment to stakeholders at the heart of the BRT Statement will remain illusory: whenever the interests of stakeholders clash with those of shareholders, the companies will have to choose shareholder interests. In contrast, if they convert to PBCs, these companies can make real commitments to stakeholders and stop exploiting common resources and vulnerable populations to increase return.

The second category of systems-first proposals requests reports on the social and environmental costs that companies externalize, and how those costs affect broadly diversified shareholders. These proposals tackle systemic risks, including antimicrobial resistance arising from animal husbandry practices, inequality arising from distorted compensation practices, obesity arising from the mass-marketing of unhealthful food, and the perpetual concentration of power over critically important companies such as **Facebook** and **Alphabet** arising from banks' facilitation of multi-class voting in initial public offerings.

Our Beta Activism for Shareholders webpage provides information on the proposals we are facilitating, along with critical updates regarding global proposals that reflect a beta-activist stance. We welcome partnership and collaboration in pushing capital markets to protect the vital systems on which they depend.

Social and environmental systems are increasingly at risk from corporate behavior, and these risks threaten the economy as a whole—and thus the overall performance of diversified portfolios. These proposals represent an opportunity for investors to begin to change the investing paradigm to one where all investors prioritize thriving systems over individual company returns, creating flourishing markets and a healthier planet.

The proposal notes that Delaware corporations (all the recipients) place obligation on their directors to put shareholders' interests first, excluding other stakeholders' interests. It says this "contradicts" the BRT "commitment." If a company were to become a public benefit corporation (PBC), it could legally consider the interests of more parties and overcome the problem of the BRT statement's "empty promise." It is in the long-term interest of universal owners to do so, the proposal argues, because publicly traded companies have been externalizing more than $2 trillion annually in social and environmental costs and this depresses the markets and thus overall shareholder returns.

The proponent in each instance but two is James McRitchie, who is well known for more for prolifically filing corporate governance resolutions that ask for requiring directors to be elected by a simple majority vote, proxy access or the right for shareholders to call special meetings. This year he has expanded into sponsoring a variety of proposals on ESG governance as well as political spending. The other proponent (at Salesforce.com) is Change Finance, an independent investment advisor specializing in sustainable financial solutions. It is a new shareholder proponent.

The proposal at **Alphabet** and **Facebook** considers their dual class stock status. It asks each company to "take steps necessary to amend our certificate of incorporation and, if necessary, bylaws (including presenting such amendments to the shareholders for approval) to become a public benefit corporation…" At Alphabet it says this action would be "contingent on Class B stockholders converting sufficient Class B shares to Class A or Class C to ensure that at least 60% of the Company's voting power is not beneficially owned or controlled by the holders of Class B Shares," who are the company's founders. At Facebook it notes the action would be "contingent on our controlling shareholder converting sufficient Class B shares to Class A to ensure that at least 60% of the Company's voting power is not beneficially owned or controlled by Mark Zuckerberg."

## Sustainability

| Company | Proposal | Proponent | Status |
|---|---|---|---|
| **Corporate Purpose** | | | |
| 3M | Become public benefit corporation | John Chevedden | May |
| Alphabet | Become public benefit corporation | James McRitchie | June |
| Amazon.com | Become public benefit corporation | James McRitchie | June |
| Bank of America | Become public benefit corporation | Harrington Investments | April |
| BlackRock | Become public benefit corporation | James McRitchie | May |
| BlackRock | Review/report on corporate purpose | As You Sow | May |
| Caterpillar | Become public benefit corporation | James McRitchie | June |
| Chevron | Become public benefit corporation | Arjuna Capital | May |
| Citigroup | Review/report on corporate purpose | Harrington Investments | April |
| ExxonMobil | Become public benefit corporation | Arjuna Capital | May |
| Facebook | Become public benefit corporation | James McRitchie | May |
| Goldman Sachs | Review/report on corporate purpose | Harrington Investments | May |
| JPMorgan Chase | Become public benefit corporation | Harrington Investments | withdrawn |
| Marriott International | Report on societal costs of pay inequity | Myra K. Young | May |
| S&P Global | Become public benefit corporation | James McRitchie | May |
| Salesforce.com | Become public benefit corporation | Change Finance | June |
| Tractor Supply | Become public benefit corporation | James McRitchie | May |
| United Parcel Service | Become public benefit corporation | James McRitchie | May |
| Yelp | Become public benefit corporation | James McRitchie | July |
| **Report on Pay Links** | | | |
| AbbVie | Report on executive pay links to ESG metrics | Friends Fiduciary | May |
| Alphabet | Report on executive pay links to ESG metrics | Zevin Asset Management | June |
| Apple | Report on executive pay links to ESG metrics | Zevin Asset Management | withdrawn |
| Evergy (formerly Westar Energy) | Report on executive pay links to ESG metrics | Sierra Club | May |
| General Motors | Report on executive pay links to ESG metrics | As You Sow | June |
| Hannon Armstrong Infrastructure Capital | Report on executive pay links to ESG metrics | NorthStar Asset Management | June |
| McDonald's | Report on executive pay links to ESG metrics | New York State Common Retirement Fund | May |
| Pilgrim's Pride | Report on executive pay links to ESG metrics | New York State Common Retirement Fund | withdrawn |
| Tenet Healthcare | Report on executive pay links to ESG metrics | New York State Common Retirement Fund | May |
| Treehouse Foods | Report on executive pay links to ESG metrics | New York State Common Retirement Fund | withdrawn |
| Valero Energy | Report on executive pay links to ESG metrics | As You Sow | April |
| Verizon Communications | Report on executive pay links to ESG metrics | Trillium Asset Management | May |
| **Metrics Disclosure** | | | |
| Beyond Meat | Publish sustainability report | Domini Social Investments | May |
| Shake Shack | Publish sustainability report | Missionary Oblates - Mary Immaculate | June |
| **Proxy Voting** | | | |
| BlackRock | Review and report on ESG proxy voting | Mercy Investment Services | May |
| State Street | Report on societal impact of proxy voting | James McRitchie | May |
| T. Rowe Price Group | Review and report on ESG proxy voting | Zevin Asset Management | May |
| Vanguard Mutual Funds | Review and report on ESG proxy voting | Boston Trust Walden | ? |

Proposals also ask **Bank of America**, **Chevron** and **ExxonMobil** to "request the Board approve an amendment to the Company's Restated Certificate of Incorporation to become a Benefit Corporation pursuant to New Jersey law and to submit the proposed amendment to shareholders for approval." These proposals use the same justification noted above for requesting the PBC reincorporation, and stress the oil companies' externalized environmental costs and climate change impacts of their operations.

**SEC action**—**3M** is arguing at the SEC that the proposal is an ordinary business issues, while **Tractor Supply** said it has, in effect, been implemented. As of mid-February, the SEC had not responded.

**Reporting:** Harrington Investments and *As You Sow* have resubmitted proposals that ask three large banks about their BRT commitments and what they mean. The resolutions differ somewhat:

- At **Goldman Sachs** (where it earned 6 percent last year), the proposal asks if and how the BRT statement is reflected:

  in our Company's current governance documents, policies, long term plans, goals, metrics and sustainability practices and publish its recommendations on how any incongruities may be reconciled by changes to our Company's governance documents, policies or practices. (At Goldman it omits reference to incongruities.)

- At **BlackRock** (3.4 percent last year), it seeks a report:

  based on a review of the BRT Statement [that will] provide the board's perspective regarding how our Company's governance and management systems should be altered if at all to fully implement the New Statement of Purpose.

- At **JPMorgan Chase** it asks for a report

  regarding potential conversion of JPMorgan Chase to a Delaware Public Benefit Corporation, including review of options, in the course of such a conversion, for the company to:

  - Adopt a particular restated "purpose" such as promoting a sustainable global economy;
  - Alter fiduciary obligations with respect to accounting for stakeholder interests;
  - Alter duties of board committees, including the audit, compensation, corporate governance and nominating, and public responsibility committees;
  - Alter company policies or standards of decision so as to guide fiduciary decision-making when interests of stakeholders may conflict, and/or
  - Enable the company to operate in a responsible and sustainable manner.

Harrington withdrew after JPMorgan issued a report explaining why it would not change its incorporation status. The company had argued the proposal was ordinary business and already had been implemented. The withdrawal came before any SEC response.

## Executive Pay Links

A dozen proposals ask companies to report on how, or if, they link executive compensation—typically bonus pay—to a wide variety of environmental and social performance metrics.

**ESG metrics:** NYSCRF take the most general approach, with a pending proposal asking **McDonald's**, and **Tenet Healthcare**

> to examine and report to shareholders, at reasonable cost and omitting proprietary information, describing if, and how, it plans to integrate ESG metrics into the performance measures of named executive officers under the Company's incentive compensation plans. "ESG metrics" is defined as how environmental, social, and governance considerations, and related financial impacts, are integrated into corporate strategy over the long term.

Zevin Asset Management withdrew a proposal at **Apple** that also took a general approach, asking for "a report assessing the feasibility of integrating sustainability metrics into performance measures, performance goals or vesting conditions that may apply to senior executives." The proposal earned 12.1 percent last year.

**Withdrawals**—NYSCRF withdrew at **Pilgrim's Pride** after reaching an agreement. The proposal expressed concerns about the company's response to worker health and safety in the COVID-19 pandemic, as well as a record of work-related injuries at the company. NYSCRF also reached an agreement at **Treehouse Foods**.

**SEC action**—McDonald's said in its SEC challenged that the proposal will be moot when it releases its new executive performance metrics on February 18.

**Diversity:** At **Alphabet**, Zevin Asset Management wants

> a report assessing the feasibility of integrating sustainability metrics, including metrics regarding diversity among senior executives, into performance measures or vesting conditions that may apply to senior executives under the Company's compensation plans or arrangements. For the purposes of this proposal, "sustainability" is defined as how environmental and social considerations, and related financial impacts, are integrated into long-term corporate strategy, and "diversity" refers to gender, racial, and ethnic diversity.

Diversity is also the concern of NorthStar Asset Management in a resolution to **Hannon Armstrong Infrastructure Capital**, a sustainable infrastructure company. NorthStar wants a report "evaluating the benefits and drawbacks of including metrics regarding diversity among the Senior Management Team as one of the performance measures for the CEO under the Company's annual and/or long-term incentive plans. For the purposes of this proposal, 'diversity' is defined as gender, racial, and ethnic diversity."

**Climate change:** *As You Sow* asks **General Motors** and **Valero Energy** for a report "evaluating and disclosing if and how the company has met the criteria of the Executive Renumeration Indicator, or whether it intends to revise its policies to be fully responsive to such Indicator." It explains in the body of the proposal this indicator is defined by the Ceres Climate Action 100+ initiative that aims to cut GHG emissions to zero by 2050, linking pay to carbon reduction for all types of emissions. At GM, the proposal says the company's GHG target will not meet net-zero emissions by 2050 and points to its continued manufacture of "large SUVs and trucks." The Valero proposal also notes that company's emissions reduction targets, but also says it has yet to tie them to pay.

Another proposal also suggests a climate link, but at **Evergy**, it asks about how the board might link "metrics for reduction of Evergy's carbon output or increasing clean energy adoption" to pay, "while removing the coal-fired generation availability metric from the company's short-term incentive plan."

**Drug prices:** Friends Fiduciary raises concern about what it sees as excessive drug prices at **AbbVie**, where the request is for a report about "the feasibility of incorporating public concern over high drug prices into the senior executive compensation arrangements described in AbbVie's annual proxy materials." This proposal earned 24.4 percent last year.

**Privacy:** The final proposal is a resubmission that earned 31 percent last year at **Verizon Communications**. From Trillium Asset Management, it asks for a report

> assessing the feasibility of integrating user privacy protections into the Verizon executive compensation program which it describes in its annual proxy materials. This proposal does not seek greater disclosure or information regarding cybersecurity (the criminal or unauthorized actions), but rather is focused on legally permissible and permitted uses of data.

## Metrics Disclosure

Only two resolutions ask for sustainability reports this year, and both are still pending. Domini Social Investments wants **Beyond Meat** to provide an annual report "describing the company's environmental, social, and governance (ESG) policies, performance, and improvement targets and quantitative metrics." The resolution says the company's current sustainability reporting is "limited" and that the company has not responded to repeated requests for more information about its "climate-related risks, supply chain management and agricultural practices, including use of agrochemicals or organic ingredients." Domini says better tracking and reporting on ESG issues would help the company generally and cites well-known and widespread research backing up its assertions, pointing the company to initiatives such as the Global Reporting Initiative, CDP, and the Sustainability Accounting Standards Board (now the Value Reporting Initiative).

The Missionary Oblates of St. Mary Immaculate has a similar proposal at **Shake Shack**, seeking

> an annual sustainability report, describing the company's environmental, social, and governance (ESG) policies, performance, and improvement targets, which could include a discussion of management strategies and quantitative metrics for reducing food waste generated from the company's operations and value chain (where relevant).

The order provides a rationale similar to that proffered by Domini in the other resolution. The proposal argues that the company provides only "anecdotal evidence related to ESG subjects, such as very brief discussions of 'sustainable agriculture' and 'oil management,'" but gives no quantitative data. Instead, the proposal argues for more disclosure of information relevant to the restaurant industry, including "food & packaging waste management, labor management, energy, water, food safety, and nutritional content." It highlights food waste as a particular concern and notes that competitors including Wendy's and Yum Brands "have made commitments through the EPA's Food Loss and Waste 2030 Champions program to reduce food loss 50 percent by 2030."

## Proxy Voting

Proponents have filed or plan to file resolutions at three investment managers about their climate-related proxy voting policies. A resubmission at **BlackRock** asks it "initiate a review assessing BlackRock's 2019 proxy voting record and evaluate the Company's proxy voting policies and guiding criteria related to climate change, including any recommended future changes." Mercy Investments withdrew this proposal in 2020 after a company commitment. Boston Trust Walden plans to file this resolution at several of the **Vanguard** mutual funds, but the various funds do not always hold shareholder meetings each year and a proposal must be filed on a fund-by-fund basis.

Zevin Asset Management has a similar request at **T. Rowe Price**, which last year earned 14.3 percent. It also wants a review of proxy voting and says the report should include "an assessment of any incongruities between the Company's public statements and pledges regarding climate change (including ESG risk considerations associated with climate change), and the voting policies and practices of its subsidiaries." Last year, T. Rowe Price said it already considers climate change and ESG issues when it values companies and in voting proxies, but that its fiduciary duty to clients takes precedence over its position on climate change. The company is a signatory to the UN Principles for Responsible Investment and does list ESG issues, but not specifically climate change, in the proxy voting guidelines for its investment managers.

A new proposal, part of The Shareholder Commons campaign, is seeking a report from State Street about the societal impact of its proxy voting practices. It asks for:

> a report as to how its voting and engagement policies, which focus solely on individual corporation materiality to the exclusion of capital markets materiality, affect the majority of its clients and shareholders, who rely primarily on overall stock market performance for their returns, rather than upon the returns of individual companies.

The body of the proposal includes the TSC analysis about the problems of externalized costs which universal owners face, saying that State Street, like other broadly diversified investment managers, relies "on healthy social, economic, and environmental systems to support all corporations." It says State Street should focus its proxy voting policy not only on "company-by-company materiality," because this allows costs to be externalized. Instead, it should consider "market materiality" and use the proposed study to "help shareholders determine whether to seek a change in corporate direction, structure or form in order to better serve their interests." (Other proposals from TSC are on p. 30, 39, 50 and 64.)

advocacyposition

## IS THIS THE YEAR BLACKROCK ALIGNS CLIMATE POLICY AND PROXY VOTING?

### KATIE MCCLOSKEY

*Vice President of Social Responsibility, Mercy Investment Services*

**BlackRock** CEO Larry Fink's annual letters to investees and clients are hotly anticipated, including by shareholders seeking that the company use its proxy voting practices to be more supportive of climate change proposals.

Fink's 2020 open letter to corporate CEOs stated that "Climate risk is investment risk," and "[g]iven the groundwork we have already laid engaging on disclosure, and the growing investment risks surrounding sustainability, we will be increasingly disposed to vote against management and board directors when companies are not making sufficient progress on sustainability-related disclosures and the business practices and plans underlying them." Because of this statement, along with BlackRock joining the investor initiative Climate Action 100+ and a commitment to continued engagement, Mercy Investment Services withdrew our 2020 resolution seeking a review of BlackRock's climate proxy voting record. The resolution was one of a larger engagement strategy with asset managers coordinated by Boston Trust Walden, which included investors presenting similar resolutions to **T. Rowe Price** and **Vanguard**.

Unfortunately, shareholders concerned with BlackRock's voting practices had reason to remain skeptical in 2020. According to Morningstar, BlackRock only supported 14 percent of the climate-related resolutions it voted on in the 2020 proxy season—less than the previous year's level of support. In this timeframe, BlackRock's peers, **State Street** and **Fidelity**, supported 55 percent and 47 percent of climate-related resolutions, respectively.

Proponents considered BlackRock's follow-through with the 2020 letter to be lackluster and refiled the proposal this year. Since refiling, BlackRock has instituted several important changes: Fink's 2021 letter called for companies to create goals of being compatible with net-zero greenhouse gas emissions by 2050 and repeated the warning that voting against management and board directors would be potential consequences for non-responsive companies. In addition, BlackRock recently released its 2021 Stewardship Expectations document, which seemed to draw a distinction between the first half of 2020's voting practices and the second half's by demonstrating that BlackRock had supported more than 80 percent of environmental shareholder proposals after July 1, 2020, a "new approach."

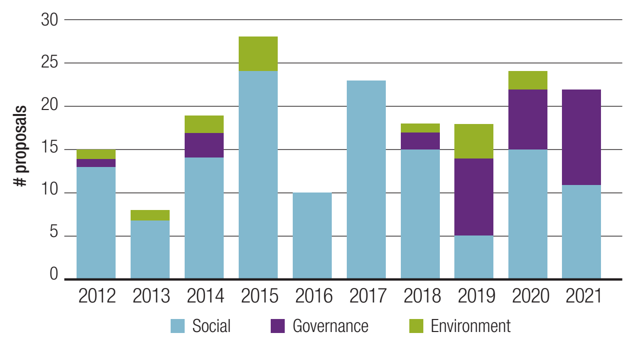
Within the Stewardship Expectations document, BlackRock discussed its analysis of highly supported environmental and social shareholder proposals (greater than 30 percent support) and found that these resolutions tend to prompt more meaningful corporate response. The company also expanded its list of "focus companies" as engagement priorities from 440 companies to 1,000, thereby committing to engage the companies that generate 90 percent of the Scope 1 and 2 emissions in its portfolio.

Proponents have engaged BlackRock since these changes to gain deeper understanding of how they will be implemented, with the knowledge that urgent shorter- and mid-term climate actions must quickly become BlackRock's call to its invested companies. Shareholders, clients, and all stakeholders recognize that BlackRock's consistency in word and deed to the low-carbon economy transition we must see.

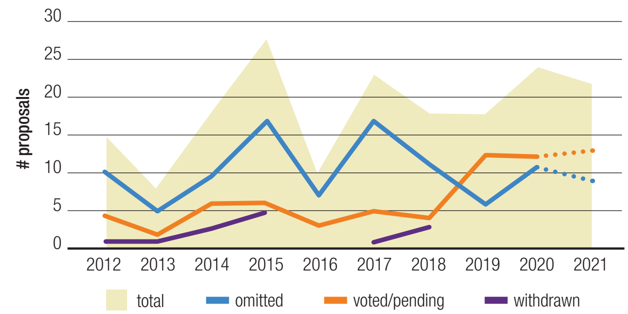
# CONSERVATIVES

Proponents with a conservative political bent had focused on social issues for many years, but since 2019 they have branched out to push for ideological diversity on board and (new this year) to question the BRT statement of purpose *(top graph)*. The proponents support untrammeled capitalism and more proposals usually get omitted than go to votes. Support from investors at large has been limited except for proposals that borrow the resolved clause from the main political spending and lobbying campaigns.

### Types of Conservative Proposals




### Conservative Outcomes




The National Center for Public Policy Research (NCPPR), a Washington, D.C.-based think tank, is the main player, with resolutions also filed by its principals and like-minded supporters. NCPPR calls itself "the nation's preeminent free-market activist group focusing on shareholder activism and the confluence of big government and big business." Its representatives also attend annual meetings without filing proposals. Recently NCPPR's Free Enterprise Project has been warning about the dangers of "woke capitalism." It asserts Black Lives Matter leaders are "self-declared Marxists who seek a new national order," and reserves particular ire for the "hard-left agenda" of BlackRock CEO Larry Fink.

**BRT statement of purpose:** NCPPR has asked seven companies to

> prepare a report based on a review of the BRT Statement of the Purpose of a Corporation, signed by our Chief Executive Officer, and provide the board's perspective regarding whether and how our Company's governance and management systems can or must be altered to fully implement the Statement of Purpose, and what our Company should do if the Statement cannot be reconciled with current practices and commitments. The report may include the Board's perspective on benefits and drawbacks of the options considered, as well as the Board's recommendations.

The SEC has agreed with contentions from **Apple** and **AT&T** that the proposal is moot. Because **Amazon.com**, **Duke Energy**, **Johnson & Johnson**, **JPMorgan Chase**, **Salesforce.com** and **Target** all are arguing the same thing, with some also saying it also is an ordinary business matter, it is unclear if there will be any votes.

**Charitable giving:** An effort from NCPPR to have companies report more about their charitable giving programs appears to be fizzling. Conservative proponents have long questioned corporate programs that benefit Planned Parenthood, on the grounds this supports abortion. But the SEC has routinely held that issue-specific charitable giving resolutions are ordinary business. This year, the proposal asked six companies to provide annual reports "analyzing charitable contributions," identifying the recipients of any donation of more than $500, explaining how the money was spent and any restrictions put on its use. It also calls for "evaluation of the efficacy of the donation and the Company's intention with regard to future donations to the organization," a board analysis of related risks to the company and how these have been determined, and identification of "philanthropic areas or initiatives considered most germane to corporate values while posing less risk to Company reputation; or in the alternative, any decision to scale back without replacement risky or misused donations."

The proposal has been omitted on ordinary business grounds at **AT&T**, **McDonald's**, **Starbucks** and **Walt Disney** and faces challenges on the same grounds that seem likely to succeed at **Facebook** and **Netflix**.

**Board diversity:** In 2018, NCPPR began copying board diversity resolutions initially filed by the New York City Comptroller's Office which altered that request to call for companies to seek out "ideological diversity" on the board, with information presented in a chart. The proposal's arguments parallel those expressed by supporters of greater gender, racial and ethnic diversity, but says "ideological diversity" is missing in Corporate America. A lack of "diversity of thought" means that companies "operate in ideological hegemony that eschews conservative people, thoughts, and values," according to NCPPR.

The proposal has been omitted for procedural reason at the **New York Times** and at **Verizon Communications** because the SEC agreed it was moot given current board nominee procedures. It is still pending at **Discovery**, where the resolution missed its resubmission threshold in 2019 when it earned only 1.7 percent support, and at **Progressive**, which says it is moot. Votes in both cases seem unlikely.

**Diversity:** Proponents have been arguing for three years that employees with conservative viewpoints face discrimination at work. This year, NCPPR wants a report from **American Express** "detailing the potential risks associated with omitting "viewpoint" and "ideology" from its written equal employment opportunity (EEO) policy." This proposal has been omitted on ordinary business grounds at **Walgreens Boots Alliance** and American Express is making the same argument against it at the SEC.

An individual shareholder has been asking **Intel** for three years, arguing the company's practice to display the gay pride flag disparages those who do not support LGBTQ rights. Each iteration of the proposal has been omitted on ordinary business grounds and that outcome seems certain this year, as well. The proposal asks "that Intel refrain from publicly displaying the pride flag."

**Other issues:** An individual wants **Amazon.com** to allow customers to filter their purchase by country of origin, but a procedural challenge seems likely to succeed.

Another individual wants **Walmart** to reinstitute a "buy American" policy for its products and curtail purchases "from China and other foreign countries," to less than half its total purchases by June 2022. It reasons, "This policy does not apply to Walmart stores in other countries, but it does encourage the export of as many American products as possible to be sold in Walmart locations in other countries."

Finally, a longtime critic of corporate environmental protection, wants **Exelon** to "report to shareholders on the extent to which its business plans with respect to electric vehicles and their charging stations may involve, rely or depend on child labor outside the United States." The proponent says the company "hopes to profit from" charging electric vehicles, but says this plan could be undercut by problems with child labor in the supply chain for cobalt, a key component of vehicle batteries. Exelon has challenged the proposal at the SEC, arguing it concerns ordinary business.

## Conservative

| Company | Proposal | Proponent | Status |
|---|---|---|---|
| **Sustainability** | | | |
| Amazon.com | Report on BRT statement of purpose | National Center for Public Policy Research | May |
| Apple | Report on BRT statement of purpose | National Center for Public Policy Research | omitted |
| Duke Energy | Report on BRT statement of purpose | National Center for Public Policy Research | May |
| Johnson & Johnson | Report on BRT statement of purpose | National Center for Public Policy Research | omitted |
| JPMorgan Chase | Report on BRT statement of purpose | National Center for Public Policy Research | April |
| Salesforce.com | Report on BRT statement of purpose | National Center for Public Policy Research | June |
| Target | Report on BRT statement of purpose | National Center for Public Policy Research | June |
| **Charitable Giving** | | | |
| AT&T | Report on charitable contributions | National Center for Public Policy Research | omitted |
| Facebook | Report on charitable contributions | National Center for Public Policy Research | May |
| McDonald's | Report on charitable contributions | National Center for Public Policy Research | omitted |
| Netflix | Report on charitable contributions | National Center for Public Policy Research | June |
| Starbucks | Report on charitable contributions | National Center for Public Policy Research | omitted |
| Walt Disney | Report on charitable contributions | National Center for Public Policy Research | omitted |
| **Board Diversity** | | | |
| Discovery | Report on board nominee ideological diversity | National Center for Public Policy Research | June |
| New York Times | Report on board nominee ideological diversity | John Overington | omitted |
| Progressive | Report on board nominee ideological diversity | National Center for Public Policy Research | May |
| Verizon Communications | Report on board nominee ideological diversity | National Center for Public Policy Research | omitted |
| **Diversity at Work** | | | |
| American Express | Report on protections for conservatives | National Center for Public Policy Research | May |
| Intel | Stop displaying gay pride flag | Chris Hotz | May |
| Walgreens Boots Alliance | Report on protections for conservatives | National Center for Public Policy Research | January |
| **Other Issues** | | | |
| Amazon.com | Allow customers to filter for country of origin | Kurt R. Arthur | May |
| Exelon | Report on supplier labor standards | Steven J. Milloy | April |
| Walmart | Reinstate 'Buy American' policy | Terry Rippy | June |

# APPENDIX

## More on the Web

All resolutions must conform to the Shareholder Proposal Rule of the Securities and Exchange Act of 1934, which sets procedural as well as substantive standards for admissibility. Read more on **www.proxypreview.org**.

Access research about shareholder proposal issues, organizations, networks and investor campaigns on **www.proxypreview.org**.

Read more about the contributing authors at **www.proxypreview.org**.

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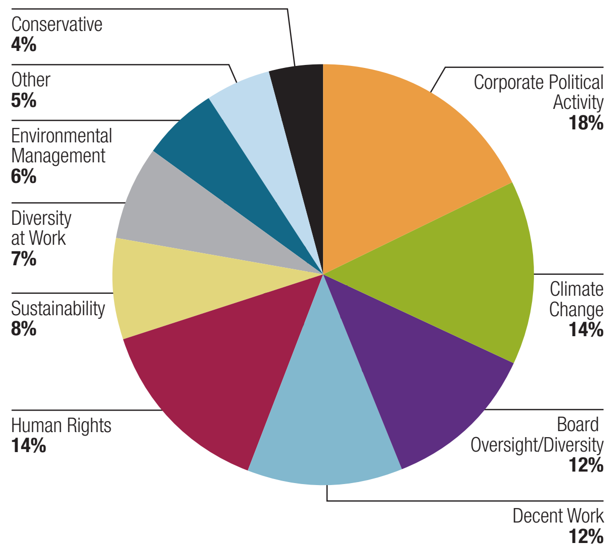
# 2020 Proxy Season Review

The 2020 proxy season was host to both unprecedented success and potential peril for shareholder proponents. Twenty-one shareholder resolutions earned majority support. Support for the 189 proposals that went to votes average 27 percent support, up more than a percentage point from 2019. A total of 459 were filed, about the same as in 2019. Proponents continued to withdraw more proposals than went to votes—a trend that started in 2018.

Company efforts to block resolutions from inclusion in proxy statements through provisions of the Shareholder Proposal Rule drifted up to 15 percent of the total, but this was not out of line with ups and downs over the last decade. Proponents remain concerned about SEC staff interpretations of climate change resolutions, however, and these resolutions were disproportionately omitted.

### Proposals Filed in 2020




**Rule changes:** On September 23, 2020, the Securities and Exchange Commission (SEC) approved new rules that make it harder to file and resubmit shareholder resolutions. Earlier, on July 22, the commission issued a final rule imposing new strictures on proxy advisory firms, as well. In a related development, just before President Trump left office, the Department of Labor in December finalized a rule that makes it harder for some pension funds to vote on ESG shareholder resolutions, although the strictures are not as harsh as those initially proposed. The new rules do not go into effect until the 2022 proxy season. It remains uncertain whether and to what extent the Biden administration may try to roll the new rules back, or what legal action may occur.

## Major Themes

The three major themes of proxy season in 2020 were corporate influence spending, diversity (on boards and in the workplace, with related proposals on fair pay) and climate change:

- **Corporate political activity:** Investor support for more oversight and disclosure continued its upward climb, with seven majority votes and more than a dozen earning more than 40 percent. There were two dozen withdrawals, with many corporate commitments, out of just under 90 filings. The SEC rule changes affect these proposals most, despite increased support that this year reached all-time average highs of 44 percent on election spending and 34 percent on lobbying.
- **Diversity:** Proposals sought fair representation, treatment and pay in the workplace and on boards of directors. Combined, proposals about women and people of color included about 30 about workforce inclusion, nearly 40 about sexual harassment and/or arbitration and more than 40 more about boards. These three categories combined made up about one-quarter of all filings in 2020. More than half were withdrawn by proponents after agreements.
- **Climate change:** There were 60 proposals about retooling business for the changing climate. Total filings on this issue have fallen as investors have expanded their engagements beyond proxy season. At the same time, there are more withdrawals from agreements and—conversely—greater success for companies seeking to block these resolutions in their SEC challenges. Three-quarters of climate resolutions asked about carbon asset risks.

## Majority Votes in 2020

| Company | Proposal | Proponent | Vote (%) |
|---|---|---|---|
| Genuine Parts | Report on human capital management | As You Sow | 79.1 |
| Dollar Tree | Report on Paris-compliant plan to cut carbon | Jantz Management | 73.5 |
| Fortinet | Report on diversity programs | Nia Impact Capital | 70.0 |
| Procter & Gamble | Report on deforestation impacts | Green Century | 67.7 |
| O'Reilly Automotive | Report on human capital management | As You Sow | 66.0 |
| Fastenal | Report on diversity programs | As You Sow | 61.1 |
| Johnson & Johnson | Report on opioid crisis | Illinois State Treasurer | 60.9 |
| National HealthCare | Report on board diversity | NYSCRF | 59.2 |
| Activision Blizzard | Review/report on election spending | James McRitchie | 58.6 |
| Ovintiv | Report on Paris-compliant plan to cut carbon | United Church, Canada | 56.4 |
| Phillips 66 | Report on climate-related extreme weather | As You Sow | 54.7 |
| J.B. Hunt Transport Services | Report on Paris-compliant plan to cut carbon | Trillium Asset Management | 54.5 |
| Chevron | Review/report on climate change advocacy | BNP Paribas | 53.5 |
| Western Union | Review/report on election spending | John Chevedden | 53.3 |
| J.B. Hunt Transport Services | Review/report on election spending | Teamsters | 53.2 |
| Expeditors Intl of Washington | Adopt board diversity policy | NYC pension funds | 52.9 |
| Enphase Energy | Publish sustainability report | Sustainvest Asset Management | 52.3 |
| Alaska Air Group | Report on lobbying | SEIU Master Trust | 52.3 |
| McKesson | Report on lobbying | Mercy Investments | 52.1 |
| Centene | Review/report on election spending | Friends Fiduciary | 51.4 |
| Chipotle Mexican Grill | Report on mandatory arbitration | NYC pension funds | 51.0 |

## 2020 Highlights and Synopsis

As noted, proponents filed just under 460 proposals, consistent with the figures from the last three years but down from nearly 500 in 2017. Most U.S. annual meetings take place in the spring, but around a dozen go to votes in the second half of the year. (This discussion excludes two dozen proposals filed by conservative groups that oppose the aims of all the other proponents.)

### *Environment*

**Climate change:** Sixty-six proposals were specifically concerned with climate change. They sought information about how companies plan to address carbon asset risks and explain how they will adjust to a low-carbon economy by using more renewable energy and combatting deforestation. The SEC's decision to consider many proposals seeking greenhouse gas (GHG) goals as ordinary business has been one of the reasons for the decline in votes on this issue, on top of fewer filings.

There were majority votes on resolutions seeking reports on how companies plan to make their operations compliant with the Paris climate treaty—73.5 percent at **Dollar Trees**, 56.4 percent at **Ovintiv** an 54.5 percent at **J.B. Hunt Transport**; another majority of 54.7 percent was for a proposal asking **Phillips 66** to report on how it guards against pollution risks from extreme climate change-related weather. A late season vote on deforestation at **Procter & Gamble** received just under 68 percent support.

**Environmental management:** Twenty-nine proposals asked about hazardous materials (all but one of the eight filings were about plastics); problems with pesticides, antibiotics and animal welfare in industrial agriculture; water and waste. Most companies were new recipients and challenges at the SEC were scarce.

## *Social Issues*

**Corporate political activity:** Despite increased corporate action to oversee and report on political spending, information on so-called dark money remains scant. This reality fuels the longstanding disclosure campaigns.

Sixty-one of the 87 proposals filed on political spending and lobbying went to votes, 23 were withdrawn and three omitted. Most votes were repeats; most withdrawals on election spending were at new targets and several of the withdrawn lobbying proposals were resubmissions. Average support for election spending resolutions rose to more than 40 percent; for lobbying proposals it averaged 34 percent. There was an unprecedented number of majority votes—four on election spending, at **Activism Blizzard** (58.6 percent), **Centene** (51.4 percent), **J.B. Hunt Transport** (53.2 percent) and **Western Union** (53.3 percent), and two on lobbying, at **Alaska Air Group** (52.3 percent) and **McKesson** (52.1 percent).

**Climate change connection**—Notably, a mainstream financial player entered the fray as a proponent and earned majority support at an oil major, for the first time. BNP Paribas Asset Management, owned by one of France's largest banks, proposed that four companies report on how their political influence efforts align with the Paris climate goals. At **Chevron**, which spends heavily to elect and influence lawmakers and not lobby them afterwards, the vote was an unprecedented 53.5 percent; it was 45.9 percent at **Delta Air Lines** and 31.5 percent at **United Airlines**. While direct expenditures for climate-related lobbying at the two airlines account for a relatively small proportion of their overall lobbying spend, both belong to trade groups that do much more and disclose little about climate priorities.

**Decent work:** The coronavirus pandemic brought home longstanding shareholder concerns about fair treatment and pay. A total of 58 resolutions highlighted working conditions, persistent economic inequality and high profile problems with sexual harassment and violence at work. About half went to votes and three were majorities. A new proposal asked five companies for reports on how they manage diversity and labor matters, invoking industry-specific SASB metrics. Two at auto parts stores received high support—79.1 percent at **Genuine Parts** and 66 percent at **O'Reilly Automotive**—which could have come only with votes in favor from leading mutual funds. In addition, the New York City pension funds earned 51 percent support for a request at **Chipotle Mexican Grill** for reporting on mandatory arbitration for "employment-related claims," which includes sexual harassment.

**Diversity at work:** While shareholder proponents want fair pay, they also want fair access to employment and promotion in the first place for women and people of color. Proposals focused on diversity programs and data disclosure. There were 32 filings, eight votes and 24 withdrawals; only three were resubmissions. Investors gave a new diversity program assessment proposal high marks—61.1 percent for a resubmission at **Fastenal**, which currently discloses nothing on its workforce composition, and 70 percent at **Fortinet**, a leading cybersecurity firm that expresses support for diversity but also does not report much data. Proponents withdrew a dozen resolutions after companies promised more information; one agreement came at **Travelers**, where the vote last year was 51 percent.

**Health:** The Investors for Opioid and Pharmaceutical Accountability (IOPA) campaign, led by Mercy Investments and the UAW Retirees Medical Benefit Trust, entered its third year and notched a 60.9 percent victory at **Johnson & Johnson**. The company is a defendant in national class action litigation because it sold opioids. Another win and withdrawal this year for Mercy Investments was a commitment from **Walmart** to produce a report on its stewardship of opioids.

**Human rights:** About four dozen resolutions addressed a wide array of human rights problems. The biggest group asked for stronger policies and disclosure about risk management. Just eight were resubmissions. Twenty-one went to votes, 19 were withdrawn and nine omitted. Several proposals came from the new Shifting Gears effort led by Investor Advocates for Social Justice (IASJ), looking at the automotive supply chain.

A high vote of 44.8 percent came for one of the Shifting Gears proposals at **Lear**, an aerospace and automotive company. Of particular note given the context of the global pandemic were two proposals at chicken processors, with 36.8 percent at **Sanderson Farms**, 12.8 percent at **Pilgrim's Pride** and 14.5 percent at **Tyson Foods**. Also notable was a vote of 24.9 percent for a resolution to **Amazon.com** about hate speech and offensive products. Other resolutions were on surveillance and technology, with two proposals—also at Amazon.com—getting 32 percent. But the highest vote, 40.6 percent, came at **Apple**, where Harrington Investments and SumOfUs asked for annual reporting on protecting free expression.

## *Sustainable Governance*

Proponents continued to seek reform of corporate governance structures to address environmental and social concerns, focused on board composition and oversight, how these may be linked to executive compensation, and how financial firms consider sustainability in proxy voting. New was a query about how companies are interpreting their corporate purpose, following a controversial new approach announced a year ago by The Business Roundtable. (Many more on this theme have been filed in 2021.)

**Board diversity:** Proponents won majority support of 52.9 percent at **Expeditors International** for one of the 44 resolutions seeking policies or reporting on board diversity. That resolution was one of 16 from the Boardroom Accountability Project 3.0 of the New York City Comptroller, expressly asking for diversity in CEO searches. A more general proposal from the New York State Common Retirement System at **National HealthCare** seeking reporting earned 59.2 percent. These long-running proposals resolutions usually get withdrawn after agreements.

**Board experts and oversight:** Five resolutions asked for oversight of human rights or climate change. The highest vote of 16.3 percent was at **Alphabet**, on human rights. In addition, Mercy Investments withdrew a new proposal that argued for controls on the "vast unregulated thrift market" of third-party sellers hosted by **Amazon.com**, in exchange for more reporting and dialogue.

**Sustainability disclosure, management & reporting:** Forty-one proposals in 2020 asked companies about sustainable governance—including two dozen on links between executive pay and several issues as well as metrics disclosure. The total is down a recent high of 58 two years ago. Only 16 went to votes, 17 were withdrawn and eight omitted. Proponents have largely abandoned general requests for sustainability reports given their ubiquity, but one such resolution at the solar company **Enphase Energy** earned 52.3 percent.

**Corporate purpose**—Two versions of a new resolution asked six companies to explain how they will define and deliver on their CEOs' promises to support The Business Roundtable's redefinition of corporate purpose made in August 2019. The BRT suggests companies should attend to the needs of all stakeholders, not just shareholders and arguments for and against the idea abound. The SEC rejected a variety of challenges from companies, but all the votes were less than 10 percent.

**Proxy voting**—A handful of resolutions asked mutual fund firms to report on how they consider ESG issues in their proxy voting and despite relatively low support for these resolutions, it is clear that major mutual funds have started to vote in favor of some social and environmental shareholder proposals; the 20 majority votes this year could not have occurred without them. Further, Morningstar is now looking at fund voting practices for its sustainability ratings.

# COMPANY INDEX

The index below shows with checkmarks (✓) how many proposals have been filed at each company, in each major topic categories presented in this report. More details on each of the resolutions can be found in the tables and text of appropriate sections of the report, as follows:



| Company | Climate/ Environment | Corporate Political Activity | Decent Work/ Diversity | Human Rights | Other | Sustainable Governance | Grand Total |
|---|---|---|---|---|---|---|---|
| 3M | | ✓ | ✓✓ | | | ✓ | 4 |
| Abbott Laboratories | | ✓ | ✓ | ✓ | | | 3 |
| AbbVie | | ✓ | | | | ✓ | 2 |
| Activision Blizzard | | ✓ | ✓ | | | | 2 |
| Adobe | | ✓ | ✓ | | | | 2 |
| Advance Auto Parts | ✓ | | | | | | 1 |
| Advanced Micro Devices | | | | | | ✓ | 1 |
| AECOM | | ✓ | | | | | 1 |
| Agilent Technologies | | | | | | ✓ | 1 |
| Alaska Air Group | | ✓ | | | | | 1 |
| Albemarle | ✓ | | | | | | 1 |
| Alico | | | | | | ✓ | 1 |
| Allstate | | | ✓ | | | | 1 |
| Alphabet | | | | ✓✓ | | ✓✓✓ | 5 |
| Altria | | ✓ | | | ✓ | | 2 |
| Amazon.com | ✓ | ✓ | ✓✓✓ | ✓✓✓✓ | ✓✓ | ✓ | 12 |
| American Airlines Group | | | ✓ | | | | 1 |
| American Express | | | ✓ | | ✓ | | 2 |
| American International Group | | ✓ | | | | | 1 |
| American Tower | | ✓ | | | | | 1 |
| Amgen | ✓ | | | ✓ | | | 2 |
| Apple | | | ✓ | ✓ | ✓ | ✓ | 4 |
| Applied Materials | | | ✓ | | | | 1 |
| AT&T | | ✓ | | | ✓ | | 2 |
| Autodesk | | | ✓ | | | | 1 |
| Bank of America | ✓✓ | | | ✓ | | ✓✓ | 5 |
| Bank of New York Mellon | | | ✓ | | | | 1 |
| Berkshire Hathaway | ✓ | | ✓ | | | | 2 |
| Best Buy | | ✓ | | | | | 1 |
| Beyond Meat | | | | | | ✓ | 1 |
| Biogen | | ✓ | ✓ | | | | 2 |
| BJ's Wholesale Club | | | ✓ | | | | 1 |
| BlackRock | | | | ✓ | | ✓✓✓ | 4 |
| Bloomin Brands | ✓ | | | | | | 1 |
| Boeing | | ✓ | ✓ | | | | 2 |
| Booking Holdings | ✓✓✓ | | ✓ | | | | 4 |
| Boston Scientific | | | | | | ✓ | 1 |
| Bunge Limited | ✓ | | | | | | 1 |
| Burlington Stores | | | ✓ | | | | 1 |

*Continued on next page*

| Company | Climate/ Environment | Corporate Political Activity | Decent Work/ Diversity | Human Rights | Other | Sustainable Governance | Grand Total |
|---|---|---|---|---|---|---|---|
| CarMax | ✓ | ✓ | | | | | 2 |
| Caterpillar | ✓ | | ✓✓ | | | ✓ | 4 |
| Charles Schwab | | ✓ | ✓ | ✓ | | | 3 |
| Charter Communications | | ✓ | ✓ | | | | 2 |
| Chemed | | ✓ | | | | | 1 |
| Cheniere Energy | ✓ | | | | | | 1 |
| Chevron | ✓✓✓✓✓ | ✓ | | ✓✓ | | ✓ | 9 |
| Chipotle Mexican Grill | | | | | | ✓ | 1 |
| Chubb Limited | | | | ✓ | | | 1 |
| Church & Dwight | | | | | ✓ | | 1 |
| Churchill Downs | | | | | ✓ | | 1 |
| CIGNA | | | ✓ | | | | 1 |
| Citigroup | ✓ | ✓ | | ✓ | | ✓✓ | 5 |
| Cleveland-Cliffs | ✓ | | | | | | 1 |
| CMS Energy | | ✓ | | | | | 1 |
| Coca-Cola | ✓ | | | | ✓ | | 2 |
| Comcast | ✓ | ✓ | ✓✓✓ | | | | 5 |
| ConocoPhillips | ✓ | | | | | | 1 |
| CoreCivic | | | | ✓ | | | 1 |
| Corning | ✓ | | | | | | 1 |
| Costco Wholesale | ✓✓ | | | | | | 2 |
| CSX | | ✓ | | | | | 1 |
| CVS Health | | | ✓✓✓ | | ✓ | | 4 |
| Danaher | ✓ | | ✓ | | | | 2 |
| DaVita | | ✓ | | | | | 1 |
| Dell Technologies | | | ✓ | | | | 1 |
| Delta Air Lines | | ✓✓ | | | | | 2 |
| Diamondback Energy | | ✓ | | | | | 1 |
| Dine Brands | ✓✓ | | | | | | 2 |
| Discovery | | | | | ✓ | | 1 |
| Dollar General | | | ✓ | | | | 1 |
| Dollar Tree | | | ✓ | | | | 1 |
| Dominion Energy | ✓ | ✓ | | | | | 2 |
| Domino's Pizza | ✓ | | | | | | 1 |
| Dow | ✓ | | ✓ | | | | 2 |
| DTE Energy | ✓ | ✓ | | | | | 2 |
| Duke Energy | ✓ | ✓✓ | | | ✓ | | 4 |
| Duke Realty Corp | ✓ | | | | | | 1 |
| DuPont de Nemours | ✓ | | ✓ | | | | 2 |
| DZS | | | | | | ✓ | 1 |
| Easterly Government Properties | | | | | | ✓ | 1 |
| Eastman Chemical | ✓ | | | | | | 1 |
| Electronic Arts | | | ✓ | | | | 1 |
| Eli Lilly | | ✓ | ✓✓ | | ✓ | | 4 |
| Entergy | | ✓ | | | | | 1 |
| Evergy (formerly Westar Energy) | | | | | | ✓ | 1 |
| Exelon | | | | | ✓ | | 1 |
| Expedia Group | | ✓ | | ✓ | | | 2 |
| Expeditors International of Washington | ✓ | ✓ | | | | | 2 |

*Continued on next page*

| Company | Climate/ Environment | Corporate Political Activity | Decent Work/ Diversity | Human Rights | Other | Sustainable Governance | Grand Total |
|---|---|---|---|---|---|---|---|
| ExxonMobil | ✓✓✓ | ✓✓✓ | | ✓ | ✓ | ✓ | 9 |
| Facebook | | | | ✓✓ | ✓ | ✓✓ | 5 |
| FBL Financial Group | | | | | | ✓ | 1 |
| Federal Realty Investment Trust | ✓ | | | | | | 1 |
| FedEx | | ✓ | | | | | 1 |
| First Community Bankshares | | | | | | ✓ | 1 |
| First Solar | | | | | | ✓ | 1 |
| FirstEnergy | | ✓✓ | | | | | 2 |
| Fiserv | | | | | | ✓ | 1 |
| Flowers Foods | | ✓ | | | | | 1 |
| Foot Locker | | | | ✓ | | | 1 |
| Ford Motor | | | ✓ | | | | 1 |
| Fortinet | | ✓ | | | | | 1 |
| General Dynamics | | | | ✓ | | | 1 |
| General Electric | ✓ | | | | | | 1 |
| General Motors | | ✓ | | | | ✓ | 2 |
| GEO Group | | ✓ | | | | | 1 |
| German American Bancorp | | | | | | ✓ | 1 |
| Gilead Sciences | | | ✓ | | ✓ | | 2 |
| Goldman Sachs | ✓ | | | ✓ | | ✓ | 3 |
| Goodyear Tire & Rubber | | | | ✓ | | | 1 |
| Hannon Armstrong Infrastructure Capital | | | | | | ✓ | 1 |
| HCA Healthcare | | | | | | ✓ | 1 |
| Hess | ✓ | | | | | | 1 |
| Home Depot | ✓ | | ✓✓ | ✓ | | | 4 |
| Hormel Foods | ✓ | | | | | | 1 |
| IDEX | | | | | | ✓ | 1 |
| Illumina | | ✓ | | | | | 1 |
| Inseego | | | | | | ✓ | 1 |
| Intel | | | ✓✓ | | ✓ | | 3 |
| International Business Machines | | | ✓✓ | | | | 2 |
| IPG Photonics | | | ✓ | | | ✓ | 2 |
| Johnson & Johnson | | | ✓✓ | ✓ | ✓✓✓ | | 6 |
| JPMorgan Chase | ✓✓ | ✓ | ✓ | ✓ | ✓ | ✓✓ | 8 |
| Keurig Dr Pepper | ✓ | | | | | | 1 |
| KeyCorp | | | | | ✓ | | 1 |
| Kimberly-Clark | | ✓ | | | | | 1 |
| Kinder Morgan | | ✓ | | | | | 1 |
| Kohl's | | | ✓ | | | | 1 |
| Kraft Heinz | ✓✓ | | ✓ | ✓ | | | 4 |
| Kroger | ✓ | | ✓✓ | ✓ | | | 4 |
| Lockheed Martin | | | ✓ | ✓ | | | 2 |
| Loews | | ✓ | | | | | 1 |
| Lyft | | ✓ | | | | ✓ | 2 |
| Marriott International | | | | | | ✓ | 1 |
| Maui Land & Pineapple | | | | | | ✓ | 1 |
| Maximus | | ✓ | | | | | 1 |
| McDonald's | ✓✓✓ | | ✓✓✓ | | ✓✓ | ✓ | 9 |
| McKesson | ✓ | ✓ | | | | | 2 |

*Continued on next page*

| Company | Climate/ Environment | Corporate Political Activity | Decent Work/ Diversity | Human Rights | Other | Sustainable Governance | Grand Total |
|---|---|---|---|---|---|---|---|
| Merck | | | | | ✓ | | 1 |
| Metlife | | | ✓ | | | | 1 |
| Molson Coors Beverage | | ✓ | | | | | 1 |
| Mondelez International | ✓ | | ✓ | | | | 2 |
| Monster Beverage | ✓ | | | ✓ | | | 2 |
| Moody's | | | ✓ | | | | 1 |
| Morgan Stanley | | | | ✓ | | | 1 |
| National HealthCare | | | | | | ✓ | 1 |
| Netflix | | ✓ | ✓ | | ✓ | | 3 |
| New York Times | | | | | ✓ | | 1 |
| NextDecade | ✓ | | | | | | 1 |
| NextEra Energy | | | ✓ | | | | 1 |
| NIKE | | ✓ | | | | | 1 |
| Norfolk Southern | | ✓ | | | | | 1 |
| Northrop Grumman | | | | ✓ | | | 1 |
| Nvidia | | ✓ | | | | | 1 |
| Occidental Petroleum | ✓ | | | | | | 1 |
| Omnicom Group | | ✓ | | ✓ | | | 2 |
| Paycom Software | | | ✓ | | | | 1 |
| PayPal | | | ✓ | | | | 1 |
| PDC Energy | ✓ | | | | | | 1 |
| Pentair | ✓ | | | | | | 1 |
| PepsiCo | ✓✓ | | | | ✓✓ | | 4 |
| PetMed Express | | | | | | ✓ | 1 |
| Pfizer | | ✓✓ | ✓ | | ✓ | | 4 |
| Phillips 66 | ✓ | ✓ | | | | | 2 |
| Pilgrim's Pride | ✓ | | | ✓ | | ✓ | 3 |
| PNC Financial Services Group | | | | ✓ | | | 1 |
| Progressive | | | | | ✓ | | 1 |
| ProLogis | | | | | | ✓ | 1 |
| Public Storage | ✓ | | | | | | 1 |
| Ramaco Resources | | | | | | ✓ | 1 |
| Raytheon | | | | ✓ | | | 1 |
| Realty Income | ✓ | | | | | | 1 |
| Regeneron Pharmaceuticals | | | | | ✓ | | 1 |
| Rite Aid | | | | | ✓ | | 1 |
| Royal Caribbean Cruises | | ✓ | | | ✓ | | 2 |
| S&P Global | | | | | | ✓ | 1 |
| Salesforce.com | | | | | ✓ | ✓ | 2 |
| Sanderson Farms | | ✓ | | ✓ | | | 2 |
| SBA Communications | | | ✓ | | | | 1 |
| SeaWorld Entertainment | | | | | ✓ | | 1 |
| Sempra Energy | ✓ | ✓ | | | | | 2 |
| Shake Shack | | | | | | ✓ | 1 |
| Skyworks Solutions | ✓ | | | | | | 1 |
| Southern | ✓ | | | | | | 1 |
| Southwest Airlines | | | | | | ✓ | 1 |
| Starbucks | | | ✓✓ | | ✓ | | 3 |
| State Street | | | | ✓ | | ✓ | 2 |

*Continued on next page*

| Company | Climate/ Environment | Corporate Political Activity | Decent Work/ Diversity | Human Rights | Other | Sustainable Governance | Grand Total |
|---|---|---|---|---|---|---|---|
| Sysco | ✓ | | | | | | 1 |
| T. Rowe Price Group | | | | | | ✓ | 1 |
| Target | ✓✓ | | | ✓ | ✓ | | 4 |
| Tenet Healthcare | | | | | | ✓ | 1 |
| Texas Instruments | | | ✓ | | | ✓ | 2 |
| Thermo Fisher Scientific | | | ✓ | | | | 1 |
| TJX | | | ✓✓✓ | ✓ | ✓ | | 5 |
| T-Mobile US | | ✓ | | | | | 1 |
| Tractor Supply | ✓ | | | | | ✓ | 2 |
| Treehouse Foods | | | | | | ✓ | 1 |
| TripAdvisor | | | | ✓ | | | 1 |
| Twitter | ✓ | | | | | ✓ | 2 |
| Tyson Foods | ✓ | ✓ | | ✓ | | | 3 |
| U.S. Bancorp | | | | | | ✓ | 1 |
| U.S. Physical Therapy | | | | | | ✓ | 1 |
| Uber Technologies | | ✓ | | | | | 1 |
| Union Pacific | ✓✓✓ | | ✓✓ | | | | 5 |
| United Airlines Holdings | ✓ | ✓✓ | | ✓ | | | 4 |
| United Parcel Service | ✓ | ✓ | ✓✓ | | | ✓ | 5 |
| UnitedHealth Group | | | ✓ | | | | 1 |
| V.F. Corp. | | | | | | ✓ | 1 |
| Valero Energy | | ✓ | | | | ✓ | 2 |
| Vanguard Mutual Funds | | | | | | ✓ | 1 |
| Verizon Communications | | | | | ✓ | ✓ | 2 |
| Vertex Pharmaceuticals | | ✓✓ | | | | | 2 |
| Visa | | | ✓ | | | | 1 |
| Walgreens Boots Alliance | | | ✓ | | ✓✓ | | 3 |
| Walmart | ✓✓ | ✓ | ✓✓✓✓ | | ✓✓ | | 9 |
| Walt Disney | | ✓ | ✓✓ | ✓ | ✓ | ✓ | 6 |
| Waters | ✓ | | | | | | 1 |
| Wells Fargo | ✓ | | ✓ | ✓ | | ✓ | 4 |
| Wendy's | ✓ | | ✓ | | | | 2 |
| Where Food Comes From | | | | | | ✓ | 1 |
| XPO Logistics | | ✓ | | | | | 1 |
| Yelp | | | | | | ✓ | 1 |
| Yum Brands | ✓ | | ✓ | | | | 2 |
| | 91 | 78 | 93 | 47 | 46 | 73 | 428 |

*(Excludes proposals not yet public.)*

# ABOUT PROXY PREVIEW

## *PROXY PREVIEW 2021* IS A COLLABORATION BETWEEN

**As You Sow** is a nonprofit organization dedicated to increasing environmental and social corporate responsibility. Founded in 1992, *As You Sow* envisions a safe, just, and sustainable world in which environmental health and human rights are central to corporate decision making. Its Energy, Environmental Health, Waste, and Human Rights programs create positive, industry-wide change through corporate dialogue, shareholder advocacy, coalition building, and innovative legal strategies. www.asyousow.org

The **Sustainable Investments Institute (Si2)**, a nonprofit research organization based in Washington, D.C., conducts impartial research and publishes reports on organized efforts to influence corporate behavior on social and environmental issues. Si2 closely follows shareholder resolutions proposed by investor advocates, but does not making voting recommendations. Instead, it provides the tools and in-depth reports that enable investors to make their own informed, independent decisions on the contentious public policy issues raised during proxy season. Si2 also conducts research into emerging sustainability issues to better help investors and the general public understand the implications they hold for companies and their key stakeholders. Recent reports assess corporate political activity, hydraulic fracturing, integrated reporting, nanotechnologies and sustainable governance issues. Si2 is supported by leading institutional investors, including public and private pension funds, college and university endowments, foundations and fund managers. www.siinstitute.org

**Proxy Impact** is a progressive proxy voting and shareholder engagement service for foundations, faith-based and sustainable, responsible and impact (SRI) investors. We provide affordable proxy voting based on environmental, social, and governance (ESG) guidelines. Proxy Impact also offers a full range of shareholder engagement services on ESG issues. This includes research, corporate dialogues and filing shareholder resolutions. Our unique consulting service will identify the links and advocacy opportunities between a client's stockholdings and their organization's mission, programs and/or grantees. This allows clients to leverage their shares to support their values and core programs and provides strategic options for how to address key issues through their investments or grant making. www.proxyimpact.com

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**Arjuna Capital** empowers our clients to sustainably align their investments for profitability and impact. Arjuna is a one-stop shop for creating a high-impact investment portfolio across markets and asset classes—from public to private, domestic to foreign, equity to debt. Our philosophy is rooted in the concept of sustainability: that economic vitality, environmental responsibility and social equity are mutually supportive measures of a society's health. With decades of experience considering the financial impact of environmental, social and governance (ESG) risk and opportunity factors, our team is uniquely situated to mine insights from this approach to investment analysis. We strive to offer the most diverse, sustainable, profitable and high-impact investments available, build and preserve our clients' wealth, and influence sustainable change through enlightened engagement in the capital markets. www.arjuna-capital.com

**Boston Trust Walden** has been integrating ESG factors into investment decisions since 1975—one of the longest track records of any institutional investment manager. We encourage the companies in which we invest to strengthen ESG policies and practices, recognizing companies that effectively manage sustainability risks are better positioned for success. Our active ownership initiatives span a range of issues and tactics with an aim to enhance the long-term prosperity of investors, business, the economy, and society. Boston Trust Walden Company is an independent, employee-owned investment management firm with $11.6 billion in assets under management as of December 31, 2020. For more information, visit www.bostontrustwalden.com.

**Calvert Research and Management** (Calvert) is a global leader in Responsible Investing. Calvert sponsors one of the largest and most diversified families of responsibly invested mutual funds, encompassing active and passively managed equity, income, alternative and multi-asset strategies. With roots in Responsible Investing back to 1982, the firm seeks to generate favorable investment returns for clients by allocating capital consistent with environmental, social and governance best practices and through structured engagement with portfolio companies. Headquartered in Washington, D.C., Calvert manages assets on behalf of funds, individual and institutional separate account clients, and their advisors. For more information, visit www.calvert.com.

**Carillon Tower Advisers**, a subsidiary of Raymond James Financial, comprises five boutique asset management firms: Eagle Asset Management, Scout Investments, Reams Asset Management, ClariVest Asset Management, and Cougar Global Investments. While each affiliate is unique in its investment approach, they all share a commitment to investing for the long-term. Incorporating environmental, social, and governance considerations in investment decisions, consistent with each firm's philosophy and process, is at the heart of the Carillon approach to responsible investing. With strategies that cross asset classes and investment processes that include ESG integration, norm-based screening, exclusionary screening or a combination, Carillon offers many investment options to meet the financial needs of investors. Please visit us at www.carillontower.com/esg.

**ClearBridge Investments** is a leading global equity manager with $177 billion in assets under management (as of December 31, 2020). We are committed to delivering long-term results through authentic active management and offer investment solutions that emphasize differentiated, bottom-up stock selection to move our clients forward. Owned by Franklin Resources, ClearBridge operates with investment independence from headquarters in New York and offices in Baltimore, London, San Francisco, Sydney and Wilmington.

We believe authentic active management and high-conviction portfolios provide clients the best opportunities to earn superior investment results over the long term. Our active approach combines the market knowledge of long-tenured portfolio managers with the original research of a specialized group of sector and portfolio analysts and the deep diligence of a dedicated risk management team. The firm offers global strategies focused on three primary client objectives in our areas of proven expertise: high active share, income solutions and low volatility. We integrate ESG considerations into our fundamental research process across all strategies. As part of this integration, we assign ESG ratings to companies across our coverage universe and utilize those ratings to drive company engagement. www.clearbridge.com

**Domini Impact Investments LLC** is a women-led SEC registered investment adviser specializing exclusively in impact investing. We serve individual and institutional investors who wish to create positive social and environmental outcomes while seeking competitive financial returns. We apply social, environmental, and governance standards to all our investments, believing they help identify opportunities to provide strong financial rewards while also helping to create a more just and sustainable economic system. www.domini.com

**Fiduciary Trust International** is a wealth management firm founded in 1931. The firm's impact investing practice aligns our clients' values with their long-term risk/return objectives. We have nearly two decades of experience working with clients across a variety of thematic areas from aligning with faith-based values to advancing the transition to a lower carbon future to creating more opportunity for gender and racial equity. Our organization has a deep commitment to customization; grounds impact investing in an investment-centric culture; and offers expertise across all asset classes represented in a comprehensive, diversified portfolio, including private alternative investments. We integrate values- and mission-based investing across the firm in order to give clients access to the firm's robust investment research, portfolio construction, and risk management processes. www.fiduciarytrust.com

**First Affirmative Financial Network, LLC**, is an employee-owned investment advisory firm specializing in sustainable, responsible, impact (SRI) investing. We began conducting business in 1988 and we have had one mission since our founding—to improve investment performance, reduce risk, and create a better world by integrating sustainable, responsible, and impact (SRI) investing with environmental, social and corporate governance (ESG) principles. We vote client proxies in accordance with detailed voting guidelines and actively engage with selected portfolio companies with the goal of creating a truly sustainable future. www.firstaffirmative.com

**Global Proxy Watch** is the premier source of inside information about key governance developments worldwide. It's an indispensable resource for leading shareowner activists and experts in every advanced market. Now in its 25th year, GPW keeps subscribers abreast of shareowner activism across borders, the powerful industry of governance advisors, and initiatives by companies, governments and stock exchanges to reform, turbo-charge or block corporate governance. GPW is the place the market turns to for information on who is moving to new posts and for job openings in the governance field. Subscribers include leading pension funds and other activist institutional investors, custodian banks, stock exchanges, corporations, professional trade bodies, management consulting companies, trade unions, investor relations firms, accounting firms, academic institutions, law firms and international governmental organizations. proxywatch.com

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**Green America's** mission is to harness economic power—the strength of consumers, investors, businesses, and the marketplace—to create a socially just and environmentally sustainable society. We work for a world where all people have enough, where all communities are healthy and safe, and where the bounty of the Earth is preserved for all the generations to come. We work on issues of social justice and environmental responsibility. We see these issues as completely linked in the quest for a sustainable world. It's what we mean when we say "green." www.greenamerica.org

**Harrington Investments, Inc. (HII)** is a leader in Socially Responsible Investing and Shareholder Advocacy. Dedicated to managing portfolios for individuals, foundations, non-profits, organized labor and family trusts to maximize financial, social, and environmental performance, we actively engage in shareholder campaigns and other strategies to promote greater corporate responsibility and social justice. We believe the process of shareholder advocacy influences corporate behavior and educates the public about the practices and values of publicly traded corporations. Our advocacy program includes filing shareholder resolutions on corporate governance, sustainability practices and human and indigenous peoples' rights. In our current socio-political climate, a time of uncertainty and unrest, we continue to call on corporate directors to confront their moral and ethical obligations of fiduciary responsibility. www.harringtoninvestments.com

**Miller/Howard Investments, Inc.** is a 100% employee-owned, independent, SEC-registered investment boutique that began managing equity portfolios for institutions and individuals in dividend-focused strategies in 1991. The firm invests in quality stocks with strong balance sheets, governance and fundamentals, and the ability to grow dividends. We integrate ESG analysis with financial analysis in our pursuit of companies with strong commitments to high operational standards, the environment, social responsibility, and good governance; we believe doing so provides a framework for achieving suitable risk profiles and long-term investment returns while building sustainable global economies and markets. As part of our Shareholder Advocacy and risk mitigation efforts, we actively engage companies on material ESG issues to help them seek a more sustainable future and long-term profitability. Visit us at www.mhinvest.com.

***The Murninghan Post*** is a platform for a simple concept and strategy: build a civic moral economy that strengthens equity culture and our political economy. How? By helping concerned citizens, nonprofit fiduciaries, policymakers, and lawmakers activate vast pools of portfolio assets managed by tax-exempt institutions, aka "civic fiduciaries". At a time when taxes and charitable grants are not enough, we can make that money more productive and accountable to the public interest—particularly regarding human rights, climate, and infrastructure. A civic moral economy aligns investment policy and practice with tax-exempt principles and purpose. It relies upon multi-capital, multi-asset, multi-portfolio, and polycentric approaches. It promotes civic voice and agency by educating, empowering, and engaging ordinary people who remain disconnected from sustainable finance and believe organized politics has failed them. murninghanpost.com

The Murninghan Post
Building the transition to sustainable prosperity and justice

Rooted in the Jewish tradition of social justice, the **Nathan Cummings Foundation** focuses on finding solutions to the two biggest problems of our time – the climate crisis and growing inequality—and aims to transform the systems and mindsets that hinder progress toward a more sustainable and equitable future for all people, particularly women and people of color. To do so, the Foundation invests in four focus areas: Inclusive Clean Economy; Racial and Economic Justice; Corporate and Political Accountability; and Voice, Creativity and Culture. The Foundation also uses its standing as an investor in publicly traded companies to push for changes that both further our mission and enhance long-term shareholder value. For more information, visit www.nathancummings.org.

**Natixis Investment Managers** applies Active Thinking® to deliver proactive solutions that help clients pursue better outcomes in all markets. We offer a broad range of funds for defined contribution plans, including the Natixis Sustainable Future Funds®, the first ESG-driven target date family. Now with a 3-year track record, the funds are designed for plan participants who want to generate sustainable long-term results, and are intended to be suitable as a QDIA. For more information, please visit www.im.natixis.com/ESGTargetDateFunds.

**Nia Impact Capital** is a women led impact investment and asset management firm based in Oakland, California. Nia is Swahili for intention and purpose and we build public market portfolios with purpose. The firm was founded in 2017 with the specific mission of empowering investors, bringing impact investing into the public markets, and growing and nurturing the next fair, just, inclusive and sustainable economy. We apply both a gender-lens and a commitment to racial equity across our investment decision-making process and live our values as a women-led team of activist investors. www.niaimpactcapital.com

Founded in 1990, **NorthStar Asset Management, Inc.** specializes exclusively in socially responsible investing for high net-worth clients and non-profit organizations. NorthStar's mission is to provide integrative and effective portfolio management by connecting social concerns to security selection, asset allocation, and activism.

Synthesizing a broad market outlook and the individual needs of the client, NorthStar combines direct investments in global equities, investment grade bonds, community loan funds, alternative "outside" investments, and cash to create vibrant and well-balanced portfolios.

NorthStar's activism includes engagement with portfolio companies to improve their behavior with regards to race and gender, wealth and income inequality, human rights, environmental justice, and corporate governance. The NorthStar approach, vision, and philosophy have evolved based on a core belief that we are here to make a difference. northstarasset.com

**Parnassus Investments** is a responsible investing pioneer and a leading provider of socially responsible equity and fixed income strategies today. We have worked to build wealth responsibly since 1984 based on the insight that successful outcomes begin with the goal of investing for Principles and Performance®.

We seek attractive risk-adjusted returns for our clients over the long term while investing sustainably for the future using an investment process that fully integrates fundamental financial analysis with environmental, social and governance (ESG) criteria. We identify businesses that we believe have increasingly relevant products or services, persistent competitive advantages and quality management teams for our high conviction portfolios. Every investment we make must meet rigorous ESG criteria. www.parnassus.com

Launched June 2007, **Responsible Investor (RI)** is the only dedicated news service reporting on responsible investment, ESG (environmental, social and governance) and sustainable finance issues for institutional investors globally, read by: pension funds, public and government funds, central banks, endowments, foundations, faith groups, family offices, corporations, investment consultants, asset managers, research and data providers, insurance companies, banks, associations, governments, regulators, NGOs, and other industry practitioners. RI also produces the industry-leading regional conferences: RI Asia Japan, RI Europe and RI Americas. www.responsible-investor.com

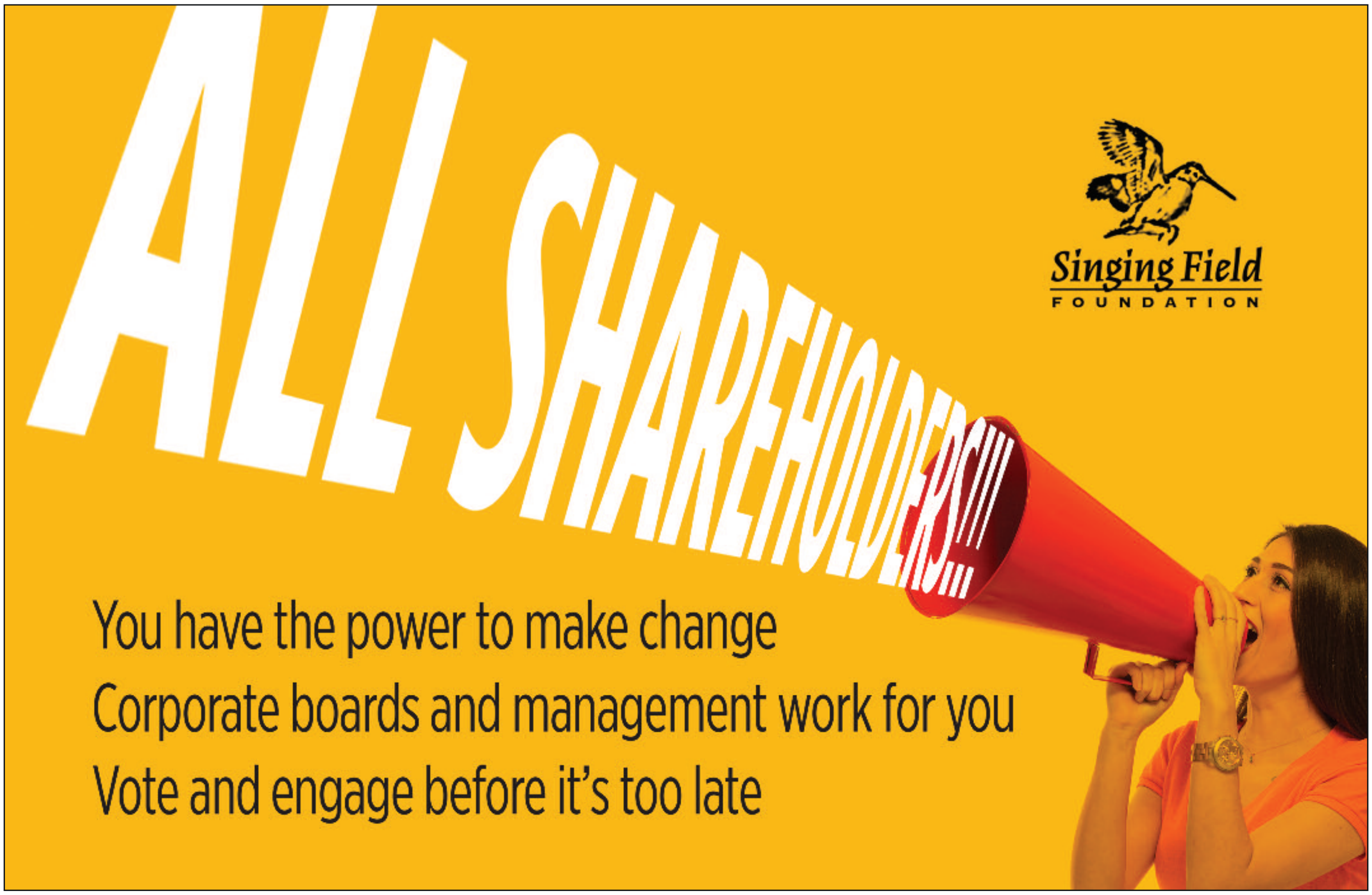
The **Rose Foundation for Communities and the Environment** envisions a future where nature is protected, people's rights are ensured, and environmental justice is advanced. Everyone has the right to clean air and water, a stable climate, and access to healthy natural areas. We have a particular moral obligation to ensure these rights are protected for those communities whose rights have historically been ignored. In addition, the natural world has intrinsic value independent of its usefulness to humans. Since nature can't speak for itself, we have an obligation to speak up for nature. We support grassroots initiatives that help build a world in which individuals, organizations, and communities are empowered to promote stewardship of nature, inspire people to take action, and hold government and corporations accountable. rosefdn.org

**The Singing Field Foundation** is a small family foundation, which began active grantmaking in 2004. Grants are initiated by the foundation's directors and typically provide general support for environmental, animal welfare, health-related organizations, and other charities of interest to family members. The foundation's interest in mission-related investing and "active ownership" of the companies in which the foundation is invested reflects our desire to maximize our impact as a small foundation, by deploying "the other 95 percent" of our assets, and our personal values, which dictate that the foundation's investments should be aligned with the foundation's mission. The Singing Field Foundation's support for *As You Sow* flows directly from this interest and complements the foundation's other grantmaking.

**The Sustainability Group of Loring, Wolcott & Coolidge**, founded by industry pioneer Amy Domini in 1987, seeks to deliver superior, long-term returns while investing for social and environmental progress. We offer trustee services and individually tailor portfolios to help clients profitably invest their assets in a manner that both aligns with their own values and can make a positive difference in the lives of people and our planet.

Many firms are just discovering socially responsible investing, but we have been integrating ESG into our investment process for over 30 years. We give clients the opportunity to invest today for a better tomorrow through active integration of sustainability into our investment strategy, direct corporate engagement, and meaningful community development and impact investments. www.lwcotrust.com

**Veris Wealth Partners, LLC** is a leading impact wealth management firm. Founded in 2007, Veris serves individuals, families and foundations seeking market performance and social gain by aligning their wealth with their values. Veris delivers comprehensive wealth management, including investment management, trust, tax and philanthropic strategies, with an emphasis on impact and sustainable investing. Veris is a proud B Corp and Best for the World® Overall Honoree (2019, 2018, 2017, 2016, 2015, 2014, 2013). Veris has offices in New York City, San Francisco, Portsmouth, NH, and Boulder, CO. For more information, please visit our website www.veriswp.com.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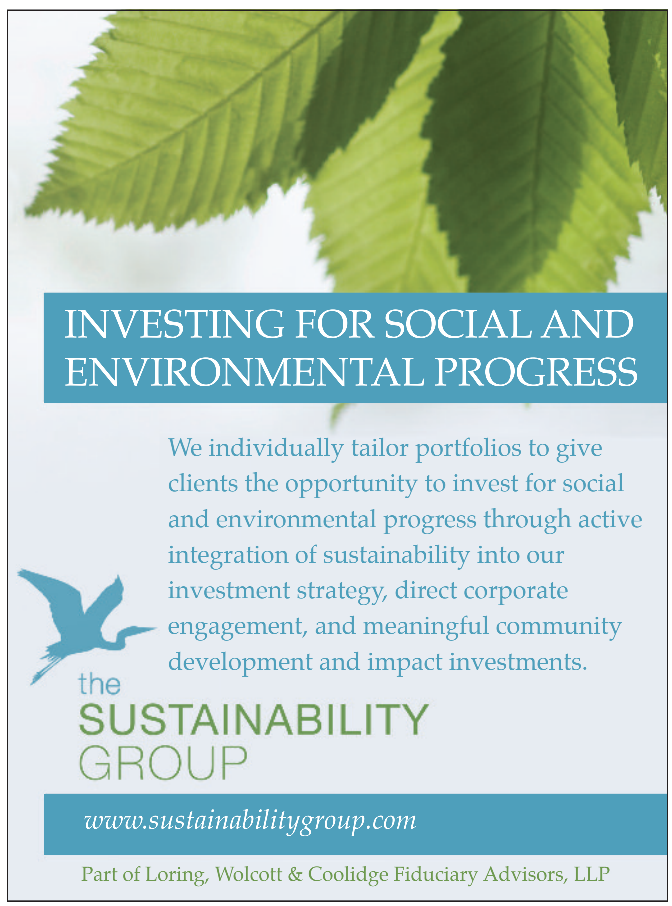
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