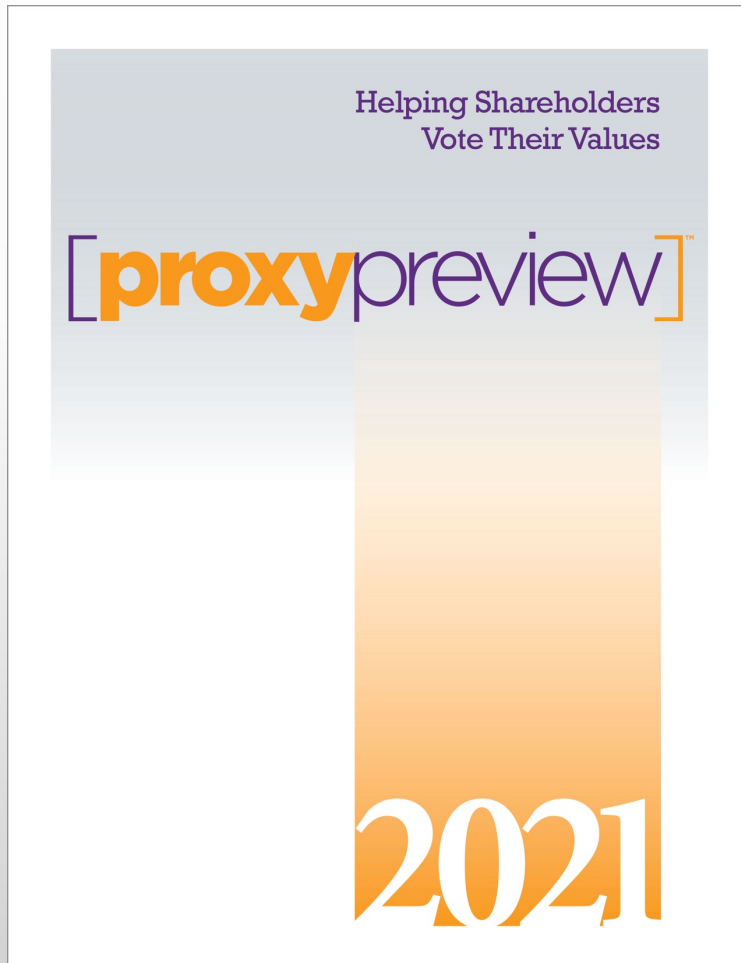




HELPING SHAREHOLDERS VOTE THEIR VALUES

Proxy Preview 2021



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March 18, 2021

Featured Speakers

Heidi Welsh
Sustainable Investments
Institute (Si2)



Michael Passoff
Proxy Impact



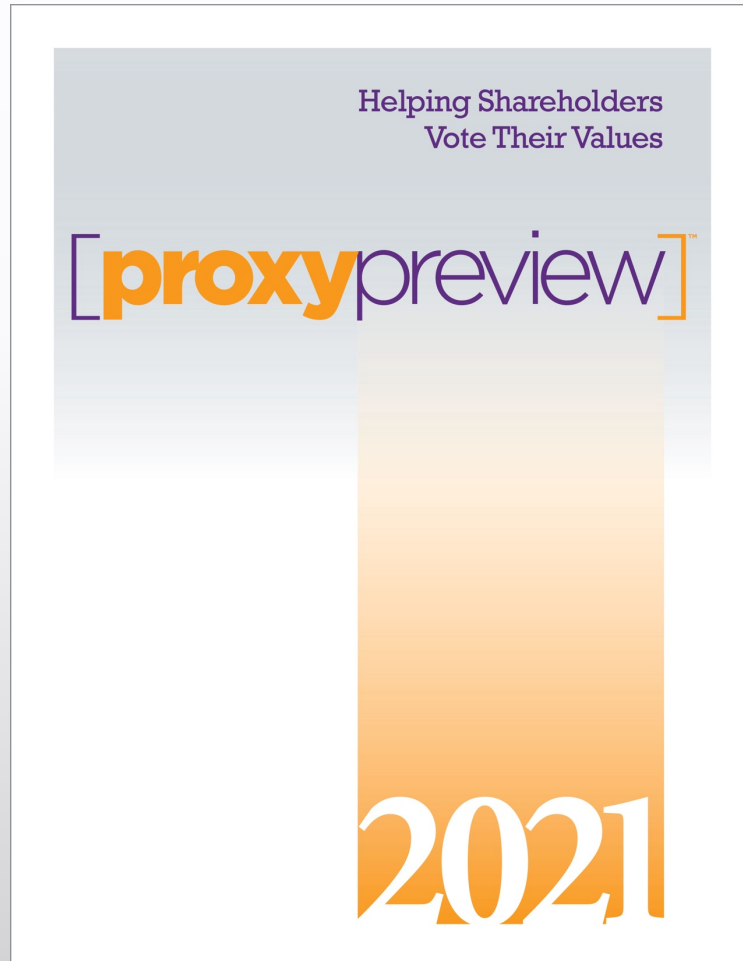
Laura Devenney
Boston Trust Walden



Tejal K. Patel
CtW Investment Group



Agenda



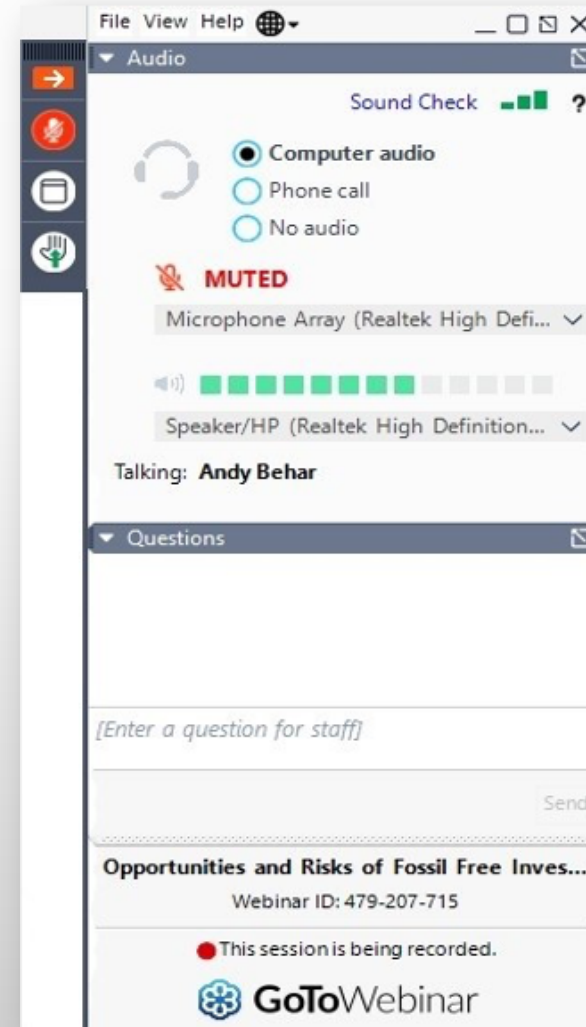
- ✓ **Introduction** (3 min)
Andrew Behar, As You Sow
- ✓ **2021 Proxy Season Overview** (15 min)
Heidi Welsh, Si2
- ✓ **Climate & Energy** (10 min)
Michael Passoff, Proxy Impact
- ✓ **Climate Lobbying** (5 min)
Laura Devenney, Boston Trust Walden
- ✓ **Racial Justice** (10 min)
Tejal K. Patel, CtW Investment Group
- ✓ **Q&A** (15 min)
moderated by Andrew Behar
- ✓ **Closing Remarks** (2 min)
*Heidi Welsh, Michael Passoff,
Laura Devenney, Tejal K. Patel*
- ✓ **Conclusion** (2 min)
Andrew Behar

General Information

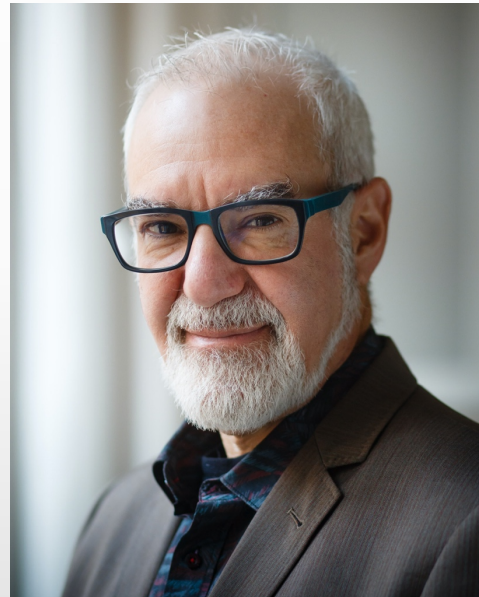
- Use the Q&A window to send us your questions

Q&A Window

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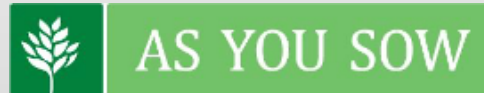
Introduction



Andrew Behar

CEO

As You Sow



2021 Proxy Season Overview



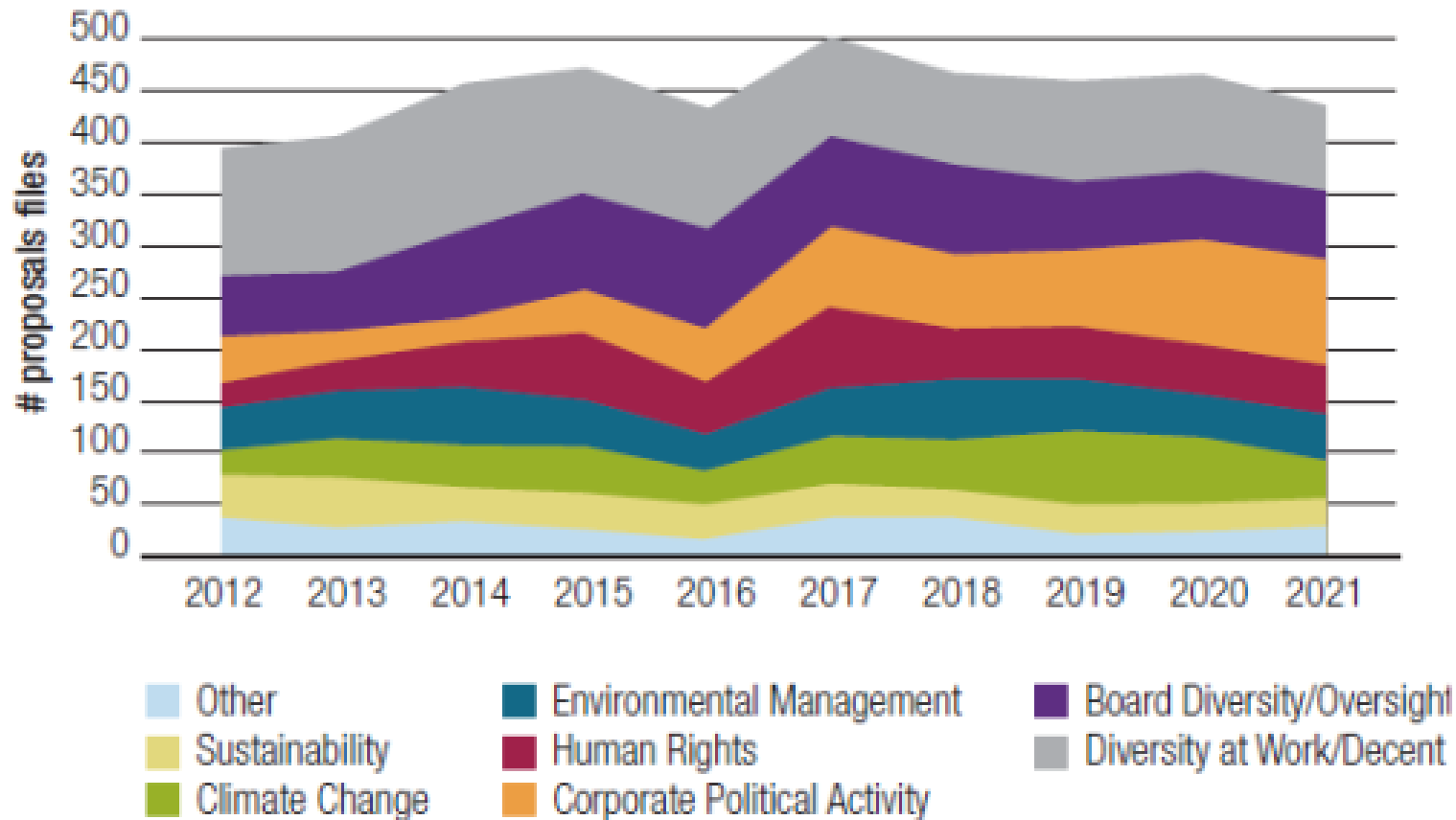
Heidi Welsh

Executive Director

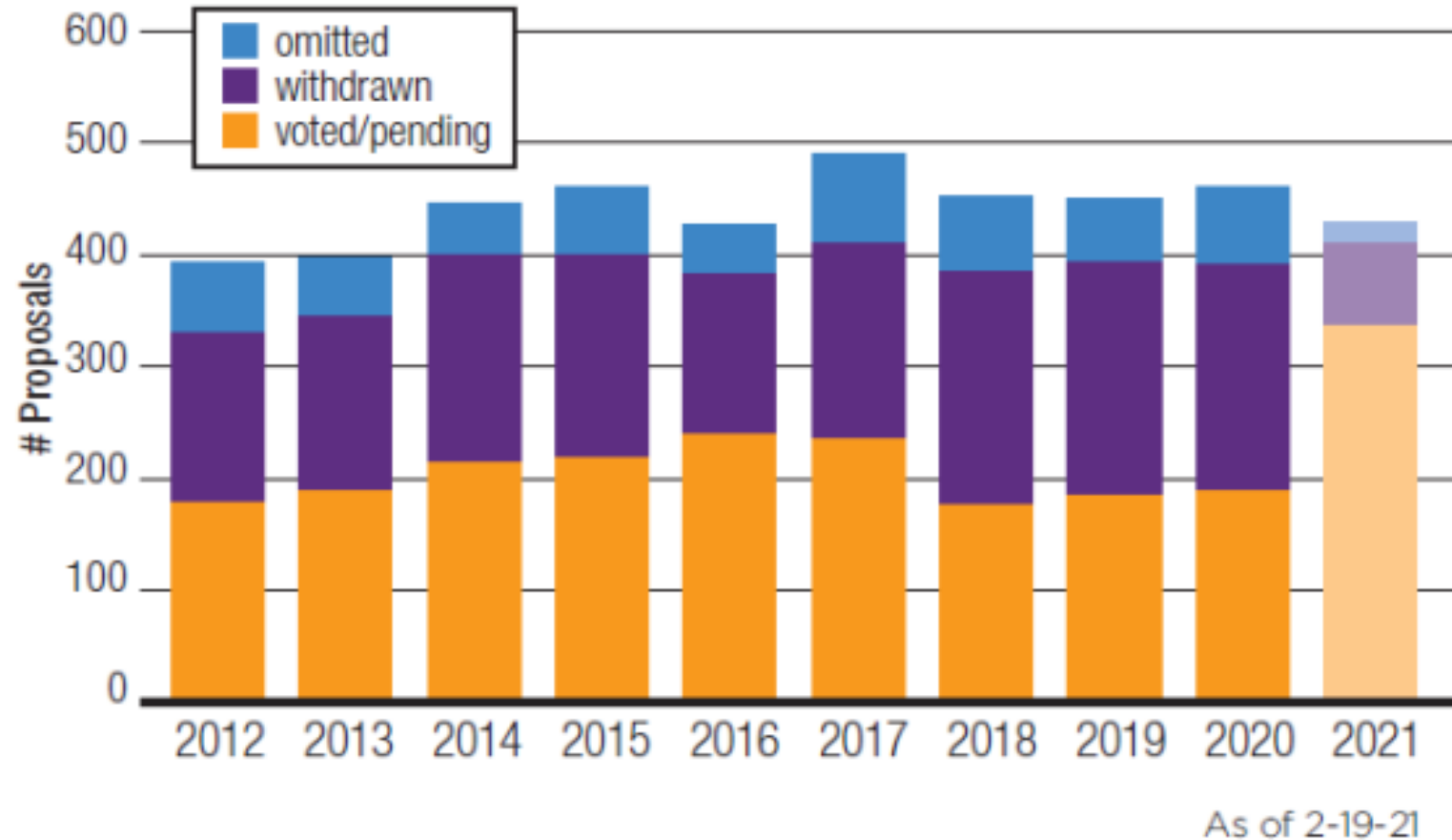
Sustainable Investments Institute (Si2)



Environmental, Social & Sustainability Filings Trend

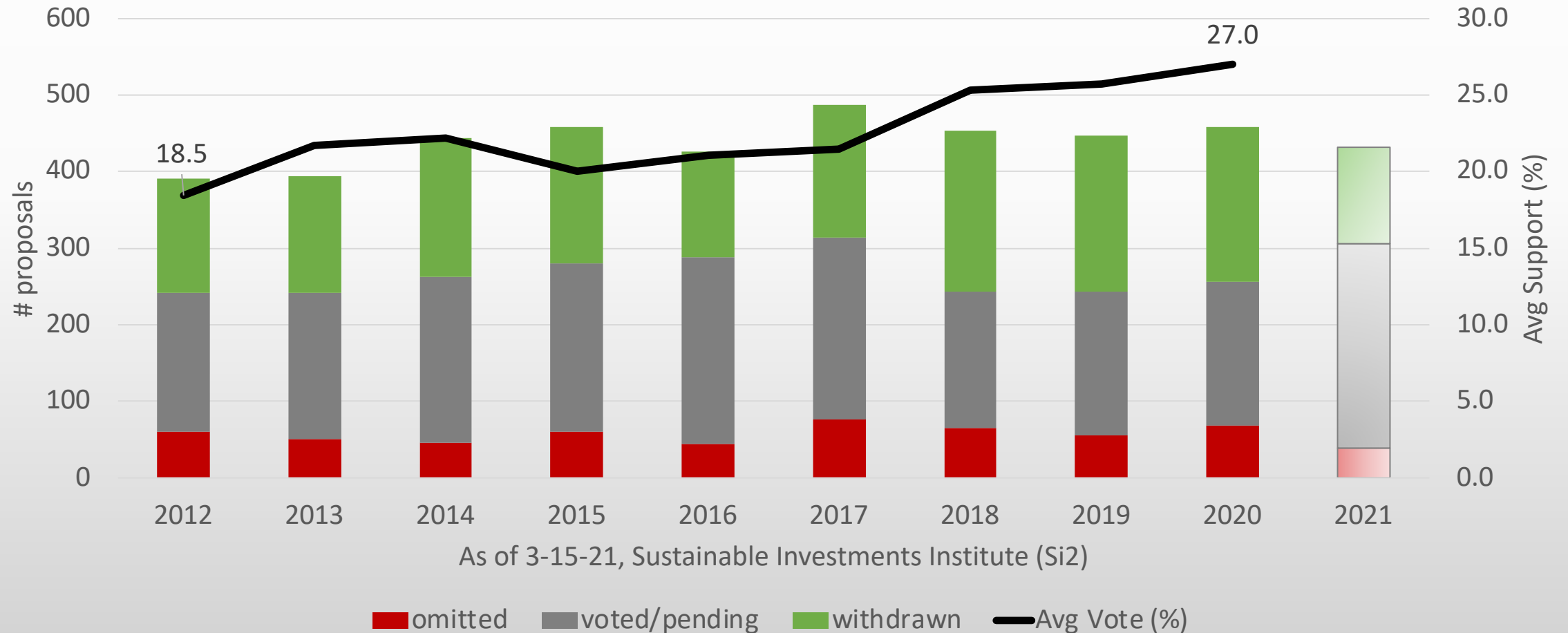


Environmental, Social & Sustainability Outcomes

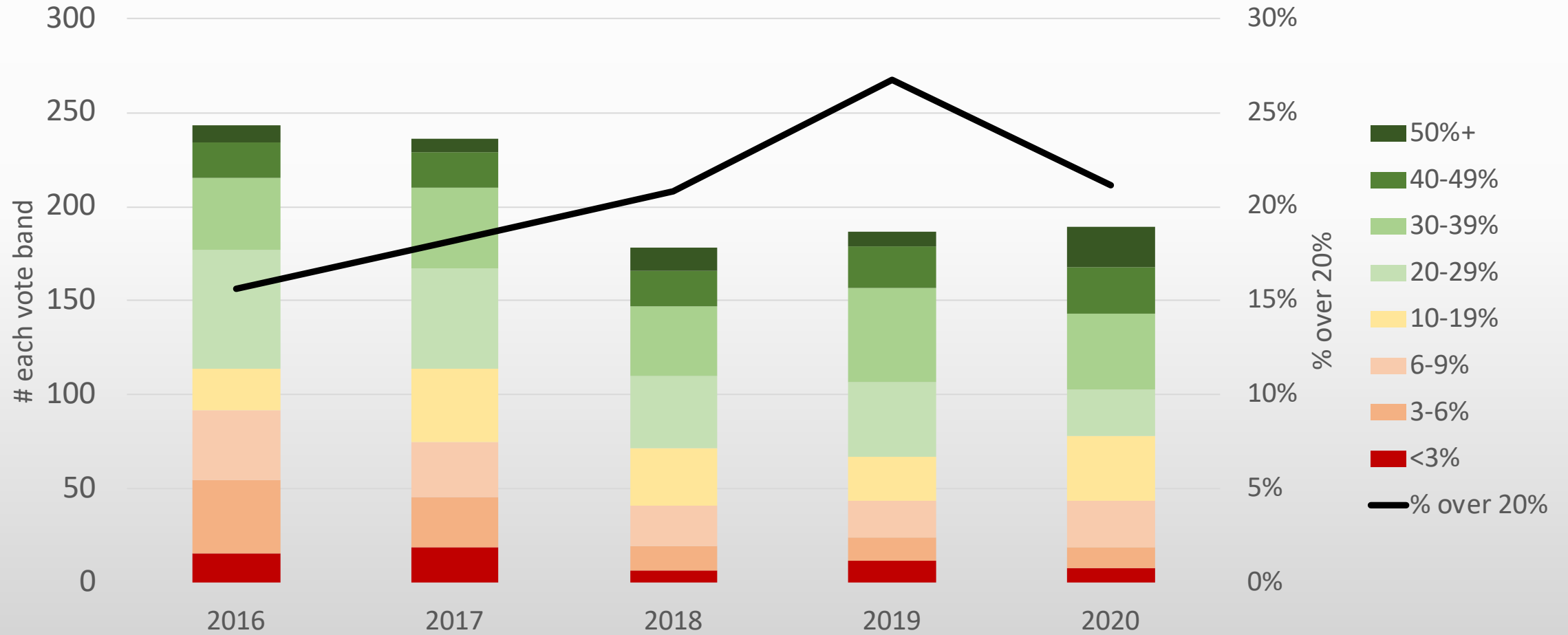


- 2021 #s track with previous three years
- Not shown: far more company challenges that may lead to omissions
- Increase so far in withdrawals

Outcomes and Average Support Trend



Vote Distribution



SEC Rule Change

- **Shareholder Proposal Rule: September 2020**

Harder to file

	Stock Required	For...
Before	\$2,000	1+ years
Now	\$25,000	1 year
	\$15,000	2 years
	\$2,000	3+ years
Cannot aggregate shares		

Harder to resubmit

	First Year	Second Year	Third+ Year
Before	3%	6%	10%
Now	5%	15%	25%



- **Proxy Advisor Restrictions: July 2020** (*lawsuit under way*)
- **ESG Proxy Voting by ERISA funds: December 2020** Department of Labor (*will not be enforced*)

New Resubmission Rule Has Different Impacts

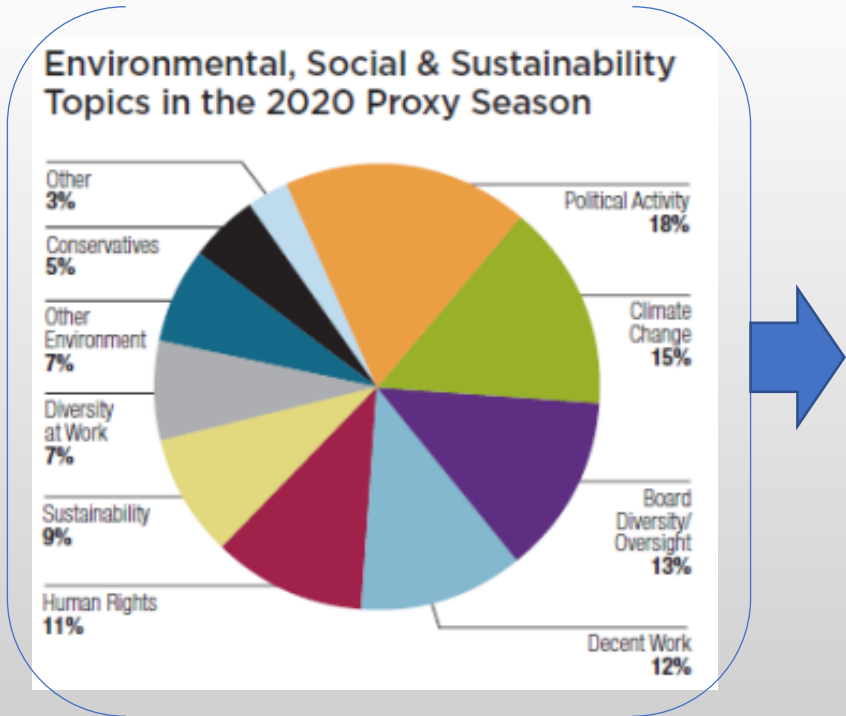
	# votes*				Differential Impact	
	<5%	25-49%	50%+	Total	% <5%	% >25%
Human Rights	39	28	3	107	36%	29%
Corporate Political Activity	13	229	12	337	4%	72%
Climate Change	9	90	14	163	6%	64%
*does not show # votes 15-24%					Source: Si2	

- Biggest potential impact on **human rights** (36% of votes < 5%)
- Far less potential impact on **political \$, climate change** (72%, 64% of votes > 25%)

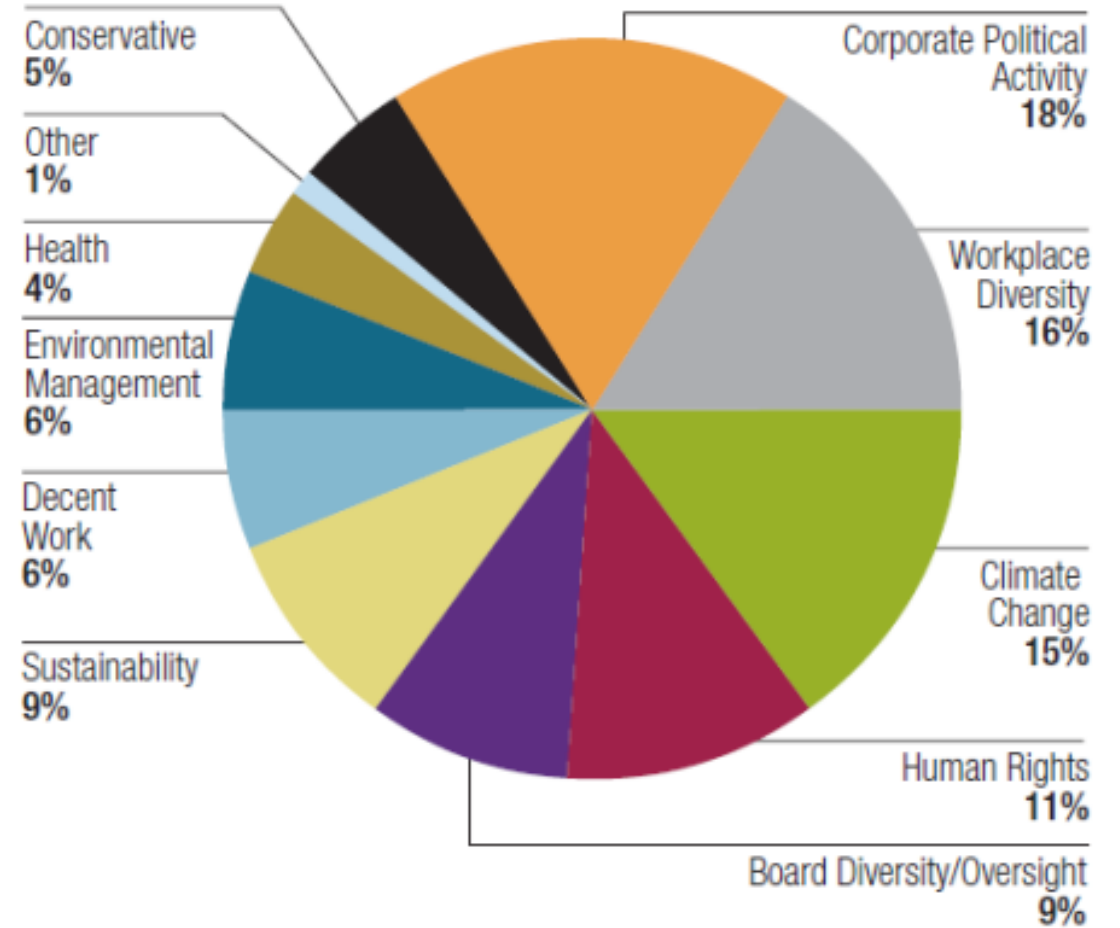
(Table shows votes 2016-20)

The 2021 Season

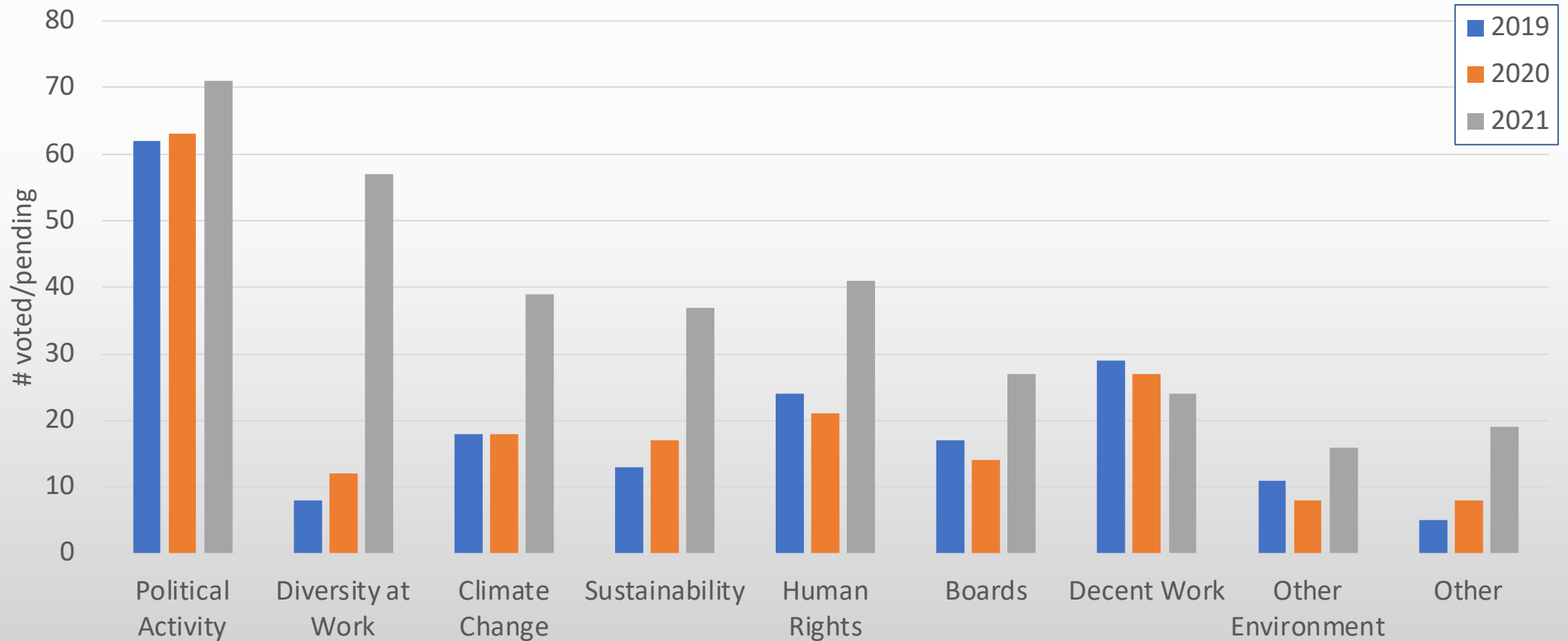
- ↑ diversity at work
- ↔ political \$, climate/environment, human rights, sustainability
- ↓ board diversity/oversight



Environmental, Social & Sustainability Proposals in the 2021



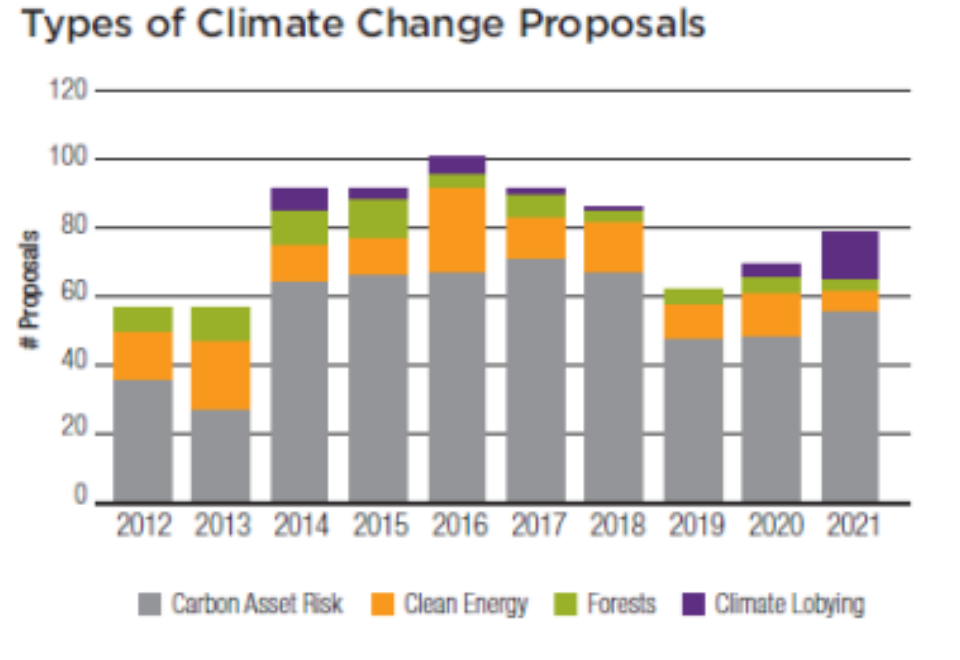
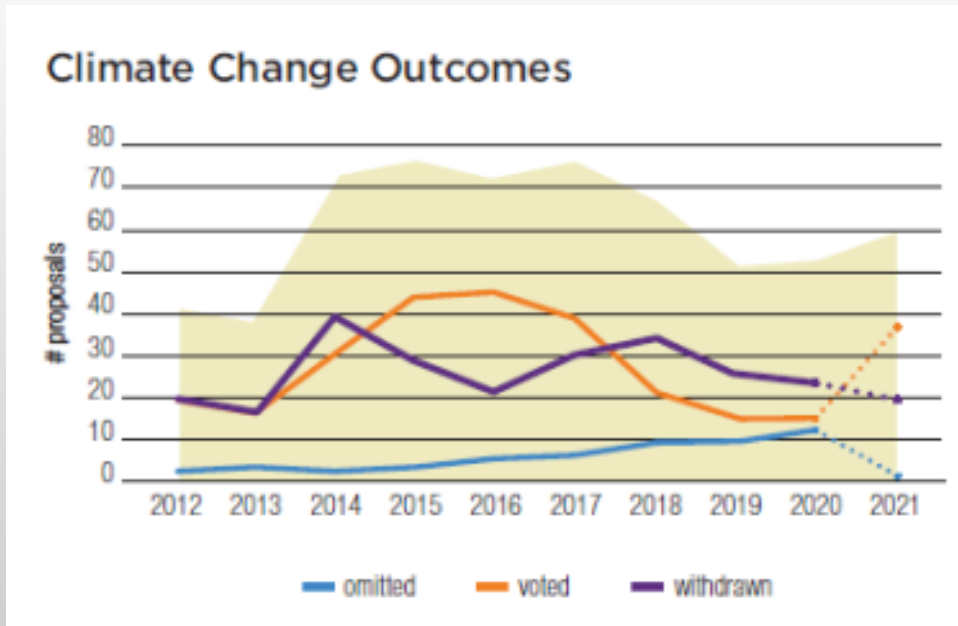
Past and Projected Votes



New Issues, Key Themes in 2021

Environment

- ✓ **Climate Change** (66 proposals)
 - **Carbon asset risk**—how will companies adapt?
 - **Clean energy/deforestation:** fewer proposals
- More withdrawals, fewer votes since 2018



NEW

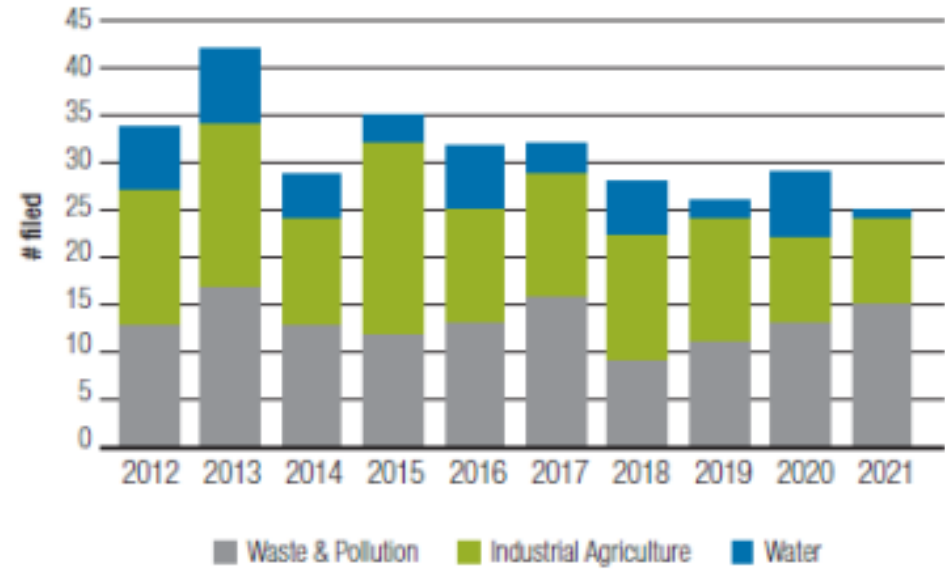
- ✓ “Say on climate”
- ✓ Formally audited climate plans
- ✓ Financing high carbon projects – new commitments
- ✓ Climate change lobbying

New Issues, Key Themes in 2021

Environment

- ✓ **Environmental Management** (24, down from earlier)
 - **Plastics** —13 out of 15 waste proposals
Focus moving from recycling to using less
 - **Industrial agriculture**—7 out of 10 on pesticides, antibiotics
 - **NEW:** Societal impact of antibiotics
Yum! Brands will report

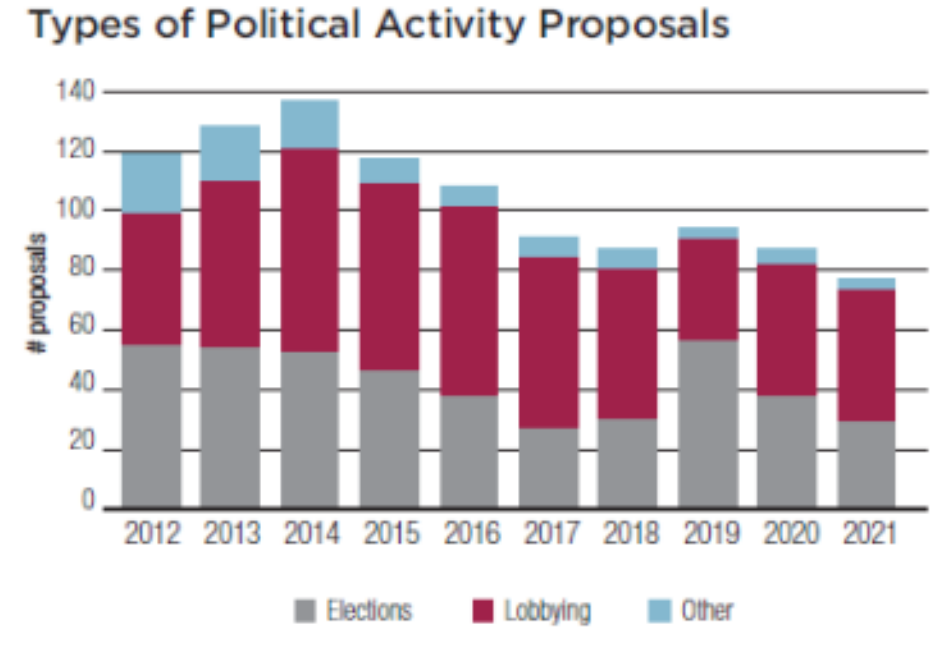
Environmental Management Proposals



New Issues, Key Themes in 2021

Social Issues

- ✓ **Political Activity** (78, down from 87 in '20)
 - 31 lobbying, 30 elections, 3 on values congruency (Rhia Advisors)
 - **NEW:** 13 climate lobbying, plus racial justice angle at **Best Buy**
 - Oversight/disclosure model: Center for Political Accountability (elections) & AFSCME/Boston Trust Walden (lobbying)



January 6 attack on Capitol prompts “pause” but highly partisan corporate \$ flow in the states – whither voting rights, anti-abortion laws?

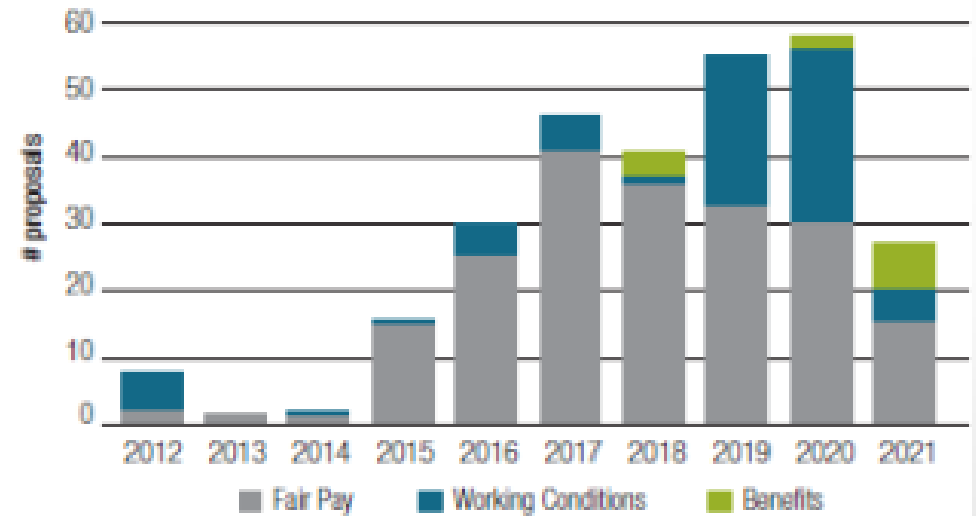


New Issues, Key Themes in 2021

Social Issues

- ✓ **Decent Work** (27 proposals, down from 2020)
 - Fair pay: 15 filings on executive, gender/racial pay gaps
2020 support fell – some info is enough?
 - **NEW**: Paid sick leave is “ordinary business”
 - **NEW**: Pandemic working conditions (**Amazon, Walmart, Wendy’s**)

Types of Decent Work Proposals

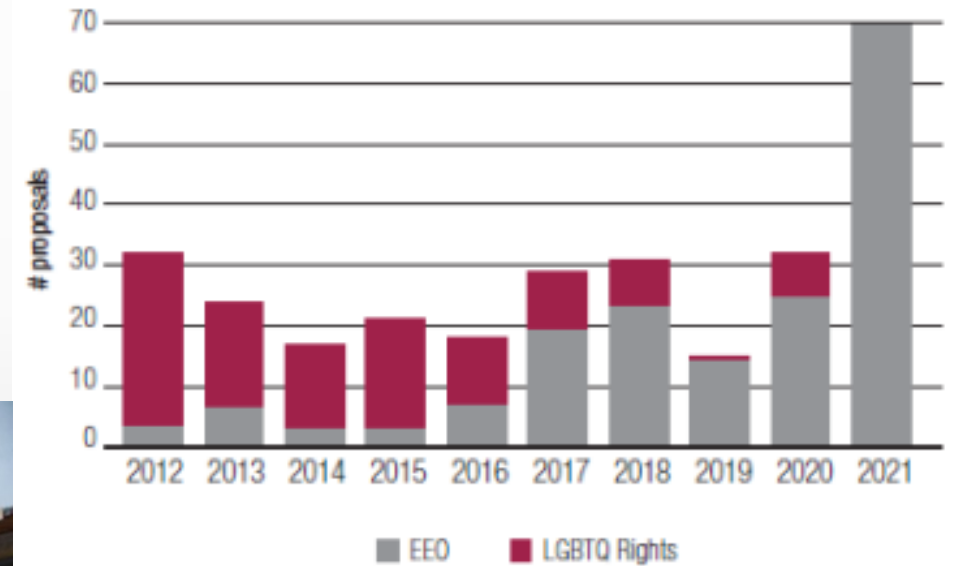


New Issues, Key Themes in 2021

Social Issues

- ✓ **Diversity at Work** (69 proposals, more than double the 32 filed in 2020)
 - **NEW:** Big NYC Comptroller campaign for EEO-1 (about 30 proposals)
 - **EXPANSION:** More diversity program reporting (22 proposals)
 - **NEW:** Apply “Rooney Rule” to employee hiring – AFL-CIO

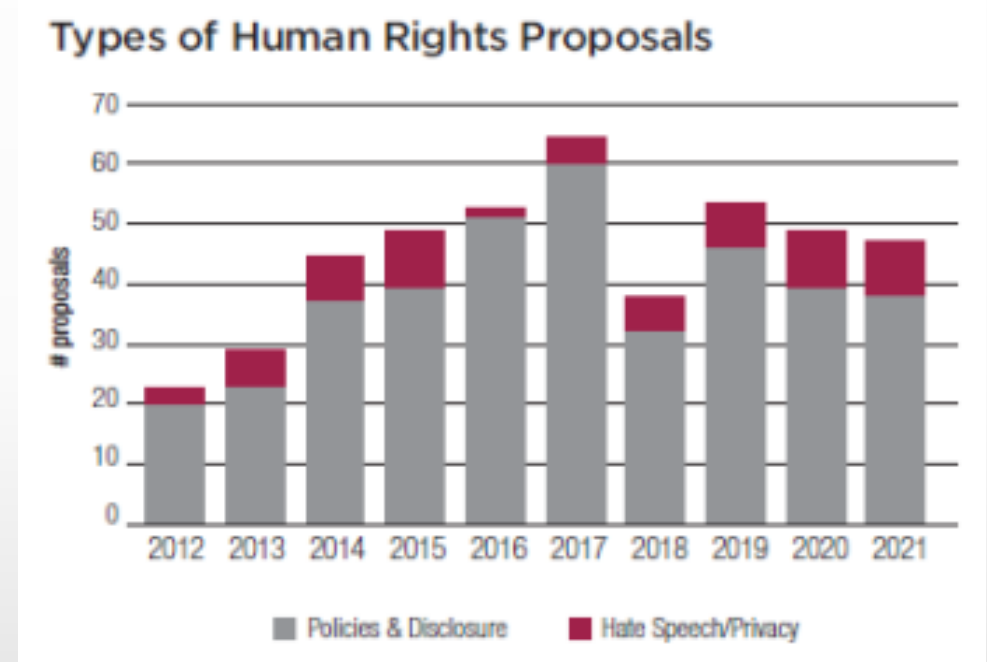
Types of Diversity Proposals



New Issues, Key Themes in 2021

Social Issues

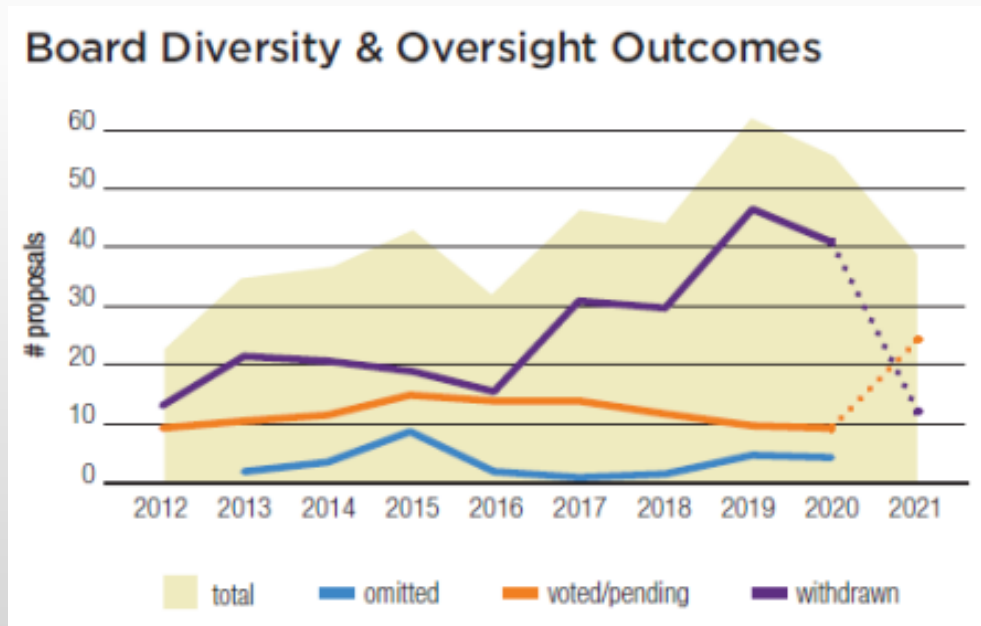
- ✓ **Human Rights** (47, even with 2020, different focus)
 - **NEW:** Racial justice audit: banks, drug companies (18)
 - **NEW:** Racial justice plan (As You Sow Scorecard)
 - **NEW:** Police connections (**Chubb, Target**)
 - Risk/ impact assessment (9 proposals)
 - Content management on social media platforms



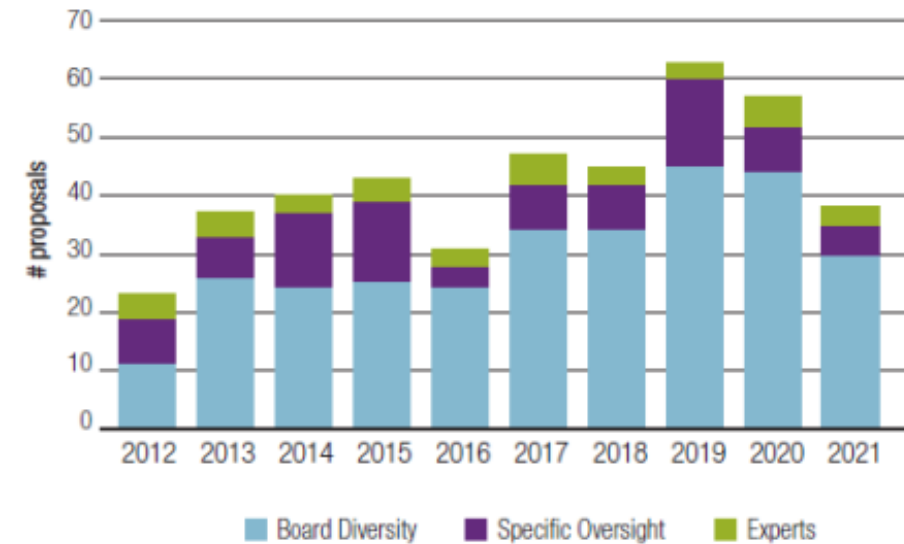
New Issues, Key Themes in 2021

Sustainable Governance

- ✓ **Board diversity** (30, lowest in 5 years)
 - Diverse CEO searches, “Rooney Rule” for all members



Types of Board Diversity & Oversight Proposals

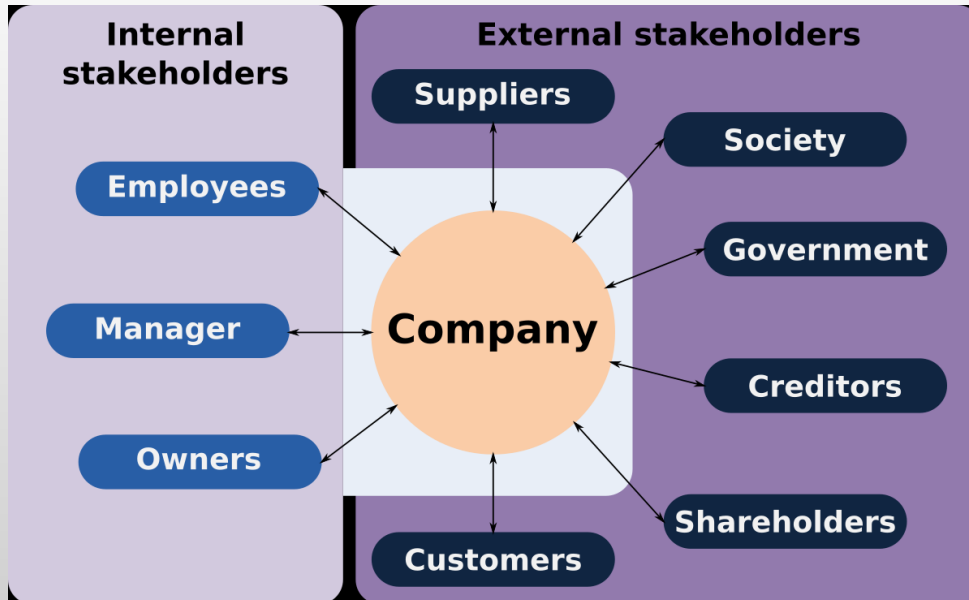


- ✓ **Oversight, Experts** (8, down from earlier)
 - **NEW:** Oversight of workplace equity (NYC)
 - Still pending at **Southwest, Chipotle**

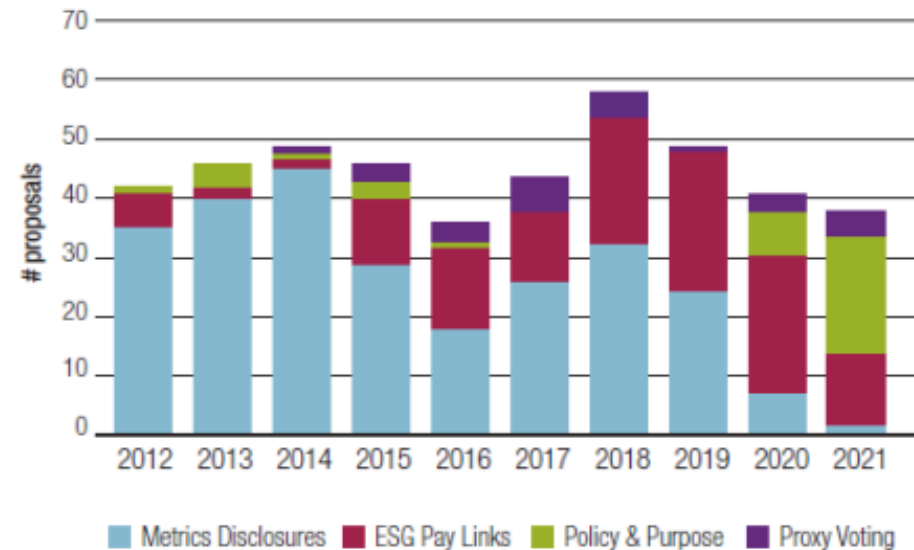
New Issues, Key Themes in 2021

Sustainable Governance

- ✓ Corporate purpose
 - **NEW:** become public benefit corporation (14 proposals)
 - How should companies implement “stakeholder capitalism”?
 - The Shareholder Commons, new group for universal owners



Types of Sustainability Proposals



- ✓ **Executive pay links:** Way down (12, down from 20)
- ✓ **Metrics:** Almost none
- ✓ **ESG proxy voting:** how should mutual funds vote?
 - **NEW** at **State Street:** Expand concept of materiality

About Si2

- ✓ Funded by colleges, universities, pension funds, asset owners with AUM > \$1 trillion
- ✓ Careful, impartial tracking and analysis of corporate reform campaigns and issues

Briefing Papers

In-depth topic analyses

Action Reports

Company-specific analysis 4 weeks before annual meetings

Engagement Monitor

Interactive online database
Prospectively identifies issues
Tracks outcomes

Proxy Season Analysis

Pre- and post-season assessments
Weekly email updates in season

Special Projects

Reports for the public on Si2 website on corporate political activity, climate change, integrated reporting and more.

Contact

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www.siinstitute.org

Climate and Energy



Michael Passoff

CEO

Proxy Impact

Carbon Asset Risk

Paris-Compliant Planning
GHG Emissions
Fossil Fuel Financing
Say on Climate

Forests
Extreme Weather
Plastics
Clean Energy



Climate Transition Planning

Paris Compliant Goals

- Keep global warming *well below* 2°C
- Pursue efforts for 1.5°C
- Net-zero emissions by 2030-2050

Resolved:

“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.”

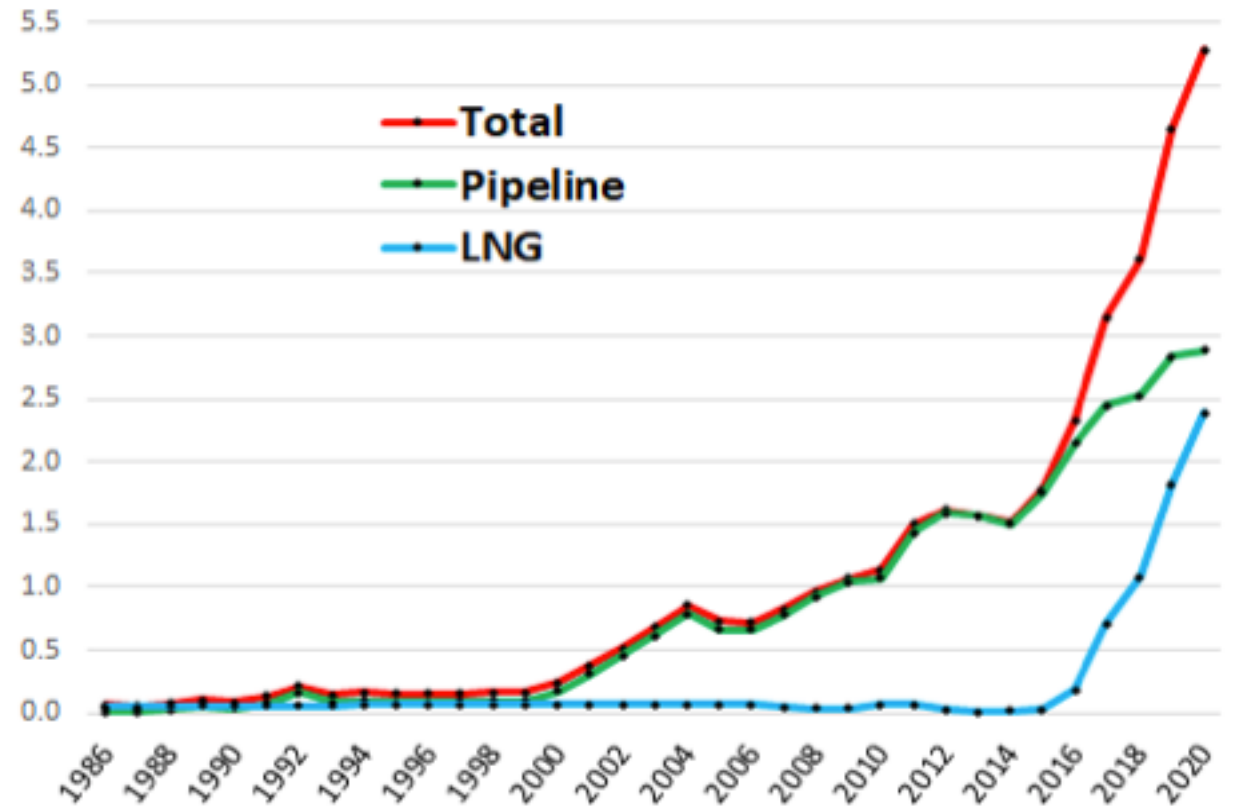


GHG Emissions / Methane

Concerns:

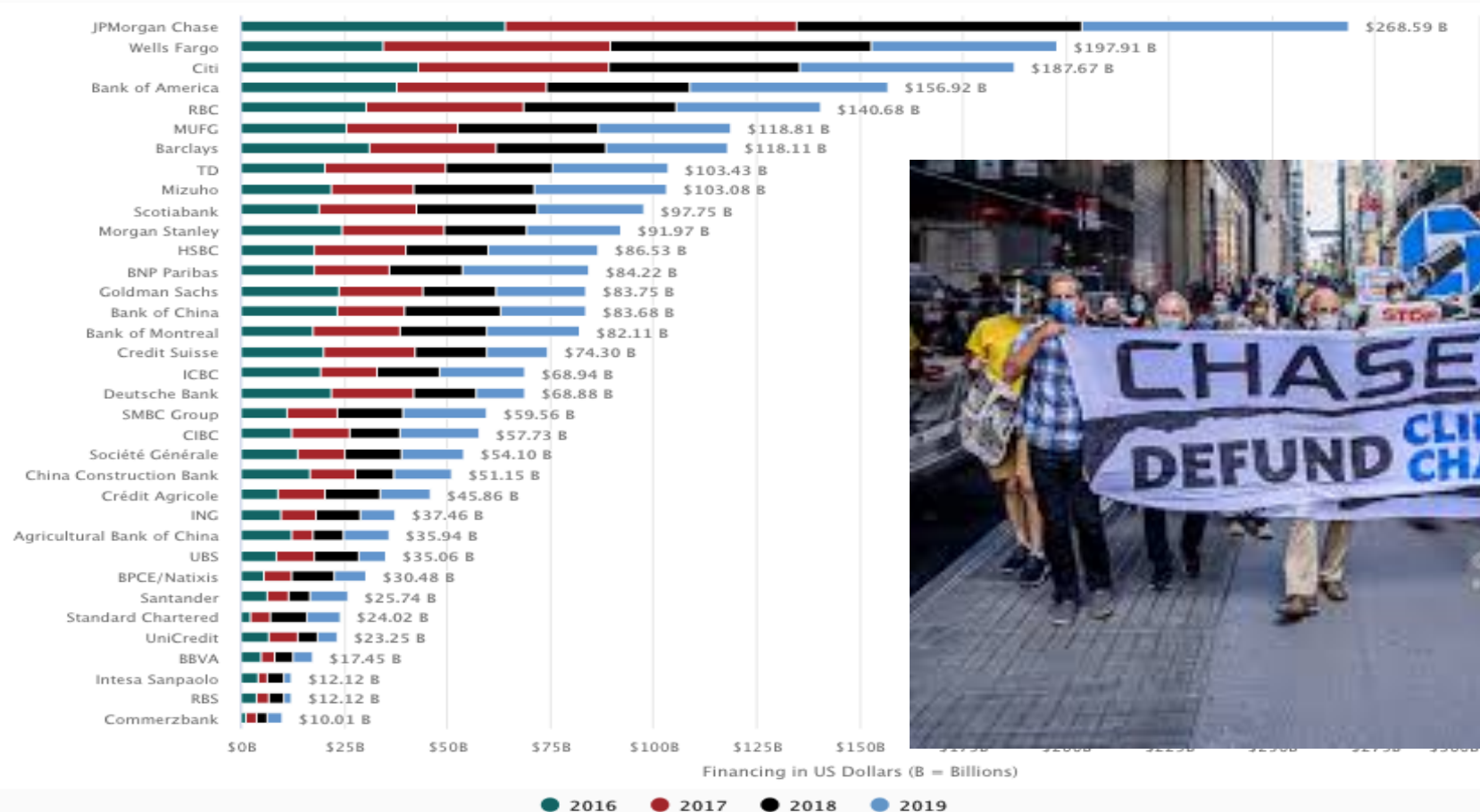
- Not close to Paris goals
- Lack of monitoring
- Super emitters
- Millions of abandoned wells
- Natural gas not a bridge fuel
- Methane 84x more potent than CO2 over a 20 year period

US Natural Gas Exports, Trillion Cubic Feet



Fossil Fuel Financing

JPMorgan Chase, Wells Fargo, Citi, Bank of America, Morgan Stanley, Goldman Sachs



'Say on Climate'

NEW

International Campaign

- 2021: 75 engagements
- 2022+ hundreds of corporate engagements worldwide



AS YOU SOW



Billionaire UK investor aims to force hundreds of companies to act on climate

Deforestation

- 10-20% Global GHG
- Modern Slavery



Extreme Weather

- 2020 Votes: 55% Phillips 66, 44% Chevron, 25% Exxon
- Public Health



Plastics

- **NEW** - Stranded Assets
- Waste



Energy Solutions

Net-Zero, Renewable Energy, Energy Efficiency

- NY State Common Retirement Fund – net-zero portfolio by 2040
- BlackRock wants net-zero goals
- Utilities - electrification



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A proxy voting and shareholder engagement service for sustainable, responsible and impact investors

- ✓ ESG vote guidelines
- ✓ Electronic proxy voting and reporting
- ✓ Shareholder engagement on social & environmental issues

Contact

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Climate Lobbying



Laura Devenney

Senior ESG Research Analyst
Boston Trust Walden



Boston Trust Walden

Principled Investing.

Climate Lobbying

The climate crisis cannot be fully be addressed by corporate net-zero goals. Companies must take congruent action to ensure their public policy advocacy also aligns with global goals.

The Ask

- Conduct an assessment on how the company's lobbying activities – both direct and through trade associations – align with global efforts to achieve net zero emissions by 2050 or sooner.
- Issue a report outlining the company's findings.
- Explain – and address – any misalignment in climate policy positioning.

Climate Lobbying

What's Playing Out

- Globally, nearly 50 companies have agreed to conduct a climate lobbying assessment.
- In the US, investors are engaging over 70 companies via Climate Action 100+ and Interfaith Center on Corporate Responsibility (ICCR) initiatives.
- Over a dozen US companies faced shareholder proposals at the start of proxy season – a number of these proposals have been withdrawn, due to agreement.

Racial Equity Audit Proposal



Tejal K. Patel

Corporate Governance Director
CtW Investment Group



What are the economic costs of racial inequality?

- Failure to address racial inequality gaps has cost the U.S. economy **\$16 trillion** over the last 20 years.



Accountability for Racial Equity Commitments



- Systemically important financial institutions
- Proposal requests:
 - Racial equity audit on adverse impact on communities of color
 - Stakeholder input



J.P.Morgan

Morgan Stanley



What is a Racial Equity Audit?

Independent and objective	Benchmarking
Board Oversight	Greater transparency

Independent and Objective Review

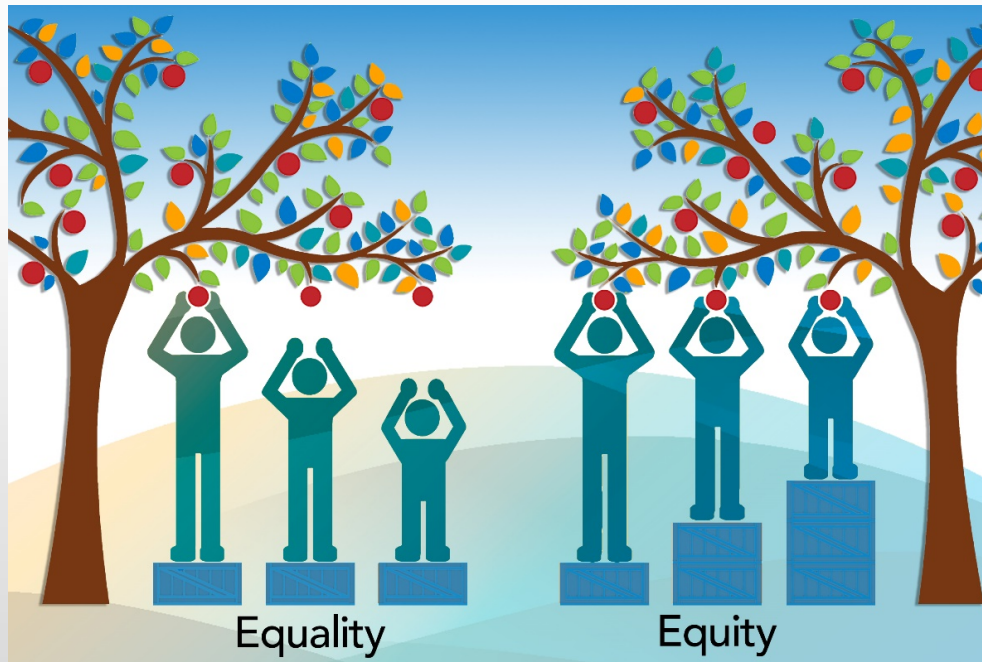
- Value of an audit is independent assurance.
- Board and management lack civil rights expertise.
- Outside stakeholders may not have the resources to manage a large scale review.



Benchmarking

- Regulatory and legal obligations are the minimum.
- Bias infects every element of how financial institutions work:
 - Lending algorithms
 - Human capital management
 - Philanthropic and political donations

Board Oversight



- Oversight of the effectiveness of management's programs.
- Talk to stakeholders to understand how to make their organization more equitable both internally and externally.

Greater Transparency

- Identify issues that banks may not be aware of.
- Public disclosure on the findings.
- Feedback from relevant stakeholders.



Are there examples of this type of audit?



Facebook



Starbucks



Airbnb

Other Proposals: JNJ

Johnson & Johnson



- **Proponent:** Trillium Asset Management
- \$10 million to fight racism and injustice; \$100 million for health equity solutions for communities of color.
- Sales of talc based powder continue globally.
- Donations to Congressional members attempting to overturn 2020 vote results.

Other Proposals: AMZN



Black lives matter

Amazon stands in solidarity
with the Black community

Read about what we're doing on blog.aboutamazon.com

- **Proponent:** New York State Comptroller
- \$10 million donation to promote racial justice.
- Wage discrimination allegations.
- Inconsistent policy enforcement on products promoting hate.
- AWS facial surveillance.



HELPING SHAREHOLDERS VOTE THEIR VALUES

For more information:

Copies of engagement letters and proposals available at:
<https://ctwinvestmentgroup.com/racial-equity-audit>

Questions and Answers



Heidi Welsh
Sustainable
Investments Institute
(Si2)



Michael Passoff
Proxy Impact

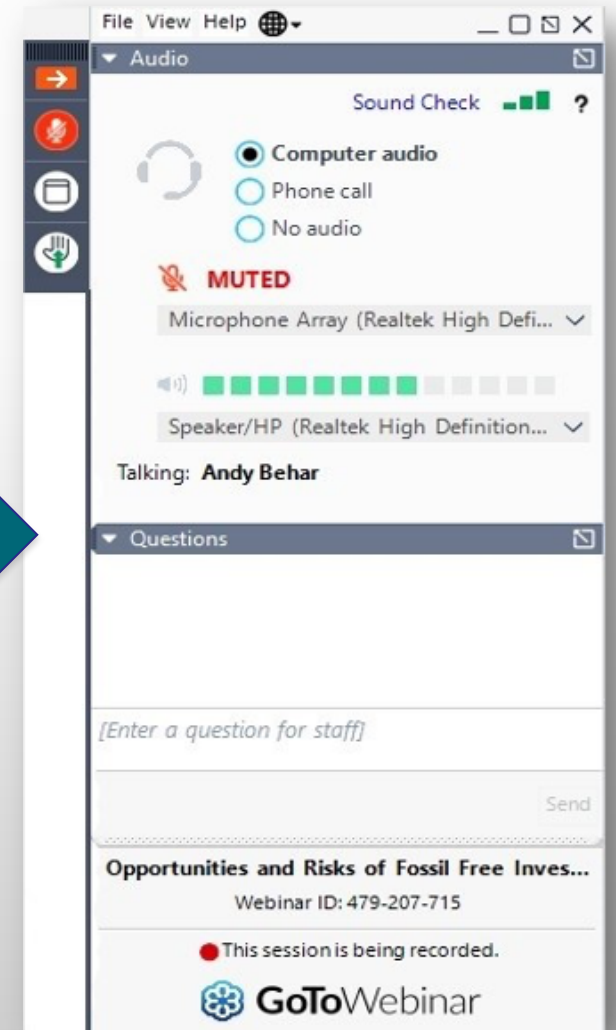


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- Use the Q&A window to send us your questions



Closing Remarks

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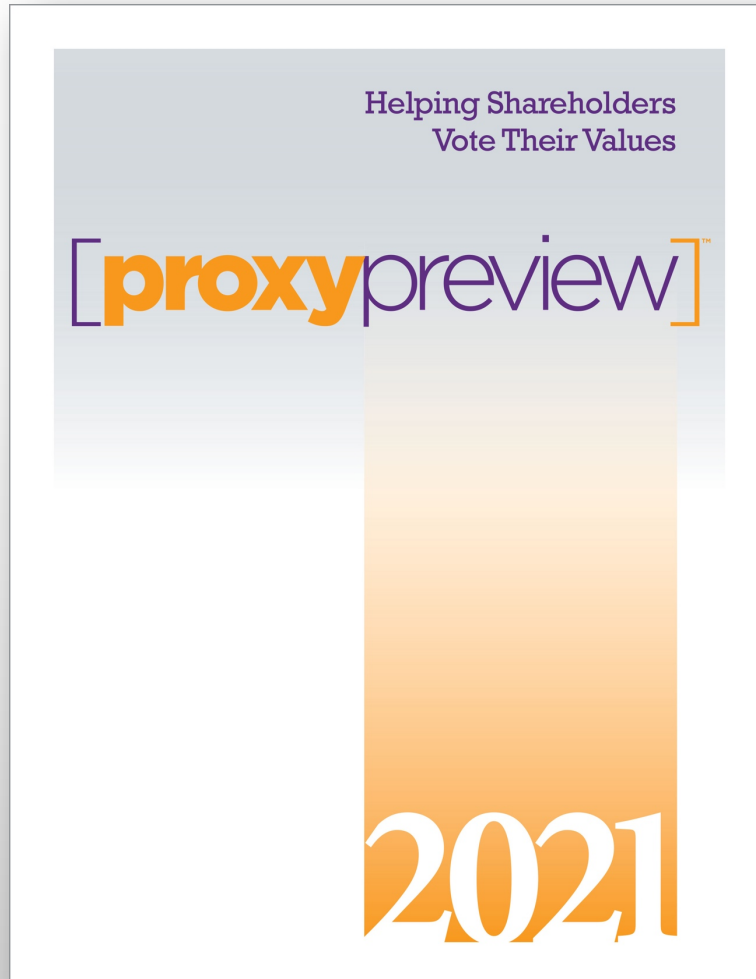
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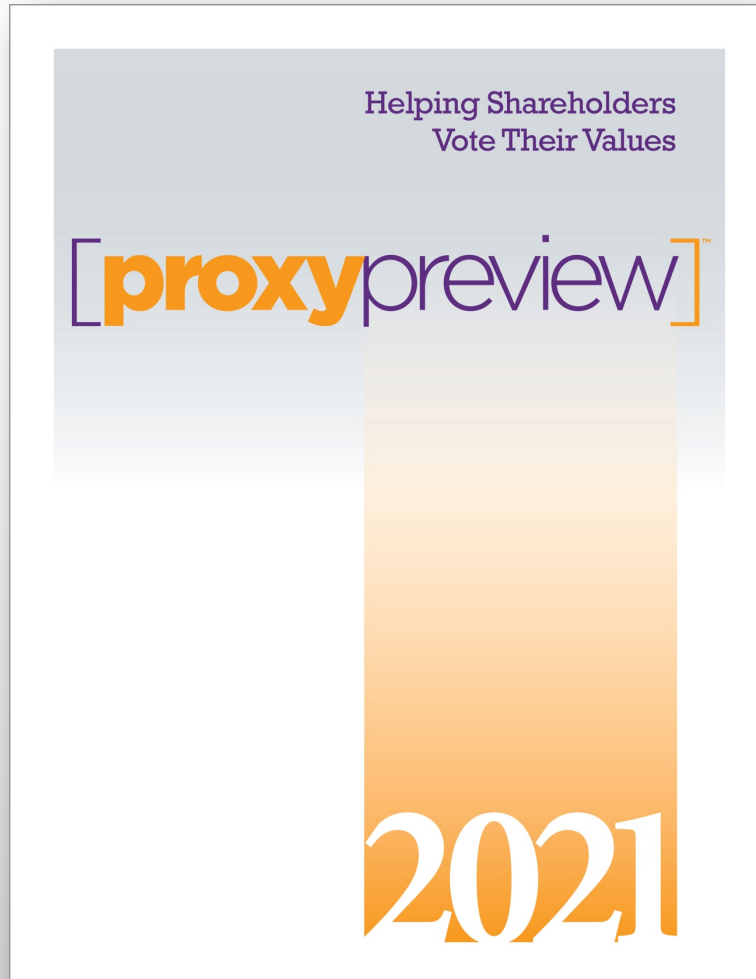


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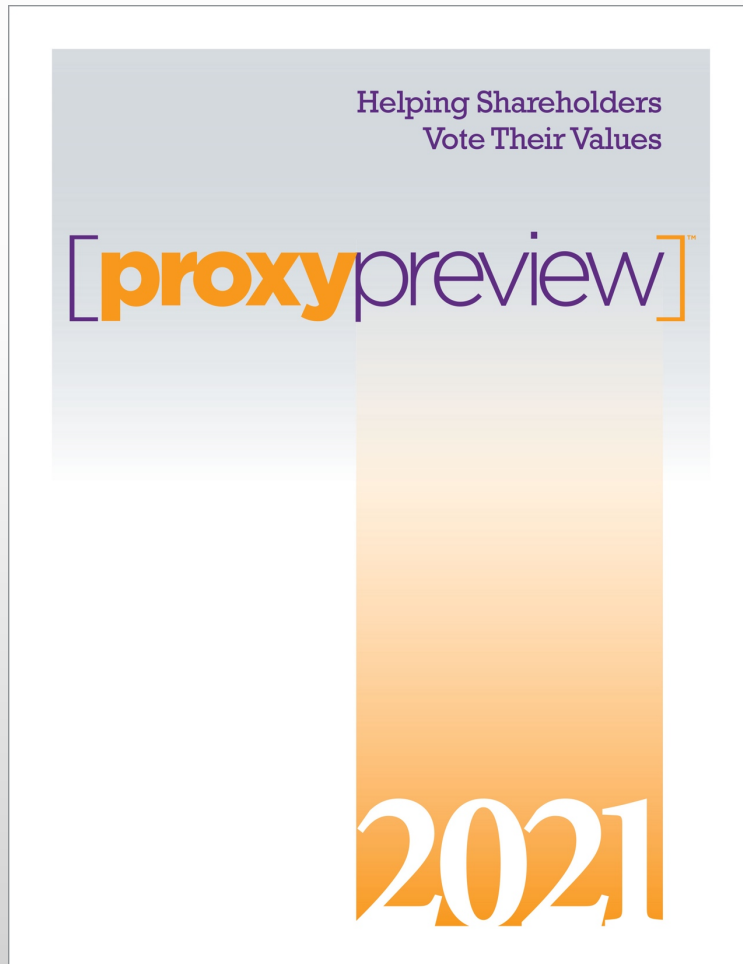
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